

Ask Know It All

Here, the Know It All team get together to answer any industry questions you may have...

Question: A number of box plants are considering switching their business to Abaca Systems and have persistently asked for a detailed case study indicating what the return on investment would be for them. Put bluntly, **“...if I’m going to invest in new hardware and software, not to mention the time and trouble to transpose my specs into a new system...how long before I get my money back?”**

A: Essex-based sheet plant Cumberland Packaging has been kind enough to open their doors (and their books!) and allow their business to be used as a case study to answer this very question.

Owner John Watson recognised that they would need to make some fundamental changes to realise his ambition to develop Cumberland Packaging into the best sheet plant in the UK: **“With a turnover last year of £8.65m, EBITDA of £1.1 million and profit before tax of £635,000 - delivered by a team of just 65 – we were a good business to start with. On time delivery performance of 97% and a reject rate of just 1% [in terms of number of jobs with rejected product amongst the order] also suggests a business in good shape.**

However, we just didn’t have access to the breadth and depth of management information required to allow us to push on to the next level. As part of our drive to develop the software tools at our disposal we hired the Know It All team, who did a really good job with their Ready Reckoner® tool. It quickly occurred to me that their IT skills could also be harnessed to help us control our stock better still...as they conducted initial research to scope out the project they made a point of making a wider recommendation:“...why put a patch over your stock control system when what you need is a new business system to give you the platform to build the next stage of your business growth?”

To be honest I was initially sceptical, but was intrigued enough to have a look around a neighbouring box plant which had Abaca installed. It struck me that the Know It All team must have a well-founded belief in the benefits of the Abaca system...after all they would lose out on some further consultancy work if I followed their advice. Their counsel was spot on; the scope of the Abaca system was a revelation...I just didn’t previously know what I didn’t know.

Others see the benefit of Abaca in terms of savings in staffing levels; however I see an even bigger prize. Now that we have Abaca in place I am confident that we’ll be able to realise the latent capacity in our business and grow comfortably to become a circa £15 million business. Using a similar net profit figure to last year’s 7.3% (which is broadly our long term trend rate), profits should lift to some £1.1 million pa. With current sales trending £10 million pa and growing, that’s a 1,573% return on my Abaca investment that I’m convinced we’ll realise in a very sensible timescale.

Abaca gives the ability to control my business from top to bottom...it gives the capability to allow us to identify the work mix that gives us the best return. In turn we can focus our business development energies on the most lucrative markets and products; thus utilising our latent capacity to best effect.”

However, there were other things that also impressed...

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Cumberland eyes a 1,573% return on its Abaca investment (continued from page 22)

Implementation went really well – the planning was extremely well managed. To their credit, the Abaca team never once panicked; every aspect of the implementation programme was thoroughly documented followed by what really was a join the dots implementation. I am a great believer in understanding the project, its affects and operation on the business first hand and up front - which will then leave me peace of mind for a day to day handover of the project to my team.

Abaca's Sales Director Graham Dickinson concurs: "The Cumberland and Abaca teams worked closely and smoothly together to implement the new business system. I have to highlight John's in-depth involvement and leadership as a particular reason for why things went so well – it is rare for a Managing Director to be as hands on as he was... but it made an enormous difference."

John continues: "Importantly for us, the bar coded stock control system allows us a live view of our stockholding situation. Abaca had to coordinate four locations with in excess of 4,000 pallets to upload into the system, ready for our launch. The live terminal data collection truly gives us the response our customers demand in this challenging marketplace."

John sums up the financial benefits: "Knowledge is king - and Abaca gives me this knowledge. Hence our new business system is a critical stepping stone to realising another £466,000 of annual profit."

