



CUSTOMER SUCCESS STORY

Security Products Manufacturer and Distributor Saves US\$2,000,000 with VALOGIX® Inventory Planner

Inhep Digital Security

Quick Facts

Company

- Name: Inhep Digital Security
- Location: South Africa
- Industry: Manufacturing & Distribution
- Products: Security Products
- Items in inventory: 4,500+ SKUs, manufacture 500+ finished goods
- Web: www.inhep.com

Challenges

- Large amount of working capital tied up in inventory
- High Cost of Goods Sold (COGS) across all lines
- Complex business model created inventory challenges across all branches
- Product mix not well understood

Objectives

- Provide vendors with forecast to improve volume discounts & delivery performance
- Lower operating and labor costs to be more competitive, particularly with China



“Inventory planning from Valogix is the backbone of our strategic decision making – from budgets to supplier management.

The tools in Valogix for forecasting have helped us negotiate better prices with our suppliers, and allowed us to drop our stock costs by more than 5% on our A items and 2% overall, directly earning us millions in gross profit.”

—John McCluskey
Inhep

Why Valogix?

Recommended by BLUEKEY Software Solutions because of high ROI from Valogix solutions.

Benefits

- Improved inventory turns to reduce stock levels by 35% or 14,000,000 ZAR (approximately US\$2,000,000)
- Secured better volume discounts and delivery performance by providing forecast to vendors
- Reduced stock costs (COGS) by more than 5% on top items
- Reduced stock costs (COGS) by more than 2% across all lines
- Improved staff productivity due to automated reporting

Previous Planning Approach

Spreadsheets, reports and another business system

New Solution Approach

VALOGIX Inventory Planner & SAP Business One

SAP® Certified
SAP Business One Integration



“After implementing VALOGIX, we reduced our inventory value by more than 14,000,000 ZAR or US\$2,000,000 in less than six months by improving our stock turns.”

John McCluskey Inhep Digital Security

Complex Environment Ripe for Technology

Inhep Digital Security (IDS) is a manufacturer and distributor of electronic security products, located in Durban, KwaZulu-Natal, South Africa. They have six fully stocked distribution/sales offices servicing the local South African market and active distribution networks in sixteen countries across four continents.

“We manage the distribution of 4,500 SKUs across multiple locations with seasonality and market requirements; it’s a complex business,” notes John McCluskey, Director at Inhep Digital Security. “We are manufacturers as well as a distribution house, which adds another layer of complexity to our forecasting processes.”

IDS competes directly with Chinese companies that have much lower labor and operating costs. To keep costs competitive, IDS must operate as efficiently as possible. Knowing that controlling inventory is key to effective cash management, IDS hired a specialist to manage their inventory planning & replenishment processes. Within months, they realized they needed the proper tools to attain their goals.

After learning about IDS’ software requirements, software partner BLUEKEY Software Solutions introduced SAP® Business One with VALOGIX® Inventory Planner to their team. Within three months they made their decision to move forward with the purchase.

Efficiency Leads to Fast Return on Investment

Return on Investment (ROI) was fast—in just six months, IDS realized a full return on investment due to reductions in inventory, improvements in stock availability and service levels, and increases in productivity.

“BLUEKEY’s vision is to make African businesses run more efficiently and profitably,” comments Paul Marketos, Director of BLUEKEY Software Solutions. “SAP Business One with inventory planning by Valogix is a winning combination. We’re pleased to have helped another South African business operate more effectively, and strengthen its position as a major player in a global industry.”

Reducing stock levels had a significant impact on working capital: an overall 35% reduction translates into R14 million or US\$2,000,000 in the first year.

“Freeing up R14 million has a tremendous impact on our bottom line. In an industry where profit margins are slim and timing is critical, we couldn’t be happier with the results from Valogix,” remarks McCluskey. “Even with reductions in inventory, our service levels have improved because we now have the items that our customers need, when they need them. Valogix has not only already paid for itself, but also the entire SAP Business One purchase. There are not many products out there that can give you that kind of ROI. And the savings will continue each and every year.”

Benefits that Keep Giving Back

In addition to the inventory reductions, IDS has realized many other benefits from the implementation. IDS now provides their suppliers with an accurate forecast which helps them to negotiate better discounts on their purchases. Also affected are shipping costs, since inventory is often shipped to IDS; having a forecast in hand allows them to order far enough in advance to mitigate shipping costs.

Because of more efficient purchasing processes, the overall Cost of Goods Sold (COGS) has been reduced by 2 percent, and on their top selling items, the COGS was reduced by 5 percent. Additionally, staff productivity and overall business processes have improved due to automation of many formerly manual processes.

“The initial results have been very positive,” concludes McCluskey. “We are taking it a step further by conducting a more in-depth analysis of our excess and inactive items to realize even deeper benefits.”



www.valogix.com

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