Inventory System Setup: Manual vs. Computerized

This guide explains the distinct workflows and documentation required to implement both traditional manual systems and modern computerized inventory systems.

1. The Manual Inventory System

A manual system relies on physical documents, handwritten ledgers, or standalone spreadsheets. It is cost-effective for small businesses but labor-intensive.

Essential Steps for Setup

1. **Define Item Identifiers:** Assign unique names, descriptions, and SKU (Stock Keeping Unit) numbers to every item.
2. **Organize Storage Space:** Clearly label shelves, bins, and aisles. If a space can hold an item, it must have a designated name in your records.
3. **Establish a Baseline Count:** Conduct a comprehensive physical count of all items on hand before starting the ledger.
4. **Create Documentation Standard:** Design the forms (Bin Cards, Stock Ledgers) that staff will use to record every movement of goods.

Essential Manual Records

- **Stock Ledger (Master Record):** A book or spreadsheet listing all items, their descriptions, and current balances.
- **Bin Cards:** A card physically attached to the shelf or bin where the item is stored. It records every "In" and "Out" for that specific location.
- **Purchase Orders (PO):** Carbon-copy forms sent to suppliers to request goods.
- **Goods Received Notes (GRN):** A record filled out when a shipment arrives to verify quantity and quality against the PO.
- **Sales/Issue Slips:** Records used whenever an item is sold or moved to another department.
- **Stock-Take Sheets:** Documents used during periodic physical counts to reconcile "book" inventory with "actual" inventory.

2. The Computerized Inventory System

A computerized system uses software and hardware (barcodes/RFID) to track inventory automatically.

Essential Steps for Setup

1. **Requirement Analysis:** Determine if you need real-time tracking, multi-location support,

or integration with a Point of Sale (POS) system.
2. **Hardware Procurement:** Purchase barcode scanners, RFID tags, or mobile tablets for warehouse staff.
3. **Database Configuration:** Set up the digital architecture, including categories, tax rates, supplier profiles, and reorder thresholds.
4. **Data Migration/Entry:** Import existing inventory data from spreadsheets or manual logs into the new system.
5. **Integration:** Connect the inventory software with other departments, such as Accounting, Sales, and Purchasing.
6. **Staff Training:** Train employees on scanning procedures, digital "picking" lists, and system troubleshooting.

Essential Computerized Records

- **Digital Inventory Database:** A centralized, searchable record of every item, including cost, location, and history.
- **Electronic Purchase Orders:** Auto-generated orders often triggered when stock hits a "reorder point."
- **Audit Trails:** Digital logs that show exactly who moved an item and when, providing high accountability.
- **Real-Time Analytics Reports:**
  - *Low Stock Alerts:* Notifications when items need replenishing.
  - *Inventory Turnover:* Reports showing how quickly items are selling.
  - *Valuation Reports:* Instant calculation of the total value of stock for financial statements.
- **Barcode/RFID Logs:** Automated records created every time an item is scanned during receiving, moving, or shipping.

Summary Comparison

Feature	Manual System	Computerized System
Primary Tool	Paper Ledgers / Bin Cards	Software / Databases
Tracking	Periodic (at end of day/week)	Real-Time
Accuracy	Prone to human math errors	High (automated calculations)
Cost	Low initial cost	Higher upfront investment
Scalability	Difficult for high volume	Designed for growth