

GSS

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1.0 Executive summary

This organisational consultancy project is aimed at:

- Identifying key inefficiencies associated with Gatehouse source & supply's (GSS) processes by conducting a SWOT analysis based on the information gathered from primary and secondary research prior to this project.
- Recommending and developing a new system which is designed for purpose and outline a plan on how to implement, operate and prepare staff for the use of new the system
- Assisting GSS in achieving their goal to become a more efficient company which can help them to increase their online presence.

With over 50 years of experience GSS is a company distributing bathroom and kitchen materials to retailer internationally. With strong links within the industry, strong financial backing this company is seeking to improve the efficiency of its extensive warehouse facility.

GSS has requested a team of consultants to help the management in the process of becoming a more efficient company. The team has chosen to use System Development Life Cycle (SDLC) as their model to describe and present the phases involved in developing the new inventory management system to GSS.

SDLC phases include:

1. Feasibility study: at this stage the team evaluates the current inventory management system (Bsysoft) to identify its benefits and shortfalls; these information have been categorised into advantages and disadvantages.
2. System investigation: at this stage consultants present the requests that were made by different departments within GSS that could potentially improve their experience of the inventory system.
3. System analysis: at this stage the team will be making two proposals to improve the inventory management system. The final decision on which proposal to select is based on indicators such as; cost, deliverability of the system, efficiency of the system and the system that causes the least disruption during implementation.
4. System design: at this stage the team will be preparing the plans on how to implement and install different parts of the system to accomplish the requirements requested by different parties within GSS.
5. Implementation: this stage is concerned about the design and findings in previous stages as it focuses on staff training and on how to manage resources and implement the changes. This phase will require a lot of communication within all parties affected by this change and consultants will be acting as the project management.
6. Post implementation evaluation: at this stage consultants will be planning the best possible solution for switching from the old system to the new system. They also determine the time needed for successful test-runs of the new system before shutting the old system down. The team also presents the options available to GSS on how to run and maintain the new system.

This project will give a clear picture of how the new inventory management system can be implemented and what benefits it can bring to the company in the long term.

This project will also recommend tips that can be used by GSS to optimise the use of the new inventory management system.

2.0 Introduction

Gate house source & supply (GSS) is a distribution company with extensive warehouse facility located in South Wales. GSS has been supplying tiles, mosaics and bathrooms in the UK to its sister company Tile & Bath Co. and other retailers internationally for over 50 years.

As GSS's operations fall under wholesale and distribution of durable goods such as building materials, tiles and bathrooms, this type of industry is often facing different challenges when it comes to managing inventory turnover (Toomey, 2012). As the inventory turnover slows down due to old management systems, the company could face some serious problems such as: cash-flow problems, managing fashionable inventories with short life cycle, managing obsolete inventory items, high carrying costs of inventories and storage costs (Toomey, 2012). Therefore an effective inventory system that can help GSS to control, manage and increase the speed of stock turnover is highly beneficial. This would effectively decrease the amount of capital tied up in stock which is a vital function to help and protect the continued success of distribution of goods to company's stores, trade and online customers. As a distribution company the effectiveness of inventory control is related to the overall competency and performance of the company and typically in this sector this is measured by how successful a company is at reducing inventory costs, meeting its customer service goals and accomplishing maximum throughput and cost containment (Toomey, 2012). By offering GSS a range of different inventory management solutions this consultation would assist the company to achieve mentioned goals and efficiencies in the near future.

SDLC will be used as the main platform to manage this consultancy project. This is due to the fact that this model describes the different stages involved in an Information System (IT) development project (high-tech inventory management system), from the initial feasibility study all the way through maintenance of the finished application. In addition this project will be conducting a SWOT Analysis (Appendix 1) to aid the team in designing and selecting an inventory system that could fulfil the short-falls and to minimise threats and weaknesses that GSS is facing and work on strengths of GSS to give them the opportunity of gaining a competitive edge the market to increase their market-share.

3.0 Aims and objectives

This consultancy project aims to:

- Assess the existing inventory management system and identify any deficiencies associated with it to address these shortfalls with offering proposals for improvement.
- Recommend and develop a new system which is designed for purpose and outline a plan on how to implement, operate and prepare staff for the use of new this new system.
- Help GSS to achieve the goal of becoming a major online player in the market by implementing a new inventory system that is more compatible with web-based retailing that can handle large amounts of data on daily basis.

4.0 Findings and critical analysis

Main findings, analysis and the whole proposal of new inventory systems are presented in SDLC structure as this model is made up of six clearly defined stages which are very popular among professionals such as IT consultants in designing and developing new information systems (Roebuck, 2012). By using this concept the consultancy team, will be able to design a high quality, user friendly and reliable inventory system which can be presented to management of GSS for implementation.

SDLC stages are known as:

4.1 Feasibility study

At this stage the consultancy team will be evaluating and identifying deficiencies with the current inventory management system which is an integrated part of the EPOS system at GSS. The issues can vary from operational issues such as poor customer service; to matters regarding business strategy such as re-designing of business activities to make better use of current system.

Consultants will be gathering information regarding the existing system by interviewing existing users and through personal experiences of the internal consultant whom that will be managing this consultancy project.

4.1.1 Evaluation of Baysoft

At present GSS uses a bespoke developed EPOS system so-called Baysoft, which was developed back in 2007; this cloud based system offers basic EPOS services such as invoicing, end of day sales report and some basic inventory management services such manual operated stock level system (Refer to appendix 2).

After working in the accounts department for two years our internal consultant, a number of employees and management felt the need that Baysoft is not the most suitable software for the needs of the company anymore and they will be pleased to be consulted on the options available to them for an advancement that can meet their needs in this competitive market. By conducting interviews and observations consultancy team gathered information regarding Baysfoft and grouped them into two categories as advantages and disadvantages:

Advantages

- Customised upgrades and features that can be added to the system on request
- It can offer specific competitive advantage as it is an bespoke software
- Data is kept off-site on different servers
- Instant information updates can be seen at all sites

Disadvantages

- The downside of downtime when there is no internet connection
- The cost of updating and maintenance can be very high, as the result of high update costs the program has almost stayed unchanged since its launch
- Baysoft is unable to connect to the accounting software (Sage), which requires staff to transfer data manually and errors could occur during this time consuming process
- Baysoft inventory control is very basic and it cannot connect to any barcode or radio frequency stock control system
- Warehouse staff are required to enter the stock data manually which errors can occur in this time consuming process
- The system is not able to show stock location which can be problematic for some employees to locate products in the warehouse
- The system is exposed to fraud as the invoicing system is old and no barcode is used on invoices consequently some collections can leave the facility unnoticed up until the end of the day, when data is fed to the system manually
- Baysoft is unable to produce custom reports, it is only capable of producing pre-programed reports
- Stock takes can take a very long time to complete and as they are done manually; it increases the chance of inconsistencies occurring during the process.

4.2 System investigation

At this stage the consultancy team will outline the requirements for the new system. The main focus will be on addressing the deficiencies identified at feasibility stage in the existing system and to propose new changes for improvement or other proposals such as implementing a new system.

Findings at this stage are based on interviews, observations and personal experiences to address the identified problems with Baysoft or to propose options that can replace the current system. Consequently at this stage this document will set out the requirements of three different departments within GSS separately, this will help the consultancy team to understand the needs of each department in detail and to act accordingly to fulfil these requirements.

4.2.1 Requirements from management and retail staff

After a discussion with management they demanded and proposed some new changes that could improve the current system. These suggestions are as follows:

- A system that can present live accurate data on stock and stock turnover
- To reduce the chance of any fraud regarding inventories
- To integrate a number of business and marketing functions into EPOS and inventory system such as: payments to be processed from anywhere within GSS and not just at the counter and features such as sending invoices to customer's phones or email.
- Increase security at the warehouse and reduce stock shrinkage
- To be able to create complex reports regarding stock, such as: creating reports on best-selling items and creating statistical reports on individual items at each branch (Refer to appendix 2.1).

4.2.2 Requirements from Warehouse staff

After conducting interviews with the warehouse manager and observation of staff at the warehouse these following suggestions were made by consultants:

- A system that can help staff to reduce the amount of paperwork needed to be done every day for booking stock in and out of the warehouse
- A system that can locate individual items in the warehouse as this can speed up the picking process of orders and help new starters to work independently as they have a guide to help them in finding individual items location in the warehouse
- A barcode system that can scan goods received when a delivery arrives and goods dispatched when orders are collected or dispatched via courier
- A system that can synchronise inventory management software with a heavy duty barcode scanning device that can be carried by warehouse staff which is capable of collecting and presenting live data about stock and orders (Refer to Appendix 2.2 &3).

4.2.3 Requirements of Accounts office

In this section data was collected through interviews and personal experiences of the internal consultant and specific suggestions were made, as they felt that current inventory system is slowing all processes across the company. Concerns in regards to inventory turnover was highlighted and it was mentioned if there was no changes in the near future, this problem could lead to difficulties such as cash-flow problems, problems in managing obsolete inventory items and increased storage costs over time.

These suggestions are as follows:

- An effective inventory system that can help GSS to control, manage and increase the speed of stock turnover can benefit the company
- A system that can provide a highly detailed information regarding inventory turnover that would help GSS to reduce the amount of capital tied up in stock which can be utilised in other areas within the company
- A system that can present live data on sales and the payments received from customers which can be then transferred to the accounting software without any human interaction due to high volumes of transactions
- A system that can house the future growth plans of GSS as they prepare to increase their activities and sales through online commerce. The new system needs to have a capability to cope with high volumes of information relating to online sales
- A system that can show a highly accurate levels of stock as these statistics are highly crucial for the accounts department for their month end, year end, budgeting activities and forecasting activities.
- A system that can integrate stock management software, EPOS, accounting software (Sage) and parallel databases would help the company in becoming more efficient in daily activities as this move would reduce the amount of repetitive data entry and paperwork (Refer to Appendix 2.3).

4.3 System analysis

System analysis phase is based on detailed investigation of the current inventory system and the new system based on two previous stages (Patel, 2005). This analysis will provide suggestions for improvements based on:

- How business activities are done and how current work is organised
- Determining the functions of the new inventory system to produce required information.

Two proposals will be made available to the management which can improve the inventory system by resolving the current problems that were identified by consultants from different departments within GSS.

4.3.1 Improving the current inventory system (Baysoft)

During the analysis of Baysoft, consultants felt that changes can be done to improve the current system, but then again updating this software will challenge the team with some limitations and problems, such as:

- Expense: as Baysoft is a bespoke information system it can be very costly to develop and add features to this program and this is one of the major reasons why this program has had so little change since its launch
- Time: making changes to the current system will require expert knowledge and time, as any changes needs to be carefully planned to not disrupt other functions of the software
- Quality: new software code may contain bugs which could lead to system crash or unexpected down-time
- Inability to integrate: Baysoft cannot integrate with any barcode systems or accounting software that was requested from GSS's staff (Hickie, Greasley, & Bocij, 2008).

4.3.2 Introducing a new inventory system

After considering all the suggestions and the demands from all parties within GSS, the consultancy team has reached a decision to offer a second option to improve and renew the inventory system. After a careful secondary research conducted by the team, they considered to offer an off-the-shelf software to GSS.

Sage software was chosen as the second option for the company, as this system is already being used in the GSS's account department for accounting purposes and the personnel are familiar with the platform.

Currently Sage 50 Accounts is adopted in the company's account department costing £75 per month. The consultancy team has suggested that GSS to upgrade to the Sage 200 Online with Enhanced Stock Barcoding and Remote Working add-on which offers many extra features and can be installed at all 12 stores located across Wales (Sage 200, 2016). This software can be accessed online (Cloud) or the Application can be installed on any device or platform for offline use. Sage 200 Online will be costing GSS £200 monthly with the additional one-off cost of installing Enhanced Stock, Barcoding system that has a base price of £500 (Sage, 2016).

Features and benefits of this package include:

- Barcode scanning directly into Sage accounts software and inventory management
- Stock-out and over-stocked feature that can alert management or reorder products when necessary
- Barcode label printing directly from product or customer files for easier and faster picking and dispatch
- Fast and accurate stock taking by scanning and reporting differences, for more accurate accounting procedures
- Scan and verify deliveries and update purchase orders automatically which saves a lot of valuable time of staff and reduces the chance of errors
- Verify items and quantities picked and compare with sales order to increase efficiency and reduce paperwork and stock shrinkage
- Automatically import and create sales orders and payments from web-shop, this feature will help GSS to achieve its online retailing goals
- Presenting multiple stock locations, track and trace stock stored within the warehouse to increase the efficiency of the staff and reduce errors
- Customer order, delivery and problem management (Sage, 2016).

After comparing the two options available to GSS and discussing the topic with management, a decision was made to base this project on implementation of Sage software as it is capable of meeting the needs of GSS now and in the future for any online expansion. Another important deciding factor was cost and the length of implementation. As Sage is an off-the-shelf software program it is much quicker and cheaper to implement as the cost per unit is lower than bespoke software development.

4.4 System Design

At this stage consultants design the new inventory system (Sage) based on the information gathered in previous stages. System design activities are concerned about linking and installation of Sage 200 Online with the Sage additional package for the barcode system (Enhanced stock, Barcoding and Remote Working). This phase will also give a brief introduction about the specifications of user interfaces, inputs and outputs (Patel, 2005).

This new inventory system is expected to make improvements in existing everyday tasks and redefining GSS's workflows and processes. These forecasts will then be shown to the relevant staff that will be affected by these changes and their opinion will be used to improve the process.

4.4.1 Sage 200 Online

Sage 200 Online is cloud based software that can be accessed anywhere any time with internet connection therefore it gives users the option to log-in in their account on any device. What makes this software so different from Baysoft is when there is internet downtime or no connection; Sage has the ability to work offline if the relevant application is installed on user's devices. The application will automatically synchronise data as soon as the device is back online. GSS intends to install the Sage software on all devices within the company as this allows users to use the software and have access to live and up-to-date data at all times (Sage 200, 2016).

4.4.2 Enhanced Stock, Barcoding and Remote Working

This modular system integrates flawlessly into Sage 200 and improves stock control and order processing functionality which covers barcode creation, scanning, remote working and EPOS (Sage, 2016). Sage also supply's the hardware required for barcode scanning, printing and mobile working (hand held scanner devices) equipment with installation and linking all devices across the company. This would give GSS a great assurance that this inventory management system would function without any malfunctions as Sage system has been developed by experts in this field and it has been under rigours tests before launch (Sage, 2016).

4.5 Implementation

Implementation phase is concerned with activities to implement the systems design plans from the analysis and design phase (Patel, 2005). At this stage consultants will be working closely with staff and engineers involved in implementation of this project if approved by management. However this section will be focusing on project management and staff training.

4.5.1 Project management

- At this stage Sage 200 Online will be installed on all devices across the company by the company's IT technician.
- Accounts departments staff will be required to update the current sage 50 into Sage 200 which it will be a simple upgrade as both software's are based on the same platform; as the result, all databases will be transferred to the new software and there will be no need for transferring any data manually.
- Individual personal accounts will be created for all staff that require using the system
- At this stage consultants will be managing the installation of hardware in the warehouse; this service will be outsourced and it will be completed by a third party (Sage) as integrating the inventory system and Sage 200 will require expert knowledge (Sage, 2016).

4.5.2 Staff training

As mentioned previously in the PID, resistance to change was identified as one of the most challenging problems to overcome, as such issue can affect productivity if the matter is not dealt with professionally (Lawrence, 1969). To overcome this problem the consultancy team paid extra attention in choosing the new system and designing a well-balanced training program that is within the budget which provides enough support and training to keep staff motivated (Arrenberg, 2012).

Consultants chose Sage over other inventory management systems as accounts department staff and management are already familiar with the platform as it is used for book keeping purposes and no training is required; this will greatly bring the costs of training down.

Another important factor was the availability of wide variety of training programs from Sage, such as virtual training programs that can be done during working hours (Sage, 2016). Another option would be training courses in Cardiff if this option is preferred by management for the remainder of employees who require training (Pitman , 2016).

4.6 Post Implementation Evaluation

Once the new Sage inventory management system is fully operational, the consultancy team will conduct an evaluation of the system to measure whether it meets predetermined business requirements; this is to ensure that the specified requirements by different parties within the business are being fulfilled by the new inventory system.

4.6.1 System Replacement

Consultancy team is advising GSS to put the new Sage inventory system into use alongside the old system for at least a 4 months trial period, as the staff familiarising themselves with the new system, any problems with it can be pick-up and fixed before the complete switch-over. This procedure will help consultants in developing a flawless system that can minimise the chance of any future downtime.

4.6.2 Evaluation and maintenance

This stage is based on the previous phase. Within the 4 months trial of running both systems alongside each other an extensive evaluation will be scheduled to obtain an assurance that the new system will meet the demands of GSS.

Another purpose for selecting Sage software was the comprehensive customer support and maintenance packages that were offered with their products. These include:

- Fully online solutions centres
- Customer support and advice on using the software by telephone and remote desktop
- Customer care for any hardware issues regarding inventory system
- Automatic updates and bug fixes

All these factors give GSS assurance that the software will be kept up-to-date, free of charge and in times of any problems or breakdowns; they can rely on Sage's comprehensive customer support (Sage 200, 2016).

5.0 Overall Effectiveness of the Sage Inventory System on GSS's Goal

At this stage consultancy team will point out the features that the new inventory system is offering to help GSS in their everyday activities to achieve their long term goals:

- For companies such as GSS components of inventory management is virtually on-going with shipments arriving and departing several times a day. Barcoding system will help the company to be more efficient on overall physical control of inventories such as stock movement and re-stocking (Sage, 2016).
- Accurate and timely inventory data collection is imperative and stock movement must be tracked at all times; barcode system helps to reduce paperwork and increase accuracy (Sage, 2016).
- By increasing the accuracy of data by conscientious data entry, accurate forecasting by Sage can help facilitating the right-sizing of inventory that gets turned-over consistently and restocked frequently. This will reduce the chances of stock-outs and lost sales while avoiding trapping working-capital in in stock overage of costly and slow selling stock (Sage, 2016).
- By merging the inventory, EPOS and the accounting system of GSS into one modern software (Sage 200) which is engineered to exploit data generated from everywhere within the company, management can extract reports offering deep insights in into customer behaviour, operational trends and ways to change to a more efficient business model for long term survival and growth (Sage, 2016).
- By integrating all systems into one (Sage 200) GSS will be able to become a more efficient company by reducing the amount of data transfer between different platforms that is being used for daily operations. This also decreases the costs associated with the running and maintaining these systems alongside each other (Sage, 2016).
- This new inventory system will also increase the warehouse efficiency as it reduces the time needed for bureaucratic paperwork and by guiding staff to the location of each product within the warehouse and displaying orders on the portable devices.

6.0 Conclusion

This consultancy project was based on a wide variety of primary and secondary information sources as stated in PID. After collecting the data, team undertook a SWOT analysis (Refer to Appendix 1) to analyse GSS's situation, to determine where it stands on four key strategic areas to decide what changes have the most impact on the company with minimal cost. Subsequently as it was determined in PID this consultancy project was based at implementation of a new inventory system which would have a big impact on GSS's efficiency as a distribution company.

Consultancy team selected to use SDLC methodology in this project to guarantee a successful implementation of systems that pleases GSS's strategic and business objectives. The documentation delivers an instrument to ensure that executive leadership, functional managers and users sign-off on requirements and implementation of the system (Toomey, 2012). SDLC processes offer GSS's management with the perception of design, development and implementation status required to guarantee on-time delivery which is within budget as stated in the PID.

By taking to account the capabilities of Sage, it can be said that most and nearly all the requirements and suggestions mentioned in interviews can be achieved. This project has also opened a window of opportunities by offering a more efficient system that is capable of performing complex data analysis and report generation to offer deep insights in times of decision making to assist the company in setting goals and comparing them with the industry average to make changes in business model to become more competitive (Sage 200, 2016). With the use of Sage and barcodes this system will eliminate the requirement for any parallel databases or any third-party elements for data transfer. By adopting this system GSS can enjoy the functionality between the Sage 200 and hand-held scanners, while providing intuitive operation at very fast speeds for all inventory and stock control activities with existing data in Sage accounting, stock, sales order processing and purchase order processing (Sage, 2016).

This system will also help GSS to reduce its carbon foot print and costs by reducing the amount of paperwork as stated, this will help the company in achieving its sustainability goals as well as cost savings and increasing efficiency.

7.0 Recommendations

- Even though having sophisticated tools for inventory optimisation can help in achieving this goal, ultimately this task is dependent upon decisions made by management based upon several considerations exclusive to GSS. Sage can help management with a more accurate decision making; therefore it is important for management to gain further knowledge on how to effectively use this system through extra training to use this tool in gaining a competitive edge in the market.

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9.0 Appendices

Appendix 1.0

SWOT Analysis of Gatehouse Source & Supply:

<u>Strengths</u>	<u>Weaknesses</u>
• Pricing power • Supply chain • Unique products • Economies of scale • Extensive warehouse facility • International presence • Wide range of product lines • Access to large amounts of financial resources • Profitability • Established distribution network	• Not a well-known company name • Online presence is minimal • Old and inefficient warehousing system • Out-of-date inventory management/ low scope of investing in technology • Different software platforms for inventory management and financial management • Large amount of bureaucracy (paper works) within the company • Inventory management system incapable of exploiting large amounts of data to produce tailored reports
<u>Opportunities</u>	<u>Threats</u>
• New markets • Technology development and innovation • Rising income levels nationally	• Intense competition • Low efficiency compared to market average standards • Substitute products • Change in trends • Increasing wage costs (need for increased efficiency)

Appendix 2.0

Interviews

Unstructured interviews were conducted with a member of the following departments during primary research:

Appendix 2.1 Management Interview

Management were asked if they could give their opinion on the current inventory management system and the ways that they feel, system can be improved: consultants were presented with the following points:

- Baysoft has not changed much since its launch (2007) due to high costs associated with altering bespoke software, this has led the system to become outdated over time.
- Current system is unable to present live accurate data regarding inventories as the process of stock count and data input is manual, this can cause problems such as selling an item of inventory to two customers and not realising until the database is updated manually
- Current system is unable of showing stock-turnover which has caused a big problem with having obsolete items of stock scattered around the warehouse that slows the stock turnover rate
- Current system uses an old fashion type of invoice generation which can cause problems and leave the company open to invoicing related frauds such as forged invoices
- A system that can reduce the stock shrinkage and increase the security of warehouse would be ideal.

Appendix 2.2

Warehouse interview

Warehouse manager were asked if they could give their opinion on the current inventory management system and the ways that they feel, system can be improved; consultants were presented with the following points:

- Current system requires our staff at the warehouse to get engaged in large amounts of paperwork for conducting every-day routine activities which is a huge burden on us during busy times
- A system that can show the location of items would be helpful for newcomers and other members of staff who are trying to locate an item within the warehouse, with this system we can reduce the amount of time spent training new staff.
- A barcode system that can help and automatically update the system when a delivery is received or goods collected and match those data with databases within the system.

Appendix 2.3

Accounts office interview

Accounts department staff were asked if they could give their opinion on the current inventory management system and the ways that they feel, system can be improved; consultants were presented with the following points:

- The company would benefit from an inventory management system that is capable of offering and presenting live, accurate data regarding the stock figures as the data can be used in every day and monthly accounting tasks which can produce highly accurate statistics that can be used in long-term planning and budgeting of the company.
- The company can benefit from an inventory system that provides accurate data regarding stock turnover and obsolete inventory, this can help GSS to keep an optimum amount of stock which could help the company in reducing the capital tied up in inventories.
- A system that can handle large amount of transactions which is capable of automatically allocating sales invoices to payments received would be necessary if the management go ahead with launching an online shop.
- A system that can integrate all systems and parallel databases would help the company in becoming more efficient in daily activities as the amount of repetitive data entry could be reduced to a minimum.

Appendix 3.0

Observation of warehouse staff

The consultancy team arranged two observation appointments to observe the warehouse staff while performing their normal daily activities to identify any inefficiencies caused by the current inventory system. The outcomes are as follows:

- As mentioned by the warehouse management, training program of new staff can take a long time as they have no knowledge where each item is stored; therefore this leads them to be wondering around the warehouse looking for specific items for a long time which is very inefficient.
- When customers turn-up to collect their orders, staff have no notification before collection, consequently this leads to long waiting times for customers before they can collect their order which could lead to customer dissatisfaction.
- By having a system that can map out the warehouse to adapt intelligent stock locating, stock can be located in a way that staff can reach individual items in shorter time which could result in quicker stock picks and increased efficiency.