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Notes from Quality IT

Newsletter for Sage ERP MAS 90 and 200

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Headline News

At Sage Summit 2011, Sage announced plans to rename their software products to create stronger Sage brand recognition. In the coming year, Sage ERP MAS 90, 200, and 200 SQL will become Sage 100 ERP, Standard, Advanced, and Premium ERP. The new names will not change any functionality; the software will still be a great fit for your business just as it always has. You will see the new name reflected in future issues of this newsletter.

Optimize Inventory Management

Drive Performance Excellence Using The Tools Available In Sage ERP MAS 90

Performance excellence is a process rather than an end result, requiring a business to continuously examine and refine standard operating procedures across the organization. In this article, we focus on the powerful capabilities of the Inventory Management module of Sage ERP MAS 90 and 200 (soon is becoming Sage 100 ERP).

Balance Supply And Demand

The key to reducing costs while maximizing productivity is maintaining a lean inventory. This means having the right products available when customers need them while minimizing the expense of overstocking. To achieve this, you need to get a tight grip on your inventory at every stage of the supply chain, from procurement through production to shipping.

Effective inventory management requires detailed analysis of what to order, when to order it, and where to stock it. Not to mention tracking physical inventory, returns, and detailed information on the items you carry. As your organization gets better at managing inventory, you gain a true competitive advantage. With tighter control of costs, you will find yourself in a position to offer lower prices or faster shipping.

Smart Part Numbers

The Sage ERP MAS 90 Inventory Management module helps you keep inventory organized with intelligent item numbers. Using up to 30 alphanumeric characters, you can embed meaningful information in smart



part numbers such as UPCs, a vendor's number, recycling codes, and special handling requirements information. Pricing, cost, stock, and order information can be tracked for an unlimited number of locations for each item. The inventory status of each item, such as available for sale, not in stock, overstocked, oversold, on hand, on order, committed to sale/production are tracked by location as well.

Built-In Reporting

Extensive reporting capabilities provide the insights you need to optimize stock levels. You easily can monitor the activity, status, valuation, turnover, and month-to-month sales history of any inventory item. Profit analysis of each item and a month-by-month comparison of past pricing, and sales equip you with the big-picture insight into which items

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Optimize Inventory Management

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to carry and which to discontinue.

To help your staff stay on top of important metrics and to keep stocking levels precisely where you want them, we recommend scheduling alerts using Business Alerts or Sage Knowledgesync.

Leverage The Power Of The Purchase Order Module

When the Inventory Management module is integrated with the Purchase Order module, you can configure key items to be ordered automatically. When your on-hand quantity falls below a specified minimum level, Sage ERP MAS 90 will automatically generate a purchase order according to your specifications to the correct vendor to ensure that you never run out of key items. You can set up price schedules for specific vendors, product lines, or inventory items based on the standard cost or a specified discount method.

Measure Your Results

How do you know if your efforts to achieve a leaner inventory are working? Key metrics within your software can tell you. These include the average age of inventory, the average total value of inventory, and the percentage of total inventory value residing in inactive items.

The **Reorder Report** lists stock on hand that has reached a specified reorder point. The reorder point is unique to each item at each location. The suggested reorder quantity can be based upon an economic order quantity, maximum stock quantity, or reorder point.

Inventory Turns is another important metric; it compares the cost of sales to the average inventory value, generally over a year's time. You can use the **Inventory Turnover Report** to evaluate year-to-date inventory turnover.

Analyzing high and low turnover items can help determine which items are overstocked or have a low turnover rate, and which are under stocked or have a high turnover rate. This information enables you to adjust sale pricing and reordering strategies.

The **Sales Recap by Product Line** report in Sales Order shows sales by product line for the fiscal/calendar year and period/month, with an option to print warehouse sales detail for each product line. The information provided helps you to analyze product sales.

Pricing Flexibility

Another way that Sage ERP MAS 90 helps you to optimize profitability is through the flexible pricing features. Pricing promotions allow you to effectively market the products you want to move through inventory to maximize your profitability. Reporting tools within the module give you the insight you need to determine which products you should promote.

Detailed price schedules based on customer price levels and the quantity sold can be created for each item. Prices can be calculated as a discount on the standard price or as a markup of the standard cost and can be calculated based on standard cost, average cost, LIFO, FIFO, and lot/serial methods. Sales promotions and customer contract pricing also can be established. You can set up pricing based on cost plus a percentage or amount. You can assign a series of markup or discount price levels for each item.

Count On Sage ERP MAS 90 Inventory Management

With easily accessible information, you can make better business decisions about what merchandise to stock and how to price

ZOOM IN

ITEM NUMBER	DESCRIPTION	PROD LN	PROD TYP	UNIT	WHSE	QUANTITY ON HAND	AVERAGE INVENTORY	QUA
1001-HON-H212	HON 2 DRAWER LETTER FILE W/O LK	01-CONT	WFAA	FINISHED GOOD	EACH	000	10.75	
					001	17.00	3.75	
					002	19.00	2.50	
ITEM 1001-HON-H212 TOTAL:						0.00	17.00	
1001-HON-H213LK	HON 2 DRAWER LETTER FILE W/ LCK	01-CONT	WFAA	FINISHED GOOD	EACH	000	73.00	7.38
					001	0.00	3.25	
					002	8.00	0.63	
ITEM 1001-HON-H213LK TOTAL:						81.00	11.26	
1001-HON-H214	HON 4 DRAWER LETTER FILE W/O LK	01-CONT	WFAA	FINISHED GOOD	EACH	000	72.00	11.24
					001	33.00	8.00	
					002	9.00	1.58	
ITEM 1001-HON-H214 TOTAL:						114.00	20.62	
1001-HON-H214LK	HON 4 DRAWER LETTER FILE W/ LCK	01-CONT	WFAA	FINISHED GOOD	EACH	000	32.00	5.25
					001	9.00	3.00	
					002	1.00	0.38	
ITEM 1001-HON-H214LK TOTAL:						42.00	8.63	
REPORT TOTAL:						257.00	57.51	

The Inventory Turnover Report can help you determine proper stocking levels by showing you which items have a low turnover rate and which have a high turnover rate.

it. Analyzing your inventory history gives you the flexibility to plan special pricing to be more competitive. Taking the time to analyze the information provided by the Inventory Management module can help you formulate new or improved purchasing policies, sales policies, pricing methods, and even enhance customer service.

Are you taking full advantage of the reports and metrics available to manage your inventory effectively?

Please call us with your questions or for assistance. ★

FYI: Calculation Of Available Quantities And Costs

Customers often ask us how the Sage ERP MAS 90 Inventory Management module calculates costs and quantities available. Here we provide the explanation.

Calculating Quantity Available

Here we describe the calculation used for printing the quantity available on Inventory Management and Bill of Materials module reports. The calculation depends on the selections in the *Include in Quantity Available* in the Inventory Management Options window.

- » Due to the differences in vendor lead times from business to business, the quantity on purchase orders can be used when calculating the quantity available. To include quantity on purchase orders in the quantity available calculation, select Purchase Orders.
- » Due to the differences in manufacturing lead times, quantity on work order can be used in the quantity available calculation. To include quantity on work orders and quantity required for work orders in the quantity available calculation, select Work Orders.
- » To include both quantity on purchase orders, work orders, and quantity required for work orders in the quantity available calculation, select POs and WOs.
- » If you prefer that the quantity available calculation not to be considered in either purchase orders or work orders, select No POs and WOs.

The quantity available is calculated using:

[Quantity on Hand + Quantity on Purchase Order + Quantity on Work Order] - [Quantity on Sales Order + Quantity on Back Order + Quantity Required for Work Order].



Inventory modules. Below we describe the hierarchy used for each valuation or costing method.

Standard Valuation Cost Hierarchy

The standard cost from the Inventory Masterfile is the first value used for unit cost. If the standard cost is zero, the unit cost defaults to the last cost. If the last cost is zero, the unit cost defaults to the warehouse average cost. If the warehouse average cost is zero, the unit cost defaults to the item average cost.

Average Valuation Cost Hierarchy

The warehouse average cost from the Inventory Masterfile is the first value checked for unit cost. If the warehouse average cost is zero, the unit cost defaults to the item average cost. If the item average cost is zero, the unit cost defaults to the last cost. If the last cost is zero, the unit cost defaults to the standard cost.

FIFO/LIFO/Lot/Serial Valuation Cost Hierarchy

For purchases, the vendor last cost is the first value checked for unit cost. If there is no

vendor last cost, the last cost from the item costing file is used. If the last cost is zero, the unit cost defaults to the standard cost. If the standard cost is zero, the unit cost defaults to the warehouse average cost. If the warehouse average cost is zero, the unit cost defaults to the item average cost. Once goods are received, the cost is recorded in the FIFO/LIFO/Lot/Serial cost tier, and the specific cost tier value is used in all transactions.

Other Considerations

In the Sales Order module, the determination of what cost to apply is calculated during the Sales Journal Printing process. When using a pricing method that is a Markup Percentage or a Markup Amount and the standard cost is zero, the cost hierarchy is followed to determine the unit price.

In the Inventory module, the hierarchy determines the cost used in Inventory Transaction Entry for all transaction types.

In the Purchase Order module, the Auto Generate Orders Selection Window uses the following hierarchy when selecting *Update Unit Cost With*:

1. Standard Default or Last Unit Cost: the Primary Vendor's last cost is used.
2. Standard Unit Cost: the item's standard cost is used.
3. Average Unit Cost: the item's average cost is used.
4. If any of the costs are zero for the above selections, the unit cost used follows the cost hierarchy based on the valuation methods listed.

Please call us with your questions. ★

Inventory Item Cost Hierarchy

The valuation method of an item affects the order in which each type of cost is used in the Sales Order, Purchase Order, and

IN THE SPOTLIGHT:

The Benefits Of An Integrated CRM System

Sage CRM is an easy-to-use Customer Relationship Management system designed to help you build long-lasting customer loyalty and generate repeat sales. Built-in tools allow you to analyze, forecast, and report on key sales data. Marketing automation allows you to create, schedule, and track marketing campaigns. By integrating Sage CRM with Sage ERP MAS 90 or Sage ERP MAS 200 you gain a complete view of your customer interactions, and the opportunity to develop custom workflows throughout Sage CRM and Sage ERP MAS 90 or 200. Let's look at some of the benefits.

Sales Force Automation

Visual tools make it easy to manage all of your current and historical account details, activities, and opportunities. Built-in tools allow you to automatically distribute leads to your sales professionals based on criteria you define. Point-and-click reporting and graphs give sales teams access to real-time data for on-the-spot analysis and evaluation.

Marketing Automation

Powerful yet easy-to-use marketing tools make it a simple matter to schedule and track marketing activities within a campaign. Each detail of a campaign and the results can be made visible, providing a single source of prospect information to eliminate guesswork.

Customer Care Automation

Real-time access to a complete view of customer data—including purchase, call, and escalation history, support cases, e-mail

messages, and sales opportunities—provides powerful assistance in the critical process of building and managing lasting customer relationships. Sage CRM workflows make it easy to create customized, automated escalation processes.

Microsoft Outlook Integration

Sage CRM is tightly integrated with Microsoft® Outlook®. Changes made in Outlook are synchronized to ensure they are appropriately reflected in Sage CRM.

A Global View

Sage CRM is a great productivity tool for sales and marketing staff, but the benefits go beyond customer-facing teams. The integration of data across all of your business processes can transform your business as your staff works together more effectively and harmoniously. Time previously spent re-entering data is saved and accuracy is improved. Your team is able to accurately identify customer requirements and fulfill them quickly and profitably.

Integration with your financial system allows accounting staff to access the critical customer information usually held within the sales department. Overdue funds can be reduced, as your credit and collections and sales teams have access to the same financial information that enables them to collect outstanding debt.

Effective Process Management

Integrating Sage CRM with Sage ERP MAS 90 or 200 supports your organization

in managing the entire process of customer acquisition—from initial marketing campaigns and lead generation, through the process of quoting and winning the order, and finally to fulfillment and customer service.

Give us a call to discuss how Sage CRM can benefit your organization. ★

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