

A man with short grey hair, wearing a blue t-shirt with a "CYCLE FACTORY" logo, is focused on working on a bicycle wheel. He is using a tool to adjust the spokes. The background shows several other bicycles hanging in a workshop. The text "Balance your inventory and your business" is overlaid in white on the left side of the image.

Balance your inventory and your business



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# Is inventory one of the biggest numbers on your balance sheet?

## The theory vs the practice

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The concept of inventory control and management is an easy one to grasp—determine what to stock, in what quantity, and when to order more. But in practice, things are a little more complicated. Prompt access and delivery of stock is key to keeping your customers happy (leading to more repeat business), but over-stocking can reduce your cash flow and tie up valuable working capital.

So it's important that you find the right balance between these goals:

- 1. Reduce inventory investment**
- 2. Meet customer service goals**
- 3. Achieve maximum throughput and cost containment**

In short, you need to identify the least amount of inventory you need to meet your customers' expectations. You need control of your inventory.

"It's not enough to know that I have 'x' sheets of laminate or particle board. I need to track what apartment complex bought what color, and what size cabinets the particle board was used to build. I have to have the ability to take the raw materials and turn it into inventory".

**Jeffrey Burgess G&E Architectural Products Detroit, Michigan**



# Is it complicated?

Most businesses aggressively target inventory management because stock is one of the biggest assets on the balance sheet. If you'd like to do the same, consider these two things:

## Different parts of your business may have conflicting internal objectives

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While each team in your company is focused on delivering overall profit, they may have different ideas on how to get there—and opposing views on how to manage inventory. For example, if your customers demand faster delivery times, your sales team may request a large stock of finished goods on hand. Conversely, if your company is planning to launch a new product, your product developers might want to keep inventory low. Your finance team may want to keep inventory levels low to free up cash flow.

## By nature, predicting supply and demand is a tricky business

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On the supply side, material scarcity, supplier relationships, managing perishables, and the obsolescence of products might cause you to buffer stock levels to ensure the supply for customers. On the demand side, the economy, innovation, and sales seasonality may require you to have a more mixed approach to stock levels, even item-by-item.

## The risks of not optimizing your inventory

Without effective inventory management, your business is far more likely to suffer from:

- Lower profits and slower growth due to inefficiencies across your business
- Slower response to business changes, as you spend more time on less productive tasks
- No real-time insight into operations, reducing customer satisfaction and operational efficiencies



# Is there a better way to manage inventory?

## Get a handle on your inventory

### Spreadsheets



Lots of businesses rely on spreadsheets for stock and inventory information. Whether it's Excel or a cloud-based equivalent like Google Sheets, many companies start using what they have. And it can work well—you can get up and running quickly and with virtually no expenditure and there are plenty of templates available to save you reinventing the wheel.

But spreadsheets aren't really designed for inventory management. It's not an automated approach, which means manual stock checks are required, on a regular basis, to ensure your inventory sheet is up to date. As your business gets bigger, the worksheets will get larger and harder to navigate. It requires time and advanced spreadsheet skills to extract the insight you need, for example by connecting it to sales reports. You can't see stock levels in real time—you'll always be lagging behind your sales or production teams.

### There is a better way

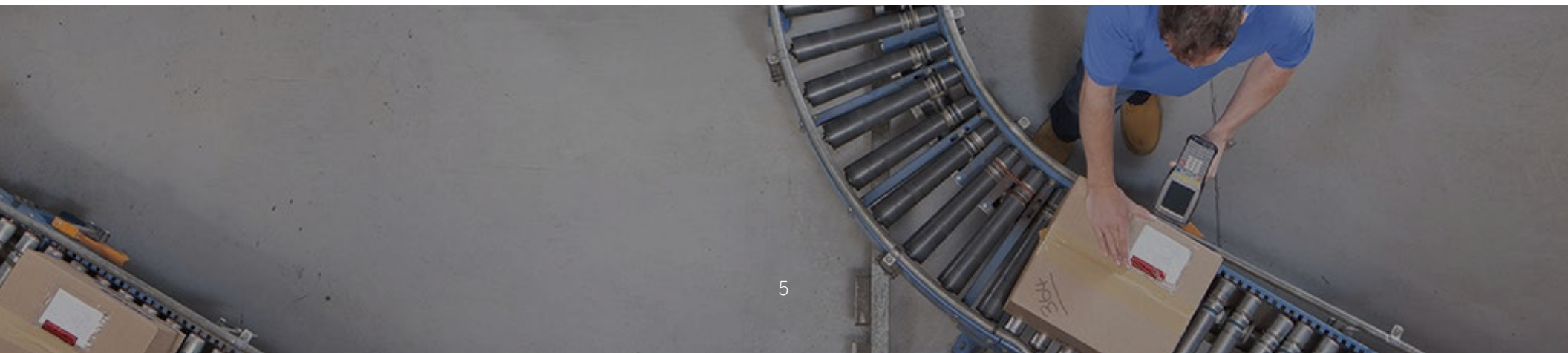
Spreadsheets and traditional inventory management solutions have benefits, but they both have the same downside—they expect you to change the way you and your teams work. In contrast, the ideal inventory solution should work the way you do, fitting seamlessly into your existing processes.

### Inventory management software



As they grow in size and complexity, some businesses invest in a dedicated inventory management solution. Traditionally these focus on improving forecasting and the order quantity process, or by adjusting stock safety levels. They also enable real-time inventory status to be distributed to different teams within your business, getting more timely decision-making information in front of the right people.

However, these business management solutions are generally designed for larger businesses with huge product catalogs and global reach. Enterprise resource planning (ERP) systems, for example, have huge capability lists so it can be difficult to investigate and evaluate which is right for you. Once you're signed up, it can be a long process to customize the out-of-the-box implementation to work for your unique business. Which also means you'll find it harder and more expensive to upgrade as new versions are released, or to move to another solution if your business needs change.





# What does good inventory management look like?

What used to be an either/or proposition—stocking too much inventory or suboptimal customer service—is no longer relevant. Whether you're an entrepreneur or a small-to-medium sized business, a good inventory management solution will connect all the parts of your business.

But unlike traditional software, there's a new type of solution. An inventory management solution that connects your financial data with your inventory data could be the answer you're looking for.

## Cut your costs



It's easy to create inventory profitability reports to see which items are selling and which have the greatest (and smallest) profit margins.

## Increase productivity



Set up automatic purchase orders to replenish inventory when it reaches a certain level. Reduce workloads by automating other manual tasks from order inputting through to dispatch.

## Eliminate errors



Create assemblies that define exactly how many components or which materials are required to complete a product.

## Improve profits



Identify unprofitable transactions by customer or product. Rationalize your catalog by culling items that are moving slowly, or not generating enough margin or regularly have to be marked down.

## Smarter stocking



Get detailed analytics and reporting, and granular workflows so you can coordinate demand, inventory and supply. Predict stock-outs and overages before they occur. See patterns, for large customer orders that might put pressure on your systems, or seasonal shifts in demand.

## Better business insight



With integrated CRM and support for e-commerce, you can ensure that teams from marketing, sales, finance and legal have access to the latest inventory data.



# What are common pitfalls of poor inventory management?

It's not enough to just choose a good inventory solution. You need a strong implementation plan if you want to achieve the greatest efficiencies. Here are the most common reasons that new inventory management solutions don't meet expectations post-implementation.

1

## Poor system execution



You need to make sure your inventory solution works hand-in-hand with your business processes. If not, you may find product tracking difficult. For example, products may make it to your store, but not to the shelf. Or promotional inventory makes it to the store, but not onto the shop floor. It makes it harder to meet customer expectations, costing you time and, ultimately, money.

Optimizing your system processes alongside your business processes is the best way to ensure that the stock your business relies on is available where and when it's needed.

2

## A lack of communication



As companies grow, it can be difficult generally to maintain the links between teams. But poor communication takes a particular toll where data is concerned. Different job roles—product, sales and distribution—will all focus on different aspects of inventory, and will plan, manage or problem-solve from different perspectives.

So it's essential that you enable all your different teams to collaborate, providing the particular insights each team needs, from a single, real-time source of data.

3

## Information complexity



Poor decision-making is a problem across supply chains in companies of all sizes—it's one of the main reasons to implement an inventory management solution. Poor decisions are usually made because the decision-maker doesn't have timely access to the right information. As your product ranges, store network and distribution centers increase in size, so does the complexity of your information, and the number of shortcuts taken.

To address this, your chosen inventory solution needs to make essential information and reporting available, in real time, to decision makers across your business, regardless of their role or location.

**In summary, couple strong execution, communication and decision-making with the right inventory management tool, and you'll be able to find your happy inventory levels.**

## Find the right solution for your business

Your needs are unique. Get the right accounting solution for your business.