



WHITEPAPER:

Defining the
challenges to
**GIFTS AND
HOMEWARES
BUSINESSES**

Defining the challenges to gifts and homewares businesses

Gifts and homewares in the current economic climate

There are few industries not to be affected by the current economic climate. But with most consumers only spending money on essentials, gifts and homewares businesses are having now to work that much harder to turn a profit.

It's not just that consumers are tightening their belts. They've shifted their buying behaviour all together.

Cost-conscious consumers are hunting around for the best deals, replacing loyalty with savvy shopping. To get a look in now, businesses not only have to be extremely competitive, they have to be flexible – and not just with their pricing. They need to be thinking about alternative channels too.

Ongoing challenges

Of course, while the current economic climate is a genuine concern, 'recession' has a habit of focusing people on the short-term. To some in the gifts and homewares industry, it's just one of a number of challenges they face on an ongoing basis.

Take the seasonal nature of gifts for example. Calendar events like Christmas or Easter mean products have to be rotated. Whether they're physically removed from the shelves and taken back to the warehouse, or they're withdrawn from a website, the temporary availability of those products adds an additional complication to the management of inventory in a gifts and homewares business.

Another challenge is lead times. Retailers frequently need to place orders with gifts and homewares manufacturers many months in advance, often at a trade show. This exposes retailers to a number of dangers. Order too much stock and risk being left with dead or slow-moving products; order too little and lose custom to the competition.

Manufacturers can also expose themselves. In an effort to secure supply contracts with the biggest and best retailers, there is a temptation to promise shorter lead times. The gamble can pay off. But if these times are unrealistic, demand can end up putting undue pressure on the manufacturing process.

The benefits of a computer-based approach

What makes it harder for gift and homewares businesses to meet these and other challenges head on is that they're often overly reliant on manual systems and processes. This doesn't just slow things down – it actually restricts their visibility on costs and stock and prevents them from making informed decisions.

These businesses aren't necessarily using pen and paper to record sales or manage stock (though some still are). Plenty of gifts and homewares companies saw the benefits of computer-based accounting years ago. It's just that now, ten or fifteen years on, many are still using the same systems – and in a good many cases, those systems are DOS-based.

Defining the challenges to gifts and homewares businesses

If it ain't broke...

One of the reasons businesses get stuck on DOS programs is that they are simple to use, cheap to maintain and virtually unbreakable.

The prospect of moving to a new system puts people off too. Businesses fear the disruption it brings – in particular the migration of data and the hours of retraining needed to get staff who are comfortably familiar with one system up to speed on a another.

The trouble is, DOS systems are inflexible. Support for them is patchy too and, because of their age, they struggle to integrate with even the most basic of modern business tools, let alone more sophisticated warehouse management systems like bar code readers.

As a result, many gifts and homewares businesses end up having to manually export and import data into spreadsheets and other documents – something that is both time consuming and error prone. For an expanding business with hundreds or even thousands of product lines, that's a hindrance to growth.

So what is the solution?

For any business that needs more precise inventory control, a historical view of stock and sales, or better visibility on changing trends and customer behaviour, there's a much easier way: implement a business management system.

A business management system gives businesses in the gifts and homewares industry complete visibility over every aspect of their operation, enabling them to:

- produce detailed and accurate reports
- track sales and streamline the sales order process
- make better purchasing decisions
- manage inventory
- interface with point of sale technology
- be flexible over price points
- run loyalty programs and automated discounting to clients
- calculate landed costs.

In short, it gives gifts and homewares businesses direct access to the big picture information they need to make critical business decisions.

Reporting: staying on top of your business

The seasonal nature of the gifts and homewares industry and the impact that has on stock means it is critical for businesses to understand which of their products are slow moving and which move quickly.

With proper visibility, it's possible to see immediately which products are most profitable and which need replacing, but that's not something that can easily be gained by combing through lines of entries on a spreadsheet.

It needs a system that's capable of analysing historical data and comparing like for like over a particular period (ie this Christmas versus last).

Defining the challenges to gifts and homewares businesses

Business management systems allow businesses to report on almost any aspect of their business – from daily sales figures, to commissions owed to external sales agents. The best ones allow you to drill down to almost any level of detail, but also serve up snapshot views for quick reference.

Accurate reports aren't just useful for comparing past performance, they're essential in helping to forecast future needs – something that any successful manufacturer or retailer needs to be on top of. In absence of traditional, long standing supplier agreements, gifts and homewares businesses need to be proactive with the retailers they supply, approaching them with re-orders before they've had a chance to source cheaper products from the competition.

Inventory management: keeping your house in order

The seasonal flow of gifts and homewares, as well as the need to respond to customer demands more closely, means business also need absolute visibility over their stock – especially if that stock is housed in multiple locations.

Without appropriate systems in place, it becomes almost impossible to track stock effectively. As volume starts to go up, manual or paper-based systems simply can't keep pace with the constant tooting and froing of products that are either awaiting fulfillment, ready for dispatch, en route or returned.

Of course, good warehouse management isn't just a case of knowing where items are on a shelf. It's about planning the most efficient route through the sales order process – and that's why an integrated business management system has so many advantages.

Knowing instantly how much of an order is deliverable here and now is a huge boost to any business processing hundreds of multi-item orders at any one time.

Based on current stock levels and other criteria, they can sort customers by the size of their order and know exactly which orders to fill first. This cuts down on wait times and allows businesses to be much more upfront about expected delivery. It also means they are much more adaptable to changes in orders.

Point of sale: freeing the flow of data front to back

In a customer-facing sales environment, whether face to face or via the web, point of sale technology is an essential tool in helping businesses develop customer relationships.

With loyalty at an all time low, no businesses can afford not to know whether an item is in stock. If there's any doubt, customers will simply look elsewhere.

Plenty of gifts and homewares businesses have invested in point of sales systems, but not all of these are very good at integrating with other systems. As a result, data at the point of sale is not always 100% reliable.

A dedicated business management system ensures the free flow of data throughout an organisation, linking point of sale technology (such as barcode readers, cash drawers or touch screens) with details on stock, sales orders, customer history, delivery times, pricing policies and so on.

What this means is that at the touch of a button, any decision made in one part of the business is felt elsewhere immediately. Management may decide that certain customers are eligible for automatic discounting for example, or choose to block debtors as soon as they exceed their terms. Either way, there's no lag in the transfer of that information to the front end, ensuring that sales decisions are based on correct and current data. In much the same way, when a sale is transacted, data passes seamlessly back through the system, updating stock levels as it goes.

Defining the challenges to gifts and homewares businesses

Ensuring your costs are never overlooked

Gifts and homewares products are often made up of component parts. Even something simple like a candle includes a number of basic elements – from the wax and the wick, to the scent, the colouring and the glass.

Accounting for these elements is not only key to the smooth running of the manufacturing process. It is essential for any business looking to price products competitively and still retain a healthy bottom line.

Using a fully integrated business management system, gifts and homewares manufacturers can build a comprehensive bill of materials that integrates seamlessly into the rest of the sales order and manufacturing process. Because all items have to be assigned to a particular job, there's no danger of anything being omitted – and therefore no danger of costs being overlooked.

For importers of gifts and homewares from overseas, the same process can be used to ensure that landed costs have been properly calculated.

With importing, it's all too easy to focus on the low unit cost of the product being purchased and forget that there's a string of other costs involved in getting a product to shore, from shipping costs to customs duties. By allocating all costs to a job, a business management system ensures that landed costs are completely accurate.

The need for flexibility

The beauty of a business management system is not just that it improves visibility or helps manage inventory. It's not even that it consolidates all those features into one, easy-to-use system. The real advantage comes from its ability to integrate with other systems, and expand as needed.

What this means for gifts and homewares manufacturers is that they're not constrained by the limitations of an off-the-shelf software package. They've got a system that is suitable for their business whatever size it becomes or direction it moves in. And in today's economic climate, where businesses need to explore alternative channels and respond to customers' needs in new and innovative ways, that flexibility is invaluable.

MYOB Enterprise Solutions – business intelligence at your fingertips

MYOB Enterprise Solutions EXO Business suite provides businesses with a unique view of product movement, transactions and activities across multiple locations and currencies. 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. This means that importers can actively improve the efficiency of their operational tasks and activity throughput on an ongoing basis.

© MYOB Technology Pty Ltd 2010.

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



AUSTRALIA

Call 1300 555 110
Email exo@myob.com.au
Web www.myob.com.au/enterprise

NEW ZEALAND

Call 0800 696 239
Email exo@myob.co.nz
Web www.myob.co.nz/enterprise