

Take control of stock with an integrated Business Management Solution (BMS)

Taking charge of stock control can be the difference between running a profitable business and a floundering one. We look at the benefits of running stock management as part of an integrated Business Management Solution and discuss why it's time to start getting serious about stock.

Introduction

How long have you been depending on Excel, or your accounting system, to handle stock? For many businesses, the answer to that question is 'too long'.

Excel is the default business administration tool – especially amongst startups. Despite being a relatively light piece of software, it can be used to accomplish a menagerie of tasks, from invoicing and basic accounting to list making and report building. The truth, however, is that it was never designed to do a lot of the things we use it for.

We seem to recognise this when it comes to accounting. A year or two in, most businesses have invested in a purpose built system to take care of financials and provide a more robust audit trail. Where stock is involved, however, many wholesalers seem content to struggle on with tools that either simply aren't up to the task, or require a great deal of manual input.

You can't run a warehouse with pen and paper

This approach is all very well with a handful of jobs or clients, but if you're a wholesaler and your business is expanding, there's simply no way you can manage a warehouse with 'pen and paper'. There are too many variables and too many hidden costs for that to be a profitable solution in the long term.

Fortunately there is a better way. Integrate stock control as part of your business' workflow and the benefits are quick to follow. Accurate, real time information on stock means less wastage, better response times for customers, more detailed intelligence on your most profitable lines and, ultimately, the freedom to focus on building your business.

Here we take a look at those benefits in more detail.

Stock: the conundrum

As a wholesaler, it's natural to want to stock enough to be able to meet customer demand. The trouble is, the more stock you keep, the more cash you have tied up in physical products. The more you have to spend on storage and insurance too, to protect against a higher chance of loss, waste or theft.

These costs can be justified if the stock is going to be sold. But how can you be certain it will be? What if it just sits on a shelf gathering dust?

This is where the visibility of an integrated business management solution comes into its own. With a full view of orders, accounts and stock movement, you are in a much more informed position when it comes to understanding which products sell best in which locations. And with this intelligence, you can stock your warehouse more efficiently.

 [Our new business management solution] has improved our managerial visibility no end. It's made us realise just how little we knew what was going on with our stock before.

MD, supplier of welding and cutting equipment.

There are a number of key areas where an integrated business management solution can help you reduce the costs associated with your stock. The first of these is landed costs.

Knowing the true cost of your stock

Landed costs are all those niggling little costs associated with importing stock to Australia or New Zealand, such as brokerage and logistics fees, shipping costs, customs duties, tariffs, taxes, insurance and handling fees. They're easy to overlook, but if you underestimate how much your stock is costing you to buy, there's a danger of pricing your products too low and ending up with lines that fail to make any money.

If you're only importing small amounts, you may just be a few cents out with your calculations and be able to redress the balance with surplus cash. But once you start increasing volumes, those margins of error can quickly turn into hundreds or thousands of dollars. That's obviously a big concern.

 In the past, we'd get something in from the US and know the rough percentages of purchase price to cost. But we never worried too much about being accurate down to the nearest dollar or cent. We'd just counter any potential inaccuracies by leaving, say, 50 grand in the bank. Now, we can get accurate costs down to the nearest cent. In the process, we've been able to get rid of a couple of grand's worth of stock sitting around on the shelves.

MD, distributor of pneumatic and hydraulic components

The impact of exchange rates

To add to the uncertainty around landed costs, there are fluctuating exchange rates, which have the potential to alter costs quite substantially – especially if you're dealing with multiple imports. Even if you have accounted for all elements in your latest shipment, without up-to-the-minute currency information to hand, it's impossible to know for certain what your final costs are.

One remedy is to leave a few thousand dollars in the bank as a sort of buffer, but ultimately that's yet more cash tied up in stock that could be used elsewhere in the business. The better option is to use an integrated business management solution.

A lot of businesses don't realise it's possible to implement stock control and accurate import costing without spending a fortune. Not only is it possible, but the long term savings and efficiency improvements make it a sound investment.

Reducing human error

With an integrated business management solution, every single cost is assigned to a particular job. This means that even just a quick glance at the latest overseas order reveals the total cost of each item of stock. Better still, as your costs filter automatically through the system, from sales orders through to invoices, there's far less chance of information being omitted, duplicated, or entered incorrectly. In other words, a BMS removes that margin of error that arises as a result of human involvement.

Most BMS also update currency rates automatically, so a snapshot view of stock reveals the actual cost – not an out-of-date cost based on last week's exchange rate. This gives you a chance to factor in those fluctuations on a daily basis and spread the impact a little more evenly.

Meeting customer expectations

Another issue facing wholesalers is the difficulty of predicting customer demand. To a point, looking back at previous orders allows you to build a historical picture of your existing customers' needs. But what if those customers' needs suddenly change, or you receive a handful of new orders?

One way of dealing with this is to keep stock at component level and assemble to order. If you're an electrical manufacturer, for example, it makes more sense to stock plugs as components and only assemble them into two- or three-pin plugs once you know how many of each type customers need. This approach makes your business more flexible to customer demand, but only – and here's the problem – if you know exactly what's in stock at any one time. When you're controlling stock using a system that's based on a high level of manual input, that state of real-time visibility is very hard, if not impossible, to achieve.

A view of stock and sale as one

An integrated business management solution has the instant advantage that stock and sales are connected as one. Your sales rep takes a call, looks in the system to check stock and confirms with the customer that the order can be fulfilled.

As soon as the items are picked from the shelf, levels are updated and the next rep to take a call has up-to-date information on the amount of stock available.

"Now when customers place an order for a finished product, our customer service reps can see straight away whether all the required components are in stock. Even if they're not, we can let the customer know there and then – and provide them with a revised delivery date." MD, electrical wholesaler

Managing stock in multiple locations

The beauty of the BMS approach is that it works across locations, so you can make up customers' orders from multiple warehouses. For businesses that do a lot of custom mixing this not only means you can respond to orders faster, but you can be much more flexible in the products that you sell in the first place



We have three different sites in Adelaide and often make up orders using stock from each – depending on our customers' precise requirements. We would never have been able to do this using traditional stock control, but in our business management solution, we can just set up the bill of materials and build from there. We can set the same amounts or change the mix as we please. It really makes life a lot easier.

Director, Adelaide seed distributor

Accounting for varieties and variations

Business management solution are also capable of recording far more detailed information than traditional stock control, such as:

> Expiry date tracking

Traditionally, accounting software doesn't allow you to record age. But if you stock perishable goods, it's essential you know when those are about to expire. In BMS not only can you enter this sort of information but it's possible to set up an alert when stock reaches a certain age. From that information, sales reps can prioritise the sale of soon-to-perish items and ensure that stock isn't wasted in the process.

> Batch tracking

Business management solution allow you to keep records of stock batches, which means you can ensure consistency across paint colours, food flavourings and so on.

> Variable amounts

If you are using a general accounting system to track stock, it's exceptionally difficult to account for variations – and that results in wastage. A timber merchant, for example, might stock a piece of timber as a 3m length but only sell 1.8m of that to a customer. What then happens to the remaining 1.2m? If you aren't able to account for the off-cut, you almost certainly won't know you've still got it – and it most likely won't sell. With proper visibility, you can prevent these leftovers and clear your stock.

It's all about the visibility

Because business management solution combines stock control with accounting, you can track stock and costs as one workflow. This offers huge advantages over separate accounting and stock control systems. BMS enable you to view the ebbs and flows of each particular stock and help you spot the fast moving and most profitable lines.



With our system now, we've been able to move away from the assumption that a particular product sells well, to a position of absolute certainty.

GM, commercial interior business

A basic accounting system might tell a furniture wholesaler how many chairs a customer has ordered, but the visibility stops there. With an integrated business management solution, the same wholesaler knows whether chairs are in the warehouse, in the paint shop, scheduled for painting, or complete and awaiting shipping. In short, an integrated system gives you visibility of your stock not just as it sits in your warehouse, but as it makes its journey from the shelf to the customer's door.

Predicting future stock volumes

It's not just short-term gains that you get from a BMS either. Because an integrated system records data on every purchase and every item of stock dispatched, it can be used to build up a picture of customer preferences and seasonal spikes. Over time, you can use that data to predict future stock volumes and make business-critical decisions.



At the moment, the system flags up whenever stock is running low. Six months from now however, it'll be able to suggest stock holdings on a season-byseason basis.

MD of a concrete business

Integration with third party software and technology

Businesses are understandably cautious about implementing new systems. Some worry that the software will become obsolete too quickly, or not be flexible enough to meet their needs in the future. But choose the right business management solution and you'll be investing in software that's flexible, customisable and capable of sitting alongside other third party systems as and when you decide to implement them.

You may not be ready to integrate a web ordering system right now, for example, but it's a logical progression for many wholesalers. Not only does it allow customers to check for themselves whether an item is in stock before placing an order, but it enables you to dispatch products more quickly.

Other efficiency improvements that you may be considering include bar-coding and warehouse scanners.

Even if you don't need the 'bells and whistles' just yet, a flexible BMS will allow you to add new functionality when you're ready. That means that with BMS, you're effectively future-proofing your business.

Where do you start?

So you've decided that an integrated business management solution is for you. What do you do next?

1 Analyse your current position

The first thing is to start analysing the limitations of your current systems. Look at your workflows, identify where you think blockages, duplication of efforts and other inefficiencies are occurring – then consider the sort of improvements you'd like to see.

When it comes to looking for a replacement system, there are a number of considerations, including:

- > your budget
- > the features of the various systems, and their suitability to your business
- > the reputation of the software providers
- > who you'll be working with to implement the system
- > the support that is available to you after launch

Price may rule some systems out right away, but other considerations are sometimes harder to rule on.

That's why it often pays to find out what other businesses in your industry are using. Talk to colleagues in your industry, and look for case studies about businesses that have gone through a similar implementation.

2 Refer to case studies

Case studies (which can usually be found on software providers' websites) are often a useful first step in establishing whether a system might be suitable for your business. They allow you to see what the challenges of implementing an business management solution were for a business similar to your own, discuss the steps involved – and, most importantly, highlight the benefits since installation.

3 Talk to BMS specialists

Ultimately, to install the software, you'll be dependent on the expertise of an implementation partner – a company that specialises in setting up BMS and has experience in integrating them with third-party systems. These are based all over Australia and New Zealand, so look for businesses like this in your local area and ask them to demonstrate systems to you.

4 Go direct to the software providers

Alternatively you can talk directly with software manufacturers about their solutions. They should be happy to put you in touch with the right local partner.

Want to find out more?

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