



# Poor stock management on the shop floor.

The costs of having too much stock

**Phocas.**  
Got data. Get results.

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# I want it here, and I want it now!

## Demands of the consumer.

If customers can't buy what they want from you because it's out of stock they will go to a competitor who has it.

That's not just one sale lost but potentially many sales over the life time of that customer. And with so much online, your competitor may be just a single mouse click away. Holding stock or inventory is a very expensive business, particularly where the goods are of high value. On the other hand not having enough stock available for customers means lost sales and revenue. The ability to keep inventory at a minimum where stock arrives just as it's needed is a careful balancing act – especially in the retail channel. To prevent the costs associated with over-stocking or under-stocking, distributors and retailers are making greater use of BI (Business Intelligence) and analytic tools for forecasting and inventory management. With these tools they can analyse shared data and information from across the supply chain and internal operations. The more insight a company can gain into its business, its supply-chain and its customers the more unlikely they are to over or under-stock.

## Benefits of insight into your data:

- 1 Conduct detailed, in-depth analysis of historical data and sales transactions to better calculate demand
- 2 Accurately track inventory throughout the entire supply chain, and compare current stocking position with short and long-term trends
- 3 To better monitor sales by product, geography and customer to better understand the factors that influence sales

# The costs associated with over or under stocking.

## Costs associated with overstocking

If a business holds too much buffer stock (stock held in reserve) or overestimates the level of demand for its products, then it will overstock.

Stock that isn't moving will accumulate on shelves and occupy more and more warehouse space. The longer it sits there the more it will cost. Aside from general storage costs for maintaining the space other costs can include:

- Increased insurance and security required to ensure the stock is protected from theft and fire.
- Stock may become faded, tattered and 'shopworn'.
- The risk that the stock will become obsolete as it sits there.

The cost of carrying inventory will vary from company to company. If a company has a large cash balance, has excess space for storage, and its products have a low probability for deterioration or obsolescence, the company's holding or carrying costs are very low.

A company with a large amount of debt, little space, and products subject to deterioration will have very high holding costs.

The costs associated with over stocking can have a dramatic impact on cash flow which may mean you can't afford to restock with items and products that do sell. Restricted cash flow means the business can't expand or respond to current trends in the market.

## Costs associated with out-of-stock items

**On the other hand, under stocking can also be very costly.**

Not having sufficient stock on hand means lost sales. Your customers may go to a competitor who has stock of what they want. Or to meet the demand may mean shipping things in at the last minute at extra costs and having staff work over time to process the orders. Suppliers often pay for freight already which is costly, and to have to expedite the stock 'express' only adds unnecessary costs to the supply chain and takes away from the bottom line.

# Data drive decisions.

## How business intelligence and data analytics improves inventory management.

Your sales and inventory systems may contain a wealth of data.

Collated into a central repository and analysed in the right way, it can reveal tremendous insight about your supply chain and sales performance. This insight can prevent an over-stocking or under-stocking situation from occurring.

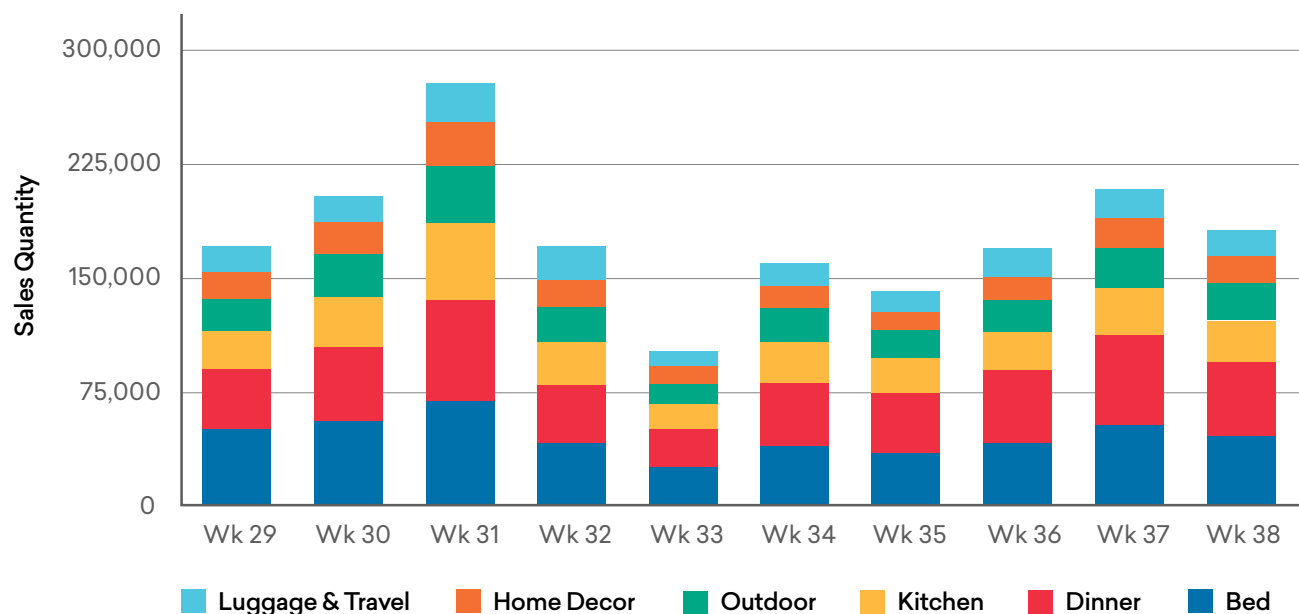
Business intelligence allows you to improve the accuracy of operational forecasts. Bringing together stocks and inventory data with sales information you can identify potential out-of-stock situations.

It will identify where stock needs to be increased to prevent lost sales. If you have a good idea of expected demand then you know how much you will need to order and how much buffer stock you need to have on hand.

Stocks-outs can be reduced or eliminated. The ability to forecast future demand depends on having sound data and analysis on current and previous sales. If target and buffer stocks are too high relative to current sales trends, they can be reduced and the inventory repositioned in the supply chain.

### Sales Qty by Range

Wk 29/2014 (19-Jan-14) - Wk 38/2014 (23-Mar-14)



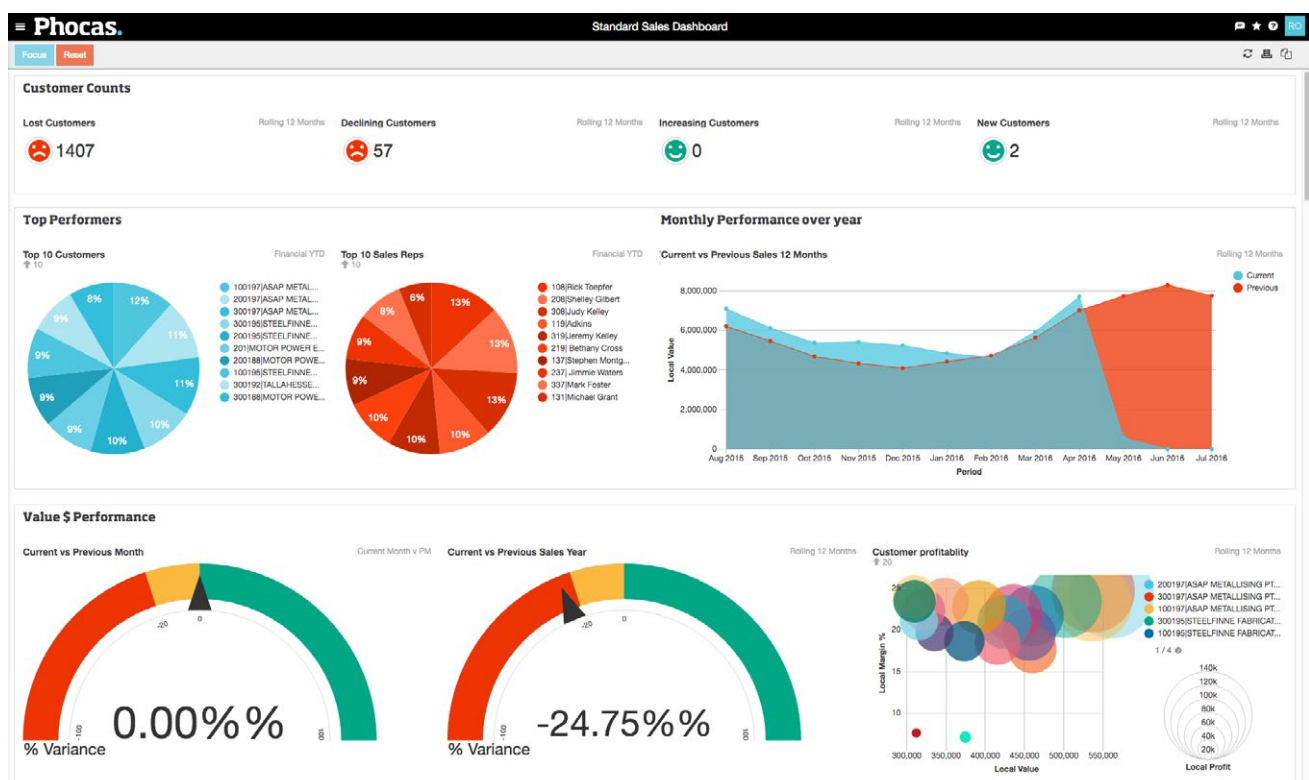


# A BI solution is crucial for optimising inventory management and accurate demand forecasting.

By extracting information from disparate systems into a centralised repository retailers and distributors can report on metrics related to their supply chain, sales, production and internal operations. In the long run make better, fact-based business decisions.

Using BI for supply-chain optimisation reduces the need for buffer stock to avoid service interruptions, increased asset liquidity and easier access to available working capital. Retailers and distributors can reduce the need for buffer stock if they can identify bottlenecks in their delivery system and reduce lead times for movement to the sales floor.

Business intelligence can quickly identify products that should be discontinued or marked down and assess the most profitable way to sell through poor performing merchandise. The ability to react quickly to issues at an item level can avoid an over-supply of non-productive and unprofitable stock.



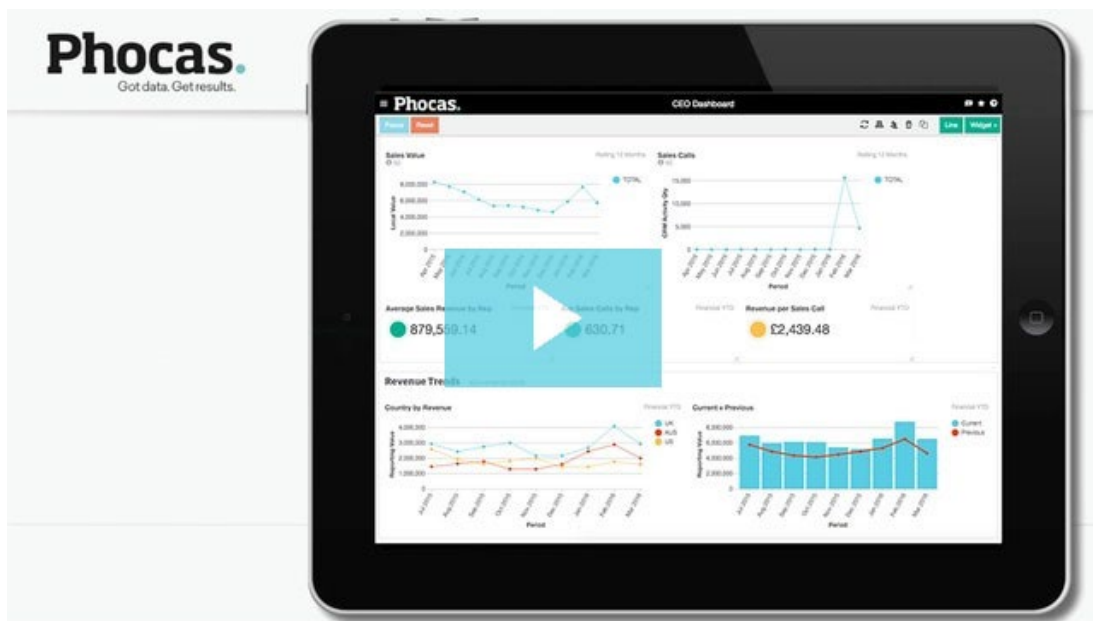
# About Phocas.

## Simplifying sell thru data to better manage performance in retail

Phocas is a provider of award-winning business intelligence software with most of our users in sales & marketing, management, finance and IT.

Our software provides them with the solid and dependable information they need to make the right decisions – without having to pester their IT department. By doing so, they can optimise their business performance.

Watch our demo to learn more:



“We have been using Phocas on the sales side of the business for many years. Over the last 12 months, we have been using Phocas for stock management. **Phocas has been a key reason for reducing our holding stock by over 35%.**”

**Bill Montague**, Finance Director at Antler

# Get in touch.

Learn how Phocas can help you achieve your business goals.

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