



### **Perpetual Inventory Relies on People**

A perpetual inventory system, in which material movements are tracked in real time, brings efficiency and cost savings when it's properly used. But since the system is only as good as the data, some systems just record a perpetual series of errors.

Employees make mistakes. Of the errors that throw off inventory figures, these are some of the most common:

- Taking an order incorrectly.
- Failing to record a material movement.
- Scanning items or pallets incorrectly.
- Storing stock in, or filling an order from, the wrong stock location.
- Misreading an order, either for item or quantity.
- Confusing units of measure.
- Failing to segregate damaged or obsolete goods from salable product.
- Entering bad data. With data entry now everyone's job at virtually every stage, foul-ups are inevitable.

All these errors happen more frequently when employees handle exceptions. Recording scrap, for example, may not be a priority for employees whose evaluations reflect scrap rates. And returned goods, because they fall outside the routine, can easily slip into wrong locations.