Infor Distribution A+

CUSTOMER CONSIGNMENT OVERVIEW

Maintaining customer satisfaction requires you to be as flexible as possible. Your customers may request that you place your inventory at their sites on consignment. To meet this need, we developed Customer Consignment, which allows you to place inventory at your customer's site and withhold billing until the inventory has been sold or used. Customer Consignment is fully integrated with your Distribution iBusiness (A+) system and its power rests in your ability to offer your customers additional options when they purchase goods from you. Customers can now receive goods into their own warehouses and pay you for them as they sell or use them. Not only does this allow your customers to enjoy the convenience of maintaining a quantity of items in-house that they can pay for as they sell or use them, it also frees up valuable space within your own warehouse. Customer Consignment also provides you with the ability to test the sales of new products without initial liability to your customer. With Customer Consignment, you can transfer and track inventory through an easy-to-use and set up system.

Using Customer Consignment

Customer Consignment provides a means by which you can track inventory that is on consignment at your customer's site, which is identified by Distribution iBusiness (A+) as the consignment warehouse. The following topics outline the tasks that you must perform to successfully utilize Customer Consignment.

Define a Consignment Warehouse

Before you can place inventory on consignment, you must define at least one consignment warehouse for each company using Customer Consignment, and you can assign a physical warehouse to it. The consignment warehouse represents your customers' sites to Distribution iBusiness (A+) and contains all consignment inventory for specific customers/ship-tos. This "logical" warehouse is created to track external customer consignment inventory. Inventory is tracked in the warehouse based on the customer/ship-to to which the inventory is consigned; similar to how items can be tracked by the warehouse locations in which they are stored in a physical warehouse. Information regarding which customers have consignment inventory and how much each customer has is stored by Distribution iBusiness (A+) in the Customer Consignment Item Balance File (CABAL).

Each company can have an unlimited number of consignment warehouses, but a physical warehouse can be assigned to only one consignment warehouse. Physical warehouses act as "ship from" warehouses for consignment warehouses. Consignment warehouses can be set up to service different branches of your company (such as a New York branch and a Seattle branch), or, consignment warehouses can be set up to handle certain types of products or customers.

The consignment warehouse should have only those items that are placed on consignment assigned to it. All item pricing is used from the originating warehouse level. If Warehouse Management is installed, lot/serial number tracking is supported in the consignment warehouse.

The Customer Receives Inventory

Once you have created your consignment warehouses, inventory can be moved into them using previously existing Distribution iBusiness (A+) functionality or a process designed specifically for Customer Consignment. This process is called a "Stock Transfer" order.

Moving Inventory Using Existing Distribution iBusiness (A+) Functionality

The following functionality will support the movement of consignment inventory:

- an inventory warehouse transfer transaction, which moves inventory from one of your physical warehouses to a consignment warehouse
- a purchase order created for a consignment warehouse, which allows inventory to be shipped directly from a vendor to a consignment warehouse
- a warehouse transfer purchase order created for a consignment warehouse, which allows inventory to be shipped directly from one of your physical warehouses to a consignment warehouse

Moving Inventory Using a Stock Transfer Order

Consignment inventory can be moved to a customer location via a "Stock Transfer" order. This is a no-charge sub-type of a regular sales order and provides a simple, efficient way to transfer consignment inventory through Order Entry. You can add special charges to the stock transfer order to bill the customer for any fees associated with the transfer. When a stock transfer order is created:

- usage demand for the items is tracked for the physical warehouse
- normal picking and shipping functions must be completed (unless an invoice only stock transfer order is entered)
- the General Ledger inventory account is updated for the physical and consignment warehouses
- Sales Analysis is not updated

Stock transfer orders can also be created through Customer Consignment to replenish stock in consignment warehouses based on minimum and maximum on-hand item quantities defined in Customer Consignment Item Balance Maintenance (MENU CNFILE).

Inventory is Sold or Used

Based on your consignment agreement with your customer, there are multiple ways in which you can become aware that a customer has sold or used consignment inventory. As your customers sell or use your inventory that is housed at their sites, they will notify you or you can send a sales representative to the customer site to identify how much consigned inventory has been sold or used at certain intervals.

Once you decide to bill your customer for goods that have been sold or used, simply enter a "Customer Consignment Invoice Only" order through Order Entry, which is a sub-type of a regular invoice only order, for the customer/ship-to and consignment warehouse. This allows you to bill your customers for the goods they have used or sold. You have two pricing options when charging a customer for consignment inventory. You can charge the customer for:

- the price of the items at the time the "Stock Transfer" order was created.
- the price of the items at the time the "Customer Consignment Invoice Only" order was created.

Invoices can be automatically generated based on consignment item usage or item balance entries.

When you bill a customer for consignment inventory, consignment inventory in the consignment warehouse is depleted and Sales Analysis is updated either for the consignment warehouse or the physical warehouse. Demand is updated (according to the requested ship date) in the physical warehouse when the inventory is transferred. Based on your setup of Customer Consignment, at invoice time, demand is decreased in the physical warehouse to offset the sales that are created by the invoice, since demand was previously updated by the stock transfer. Also based on your setup of Customer Consignment, all General Ledger accounts can be updated for the default ordering warehouse or for the consignment warehouse. If you choose to have accounts for the default ordering warehouse updated, all accounts for that warehouse will be updated except for the inventory account, which will be updated for the consignment warehouse.

Inventory is Tracked

Once inventory is received into the consignment warehouse, it can be tracked through various inquiries and reports. The inquires/reports allow you to:

- inquire about a particular item's transaction history and the current quantity of the item available in a consignment warehouse.
- inquire about a particular customer/ship-to and the related item transaction history, including the current quantity of the item available in the consignment warehouse for each customer/ship-to.
- print a report to review information by customer regarding the items on consignment in a consignment warehouse. For all units of measure, you can review the on-hand quantity, quantity in process, quantity on purchase order, and quantity allocated and available for each item.
- inquire about an item using the Item Inquiry, which allows you to drill down to the item's transaction history and to transaction history related to a specific customer/ship-to.

Additional Customer Consignment Features

In addition to the processing steps explained above, functionality is available to help you through various scenarios. The following topics explain several scenarios and Customer Consignment's answer to them.

Transferring Consignment Stock From One Customer/ Ship-to to Another

In some instances, such as negotiating consignment with a customer with multiple ship-to addresses, it may be necessary to move consignment stock from one customer/ship-to to another customer/ship-to. To move this stock, you have three options:

- transfer the inventory through Customer Consignment
- perform an inventory warehouse transfer to and from the same consignment warehouses
- create a warehouse transfer purchase order

Processing Consigned Inventory Returned to You

Occasionally, a customer may need to return consigned inventory to you. To process these returned goods, you have three options:

- create a "Stock Transfer" sales order from the consignment warehouse for the customer/ship-to
- perform an inventory warehouse transfer from the consignment warehouse to your physical warehouse
- create a return requisition for the consignment warehouse

Processing Consigned Inventory Returned to Your Customer

In this scenario, you are notified by your customer that sold consigned inventory has been returned and will be placed back on consignment. To process this type of transaction, create a customer consignment invoice only order for the consignment warehouse. The shipping warehouse must be set to the consignment warehouse and negative quantities of items must be entered in this scenario. You can also process this type of return by creating a return order. Creating a return (R type) order will activate RGA and RTV processing; creating an invoice only order will not.

Customer Consignment Interfaces

Customer Consignment interfaces with the following modules:

- Inventory Accounting - to set up a consignment warehouse and transfer consigned inventory into it and out of it and to track balances of inventory on consignment
- Order Entry - to ship consigned inventory to and from your customers upon their request, and to create invoices for the inventory as it is sold or used
- Purchasing - to create purchase orders to ship inventory to and from your physical warehouse or from a vendor to the consignment warehouse
- General Ledger - to set up the company's transfer definition by warehouse and establish different G/L accounts by warehouse, allowing consignment inventory to be posted to a separate General Ledger account
- Warehouse Management - to define the consignment warehouse with the recommended setup options and create the single location for the consignment warehouse

- Cross Applications - to define user-level security options and update your existing Purchasing warehouse-level options to accommodate the recommended settings for a consignment warehouse

Each interface allows for specific functionality that aids in the implementation and performance of Customer Consignment. Other modules have been modified to prevent the deletion of data pertinent to Customer Consignment as well as to aid in the module's set up. Only the interfaces that entail major set up and processing steps are included here.

Bill of materials, bids, quotes, and work orders are not supported by Customer Consignment in consignment warehouses. Inventory Management & Planning will still calculate demand and forecasts in the same ways; Inventory Management & Planning was not enhanced to forecast at the consigned customer level. Also, since stock transfer orders are shipped from physical warehouses, Radio Frequency can be used to pick and ship confirm stock transfer orders. However, Radio Frequency functions cannot be used in a consignment warehouse.