

Expansion: The Accounting Perspective

Part 2

by Mary Brettmann, Beverage Business Builders

You have arrived! People keep asking for your product, and distributors are romancing you, telling you that there's a ready market for your beer in some far off territory. You begin to think that maybe you can be a regional or even a national player. What does that mean from a capital standpoint? Do you have the stomach to increase the bank loan by THAT much? How many people do you need to hire? How does that change the company culture?

Welcome to the phase of expanding company; expanding issues.

*Note: This article is a continuation of **Expansion: The Accounting Perspective - Part 1**, which covers Sales Issues, Human Resource Practices, and information about Audits.*

Logistics

You probably have inventory in several buildings. What's the best way to ship product? What's the best way to allocate scarce product? Organizing a company to handle the complexity of a multiple location business is very important. If your inventory gets out balance, the whole system is untrustworthy.

- **Inventory.** One of the side effects of growth is a steady growth of inventory complexity (both counts and dollars). The cost of mistakes also grow. If you have not done so already, create an inventory czar and make someone responsible for mistakes.
- **Multiple Location Management.** Another side effect of growth is that you will outgrow your space. Most companies then expand into new spaces. Keeping inventory straight across more than one location takes a special skill.
- **Warehouse Efficiency Matters** With the growth of sales, the warehouse must handle more trucks dropping off and picking up. How do you know that each transaction is correctly documented?
- **Purchasing Professionals.** At some point, every small decision begins to have bigger and bigger consequences. Believe it or not, there are people who spend their lives looking for ways to purchase more effectively.

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MRP (Materials Resource Planning)

As the company grows, forecasting what you need and when you need it becomes a bigger and bigger issue. What if there was a system that could tell you exactly when you need to order everything? Such a system exists. Larger software systems have a module called an MRP module. Using your own company's data, it can forecast everything including the need for purchase orders and how to package your product.

- **The materials forecast.** This becomes more and more important and also more and more complex. If you have not implemented an MRP system, now is the time.
- **Use MRP everywhere.** If you have gone to the trouble of adding all of the inputs (so the computer can go its work), then use it as a guide for each materials decision. Whether you are deciding when to release hops, contract for grain, or move product, the system can help you make the right decisions.

Coordinated Forecasting

The end of the story is to tie all of the forecasting together for an understanding of the future. You have effectively created a reality that you believe to be true. Then with proper management, you can see when the actuals match to the forecast. All of a sudden you have a warning signal and can adjust before your competition has time to react. In this case, time really equals money. This is the secret to becoming a big player in any market.

Long-range Planning

The final step in your journey is to understand where you want to stop. Is there a good stopping place for the company? How do you transition out of the company when the time comes? It's very important to spend time and effort on this topic. Companies live forever. You do not.

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Mary Brettmann is an accounting professional with over 25 years of corporate experience. By combining corporate best practices with entrepreneurial spirit, Mary develops efficient, profitable solutions for her clients and guides their decisions with practical advice and clear financial metrics. Mary is an expert in financial and operational consulting for breweries and is President of [Beverage Business Builders](#), her company that guides breweries through any stage of their lifecycle: startup, established local, or expanding.