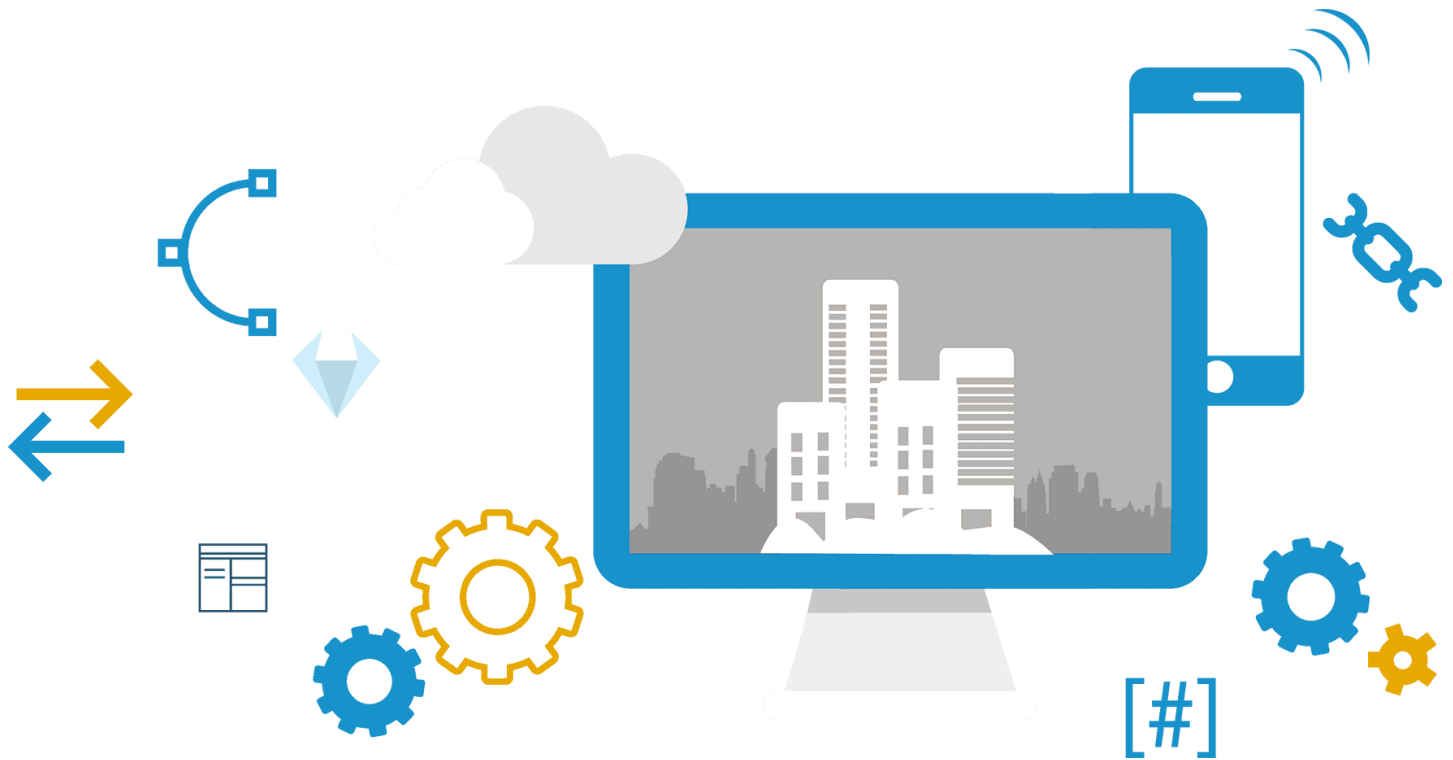


Digital Transformation – Improve internal operations



This brochure aims to support the digital transformation process for companies operating in the sector of:

- Agriculture and processing
- Light manufacturing (apparel and textile, wood processing)
- Tourism (eco-tourism, rural tourism and adventure tourism)

The goal of this brochure is to provide more detailed content about digital transformation and to serve as a guide for companies on how to successfully perform digital transformation and improve internal operation by implementing IT solutions. This document is created through the project Digitalization Path, funded by: USAID's Economic Development, Governance and Enterprise Growth Project, and implemented by MASIT.

This brochure was created by Sasho Jovanovski, with the support of the American people through the United States Agency for International Development (USAID), within the Economic Development, Governance and Enterprise Growth (EDGE) Project. The authors' views expressed in the brochure do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

CONSULTANT'S RECOMENDATION

Digital transformation projects, should start with the strategy for digital transformation. Your company should be involved in defining this strategy, providing detailed overview of your business operations. Your team should recognize, together with digital transformation consultant, your current situation, your goals, and potentials.

Strategy for Digital Transformation, is not just a strategy for IT projects or just improving IT tools in your company. Digital Transformation is a digitalization path, improving the business model of the company, changing company's organization and employee's communication. Digital Transformation is a business improving process that any company should regularly have.

Skopje, August 2021

Consultant: Sasho Jovanovski

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*** Pictures included in the brochure are copyright free pictures

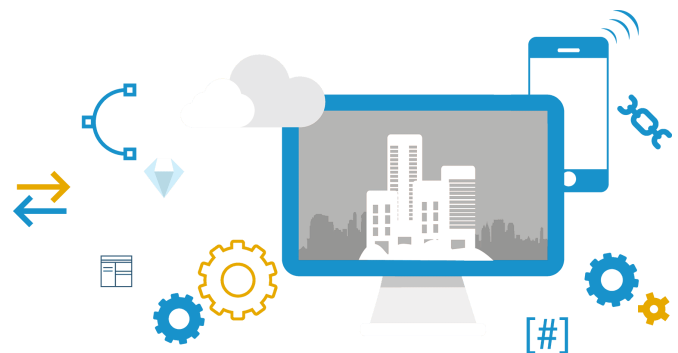
What does digital transformation mean and how can it help companies

Digital Transformation – definition

Digital transformation in your company, doesn't just mean the implementation of IT software, replacing manual processes with software processes. This statement stand historically, and it's connected for the period when business software was used only for accounting and stock processes. Today, business software has wide usage, therefore a digital transformation project in your company should complete 2 general tasks:

1. Optimized business processes to be defined, based on business software
2. To implement the new software according to the optimized business processes

Only optimized business processes should be digitally transformed. You shouldn't waste your time and resources on transforming unoptimized business processes.



Digital transformation can be implemented in all business sectors in your company in parallel, but in most cases digital transformation is an incremental transformation, sector by sector. Many digital transformation projects can be defined, based on different implementation packages:

- BUDGETING SERVICE PACKAGE
- FINANCIAL REPORTING PACKAGE
- EFFICIENT PRODUCTION PACKAGE (MRP2 STANDARD)
- SALES & SALES MANAGEMENT SERVICE PACKAGE
- PROCUREMENT PROCESS PACKAGE
- CASH COLLECTION PACKAGE
- ACCOUNT PAYABLES PROCESS PACKAGE
- PACKAGE FOR FIELD SERVICES
- ARCHIVE & DMS PACKAGE
- LOYALTY CLUB PACKAGE
- INTERNAL MANAGEMENT REPORTING PACKAGE

Digital Transformation - types

Digital transformation project can be defined as:

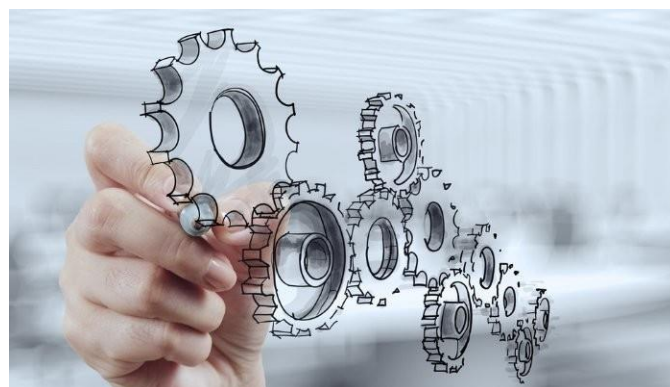
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- Business process optimization
- Business model
- Domain transformation
- Cultural / Organizational

How you can define digital transformation project yours company need ? Company owners or managers usually define one from the following questions to define company need, thus defining digital transformation type:

1. **Optimization is key word.** This type of digital transformation can be optimization in order to get: Efficient production, implementing sales & sales management tool, implementing new procurement process, implementing field services application
2. **Providing our services thru new channels** are usual digital transformation projects: E-shop, b2b, field services projects should be implemented in that case
3. **Used Technology or Company experience in one domain, can be used for domain transformation.** Example with Grande Food, Serbia. This company uses digital tools for their prime business several years. They're in highly competitive business, selling ice-cream for a global provider in Serbia. This company, decided to re-use digital tools, market access, company resources as special vehicle for ice-cream transport and become provider for frozen foods in Serbia. New domain, with existing digital transformation tools
4. **We like to improve our organizational or cultural status,** and digital transformation projects in this case are focused on Bonus schemes, Budgeting tools, People Management Tools. But how these tools can change our cultural or organizational situation? Please review impacts of implementing mentioned tools on organizational or cultural status in your company !

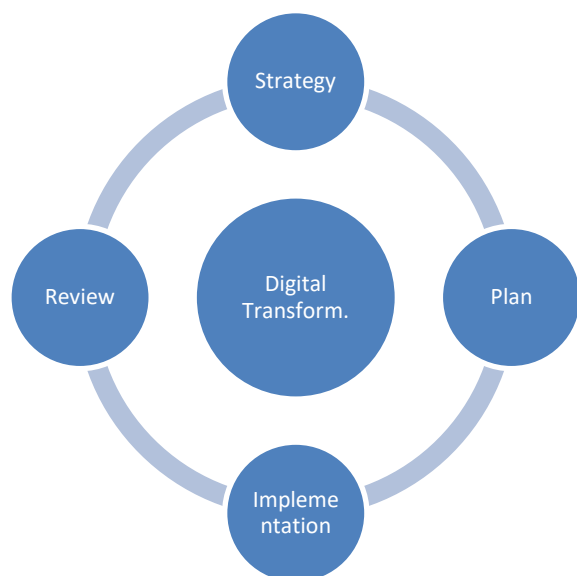


Digital Transformation – Implementation Strategy

On picture bellow are presented digital transformation life circle, starting with (personalized) digital transformation STRATEGY, then operating PLAN for execution of this strategy, following with successful IMPLEMENTATION of defined plan and final project REVIEW.

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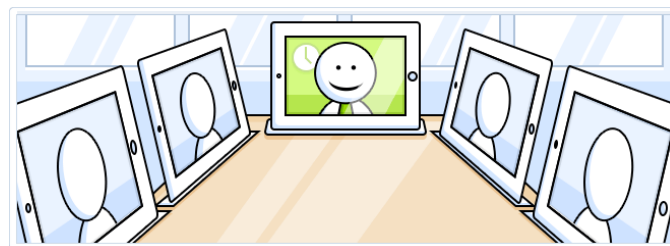
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As presented, digital transformation process in your company, should start with a strategy for digital transformation. I'm recommending this document to be created by hired consultant and your team. **Methodology for developing a strategy for digital transformation in your company** simplified can be described in several steps, and should start with detailed analysis:

1. Identification of the current business processes
2. Identification of the needs of the company
3. Identification of the organizational problems and challenges
4. Identification of the current level of digitalization of the business processes
5. Analysis of the areas in which the company plans to develop in the future

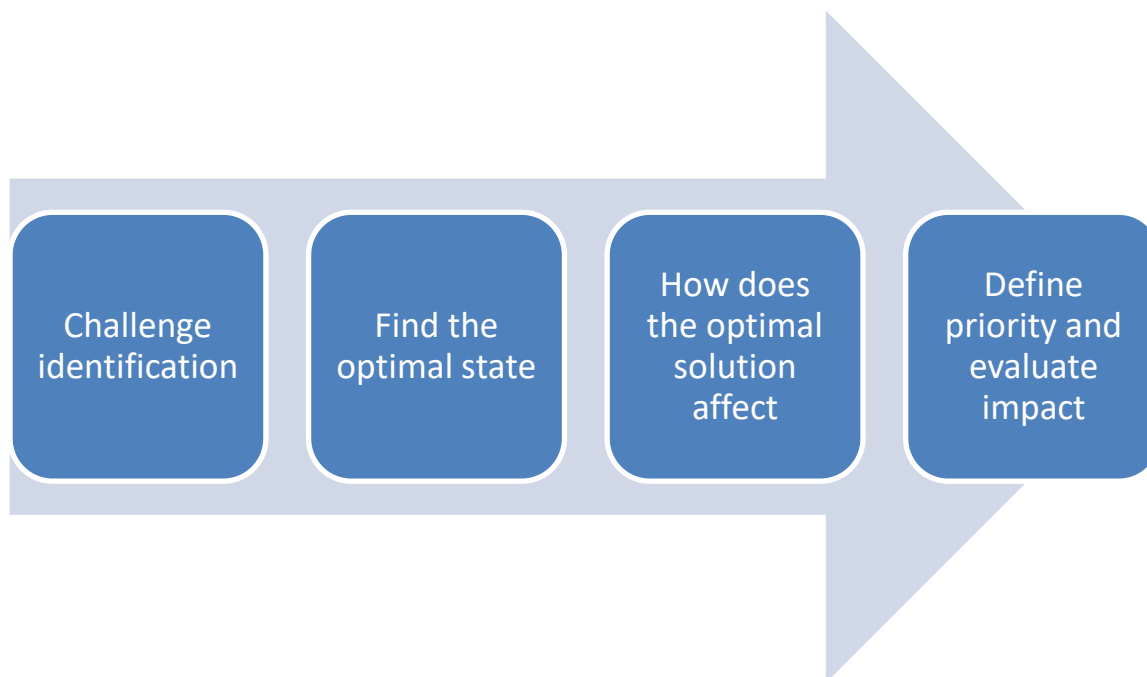
Based on the data acquired from these meetings, your team and the consultant should come to a consensus about the current situation and the need for digitalization and process improvement as well. After having identified all of the bottlenecks, should be defined general solutions through which can be reached the desired state. Once when desired state is defined, should be discussed their impact in order to establish the priorities in the digital strategy.



Through the process, will be identified the desired changes in the company in four steps:

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Following this methodology, will be created a list of activities in the process of digital transformation, their priorities and impacts on the company was obtained. The priorities are based on the potential return on investment for the company itself.

The methodology for developing the strategy for digital transformation is based on the fact that companies have different needs, desires, financial and organizational constraints, different IT situations and practices. All these assumptions must be taken into account before proposing a definite solution. If we excluded these assumptions, then we would be talking about a general strategy for digital transformation. The aim of the digital transformation project is to define an adapted strategy for the beneficiary company through a realistic approach. Only with a personalized digital transformation strategy does a company get a roadmap for development.

In the process of digital transformation, the main pillar are experienced consultants. Your digital transformation team should have expertise for IT tools, based on certifications, but also based on real industry experience. Digital transformation consultants provide added value. In digital transformation project, the quality implementation process and daily support should provide your company with useful technology.

Digital transformation projects, provides solution for challenges your company has today. Maybe yours company top challenges can be found here:

Challenges	Description & required solutions	GOAL
------------	----------------------------------	------

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Production organization process	<ul style="list-style-type: none"> Production companies in Western Balkan, usually produce a vast product portfolio, based on small order's quantity. Order's quantity is usually based on minimal ordered quantity, request huge administration, limiting expected productivity Production floor management request daily changes in used tools, designs, employees and in most case bonded with team's working flexibility 	Efficient production process
Scale the sales process	<ul style="list-style-type: none"> Lack of pro-active sales team Sales results based on best effort Sales management based on micromanagement 	Scalable sales team
Transport organization	<ul style="list-style-type: none"> Semi-manual transport organization 	Organized and optimized transportation
Management reporting process	<ul style="list-style-type: none"> Lack of automated daily report package 	Management decision based on facts / numbers

DIGITAL TRANSFORMATION PROJECT CAN PROVIDE YOUR COMPANY WITH

- **Increased productivity**
- **Improved sales**
- **Organized transport / logistics**
- **Efficient management**
- **Customer loyalty**
- **Improved partner network**
- **Loyal employees**



Most common challenges, recognized thru the process of digital transformation are:

1. Price policy definition is extremely complex procedure
2. Production capacity information is not provided from the system
3. KPI and bonus scheme is not provided by the system
4. Receiving orders from local stores and a foreign partner is by phone and email, and then entered into the system. This way of functioning is a source of mistakes, availability problem ... but it also does not give your partners the opportunity to independently examine yours product portfolio.
5. There is no system sales plan, so planning is done only in Excel. For comparison of planned / achieved, it is necessary to rewrite the results in order to make such an analysis. Because of this, the sales plan is not an integral part of the KPI analysis, nor of the bonus scheme of the commercialists, resulting in it being of an informative nature only.

-
6. There is no financial planning, but rather Excel spreadsheets are used to compare the results with the plan and the results from the previous year. Due to this, the planned / realized comparison is not made often, so the annual work plan is not a control mechanism of the company, resulting in it being of informative character only.

Digital Transformation – common business processes

Digital transformation in your company, should start with in-deep analyses of all business processes in your company. Most common business processes and identified challenges are:

MANUFACTURING (for production companies) - managing the production process in order to obtain a quality product that will be acceptable to customers. This process requires detailed traceability from raw material to final product, administration of production resources, optimization of production tasks, optimal use of resources, predictability and early detection of bottlenecks, meeting the expectations of business partners especially for timely delivery, quality management of raw materials and final product stock. Improvisation or a business solution that does not provide an effective answer to all these questions, can lead to the loss of business partners, low capacity utilization or too much pressure on the company's team. Exact production price should include all direct and indirect costs, as only accurate production price provides a reliable basis for market positioning. Of course, the production price does not dictate the selling price, but it lays the groundwork for sales and negotiation based on facts, not desires or needs.

SALES – sales channels, regular visits and identification of customer needs, define the need for digital communication with customers, the use of sophisticated IT tools that will support this process. Pricing policy should provide maximum transparency, minimization of improvisation and complete automation. All these processes need to be digitized, optimized to get an efficient operating system. Your customers have certain expectations for digital communication tools, and the company needs to find a way to meet their expectations. Customer expectations and needs are dynamic, which is why your company needs to provide flexible tools, adaptable to the market.

DISTRIBUTION – if your company has own distribution for a significant percentage of the deals then organizing and monitoring this process has a great impact on cost optimization, but also defines the degree of customer satisfaction. The distribution should meet the expectations and needs of customers, and is significant at a similar level to product quality and pricing policy.

TRACEABILITY OF FINANCIAL FLOW - in complex companies, it is necessary to provide an excellent level of traceability of financial parameters. Company decisions must be based on accurate facts, timely information that are available to key people in the company.

Digital Transformation – most common IT tools

Digital transformation usually lead to implementing new IT tools. A short list of most common IT tools includes:

1. ERP application – is an complex business operating system, providing tools for most common business processes in your company

2. B2B application - a digital tool through which yours partner access and order, but can get other additional information such as financial status and marketing information. This application can also be a communication channel between the partners and yours company
3. Mobile application for field sales – should offer much more business information to commercialists in the field, facilitate their work and plan their daily routes. Through this application, the daily routes of truck drivers should be planned and monitored
4. Floor Management – application for detailed administration of business processes in production plants, which will enable the entry of all relevant information during the execution of work orders. Working hours, costs, finished product, operations, production bottlenecks, termination of production operations, planning of daily operations by production resources and employees
5. Business Intelligence – should enable analysis of sales, procurement, finances, production with analysis of all relevant dimensions. This tool should also enable graphical analysis of main parameters
6. DMS – a tool for digital archiving of all relevant documents in the company and their easy retrieval, as a substitute for paperwork

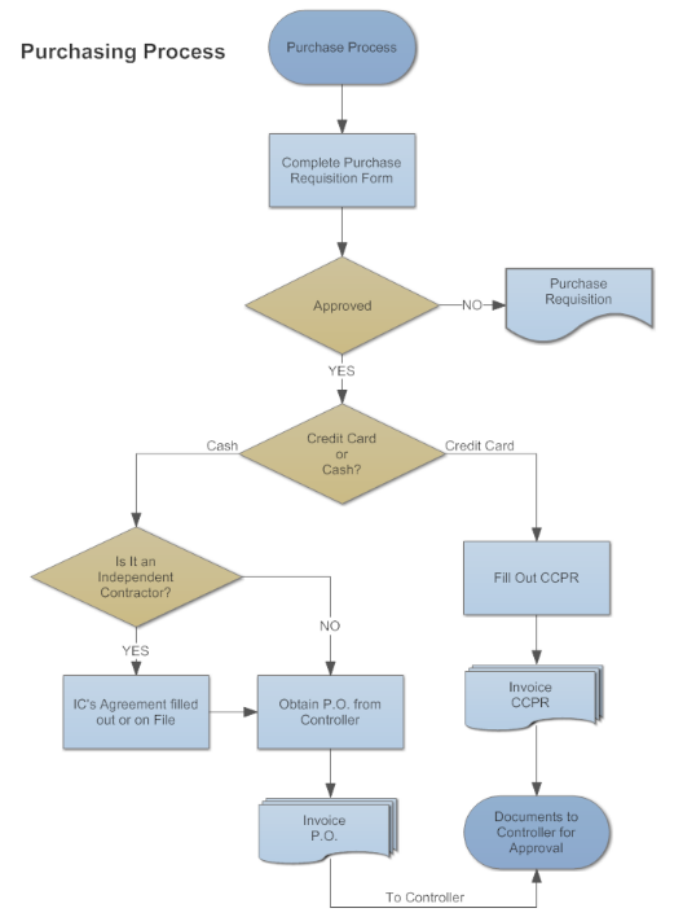
Procurement process

The procurement process usually isn't included in digitally transformed process, but I'm recommending to be added on the list. Many processes in your company start from your suppliers, providing necessary raw material, outsourced services, or other services from these companies. This communication should be digitally transformed to provide maximal benefits.

For production companies, supplier orders should be created based on:

- Production process planned quantities
- Minimal & Optimal stock
- Used (spend) quantities in comparable period
- Average used (spend) quantities in comparable period

Digitally transformed procurement process should provide just-on-time raw material, optimal stock level and minimal financial costs.



Procurement and procurement processes can require a substantial portion of a company's resources to manage. The process of procurement is often a key part of a company's strategy because the ability to purchase certain materials or services can determine if operations will be profitable.

Sales: the company's core engine

Main engine for most companies is sales. Sales is a reason for production process, sales generate inventory movement, sales creates distribution activities. But, in many cases – sales isn't digitally transformed, and most of sales activities are performed manually. This condition generate situation in which sales department is not capable to scale. Most of sales activities in these companies are organized around managing director or company owner. All other sales team members, usually assist this person for sales activities. This situation cannot be scaled without usage of digital sales tools.



Header:
 000156
 KOELNHESE GMBH
 Deutz-mueller-Strasse 30
 DE-50669 Köln
 PIB DE655555555555

HEALTHCARE EUROPE 000 RUMA
 POTES RUMSKA PETLJA 5
 22400 RUMA, SRBIJA
 Način poslovanja: 18173500010
 PIB/VAT No: 107047880
 Platim br: 20042013
 This receipt: 270-0010231705001-27

Commercial Offer
 Offer Num: 17-0199-000001
 Date: 15.06.2017
 Valid till: 20.06.2017

Item	Product Code	Product Name	QTY	MOQ	Price	Value
1	96001712	Cooling pillow	1.00	0	33.50	33.50
Item description: 400 memory foam with Gel pad Lining: flax Out cover: double jacquard fabric, piping and zipper Package: color box, transport box DIMENSIONS: 40 x 60 x 12						
2	13100100	Star shape pillow	1.00	200	6.50	6.50
Item description: 280 shredded memory foam with 400 memory foam ball Lining: flax Out cover: double jacquard fabric with zipper and piping Package: color box, transport box DIMENSIONS: 50 x 60 x 6						
3	96001996	Travel pillow	1.00	500	3.70	3.70
Item description: 400 molded memory foam Lining: flax Out cover: double jacquard fabric with zipper Package: color box DIMENSIONS: 32 x 32 x 6						
4	13100060	Lumbar pillow	1.00	600	4.60	4.60
Item description: 400 molded memory foam Lining: flax Out cover: double jacquard fabric with zipper Package: color box, transport box DIMENSIONS: 34 x 35 x 6						
5	96001721	Topper 7 zones	1.00	0	17.50	17.50
Item description: 5 cm 280 air memory foam profiled in 7 zones Lining: flax Out cover: double jacquard fabric, 3D mesh on sides, non slip fabric on bottom, zipper and piping Package: color box, transport box DIMENSIONS: 90 x 200 x 5						
Memo 720 Topper 7 zones Memo 1880 Topper 7 zones 3D MESHBOX			200 x 90 x 5	Price:	17.50	
			200 x 90 x 5	Price:	15.80	

Page: 1/2

Picture: Example for sales order form, generated directly from business software

Implementation of tools and procedures, for improving sales & sales management:

- Sales & orders administration
- Kanban sales analysis
- Quotation management (Commercial Offer generator)
- Contract management (Contract generator)
- Sales forecast tool
- Basic CRM functionalities

Customer info: 000156 KOELNMESSE GMBH Deutz-mulheimer-Strasse 30 DE-50669 Köln PIB DE6555555555		HEALTHCARE EUROPE DOO RUMA POTES RUMSKA PETLJA 5 22400 RUMA, SRBIJA tel/fax: +38122850810 PIB/VAT No: 107647868 Matinski br. 20843853 Tiro račun: 275-0010221735651-27	
CONTRACT		Contract Num: 17-0199-000001 Date: Delivery deadline: 06.08.2017	
UGOVOR O KUPOPRODAJI Zaključen u Rumi, dana 0 godine, između: Prodavac: Healthcare Europe d.o.o. Ruma, koje društvo je osnovano i posluje u skladu sa propisima Republike Srbije, Potes rumska petlja br. 5, matični broj: 20843853, PIB: 107647868, koje zastupa Aleksandar Podravac, direktor (u daljem tekstu: „Prodavac”); Kupac: KOELNMESSE GMBH koje društvo je osnovano i posluje u skladu sa propisima sa adresom Deutz-mulheimer-Strasse 30, Germany, matični broj: 252255, PIB: 655555555555, koje zastupa M/r Peter Istvan (u daljem tekstu: „Kupac”); U daljem tekstu pojedinačno oslovljavane kao „Ugovorna strana”, a zborno kao „Ugovorne strane”.		SALE AND PURCHASE CONTRACT This agreement was made in Ruma, on 0, by and between: Seller: Healthcare Europe d.o.o. Ruma, a corporation duly organised and validly existing under the laws of the Republic of Serbia, having its registered office at 5 potes rumska petlja street, registration number: 20843853, TIN: 107647868, represented by Aleksandar Podravac, director (hereinafter: „Seller”); Buyer: KOELNMESSE GMBH, a corporation duly organised and validly existing under the laws, having its registered office at Deutz-mulheimer-Strasse 30, Germany, registration number: 252255, TIN: 655555555555, represented by M/r Peter Istvan (hereinafter: „Buyer”); Hereinafter individually called as: „Party” and together called as: „Parties”.	
Član 1 - Predmet 1.1. Predmet ovog Ugovora je regulisanje uslova u skladu sa kojima će Prodavac prodavati a Kupac kupovati na neekskluzivnoj osnovi robu bliže navedenu u Prilogu 1 (u daljem tekstu: „Roba”) u skladu sa uslovima i odredbama ovog Ugovora (u daljem tekstu: „Kupoprodaja”). 1.2. Prodavac će takođe uz Robu obezbediti i svu dokumentaciju koja je propisana važećim zakonima (zajednički nazvano „Dokumentacija”).		Article 1 – Scope 1.1. The purpose of this Agreement is to set forth the terms and conditions under which, the Seller will sell, and Buyer will purchase on a non-exclusive basis and pay for goods as defined in Schedule 1 (hereinafter: „Goods”) in accordance with the terms and conditions of this Agreement (hereinafter: „Sale and Purchase”). 1.2. The Seller shall also provide, all documentation that are prescribed by laws (herein collectively the „Deliverables”).	
Page 1/10			

Picture: Example for sales contract created from business software

SALES FUNNEL - CANBAN VIEW

Вредност без ДДВ

Ред. бр.	Број	Датум	Важност	Нарачател	Pre-Approach (1) - 5%	Needs Identification (2) - 15%	Offered (3) - 35%	Handling objectives (4) - 55%	Contract signing (5) - 85%	Contracted (6) - 100%	Delivered (7) - 100%	Lost from competitor (8)	Sales canceled (9)	Neto Value
Вид документ: 011 Понуди Pantheon														
1	19-011-000001	20.04.2019	05.05.2019	Соревна Менџмент ДРОЕЛ Скопје	0,00	0,00	0,00	0,00	0,00	0,00	71,250,00	0,00	0,00	71,250,00
2	19-011-000002	08.01.2019	23.01.2019	A.B. Новоселски ДОО	0,00	0,00	0,00	0,00	12,750,00	0,00	0,00	0,00	0,00	15,000,00
3	19-011-000003	10.01.2019	25.01.2019	ФОРТУНА ГРУП ДОО Скопје	0,00	0,00	0,00	0,00	0,00	0,00	9,300,00	0,00	0,00	9,300,00
4	19-011-000004	14.01.2019	29.01.2019	КАФЕ ВЕНДИНГ ГРУПА ДРОЕЛ	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	105,000,00	105,000,00
5	19-011-000005	16.01.2019	31.01.2019	ЛУГОВЕКСПОРТ СТИЛ ДОО експорти-импорти Скопје	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	711,780,00	711,780,00
6	19-011-000006	22.01.2019	06.02.2019	МИКРОСАМ АД	0,00	0,00	0,00	0,00	0,00	0,00	14,880,00	0,00	0,00	14,880,00
7	19-011-000007	30.01.2019	14.02.2019	ПРОЗД АД	0,00	0,00	0,00	0,00	0,00	0,00	116,676,00	0,00	0,00	116,676,00
8	19-011-000012	12.02.2019	27.02.2019	АНТАРИАС ДРОЕЛ укаж-изваз Скопје	0,00	180,124,05	0,00	0,00	0,00	0,00	0,00	0,00	0,00	1,200,827,00
9	19-011-000013	12.02.2019	27.02.2019	ЛУГОВЕКСПОРТ СТИЛ ДОО експорти-импорти Скопје	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	158,140,00	158,140,00
10	19-011-000014	18.02.2019	05.03.2019	ИНЕОМОБИЛ ДРОЕЛ	0,00	0,00	0,00	0,00	0,00	0,00	9,300,00	0,00	0,00	9,300,00
11	19-011-000015	18.02.2019	05.03.2019	МАГНЕТИК ДРОЕЛ Скопје	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	81,000,00	81,000,00
12	19-011-000016	21.02.2019	08.03.2019	КОНТИ ХИДРОПЛАСТ ДРОЕЛ	0,00	0,00	0,00	0,00	0,00	0,00	80,000,00	0,00	0,00	80,000,00
13	19-011-000017	22.02.2019	09.03.2019	ГИНЕКАЛИКС ДРОЕЛ Скопје	0,00	0,00	0,00	0,00	0,00	0,00	25,000,00	0,00	0,00	25,000,00
14	19-011-000018	23.02.2019	10.03.2019	ШИТКАРСКИ ДРОЕЛ Светли Николо	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	76,500,00	76,500,00
15	19-011-000019	23.02.2019	10.03.2019	ШИТКАРСКИ ДРОЕЛ Светли Николо	0,00	9,147,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	60,980,00
16	19-011-000020	23.02.2019	10.03.2019	ШИТКАРСКИ ДРОЕЛ Светли Николо	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	4,977,00	4,977,00

Picture: Example for sales management tool (sales funnel presented in Kanban view)

Budgeting and KPI

Huge percentage of small and medium companies in Western Balkan doesn't have business plan, financial or sales budget, bonus scheme for employees. Companies without implemented tools for modern management, cannot reach their potential. My advice is - Incorporate budgeting procedure and define bonus program for the employees in yours company. This digital transformation project should implement a budgeting tool and incorporate company budget tool in all departments. Transition from company budget to personal KPI (key performance indicator) and bonus system for the employees will improve company's performance.

Budget tool compares **planned** with **realized** (actual) values, but also compares with realized **previous year**. All indexes and ratios between these 3 images should be created and presented in efficient procedure without huge administration. Management use this module in order to follow & fulfill defined business plan.



A budget is a formal statement of estimated income and expenses based on future plans and objectives. In other words, a budget is a **document that management makes to estimate the revenues and expenses for an upcoming period based on their goals for the business**. Best budgeting modules, incorporate several budgeting dimensions (departments, type of products, accounts, cost centers, profit centers, suppliers, customers, products, region, countries)

Financial reporting to management

Beside locally requested reports, Management reporting set, should contain set of reports based on **International Accounting Standards**. These reports are especially interesting for companies with **business activities in several countries, or international companies**, but are recommended for all companies with growing potentials.

Financial Reporting package should provide managers with updated information, about current asset, stock information, receivables, payables,

updated income statement, sales information, procurement information, HR status ...

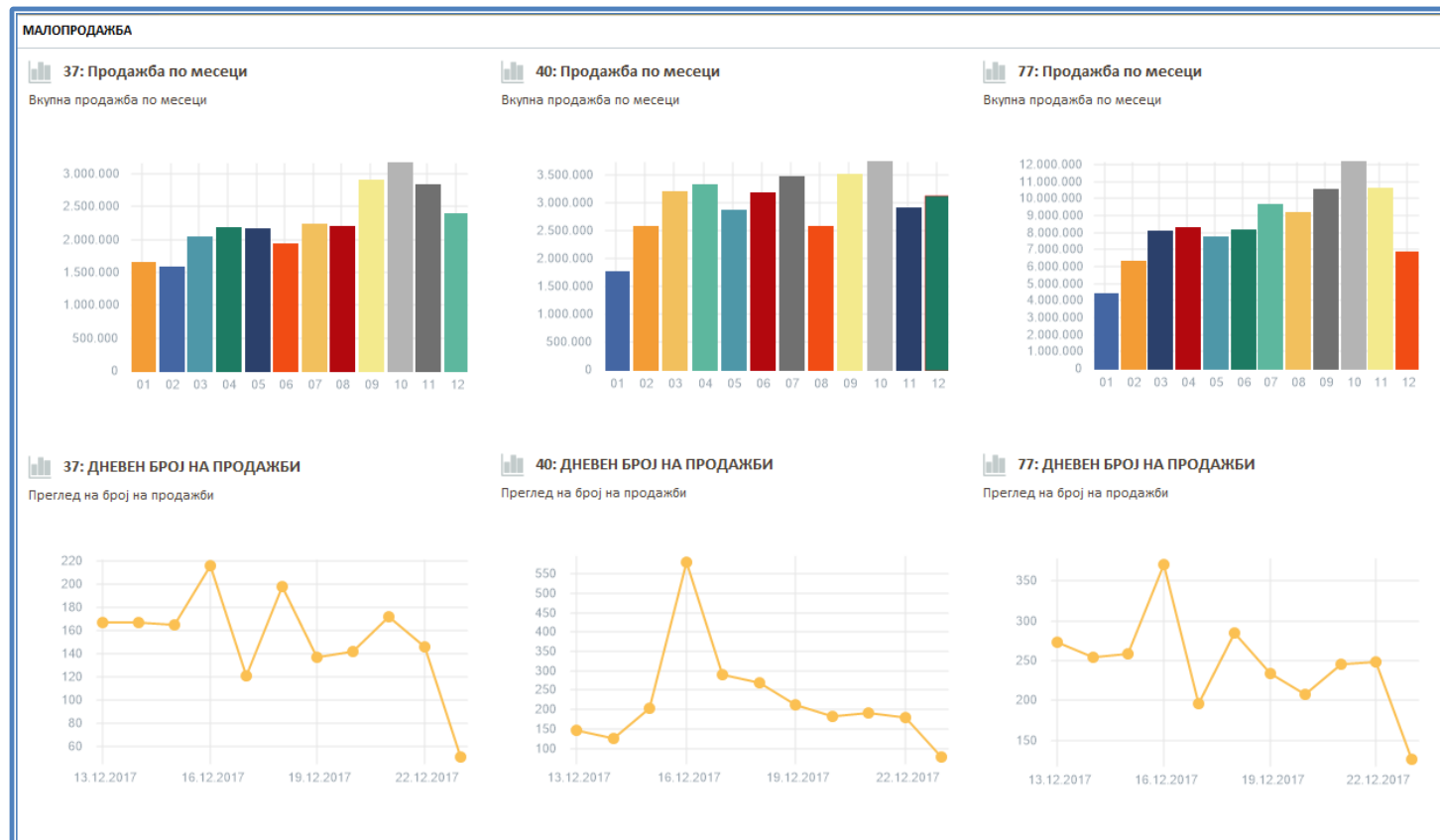


Internal management reporting, should contained:

1. Automated package of reports for the management (should be defined management reporting package, defining all data required by the management)
2. Reporting by stores, brands, sectors
3. Automated management reports, with graphs, tables, analysis prepared and send to management thru e-mails

Internal Management reporting package, should be based on **automated internal reporting tool**, which provides managers, owners and other stakeholders with necessary operating information on daily, weekly, monthly basis.

Usually, **Internal Management Reporting package** should provide managers with updated information, about current asset, stock information, receivables, payables, updated income statement, sales information, procurement information, HR status. Presented information should be collected (after working time), and on the basis of updated information, automatically should be created a report and this report should be send to a list of e-mail addresses. This process should be 100% automated.



Picture: Example for dashboard generated from business software

SMART REPORT \$|A-1

Monthly, quarterly profitability analysis

Shown in 000's

Month : 04

Year : 2017

No	Description	TOTAL EES	%	RETAIL	%	V%	WHOLESALE	%	V%	EXPORT	%	V%
1	Total Sales	102.020	100	9.379	9.2		86.291	84.6		6.350	6.2	
2	Discount	10.630	100	383	3.6		10.247	96.4		0	0.0	
3	NET SALES	91.390	100	8.996	9.8		76.044	83.2		6.350	6.9	
4	COGS	76.663	100	6.862	9.0		64.107	83.6		5.694	7.4	
5	GROSS MARGIN	14.728	100	2.134	14.5	23.7	11.937	81.1	15.7	657	4.5	10.3
6	Direct cost	0	100	0			0			0		
7	Inputed interest on stock and receivables	0	100	0			0			0		
8	Direct marketing	0	100	0			0			0		
9	CONTRIBUTION 1	14.728	100	2.134			11.937			657		
10	Indirect Marketing	0	100	0			0			0		
11	Sales manager profit centar	0	100	0			0			0		
12	CONTRIBUTION 2	14.728	100	2.134			11.937			657		
13	Warehouse											
14	Inputed interest on fixed assets											
15	Logistic											
16	Administration											
17	Overheads											
18	Other operational income (18a+18b)											
18a	Renting building											
18b	Other											
19	Operating result (12-13-14-15-16-17+18)											

Picture: Example for P&L report by main company departments (3 departments)

SMART REPORT \$|A-2

Monthly, quarterly profitability analysis Wholesale with business units

Shown in 000's

Month : 04

Year : 2017

No	Description	Total Wholesale	%	Traders	%	Constr.	%	Industry	%	Tenders	%
1	Total Sales	86.283	100	40.328	46.7	22.204	25.7	9.633	11.2	14.117	16.4
2	Discount	10.247	100	6.635	64.8	2.646	25.8	884	8.6	81	0.8
3	NET SALES	100		33.694	44.3	19.558	25.7	8.749	11.5	14.036	18.5
4	COGS	64.099	100	27.917	43.6	15.938	24.9	7.028	11.0	13.217	20.6
5	GROSS MARGIN	11.037	100	5.777	48.4	3.620	30.3	1.722	14.4	819	6.9
6	Direct cost	0	100	0		0		0		0	
7	Inputed interest on stock and receivables	0	100	0		0		0		0	
8	Direct marketing	0	100	0		0		0		0	
9	CONTRIBUTION 1	11.037	100	5.777		3.620		1.722		819	
10	Indirect Marketing	0	100	0		0		0		0	
11	Sales manager profit centar	0	100	0		0		0]]		0	
12	CONTRIBUTION 2	11.037	100	5.777		3.620		1.722		819	

Picture: Example for P&L report for selected department, per sales channels (4 channels)

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SMART REPORT 9 | A-21

Monthly, quarterly profitability analysis Traders with sub bussiness units

 Shown in 000's
Month : 04

Year : 2017

No	Description	TOTAL Sales	%	Discount	%	Net Sales	%	COGS	%	Gross Margin	%	Direct Costs	%	Imp. interest on S&R	%	Direct Mark.	%	Contr. #1	%	Ind. Mark.	%	Sales Mng PC	%	Contr. #2	%
1	TRADERS (total)	86.291	100	10.247	11.9	76.044	88.1	64.107	74.3	11.937	13.8	66	0.1	0	0.0	0	0.0	11.937	13.8	0	0.0	3	0.0	11.937	13.8
2	%		100		100		100		100		100		100		100		100		100		100		100		100
3	Skopje	49.771	100	4.289	8.6	45.483	91.4	39.021	78.4	6.462	13.0	0	0.0	0	0.0	0	0.0	6.462	0.0	0	0.0	0	0.0	6.462	0.0
4	%		57.7		41.9		59.8		60.9		54.1							54.1						54.1	
5	Strumica	3.489	100	684	19.6	2.805	80.4	2.287	65.5	518	14.9	0	0.0	0	0.0	0	0.0	518	0.0	0	0.0	0	0.0	518	0.0
6	%		4.0		6.7		3.7		3.6		4.3							4.3						4.3	
7	Prilep	3.091	100	467	15.1	2.624	84.9	2.073	67.1	551	17.8	0	0.0	0	0.0	0	0.0	551	0.0	0	0.0	0	0.0	551	0.0
8	%		3.6		4.6		3.5		3.2		4.6							4.6						4.6	
9	Ohrid	5.802	100	836	14.4	4.966	85.6	4.014	69.2	952	16.4	0	0.0	0	0.0	0	0.0	952	0.0	0	0.0	0	0.0	952	0.0
10	%		6.7		8.2		6.5		6.3		8.0							8.0						8.0	
11	Tetovo	5.749	100	921	16.0	4.828	84.0	4.048	70.4	780	13.6	0	0.0	0	0.0	0	0.0	780	0.0	0	0.0	0	0.0	780	0.0
12	%		6.7		9.0		6.3		6.3		6.5							6.5						6.5	
13	Stip	3.346	100	588	17.6	2.758	82.4	2.218	66.3	540	16.1	0	0.0	0	0.0	0	0.0	540	0.0	0	0.0	0	0.0	540	0.0
14	%		3.9		5.7		3.6		3.5		4.5							4.5						4.5	
15	Bitola	4.452	100	659	14.8	3.792	85.2	3.056	68.6	737	16.6	0	0.0	0	0.0	0	0.0	737	0.0	0	0.0	0	0.0	737	0.0
16	%		5.2		6.4		5.0		4.8		6.2							6.2						6.2	
17	Kumanovo	5.084	100	1.005	19.8	4.079	80.2	3.350	65.9	729	14.3	0	0.0	0	0.0	0	0.0	729	0.0	0	0.0	0	0.0	729	0.0
18	%		5.9		9.8		5.4		5.2		6.1							6.1						6.1	
19	Veles	1.335	100	228	17.1	1.107	82.9	875	65.6	232	17.3	0	0.0	0	0.0	0	0.0	232	0.0	0	0.0	0	0.0	232	0.0
20	%		1.5		2.2		1.5		1.4		1.9							1.9						1.9	
21	Vinica	3.055	100	558	18.3	2.496	81.7	1.997	65.4	500	16.4	0	0.0	0	0.0	0	0.0	500	0.0	0	0.0	0	0.0	500	0.0
22	%		3.5		5.4		3.3		3.1		4.2							4.2						4.2	

Picture: Example for P&L report by retail shops (10 retail shops)

Production: maximizing productivity

Manufacturing Execution (production) information, thru defined document flow, significantly can improve **production efficient and tracing floor management**. Production norms and **salary based on results** are production pillars for efficient.

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Typical situations in production companies are:

- **Low efficiently production floor management procedures:** production process is controlled with visual control without timely digital information; “post festum” production evidence produces double entry; raw material management is not based on real situation; plan and utilization of production resources are performed manually;
- **Production administration improper for employees with disabilities:** production administration is not optimized for employees with disabilities, increasing production costs
- **Only gross product profitability is used:** workers efforts are not included in the production product prices, and not all indirect costs are included into product price.
- **Not existing Employee efficiency measurement tool:** production operations are not pre-defined with expected production time (norm), limiting company’s managers to improve efficiency in the production process.
- **Missing in-depth product analysis:** product categorization and product profitability are necessary for improving product portfolio and company profitability
- **Not-optimal stock management:** without information about minimal / optimal stock per warehouse item, the company struggling with high inventory costs

Production companies are usually very complex organization. Digitally transformed processes improves production process, and increase profitability. Manually administered production process, will limit your company growth.

Human resources: the basic resource for every company



Your team, your colleagues are most valuable resource in the company. Then, why managing this resource is so often without defined procedures, document flow, daily routines?

Companies create a huge data connected with employees, and in most cases this data isn't systematically organized, easy accessible or analyzed. Organizing HR data, will increase basic efficiency when working with employees data, but also will provide your company with significant tool for people management. From simple functions – like sending pay slips to all employees on e-mail (crypted messages with personalized key), creating a huge number of personal document, decision, vacation document etc, to more complicated functions like organizing interviews with new candidates. Having detailed history of your employees, with all linked data should be your starting point in building strong relationship with your employees.

Does all companies need digital transformation in HR sector ? Micro company should be excluded, but I'm recommending these tools for all companies with 15+ employees. In near future, finding human resources will be even more difficult, so the companies should be prepared for this new situation. The project for digital transformation in HR sector, should start with simple modules for salary calculations, tools for defining KPI and

variable salary calculations, basic employee's data. Then, I'm recommending additional functionalities in order to collect all employee's data, into one centralized / integrated system.

Inventory management

Stock management has significant importance in some company, especially in production and trade companies. Inventory management should provide you company with precise information about available stock, but also with information about stock micro location. But, not all production or trade companies required stock management. When number of items in your warehouse is extremely limited (just a few stock items), then your company doesn't required inventory management modules. But, in almost all other cases, inventory management module should be implemented.



Inventory management, should provides the company with significant information:

- Current stock
- Stock below minimum level (critical stock)
- Non-current stock
- Stock with short due date
- Stock overview in all company's warehouses
- Stock reservation (for specific customer, order, or production working order)

Modern inventory management system should provide logical document flow for stock issuance or stock reception. The goal is to have paperless inventory management process, where involved document flow's roles will use digital tools in the process of inventory management.

But, in some companies Warehouse Management System with mobile devices (PDA devices) should be also implemented. This is very important in situations when:

- Number of daily warehouse operations is huge (10+ document per hour)
- Inventory management required managing micro locations (a same product, can be located in several warehouse micro locations)
- Inventory management should provide batch management. Every single warehouse operation should involve selecting product batch
- Significant number of products has attached barcode, representing key product data
- Significant number of warehouse employees perform warehouse operations in the same moment

Project for digital transformation of inventory management, in some cases with implementing also WMS module, can have very significant impact on company efficiency and productivity.

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Loyalty program

Companies with own retail chain should implement an effective loyalty program. This digital transformation project includes several services:

1. Integrated software module for managing the loyalty program
2. Effective procedure for the loyalty program (dynamic discounts, vouchers, gift management)
3. Definition of loyalty program rules (dynamic new rules implementation)
4. Integrated with retail software

When your customers have **an interest** to be your loyal customer, only then they will be **loyal**. Loyalty cannot be reached with discounts, but you need to provide your customers with a reason to visit your retail locations. Discount should be in function with TOTAL TRANSACTION VOLUME, but also in function with DATE of their last transaction.



Loyalty program is a base for creation an effective communication channel with your customers. Based on loyalty program, your company will have regulated communication rights, and you can use this contracted opportunity to communicate new products, services, or news. Loyalty program is an opportunity to have regulated communication channel.

With a quality loyalty program, you can protect your customers from the competitors. Your customers will be informed for your products and services and will have incentive to visit you. This is most important tool to protect your customers from competitors in retail business.

Club cards are not motivators for the customers to visit your retail offices. These cards, if used without loyalty program has only negative implications:

1. Direct costs for printing & distribution
2. Discount without rules, which creates only direct costs
3. Without rules, the customers without club cards will feel tricked

Loyalty program must have defined transparent rules, with defined incentives for the customers. The program should motivate loyalty, regular shop visits. Just opposite to giving discount without rules.

Digital transformation project, which implement a quality loyalty program in retail chain is a very important project for these companies.



Solution that connects your company to the word

Recently companies are very focused on digital transformation projects, based on a goal to have better interconnections with customers & partners. This trend is significant during the COVID months, when the companies from Western Balkan finally recognize importance of digital tools in communication with the customers in partners. However, the companies with successfully experiences in using these tools before this health crisis, has significant success in 2020 & 2021 using these digital tools.

Web shop

Digital transformation in retail business, providing your customers with web shop order option is very popular project type. Web shop should be based on B2C (business to customer) rules, incorporating **standard buyer experience**. Standard buyer experience shouldn't limit creativity of your web shop, but some standard buyer experience must be respected in order to provide maximal sales results.

Web shop digital transformation projects recently are implemented based on popular web shop engines. This approach provides several advantages compared with developing from scratch:

- Standard buyer experience is incorporated
- Developing requires shorted period and resources
- Web shop creativity isn't limited
- Daily operating support isn't exclusively linked with initial developers

Basic web shop functionalities, should incorporate:

- Bank payment integration
- Inventory management integration
- Courier module integration

- Loyalty program integration

B2B

This type of digital transformation project is very similar with Web Shop project, but not the same. Logic of these systems is different and I haven't recognize successfully project when both systems are merged into one platform. Main differences are:

- B2B systems are used by wholesales companies (not retail)
- B2B system has a focus on known partners (not open to unknow buyer)
- B2B system should provide partner with defined discount policy

Implementation of B2B system in some company can provide a significant cost cutting and increase in sales results.

Field Service Application

Field Services Management is managing a company when outside the office – when on a road or when providing services for users. Many of a company's activities are performed outside their offices. These activities are usually hard to control, and these companies create receipts, receivers, returnees, records, offers, travel orders or other documents, which later are attached to their business system. In this way, companies are exposed to double work, which besides its cost, it's a source of errors. The lack of real-time information about the activities of the employees, outside the office, contributes to a lower quality of service.

Typical situations for field services application:

- **Sales promotion (merchandising)**
- **Ambulant sales**
- **Sales Meeting (conversations script, MOM and offer generation)**
- **Quality control**
- **Working / service order**




Digital transformation projects based on field service application increase field efficiency and productivity. This project also improve company's image and service quality. For some company, with intensive field services this type of digital transformation project is highly recommended. On example, companies with mobile sale activities, or service company can highly benefit from this type of applications.

Examples for Digital Transformation projects

When analyzing digital transformation projects implemented in other companies, we should analyze several aspects in order to match analyzed projects with our challenges. Most important aspects are:

1. Challenges in selected company (why they implemented some digital tool)
2. Digital transformation project goals (what they liked to gain)
3. Company facts (basic company data)
4. Implemented digital transformation packages (what they did)

On following pages will be presented several companies, with successfully implemented digital transformation projects:



<p><u>Challenges :</u></p> <ul style="list-style-type: none"> Small order's quantity Large production team Operation planning Managing production repro-materials <p><u>DT project goals:</u></p> <ul style="list-style-type: none"> Resource planning (solve bottleneck cases) Planning repro-materials Increase productivity Transparent Product portfolio for partners 	<p><u>ALMAK Strumica facts:</u></p> <ul style="list-style-type: none"> 215 employees Digital Transformation started in 2011 <p><u>Implemented packages:</u></p> <ul style="list-style-type: none"> Financial Reporting package Efficient production package Cash Collection package B2B portal
---	--

Picture: Example from AlMak Strumica



Picture: Example from AlMak – implemented B2B portal

AJI-MAK

Customer information
 Company: AJI-MAK User: MERP B2B
 Limit: 0 Address: Климент Охридски 41 - Н
 Due: null Phone: 034/344-811
 Invoiced: null Email: geosr66@yahoo.com

24.04.2021. 12:34 MERP B2B Logout

Search Order overview Invoice overview Sale Returns New arrivals

By generic name By company By product name
 COSY Search

Show 10 entries

Name	Company	Product name	UoM	WH1	Price without VAT	Rebate 1	Rebate 2	VAT %	VAT Value	Price with VAT	Quantity	Add to cart
Стол		Столица COSY сиво	Бр.	4	5923.73	0.00	0.00	18.00	1066.27	6990.00	0	
Стол		Столица COSY сиво раконалон	Бр.	2	7364.41	0.00	0.00	18.00	1325.59	8690.00	0	
ФО		Фотелја COSY	Бр.	10+	6462.71	0.00	0.00	18.00	1163.29	7626.00	0	

Showing 1 to 3 of 3 entries Previous 1 Next

Items in cart : 1

#	Delete	Company	Product name	Quantity	W/S Price	W/S Total
1		2042	ГРАВЧЕ ТАБЧЕ	20	180.95	3619.05
Total				20		3619.05

Clear cart Order now

SALES DEPARTMENT
 034/326-420
 info@almak.com.mk


Inquiry

SEND

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Picture: Example from AlMak – implemented B2B portal



<p><u>Challenges :</u></p> <ul style="list-style-type: none"> • Managing own retail chain • Small order's quantity • Large production team • Operation planning • Managing production repro-materials <p><u>DT project goals:</u></p> <ul style="list-style-type: none"> • Increase retail sales • Resource planning (solve bottleneck cases) • Planning repro-materials • Increase productivity 	<p><u>MEBEL-VI facts:</u></p> <ul style="list-style-type: none"> • 156 employees • Digital Transformation started in 2012 <p><u>Implemented packages:</u></p> <ul style="list-style-type: none"> • Financial Reporting package • Efficient production package
---	---


Picture: Example from Mebel VI Vinica



DT project goals:

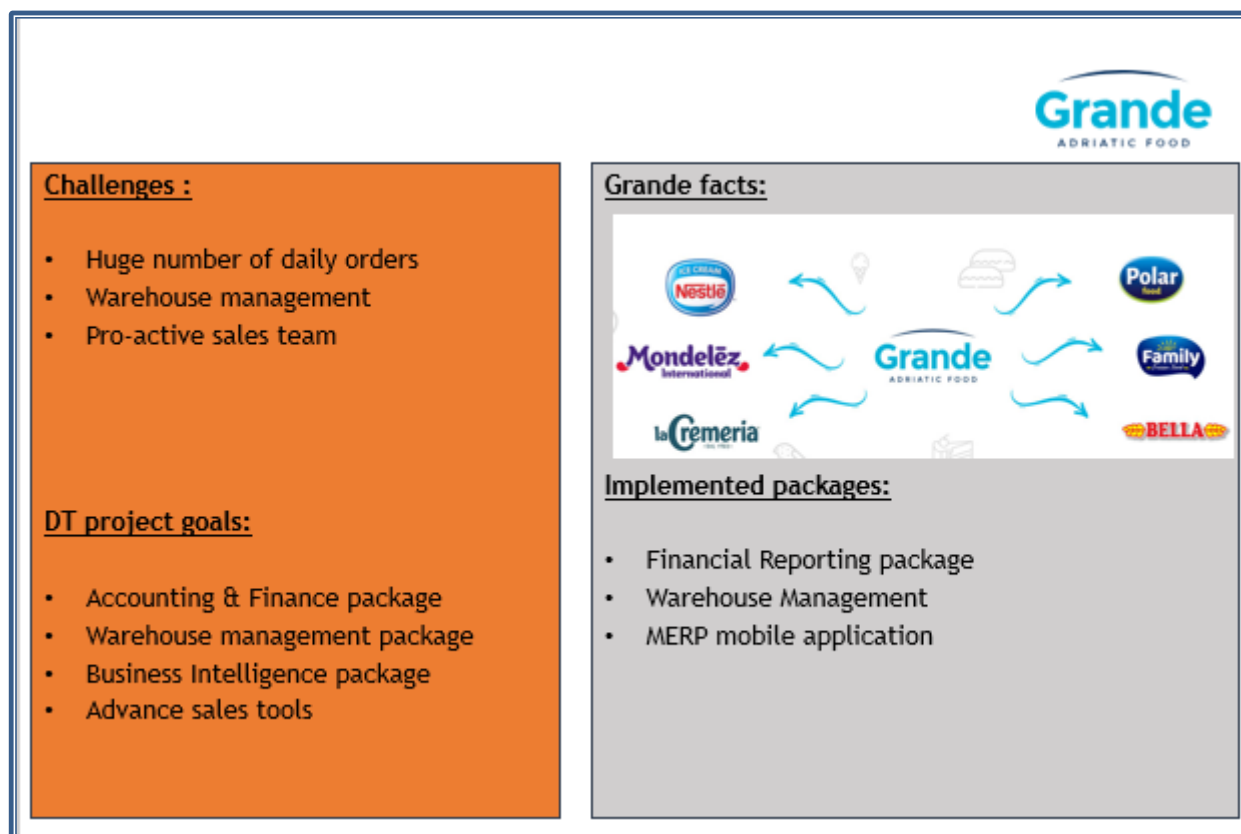
- Resource planning (solve bottleneck cases)
- Planning repro-materials
- Increase productivity

Picture: Example from LION, Sv.Nikole



<p><u>Challenges :</u></p> <ul style="list-style-type: none"> • Huge number of daily orders • Warehouse management • Pro-active sales team • International finance reporting <p><u>DT project goals:</u></p> <ul style="list-style-type: none"> • Accounting & Finance package • Warehouse management package • Transparent Product portfolio for partners B2B • Advance sales tools 	<p><u>ASGETO Kosovo facts:</u></p> <ul style="list-style-type: none"> • 115 employees • Digital Transformation started in 2011 <p><u>Implemented packages:</u></p> <ul style="list-style-type: none"> • Financial Reporting package • Warehouse Management • B2B portal • MERP mobile application • MERP B2B mobile application
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Picture: Example from ASGETO, Prishtina



Picture: Example from Grande Leskovac