

UOB-SMU Entrepreneurship Alliance Centre



Alltools Trading Pte Ltd

Get It Right... with the Right Tools:

Since the company was incorporated in 1987, Alltools Trading Pte Ltd has established a sound reputation and standing among its clientele as a preferred tooling partner for

quality tools in Singapore. Currently commanding some 30% of local market share, it reports strong sales in niche markets spanning aircraft, automotive, defence, electrical, marine and oil refinery industries, as well as government agencies. Its key customers include the Ministry of Defence, Singapore Police Force, Singapore Airlines and SMRT Group.

Celebrating its 25th year since its establishment, the company has distinguished itself by consistently delivering high service standards to its customers. It recently embarked on overseas expansion to set up distribution networks, and aims to be the preferred tooling partner for quality tools in the region.

Finding the Best Fit

In Singapore, up to 99% of enterprises are made up of small and medium-sized entities (SMEs) and together, they employ 70% of the workforce and contribute 60% of GDP. "SMEs play a key role in our economy by keeping our business market vibrant and continuing to contribute to the job market," said Mr Teo Ser Luck¹, Minister of State for Trade & Industry, at the ICPAS SME-SMP Forum in March 2012. The government's stand is clear – local SMEs are the pillars of the Singapore economy, and they must improve their productivity to meet increasing demands so that Singapore can continue to flourish.

However, due to their size, which usually translates to limited resources, SMEs face a variety of challenges ranging from rising business costs to human resource issues, as well as operational inefficiencies. Rather than just struggle over the day-to-day micro problems which some SMEs tend to do, it is "more important... for SMEs to restructure their businesses for growth, realign their operations and raise productivity," said Mr Png Cheong Boon², Chief Executive, SPRING Singapore, when he announced in March 2012 the agency's increased support for the SME Capability Development Programmes.

Rather than rely solely on external assistance, Alltools Trading is proactive in constantly looking inwards with the aim to enhance business operations and thus improve its bottom line. Generally, it focuses on the broad areas of human resources, warehousing operations, inventory management and overseas expansion.

Check that Inventory!

All trading companies hold a certain level of inventory so they can fulfil their customers' orders. However, how much inventory to hold, and for how long, is a delicate balance that involves potential demand, how quickly inventory turnover is, as well as their sell-by or obsolescence dates. Typically, companies can gauge their own financial standing using a range of financial analysis tools including Current Ratio and Quick Ratio; Inventory Turnover Ratio, and Inventory as a Percentage of Total Assets.

Current and Quick Ratios show the short-term liquidity of a company, that is, its ability to meet its financial obligations in the short term. The higher the ratio, the better position the company is in. The Inventory Turnover Ratio determines how efficient a company is in selling and replacing its inventory over a

¹The ICPAS SME-SMP Forum, organised by the Institute of Certified Public Accountants of Singapore (ICPAS), took place on 20 March 2012

² www.spring.gov.sg/NewsEvents/PR/Pages/SPRING-Singapore-Increases-Funding-Support-for-SME-Capability-Development-Programmes-20120330.aspx

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specified time period. The higher the ratio, the better the company is in managing its sales and replenishment of inventory.

For Inventory as a Percentage of Total Assets, a large percentage is undesirable as it indicates that inventory is taking up too much of the company's current and total assets. Capital is tied up, and there are potentially high opportunity costs including returns that could have come from timely investments, reduction of interest if loan repayments were made, or purchase of new equipment or systems that could boost productivity.

Certainly for trading companies such as Alltools Trading, an improved and more effective inventory management is a key area of operations offering the greatest potential for cost savings.

Tools that Work

Through the SME Consulting Programme managed by UOB-SMU Entrepreneurship Alliance, Alltools Trading received "several recommendations towards improving the company's inventory management policies, which would in turn help improve its financial situation in future," said a student-consultant on the team.

"The team's indepth knowledge of supply chain management theories helped us realise that there were other ways to adopt logistical and inventory management solutions," said Mr Nicholas Ang, General Manager, Alltools Trading. "I would say that the plans for implementation of their strategies are in place, and we are looking for the right opportunity to execute these strategies in our inventory management." He appreciated the practicality of the recommendations as "some of the tools can be implemented with little additional resources". Though the scientific approach offered by the student-consultants is not new to the company, "the team has helped us understand it in better detail," said Mr Ang.

The student-consultants appreciated the opportunity to work on real-life business problems and their solutions. "We now have a better understanding of the challenges that SMEs face, such as how a lack of manpower and resources could "force" staff to have to handle various responsibilities. Talent attraction and retention is also a problem, as SMEs cannot compete with MNCs which offer more attractive pay and benefits," said a student-consultant.

Indeed, the student-consultants got more than they had expected – and gained valuable experience in the process. For example, in the textbooks or when they are assigned academic projects, key information tends to be readily available. However, this is rarely the case in reality. Having to create a data collection plan and then synthesising the data to identify the problems amid the ever-changing circumstances were unexpected hiccups which cropped up early. With a given timeline of 12 weeks, data collection and analysis, which had to be completed even before they could determine the "problem" that had to be solved, took up precious time. Still, the team succeeded in what they set out to do.

The Project Adviser complimented the student-consultants on a job well done. "The project has definitely given them good exposure to the working world. Within the tight timeframe, they have demonstrated great determination and resilience, and delivered a professional piece of work," said Mr Terence Tan. "The experience will definitely make them valuable assets to their future employers."

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