E-Book:
Visibility & Control in Inventory Management

Enhanced Visibility and Control in Inventory Management

Inventory management is a critical aspect of any business, directly impacting profitability and financial health. As an inventory manager, you face numerous challenges in optimising inventory levels, reducing costs, and ensuring smooth operations. This is where technology can revolutionise your inventory management effectiveness, contributing to overall profitability while reducing capital employed. In this ebook, we will explore why digitisation is essential and present the impact on financial performance experienced by leading businesses that have embraced this change.

profit&

Why Inventory Managers Need a Digital Solution

Imagine this scenario: You're an inventory manager overseeing your businesses multiple locations or warehouses. One of the biggest hurdles you face is maintaining visibility and control over your stock in these physical locations. Beyond the physical stock present in warehouses, there exists a dynamic flow of inventory that extends beyond these fixed locations. Inventory managers must account for goods that are in transit, being shipped from suppliers or between different warehouse locations. This includes goods that are on order, in the process of being delivered, or scheduled to arrive shortly.

Moreover, the procurement process involves placing orders with suppliers to replenish stock or acquire new inventory. The inventory manager needs to track these orders, ensuring they align with the current demand forecasts and inventory levels. The status of these pending orders, whether they are in processing, pending shipment, or delayed, significantly impacts inventory planning and management.

In addition to tracking stock already in possession or on its way, inventory managers must oversee inventory that is in various stages of production within manufacturing facilities or in the production pipeline. This includes raw materials, work-in-progress items, and finished goods undergoing final touches before becoming available for distribution.

Gaining insight into customer demand stands as a crucial aspect of effective inventory management. Inventory managers rely on having a clear view of the most recent sales forecasts and production demands, and involves the translation of bill of materials into raw materials for procurement purposes. Bill of Materials usually involves a complex computation that requires a multi-dimensional calculation engine to process, way beyond the capabilities of spreadsheet applications.

Additionally, external market dynamics play a pivotal role, encompassing various factors such as anticipated seasonal fluctuations in demand and unforeseen occurrences like disruptions in the supply chain. These external factors can significantly impact consumer demand for products. An illustrative case is our client, a manufacturer specialising in motor parts. They experienced a notable instance wherein disruptions in the supply of auto parts elsewhere caused a temporary production halt for their customers' motor vehicles. Consequently, this sudden interruption led to a short-term decline in demand for the specific products they

supply for those vehicles affected.

Overall digital solutions process complex calculations while maintaining the transparency needed for the alignment of future stock orders and safety stock levels with the anticipated market needs.

Thus, the scope of an inventory manager's responsibilities extends beyond managing stock in warehouses to encompass a comprehensive view of the entire supply chain, considering inventory in transit, ordered from suppliers, and in various stages of production. The traditional methods of manually tracking inventory and relying on spreadsheets can quickly become overwhelming and prone to errors, leaving you feeling frustrated and anxious about the accuracy of your data.

"We recognised that data errors and extended processing times were causing significant financial losses. Addressing these issues to reduce surplus, manage outdated stock, and optimise last minute orders became crucial. Upon implementing the Anaplan digital planning platform and accessing precise, real-time data, our costs decreased significantly, safeguarding our profit margins."

Global VP Production Control & Logistic,
Global Automotive Manufacturer

Overall digital solutions process complex calculations while maintaining the transparency needed for the alignment of future stock orders and safety stock levels with the anticipated market needs. Let's consider the alternative, where a digital solution provides you with enhanced visibility and control, making your job easier and more efficient?

Digital Inventory Management

With a digital solution, you have access to real-time data from any-where, at any time. This means that you have a clear picture of your inventory levels, no matter where you are – whether you're in the office, at home, or even on a business trip. Gone are the days of being tied to your desk or relying on others for updates.

This increased visibility allows you to make data-driven decisions with confidence. You can see which items are selling well and which ones may be sitting on your shelves for longer. Armed with this information, you can take proactive steps to adjust your inventory levels accordingly, ensuring you're always stocked with the right products at the right time.

Not only does a digital solution provide real-time visibility, but it also gives you greater control over your inventory. You can set automated alerts for low stock levels, so you never run the risk of stockouts and disappointing your customers. Additionally, you can track the movement of your inventory across different locations or warehouses, ensuring accurate stock transfers and minimising the risk of misplaced or lost items.

But the benefits don't stop there. Digital solutions often offer advanced reporting and analytics capabilities. You can generate comprehensive reports on inventory turnover, ageing stock, and other key performance indicators. These insights empower you to identify trends, detect inefficiencies, and make informed decisions to optimise your inventory management strategy.

In a dynamic business environment where demand and supply can change rapidly, the ability to respond quickly is crucial. With a digital solution, you can monitor and adjust your inventory levels in real-time, helping you stay ahead of the curve. Whether it's a sudden spike in demand or a supplier delay, you have the power to adapt and make informed decisions promptly, mitigating potential disruptions to your operations.

Features of Digital
Inventory Management

1 Enhanced Visibility and Control:

One of the biggest challenges for inventory managers is maintaining visibility and control over stock across multiple locations and stages in the supply chain process, be it supply, production or delivery. With a digital solution, you can access real-time data from anywhere, anytime. This increased visibility enables you to make data-driven decisions and respond quickly to fluctuations in demand or supply.
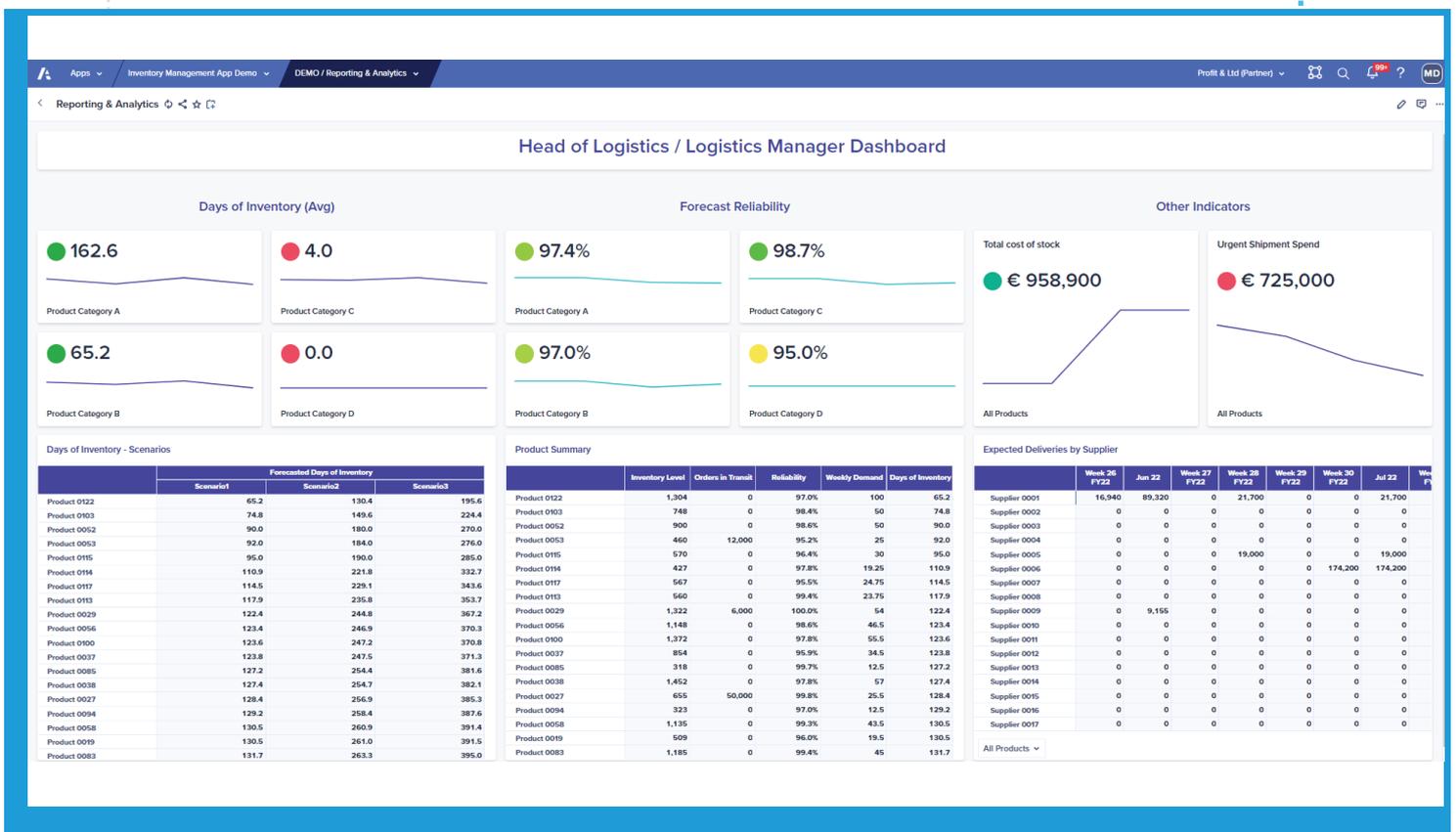
2 Streamline and Automate Inventory Processes

Managing inventory manually can be time-consuming and prone to errors. A digital solution allows you to automate critical inventory processes, such as stock tracking, replenishment, and forecasting. By reducing manual work, you can save time, minimise human errors, and gain real-time insights into your inventory levels.

3 Accurate Demand Forecasting

Accurate demand forecasting is crucial to optimise inventory levels and reduce excess stock or stockouts. A digital solution offers advanced forecasting capabilities, leveraging historical data, market trends, and customer insights. By accurately predicting demand, you can optimise inventory levels, reduce carrying costs, and improve customer satisfaction.

4 Predictive Analytics

Predictive analytics are a critical asset, guiding inventory managers to act preemptively, thereby optimising inventory performance and operational efficiency. Leveraging historical data and advanced algorithms, predictive analytics solutions sift through vast datasets to forecast trends and potential areas of concern. By analysing patterns and historical trends, these tools empower inventory managers to anticipate future

demands, identify potential stock level issues, and proactively make informed decisions to mitigate any suboptimal inventory scenarios before they occur. This foresight allows for timely adjustments and strategic interventions, ensuring optimal stock levels are maintained to meet customer demands while avoiding overstocking or stockouts.

5 Efficient Order Fulfilment

Digital inventory management facilitates efficient purchase order and customer fulfilment processes. With detailed inventory records and automated data transfer to your ERP, you can ensure quick and accurate order processing, as well as picking, packing, and shipping. This leads to improved customer satisfaction, reduced order errors, and increased operational efficiency.

6 Real-Time Inventory Tracking

Tracking inventory in real-time is essential for avoiding stockouts, addressing discrepancies, and minimising holding costs. A digital solution provides accurate, up-to-date information on stock levels, locations, and movements. This enables you to maintain optimal inventory levels, reducing the risk of overstocking or understocking.

7 Collaboration and Integration

A digital inventory management solution promotes collaboration and integration across different departments, such as sales, procurement, and finance. By sharing real-time information, your team can work together seamlessly, improving communication, avoiding unnecessary stock orders, and reducing lead times and costly excess and obsolete stock.

CASE STUDY

Motor Vehicle Parts Manufacturer Achieves 16x RoI From Investment In The Anaplan Digital Platform

The client, a prominent player in automotive technology, faced inventory management challenges due to fragmented data sources and the use of multiple spreadsheet models to manage inventory and production. This approach was time-consuming, error-prone, and led to last-minute orders and increased excess stock. Planners struggled to devise effective strategies to reduce excess inventory and efficiently manage capital tied up in stock.

To address these issues, Profit& introduced an Inventory Planning Solution powered by the Anaplan Platform. This centralised solution aggregated critical data such as sales orders, demand forecasts, purchase orders, and production schedules into a single platform. Planners gained access to comprehensive reports displaying stock levels, stock policy projections, and detailed insights into supply chain status, including warehousing, orders, delivery schedules, transit, and production.

The implementation of the Anaplan platform resulted in significant benefits. The client witnessed a 16-fold return on investment within the initial three years.

"One of the biggest impacts we have noted is the reduction in capital tied up in stock. This equates to 16 times return on investment in the first 3 years."
VP Global Production Control & Logistics

The transition from disparate systems and multiple spreadsheets to a unified platform provided clear visibility across the supply chain, ensured data accuracy, minimising error-related costs, and effectively managing excess stock. Planners benefited from spending less time on data manipulation and more on scenario planning to optimise stock management strategies, leading to greater control over excess and obsolete stock and a substantial return on investment.

"The solution provides robust, reliable data to give our team confidence that production lines will keep running. We have all the information needed to make small adjustments to our inventory plan daily to deal with issues before they become risks. The amount of stock that we have on-premise at any one time is reduced, and we have better control over excess and obsolete stock."
PCL Controlling Manager

Impact on Profitability and Financial Performance

The integration of a digital inventory management system fundamentally revolutionises the landscape of inventory control, establishing direct correlations with a company's profitability and financial performance. As evidenced by substantial industry studies, the transformative impact of digital solutions on inventory management transcends mere efficiency improvements; it directly translates into tangible financial benefits.

For instance, Forrester Research's comprehensive analysis revealed that companies leveraging digital inventory management systems achieved a remarkable **36% reduction in inventory carrying costs**. This reduction, outlined in the study titled "[Cloud-Based Inventory Management: Delivering Enhanced Efficiency and Cost Savings](#)" published in 2023, underscores the substantial financial gains directly linked to streamlined inventory management practices facilitated by digital solutions.

Similarly, a study published on Statista highlighted that businesses implementing digital inventory management systems can realise substantial savings, with an average annual financial impact of approximately $675,000. This insight, derived from the report titled "[Cloud-Based Inventory Management Market Size, Share & Trends Analysis Report](#)" in 2023, emphasises the significant cost-efficiency advantages that digital solutions offer in inventory management.

Another study by Deloitte found that cloud-based inventory management systems can reduce the risk of stockouts by up to 45%. The study, "[Supply Chain Resilience: A Guide to Building a Robust Supply Chain](#)," 2023.

The case study illustrated earlier, showcasing a 16x return on investment within three years of implementing the Anaplan Platform, echoes the substantial efficiency improvements and reductions in errors and overstocking. Beyond the direct financial gains, this case study exemplifies the transformative potential of digital inventory management solutions in bolstering operational efficiency, minimising errors, and optimising capital allocation, thereby positively impacting a company's bottom line.

Embracing the power of digital technology is no longer merely an option but a requisite for inventory managers aiming to thrive in today's dynamic business landscape. Armed with these quantifiable insights and success stories, equipping your business with the right tools in inventory management becomes imperative, paving the way for sustained success and enhanced financial performance.

To delve deeper into the transformative realm of digital transformation in supply chain management, you can visit Supply Chain Management (profitand.com) or get in touch with us today.

Get in touch   **Follow us on LinkedIn**

profit&