

## **Warehouse Coach**

*Improving warehouse performance*

### **Cycle Counting**

By Don Benson – [www.warehousecoach.com](http://www.warehousecoach.com)

One of the processes most every distribution center or warehouse consistently dreads, and that I continue to see in practice, is the once per year counting of the inventory. And yet many companies have for many years used a variety of alternate practices often called Cycle Counting to reduce their costs, improve the quality of inventory and order filling, and been able to eliminate the once a year event. The benefit of Cycle Counting substantial and yet often the resistance to change is great. If you have implemented Cycle Counting in your company, congratulations. You have taken a big step. For those of you that have not, you are missing a very big opportunity, and I encourage you to support the change with your management and financial department.

There are two elements to address in the implementation of this change. The first and hardest is to identify, define, and work with the resistance to change. While Cycle Counting is not a new idea, I often I hear a variety of reasons why it has not been implemented, including that we first need better systems, or our systems do not support Cycle Counting, our accountants or our auditing firm is not ready, etc. I suggest that usually these are all just stalling tactics, and usually because there is not a champion to take the lead, define the process, direct the changes, get the approvals, and make it happen. And, it is very important to recognize that there is valuable information in every resistance, because each of these elements must be addressed well to be successful. This is your opportunity to grow your skills while improving the performance of your organization.

The second and easiest element is the defining of the process for Cycle Counting. There are several methods to select what to count and when to count. One example is based on the activity of the items in the warehouse. First rank them and then:

Count "A" rank items (top 80 percent of sales or inventory value) six times per year.

Count "B" rank items (next 15 percent of sales or inventory value) three times per year.

Count "C" rank items (next 4 percent of sales or inventory value) twice per year.

Count "D" rank items (last 1 percent of sales or inventory value) and items with no sales count once per year.

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This method works well for maintaining accurate inventory counts because it focuses effort on the items that move the most, which are those with the greatest opportunities for processing errors.

A second method is based on the storage of materials and begins with dividing the warehouse area into geographic areas, and then start in one location and work your way through it until every location is counted. This method assures all parts are counted in a given period of time (perhaps every quarter) and may also turn up "missing" parts that may not be found in the ranking method.

For both methods, the counting should be done during a time in which there is not planned activity for those items to minimize the adjustments or opportunities for error. For example, I know many companies that do their counts on the slowest day each week.

A third method, and it is new in my experience, is to combine the inventory counting by location as a part of the picking process. This method requires picking being directed through RF devices and a small change to your Warehouse Management System to prompt for the information and take in the data. Specifically, when a picker is directed to a pick location and the system recognizes that the location inventory is close to zero (making it easy to count), or is due to be counted, or that there has been an inventory problem with that SKU, and inserts an instruction to the picker to count the inventory in the location and enter the amount before (or after) making the pick. By including this task in the normal work activity, the cost of Cycle Counting is further reduced and there are potentially additional benefits.

The remaining elements of this process are the same as what you might already be doing in the conventional inventory counting process, verify counts, correct errors, and then look for and correct causes.

You can make the change process simple or sophisticated. You can work with or against all those who are offering resistance. You know your company, and you are responsible for improving warehouse operations. Take the initiative. And if you need someone to talk with along the way, to build your plan, to understand alternatives, you can reach me at [coach@warehousecoach.com](mailto:coach@warehousecoach.com). If I can help you with this or other changes to improve warehouse performance, you can call me at 1-503-296-7249.

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