How to choose a software system to help you run your FBA seller business

A white paper by Roger Butterworth of So Much More Than Accounts

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This document is written for businesses who use Amazon FBA as their main sales channel or as a key part of their overall sales channel strategy and intend to keep doing so for the foreseeable future.

It should give you a good overview of the different types of software system available to help you run your business and links to popular applications that you should consider if you are looking to invest in improving your business.

It also details the pros and cons of the different types of system available.

I am totally and completely biased, but this document is trying hard not to be!

I am the founder of 'So Much More Than Accounts' (SM>A for short) www.somuchmorethanaccounts.com and I am writing this to help promote our new Unified Business Management System and highlight how much better it is than our competitors, however I don't want you to buy our system unless it really is the best system for you and your business, so all of the information in this document is as correct and complete as I can make it. There may be errors, where they are, they are my own and there is no deliberate misinformation.

A Business information system is a piece of software that helps you to run your business, it is primarily a reporting and decision support system – a way to take the large quantities of data that an on-line retail business produces and turn it into useful information that can be used to take decisions.

Examples of business information systems include accounts packages, stock and order management systems, sales reporting tools, product scouting tools and repricing tools. Any piece of software that helps you to understand your business better and take decisions for its improvement and development is a business information system.

As an online retailer in 2019 your Business Information System will undoubtedly be made up of a number of different software applications that work together to form your complete system, Amazon's own systems will be a part of your system, then there will be system that run your own web sites (if you have them), bank systems and payment processing systems will also be connected. You need to think of your Business Information System in its entirety – all of the software applications and systems that you rely on to run your business.

Business information systems have a tremendous, sometimes life or death impact on how your businesses performs, I know online retail businesses that spend $50K per month on software applications to support their business and others who manage on spreadsheets. Expensive solutions are often more capable than the cheaper alternatives, but not always better for their specific users and there is no relationship at all between the amount that businesses spend on systems and the value that they receive in return.

If you want to get the most out of your investment in software to help you run your business it is really important to get a handle on all the applications available and understand how to select the ones that are right for your business and integrate them together into the best system for your business. If you spare a few minutes to read this document I can help you to see the options more clearly and give you a few tips on how to do the best job of choosing a system that delivers real value for your business.

This document will help you think more clearly about the applications available and the type of system that will be best for your business, understand the different systems types that can be configured, their benefits, drawbacks and how to evaluate which is best for your business.

WHAT KIND OF SYSTEM SHOULD I USE IN MY BUSINESS?

You know your business best. I have worked in and worked with a lot of online retail businesses so I can give you a lot of help that is based on good, solid experience but only you can choose what is right for your business.

If you have the skills to get by using Microsoft Excel or Google Sheets as your main tool for analysing data from Amazon's own systems then that can be an effective, low cost way to run your business. You can add in a cheap accounts system like Xero or Quickbooks and use that to create accounts to file with the authorities and do your taxes.

However, if you sell in multiple regions or have multiple brands and accounts the process of producing accurate, meaningful data in spreadsheets can become very time consuming and as you add more SKUs and sales it becomes almost impossible to manage your business effectively using these low cost, general purpose tools.

Once you need to go beyond that kind of solution, here are my guidelines for selecting the right system for you.

THE RIGHT KIND OF SYSTEM

Business Information Systems come in two different types, the old type of business information system was installed on a computer server at the business own premises but over the last 10 years it has become a lot more common to run software 'in the cloud' on servers provided and maintained for you and accessed over the Internet.

If you are using FBA as your main sales channel or as a key part of your sales channel strategy, then you must already understand the benefits of two things – outsourcing key parts of your business to keep your costs low and using web based software for key business tasks (often referred to a 'Software as a Service' solutions SAAS for short)

RECOMMENDATION – IT IS 2019, YOU SHOULD ONLY CONSIDER WEB-BASED SOFTWARE AS A SERVICE (SAAS) APPLICATIONS TO HELP RUN YOUR FBA SELLER BUSINESS.

SPECIFICITY IS KEY

On-line retail generally and FBA selling specifically are very complex, with different cost structures and processes than other types of business, even traditional retailers have very different processes and structures from pure on-line retailers which this makes online retail difficult to support with a one size fits all solution.

RECOMMENDATION – YOU SHOULD USE A SYSTEM THAT IS DESIGNED AND BUILT SPECIFICALLY FOR USE IN ON-LINE RETAIL BUSINESSES AND TO WORK SEAMLESSLY WITH FBA.

FLEXIBILITY

Each person in your organization must be able to access the information and functionality needed to complete their tasks, the training requirement for a new system should be minimal and updates and developments should be available, preferably included in the price of the software. Customisation should be possible to meet your requirements now and in the future.

SECURITY

As businesses put more valuable information online and data privacy laws change, security becomes more important, consider how this might affect your choice of system.

RECOMMENDATION – CHECK THE SPECIFICATIONS OF THE SOFTWARE THAT YOU PLAN TO USE CAREFULLY, GET A DETAILED DEMO OR TRIAL THE SYSTEM. TALK DIRECTLY TO THE COMPANY THAT WRITES AND SUPPORTS THE SOFTWARE, DON'T JUST SIGN UP ONLINE.

OK, now that we have some ideas about things to look out for when we choose an application– what kinds of overall system can we build?

What are the pros and cons of each type of system?

I have worked in and with a lot of different online retail businesses and the systems that they all use fit into one of 3 categories

1. Bespoke software build
2. A comprehensive Universal Business Management System with some specialist add-ons
3. A connected cluster of specialist systems

Lets look at the features and the pro's and cons of each type of system in detail

BESPOKE SOFTWARE BUILD

In terms of functionality this can be the best – but getting the right functionality depends on the level of understanding of the business and its processes that the people who write the specification for the system have.
It is usually the most expensive type of solution – both up front and in terms of on-going maintenance but if executed effectively this type of system can be a perfect fit for your business with the ultimate in functionality, security and flexibility.
A badly designed bespoke system is of course an expensive disaster.

Amazon's own system is a bespoke build, developed and maintained by their own staff at a cost of hundreds of millions of dollars per year.

A COMPREHENSIVE UNIVERSAL BUSINESS MANAGEMENT SYSTEM

To meet my definition of a Universal Business Management System (UBMS for short) a system must include the following features all in one software package.

1. Accountancy system with double entry general ledger
2. Customer records system with basic CMS functionality
3. Stock control system
4. Supplier records system
5. Purchasing system
6. Order processing system
7. Cash control system with 3 way matching of invoices, purchase orders and payments

Other applications can be connected to a UBMS to provide special functions such as enhanced Customer Relationship Management (CRM), customer contact centre functionality or product search but the key thing that makes a UBMS more effective is the combination of accountancy and reporting into a single application using a common database.

Examples of UBMS systems provided through the SAAS model that you might consider for your online retail business include;

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http://www.somuchmorethanaccounts.com

SAP Business One
https://www.sap.com/products/business-one/features.html

Netsuite by Oracle
http://www.netsuite.com/portal/home.shtml

Brightpearl
https://www.brightpearl.com/

A UBMS has a massive advantage of combining accounting, purchasing and order processing systems, what this means in practice is that the data

produced in reports used to manage your business **SHOULD** have been cross checked for both accuracy and completeness as a result of the normal accountancy processes. For example, if your sales report showed that you spent $20,000 on delivery costs in January then you should be able to add up the delivery cost on every order in the report and have it come to $20,000, you should be able to see that the cash paid out to couriers also comes to $20,000 and you should be able to see their invoices for the same amount. The data is COMPLETE and ACCURATE.

The cost of running a UBMS is variable, SM>A is available from $300 per month while Netsuite costs from £20K per year. Typically a UBMS will be less expensive than a cluster of specialist systems as well as being more accurate and reliable, however the functionality in specific areas can be more basic making it worth thinking about adding a specific application to your UBMS based system to improve functionality in an area where it is important to your business.

A CONNECTED CLUSTER OF SPECIALIST SYSTEMS

Many retailers have a number of separate systems connected together through plug ins and API connectors rather than a single UBMS, this is often the result of incremental development rather than a planned systems strategy.

A typical cluster of systems might include a cheap accounts package like Xero, linked to an order processing and stock control system like Orderhive and a separate reporting tool like Cash Cow Pro along with different tools for PPC, SEO, review management, product research and competitor monitoring.
This type of system has one big advantage – because each component has a single task to accomplish, they tend to be very feature rich and comprehensive and they do their own 'job' well.

However, this kind of system has two huge downsides, data inaccuracy and cost.
Data inaccuracy in this kind of system is multi layered. As a really extreme example I worked with a company which used two systems side by side where

one showed a field called 'Revenue' which displayed revenue including VAT and the other had a field also called 'Revenue' which showed it excluding VAT. As a result of this difference the marketing staff thought that sales revenue was 20% higher than it actually was, and they over spent on advertising, driving the company into losses for 3 months.

There are other less obvious issues too – not all API connectors are equal and many are not fully functional so data passed from one system to another can become degraded as a result, order details can be lost when customer data is synchronised to a CRM etc.

However, the killer problem with this kind of system is the way that it relegates the cross checking and reconciliation that should take place in the accountancy system to a system that does not have enough detail to do the job effectively. All of the low-cost accounts packages like Quickbooks and Xero use consolidated values for stock and fail to recognise costs like advertising or even payment processing fees against individual orders – so finding the real profitability of individual orders, products and customers is impossible using their data. In a cluster of specialist system it can be possible to get this kind of data from a separate sales system of from Amazon reports, but that data is not checked for accuracy and completeness the way that data in a double entry bookkeeping system is – so it is inherently unreliable.

RECOMMENDATION – MAKE SURE THAT YOUR BUSINESS REPORTING COMES FROM A UNIFIED BUSINESS MANAGEMENT SYSTEM, NOT FROM AN ISOLATED SYSTEM THAT IS NOT CROSS CHECKED BY A GENERAL LEDGER MODULE.

SOME NOTES ABOUT SALES TAXES AND VAT

The collection of sales taxes in the USA, VAT in Europe and GST in Australia from online retailers, especially those selling on platforms like Amazon and eBay is becoming a much more serious focus for governments. The majority of them are tackling the widespread evasion of these taxes on platforms like Amazon by making the platform responsible for taxes that are not paid by sellers – hence the platforms are starting to take Tax and tax reporting very, very seriously.

This means that if you are selling on Amazon you need to take your tax obligations very seriously as well – check carefully that your chosen system supports all of the tax systems that you need to report to.

SOME NOTES ABOUT ACCOUNTANCY IN AN ECOMMERCE BUSINESS

Accountancy is often considered as an afterthought in ecommerce businesses, a task that you get someone in to do once a year because the government insists that you file your results – IT IS NOT.

Accountancy is a vital part of making sure that your business reporting is accurate, it is the process of cross checking your numbers to ensure that they are complete and accurate, without it you can not be sure that the reports and statistics that you use to take decisions about how you run your business are correct. As the age-old adage goes – what you can not measure, you cannot manage.

What this means for your decision about business systems is simple – you can not rely on a system that does not have accountancy built in. Systems that use an API to 'connect' to a simple accounts system like Xero or Quickbooks never have their data checked for accuracy and completeness by reconciliation, so, while their basic data like revenue may be correct there is absolutely no way to rely on profit estimates or cost of sales data produced by these systems – so business decisions based on that data are suspect.

This distinction is the difference between a Unified Business Management System (UBMS) and a simple order processing or stock control system.

PLAN YOUR BUSINESS INFORMATION SYSTEM CAREFULLY

To avoid ending up with a set of miss-matched systems that can not be relied upon to produce effective data it is really important to think carefully about how the Business Information System will work and to plan in advance what it will look like over time.

WHAT DO YOU NEED FROM YOUR SYSTEM NOW AND IN THE FUTURE?

Obviously, this is the most important part of choosing a system to help you run your business – WHAT DO YOU WANT IT TO DO FOR YOU RIGHT NOW?

You probably have specific pressures on your business or problems with your existing system that led you to download this white paper think about how you could use software to fix those issues, but also think about how your complete system will look in 3 months, 1 year and 3 years.

I recommend that any solution for a professional online retail business is built around a solid Unified Business Management System (UBMS) like So Much More Than Accounts or Netsuite but you may also need the additional functionality of specialist applications for customer contact, direct sales web sites or CRM.

WHAT ABOUT THE FUTURE?

I think that the best way to decide what your system needs to look like in the future is not to ask what the system will do – but to think instead about how your business could be better as a result of installing a new software system. There are only 3 ways that a new system can help your business.

- A new system can help you sell more
- A new system can help you make more money on each of your sales
- A new system can help you to reduce your corporate costs or overheads.

You may just say – great I'll take all of those, and you can, but to choose the best system for your business you need to prioritise the benefits that your business needs most.

Selling more of the same product through your current channels, selling your existing products through new channels and finding new products to sell are all possible with the right business information in hand.

- Better inventory control and automated ordering based on lead times and run rate to reduce stock-outs.
  - We all know how hard your sales get hit when you stock out in FBA, pro-active ordering can help stop that from happening, especially if you ship goods long distance from factory to warehouse.
- Expand your business by getting easier access to extra sales channels, if you sell primarily on Amazon would you benefit from adding own brand web sites through Shopify or Magento etc, or would other marketplaces like eBay, Etsy, CDiscount, Lazada, Linea and Rakuten offer opportunities?
- Support the expansion of your business into other geographic markets, help with product detail translation etc
- Get more detailed sales information to spot and exploit trends in your sales.

HOW CAN A BETTER SOFTWARE SYSTEM HELP ME MAKE MORE MONEY ON EACH SALE?

What you can't measure, you can't manage. By installing a system that helps you to understand your profit margins on historic orders you will be able to understand where to make changes to improve them in the future

- A good system will help you get more detailed profitability information on your orders, products and brands by including the costs of transport, advertising and promotion as well as the cost of the goods or services into the profit calculation. With that in hand you can set to work improving the profitability of your business.
- You can use that detailed information to invest more in your more profitable products, adjust pricing on less profitable items or change your range to focus on the best performers.

- Get more detailed control of your inventory to avoid minimise cash invested in inventory and losses due to overstock clearance or disposal.

Increasing your bottom-line profit margins isn't just about tweaking your prices or discounts; you can also widen margins by reducing expenses— most notably your operating expenses.

1. Get regular management account to help you understand the overall profitability of your business.
2. Get detailed cash reporting and understand your business cash flows better.
3. Get detailed VAT and Sales tax information quickly and easily.
4. Get access to 'gig economy' style trusted temporary staff to perform admin tasks like posting invoices or translating product names and descriptions? –
5. Get access to experts who can provide help and advice on a short term basis, much more cost effectively than hiring them full time.

USE THIS INFORMATION TO PRODUCE YOUR LIST OF PREFERRED FEATURES FOR YOUR SYSTEM

Now drill into each of those points and work out a list of the features that your system will need to have to provide you with the benefits that you think are most important. You will be able to use that list to evaluate the available systems to decide which is best for you.

Lastly, gather some information – you may know the answers to these questions already, but its worth checking tham and making a list now.

- How many different products (SKUs) do you have in your inventory?
- What channels do you use to sell right now?
- How many users will you need in your system now and in the future?

These factors may affect which system is best for you and what the apps that you use will cost

WHAT WILL YOU NEED FROM YOUR SYSTEM IN THE FUTURE?

Any system that is worth the time and effort to install in your business, to learn to use and to get used to using will need to give you 3-5 years of service to pay you back for the time and effort that you will invest in it, regardless of the cost – so its important to look forward and think about the extra features and capabilities that you will need in the future.

Think about the costs of extra features – will you need to buy add on packages or pay extra to unlock features to support extra sales channels or extra warehouses.

KNOW WHAT YOU ARE LETTING YOURSELF IN FOR

Most SAAS applications designed for use by online retail businesses charge a fee per user, per month. Many have multiple plans depending on different criteria, this usually places a limit on the number of SKUs, orders or specific actions like sending and receiving messages that they allow within a price band.

Once you have decided on the structure of your Business Information System and created a shortlist of the applications that you will use in it the next step is to price each one up and decide if they offer value for money to your business.

PRICE AND BENEFITS NEED TO BE IN LINE

Think about how these systems will improve your profit margins, how hey will help you grow your business and how they will help you cut your overheads – put some real numbers on those benefits and compare them with the costs and ask yourself if the payback is worth the price.

Once that is done you can start to talk to the vendors and build an implementation plan to get your system set up and working.

CHECK THE ACTUAL RESULTS AGAINST THE FORECAST

Most SAAS application vendors offer month to month payment plans and discounted annual payment plans, I recommend that you start on a month to month plan and then consider paying annually once the value of the package has been demonstrated.

Keep records of the expected payback – and re-check after 3 months, 6 months and a year to compare the actual benefits that you have received with what you expected – and with the cost of the system.

RECOMMENDATION – START ON A MONTH TO MONTH PLAN EVEN IF IT'S MORE EXPENSIVE AND ONLY PAY FOR A FULL YEAR ONCE YOU ARE HAPPY WITH THE SYSTEM AND IT'S BENEFITS HAVE BEEN PROVEN.

After reading this white paper I hope that you will decide to have a closer look at the So Much More Than Accounts UBMS (www.somuchmorethanaccounts.com) as well as some of the others that are available, feel free to contact me directly with any questions that you may have (roger@somuchmorethanaccounts.com) or book a demo through the web site.

Whatever you decide, I wish you the very best of luck with your business and thanks for taking the time to read this white paper.

Roger Butterworth

Manchester UK, 2019

SUMMARY

If you only take 3 things away for this document, these are the 3 things to take;

1. You should design your whole Business Information System, have a plan for how it will look in 3 months and 12 months from now, avoid building a messy system by adding lots of different applications together over time without an overall plan.

2. Base your system on a good Unified Business Management System to ensure that your business information is cross checked and complete.

3. Carefully document the expected benefits of using each application in your Business Information System in terms of improved profits or reduced costs and compare them with the eventual results. Most SAAS applications are available on month to month contracts so you can review their performance and stop using them if they do not deliver net positive benefits for your business.