



THE BEST PRACTICE TO CONDUCT AN INVENTORY PHYSICAL COUNT

Conducting a successful physical inventory count requires proper planning, preparation, and staff training. Include managers or your supervisors in every step and ask for their insight and guidance to achieve the best outcomes. Make sure to start planning your count at least two weeks in advance.

When giving guidelines on how the inventory count should be processed, you could make use of the organization policy that you normally follow or set up new procedures every year. Here are some key steps that you should include in your plan.



1. MAKE A LIST OF PRODUCTS TO COUNT

Creating an accurate count sheet is of utmost importance. You should be updating this monthly, well before each physical audit. You want to be intimately familiar with all of the items making up this list. Make sure you update your sheet for new items received, as well as remove old stock. Make sure you have up-to-date costs and pricing associated with each item. If you're able to create a count sheet that is sheet-to-shelf, this will cut your count time in half.

2. SELECT AN INVENTORY COUNTING DATE

Ideally, you should conduct the physical inventory count on the last day of the period and before the new period begins. You want to count and complete your audit while the business is closed so you are not competing with the sale of the products.

3. CHOOSE THE COUNTERS WISELY

Once you work out a date for the count, it's time to choose the counters. Don't just assign the job to random employees. Ensure your team consists of seasoned staff or ones with some experience in inventory counting. Seasoned employees are more familiar with how the inventory is organized and where each product is located, allowing them to find and record items faster. Whomever you choose to count, you want to oversee all activity and ensure all work is done correctly and follows protocol. A trained Inventory Manager is a must.

4. SET UP A TRAINING SECTION FOR THE STAFF

Proper staff training is crucial to a successful physical count. Remember that the training section should be performed no more than one week before the actual count. Unlike your count date, you can pick a date or two for your training section, ideally during a less busy time to minimize workplace disruption.

Before the training, prepare a written standard operating procedure guide and familiarize your employees with the best practices for performing the count.



During the training, divide your staff into a team of two, in which one person does the counting, and the other is responsible for recording. Make sure you train your staff in two things: procedures and equipment. Equip the counters with written instructions on how to perform the count. It's also important to consider any possible possibilities, such as missing items, duplications, items in the wrong place, or equipment malfunction. Plan how you can handle these scenarios. Your staff may, for example, find a product placed on the wrong shelf. Let them know whether they should stop their count and report back to the supervisor, fill out a new card for the item they find and count it, or investigate the discrepancy.

Whatever counting equipment you're using, train your team correctly. If you're using count cards, teach staff how to complete them. If you're using electronic equipment like scanners, train the team on how to use all the necessary functions and troubleshoot any equipment issues. Give them instructions on how to deal with an unexpected situation like equipment failure. A PowerPoint demonstration of how to count the stock and the post-counting procedure will help the staff understand the procedure.



5. NOTIFY ALL RELEVANT PARTIES IN ADVANCE

Once you've planned the counting procedure, notify the staff of the training and counting timetable as soon as possible to ensure everybody will be available at the designated time. All the details, including the time, location, task description, and preparation, should be added to the notice.

Remember to let your partners and customers know about your counting schedule. Suppliers, partners, and customers should understand how your physical count will affect their operations. Send a message in advance with the date, time, and extent to which the count will affect them. Early communication allows your partners to contact you with questions and concerns and helps you mitigate customers' expectations.

6. CHECK THE NECESSARY SUPPLIES AND EQUIPMENT

Count tags, inventory cards, clipboards, pencils, and scanners—all the supplies and tools needed for counting inventory manually or electronically. Make a list of must-have equipment and order it ahead of time.

Remember to check if electronic counting devices like mobile scanners work properly. You should consider buying spare parts, charging the devices, and preparing enough batteries in an emergency. Also, if it's inventory management software that you're using, make sure you and your employees get the latest version.

7. PREVIEW THE INVENTORY

Take a walk around the stock room or warehouse. You may get some ideas about the challenges the counters will face and how to make those problems more manageable. There could be temporary physical obstacles that slow them down, for example.

8. PREPARE THE SPACE FOR THE INVENTORY COUNT

Designate any additional areas needed for counting. For example, if you pull out small parts to count in this area, set up bins to use during the count. The inventory area should be free from any clutter or trash.

9. USE A MAP

Utilizing an inventory map will be great if you want to stay organized and simplify the counting process. You can easily determine all the locations and sub-locations in the warehouse and assign the tasks for the counter accordingly.

Be as specific as possible. Sketch and add an identification number to every shelf and rack to aid in inventory tracking later. The more sections you map out, the easier the count will be. A detailed store map can also help you allocate staff and better oversee their performance.

10. TIDY UP YOUR INVENTORY

Take time to clean and reorganize everything in the warehouse to minimize the counting time. Ensure all items are kept where they're supposed to be and eliminate all the junk and faulty goods before the count.





11. PERFORM A MOCK COUNT (SOFT INVENTORY)

Ideally, a mock count should be conducted before the actual count. It gives you a rough guesstimate of the resources and time required to perform a total count. Conduct a “soft inventory” count daily with the items that, in the previous count, showed the most loss.

12. PRINT OUT THE COUNT LIST

Print the final list of the inventory-to-count the day before the actual count and review all the information one last time to ensure you don't leave out anything important. Remember to freeze any data entry in inventory management software to avoid any discrepancy unrelated to the count.

Once you've built a detailed inventory counting plan, it's time to decide how you will execute it. Assign a supervisor to each team of counters. They will oversee overseeing and reporting the result to the manager once the count finishes.

Then follow the steps to ensure a smooth and error-free physical count:

1. Freeze warehouse activities.
2. Hand out maps, product list printouts, and equipment to staff.
3. The staff start counting inventory in their designated area.
4. Staff enters information in the spreadsheets while counting. If using a handheld scanner, staff scan the item to transfer item details to the management software.
5. Once the count is complete, staff will return the spreadsheets or count tags to the managers. If the staff uses count tags, they affix the top portion to the stock or stockholding area.
6. If the count is done manually, managers will enter the data into the inventory software and compare counting data to the recorded number in the system.
7. The manager assigns an auditor to investigate any data mismatch.
8. Auditor then recounts or reconciles the discrepancies and resubmits any adjustments made to managers.
9. Once managers validate the count data, they will send it to the accounting department.
10. Accounting audits the inventory count data and approves the result.



13. FOLLOW-UP COUNT WITH CRITICAL ANALYSIS OF DATA

You need to follow up on your count by reviewing all your findings and finding the errors made. Once you've recanted the errors – update your count sheet and re-post the numbers. You should not change any numbers throughout the month; only one person should be responsible for this. It's crucial to find the mistakes and make your corrections immediately. You will usually find errors during product intake when entering the product into your POS and when physically entering the count.

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