

## going with the (cash) flow

THERE'S NO SHORTAGE OF SOFTWARE ON the market these days aimed at the financial side of supply chain management. Distribution requirements planning (DRP) systems and supply chain management (SCM)/supply chain execution (SCE) software suites, for example, help users minimize inventory or boost supply chain efficiency. Other software lets manufacturers or distributors determine the maximum price point for goods sold.

Though many of these software packages are very good at achieving their goals, those goals aren't always the shortest path to profit, especially for companies that sell in seasonal—and often highly fickle—retail markets. For example, sometimes it makes sense for a company to actually increase its inventory—to take advantage of special pricing for an opportunistic purchase, to reach discounts available at “threshold pricing” or to increase stocking levels of a “hot” seasonal item.

To date, most supply chain apps have not directly addressed cash flow or profitability—and that's a serious limitation. The more free cash a company has, the greater its opportunities to improve profits and gain a competitive advantage.

Setting its sights on this gap in the market, a Kansas City-based company named K2B Inc. ([www.k2b.net](http://www.k2b.net)) now markets software that helps users maximize cash flow. Targeted at companies involved in manufacturing, distribution and retailing, this software employs complex optimization algorithms to analyze the many factors that influence cash flow, including sales histories, inventory levels of both raw materials and finished goods, gross margins, leadtimes, pricing, ordering policies and general economic indicators. Analysis is done at the SKU level, and demand planning is provided at both the store and the DC level.

The difference between this software and similar tools is that “we convert everything to cash,” says Neal Underberg, vice president of marketing and sales for K2B. “We're able to do cash tradeoffs to maximize value to the enterprise.” The company has applied for a patent for what it calls its “cash maximization” software.

The company's solution is offered on a turnkey

basis; K2B can host the hardware and software, and provide forecasts for replenishment and distribution. “We prove that it works in the customer's environment,” says Underberg. “Payment is more aligned with payback.” This approach overcomes a very common problem experienced by companies that implement technology solutions: an inability to achieve long-term goals after key people leave. Sophisticated software requires a high level of expertise, and far too often software sits on a shelf after key people leave a company or move on to other positions.

K2B also touts the software's ability to help customers achieve “supplier-funded inventory.” The software enables a retail seller to buy goods, sell them and collect from the customer before the retail company has to meet the supplier's payment terms, usually 30 days. Essentially, a higher percentage of the retailer's inventory remains on the supplier's books, increasing the retailer's cash flow by pushing goods through the retailer's portion of the supply chain more quickly.

The primary managers of K2B Inc. come from *Fortune* 500 companies and large consulting firms, and they tout their years of experience implementing “big bang” software suites. The company has formed alliances with Cap Gemini Ernst & Young, a global consulting firm that has extensive experience in retail, distribution and manufacturing industries; and Meridian IQ, which provides transportation solutions management.

To date, K2B reports that it has 10 paying customer companies, two of which have been using the software for more than a year. □



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