



Wholesaler & Manufacturer Challenges: Inventory Processes, Supply Chain Relationships & Distribution Networks (Part 3)

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In this series of articles, we are taking a close-up look at some of the financial and operational challenges faced by wholesalers and manufacturers, as well as potential solutions that an outsourced CFO services provider can help implement.

Addressing Inventory Process Inefficiencies

There is a wide range of inventory process inefficiencies that can creep into the operations of wholesalers and manufacturers. For example, it's critical that warehouse inventory be handled as few times and moved in and out of the warehouse as quickly as possible in order to speed inventory turns. Warehouse and inventory process inefficiencies can occur in the following areas:

Inventory turns — Slow turns of inventory can negatively impact the bottom line.

Product handling — Products may be handled an excessive number of times.

Inventory activities — These may include labor-intensive receipt, storing, tracking, valuation, picking, packing and shipping of inventory. These activities may currently be supported by manual processes or by non-integrated or outdated applications.

Warehouse floor layout — The current layout may not be optimized, and inefficiencies can result in wasted resource time and unnecessary costs.

Order intake — The order intake system may be manual, non-integrated and non-automated.

An outsourced CFO services firm can help improve warehouse and inventory management by optimizing and automating process flow. This includes providing operations analysis and recommendations as well as evaluating and optimizing ERP and EDI solutions; helping automate the order-taking process; and assuring correct inventory tracking and valuation. Such a firm can also apply expertise in warehouse floor plan layout — for example, by laying out a pick path with fastest-moving items in the front and strategically locating cross aisles to support picking efficiency.

Improving Supply Chain Relationships

Ineffective or non-optimized supply chain relationships — with suppliers, shippers, customers, and even lenders — should be examined as they present opportunities for reducing costs, as well as improving margins and profitability.

Manufacturers and wholesalers may have less-than-favorable contract provisions in their current trading and financing relationships around areas like the following:

- Pricing, discounts and terms
- Dispute resolution
- Letter of credit costs
- Covenants (for business loans)

For example, the best possible purchase prices may not be in play due to a company's smaller size or missing expertise in negotiating effectively. Or companies may not be members of a buying group that presents a unified approach to up-chain sources.

A CFO services firm brings broad and deep industry-specific expertise in negotiating contracts, finding strong buying groups and optimizing buy/ship/sell processes.

Optimizing Distribution Networks

Manufacturers' distribution networks usually consist of wholesalers, other intermediaries they contract with to distribute their products, retailers, and end users of their products. In a similar way, wholesalers' distribution networks may consist of relationships with retailers, other intermediaries, and end users of their products.

Elements of a distribution network can include trading partners, contracts and process, and areas that should be examined include whether or not the current distribution network contains the right down-chain partners, how those relationships — and their accompanying contracts — are functioning, and where there are opportunities to gain additional sales and cost savings.

Concluding Thoughts

Manufacturers and wholesaler profitability and cost structures are closely tied to process efficiencies. When considering an outsourced CFO services firm, make sure to look for one with formerly-seated chief financial officers who have deep, hands-on operational expertise in understanding, evaluating and solving the root causes of operational inefficiencies. An outsourced CFO of this nature can offer invaluable assistance in increasing efficiencies and reducing costs — both critical to improving margins, profitability and growth rates.

About CFO Edge

CFO Edge, LLC is a leading Southern California provider of outsourced CFO services. Based in Los Angeles, we are a group of experienced chief financial officers who engage with CEOs and CFOs on demand to address strategic planning, business management, and day-to-day financial operations challenges. Our seasoned professionals deliver services as interim CFOs, part-time CFOs, project-based CFOs, recruitment-to-permanent CFOs and interim-to-permanent CFOs. At CFO Edge, we're passionate about helping our clients create, grow and sustain value. For more information, visit www.cfoedge.com or call 626.683.8840.

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