Precious Metals Management Nightmare: Tracking Inventories, Prices, Sales, Segregations and More

Designed specifically for precious metals depositories and dealers, inventory management software eases management and accountability.

With the economic crises, weak recovery, and record debt of recent years, investors and central banks have bought billions of dollars worth of precious metals in the form of coins and bars as a hedge against inflation. With gold and silver prices at near record levels, consumers have pursued their own gold rush, selling their old jewelry and heirlooms to be melted down into bullion, as new depositories have entered the market to meet demand.

The influx, storage, and increased trading of physical precious metals bullion has swelled the inventory of depositories and dealers, which is good for business but can be a nightmare for tracking inventories, prices, sales, segregations and more. The challenge in the storage and tracking of a client’s precious metals is that there has been no customizable, effective inventory control and warehouse management system specifically for precious metals depositories and dealers, who increasingly need access to real-time inventory management for themselves and their clients.

“With the opportunity to sell into an expanding market of precious metals investors, bullion dealers have a growing need for a real-time integrated inventory system that can look across the dealer’s holdings at multiple depositories and account for product in varying stages of transit,” says Chris Blasi, President of Neptune Global Holdings LLC, a boutique precious metals research and trading firm headquartered in Wilmington, Del.
That need can now be filled. Developed in the field of warehouse inventory management, specialized software has now been developed specifically to track and control precious metals inventory for depositories and dealers. This customizable solution offers depositories the ability to easily track and manage allocated and non-allocated inventory, transfers, shipping, receiving, and sales with constant monitoring of pricing using software that can be tailored to each environment it is used in. This also allows dealers to track their inventories for all their customers, in multiple depositories, while constantly responding to price.

“You are always valuing inventory, tracking margins and managing the logistics of a physical item,” explains Blasi. “Dealers increasingly need a holistic view of their disparate holdings, distributed across multiple depositories and in various stages of transit. Capturing these efficiencies will provide our clients and all the players in the supply chain with a more efficient and user friendly experience while maximizing margins.”

**Metals Management Nightmare**

While most depositories or dealers have traditionally worked out their own system for the care, handling and tracking of precious metals, most of these systems do not fully take into account the complexities of precious metals inventory management. Typical spreadsheets, hand ledgers, and even many databases, for instance, have been less than effective at the task of managing various metals and asset types from bullion bars and coins to rare coins across a range of inventory situations. Inventory can be allocated or commingled; segregated or non-segregated; fungible or non-fungible; and of course market values and settlement prices will constantly change.

Many precious metal inventory requirements are unique to depositories and dealers. With fluctuating metals prices, there are special billing and reporting requirements, such as when these must be integrated with trading exchanges like COMEX and NYMEX.
When working with a bank, inventory management software must integrate with banking software.

There are also special ownership transfer requirements. Depositories must track the hallmark of precious metal bars including producer, serial number, weight, and purity. Coins must be recorded when received, and unique information such as mint date and condition must be tracked for rare coins.

Inventory management becomes even more complex when dealers keep precious metals at multiple depositories to minimize shipping, handling, and insurance costs across a range of wholesalers and geographic areas. When depositories work with a brokerage, dealers need inventory access based on their ownership rights. Frequently, dealers may need inventory access not only for their clients but also for the clients of their clients. The dealer’s clients, traders and sub-clients will want to track the quantity, quality, value, and other factors related to their precious metal investment.

“Dealers continuously take inventory of their precious metal holdings not just at their primary depositories, but at all the depositories they utilize, in conjunction with tracking product moving between themselves, their clients, sub-clients and wholesalers,” says Blasi. “Too often this has meant requesting inventory reports from multiple depositories and suppliers which come in various proprietary forms including downloads, emails, faxes, and PDFs, then hand entering the data into ledgers, spreadsheets or a stand-alone database. This has made it hard to holistically view the inventory data in anything approaching real-time.”

**Specialized Warehouse Management Software**

Ultimately, there is a limit to how effective depositories and dealers can be at tracking precious metals inventories with spreadsheets, hand ledgers, or even databases that were never designed for such tasks. What is required is inventory control and management software designed for warehouse use, but specialized to the needs of depositories, dealers, and their clients.
While a depository stores precious metals in a secure setting, once in the depository the precious metals are actually moved and stored much like goods in any other warehouse. Precious metal bars are typically moved by forklifts and stored on pallets in specific locations, while coins are stored on shelves or in safes, and all must be capable of rapid inventory tracking.

Because such inventory tracking has long been required in industrial and retail warehousing, warehouse management software – designed specifically to manage the movement and storage of warehouse items – has long been a proven solution. Warehouse management software can enable the real-time tracking of inventory levels, stock locations, customer orders, and history. It can be designed to operate as a stand-alone system or become an integrated part of larger systems including accounting software, CRM and even trading systems.

Now warehouse management software customized to the needs of depositories and dealers is helping to optimize vault management operations with precious metals.

“There’s a natural transition from piecemeal, do-it-yourself inventory management tools like spreadsheets and ledgers to a more robust, integrated approach,” says Peter Oykhman, a co-founder of CorePartners Inc., a Frederick, MD-based computer software engineering company. “The growing need for real-time inventory visibility and accountability among depositories, dealers, traders, banks, and the individual investors they deal with is helping to drive this change.”

After working for over eight years with a major international bank in the U.S. and the U.K. that dealt with precious metals, Oykhman’s company developed a warehouse management software package called CoreIMS Vault Management specifically for depositories, traders and dealers.
To support standard precious metal transaction types for effective stock management, the warehouse management software accepts stock in, stock out, stock dual control, stock allocation/de-allocation, receives actual weight items, and can perform bar-coded inventory control. For effective exchange contracts management, it supports multiple exchanges, including COMEX and NYMEX, with automatic validation of exchange eligibility rules.

“Anything that simplifies precious metals inventory management and automates the validation of exchange eligibility rules, like CorePartners has tried to do, is a step in the right direction for the industry,” says Blasi.

Because the warehouse management software is based on efficient third party logistics (3PL) inventory management, it provides depositories and dealers with real-time accountability of assets held, along with an audit trail of all transactions. This permits ownership tracking at multiple levels, along with a detailed recording of ownership transfers, calculated storage charges based on closing prices, and real-time online access with appropriate security settings for each client.

“To better support our operations and deliver a superior customer experience, it is imperative to aim for real-time asset accountability throughout the entire supply chain for all inventory categories,” says Blasi. “Warehouse management software like CoreIMS Vault Management is a promising approach.”

For depositories and dealers needing multiple warehouse support, single software installation can even serve multiple physical or virtual warehouses. This can provide full separation of precious metal stock operations.

“As more players in the precious metals industry adopt solutions like warehouse management software that can provide a real-time, integrated view of inventory, the industry will reach the next level,” concludes Blasi.
For more info, email info@corepartners.com; phone toll free 866-267-3967; Fax 301-695-1506; visit www.corepartners.com; or write to Core Partners, 5 South Market Street, Suite 302, Frederick, MD 21701.

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