

## WHY HI IS NOT BI

**When it comes to managing inventory, there are number of disciplines and tools you can adopt and utilise in order to improve your inventory holding**

Leaving aside the old days in which managing inventory involved pen and paper (or Microsoft Excel) and embracing the digital age, there are two distinctive packages that seem to be dominating this space – inventory optimisation packages and business intelligence packages.

Each one has its strengths and weaknesses, but the main question one should ask is what solution would best suit me and my business, and which solution will best solve my inventory problem?

### What is Business Intelligence?

Business Intelligence, or BI, systems include technologies, applications and practices for the collection, integration, analysis, and presentation of business information. BI is sometimes used interchangeably with briefing books, report and query tools and executive information systems and most systems are data-driven Decision Support Systems (DSS).

### What is Inventory Optimisation?

At the heart of supply chain management is 'supply-demand balancing'. In other words: Inventory Optimisation.

The ultimate goal is to have the right amount of inventory, in the right places, at the right time to meet customer service and revenue goals - but no more than that.

Inventory optimisation is just another way of solving inventory problems such as too much stock, not enough stock or issues with delivery windows. You can solve these problems with a BI tool but unfortunately most of the time you're only going to get 20 percent down the line.

### Reporting and Action

So how do you make your way down the remaining 80 percent?

At the end of the day, receiving a report which identifies a problem is only half of the equation. You then have to go and fix the problem in the area/system in question, and most likely this system would be your Enterprise Resource Planning (ERP) system or another system.

In a best practice inventory management tool, not only could you discover the problem and query the data (similarly to a BI tool), but you could also action it immediately and fix the problem within the tool itself.

Just imagine you are running your purchasing report and discover you are actually two months down with your top selling item. If you've made this discovery in your BI tool then realistically you're going to have to go and mitigate action by speaking with your purchasing officer and potentially your supplier, as these implementations sit outside of your existing BI tool's capabilities.

In efficient inventory management software, you have both sides covered. You have access to both the reporting and the actionable components so that you can, for example, immediately change, expedite or defer purchase orders. Once you find a problem, you don't need to leave the tool you're using and go and fix the problem in a different tool/area – you can action it immediately in the same tool you've used to find the problem in the first place.

### Manual versus Automation

Theoretically in a reporting tool if you don't ask the right questions you will not receive meaningful answers. BI tools require manual input, as you need to initiate your journey of choice.

Ideally, you want an inventory management tool that automates this process and provides reporting, business intelligence, plus the ability to identify and then fix the problem, as much as possible, automatically.

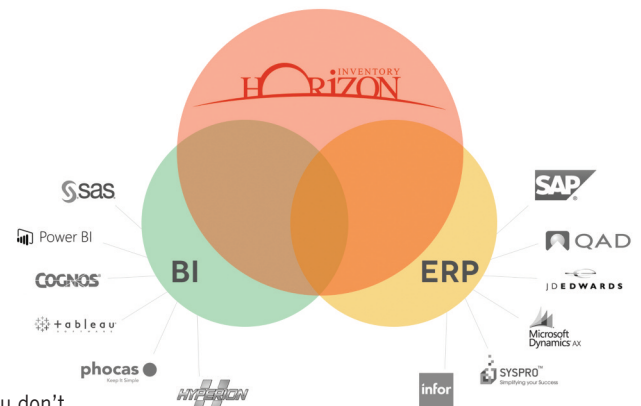
You also want access to future projections to determine when/or if, things may go wrong. Predictive modelling within an effective inventory management tool automates these forecasts for you (whereas a BI tool is less automated because you have to drive it, ask the question or set parameters and furthermore identify the problem).

Some ERP systems have their own internal BI tools, but having an integrated BI tool doesn't solve that problem. An effective inventory management tool sits on top of an ERP, extracting data and using modern available techniques such as statistics, Artificial Intelligence (AI) and Big Data to come up with proactive and predictive inventory recommendations.

A desirable Inventory Optimisation tool output would be based around answering these questions:

1. What do I need to order today? – Tool to show today's purchase orders that need to be placed
2. What POs do I need my supplier to deliver urgently? – Tool to expedite/defer POs with suppliers
3. How to better manage my excess? – Tool to consider your excess inventory across the entire network, and shift inventory from where it sits ideally to where it is needed without the need to raise an external PO
4. Do I import to my DC or to the branch directly? – Tool to calculate the optimal and most cost-effective supply chain for each item in each warehouse for each PO raised

One example of a reactive versus predictive case is as follows: if I am selling bumper bars, most ERP



systems would use a varying degree of the reorder point trigger – taking into account min/max settings, supplier lead time and safety stock. Your ERP would raise an order once a reorder point has been reached.

All going well, between the time the PO has been raised and it being delivered, no client would walk into a branch and want 10 bumper bars (which you don't have). How many times did you lose a sale because of this latter scenario? An advanced inventory management software tool can improve your planning using dynamic min/max values, advanced forecasting and predictive lead times to optimise inventory levels, service levels and purchase orders accordingly.

### Discrete versus Comprehensive View

We believe inventory management tools should sit with the people who are in charge of inventory. Because your inventory is affected by the entirety of your business operations, you must be in control of the whole picture, end to end.

BI tools usually operate in discrete data silos stationed in differing department areas such as finance, HR, operations, inventory, sales, marketing and so on. If you combine all of these silos together you have a data warehouse.

Within this one central data depository, different people usually have access to different areas. In an ideal world, you would want to empower people to have as much of a wide, comprehensive view of a problem as possible so there is greater reach and accessibility for fixing it. Wouldn't it be great if you could write a new inventory report without the need to involve IT; if you could own and manage your inventory and purchasing without the need to wait on a new system to be installed or connected to a new dataset or for permissions to be given to a new employee? Interested in a tool that will allow you to manage your inventory effectively, prompt you in advance for any exceptions/issues you might have and all done from a single simple interface?

**For further information consult**  
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