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Secrets to reducing operating costs and improving the bottom line

From [Dan Kaplan SMC Data](#)

In today's competitive business reality, companies must lower their operating costs and increase productivity just to survive. Yet, many companies are reluctant to upgrade their computer system, remembering their past experiences and not wanting to incur new expenses.

The tools and technologies exist but a fear of change prevents some Manufacturers, Distributors and Retailers from making the cultural change that's needed to use a new technology to improve how their business operates. What they fail to realize is that having aging software will result in higher operating costs company-wide and excess inventory in the warehouse – meaning a decrease in bottom line profits.

For example, at my first meeting with the company president of a medium sized distributor, he informed me that he does not trust software houses due to his previous bad experiences, and informed me that the only reason he sees me is because I came highly recommended by his business consultant.

Discussing the business issues resulting from his outdated software, he summarized it to include three major issues:

1. Wrong credit issued: Rather than invoicing \$1,000,000 to a major chain store, the computer issued a credit instead. The accounting department did not catch the mistake in time and it took nine months to get the money credited back, and the invoice paid.
2. Inventory issues: Having an un-automated warehouse resulted in poor inventory control, incorrect shipments and large number of returns. When new inventory was received, shelves were consolidated and the computer records were not properly updated. This resulted in inventory being misplaced and new inventory being bought. As a result of these issues, the company ended with \$2,000,000 in excess inventory that cannot be sold. This inventory will have to be sold on the Web in a "fire sale," trying to salvage as much as possible.
3. Charge back: The day I met the president he got \$45,000 "charge backs" from a major department store due to incorrect shipments and EDI errors. Being very bitter about it, he showed me the "charge back" documents and said: "This is the last upheaval my computer system has created."

If any of the above business problems seem all too familiar to your company, don't worry there is light at the end of the tunnel. Poor invoicing, excess inventory issues, charge backs, and many other unnecessary business consequences can be a thing of the past. But, you must first learn to embrace a cultural technological change and invest for the future. This includes automating your warehouse, and using the web effectively

Automate Your Warehouse – My #1 Secret To Reducing Operating Costs and & Improving Your Bottom Line Profit

One of the areas most affected areas by aging computer software is the warehouse. Not having an automated warehouse will result in additional personnel, higher labor costs, misplaced inventory, incorrect shipments and high rates of returns. Often the misplaced inventory will not be found until the next physical inventory takes place in the warehouse. This will result in excess inventory that might be obsolete when found and will not be saleable.

When you automate your warehouse:

1. Newly received inventory is scanned and your computer files are updated in "real-time mode," resulting in data instantly available to everyone company-wide.
2. Consolidating shelves will be easier and more efficient as your "real-time" computer files will reflect both the consolidated and new inventory location and quantity.
3. You will be able to find misplaced inventory and prevent it from "collecting dust".
4. Less shipping mistakes and returns will be made as picked inventory gets scanned for accuracy. At the staging area before being packed, again its gets scanned and verified confirming that the correct products and quantities are being shipped to the right customer.
5. Labor costs will be dramatically reduced. Since automating your warehouse will create a more efficient and effective inventory environment, you can quickly reduce the size of your inventory management department – or transfer them to other areas of the company where they are much more needed.

Another excellent way to lower your labor and operating costs and increase sales and your bottom line profits is to effectively use the Web.

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Using The Web Effectively – Use the Web For More Than Just Placing Orders And You Will Find An Increase in Sales & Profitability And A Decrease in Labor & Operating Costs.

Many companies don't view the Internet as a valuable vehicle to increase sales and lower operating costs. They feel their customers would rather call to place the order rather than doing it on the Web. The reality is that the Web has a larger function than just "placing new orders." The Web can serve as a very powerful tool for gathering information and lowering the number of calls the Customer Service department receives.

For example, one of my clients, a very large Retail Chain Store in the food industry supplied its franchisee's with PC's at a very low cost and encouraged them to place their orders over the Web by giving them special incentives.

This resulted in a substantial drop in calls to the Customer Service Department, allowing their staff to focus on matters requiring greater attention. Besides decreasing the phone calls to Customer Service, the food chain store acquired additional benefits. The franchisees, while placing the orders over the Web, purchased additional products they ordinarily would have bought from the competition. Being a "one-stop shopping" on the Web enabled the franchisees to get better prices and utilize their time more effectively and more efficiently – resulting in an increase in sales, a great improvement in bottom line profits and a reduction in operating and labor costs.

Nobody likes change, but today's reality dictates being as efficient as possible. As I have said before – the tools and technologies exist. Higher operating and labor costs, poor invoicing and mismanaged inventory operations and other unnecessary business disruptions that affect your bottom line can be a thing of the past.

Since 1980, Dan Kaplan has worked with corporate executives to improve purchasing, increase warehouse and distribution efficiencies, and implement software solutions that result in substantial savings and productivity improvements. To lower your operating costs, reduce your warehousing and distribution business's quote generation process from 3 weeks to 3 hours and invoice cycle from months to one day, go to <http://www.smcddata.com>

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