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Cycle Counting vs. the Annual Shutdown Count

Why the annual wall-to-wall count is the most expensive way to be wrong once a year, and how a velocity-weighted cycle count program keeps accuracy high without stopping the building.

The annual count is a ritual: shut the building, count everything, book a big adjustment, and start the new year accurate for about six weeks. Then the same processes that created last year's errors create this year's.

Cycle counting inverts the model. Count a little every day, weighted toward the items that matter, and use every miscount as a clue about process.

What the annual count really costs

- Lost shipping days during the count and the recount
- Overtime for a task nobody does accurately at hour nine
- One giant adjustment that hides a year of individual causes
- Accuracy that decays immediately, because nothing about the process changed

How cycle counting works

A small set of SKUs is counted each day during normal operations. Items are selected by velocity and value: A items several times a year, B items a few times, C items annually. Discrepancies are investigated while the trail is fresh.

The point is not just correcting quantities. A miscount found within days of the error points at a specific receipt, pick, or adjustment. A miscount found in December points at nothing.

Designing the program

- Classify SKUs by annual dollar throughput, not unit count
- Set frequencies: A items monthly or better, B quarterly, C annually
- Count at consistent times: start of shift, before picking waves
- Blind counts: the counter sees the location, not the expected quantity
- Track accuracy trend by zone and by counter, and publish it

The systems prerequisite

Cycle counting needs real-time transactions. If receipts and picks post in batches at day end, counts race against paperwork, and every count during the lag looks wrong even when the shelf is right.

That is why cycle counting and barcode-driven, transaction-at-the-point-of-work systems usually arrive together. Each makes the other trustworthy.



Questions about any of this?

Summit Business Systems has been implementing ERP for Ontario businesses since 1991. We are an Acumatica Gold-Certified Partner based in Barrie, working with construction, field service, distribution, and professional services companies across the province. If you want a second opinion on anything in this insight brief, we give straight answers.

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