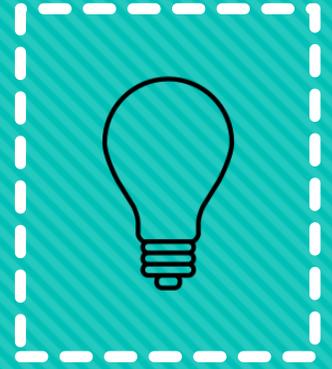


Inventory Visibility

The Key to a Successful Distribution Business

The buzzword nobody can explain

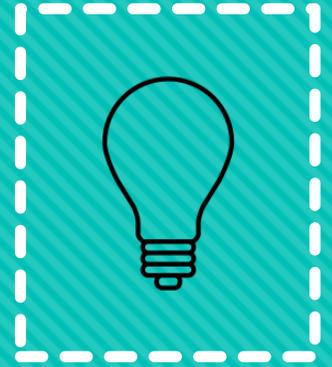


If you've read a supply chain industry study in the past fifteen years you probably noticed that one of the top complaints reported by distributors is **Lack of Visibility**. Sometimes it's called supply chain visibility and other times phrases like inventory visibility are used. It almost always tops the list of areas in which distributors want to invest more money. But there's just a small problem... nobody seems to know what visibility actually means!

With a problem this big you might expect a good consensus on what the issues are and what the solution looks like. But with visibility, this is definitely not the case. In fact the lack of a good definition makes the problem worse because of the constant cross-talk and miscommunication between distributors, industry leaders, and software companies.

The purpose of this paper is to present a coherent definition and explanation of visibility based on our experience with clients and supply chain partners. We hope this paper will create a starting point for constructive dialogue in addressing the very real challenges that face distribution companies.

What's so special about distributors?

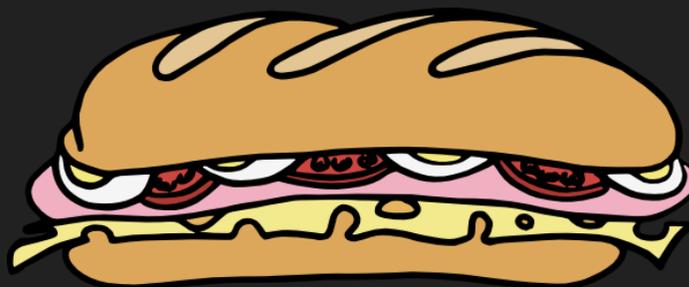


The problem of visibility is not unique to distributors. In fact it's a fundamental issue related to inventory management. We believe that all companies in the supply chain can benefit from increased visibility. However, distribution companies have a unique challenge that is constantly threatening their business. Due to their position in the supply chain as **intermediaries**, they experience extreme pressures from their vendors upstream and their customers downstream.

THE DISTRIBUTOR SANDWICH

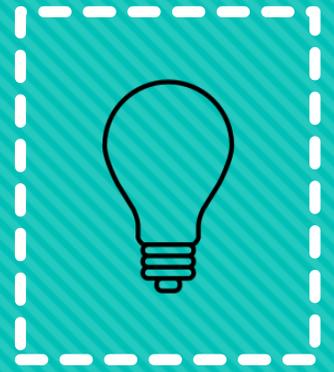


Vendor: "Take all this inventory and carry all the risk"



Customer: "Give me anything I want at a moment's notice"

Creating some breathing space



Vendors want distributors to take as much of their inventory as possible but this can be a big risk for distributors. Along with the vendor's products they are also taking on the risk of not selling everything to their customers. The customers, on the other hand, work at their own pace. They buy whatever they want whenever they need it. Often they have unpredictable behavior and even the most loyal ones can't be fully relied on all the time.

The cash in a distribution business is often tied up as inventory or as account receivables and this can be a big problem if margins are very slim. But there are **3 things that can be done to improve cash flow:**



Better payment terms with vendors + Pay as late as possible



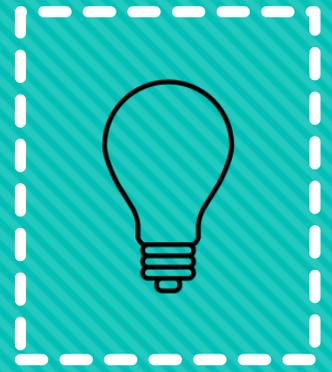
Keep minimal inventory without risking stock-out



Better payment terms with customers + Collect as early as possible

TURNING WORKING CAPITAL TO CASH

The need to optimize inventory levels



Improving payment terms is tricky and you can only get away with so much before you start annoying your vendors and customers. So once a distributor has negotiated the best possible deals with their partners, they are left with the task of optimizing inventory. In fact in terms of the day to day operations of the business we could say that:

“Distributors are in the business of managing inventory correctly.”

1

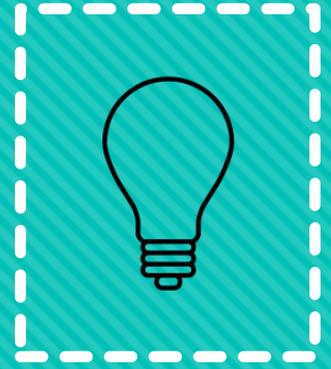
Buy as much as is needed to supply customers **without risking stock-outs or over-stocking.**

2

Buy as little as possible from vendors **without risking your relationship with them.**

DISTRIBUTION KEYS TO SUCCESS

A better definition of visibility



Which specific data is meant when supply chain companies speak of visibility?
A lot of the confusion stems from the fact that people mean more than one thing. We propose that there are 2 types of data for which distributors are eager for more visibility:

INTERNAL

Inventory Visibility

- Moving and storing items within an organization
- Order Management once an order has been placed
- Logistics of transporting items from/to suppliers/customers
- Employee activity monitoring and auditing

EXTERNAL

Supply Chain Visibility

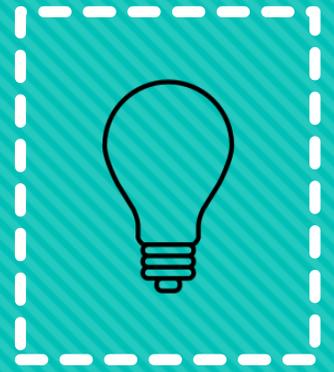
- Vendor processes and product levels
- Customer processes and product levels
- Order Management up and down the supply chain
- Financing up and down the supply chain

VISIBILITY



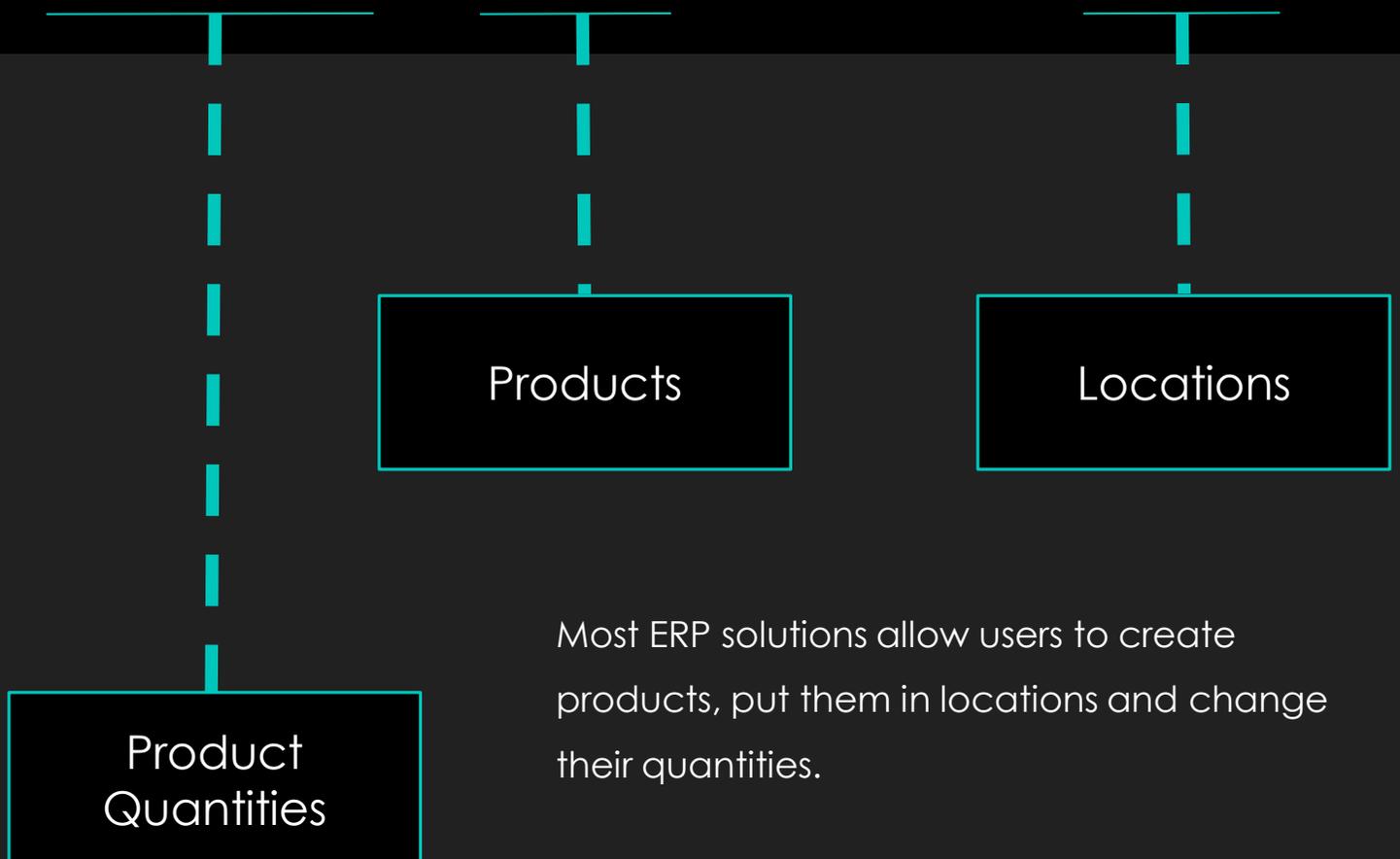
AGILE & LEAN

INTERNAL Inventory Visibility



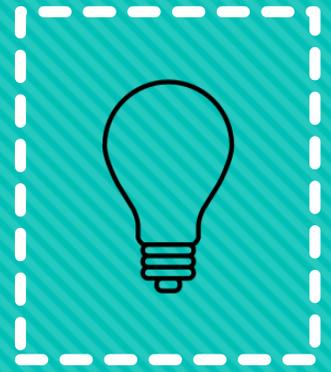
Based on numerous conversations that we've had with our clients and partners, we distilled the concept of internal inventory visibility into the following very basic question:

HOW MANY of **WHAT** do you have **WHERE**?



Most ERP solutions allow users to create products, put them in locations and change their quantities.

INTERNAL Inventory Visibility



But most of the time it looks like this:

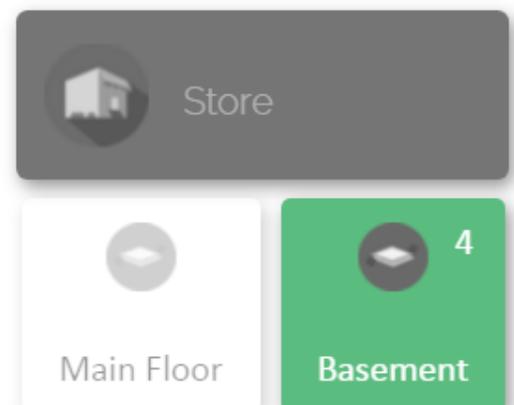
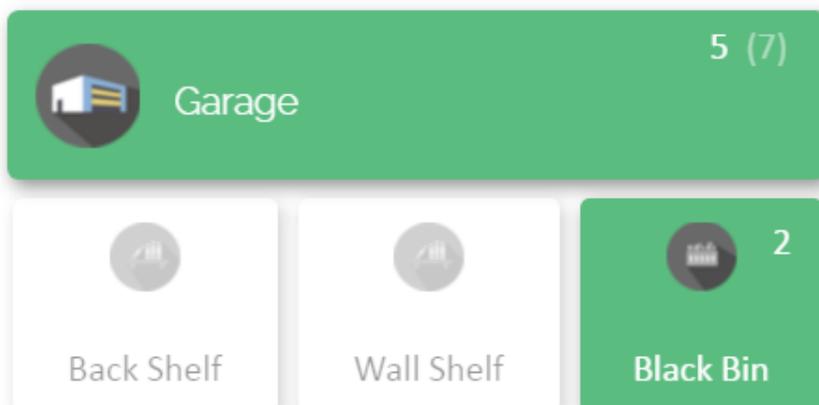
SKU	Quantity	Location
CS-0000001	5	Garage
CS-0000001	0	Garage > Back Shelf
CS-0000001	0	Garage > Wall Shelf
CS-0000001	2	Garage > Black Bin
CS-0000001	0	Store
CS-0000001	0	Store > Main Floor
CS-0000001	4	Store > Basement

VISIBILITY

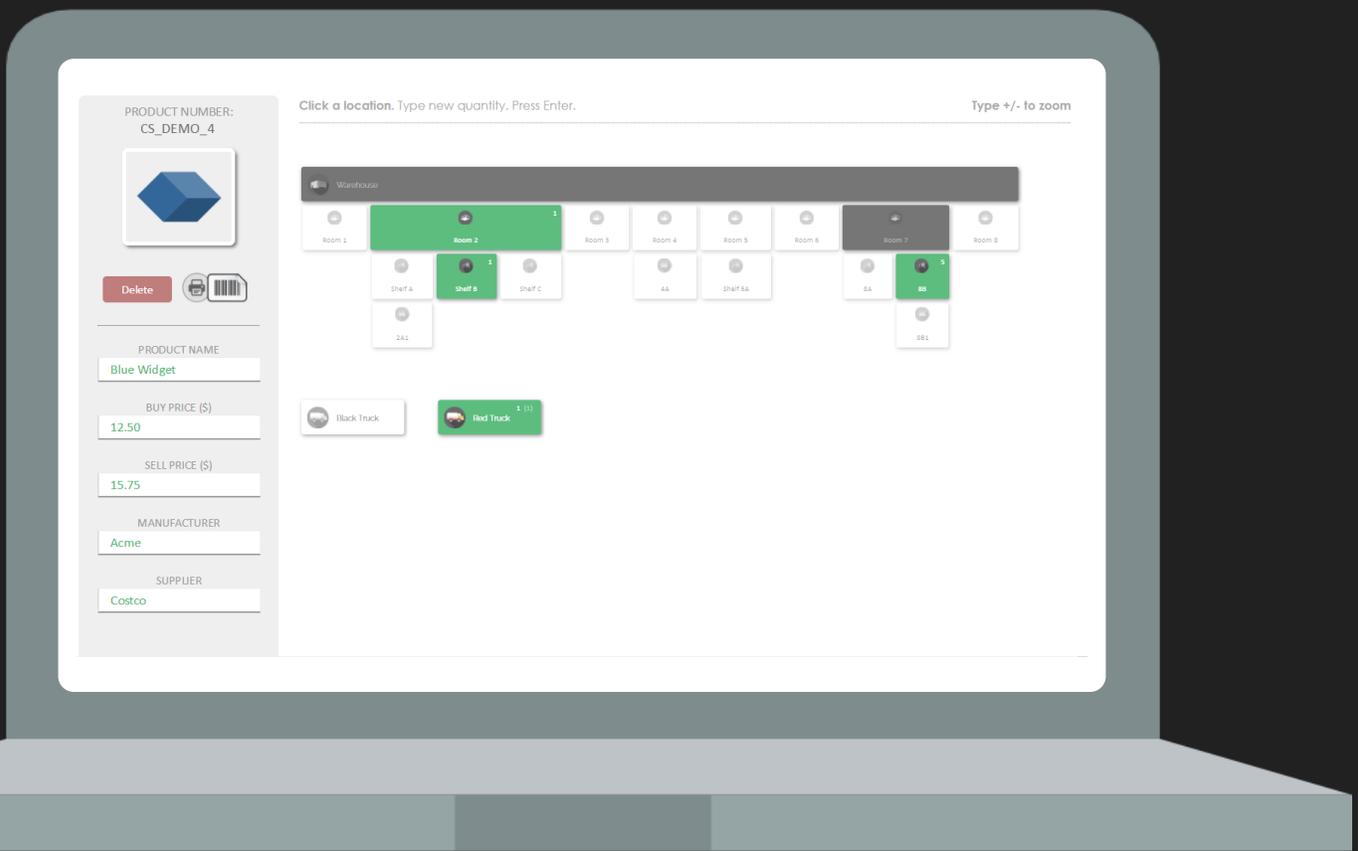


MORE DATA

Spreadsheets and tables play an important role in inventory management but they are not helpful when a human user needs visibility. You could spend a long time looking at a table like this without gaining any real perspective of your inventory. On the other hand, **the exact same data could be much better represented as a visual map:**



A good map gives inventory visibility

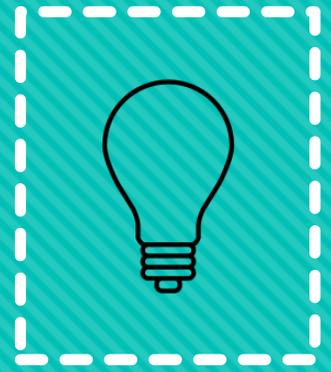


View the distribution of any item across locations

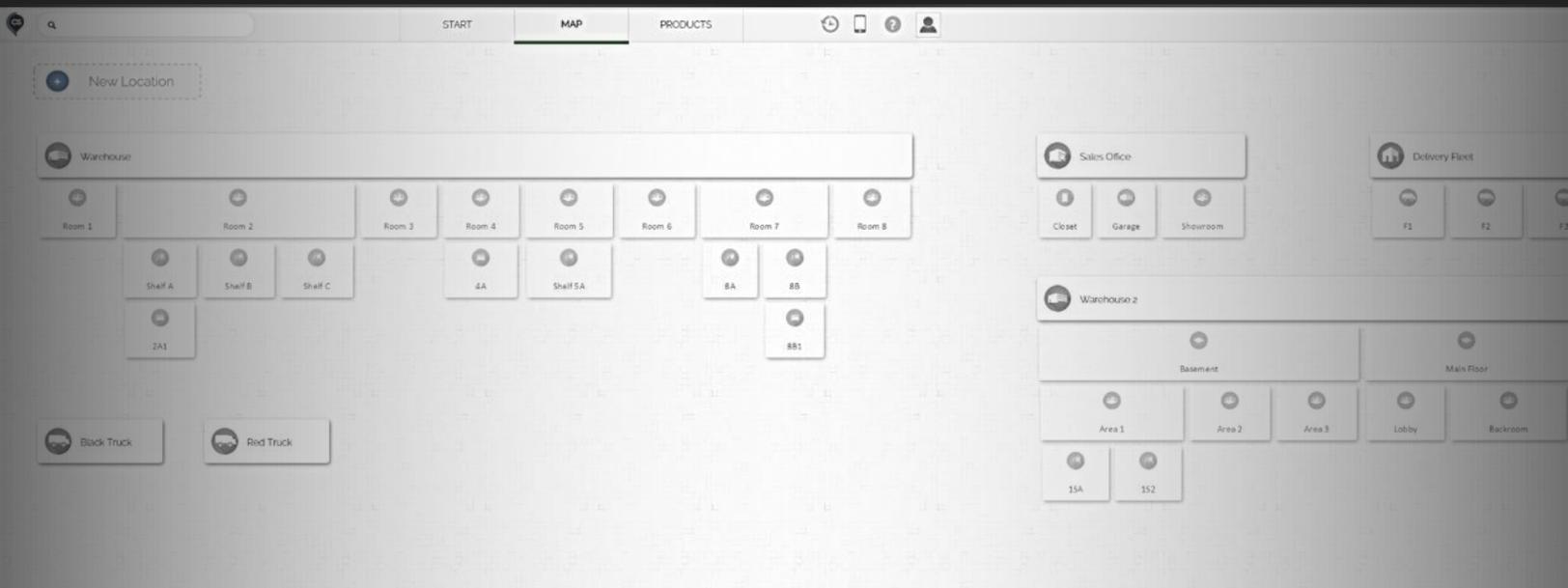
Check items in and out of any location

View product levels across the entire business

INTERNAL Inventory Visibility

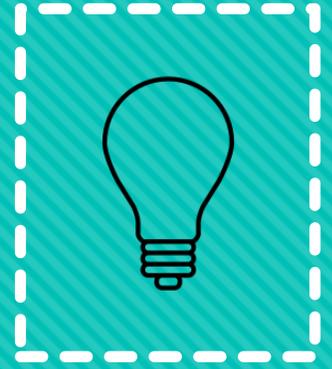


This is how most people naturally think about their inventory. If you want true internal inventory visibility, you should begin with your locations – not with your products. You start by laying out all the locations and sub-locations in your business. You can be as detailed or as general as you like. Once you have your map you can begin arranging your products within these locations. **Using a map in this way is incredibly powerful.**



The map simplifies inventory management and makes it intuitive. It becomes like a reflection of your business. Every action that you perform in your day to day operations can be 'reflected' seamlessly in the software.

EXTERNAL Supply Chain Visibility



Achieving true supply chain visibility is much more difficult than achieving internal inventory visibility because it requires significant co-operation with partners up and down the supply chain. The more you improve and grow your relationships with vendors and customers the more you will be able to 'see' the supply chain. And if you know what to expect from your partners, then your purchasing decisions will become better.

A basic requirement of this kind of visibility is **integration** which comes in many varieties such as:

Software integration between systems

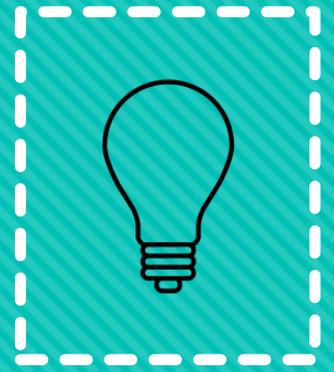
Sharing of EDI documents

Shared Web portals

Email/Phone

INTEGRATING WITH SUPPLY CHAIN PARTNERS

EXTERNAL Supply Chain Visibility



The fully automated forms of integration can be expensive to implement and often smaller distributors have to rely on more manual processes. Whenever integration is not completely transparent and automated, it's always a good idea to aim for redundancy so that products can be sourced and ordered from multiple vendors.

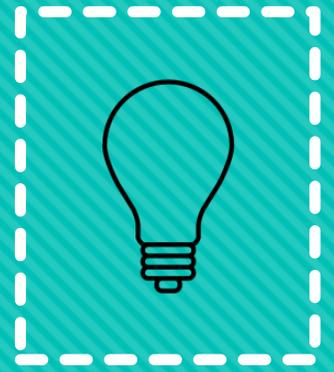


Using redundant vendors can sometimes make up for a lack of supply chain visibility



In our research we have found that **the most pressing problems of visibility are not those of the external supply chain but the internal ones.** External visibility plays less of a role if the internal visibility is compromised.

The Future of Distribution



In the past decade the supply chain has seen tremendous advancements in automation and integration. There have been continuous improvements in ERP software as well as the advent of the SaaS software model. Yet in that time, the problem of visibility has become more urgent and pronounced than ever before!

IN THE AGE OF AUTOMATION VISIBILITY IS KING

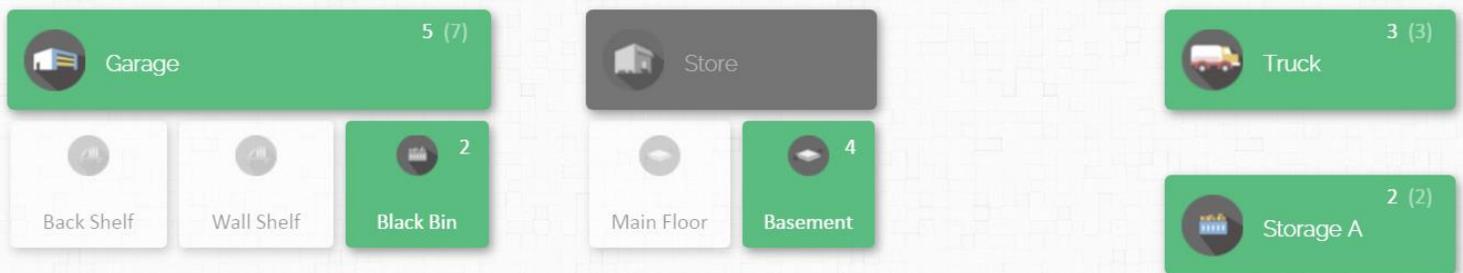


As the supply chain becomes more automated, there will be less of a role for humans to play. The jobs that outlast this automation will be concerned with overseeing the work instead of participating in it. This is why visibility is so crucial. It's a holistic, comprehensive view of all business processes at once and it will be the lever of control that human operators will cling to for as long as possible in the future.



cyberstockroom.com

CyberStockroom (CS) is an online inventory and asset management solution for distributors. CS uses a unique "Map-based" approach to managing inventory that makes it both engaging and easy to use. Users create a virtual map of their business including all their locations and sub-locations and populate it with their products. An easy Drag & Drop interface lets them move their products around and visualize how each item is distributed across the business.



Visit us at cyberstockroom.com to try for free.
Schedule a video demo at support@cyberstockroom.com.

