

# Driving profit

MPS providers should be focused on increasing visibility and control over inventory operations to drive profit. Laryssa Alexander, Field Service President, ECI, shares some practical tips to help monitor complex variables and provide a real operational boost to businesses



Laryssa Alexander

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**Factoring in complex variables such as warehouse and truck stock, technician usage and stock turnover can be challenging, but without a solid understanding, MPS businesses are unable to accurately track stock which can undermine profitability.**

Inventory management is one of the most vital areas of any business, yet it is one that often needs the greatest improvement. Many small and medium managed print service businesses struggle to compete because they have limited resources available including personnel, technology, budget and time for things like inventory management. Despite this, service providers need a way to establish and maintain appropriate inventory levels for equipment and supplies to maintain cash flow and reduce overhead.

Pitfalls in this area can lead to poor customer experience, a lack of visibility, low stock turnover, out-of-control labour costs, decreased profitability and ultimately, business failure.

So what are the common challenges managers face and how can successful businesses streamline purchasing and inventory processes to drive efficiency, eliminate errors and reduce costs?

**1 Removing manual processes**

Manual inventory processes involving physical counts, or disconnected spreadsheets with different data systems, can never really be trusted. You'll never know whether missing items are the result of employee negligence, fraud, double shipments or something else. Important questions can go unanswered and with little time to manually review the data, costly issues can drag on for months or even years.

Surprisingly, many SMEs do not have inventory record keeping policies and processes in place including regular inventory counts, maintenance and documentation. Results from our *ECI Warehouse Management Woes* survey show that 53 per cent of small to medium sized businesses conduct manual inventory counts at least once a quarter and half of respondents experience challenges counting or reconciling inventory at all.

**2 Improve storage and receipt processes**

Since many SMEs have limited resources, inefficient storage and receipt processes are common. This is often the start of other costly mistakes including difficulty accessing merchandise, over ordering and missing stock.

To resolve this challenge, a business must have a documented process that holds personnel accountable for oversight and implementation. There needs to be clear instructions for employees about interaction with inventory, storage of material, storage locations, material/merchandise handling, safety guidelines, reporting/entering data and handling damaged inventory.

**3 Getting rid of excess**

Meanwhile, holding excess stock or reordering products at the wrong time contributes to some of the biggest overhead cost drivers. Inefficient

inventory control leads to wasteful spending. If cash is tied up in excess inventory, the business can't invest in other areas that provide ROI.

Accurate inventory and sales information is essential to an accurate purchasing process, as well as understanding the best opportunity for future growth. Accurate inventory levels are also essential for successful marketing and advertising initiatives, as well as reducing the need to drastically lower prices to quickly sell excess stock.

**4 Be organised**

Inventory management problems often occur when inventory is stocked in different areas of the warehouse, or allowed to go out on the road in unknown quantities. A quarter of those responding to our survey reported challenges finding certain stocked items.

Businesses lose valuable time and potential sales when items cannot be located quickly by employees or customers. In addition to documented processes and maps, well-labelled stock shelves with clear item descriptions are helpful.

**5 Go constant, go electronic**

To keep a tab on stock, we found that about 46 per cent do spot checks without a schedule, 22 per cent perform cyclical counting of specific products on a rotating basis and 19 per cent do full physical count only when an issue is discovered.

These are less reliable than ongoing electronic monitoring and updating. Integrated inventory management software streamlines this process, reducing costs and offering a more accurate understanding of actual inventory levels.

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