# CRAFTYBASE

# Getting Started Guide

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## Introduction

# We understand that new inventory systems can feel daunting to begin with.

Not only do you need to figure out how everything works, you need to also decide on how to structure your products and materials and then after all this also how to account for previous stock - that's a lot of work to do before you start to see results!

This eBook aims to help you through this "learning curve": we'll take you through the terminology of our system and show you how everything works together so that you have the knowledge you need, right from the very start.

In this book, we will firstly cover a little bit of basic inventory and MRP theory, then move on to how we refer to parts of the system, what they do and how they work together. We'll also cover how to think about the best ways of entering your past data and identify some strategies to keep your records updated during the year.

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# Inventory Bookkeeping Basics

This is designed to be a quick primer about inventory bookkeeping. It's a little different to how you approach your regular accounting, so this is an important section to work through.

You may have in the past treated your accounting obligations in a "incomings and outgoings" type of way: this is a very simple way that many small businesses operate as it allows them to simply claim all expenses incurred against their revenue made in the financial year.

However, as a small manufacturer you have some additional obligations to consider.

As a manufacturer with "significant inventory" (which encompasses almost every maker), the taxman expects you to be reporting your material usage costs as part of your COGS ("Cost of Goods Sold").

So, let's now talk about COGS for a little bit so that we get a feel for what it actually means.

## Cost of Goods Sold

Your Cost of Goods Sold (COGS) is essentially your calculated cost to produce all products that you sold within the year. This should include all materials used to create the product, however it should not include any of your own labor.

If you resell products that you don't make, this can be fairly straightforward to calculate as the cost for each is quite easy to calculate: if you buy 20 widgets at $10 and resell them all in the period, then your cost of goods sold would be $200.

However, for manufacturers it's unfortunately a bit trickier to calculate: this is due to the fact that measurements of several ingredients are usually involved, and these ingredients are often purchased at different times for different costs. This is where specialised software like Craftybase can really be of help - our system is designed to take all of your usage records and turn this into a final year COGS tally for you: automatically.

The COGS approach has one significant advantage to the basic expense / revenue approach: it allows you to always keep your expenses in line with your revenue. This translates into much more predictable tax bills and can really help with planning your cash flow - for a small business, this is a hugely empowering thing!

It also allows you to purchase your materials in bulk / ahead of time without committing to use them in the financial period. This means you can purchase your materials now and

gradually offset your costs against your revenue as you grow - again, this is a HUGE deal for most small businesses.

## Weighted Average Cost

Craftybase uses what is known as a Weighted Average Cost for your material and product costings. This inventory costing strategy is also known as the moving average or rolling average method.

This is an accepted IRS / GAAP method of accounting for inventory and is the one most commonly used in manufacturing situations as it effectively allows for "pooling" of similar materials. This method is in contrast to the FIFO / LIFO approaches in which individual usage of materials needs to be tracked and logged.

The Weighted Average Cost method involves recalculating all unit costs for materials and product material cost each and every time any change is made to inventory levels based on the amount available in stock at each point in time. Each time a stock level is changed, a audit record is added to the system with details of the change.



$ 1.40 EACH                                      $ 1.65 EACH
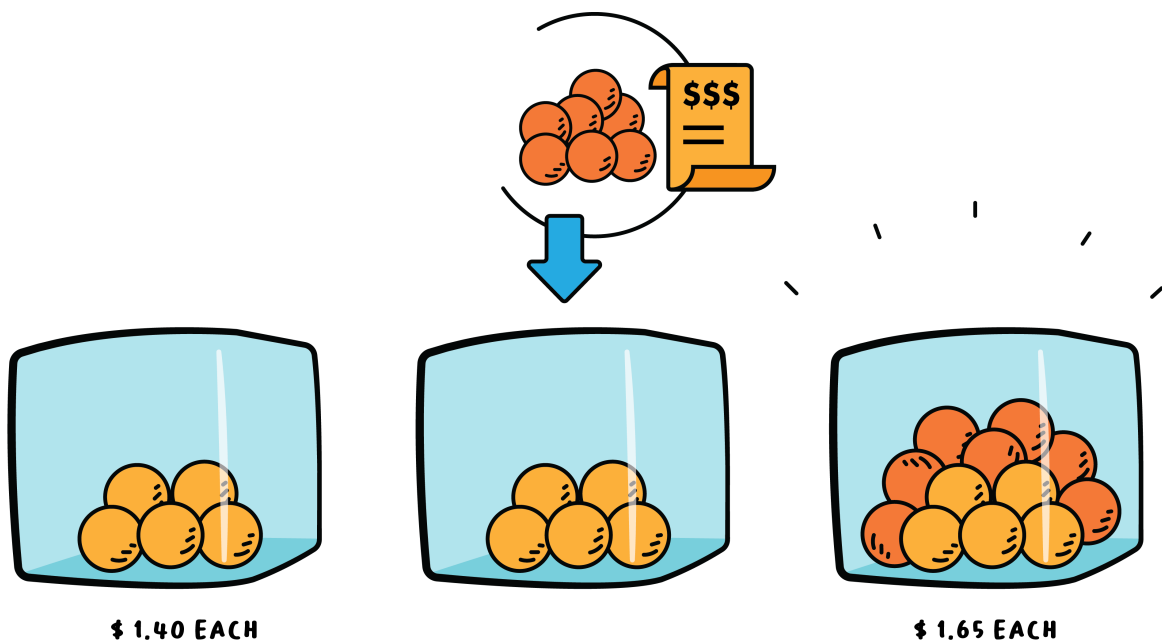
For materials, changes to inventory levels occur when more of the same material is purchased, or a manufacture is created using some of the material.

For products, changes to inventory levels occur when the product is manufactured or sold.

The best way to visualise how weighted costing works is by imagining boxes - one for every single one of your different materials and products.

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Each time you add or remove more stock to one of your boxes, your unit price for the box recalculates instantly for every material or product inside. Adding lots of stock with a low unit cost will dilute the unit cost for all stock in the box - they will all be slightly cheaper as a result. Likewise, adding stock with a high unit cost will increase the cost of all stock inside the box.

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## The Accrual Method

Craftybase uses the Accrual Method for all reporting. This means that the revenue or expense is included when initially raised, not when it has been paid. For POs, this would be the date where the stock was purchased and for orders this is the date of sale.

The main reason is that perpetual inventory systems need to track two things: how much your stock is worth, and exactly when the stock enters and leaves your possession. As the cash method provides the possibility for stock to be received and sent without the associated revenue and loss being accounted for beforehand, this can create a mismatch between stock costings, your total revenue and your tax liabilities.

For example, using the cash method if you have a 60 day payment term on a customer account you could send the order in November and they would settle the payment outstanding in January. The cost of the goods sold in November will be factored into your Cost of Goods Sold via your final inventory value at end of year, however the revenue generated (that you may be wanting to offset) would not be able to be accounted for until the next tax year.

## Perpetual Inventory Tracking

There are two generally recognised ways of tracking inventory: Periodic and Perpetual.

Periodic systems involve undertaking a complete count of your inventory at least once a year and logging this information as a "snapshot in time". In between counts, it is not possible to know your current stock levels which can be a major disadvantage to this approach.

Excel spreadsheet programs are examples of this way of tracking your inventory - they are useful for very small businesses with low levels of turnover but can quickly become hard to manage as your inventory demands become greater.

Craftybase is a Perpetual Inventory System which means that stock changes are entered and calculated in real time rather than once or twice a year. Every time a material purchase is made, a product is manufactured or an order is shipped this is recognised as a stock change. Every stock change, up and down, is logged as a separate record in the database, and trigger complex recalculations to - this results in a system that can tell you exactly how much stock you have on hand and exactly what it is worth.

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## What is Craftybase?

Craftybase is a perpetual inventory and manufacturing application designed specifically for in-house manufacturers that sell via DTC channels.

Our features allow you to:

• Keep real-time inventory totals for both products and raw materials

• Track your orders, purchases, customers and products

• Calculate your COGS and inventory asset values for tax time

• Price your products accurately based on their material value and your labor

• Create full traceability paths for your manufacturing flow, from purchase to sale

• Keep track of your stock at external locations

• Create traceability records for CPSC and GMP

Craftybase is completely web-based software, meaning you can access our features anywhere and all data is stored and backed up securely in the cloud.

It is recommended that you seek the guidance of a financial advisor before using Craftybase in order to prepare any tax or financial reports - requirements can differ around inventory and COGS based on your company structure and location of business.

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## Products

A product is any item you sell to a customer. In Craftybase, we use products to group together your variations so that you can see at a glance your complete inventory.

### Importing your products

Craftybase offers the ability to connect and download your products from a number of popular online ecommerce applications (we call these "sales channels"). If you don't have a presence on any of these channels, that's fine - you can create and manage your products manually, or bulk import them from a spreadsheet.

If you import your products from a sales channel then a link between the listing on the sales channel and your product on Craftybase will be automatically created. Each time you make a sale on your connected sales channel, Craftybase will automatically import your new order details, link the sale to the correct product and update your inventory levels.

Sales channel imports occur automatically at 5am each morning in your local time zone. If you wish to import data between your automatically scheduled times, you can fetch manually via the option on your sales channels page.

Depending on how you have structured your product listings on your sales channel, you may find that after your first import that you wish to restructure the imported products to better suit your manufacturing workflow. You can merge together products within Craftybase - this retains the linkages of all merged products so that future orders and purchases will be associated correctly.

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## Increasing your product stock

Product stock can be increased by manufacturing your product. This tells Craftybase to increase your stock on hand and also is the way to simultaneously decrease your material stock on hand for any materials used in the manufacture. Alternatively, initial product stock can be increased via Starting Adjustments (see Backdating your product stock for details on how to account for initial amounts).

> Using Inventory Adjustments to increase your stock on hand is not recommended as it will be costed as zero - this method should only be used for starting adjustments or when products are gifted at zero cost to your business.

## Decreasing your product stock

Product stock is decreased by creating an order for your product.

Craftybase will decrease your Committed stock when the order is placed: when shipped, your order will be fully removed from your stock tallies. The material cost of the stock shipped will then be calculated and removed from your inventory values (for COGS).

> If your product count is reduced as a result of loss or breakage, Inventory Adjustments can be used for this purpose: by categorising these adjustments, you can see at a glance how much it cost you in non-order related stock decreases.

## Personal Use Deductions

Product withdrawn from your inventory for personal use can be tracked and reported on by categorising using the Personal Use category. A tally of all adjustments in this category will appear on your Schedule C report, as well as your Product Adjustment report.

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## Stock counts

High level counts of your product stock can be found on the Products page. This summary can be useful to check low stock levels or to see which products need to be manufactured.

On Hand: This is the physical stock level representing all adjustments up to present day and should represent what is actually on your shelf. This includes unshipped orders as these are still technically on hand in stock although not available to sell. If your historical adjustments are incorrect, this value can potentially be negative.

Committed: This is the total quantity of your unshipped orders for this product. When an order is marked as shipped, the stock will move from this count to your Shipped count (more details below).

Available: This is your stock on hand with committed stock removed. It represents the amount of stock you have available for sale. If your current stock committed is more than your current physical stock, this can become a negative number - in this case, it usually indicates that you need to create more manufactures to fulfil any outstanding orders.

Shipped: This is the total quantity of shipped orders of this product. This is essentially your count of fulfilled orders.

## Low Stock Limits

Craftybase allows you to define the minimum quantity of any product that can be held in your Available stock before it is marked with a status of "low stock". You don't need to use this feature if this isn't important to you, but it can be a good tool for being aware of stock you are running low on before you run out completely. Low stock limits can be set on your edit product page.

Example: I set my "Lavender Soap" product to have a low stock limit of 6. When my stock level reaches 6, then this product will be marked in my list as "Low Stock" so that I can see at a glance that I need to make more of this product.

## Sales Quantity

This feature can be used to define how many items the system should decrease your inventory by each time you register a new sale of this product. This is handy if you sell identical items in sets.

Example: I sell "Lavender Soap" as a pack of 3 bars, so I would set my Sales Quantity as 3. When I add / import a new Order for this product, my Available stock for this product will be reduced by 3 each time automatically.

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# Variations

## Variations are great for tracking similar products that have small differences between them.

You can create an unlimited number of variations under the one product and manage manufactures, orders and adjustments for each.

Recipes can be created for variations, so you can maintain exact lists of materials for each different variant.

> TIP If you have many different available combinations (e.g. have a product that is customisable with many options) then it may not be feasible to create recipes for each variation. In this situation, it is often best to configure a base recipe on the product and manually add the different materials to each manufacture you create.

## Variation Attributes

Variations are created from unique combinations of variation attributes, which are lists of the available options for each property you track. These attributes can be imported from a sales channel, or manually created.

Example: The Woodland Creatures Sweatshirt Product has two available customization selections: Size and Creature. In Craftybase, the Variation Attributes could be:

Size: Small | Medium | Large
Creature: Grasshopper | Ladybird

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# Materials

## Materials are the raw ingredients that you use to make your products.

There are two types of materials that can be created within Craftybase: Inventoriable and Non-Inventoriable. Most of the time, you'll be dealing with Inventoriable.

## Inventoriable Materials

If a material marked as Inventoriable, this tells the system that this is a material that is directly used to create your product. Inventoriable materials can have inventory stock levels and are included in your Cost of Goods Sold calculations.

## Non Inventoriable Materials

Non-Inventoriable (supply) materials are typically materials not used directly in the manufacture of your products (e.g. envelopes, packaging) or materials used in the production of your products that are not able to be inventoried due to an inability to accurately measure the material (e.g. thread). Non inventorial materials do not hold stock or have unit costs.

If you think your material is non-inventoriable, it should generally be entered as an purchase only. This is because supplies are typically claimable only within the year that they were purchased. Materials used to produce your products are on the other hand treated as an "asset until sold".

For your record keeping, you can consider adding non-inventoriable materials along with purchases to record the actual cost of purchase. Craftybase will recognise that the material is non-inventoriable and will assign the purchase cost directly to your purchase tally to ensure it does not get included in COGS. This is good for situations where you'd like to keep a photo or a description of the supply item purchased.

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## Importing your materials

Materials can be added in bulk via the bulk importer page. This is ideal if you have a lot of materials to initially input - all you need to do is create a spreadsheet with the basic details for each material and upload it via the bulk importer page.

> TIP This importer will only import the basic details about your material, so you will still also need to enter purchases and link them to the imported material records to start tracking costs.

## Increasing your stock

Material stock can be increased by adding purchases of new materials via the Purchase Order process (we'll cover this in more detail shortly). Alternatively, initial material stock can be increased via Starting Adjustments (see Backdating your material stock for details on how to account for initial amounts).

> TIP Using Inventory Adjustments to increase your stock on hand is not recommended as it will be costed as zero - this method should only be used for starting adjustments or when materials are gifted to your business.

## Marking Materials as Received

If you haven't yet received your material (i.e. it's still being shipped to you) then mark your purchase line item as Not Received and your stock levels will not be adjusted. When you receive your materials, editing the Purchase and marking as Received will then credit the stock into your inventory.

## Decreasing your stock

Material stock is decreased whenever a Manufacture is added containing the material. The manufacture will immediately decrease the stock on hand for your material based on the amounts you have configured for the manufacture.

Recipes can be created to keep lists of your material usage per product or variation you make. A recipe will be automatically applied to any manufacture you create and are useful in situations where you make the same products over and over again.

If your material count is reduced as a result of loss or breakage, Inventory Adjustments can be used for this purpose and can be categorised in the same manner as product adjustments.

# Personal Use Deductions

Materials withdrawn from your inventory for personal use can be tracked and reported on by categorising using the Personal Use category. A tally of all adjustments in this category will appear on your Schedule C report, as well as your Material Adjustment report.

# Stock counts

There are two counts available for materials: Purchased and On Hand.

Purchased: is the total quantity of materials for all POs (received and not received).

On Hand: This is the physical stock level representing all adjustments up to present day and should represent exactly what is actually on your shelf. If your historical adjustments are incorrect, this value can potentially be negative.

Both counts appear in your configured Tracking Unit.

# Low Stock Limits

As with products and variations, Materials can also have a Low Stock Limit assigned. When the Available quantity falls below this number, your material will display as Low Stock.

I set my "Green Ribbon" material to have a low stock limit of 6. When my stock level dips below 6, then this material will be marked in my list as "Low Stock" so that I can see I need to consider reordering more of this material.

# Quantity Types

A Quantity Type is a defined unit of measurement that will be displayed alongside any inventory counts. Some examples of quantity types include Ounce, Kilogram, Bead or Inch.

Materials have two different quantity types available: Tracking Units and Purchase Units.

You can add any measurement units you wish to use via your Quantity Types page. Using Quantity Types from our list of standard units will mean that some conversions will be able to be automatically performed for you.

Tracking Units are the measurement units you manufacture in, whereas your Purchase Unit is the measurement unit you typically purchase in. These can both be the same if you purchase and make in the same unit.

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Jill purchases her Green Beads from a vendor packaged in a bag of 100 beads. She manufactures her products by always using a certain number of beads, so she is best to use "bead" as her tracking quantity type and "bag" as her purchase quantity type.

## Tracking to Purchase Conversion

The Purchase to Tracking Unit Conversion feature allows you to nominate the number of tracking units are in a single purchase unit. This information allows Craftybase to be able to calculate the correct equivalent amount of your tracking unit from the quantity of your purchased unit.

Peter bakes cakes and measures the flour in his recipes in grams. He however purchases flour in kilogram bags. For his Tracking to Purchase Conversion, he would use a conversion of 1 kilograms = 1000 grams. If he later adds new purchase of 2 kilograms, the system will automatically know to increase stock on hand by 2000 grams.

You'll find that some common conversions are supported by Craftybase (e.g. ounces to pounds) and in these cases the box will automatically populate for you. For non convertable units (such as the bead-to-bag example above) you will need to define this manually.

## Packing Materials

Packing materials for shipping are generally recommended to be tracked as an indirect (supply) purchase, so that they are not included in your COGS calculations. You can consider adding an purchase category to better group your packing purchases together for end of year reporting if need be.

If the materials are part of the presentation of your product (i.e. a presentation box, sleeve or bag), then this could may be considered part of your COGS and can thus be created as inventoriable materials and included as part of your recipe and manufacture process. If in doubt, it is best to seek advise from your financial advisor on what should be included in COGS.

## Material Unit Costs

There are two separate costs calculated for each of your materials: Average Unit Cost and Average Actual Unit Cost.

Your Average Actual Unit Cost (otherwise known as the "landed" cost) includes discounts, shipping and tax paid in purchasing the material. Average Actual Unit Costs are used to calculate your pricing guidance and to tally your manufacture and order material costs for COGS.

Average Unit Cost is calculated directly from the entered unit prices on your Purchase Orders, and are not used in any cost or valuation calculations. Average Unit Costs do not include shipping, discounts or tax paid.

Both costs are calculated using the Moving Weighted Average Cost Method using the values from your inventory adjustments.  Each time you enter a new purchase for a Material, all available stock is recalculated as a pool to include the newly added amounts. When a manufacture is recorded and stock is decreased, the available stock is again recalculated based on the materials that are left.

**Costing Proportionality**

Average Actual Unit Costs are calculated by proportioning the amounts from all items within the same purchase.

An purchase contains 3 items:
Blue Ribbon = $10
Red Ribbon = $30
Green Ribbon = $100
The total Shipping applied to the purchase is $10.
As the Green Ribbon's total price represents 71% of the total item price of the purchase, the proportional shipping amount is calculated as 71% of $10 which is $7.14.

## Lot Tracking

It is possible to add a lot number for each material purchased and manufactured with: in doing so, you will be creating full traceability records for your business: this is perfect for GMP and CPSC compliance tracking.

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# Purchases

## Purchases handle the addition of raw material stock to your inventory.

Purchase Orders (or POs) are made up of Purchase Items - it's best to think of this as the actual line items on a receipt: each item purchased should appear on a separate line.

A material can have many purchases linked to it: this forms your complete purchase and costing history of the item.

Shipping, tax and discounts for the purchase are automatically factored into the cost of your purchase line items using a proportional calculation based on the relative cost of the item.

## Purchase Categories

When you first create your account, you'll find several categories already configured for you, for both material and non-material usage. Custom categories can also be added if you need more than the default ones provided - this is useful if you'd like to maintain two different source categories for your materials.

## Non-material Purchases

Craftybase can also be used to track non-material purchases, this can be handy for situations where you'd like to keep records of equipment and tool expenditure.

Non-material purchases can optionally be associated with a product and/or order - in this case, the purchase will be included in the profitability breakdown for the product or order.

# Manufactures

## Manufactures are for tracking the creation of your products.

Each time you make a batch of product, you'll want to create a manufacture.

Manufactures increase your product stock, while simultaneously decreasing the inventory of raw materials you have used in the production process.

Manufactures can be created for a product or a variation.

If you have configured a recipe, it will be used to automatically populate the material usage list for the manufacture, however you can add and remove materials from this list if required. Only inventoriable materials can be added to manufactures.

You can manufacture in different sized batches to your sale quantities, which can be useful if you are a batch manufacturer (i.e. produce products in large batches like soap).

Manufactures can be created manually, or automatically from the sales you create via the Auto Manufacture feature (more details below).

## Manufacture Costs

When a manufacture is created, the total material cost to produce the batch is calculated. This calculation is based on the unit price of each material listed in the manufacture on the exact date of manufacture, based on a rolling average calculation. If any of your materials are out of stock on the manufacture date, they will have a zero cost attributed to them. Updating stock levels to rectify this situation will automatically update the costings for the manufacture.

## Internal Labor Costs

The time taken to produce the manufacture can optionally be recorded and is tallied as part of your internal labor costs using your estimated hourly labor rate. This figure is however not included in any order manufacture cost or COGS calculations.

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## Actual vs Predicted Quantities

If you have made less than the quantity expected using the same materials as a usual batch, you can set the Actual Quantity of a Manufacture to reflect the amount made.

This will ensure that the materials will be deducted as per a regular batch, however your product stock will only be increased by the amount you enter as the actual quantity.

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Jane produces batches of soap bars. Each batch is supposed to ideally make 12 bars from the ingredients, but occasionally the batch will end up producing 10, 11 or even 13 bars. As the batch size is usually 12, the recipe for this product would be configured to 12. For the Predicted Quantity, Jane would enter 1 as she has made a single batch of 12 bars. This would set her Actual Quantity made to 12 and her materials would update with their usage automatically. From here, she would then change the Actual Quantity to 13 to represent the amount of stock she wants to increase her stock by. Changing the Actual Quantity doesn't update any material stock levels, so they will remain exactly as they were for the 12 batch quantity.

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## Auto Manufactures

Auto Manufactures allows you to automate the creation of your manufactures, based on the orders you receive. It is particularly useful for situations where batches of products are not created in advance and are instead created in response to an new order coming in.

When Auto Manufacture is on, a matching manufacture will be automatically created for each order that is placed and will be linked directly to the order.

Auto manufacturing tends to work best for situations where materials don't change between manufactures, although if you do tweak your recipe mid-manufacture you can always edit your manufactures after they have been created to amend.

Auto Manufactures can be switched on for only specific products or for all products in your account - the only requirement for an auto manufacture to be created is that you already have a recipe configured on the product or variation.

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# Orders

## An order is any number of products you sell to a customer on a certain date.

Adding an order for a product will immediately decrease your Available stock. While an order is marked as unshipped, your stock will be included in your Committed stock. When it is finally marked as shipped it will be moved into your Shipped count and removed from your Committed tally.

Orders can be manually entered, or imported via your connected sales channels.

Craftybase offers the ability to connect and download your orders from a number of sales channels automatically. If you exclusively use these channels then you will not need to enter any order information manually.

## Manufacture Cost

When an order is marked as Shipped, the total manufacture cost of your order is calculated and assigned. This is calculated using a Weighted Average Cost calculation on the inventory adjustments for each of your products in the order. Your order manufacture cost does not include any internal labor costs as this calculation is utilised for COGS.

## Zero Manufacture Costs

While your order is unshipped, the material cost is calculated as zero as it is still included in your raw material inventory totals as unshipped stock. If after marking as shipped your order is still displaying with a zero manufacture cost, this usually indicates that the product was out of stock at the time of the order. To rectify, review the inventory adjustments before the order date and adjust quantities to ensure there is enough stock to fulfil the order.

## Order Profitability

Each order displays a profitability section detailing revenue and associated costs. Any purchases you have associated with the order will be tallied, along with your attributed material cost for each product within the order.

Gross Revenue: This is the total ex tax amount taken for the order.

Purchases: This total shows you the total amount for all non material purchases linked to the order.

Material Cost: This is the total material cost attributed to the order (see above for how this is calculated)

Estimated Internal Labor: Your internal labor costs are assumed to be factored out as salary, dividends or other out of your total profit, rather than a set amount per order. However, if you would like to still see an estimation of internal labor costs on your profitability, you can switch this setting on via your account settings.

Gross Profit: This is the amount left after purchases and material costs are removed from your ex tax revenue for the order. Overheads and labor are not included in this tally.

Gross Margin: Your estimated profit margin for this order based on the Gross Profit calculated.

## Due Date Tracking

The Due Date Tracking feature enables a date to be set for each order. This can be useful when you need to ship or deliver an order within a specific timeframe. This can be switched on via your account settings pages, and provides an additional column on your orders list page to enable sorting by this criteria.

## Invoice Generation

All orders in Craftybase can generate a PDF invoice view. This invoice contains a customer friendly summary of the order, and allows for a business logo to be added to the page header. Payment terms, customer notes and business details can also be configured to appear on each invoice.

## Packing Slips

Packing Slips can be downloaded as a PDF file for any order that has not been marked as shipped. This printable file shows a summary of the ordered items along with the quantity of each ordered.This option can be accessed from the order details page.

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# Components

A component is a special type of product that when manufactured increases stock of a specific material - which can be then used in the production of other products. This process is also sometimes known as a sub-assembly.

Component products can have recipes of materials configured in exactly the same way as Product products. The key difference is when a manufacture is created for a Component, the stock of the linked material is increased, rather than the quantity for the product.

Jim produces buttercream icing as a single big batch to use as an ingredient for a number of cakes he produces. He can create buttercream as a component product and manufacture it to increase his stock on hand of this item. The buttercream component material would then be included in each cake recipe.

As Components are commonly prepared in a batch ahead of time and used on one or more products, it has a labor component that can be tracked and added to the resulting products it is used in. This gives a much more accurate view of how much in materials and labour you have used on your product products.

The component feature is available to PRO and above plans. STUDIO plans and above can also create multi-level components (components that create other components).

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## Pricing

As Craftybase is logging your exact purchase costs for materials, it can calculate recommended pricing for you as well.

### Pricing Guidance

Craftybase provides a popular feature that automatically calculates recommended pricing based on your current material and internal labor costs. These suggestions are constantly recalculated with the most up-to-date unit costings for your materials: if your material costs increase, so will your pricing. Profit margins are also displayed for each price point: in this way, you can always ensure that you are making an expected profit from your products.

Pricing Tiers can be created to allow for custom markups and associated fees to be incorporated into the pricing calculation.

### Pricing Tiers & Price Points

Multiple price points can be configured for products and variations via Pricing Tiers. For each tier a unique price can be set either manually or via a bulk spreadsheet upload.

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# Consignment

## The Consignment feature is used to track inventory sent to and sold from consignment locations.

To understand how consignment works, it's important to see that the feature consists of four concepts all working together to create a workflow: Locations, Pricing Tiers, Transfers and Orders. Let's briefly introduce these concepts before we move to how they all work together.

## Locations

Locations are used in order to record details about your consignment locations, such as the name and address of the shop. Pricing Tiers can also be set to provide custom pricing for all products.

## Transfers

Transfers are for moving the stock between different locations. The most common scenarios you'll be using is moving stock from your home location to an external location in order to provide stock for sale to a consignee.

Stock Transfers are also used when unsold stock is returned back to you. Whenever a transfer is created, the stock is allocated to the location. If the to location is a consignee location, you'll also notice it will be removed from your Available stock inventory totals. This means your in stock amounts will always reflect stock available to your home location.

## Pricing Tiers

Pricing Tiers allow you to set custom price points for your products for any location - in doing so, you will be creating custom price lists for your consignees.

## Location Orders

Orders are the way that you record sales made at the external consignee location.

These orders are almost identical to the ones you will have been creating for your direct sales - the main difference being that a location needs to be entered in order to reconcile the sale with the consigned stock.

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# Backdating Strategy

As Craftybase is a perpetual inventory tracking system, it's important to remember that all stock needs to be accounted for in some manner so that calculations are correct and accurate. How you go about accounting for this stock depends on a number of factors about your business and the way you have previously claimed for material usage. The three major questions you will need to think about in order to find out your strategy are:

1. Are you a new (started your business during the current year) or existing business?

2. How did you claim for your material usage in the last financial year?

3. How have you been tracking your inventory before Craftybase?

For a detailed guide on how to decide on a backdating strategy, please see our Inventory Bootcamp eBook.

# CRAFTYBASE

# Data Entry Habits

By using a Perpetual Inventory tracker you will instantly gain the advantage of seeing your stock in real time: as long as you keep your data up to date that is! Without taking some time to plan out how you are going to keep your order, manufacture and purchase history updated you may find things start to slip during the year which can lead to stress further down the road. Getting into good habits early with Craftybase means you'll be always be getting the most out of our software.

Although Craftybase is designed to be flexible enough for you to be able to enter your data in any order, you'll want to be aiming to enter in your data when the stock change occurs so that you don't need to keep alternate records elsewhere in the meantime.

## Manufactures

For manufactures, as you are the only source of this information you'll want to log these as close to possible when they happen to ensure that you have the important information to hand. Aim for entering in your manufactures weekly at a bare minimum - if you aren't logging these daily, ensure that you are writing down the date of manufacture, batch size and any important details in an interim place to ensure you aren't needing to go by memory only.

Creating recipes for products that you make often can be a good way of speeding up your manufacture data entry. All measurements to create a batch can be saved so that all you need to do is set the amount made and the system will calculate your usage.

Tip: If you have a workflow that is mainly configuration based on the final ordered product then you may wish to investigate using our Auto Manufacture feature: this will automatically create a matching manufacture record for each sale entered into Craftybase.

## Material Purchases

For material purchases, you'll want to be also entering these in as soon as they are received - creating an inbox for material purchase receipts and then setting some time weekly to process these into Craftybase can be a good system to start with.

## Orders

Orders can be automatically imported using one of our available automatic sales channels, however if you are currently using an unsupported channel or have sales from offline sources you'll be also needing to create a habit around entering these in also.

# Cycle Counting

The best way to ensure that your stock levels are accurate through the year is to adopt a Cycle Count approach. This method involves regularly counting a small sample of your stock and comparing it to your current records. Any discrepancies can then be instantly adjusted or investigated to find out the cause.

How often you choose to cycle count is completely up to you: in large scale manufacturing it is typical to do daily counts, however for smaller craft operations it may be a case of bi-weekly or monthly.

The sample you select could be a completely random set of materials, or you might like to prioritise materials with high usage / cost. Alternatively, physical locations may work best if you have your stock arranged in an orderly way - you could work from top to bottom of your storage cabinet, for example.

Whichever selection method you choose, the goal is to work regularly through small groupings of your entire stock during the year so that a big one-off count is not necessary at end of year.

PRO and above plans have access to a stocktaking feature that allows you to quickly create lists of your materials for easy stocktaking.

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## Setup Checklist

This checklist provides you with the most common steps to take when getting started with Craftybase.

- [ ] Learn the basics of inventory bookkeeping
- [ ] Determine your backdating strategy
- [ ] Import or manually enter materials with starting adjustments
- [ ] Import products from sales channels and perform merges if necessary
- [ ] Enter manual products (i.e. non supported channels)
- [ ] Enter product starting adjustments
- [ ] Enter backdated manufacture history (if any)
- [ ] Enter backdated purchase history (if any)
- [ ] Enter manual orders (i.e. market sales, non supported channels)
- [ ] Enter any known stock loss as adjustments
- [ ] Perform materials stocktake and make final adjustments if necessary
- [ ] Perform product stocktake and make final adjustments if necessary

Going forward…

- [ ] Create recipes for your products (to speed up manufactures)
- [ ] Create good data entry habits, either daily or weekly
- [ ] Decide on your cycle count approach and perform monthly stocktake