

Phitch OC User Guide 9.0

Phitch OC provides several easy to use routes to manage inventory as an investment. The user interface consists of the traditional Drop-Down menu; however, Phitch also provides a Dashboard to make the process as easy as 1 – 2 – 3. This user guide reviews the Drop-Down Menu, the Dashboard, the Terms or Glossary, and the limitations of the software.

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Drop-Down Menu:

1. **Home:** Home returns you to the main Dashboard of the Phitch user interface. On other screens, the Dashboard is a dockable and expandable tool to guide you towards maximizing your economic profit. Upgrading Quickbooks with Phitch OC unifies the objectives to reduce cost and improve customer service from an investment perspective. Phitch has an easy to use Dashboard that makes the process as easy as 1 – 2 – 3. A process to automatically respond to changes in business conditions.
2. **Operations:**
 - a. **Synchronize:** After you login, you tell Phitch to upload your information from the file open in QuickBooks by clicking the Synchronize button. You can also set the number of months and the end date to utilize while synchronizing. Phitch offers an easy process to make decisions using up to date business conditions! Phitch currently does not have a certification certificate from Quickbooks, therefore, must be given permission to access Quickbooks data.
 - i. If you have Admin user access in Quickbooks, a window will open in Quickbooks requesting selection of the following options:
 1. No – If no is selected – your go to Edit > Preferences > Integrated Applications > Company Preferences and click on Allow Access for Phitch and then click OK.
 2. Yes, but prompt each time
 3. Yes, whenever the company file is open
 4. Yes, allow access even if Quickbooks is not running. Since Phitch does not currently have a digital certificate, it is recommended to not utilize this option to prevent a program with a similar name to misuse your data.
 - ii. If you have any other user access in Quickbooks, such as Inventory, a window will open stating the current permission set by your Quickbooks administrator. You contact your administrator if Phitch is not permitted access.

Synchronization is complete when the progress bar is full and the message “Finished” appears.
 - b. **Company Settings:** Orchestrate optimum business performance on a company wide level! In addition to the information uploaded from Quickbooks during Synchronization, Phitch needs additional settings to maximize your economic profit while meeting customer service targets. Company Settings displays two lists: Account Balances and Default Settings.
 - i. Account Balances is the list of accounts synchronized with the file open in Quickbooks. The settings cannot be edited and depending on your User Set-up in Quickbooks, some accounts will not be displayed.
 - ii. Default Settings are applied across your enterprise which can be overridden with individual Item Settings. These settings are stored in a database file and can be updated as business conditions change or for continuous improvement or to set

objectives. These default settings are applied only to new items entered in Quickbooks.

- c. **Item Settings:** Fine tune your business performance on an item level! The Item Setting screen displays a list of all items in currently in Quickbooks. Within this list, drill down by: Item or Assemblies at the top of the screen by clicking the buttons. Drill down further by selecting Families and or Active only. Click on any item of interest to bring up the Item Edit screen.
 - i. **Item Edit:** Select an item within Item Setting to bring up the Item Edit screen. In addition to the information uploaded from Quickbooks, Phitch needs additional settings to maximize your economic profit while meeting customer service targets. These settings are stored in a database file and can be updated as business conditions change or for continuous improvement. Because not all Inventory Items are alike, Item Settings are applied to the selected Inventory Items and Assemblies. Changes are made to settings for the individual inventory items as necessary or for continuous improvement. Clicking on the “Previous Item” and “Next Item” moves you up and down the Item Setting list. Clicking “Item List” returns you to the Item Setting screen. Clicking the “Simulate” button opens the Simulate screen.
 - 1. **Simulate:** Clicking the Simulate button reveals a useful tool to compare two options for an item from an economic profit perspective. The option on the left is always set to baseline or current conditions. The tool can be utilized many objectives, including:
 - a. Determine investment required to improve service
 - b. Compare and select suppliers
 - c. Compare and select volume discounts
 - d. Compare changes to price and volume
 - e. Etc....Simulate provides a technology platform and tool to help grow your business!
- d. **Select Items to Process:** Items can be displayed individually as a list or as families by selecting the “Item” or “Family” button on the top. Phitch provides the capability to only process select items.
 - i. In “Item” mode, items can be selected individually. Phitch provides the capability to categorize items as Customer, Internal, or Supplier items. Customer Items are finished goods items ready to be delivered to end users or customers. Internal Items are semi-finished goods or subassemblies. Supplier Items are raw materials or goods directly from suppliers. It is recommended but not required to first process Customer items, then process Internal items, and then Supplier items.
 - ii. In “Family” mode, families of items can be processed. Phitch provides the capability to categorize items as Customer, Internal, or Supplier items; however, families do not include item assemblies.

- e. **Process All** : Determine the EPQ (Economic Profit Quantity) and EPSS (Economic Profit Safety Stock) for each item selected. Within the Dashboard, Phitch provides the capability to process only finished goods items or customer items, semi-finished goods or internal items, or raw material items or supplier items by clicking the All, Customer, Internal, or Supplier buttons respectively. Let Phitch do the work for you and analyze the data to determine your unique

- i. EPQ - Economic Profit Quantity
- ii. EPSS - Economic Profit Safety Stock
- iii. Inventory status

Only Phitch can simultaneously solve order quantity and safety stock at maximum economic profit. Tune your business to your environment!

- f. **Manage Inventory and Alerts:** The display of the screen can be drilled down using two methods: first on an item level by selecting All, Items, or Assemblies and second on a family level by selecting a Family from the drop down box "Choose Family". The reorder point and inventory status for the items selected can be reviewed on the Inventory and Alerts screen, which provides the following:

- i. Quickly glance and determine which items are in surplus (Blue flag) not approaching reorder (Green flag), which are close to reorder (Yellow flag), and which are at or past their reorder point (Red flag). To configure email, see Utilities > Settings. To configure sensitivity to alerts, see Shortage Alert Ratio and Surplus Alert Ratio.
- ii. Send email alerts by selecting items and clicking on the "Generate Email" button at the bottom.
- iii. Place purchase orders through Quickbooks by clicking on the "Place POs" button at the bottom.
 - 1. Can leverage the Vendor List and select preferred vendors by clicking on "Selected Vendors". The default is the preferred vendor in Quickbooks.
 - 2. Can leverage the Ship Method List and select preferred shipment method by clicking "Ship Method". This information is not automatically written in the Quickbooks; however, it can be added to email alert messages.
 - 3. Can leverage the Volume Discount List and select preferred volume quantity by clicking on "Selected Vendors" or "Ship Method". The volume quantity must be utilized for the Begin Order Quantity to generate the correct EPQ and EPSS.
- iv. **Refresh:** Click to "Refresh" to update the screen after placing purchase order(s). Refresh simultaneously performs Synchronize and Process.

3. Reports

- a. **Phitch by Item (Order the right quantity at the right time to optimize financial performance):** Generate an exportable report to track your progress and review the following for each item.
 - i. EPQ and EPSS

- ii. Reorder Point
- iii. Variability in Demand and Supply
- iv. Economic Profit Improvement

Phitch provides the visibility of data and the ability to provide diagnostics to optimize business performance in a common language across the functions of a business.

4. Utilities

- a. **Manage Users:** Add users and setup passwords. Only the administrator can add users. Each user must have his or her own user license.
 - i. **User Setup in Quickbooks:** Users must be set-up for Inventory in Quickbooks Premier and for Inventory, Admin, or Full Access in Enterprise.
- b. **Back-Up:** Only the administrator can save backup copies of your Phitch files to protect them against accidental data loss. Backup copies are important insurance—if you lose data for any reason, you can restore the data from your backup copy.
- c. **Change Password:** A user can change their password at any time.
- d. **Logout:** Logout of Phitch.
- e. **Settings:** Configure your email the same way you have your outgoing email set-up. For example, if you are using Microsoft Outlook, these settings can be found by going to:
 - i. Microsoft Outlook > Tools > Account Settings.
 - ii. Click on your email account to review your EMAIL account settings.
 - iii. Enter your Outgoing mail server (SMTP) into Phitch SMTP Server Address field.
 - iv. From Outlook, click on the More Settings... button and click on the Advanced tab.
 - v. Enter the Outgoing Server (SMTP): number into the SMTP Server Port number.
 - vi. Enter the default TO address for messages to be delivered. This address that the alert will be delivered. Addresses can be added or deleted when sending an EMAIL within Manage Inventory and Alerts.
 - vii. Enter the FROM address. This is the address that will show as the sender of the email alert delivered to the TO address above. This is typically your email address. The template for the email is below:

To: (To address)

From: (From address)

Dear (To Address),

(Item) has (color) status. The EPQ is (EPQ) units. (From Address) recommends placing an order of (EPQ) with (Selected Vendor)

(Comments)

(From Address)

- viii. Enter the Confirmation FROM address. This is the address that will show as the sender of the email confirmation alert delivered to the FROM address above. The confirmation does not contain any information other than the number of messages sent.
- ix. From Outlook on the Advanced tab, locate the encryption for your outgoing server and make the appropriate selection on the Enable SSL and SMTP Server box.
- x. From Outlook and back at the EMAIL account settings, locate your login information and enter this information in your SMTP Server Username and SMTP Server Password field.

5. Lists

- a. **Item Families:** Create groups or families of items as a means to classify your items according to any meaningful breakdown of the business you do.
- b. **Ship Methods:** Create groups of shipment methods to utilize as Simulate and Manage Inventory and Alerts.
- c. **Volume Discounts:** Create groups of volume discounts on items for Simulate and Manage Inventory and Alerts.
- d. **Vendors:** Create groups of vendors for simulation for Simulate and Manage Inventory and Alerts.
- e. **Work Centers:** Create groups of work centers.

6. Help

- a. Phone support: 1-877-TRU-SOUND or 877-323-9783
- b. Link to online support: www.phitch.com/resources
- c. Email support: support@ephipony.com

Dashboard:

1. **Synchronize:** After you login, you tell Phitch to upload your information from the file open in QuickBooks by clicking the Synchronize button. You can also set the number of months and the end date to utilize while synchronizing. Phitch offers an easy process to make decisions using up to date business conditions! Phitch currently does not have a certification certificate from Quickbooks, therefore, must be given permission to access Quickbooks data.

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 - e. Etc....
3. **Select Items to Process:** Items can be displayed individually as a list or as families by selecting the “Item” or “Family” button on the top. Phitch provides the capability to only process select items.
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4. **Process All :** Only Phitch can simultaneously solve order quantity and safety stock at maximum economic profit. Tune your business to your environment! Determine the EPQ (Economic Profit Quantity) and EPSS (Economic Profit Safety Stock) for each item selected. Within the Dashboard, Phitch provides the capability to process only finished goods items or customer items, semi-finished goods or internal items, or raw material items or supplier items by clicking the All, Customer, Internal, or Supplier buttons respectively. Process is complete when the progress bar is full and the message “Finished!” appears. Let Phitch do the work for you and analyze the data to determine your unique: Process is complete when the progress bar is full and the message “Finished!” appears.
 - a. EPQ - Economic Profit Quantity
 - b. EPSS - Economic Profit Safety Stock
 - c. Inventory status
5. **Manage Inventory and Alerts:** The display of the screen can be drilled down using two methods: first on an item level by selecting All, Items, or Assemblies and second on a family level by selecting

a Family from the drop down box "Choose Family". The reorder point and inventory status for the items selected can be reviewed on the Inventory and Alerts screen, which provides the following:

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 - iii. Can leverage the Volume Discount List and select preferred volume quantity by clicking on "Selected Vendors" or "Ship Method". The volume quantity must be utilized for the Begin Order Quantity to generate the correct EPQ and EPSS.
- d. **Refresh:** Click to "Refresh" to update the screen after placing purchase order(s). Refresh simultaneously performs Synchronize and Process.

Terms/Glossary:

1. **Accounts Payable:** Money which a company owes to vendors for products and services purchased on credit. This item appears on the company's balance sheet as a current liability, since the expectation is that the liability will be fulfilled in less than a year. When accounts payable are paid off, it represents a negative cash flow for the company.
 - a. Related link:
 - i. <http://www.investopedia.com/university/EVA/EVA3.asp>
2. **Assemblies** An inventory assembly item is one of the types of line items you can use when you are filling out a sales or purchase form in Quickbooks. An assembly item lets you combine inventory part items and other assembly items (subassemblies) into a single item by defining a Bill of Materials, which lists the assembly item's component parts. You can also include the costs associated with building the assembly item by adding non-inventory part items, service items, and "other charge" items to the Bill of Materials. Phitch automatically synchronizes with all items, including assemblies. Types of items can be viewed in the list displayed on Item Settings, Select Items, and Manage Inventory and Alerts.
 - a. Location in Phitch
 - i. Item Settings
 - ii. Select Items
 - iii. Manage Inventory and Alerts
3. **Average Lead Time:** See Lead Time.
4. **Balance Sheet:** A quantitative summary of a company's financial condition at a specific point in time, including assets, liabilities and net worth. The first part of a balance sheet shows all the productive assets a company owns, and the second part shows all the financing methods (such as liabilities and shareholders' equity). Also called statement of condition. Phitch balances balance sheet performance with income statement performance by leveraging economic profit.
 - a. Related link:
 - i. <http://www.investopedia.com/terms/b/balancesheet.asp>
5. **Baseline Order Quantity:** This is the current order quantity used before implementing Phitch and is utilized to measure improvement in Phitch by Item.
 - a. Location in Phitch
 - i. Item Settings > Item Edit
6. **Baseline Safety Stock:** This is the current safety stock used before implementing Phitch and is utilized to measure improvement in Phitch by Item.
 - a. Location in Phitch
 - i. Item Settings > Item Edit
7. **Baseline Quickbooks Reorder Point:** When the quantity reaches the reorder point, it's time to order more of the item. In Quickbooks, you ARBITRALLY set the reorder point for an inventory item when you add it to your Item list and you can have QuickBooks remind you when it's time to reorder a particular item. Phitch displays this setting in the Report: Phitch by Item.
 - a. Location in Phitch
 - i. Report > Phitch by Item

8. **Begin Order Quantity:** This is the unit used to iterate and solve for EPQ and EPSS simultaneous. If an item can only be purchased in multiples, it is recommended to set this value to that quantity. This is a useful feature to evaluate order volume price breaks.
 - a. Location in Phitch
 - i. Item Settings > Item Edit
9. **Billing Rate:** The user defined billing rate on a debt owed to a Vendor to be utilized in Inventory and Alerts .
 - a. Location in Phitch
 - i. Lists > Vendors
 - ii. Inventory and Alerts > Selected Vendor
10. **Calculation Begin Order Qty:** See Begin Order Quantity.
11. **Company:** The user defined company for a Vendor to be utilized in Inventory and Alerts .
 - a. Location in Phitch
 - i. Lists > Vendors
 - ii. Inventory and Alerts > Selected Vendor
12. **Current Assets** A balance sheet item which equals the sum of cash and cash equivalents, accounts receivable, inventory, marketable securities, prepaid expenses, and other assets that could be converted to cash in less than one year. A company's creditors will often be interested in how much that company has in current assets, since these assets can be easily liquidated in case the company goes bankrupt. In addition, current assets are important to most companies as a source of funds for day-to-day operations.
 - a. Related link:
 - i. <http://www.investopedia.com/university/EVA/EVA3.asp>
13. **Cost of Capital:** Cost of capital is the weighted average cost of capital and represents the cost of maintaining a dollar of capital invested for one year. This cost, normally expressed as a percentage, is based upon factors such as the average expected return on alternative investments and current bank interest rate for borrowing.
 - a. Location in Phitch
 - i. Company Settings
 - b. Related links
 - i. : <http://www.investopedia.com/terms/w/wacc.asp>
 - c. Must be between 0 and 1
 - d. Typical values: Locating WACC Aggregated by industry (SIC code)
 - i. Cost of Capital Yearbook (Ibbotson)
 - ii. http://pages.stern.nyu.edu/~adamodar/New_Home_Page/
 1. US Average in January 2008 = 0.0864
 2. Retail Store = 0.0843
 3. Food Wholesaler = 0.0630
 4. Food Processer = 0.0699
14. **Credit Limit:** The user defined credit limit for a Vendor to be utilized in Inventory and Alerts .
 - a. Location in Phitch
 - i. Lists > Vendors

- ii. Inventory and Alerts > Selected Vendor
- 15. **Customer:** Phitch provides the capability to categorize items as Customer, Internal, or Supplier items. Customer Items are finished goods items ready to be delivered to end users or customers. Internal Items are semi-finished goods or subassemblies. Supplier Items are raw materials or goods directly from suppliers.
 - a. Location in Phitch
 - i. Select Items
 - ii. Process
- 16. **Customer Service:** The customer service level is the dimensionless ratio of the number of orders completed on time to the number of orders placed. For example, 0.97 means that 97% of orders can be filled immediately from available stock.
 - a. Location in Phitch
 - i. Company Settings
 - b. Related links
 - i. <http://www.businessdictionary.com/definition/fill-rate.html>
 - ii. http://www.inventoryops.com/safety_stock.htm
 - iii. http://en.wikipedia.org/wiki/Safety_stock
 - c. Must be between 0 and 1.
 - d. Typical values: According to a survey of 800 Supply Executives all over the world by Aberdeen (R. Shecterle, N. Viswanathan, and M. Spinks, The Supply Chain Executive's Strategic Agenda 2008: Managing Global Supply Chain Transformation, Aberdeen Group, January 2008 <http://www.aberdeen.com/summary/report/benchmark/4559-RA-managing-supply-chain-transformation.asp>), typical values can be categorized as follows:

i. Best Class (top 20%)	=	0.97
ii. Industry Average (middle 50%)	=	0.85
iii. Laggards (bottom 30%)	=	0.71
- 17. **Default Baseline Safety Stock:** This is the current safety stock used before implementing Phitch and is utilized to measure improvement in Phitch by Item.
 - a. Location in Phitch
 - i. Company Settings
 - b. Default settings only apply to new items in Quickbooks. All existing items require setting the first time using Phitch.
- 18. **Default Begin Order Quantity:** This is the unit used to interate and solve for EPQ and EPSS simultaneous. If an item can only be purchased in multiples, it is recommended to set this value to that quantity.
 - a. Location in Phitch
 - i. Company Settings
 - b. Default settings only apply to new items in Quickbooks. All existing items require setting the first time using Phitch.

19. **Default Shortage Alert Ratio:** Alerts are evaluated by determining the ratio of the current inventory to the reorder point. The shortage alert defines at what point an alert goes from green to yellow. When the ratio is less than or equal to 1, the alert status is red.
 - a. Location in Phitch
 - i. Company Settings
 - b. Default settings only apply to new items in Quickbooks. All existing items require setting the first time using Phitch.
20. **Default Surplus Alert Ratio:** Alerts are evaluated by determining the ratio of the current inventory to the reorder point. The surplus alert defines at what point an alert goes from blue to green. When the ratio is less than or equal to 1, the alert status is red.
 - a. Location in Phitch
 - i. Company Settings
 - b. Default settings only apply to new items in Quickbooks. All existing items require setting the first time using Phitch.
21. **Delivery Type:** The user defined name of a shipment method to be utilized in Inventory and Alerts. For example, Less Than Truck Load or LTL.
 - a. Location in Phitch
 - i. Lists > Ship Methods
 - ii. Inventory and Alerts > Ship Method
22. **Demand:** Demand represents the need for a particular product or component. The demand could come from any number of sources, for example, customer orders, forecasts, interplant requirements, or requests from a branch warehouse for service parts or raw materials for manufacturing. Customers may be individuals, middlemen, or facilities acting like a customer in a supply chain (e.g. a manufacturer, distributor, warehouse, and the like). At the finished goods level, "demand data" are usually different from "sales data" because demand does not necessarily result in sales; for example, if there is no stock, there will be no sale. When Phitch synchronizes with Quickbooks, it determines the weekly average demand for number of months selected.
 - a. Location in Phitch
 - i. Item Settings > Item Edit > Simulate
 - b. The demand shown in Simulate is demand for the period or number of months selected.
 - c. Related links:
 - i. http://en.wikipedia.org/wiki/Economic_order_quantity
 - ii. http://www.inventoryops.com/safety_stock.htm
 - iii. http://en.wikipedia.org/wiki/Safety_stock
23. **Demand Variability:** Within the safety stock calculation, the portion of total variability due to variability in demand is the percent demand variability. Reducing variability in demand represents opportunity to grow business.
 - a. Location in Phitch
 - i. Reports > Phitch by Item
24. **Economic Profit:** Economic profit is the difference between the profits the enterprise derives from its operations and the capital charge incurred through the use of its credit line (G.B.

Stewart, The Quest for Value, Collins (27th ed. 1991). Economic profit properly accounts for all the complex trade-offs involved in creating value. Economic profit is often referred to as ECONOMIC VALUE ADDED or EVA (Stern Stewart & Co.) The use of economic profit as a main corporate financial metric is discussed by J.M. Stern, The EVA Challenge: Implementing Value-Added Change in an Organization, Wiley (2003).

- a. Location in Phitch
 - i. Reports > Phitch by Item
 - b. Related links:
 - i. <http://www.investopedia.com/university/EVA/>
25. **End of Time Period:** The end date in the number of months synchronized with Quickbooks. Specified in Month/Day/Year as ##/##/####.
- a. Location in Phitch
 - i. Company Settings
26. **EOQ:** The Economic Order Quantity or EOQ Model was developed in 1913 and recommends ordering the quantity that minimizes the total variable cost required to order and hold inventory. Despite the equation's relative simplicity by today's standards, it is still a core algorithm in the software packages that are sold to the largest companies in the world, with the exception of Phitch which utilizes a proprietary process to manage inventory from an economic profit perspective..
- a. Related links:
 - i. <http://www.investopedia.com/terms/e/economicorderquantity.asp>
 - ii. http://en.wikipedia.org/wiki/Economic_order_quantity
27. **EPQ or Phitch Order Quantity:** Economic Profit Quantity is the Order Quantity in combination with Safety Stock, at which Economic Profit is maximized. The amount ordered automatically in Phitch is the EPQ. To order anything different, you must order from Quickbooks.
- a. Location in Phitch
 - i. Reports > Phitch by Item
 - ii. Manage Inventory and Alerts
28. **EPSS or Phitch Safety Stock:** Economic Profit Safety Stock is the Safety Stock in combination with Order Quantity at which Economic Profit is maximized.
- a. Location in Phitch
 - i. Reports > Phitch by Item
 - ii. Manage Inventory and Alerts
29. **Families:** Items can be grouped by user defined families. For example, items can be categorized as A, B, C, or D. Families only include items and do not include assemblies. Families can be used to drill down the Item Setting list and the Manage Inventory and Alerts list.
- a. Location in Phitch
 - i. Lists > Item Families
 - ii. Item Settings
 - iii. Manage Inventory and Alerts

30. **Fixed Assets:** A long-term, tangible asset held for business use and not expected to be converted to cash in the current or upcoming fiscal year, such as manufacturing equipment, real estate, and furniture.
- a. Related link:
 - i. <http://www.investopedia.com/university/EVA/EVA3.asp>
31. **Holding Costs:** The holding cost is a term in the Economic Order Quantity formula and is the cost of holding one dollar of inventory for one year, and is usually expressed as a percentage of material cost. Holding cost is an aggregate term that includes storage, obsolescence, shrinkage, property insurance coverage, property taxes, and cost of capital.
- a. Related links:
 - i. http://en.wikipedia.org/wiki/Carrying_cost
 - ii. http://en.wikipedia.org/wiki/Economic_order_quantity
 - b. Typical values: According to Inventory Management Review, typical values can range from 0.15 to 0.35. A commonly assumed value is 0.225/yr.
 - i. http://www.inventorymanagementreview.org/2005/09/inventory_holdi.html
32. **Income Statement:** An accounting of sales, expenses, and net profit for a given period. Summary of a management's performance as reflected in the profitability (or lack of it) of a firm over a certain period. It itemizes the revenues and expenses of past that led to the current profit or loss, and indicates what may be done to improve the results. In contrast to a balance sheet (which is a 'still photograph' or 'snap shot' taken at a certain time) an income statement is a 'movie' that depicts what happened over a month, quarter, or year. It is based on a fundamental accounting equation ($\text{Income} = \text{Revenue} - \text{Expenses}$) and shows the rate at which the owners equity is changing for better or worse. Along with balance sheet and cash flow statement it forms the basic set of financial information required to manage a firm. Also called earnings report, operating statement, or profit and loss account. Phitch balances income statement with balance sheet performance by leveraging economic profit to manage inventory as an investment.
- a. Related link:
 - i. <http://www.investopedia.com/terms/i/incomestatement.asp>
33. **Internal:** Phitch provides the capability to categorize items as Customer, Internal, or Supplier items. Customer Items are finished goods items ready to be delivered to end users or customers. Internal Items are semi-finished goods or subassemblies. Supplier Items are raw materials or goods directly from suppliers.
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 - i. Select Items
 - ii. Process
34. **Inventory:** Inventory is a company's merchandise, raw materials, and finished and unfinished products which have not yet been sold. These are considered liquid assets, since they can be converted into cash quite easily. There are various means of valuing these assets, but to be conservative the lowest value is usually used in financial statements.
- a. Related link:
 - i. <http://www.investopedia.com/university/EVA/EVA3.asp>

35. **Items:** In QuickBooks, an inventory part is one of the types of line items you can use when you're filling out a sales form or purchase form. You use inventory items to track merchandise your business purchases, keeps in stock as inventory, and then resells. For each inventory item, QuickBooks tracks the current number in stock and the average value of your inventory after every purchase and sale. Phitch automatically synchronizes with all items. Types of items can be viewed in the list displayed on Item Settings, Select Items, and Manage Inventory and Alerts.
- a. Location in Phitch
 - i. Item Settings
 - ii. Select Items
 - iii. Manage Inventory and Alerts
36. **Lead Time:** Phitch pulls Quickbooks item data using the Transaction Date and the Received/Billed Date to determine the lead time. Assemblies must be manually entered as this data is unavailable in Quickbooks.
- a. Location in Phitch
 - i. Item Settings > Item Edit
 - ii. Item Settings > Item Edit > Simulate
 - b. Related links
 - i. http://en.wikipedia.org/wiki/Lead_time
 - ii. http://en.wikipedia.org/wiki/Standard_deviation
 - iii. http://www.inventoryops.com/safety_stock.htm
 - iv. http://en.wikipedia.org/wiki/Safety_stock
37. **Load Type:** The user defined type of a shipment method to be utilized in Inventory and Alerts. For example, container, pallet, case, etc... .
- a. Location in Phitch
 - i. Lists > Ship Methods
 - ii. Inventory and Alerts > Ship Method
38. **Material Cost:** The unit cost (in \$) is the cost to buy an item of inventory (in the case of a retailer) or the cost of a component or a unit amount of raw material (in the case of a manufacturer), plus the marginal costs of value-added processing. Phitch automatically synchronizes with the Average Cost in Quickbooks, which is the total cost of the items currently in stock divided by the number of items in stock. QuickBooks uses average cost—and not another method such as LIFO or FIFO—to determine the value of your inventory. QuickBooks recalculates the average cost of an item every time you record the purchase of more units of the item. It adds the cost of the new items to the cost of the old stock and then divides by the total number of new and old items.
- a. Related links:
 - i. http://en.wikipedia.org/wiki/Economic_order_quantity
39. **NIBCLS:** Non-Interest Bearing Current Liabilities (NIBCLS) are liabilities such as accounts payable, accrued expenses and taxes payable that are due within one year and do not bear an explicit rate of interest. Because NIBCLS do not have an explicit rate of interest, they are considered "free money" and subtracted from assets; however, not all NIBCL's are really free money. For example, accounts payable is money a company owes its suppliers and is a key NIBCL item. A

company's suppliers likely do not charge an explicit rate on interest on accounts payable. However, the suppliers most likely have included the cost of this "free money" in the sales price of their products, which is included in the buying company's costs of goods sold. If a company asks a supplier to extend purchase terms an additional 30 days, the supplier might agree to the request but would likely increase the purchase price. Because cost of goods sold includes an implicit interest charge, accounts payable are subtracted from assets to calculate capital to avoid double counting.

a. Related link:

i. <http://www.investopedia.com/university/EVA/EVA3.asp>

40. **Number of Months:** Is the number of months to utilize in performing the calculations while pulling data from Quickbooks. It is best to work with whole months or complete months from start to end.

a. Location in Phitch

i. Company Settings

b. Must be between 0 and 12.

41. **Ordering Costs:** The ordering cost (in \$) is the fixed portion of the cost for placing and setting up a single order, and is therefore independent of order quantity. It includes those costs that increase as the number of orders placed increases. It includes costs related to the clerical work of preparing, releasing, and following a purchase order. These can vary several dollars to place, to several thousand to transport a container, to tens of thousands for a change-over and clean-up in the food processing or pharmaceutical industries. With the advent of electronic order management, this cost been reduced dramatically and has exposed a particular weakness of the EOQ model at small order costs.

a. Location in Phitch

i. Company Settings

ii. Item Settings > Item Edit

iii. Item Settings > Item Edit > Simulate

b. Related links:

i. http://en.wikipedia.org/wiki/Economic_order_quantity

42. **Other Expense:** includes miscellaneous costs, such as laboratory operations, engineering, total sales, administration, freight, and other costs such as product liability. The laboratory operations cost includes the cost of labor for research and development, spending, and cost of corporate shared services. The total sales cost includes the costs of order processing, labor for sales, marketing, market research, and merchandising. The cost of administration includes costs of corporate shared services and legal.

a. Location in Phitch

i. Item Settings > Item Edit > Simulate

b. Related links: NOPAT or Net Operating Profit After Taxes:

i. <http://www.investopedia.com/university/EVA/EVA2.asp>

43. **Package Cost:** The user defined cost of package to be utilized in Inventory and Alerts relative volume discount options.

a. Location in Phitch

- i. Lists > Volume Discounts
 - ii. Inventory and Alerts > Selected Vendor
 - iii. Inventory and Alerts > Ship Method
- 44. **Package Name:** The user defined name of package to be utilized in Inventory and Alerts relative to volume discount options.
 - a. Location in Phitch
 - i. Lists > Volume Discounts
 - ii. Inventory and Alerts > Selected Vendor
 - iii. Inventory and Alerts > Ship Method
- 45. **Phitch Order Quantity:** See EPQ
- 46. **Phitch Safety Stock:** See EPSS
- 47. **Phitch Reorder Interval:** The number of days until the Phitch Reorder Point is reached based on demand.
 - a. Location in Phitch
 - i. Reports > Phitch by Item
 - ii. Manage Inventory and Alerts
- 48. **Phitch Reorder Point:** The minimum quantity of a particular item you want on hand at any given time. When the quantity reaches the reorder point, it's time to order more of the item. This point is determined from the EPSS, demand, and lead time such that Economic Profit is maximized. See Reorder Point for more information.
 - a. Location in Phitch
 - i. Reports > Phitch by Item
 - ii. Manage Inventory and Alerts
- 49. **Quantity on Hand:** For a particular item, the quantity on hand is the number of items you currently have in stock. Phitch automatically keeps track of this number for all the inventory items in your Item List by synchronizing with Quickbooks.
 - a. Location in Phitch
 - i. Item Settings
 - ii. Manage Inventory and Alerts
- 50. **Quantity on Order:** For a particular item, the quantity on order is the total number of items for which you have written purchase orders but not yet received the items in Quickbooks. Phitch automatically keeps track of this number for all the inventory items in your Item List by synchronizing with Quickbooks.
 - a. Location in Phitch
 - i. Item Settings
 - ii. Manage Inventory and Alerts
- 51. **Quantity in QB Pending Builds:** For a particular item, the quantity in pending builds is the total number of items for which you have written build assemblies but not yet produced the items. Phitch automatically keeps track of this number for all the inventory items in your Item List by synchronizing with Quickbooks.
 - a. Location in Phitch
 - i. Item Settings

- ii. Manage Inventory and Alerts
- 52. **Quantity Required for QB Pending Builds:** For a particular item, Phitch automatically drills down pending builds in Quickbooks and determines the requirements from a component perspective.
 - a. Location in Phitch
 - i. Item Settings
 - ii. Manage Inventory and Alerts
- 53. **Quantity on Sales Order:** For a particular item, the quantity on sales order is the total number of items for which you have written sales orders but not yet shipped the items. Phitch automatically keeps track of this number for all the inventory items in your Item List by synchronizing with Quickbooks.
 - a. Location in Phitch
 - i. Item Settings
 - ii. Manage Inventory and Alerts
- 54. **ReOrder Point:** The minimum quantity of a particular inventory item that you want to have in stock at any given time. When the quantity reaches the reorder point, it's time to order more of the item. In Quickbooks, you ARBITRALLY set the reorder point for an inventory item when you add it to your Item list and you can have QuickBooks remind you when it's time to reorder a particular item. In Phitch, you set the ReOrder Point by determining the Safety Stock and factoring in the demand and lead time such that Economic Profit is maximized.
 - a. Related links:
 - i. http://www.inventorymanagementreview.org/2005/06/safety_stock.html
- 55. **Safety Stock:** The safety stock quantity (in units) is inventory in excess of forecast demand that is kept on hand to avoid stockouts and to maintain a high value of customer service.
 - a. Related links
 - i. http://www.inventoryops.com/safety_stock.htm
 - ii. http://en.wikipedia.org/wiki/Safety_stock
- 56. **Sales Price:** The price per unit of measure for a particular Item and is pulled directly from Quickbooks.
 - a. Location in Phitch
 - i. Item Settings > Item Edit > Simulate
- 57. **Selected Vendor:** The preferred vendor for the item can be selected by clicking on the box and opening the Vendor, Discount, and Shipping screen. The default vendor is the preferred vendor specified in Quickbooks. This information is utilized if a purchase order is placed.
 - a. Location in Phitch
 - i. Inventory and Alerts
- 58. **Ship Method Name:** The user defined name of a shipment method to be utilized in Inventory and Alerts. This information is not utilized if a purchase order is place; however, this information can be added manually to an Email alert.
 - a. Location in Phitch
 - i. Lists > Ship Methods
 - ii. Inventory and Alerts > Ship Method

59. **Shortage Alert Ratio:** Alerts are evaluated by determining the ratio of the current inventory to the reorder point. The shortage alert defines at what point an alert goes from green to yellow. When the ratio is less than or equal to 1, the alert status is red.
- a. Location in Phitch
 - i. Company Settings
 - ii. Item Settings > Item Edit
60. **Standard Cost:** The user defined cost of a shipment method to be utilized in Inventory and Alerts relative to the Load Type. For example, \$100 per pallet etc...
- a. Location in Phitch
 - i. Lists > Ship Methods
 - ii. Inventory and Alerts > Ship Method
61. **Standard Deviation of Demand:** The mean and standard deviation of demand during the replenishment lead time, each multiplied by some characteristic time scale. For the purpose of Phitch, the characteristic time scale is weekly demand - or units per week.
- a. Location in Phitch
 - i. Item Settings > Item Edit > Simulate
 - b. Related links
 - i. http://en.wikipedia.org/wiki/Standard_deviation
 - ii. http://www.inventoryops.com/safety_stock.htm
 - iii. http://en.wikipedia.org/wiki/Safety_stock
62. **Standard Deviation of Lead Time:** the mean and standard deviation of the lead time, each nondimensionalized by the time scale. For the purpose of Phitch, the characteristic time scale is days.
- a. Location in Phitch
 - i. Item Settings > Item Edit > Simulate
 - b. Must be entered manually for assemblies.
 - c. Related links
 - i. http://en.wikipedia.org/wiki/Lead_time
 - ii. http://en.wikipedia.org/wiki/Standard_deviation
 - iii. http://www.inventoryops.com/safety_stock.htm
 - iv. http://en.wikipedia.org/wiki/Safety_stock
63. **Storage Costs:** The inventory storage cost ratio represents the cost of storing one dollar of inventory for one year, and is expressed as a percentage of Material Cost per year. Storage Cost is based upon factors such as obsolescence, shrinkage, and insurance. Unlike the variable Holding Cost, Storage Cost does not include the cost of capital. A typical value is 0.125.
- a. Location in Phitch
 - i. Company Settings
 - b. Must be between 0 and 1.
 - c. Typical values: The cost to store a pallet in a warehouse can be estimated at http://www.raymondhandlingsolutions.com/calculate_warehouse_cost_per_pallet_stored.html. Depending on the material cost per pallet, the storage density, and the lease rate, the storage cost can be a significant cost.

64. **Supplier:** Phitch provides the capability to categorize items as Customer, Internal, or Supplier items. Customer Items are finished goods items ready to be delivered to end users or customers. Internal Items are semi-finished goods or subassemblies. Supplier Items are raw materials or goods directly from suppliers.
- a. Location in Phitch
 - i. Select Items
 - ii. Process
65. **Supply Variability:** Within the safety stock calculation, the portion total variability due to variability in supply. Reducing variability in supply represents opportunity to optimize business.
- a. Location in Phitch
 - i. Reports > Phitch by Item
66. **Surplus Alert Ratio:** The surplus alert defines at what point an alert goes from blue to green.
- a. Location in Phitch
 - i. Company Settings
 - ii. Item Settings > Item Edit
67. **Tax:** Tax is the corporate income tax rate that the company actually pays with cash. In the United States, the marginal tax rate is 0.35 and with the additional of state and local taxes, the rate is above 0.40 for most companies. Tax must be manually entered.
- a. Location in Phitch
 - i. Company Settings
 - ii. Item Settings > Item Edit > Simulate
 - b. Related links: NOPAT or Net Operating Profit After Taxes:
 - i. <http://www.investopedia.com/university/EVA/EVA2.asp>
 - c. Must be between 0 and 1
 - d. Typical values: Aggregated by industry (SIC code): The effective tax rate, obtained by dividing the taxes paid by the taxable income as reported to the stockholders.
 - http://pages.stern.nyu.edu/~adamodar/New_Home_Page/
 - 1. US Average in January 2008 = 0.1625
 - 2. Retail Store = 0.2446
 - 3. Food Wholesaler = 0.3185
 - 4. Food Processer = 0.1934
68. **Terms:** The user defined terms for payment to a Vendor to be utilized in Inventory and Alerts . Terms are a way of providing cash discounts on purchases. For example, 1%/10 net 30 means that if the bill is paid within 10 days, there is a 1% discount. Otherwise, the total amount is due within 30 days. In other words, if "\$1000 1/10 net 30" is written on a bill, the buyer can take a 1% discount ($\$1000 \times .01 = \10) and make a payment of \$990 within 10 days, or pay the entire \$1000 within 30 days. Manufacturers offer discounts like this to encourage retailers to pay quickly. This calculation is the same regardless of what discount is used. For example "2/10 net 30" just means there is a 2% discount.
- a. Location in Phitch
 - i. Lists > Vendors
 - ii. Inventory and Alerts > Selected Vendor

69. **Time Quantity:** The user defined time quantity of a shipment method to be utilized in Inventory and Alerts relative to the Time Unit. For example, 4 hours, 30 days, 2 weeks, etc.....
- a. Location in Phitch
 - i. Lists > Ship Methods
 - ii. Inventory and Alerts > Ship Method
70. **Time Unit:** The user defined time unit of a shipment method to be utilized in Inventory and Alerts. For example, hour, day, week, etc.....
- a. Location in Phitch
 - i. Lists > Ship Methods
 - ii. Inventory and Alerts > Ship Method
71. **Total Available:** Total Available is the Qty on Hand plus the Qty on Order minus the Qty on Sales Order minus the Qty Required for QB Pending Builds minus the Qty in QB Pending Builds.
- a. Location in Phitch
 - i. Inventory and Alerts
72. **Package Name:** The user defined name of package to be utilized in Inventory and Alerts relative to volume discounts.
- a. Location in Phitch
 - i. Lists > Volume Discounts
 - ii. Inventory and Alerts > Selected Vendor
 - iii. Inventory and Alerts > Ship Method
73. **Units Cost:** The user defined cost per unit to be utilized in Inventory and Alerts relative to the number of units per package.
- a. Location in Phitch
 - i. Lists > Volume Discounts
 - ii. Inventory and Alerts > Selected Vendor
 - iii. Inventory and Alerts > Ship Method
74. **Units Per Load:** The user defined number of units per load of a shipment method to be utilized in Inventory and Alerts relative to the Load Type. For example, 1000 units per pallet etc...
- a. Location in Phitch
 - i. Lists > Ship Methods
 - ii. Inventory and Alerts > Ship Method
75. **Units Per Package:** The user defined number of units per package to be utilized in Inventory and Alerts.
- a. Location in Phitch
 - i. Lists > Volume Discounts
 - ii. Inventory and Alerts > Selected Vendor
 - iii. Inventory and Alerts > Ship Method
76. **Vendor Name:** The user defined name of vendor in Phitch or the name of a vendor in Quickbooks to be utilized in Inventory and Alerts.
- a. Location in Phitch
 - i. Lists > Vendors
 - ii. Inventory and Alerts > Selected Vendor

77. **Vendor Type:** The user defined type of vendor to be utilized in Inventory and Alerts .
- a. Location in Phitch
 - i. Lists > Vendors
 - ii. Inventory and Alerts > Selected Vendor

Limitations:

1. Quickbooks:
 - a. PRO: Phitch does not support Quickbooks Pro compatibility.
 - b. PREMIER: Phitch is compatible with 2008 and 2009 Quickbooks Premiers. Phitch only supports Manufacturing, Retail, and Accountant editions. Phitch does not support Canada and UK at this time. Users must be set-up in Quickbooks for Inventory or Admin for full functionality. User set-up for Purchases and Accounts Payable will be unable to place orders for assemblies.
 - c. ENTERPRISE: Phitch is compatible with 2008 and 2009 Quickbooks Enterprise. All industry specific versions are supported. Phitch will be unable to place orders for assemblies if not enough components are on hand. Must order and receive components before an assembly order can be placed. Users must be setup for Inventory, Admin, or Full Access in Quickbooks for full functionality in Phitch. Accounts Payable users will not be able to order assemblies.
2. Operating Systems: Phitch supports Microsoft Windows Vista and XP operating systems.