



MYOB EXO Solutions > whitepaper

Defining challenges to manufacturing businesses

MYOB[®]



Defining challenges to manufacturing businesses

Overview

Like most businesses, manufacturing companies are feeling the economic pinch. Staying alive, financially, is a delicate balance of supply and demand at a time when customer loyalty is at an all time low.

But manufacturers also face a number of unique challenges:

- The need for accurate, on demand customer data makes it increasingly difficult for companies to operate successfully across multiple locations
- Manual, paper-based systems make it almost impossible to track the whereabouts of products
- Changing customer behaviour makes it very hard for manufacturers to forecast and re-order stock with any certainty
- The need to be flexible with pricing makes it difficult to maintain an accurate, reliable picture of costs.

To stay successful, businesses must look to improve processes, systems and their supply chain. The challenge for manufacturers is to find a system that allows them to forecast and react efficiently to increasingly specific customer demands – without burdening staff with unwieldy, unnecessary processes.

Managing multiple products in multiple locations

For any company seeking to expand, the issue of managing multiple products in multiple locations is a complex one. And it's no different for manufacturers. Putting aside for a moment the added logistical complications of operating in different time zones, or trading in different currencies, operating two warehouses in the same town presents enough technical challenges of its own.

Firstly, there's the issue of updating and maintaining data across both sites so that it's not only consistent and accurate, but instantly accessible – and dependable – when critical business decisions need to be taken.

Then there's volume. Twice as many outlets may mean more product choice for customers. But it also means your staff have to trawl a much bigger stock list every time they respond to a customer. And the longer they spend doing that, the fewer orders they can process over all.





Defining challenges to manufacturing businesses

Keeping pace with stock movement

There are problems too as soon as products start having to be moved from one location to another. At either end, they're accountable. But as soon as they're in transit, they become unknown entities.

Without appropriate systems in place, it becomes almost impossible to track goods effectively. As stock volume starts to go up, manual or paper-based systems simply can't keep pace with the constant tooting and froing of goods that have been used, sold or returned.

It's not just an issue of speed either. It's one of accuracy. Because under a largely manual system, errors in stock movement can go unnoticed for weeks. They're difficult to identify and tricky to resolve.

Forecasting with uncertainty

If managing multiple locations is complex, knowing how much stock to order for those locations is even more so – especially in times of economic uncertainty.

Increasingly nervous about their own bottom lines, customers are abandoning the long standing supply agreements they had with manufacturers in favour of ad hoc arrangements.

Where before, it was possible to make sales predictions based, in part, on a bedrock of repeat orders, manufacturers are now unable to forecast with any certainty. And that has a direct, and detrimental, affect on the business as a whole.

Ordering in too much means there's valuable capital tied up on the shelves and escalating unnecessary storage costs. Too little stock means manufacturers themselves are forced into hoc ordering, which results in increased higher purchase costs for them, and prevents customers' orders from being fulfilled on time.





Defining challenges to manufacturing businesses

The cost of flexibility

The knock on effect of course, is that manufacturers lose sight of the actual cost of their own goods.

When customer loyalty is in short supply, you can ill afford to maintain fixed prices. But being flexible makes it that much harder to keep an eye on your own bottom line.

How do you set a margin on your own goods if you don't know what the base price is going to be a week, day or even hour from now?

The intelligent solution

Of course, while the manufacturing landscape has changed, there are undoubtedly opportunities to collaborate with customers and unlikely allies in innovative new ways. And while newcomers to the market may bring added competition, many of them are also enthusiastic adopters of software and technologies that benefit the industry as a whole.

So if there's an opportunity to get it right – to confront these challenges – where do manufacturers start? The answer is by gathering intelligence.

In today's highly competitive market, you simply can't afford not to know what's going on behind the scenes. You need a clear understanding of what's driving your business, and the ability to drill down to the details behind every transaction. Because it's those details that enable you to make critical decisions.

The trouble is, for real time visibility, you can't rely on manual or paper-based systems. They're slow and cumbersome, and they're prone to human error. To get the job done, you need a system that gives you a unified view across all aspects of your business – finance, job costing, point of sale, fixed assets, customer management, reporting and inventory control.





Defining challenges to manufacturing businesses

Access all areas

A fully integrated financial management system should ensure that everybody in your organisation has access to the information they need, when they need it. It doesn't matter how many locations you operate from – with simultaneous access to different functional areas of the business (accounts, sales orders, stock control and so on) everybody can see what's going on. And that knowledge means you can order, receive and ship stock with confidence.

Best of all, because the data in the system is stored centrally, new entries, orders or amendments can be seen by staff in one location as soon as they're made in another.

The power of search

It's not just about visibility between locations either.

A decent financial management system gives you visibility over every stock movement, from a customer's order right through to delivery.

One of the problems with manual based stock reporting is not just that it's slow to manually search lists of stock. It's that you can normally only search stock by one particular means – such as by product name. But replace that with an accurate stock listing system and the possibilities of searching can be extended to include other criteria such as area, length, volume or weight.

It doesn't have to stop at physical characteristics either. Almost any detail can be used to filter products – supplier, storage, cost, movement or distribution. You can trace goods via batch or lot. Track stock by shipment. Even search by serial number. And you can track non physical stock items such as labour too.

All of this means that when a customer calls up wanting to know if you've got a particular product in stock, your customer service representatives can respond immediately. And because their intelligence on products is so thorough, they can make any number of necessary adjustments (such as dispatching components from different warehouses) to ensure the order is fulfilled.





Defining challenges to manufacturing businesses

As well as being able to offer a better customer experience, accurate stock knowledge means management can make better-informed business decisions too. At any time, they can see instantly how many orders of a particular product have been placed. They can even see which representative is selling the most.

And when it comes to reporting to the board on sales figures for the day, they can respond with accurate, real time information.

Getting a head start on your customers

It's that same real time information that's so critical when it comes to forecasting and stocking too. Because in a climate where customer loyalty is at an all time low, any head start you can get – in terms of intelligence on your customers, the better.

A decent financial management system will allow you to pre-empt orders before customers reach the point of having to reorder. It'll automatically populate an order list based on historical data, and contact the customer – automatically – to confirm the list.

In doing that, you're not only offering a better level of customer service than your competitors. You're effectively averting your customers' attention before they get a chance to start looking elsewhere for a better price.

It won't work for all customers. Some will always make one-off orders. Others will make a point of shopping around regardless. But it allows you to force a certain element of predictability on at least some of your customers – which in turn helps you to forecast and restock with confidence.

For the less predictable faction of your customers you can customise the level of automation, or set the reordering process to manual.

Ultimately, for you the manufacturer, automated ordering reduces error, frees resources for other activities and enables more accurate stock ordering and analysis.





Defining challenges to manufacturing businesses

Seeing the true cost

Real time information also allows you to gauge much more accurately how much a job or project costs at any given time.

Instead of waiting for quarterly or yearly figures, a financial management system lets you dip into accurate, up to date figures at any point. This means that at the touch of a button, management can make informed decisions on pricing and margins – and, if necessary, make adjustments. With the proper visibility, you can apply multiple supplier costs or multiple pricing levels. Or consolidate costs for each product to understand the true item costs.

Scalability for the future

In today's fiercely competitive climate – where it's necessary to adapt to customers on an individual basis – access to reliable, up to date information is essential. Manufacturers need to be able to make quick decisions, often under pressure, and they need intelligence at their fingertips 24/7. And the only way to ensure you have that level of visibility is to implement a financial management system.

Of course, for any system to bring genuine value to an organisation, it needs to provide a service that saves cost and time, and eliminates human error. It needs to be simple too, with processes that are intuitive, and tasks (such as reporting and data analysis) that can take place more frequently and more easily than previous manual efforts.

So whatever changes manufacturers implement, it's important that they're not knee jerk reactions to competitor pressure, but considered decisions.

A decent financial system must have the flexibility to deal with organisational change, and to adapt and transform with the company. It needs to be scalable and customisable – as relevant to the business in ten years as now.





Defining challenges to manufacturing businesses

EXO: a platform for growth

MYOB EXO provides businesses with a unique, full view of stock, product movement, activities and staff efforts. Its accurate reporting means that management can be on top of the decision making process at all times. But what sets it aside from similar financial management products is its ability to expand and co-exist with other systems. In doing so, it provides a platform for growth not limited by the constraints of rigid programming – which means manufacturers can actively improve the efficiency of their operational tasks and activity throughput on an ongoing basis.



Mind Your Own Business. Smarter.

MYOB Australia Pty Ltd
ABN 13 086 760 198

Australia

Call **1300 555 110**
Visit **myob.com.au/exo**
Email **exo@myob.com.au**

New Zealand

Call **0800 MYOB EXO (0800 696 239)**
Visit **myob.co.nz/exo**
Email **exo@myob.co.nz**

© MYOB Technology Pty Ltd 2009.

This work is copyright. Apart from any use permitted under legislation, no part may be reproduced by any means without permission from MYOB.

