

Making a business case for inventory optimisation software

A guide to how EazyStock will benefit your business



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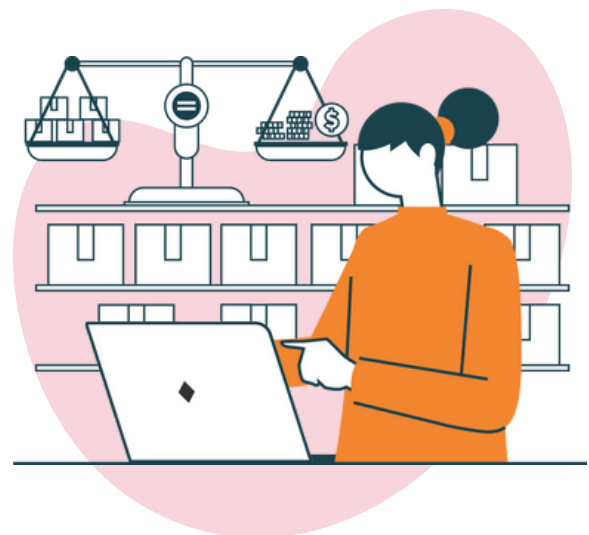
Making a business case for inventory optimisation software

The market for business software is extensive, to say the least, especially when it comes to supply chains. With enterprise resource planning (ERP) platforms, warehouse management systems (WMS), eCommerce and procurement software all vying for business, knowing which options are best for modernising and expanding operations can be confusing.

Understanding each system's offerings, benefits, and differences is no mean feat. Then, explaining everything to senior management to convince them they should invest in your ideas feels like a lot of work.

This eGuide focuses on inventory optimisation software - particularly EazyStock - and how it can benefit your business.

Whether you're researching better ways to manage your inventory, considering a new stock control system, or looking to build a business case for software investment, we'll provide the arguments to make convincing the Board easier.



ERPs manage inventory but don't optimise it

Most businesses use ERP software for inventory control. While ERP systems are great for managing inventory, e.g. tracking stock items, and managing sales and purchase orders, they can't optimise it.

When we talk about 'optimising your inventory', we mean achieving high stock availability levels with the lowest possible inventory investment. You might think your ERP or WMS already does this, but if you're experiencing any of the issues below, your systems lack inventory optimisation functionality, and it's time for change.

1. Inaccurate demand forecasting
2. Frequent stockouts and subsequent backorders
3. High risk of excess or obsolete stock in your warehouse
4. Poor stock turnover rates
5. Using spreadsheets for more complex calculations
6. Lack of control over seasonal items
7. Inability to cover fluctuating supplier lead times
8. Too much money tied up in inventory

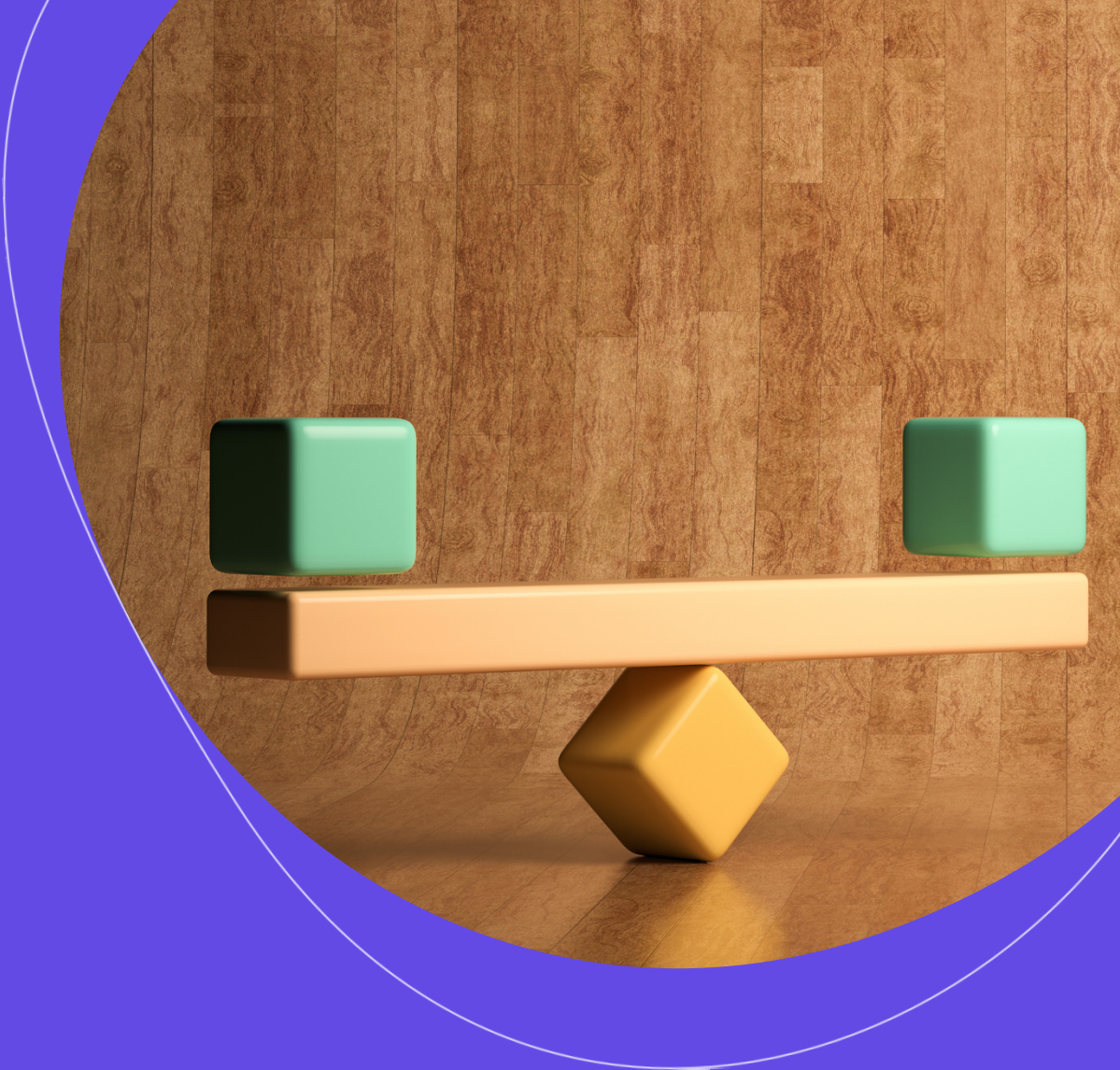
These issues are often due to sub-optimal inventory management that uses linear, rules-based inventory management processes (ERPs, WMS spreadsheets), which fail to consider inventory optimisation techniques.

As a rules-based approach fails to account for your marketplace's supply and demand dynamics, achieving optimum inventory levels is impossible.

With various economic, political, technological and social factors affecting global trading, supply chains and customer demand, it's vital to consider these when calculating demand, stock levels and replenishment needs.

Inventory optimisation software incorporates demand and supply variability into probabilistic, statistical calculations. It then dynamically adjusts stock rules and replenishment parameters to ensure your stock levels and reordering activity match market demand and consider supply constraints.





The benefits of inventory optimisation software

If your ERP doesn't have inventory optimisation functionality, it's time to look at the benefits of inventory optimisation software and its quick return on investment (ROI).

1. Reduced stock levels

A key challenge for many stock-holding businesses is lowering inventory levels without affecting fulfilment rates and increasing the risk of stockouts.

Lowering inventory levels and improving inventory turnover frees up working capital and reduces holding and carrying costs.

A better inventory turnover rate also frees us cash to use elsewhere in the business, e.g. investing in sales and marketing or expanding product ranges.

However, you need to do this in the right way to avoid stockouts.

The key is categorising your SKUs and prioritising what you hold in your warehouse, stocking more of your fast-moving items and less of your slow-moving, high-risk lines.

This is hard with an ERP, as many ERPs lack the necessary analytical tools to recommend what and how much stock you should actually carry.

Enter inventory optimisation.

An inventory optimisation plugin, such as EazyStock, will classify each SKU in your warehouse based on its annual cost and demand attributes. It then recommends ideal stock levels to meet fulfilment targets without holding surplus stock.

EazyStock customers typically see their inventory levels fall by 30% within months of implementation.

2. Improved stock availability

For some businesses, the risk of stockouts is never far away. Whether it's running out of seasonal items halfway through the peak period or regularly seeing empty shelves where their bestsellers should be – stockouts are bad for business.

Stockouts lead to lost sales, both now and possibly in the future, providing a bad customer experience.

They're also inefficient and unprofitable, leading to a stressed-out stock control team and uneconomic backordering activity.

The first step to ensuring stock availability is to set accurate demand forecasts. Many ERP inventory management modules use basic rolling average calculations to forecast demand. Often such methods cannot take into account typical causes of demand volatility. Critically, these include:

Product life cycle

As an item moves through its product lifecycle, from market introduction to maturity and decline, its 'demand type' also changes. For example, at maturity, demand may be stable, whereas when a product comes nearer to the end of its life, demand could become very volatile. In each scenario, the demand type of one product can be very different to the next, so the demand forecasting approach should reflect this.

Seasonality

This ensures you're aware of upcoming sales opportunities and have adequate stock to capitalise on customer demand.

Trends

Identifying trends allows you to see an item's growth or decline demand pattern to ensure replenishment mirrors the pattern.

EazyStock's powerful statistical demand forecasting algorithms can improve your forecast accuracy and plan for demand fluctuations by recognising demand types, seasonality and trend patterns. EazyStock adjusts forecasts regularly and updates your replenishment recommendations so you can always make the most of demand surges and prevent costly stockouts and backorders.



3. Strategic decision making

It's difficult to predict the impact of different scenarios on a business.

For example, how could improving stock availability impact cash flow? How would cutting stock investment affect fulfilment? EazyStock makes this easier thanks to built-in scenario simulation capabilities. This helps you make informed decisions before changing your inventory policies, reducing financial risk.



4. Reduced excess stock

If you build up a surplus of the wrong type of inventory, e.g. slow-moving stock with declining demand, you'll increase your risk of stock obsolescence.

Once you have obsolete stock, you often need to write it off, which can be costly. The alternative is to spot the signs as excess inventory mounts up and make the necessary plans – prevention is better than cure!

The risk of excess and obsolete stock is highest as products leave the maturity stage and hit decline.

EazyStock tracks the demand of every SKU in your portfolio and calculates its position in its product lifecycle. EazyStock spots demand changes and adjusts stocking policies and reordering calculations accordingly, reducing the risk of costly excess and obsolete stock.



5. Improved efficiency with automation

Many organisations find that their ERP or WMS lacks the capabilities to fine-tune their demand forecasting, inventory planning and replenishment activities, so they resort to spreadsheets.

Doing such complex calculations manually can cause many issues. For starters, manually entered data is prone to errors, and as businesses grow and the number of SKUs increases, spreadsheets slow down and get more complicated.

As it's difficult to improve the efficiency of manual processes, they become a barrier to reducing order cycle timescales because processing sales and purchase orders, etc, takes so long to complete. Without automation, teams often have to check every line of an order schedule for logic and accuracy.

EazyStock can automate all these tasks to improve the productivity of your inventory planning and purchasing teams.

This saves time working out what, when and how much stock to reorder.

As previously explained, advanced analytics and statistical algorithms at the core of EazyStock enable it to react to dynamic supply chain and market demand variables.

With a regular feed of your sales data, your current inventory levels and supplier information, EazyStock continually calculates the numbers to:

- Accurately forecast demand.
- Automatically update stocking policies so they're always based on the latest demand data.
- Automatically adjust variables, including demand types, demand forecasts, target service levels, safety stock, and supplier lead times.

This continual process improves the efficiency of your business. As an EazyStock user, a daily list of optimised order recommendations will be sent to your ERP that considers demand and supply variability to prevent overstocking.

It's then your call whether you want to approve every replenishment order or manage by exception and only review those that carry the most risk.

Inventory management teams no longer have to manually crunch data or 'fire-fight' when goods go out of stock. Instead, they have more time to focus on strategic decision-making and value-adding tasks.

6. Optimised multi-warehouse supply chain management

It can be difficult for companies to manage stock levels across multiple warehouses. It can be even more difficult for them to manage multi-echelon (or multi-layered) supply chains.

This is often because their systems cannot provide a global overview of stock levels, let alone forecast demand and determine the appropriate stock levels for each location or echelon.

EazyStock offers a range of features to support more complex supply chains. For example, businesses with multiple stock locations can employ the inventory redistribution functionality to transfer excess stock from a warehouse where demand is low to another where it's much higher. Inventory redistribution maximises inventory turnover at both locations, frees up working capital and lessens the reliance on external supplier networks.

Inventory optimisation software can also prevent a 'bullwhip effect' from occurring along a multi-echelon supply chain. This is where demand forecasts augment at each stage of the supply chain, e.g. from retailer to wholesaler to manufacturer, causing over-inflated forecasts and consequential surpluses in stock at each level.

EazyStock's more advanced forecasting methodology suggests the right inventory levels at each stage of the supply chain. By optimising inventory balances across multiple echelons, you can work leaner and reduce inventory investment across your supply network.

7. Better supplier management

For companies with a global network of suppliers, keeping track of lead times and ensuring they don't negatively impact replenishment schedules can be challenging.

Many EazyStock customers benefit from being able to upload these lead times into one central location. The system then automatically factors these supplier calendars into replenishment calculations for each relevant SKU.

For example, if you only order from one particular supplier once a month, EazyStock will adapt your order quantities for all relevant items accordingly. Or, when holidays such as Chinese New Year or busy manufacturing periods come around, it will allow for these supply delays and adjust your reorder points and quantities to reduce the risk of stockouts.

By managing your supplier lead times better, you'll improve your ability to fulfil customer orders profitably.

8. Cost-effective ordering

If your suppliers place contractual constraints around how much you can reorder, it can inhibit cost-effective purchasing.

To help overcome this issue, you can upload information such as max/min order value, volume or weight into EazyStock and use the Order Fill-up functionality. The system will then consider these factors when generating order proposals. For example, EazyStock can automatically identify items most suitable to add to an order to make up minimum order quantities or fill up shipping containers. This means you can quickly optimise your orders with items that have demand (either now or in the near future) and prevent excess levels of unwanted stock.

If you have more flexibility with your suppliers, EazyStock's advanced Price Break functionality can help you determine whether a large order at a lower 'price per unit' will actually save you money versus purchasing smaller quantities more frequently.


EazyStock can help reduce operational costs and ensure stock availability by always suggesting the most cost-effective purchasing strategy.





Overcoming barriers to implementation

With so many ways for EazyStock to improve your inventory management processes, inventory optimisation software is a win-win. Just in case not everyone is convinced, let's look at why potential objections and barriers to implementation that your Board might raise aren't actually barriers.




“It’s too expensive”

A common challenge for many companies is securing capital investment for new business systems. EazyStock is a ‘software as a service’ (SaaS) product, so you pay an annual subscription. Our customers also find that EazyStock can begin to deliver an ROI within weeks of implementation, helping the project pay for itself.

Many ERP and WMS implementations result in business change and disruption because complex system integrations affect processes and departments across the entire business.

As a SaaS product, EazyStock is quick and easy to implement. The system simply requires a data feed of point of sale (POS) data and current stock levels, often from your ERP, WMS or business system via FTP transfer or automated Excel file upload. EazyStock then makes its calculations and passes the optimised data back.

EazyStock is often only used by inventory management or purchasing teams, so business change impacts very few people. Integration follows a simple structured programme, so you can be up and running within weeks of signing a contract.



“It will cause too much disruption”

EazyStock's unique Customer Success Team provides tailored support through integration, system set-up and beyond. Starting by showing customers the basics that will deliver ROI from the outset, we then introduce more of the system's capabilities as users gain confidence and ability.

Despite using advanced analysis and sophisticated algorithms, EazyStock is very user-friendly, with easy-to-navigate, customisable screens.


"It will be too complicated to use"

As a cloud system, EazyStock doesn't need any new technology or infrastructure to use it.

"We need to upgrade our IT infrastructure"

"There's too much risk in investing in new software"

As we've already discussed, EazyStock requires very little system integration or capital investment. A team eager to improve its stock management processes is the only requirement for success. EazyStock is SaaS software offered via the cloud on an annual contract, so the long-term commercial and operational risk is very low.



**“I don’t believe it
will work”**

To resolve the scepticism around whether EazyStock can improve inventory processes enough to see a tangible ROI, we offer a free Stock Health Analysis. We’ll load your data (under NDA) into our demo system so we can highlight where you can make savings and improve efficiency.

ROI ultimately comes in the form of enhancing fulfilment and reducing stock levels (in particular excess stock) to save money, but customers also benefit from a wide range of other optimisation features.

If you’d like to understand how EazyStock can help your organisation, please contact our team to arrange a call.

Summary

We hope this eGuide has supported a viable, commercial business case for why your organisation needs EazyStock.

We understand that the market has a vast array of supply chain management business systems – and choosing the right one can be mind-blowing. Whether you opt for an ERP, WMS, eCommerce platform or procurement programme, they lack advanced inventory optimisation functionality. That's where EazyStock can help; please [get in touch for a demo](#) to find out how much.



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**Find out more
about
inventory
optimisation**

Book a demo