eazystock

Making a business case for inventory optimisation software

A guide to how EazyStock will benefit your business

Contents

Making a business case for inventory optimisation software

The market for business software is extensive, especially when it comes to supply chains. Enterprise resource planning (ERP) platforms, warehouse management systems (WMS), eCommerce and procurement software are all vying for business.

You might be researching better ways to manage your inventory, considering a new stock control system, or looking to build a business case for software investment.

It might be that you're already using EazyStock and have merged with another company, and you want to make a case for keeping EazyStock.

This eGuide explains the steps in building a business case. It also provides supporting information and arguments to convince the Board of the benefits of engaging inventory optimisation software like EazyStock.
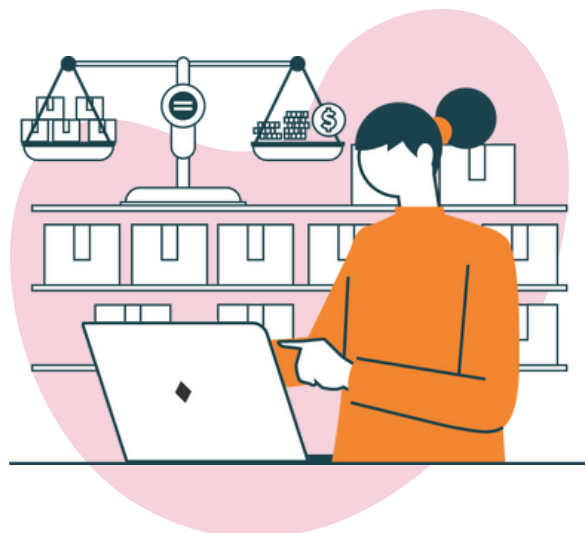
Writing a business case

You know you've got a problem, and you've found the solution. You know it will work, but when you tell the Board or ask the financial team, you need to back up your gut feeling with data.

Presenting your suggestion as a business case can help your suggestion to be taken seriously and increase the chances of success. A business case doesn't have to be complicated. You just need to put what you already know in one document. This should cover:

The problem

Analysis of available solutions

- Benefits
- Financial information
- Risk assessment

Recommended solution

Implementation plan

Even if you know all that information, getting things down in one place can be tricky. On the next couple of pages, we've drafted a business case using some example problems. All you need to do is edit with information that's relevant to you and your company. Nobody will know the issues you face and the impact they have better than you.

In the example, we provide a brief overview of the problems and an analysis of EazyStock, with more detailed information included later in the eGuide. This additional information can help with your supporting arguments. It could go in the body of your business case, or you could add it as an appendix.

If you need any further information about EazyStock, let our team know and we'll be happy to help.

Draft business case

The problem

Using unsuitable software to manage inventory has led to a range of problems. These problems include inaccurate demand forecasting, which leads to frequent stockouts, backorders, and overordering. This means we have excess and dead stock in the warehouse.

We need a way to reduce manual intervention so we can trust our order lines and save time. We must also improve our demand forecasting to include more external factors and not focus on a rolling monthly average. This will help us understand peaks and troughs in demand and identify items with seasonal demand.

Our spreadsheets have become too large, and it takes two days to check order lines. This means we get behind in ordering. There have also been instances where formulas have been changed accidentally, making all order lines incorrect.

Engaging software that supports the issues above will save time and money. We will be able to reduce the amount of money tied up in inventory and bring our stock levels in line with demand.

Analysis of available solutions (Recommended solution is EazyStock)

EazyStock benefits include:
- Reduced stock levels
- Improved stock availability
- Strategic decision making
- Reduced excess stock
- Improved efficiency with automation
- Optimised multi-warehouse supply chain management
- Better supplier management
- Cost-effective ordering

Financial information

EazyStock is a SaaS product and is paid for via an annual subscription. Customers have found fast ROI, with Cutwel saying EazyStock paid for itself within a month and a half. Support requests and updates are included in the price, so there aren't any surprise costs on top of the annual subscription.

Please contact us for more information about pricing.

Risk assessment

As EazyStock is subscription-based cloud software, there isn't any large-scale disruption to business. EazyStock connects to the ERP or business system to share information. There is no downtime – implementation happens alongside regular business.

EazyStock is ISO 27001, ISO 27017 and SOC-2 Type-2 certified to protect against unauthorised or unlawful data processing, accidental or unlawful destruction, loss, alteration or damage, unauthorised disclosure of, or access to, customer data. They also have an annual, independent third-party audit to ensure they continue to meet these standards.

Implementation plan

EazyStock provides a dedicated Customer Success Manager who works with the business from day one to ensure smooth implementation. They provide complete training that is tailored to business needs. This can be on-site or remote. The customer success manager remains the point of contact post-implementation and go-live, throughout the EazyStock journey.

Identifying your problem

Internal problems could range from regular stockouts of some products to overstocking of others. Digging deeper into these is essential to understanding what's causing these problems. The cause of your issues is likely linked.

Business systems have limited functionality

If you're using ERP software for inventory control, you're not alone. Most business fit their business needs around the functionality of their system. While ERP systems are great for managing inventory, e.g. tracking stock items, and managing sales and purchase orders, they have limited functionality, which can lead to a variety of issues, such as:

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 linear, rules-based inventory management processes (ERPs, WMS spreadsheets) that fail to consider inventory optimisation techniques.

As a rules-based approach fails to account for market supply and demand dynamics, you'll never be able to match stock levels with demand. This means you'll always be off balance and struggling to achieve strong service levels.

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

Using spreadsheets might work when you're managing a handful of SKUs. However, when managing thousands of SKUs, tracking them on a spreadsheet becomes overwhelming. Accidental errors in the system can result in costly over- and under-ordering. If a mistake isn't picked up, it will repeat infinitely.

Large spreadsheets are tricky to check, often taking inventory management teams away from more strategic or value-add tasks. Usually, when the spreadsheets have been checked, it's time to start again.

This is where inventory optimisation comes in. Inventory optimisation balances high stock availability levels with the lowest possible inventory investment.

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.
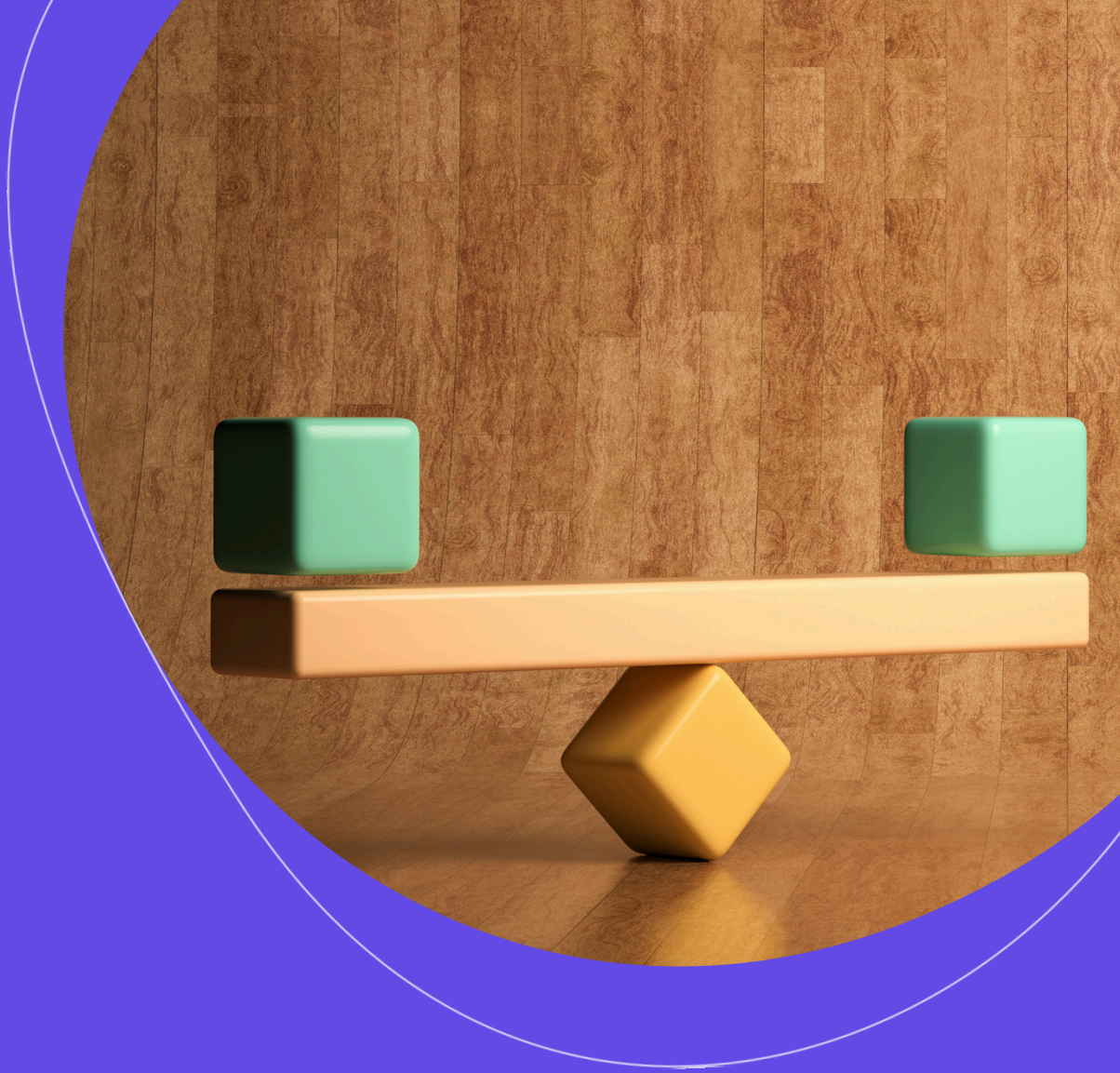
Analysis of available solutions

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). If the solutions you review don't provide these beneifts, you're looking at the wrong ones.

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 up cash to use elsewhere, 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 plug-in, 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 bestsellers should be, stockouts are bad for business.

Stockouts are inefficient and unprofitable, causing unnecessary stress and uneconomic backordering activity.

They lead to immediate and potentially future lost sales as customers find alternative suppliers.

The first step to ensuring stock availability is to set accurate demand forecasts. As many ERP inventory management modules use basic rolling-average calculations to forecast demand, they don't consider typical causes of demand volatility, such as:

Product life cycle

As an item moves through its product lifecycle, from market introduction to maturity and decline, its 'demand type' 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. As each item is at a different stage in its life cycle, they will have a different demand type. The demand forecasting approach for each item should reflect this.

Seasonality

Understanding peaks in sales due to seasonal demand ensures you have adequate stock to capitalise on customer demand, while reducing order quantities during quieter periods.

Trends

Identifying trends highlights an item's growth or decline demand pattern to ensure replenishment activity mirrors the pattern.

EazyStock's powerful statistical demand forecasting algorithms can improve your forecast accuracy and help you plan for demand fluctuations by recognising demand types, seasonality and trend patterns. By adjusting forecasts regularly and using data to update replenishment recommendations, you can make the most of demand surges and prevent costly stockouts and backorders.

3. Strategic decision making

There's no guarantee that your business decisions or chosen scenarios will have the desired business impact, but being able to test decisions can improve the chances.

For example, you might want to test how improving stock availability could impact cash flow or how reducing stock investment might 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.

Stock with confidence

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 increase the risk of stock obsolescence.

Obsolete stock must often be sold at a heavy discount or written off, which can be costly. However, if you spot the signs as excess inventory mounts up, you can make the necessary plans to prevent wasting money.

The risk of excess and obsolete stock is highest as products leave the maturity stage and hit decline. As EazyStock tracks the demand of every SKU in your portfolio and calculates its position in its product lifecycle, it can spot demand changes and adjust stocking policies and reordering calculations accordingly. This reduces the risk of costly excess and obsolete stock.

5. Improved efficiency with automation

If, like many organisations, if you've found that your ERP or WMS lacks the capabilities to fine-tune your demand forecasting, inventory planning and replenishment activities, you've probably resorted 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.

Improving the efficiency of manual processes is difficult, so they become barriers to reducing order cycle timescales. Without automation, processing sales and purchase orders takes a long time as you or your team must check every order schedule line for logic and accuracy.

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

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

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

With a regular feed of your sales data, current inventory levels and supplier information, EazyStock continually runs calculations to improve the efficiency of your business by:

- Accurately forecasting demand.
- Automatically updating stocking policies based on the latest demand data.
- Automatically adjusting variables, including demand types, demand forecasts, target service levels, safety stock, and supplier lead times.

EazyStock sends a daily list of optimised order recommendations to your ERP that considers demand and supply variability to prevent overstocking. You then decide whether to approve every replenishment order or manage by exception and only review those that carry the most risk.

Instead of manually crunching numbers or 'fire-fighting', inventory teams have more time to focus on strategic decision-making and value-adding tasks.

6. Optimised multi-warehouse supply chain management

If you're managing stock levels across multiple warehouses, it can be challenging; especially when managing multi-echelon or multi-layered supply chains.

This is often because business 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 use the inventory redistribution functionality to transfer excess stock from a warehouse with low demand to one where it's much higher.

Inventory redistribution maximises inventory turnover at both locations, frees up working capital by using existing stock rather than buying unnecessary stock, and reduces the reliance on external supplier networks.

Inventory optimisation software can also prevent a 'bullwhip effect' 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 stock surpluses at each level.

EazyStock's more advanced forecasting methodology suggests the correct 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

If you have a global supplier network, keeping track of lead times and ensuring they don't negatively impact replenishment schedules can be a struggle.

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. 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 the most suitable items 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 with demand (either now or soon) and prevent excess, unwanted stock.

If you have more flexibility with your suppliers, EazyStock's advanced Price Break functionality can help determine whether a large order at a lower 'price per unit' will actually save you money in the long run. Bulk orders of the wrong items can lead to excess stock, so purchasing smaller quantities more frequently might be better.

EazyStock can help reduce operational costs and ensure stock availability by 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 how to overcome potential objections and barriers to implementation that your Board might raise, including financial information and risk assessments.

"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 a manageable, annual subscription fee. Our customers also find that EazyStock can begin to deliver ROI within weeks of implementation. Cutwel found it paid for itself within a month and a half.
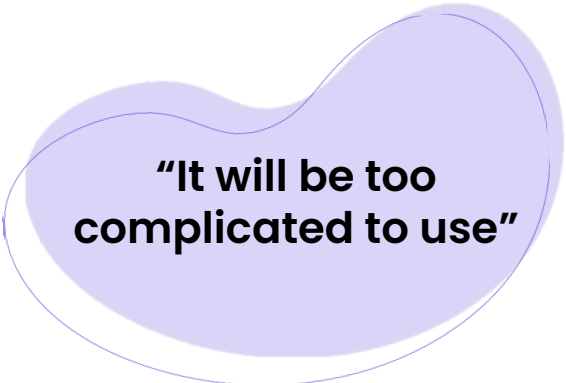
Many ERP and WMS implementations are complex, requiring large-scale business change. This can cause business disruption as processes and departments across the entire business are affected.

As a SaaS product, EazyStock is quick and easy to implement. The system 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. There's no business downtime or disruption, as the implementation runs alongside other business systems.

"It will cause too much disruption"

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.
Once connected, EazyStock calculates and returns the optimised data to the ERP.

"It will be too complicated to use"

EazyStock's unique Customer Success Team provides tailored support through integration, system set-up and beyond. Each customer has a dedicated customer success manager to show 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.

As a cloud system, EazyStock doesn't need any new technology or infrastructure to use it. We have ready-made connectors for most ERPs, making integration easy.

"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 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.

"Our data won't be safe and we risk cyberattacks"

Businesses are at more risk of cyberattacks than ever before. We understand that adding new software to your tech stack increases the risk even further, but at EazyStock, we take information security seriously. With ISO 27001, ISO 27017, and SOC-2 Type-2, we protect against unauthorised or unlawful data processing, accidental or unlawful destruction, loss, alteration or dames, unauthorised disclosure of, or access to, customer data.

You can read more about our information security management systems in our data processing addendum.

"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 from enhancing fulfilment and reducing stock levels (in particular, excess stock) to save money. Customers also benefit from a wide range of other optimisation features.

If you'd like to understand how EazyStock can help your organisation, or would like us to talk to other team members, please contact our team to arrange a call or demo.

eazystock

Find out more about inventory optimisation

Book a demo