STM Brands Increases Operating Margin by 20% with Plex DemandCaster Supply Chain Planning

With a worldwide retail presence, STM Brands needed insight into market shifts and optimized supply chain planning that spreadsheets and manual processes could not provide. To effectively manage inventory costs and movement, it was time to move to the cloud. The company's existing methods were resulting in expensive air freight, out-of-date inventory, disconnected planning, and limited collaboration.

Results

Increased gross profit margin by 5%

Reduced use of costly air freight by 50%

Improved operating margin by 20%

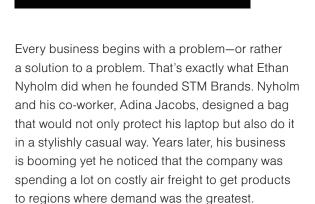Decreased overall freight to sales ratio by 25% year-over-year

ABOUT THE CUSTOMER

STM Brands

📍 Location: Australia

★ Founded: 1998

STM Brands, founded in 1998, makes high-quality, award-winning accessories for tablets, laptops, and phones. With a worldwide retail presence and offices in Sydney, San Diego, London, and Kuala Lumpur, the company has a mission to provide the "Stuff that Matters for the doers of the world."

Every business begins with a problem—or rather a solution to a problem. That's exactly what Ethan Nyholm did when he founded STM Brands. Nyholm and his co-worker, Adina Jacobs, designed a bag that would not only protect his laptop but also do it in a stylishly casual way. Years later, his business is booming yet he noticed that the company was spending a lot on costly air freight to get products to regions where demand was the greatest.

"When we identified our escalating supply chain costs, we knew it was time to find a better way of doing things—that became the catalyst to transform our supply chain planning methods and processes," said Nyholm.

Moving Away from Spreadsheets to the Cloud

As the costs for air freight rose, Nyholm dug deeper and realized that the root cause was inaccurate (or inadequate) supply chain planning. In addition, spreadsheet-based planning didn't give the business an accurate picture of its demand volatility.

"When we started to look at how much of a percentage of sales we were spending on air freight versus sea freight—it turned out to be 10:1, which was clearly digging into our margins," Nyholm said.

The company had already selected Oracle NetSuite ERP to manage its business and was looking to fill in the gap between holistic supply and demand planning as well as cross-functional collaboration.

In searching for a supply chain planning solution, one of the key requirements was it had to integrate with NetSuite because as Nyholm put it, "There was no chance that I was going to transfer data manually." The other major requirement was the solution had to be cloud based because

STM Brands had experienced the benefits of accessing information anywhere at any time from any device. "It was important to go with a true cloud solution as opposed to a hosted solution," Nyholm added.

Gaining an Accurate Picture of Demand

Nyholm found Plex DemandCaster supply chain planning software through NetSuite's application ecosystem, SuiteApp; what initially struck him about the solution was the visual representation of sales data by product and by location, as well as trends associated with those products.

One of Nyholm's favorite features of Plex DemandCaster has been the demand forecast visualizations:

"Choice of forecasting algorithms on the demand side gives us the flexibility in forecasting, and the visualization of that forecast really allows us to see the trends and patterns," Nyholm said. "This was something that we never had before and something that has proven valuable to us. Looking at the past gives us better insight into what may happen in the future."

He also appreciates the ability to take a forecast for one product and apply it to another. "One of the significant time savers with DemandCaster is the ability to take the forecast or the past demand of one item and copy it to a similar, new product so I don't have to start from scratch."

"With DemandCaster, we have dramatically improved our inventory turns and overall flow of goods. The additional insight helps us ensure we have the right stock, at the right place, at the right time—and importantly, by the most economical means possible."

— Ethan Nyholm, President & Co-Founder

Making Data-Driven Inventory Decisions

After seeing the wide range of capabilities, Nyholm decided to use Plex DemandCaster for supply chain planning at STM Brands. Once the company looked at demand shifts, which in most cases are seasonal, another bit of insight came to light.

"DemandCaster allows us to identify potential excess stock in the future and be more proactive in optimizing inventory, as opposed to waiting until it's too late. Personal electronics is a very fast-moving market segment. If a phone form factor is canceled by its manufacturer like Samsung, Apple, or Microsoft, our product becomes a perishable good. We have to address it right away."

> **"DemandCaster has enabled us to move away from 'gut-feel' decision- making. Now our decisions are insight driven and based on what we see in the data."**
>
> — Ethan Nyholm,
> President & Co-Founder

Nyholm also said that he's able to make more data-driven decisions about his business than he was before Plex DemandCaster. "If we know we are expecting a new deal for 3,000 units in February, we can prepare for it. DemandCaster allows us to ask the right questions about why, when, and how, which helps us plan around the peaks and valleys, as opposed to us relying on our intuition or gut."

Making data-driven decisions has resulted in an increase of 20 percent in operating margin and a 50 percent increase in sales profits. Freight costs to sales are also down 25 percent year-over-year.

"We always thought about demand on a regional basis, like what is needed in Australia or in the U.S. With DemandCaster, we're able to look at the entire business holistically, including the movement of inventory between warehouses," Nyholm commented.

Collaborating for a Profitable Future

To be even more competitive, Nyholm wants to build a dashboard that drills down into more specifics on potential areas of risk. He also plans to leverage the integration between NetSuite and Plex DemandCaster to closely track orders and forecasts.

Nyholm also plans to expand the use of Plex DemandCaster into additional parts of the company, specifically making more use of the sales and operational planning capabilities, which have already improved collaboration between the sales, purchasing, and production teams.

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> — Ethan Nyholm, President & Co-Founder

Previously, when a salesperson wanted to order additional quantities of a product, the purchasing and production department would question it. Now, the teams can discuss the request against previous sales and projected forecasts to decide whether it's a wise move or not. According to Nyholm, "We are an even better team with DemandCaster."

Nyholm said choosing Plex DemandCaster was an easy decision. "It's very easy to use, not only when you start to get into the details but also in the way you can configure DemandCaster to match the way your business actually works."

"The DemandCaster implementation was very smooth. We started using the system to support our decision-making within a few short weeks."

— Ethan Nyholm, President & Co-Founder

ABOUT PLEX DEMANDCASTER

Plex DemandCaster Supply Chain Planning makes deciphering data simple and planning controllable. Businesses can accurately forecast and solve inventory problems proactively. A united business with higher visibility helps manufacturers accelerate growth with confident data-driven decisions. The Plex DemandCaster Supply Chain Planning solution is part of the Plex Smart Manufacturing Platform which also includes MES, ERP, Industrial IoT, and analytics. With Plex, manufacturers are able to drive true business transformation by connecting, automating, tracking, and analyzing every aspect of their business.

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