BUSINESS GUIDE

The Limitations of QuickBooks for Inventory: Your Complete Guide

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The Limitations of QuickBooks for Inventory: Your Complete Guide

Small and midsized brands can avoid future technology headaches and compete more effectively by using a cloud Enterprise Resource Planning (ERP) system right out of the gate.

Startups initially tend to manage their inventory manually, entering inventory data into QuickBooks to integrate it with financials. But as a company grows and/or starts adding sales channels, this method becomes time consuming and more prone to errors. The next natural step to solve this problem is to find a solution that manages inventory outside of QuickBooks.

There are a variety of inventory management solutions in the QuickBooks partner ecosystem. These are typically easy to set up and many claim to sync easily with QuickBooks' accounting features. But this approach is not without problems. Organizations often wind up with multiple systems that don't communicate well with one another. Bridging the gaps across those solutions requires spreadsheets, email and manual work, all in an attempt to create logical functionality out of multiple inventory management systems.

For example, a company might launch using QuickBooks and Shopify and fulfill orders with a 3PL. When the company adds an online marketplace channel, it needs another system to manage inventory information for the new channel. All of these systems then need to be synched with the 3PL and then staff have to monitor everything for errors.

Many companies operate like this, adding workarounds to their current systems and hiring more people to manage manual processes that continue to pile up. It's hard to track how much time they're wasting on manual processes, how many data entry errors they're making and just how severely a lack of operational visibility is impacting their bottom lines.

Yet, it doesn't need to be this painful. Many companies make the wise decision to invest in a comprehensive system that combines accounting, inventory management and more in a single data model, simplifying processes and eliminating the need for manual workarounds or having to continually add point solutions.

This guide explores the key challenges that new companies face when they pick the "inventory management solution + QuickBooks combo" and shows why moving to NetSuite's cloud ERP helps companies avoid early software missteps, grow faster and achieve scalable success.

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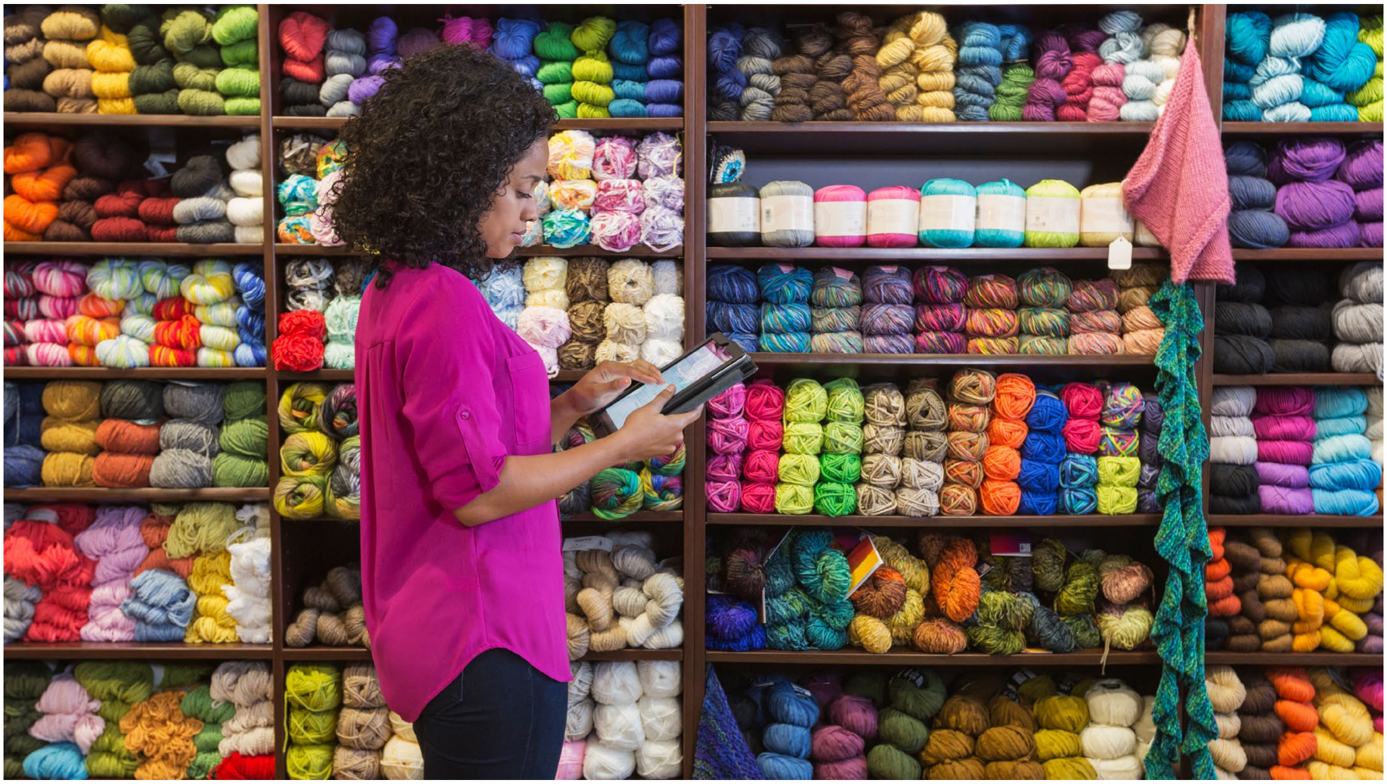
CHAPTER 1

Outgrowing a Starter System

As a starter system, QuickBooks can be a logical and economical choice for a company to handle its accounting needs. A company can set up a chart of accounts and manage its vendors and customers through accounts payable and accounts receivable, respectively. The problem is, QuickBooks doesn't handle inventory. There is no information on what inventory is available to sell, what has been ordered and is enroute. Since inventory positions are reconciled at month's end in QuickBooks, there's no real time snapshot of what teams can sell and what's been promised to which customer.

Manually importing inventory and order data from each sales channel into their accounting system at the end of the month might be feasible for a company that's managing a small amount of inventory, but as that company's stockkeeping units (SKU) count rises, order volumes expand and/or sales channels expand, then tracking that inventory and fixing the errors associated with multiple data entry is both costly and time-consuming. That means companies need a QuickBooks add-on inventory solution from vendors like SkuVault, Shopify, Stitch Labs, Skubana or TradeGecko to manage their inventory.



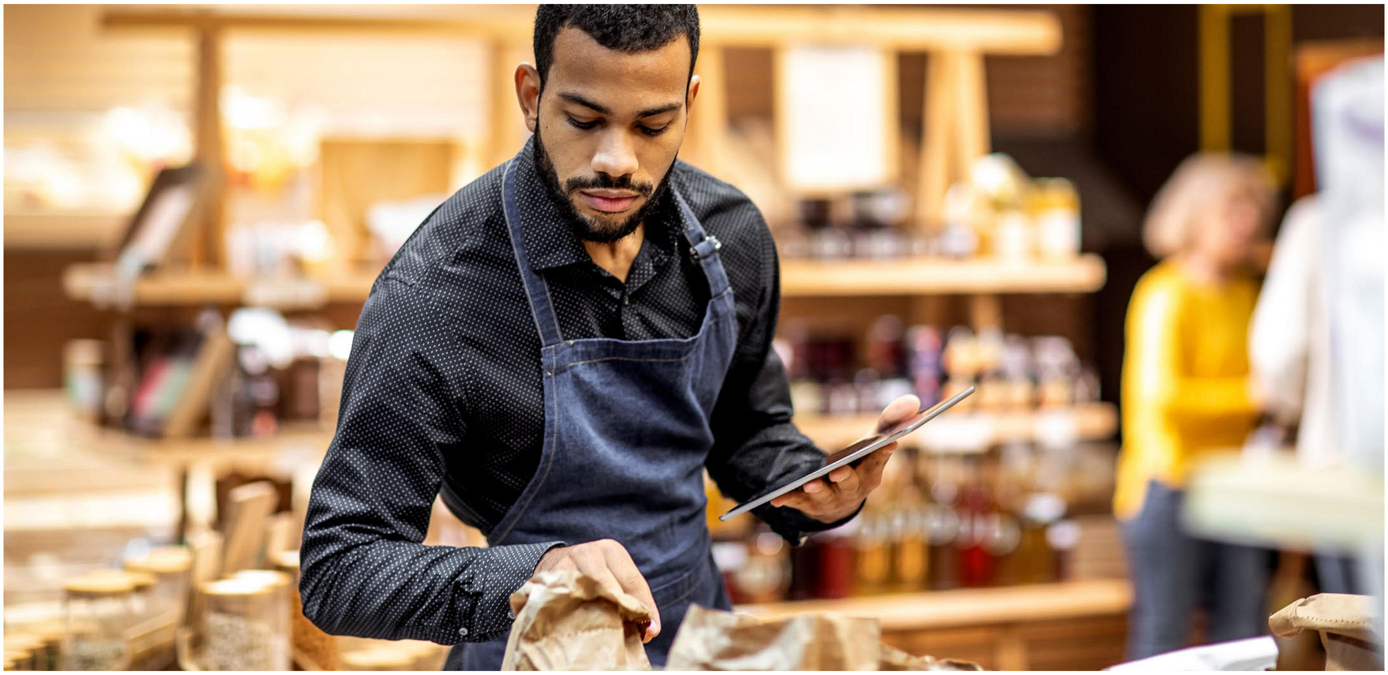
CHAPTER 2

Taking the Path of Least Resistance

Eager to get up and running quickly, companies often implement these individual inventory solutions yet still find themselves maintaining inventory spreadsheets to track inventory, hunting for information in emails and maintaining integrations between multiple solutions. These solutions "sync" with QuickBooks, but the integration can be error prone and needs to be manually monitored. Organizations that take this approach have to import inventory and order data into QuickBooks at month-end to ensure that transactions post correctly to the general ledger.

As a company's order volume grows, this can compound the inaccuracy of inventory and sales data and require many hours of manual labor to monitor and fix. The disconnect between accounting and inventory control leads to inaccurate sales projections, the inability to pinpoint revenue sources and poor inventory allocation.

Much of the fault lies in the fact that inventory solutions lack real-time integrations with QuickBooks. These systems require vigillence over the integration, an extra step that can only be avoided by using a unifed platform, eliminating as many connection points as possible.



CHAPTER 3

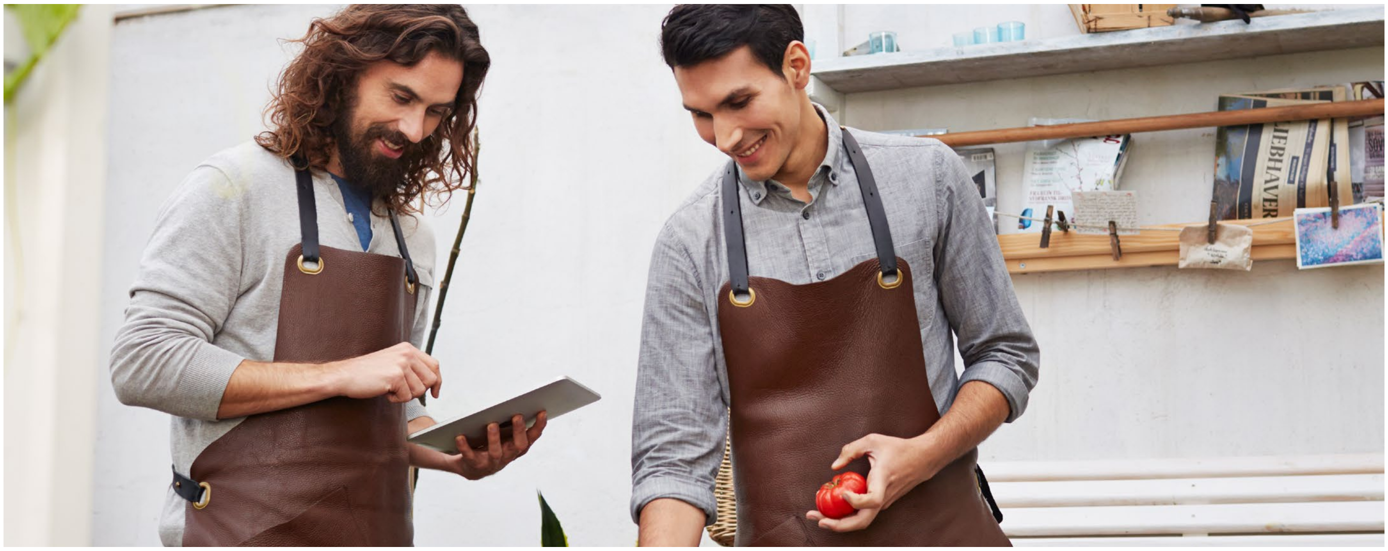
Don’t Repeat Your Mistakes

Organizations know when they’ve outgrown QuickBooks. Once they start importing a higher volume of orders and manually reconciling inventory, it becomes immediately clear that this basic financial system can’t handle these processes without a lot of manual intervention. They can’t hire people fast enough to keep up.

Before long, these companies are dealing with a patchwork of technology systems to manage inventory that:

- Can’t scale to meet their growing businesses’ inventory management needs.
- Don’t connect directly with the company’s financial systems.
- Require too much manual effort and error-prone spreadsheets.
- Are difficult and cumbersome to use because each solution has a different technology base, user experience and set of functionalities. Going from one solution to another—often with manual steps in-between—creates a poor user experience (it also makes training new hires difficult and costly).
- Lack key capabilities (e.g., supply chain and warehouse management).
- Don’t provide granular data for good analytics, reporting and decision-making.

Limited by these and other problems, companies come to the conclusion that, instead of looking for yet another point technology solution, they should do what they should have done in the first place: implement a cloud-based ERP solution. Those that don’t are generally doomed to repeat this exercise every few years as their companies grow and as their inventory management needs become even more complex.



CHAPTER 4

When Inventory Management Solutions Can't Scale

When Topo Designs' wholesale channel took off, the outdoor living apparel brand realized that a lack of integration between QuickBooks and Stitch Labs wouldn't support its growth.

Since Topo Designs also sells direct to consumer (D2C) on its website, its Stitch Labs system limited the visibility the company needed to assess inventory levels across its sales channels and plan future fulfillment of wholesale orders. A lack of order management and real-time key performance indicators (KPIs) would have made it difficult for the company to scale up operations.

Ready for a change, Topo Designs switched to NetSuite's cloud-based platform in 2019. Today, it has a unified view of its entire supply chain, allowing the organization to prioritize order allocations based on inventory levels.

"One of the biggest challenges from our prior system setup was that we weren't able to promise future purchase orders to future sales orders, or allocate those sales orders to future purchase orders," said Matt Williams, Operations and Finance Executive, noting that this lack of visibility impacted how Topo Designs allocated available to sell inventory.

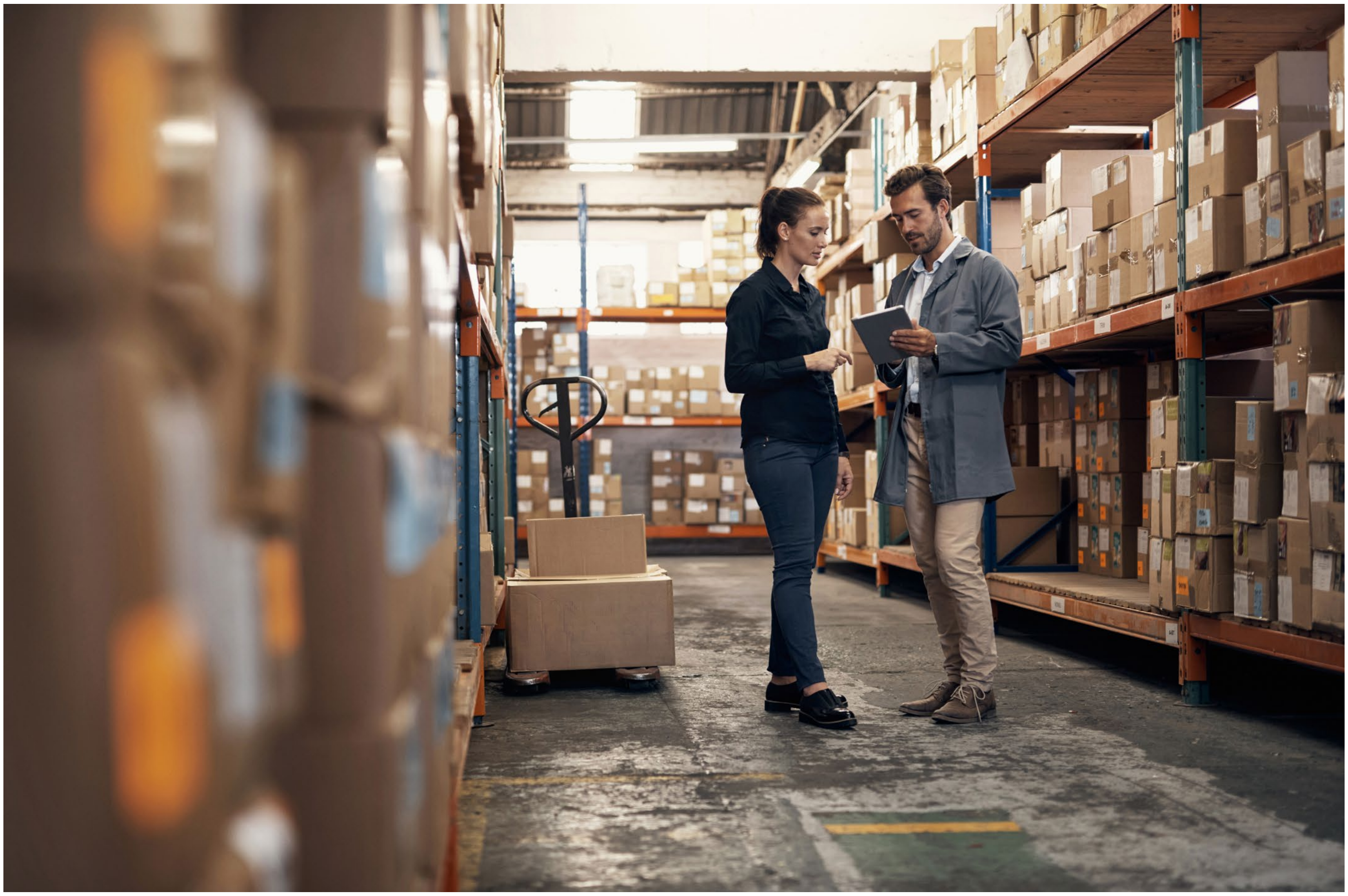
> "Stitch Labs was not able to handle that. It was a bit of a mess. Moving to an ERP system streamlined the business and has allowed us to flourish in other channels."
>
> **Matt Williams, Operations and Finance Executive, Topo Designs**

Similarly, Chubbies, a brand that made its mark with boldly printed short shorts for men, had realized the challenges with Stitch Labs. "There were inconsistencies in data between our D2C and B2B business— so we were really looking for a system that would help centralize all that information and automate reporting," said Hunter Leeming, Internal Operations Manager. "From the wholesale perspective, our business took off very quickly. We were getting big orders and needed to be EDI [electronic data interchange] compliant. Stitch Labs wasn't able to support the size of the orders we were dealing with."

Topo Designs and Chubbies are not alone. Businesses using Shopify, QuickBooks and inventory management solutions like Stitch Labs often find themselves maintaining integrations and double-checking spreadsheets to make sure transactions are accurate. With NetSuite, inventory, order, customer and financial data are on a single system. Orders come in from ecommerce, marketplaces or solutions built specifically for B2B wholesale ordering in real time. NetSuite provides application program interfaces (APIs) and an ecosystem of partners that maintains NetSuite integrations for their customers. SDN Partners and Built for NetSuite solutions are vetted to ensure integrations are fully functional and adhere to NetSuite standards. SDN partners are also required to keep their solutions on the latest NetSuite release.

NetSuite also provides industry-specific software editions set up by experts in wholesale distribution, manufacturing and retail.

You don't need to be a large, established corporation in order to reap the benefits of a unified business platform. Some companies skip the Shopify + QuickBooks + inventory management step altogether and use an ERP system right away. That way, as they grow, there's no need to switch platforms while in the middle of a growth spurt.



CHAPTER 5

A Matter of Supply Chain Scale and Sophistication

These problems don't stop at inventory management, but extend to the broader supply chain. The more channels and customers a company wants to manage, the more sophisticated its supply chain needs to be in order to support this diverse mix. And the more complexity that's built into a business, the bigger the argument in favor of adopting an ERP system early. As the companies above learned, spending years moving from point system to point system can drag down an operation, limiting business opportunities and growth to the point where it finally has to "stop the insanity!" and make the move to a fully-integrated business management platform.

Companies that ignore these limitations face serious struggles in today's fast-paced online selling environment, where double-digit upticks in ecommerce sales have put new pressure on organizations to coordinate selling, inventory management, supply chain and accounting simultaneously.

Wasted time and growth limitations go hand-in-hand and impact all functions, not just accounting. For example, many companies use spreadsheets to track manufacturing work in progress (WIP). With the same spreadsheet including multiple versions of the same information, users never know which is the most accurate. Much effort goes into keeping these spreadsheets current and correct—manual work that wastes time, requires added staff and throttles company growth.

A notoriously finicky system that doesn't easily import or export data, QuickBooks requires constant manipulation of the actual data integration layer to operate properly. The company's accountants are usually the long-suffering heroes in these scenarios, often spending up to six weeks manually reconciling records across multiple different systems just to be able to produce an accurate balance sheet.

CHAPTER 6

Time for a Reliable Inventory Management Partner

Founded over 20 years ago, NetSuite also provides peace of mind in a technology sector that can be unpredictable. Just when a company thinks it has the right combination of technology in place, all it takes is for one vendor to stop supporting an application or go out of business to throw their entire system into disarray.

When Square acquired Stitch Labs in July 2020, for example, the latter stopped taking on new customers and sunsetted its inventory management product the following spring. The move left a lot of companies scrambling to find a replacement inventory management system right in the midst of a global pandemic and massive ecommerce sales spike.

Yet, it doesn't take a vendor to sunset a product or go out of business for companies to realize that their inventory management platforms aren't working for them anymore. For many, reality hits when they're adding a new channel (i.e., wholesale or retail) and the gaps in their existing systems manifest themselves in the form of order errors, late shipments and irate customers. Lacking clear visibility into their supply chains, organizations are forced to use guesswork and estimates (neither of which cut it in today's same-day/next-day delivery world).

In other situations, companies using Shopify + QuickBooks are surprised when their basic accounting system can't keep up with their growing transaction volumes.

Managing new subsidiaries, new product lines or new brands across multiple solutions is incredibly painful and usually results in a lot of manual labor to reconcile across various versions of QuickBooks. With automation, NetSuite handles all of these functions (and more) while also eliminating the need for manual data entry.

Companies that fear having to "give up" their existing point systems when they implement ERP can rest easy knowing that NetSuite also plays well with others. With a complete ecosystem of partner solutions that extend the functionality of its ERP platform, NetSuite lets you keep systems like your ecommerce platform, marketplace software or wholesale purchasing solution while extracting the full value from your ERP.

Knowing that starter solutions can only take an organization so far—and that evaluating and implementing ERP systems takes time—NetSuite provides the solid foundation that growing companies need to be able to hit the ground running and then scale up as their businesses demand it. Those companies that don't make this necessary investment in their future now will surely miss out on capturing marketshare and throttle their growth potential.

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