The cost of outgrowing your inventory platform

A multi-channel retailer turning over £5M a year, five people in operations, 60,000+ SKUs and around 100,000 orders, sat at the top of its platform's order-volume tier. Nothing is visibly broken — orders download, labels print, the marketplaces stay green — which is exactly why the leak survives. Here is where the money actually goes, with every calculation shown.

VERTICAL	REVENUE	TEAM	CATALOGUE
Multi-channel retail	£5M / yr	5 in operations	60,000+ SKUs, ~100,000 orders/yr

STACK

Multi-channel inventory platform (top tier) + Excel + accounting package

WHERE THE MONEY ACTUALLY GOES

Platform cost at the top tier

≈ £24,000

- core subscription at the top of the order-volume band the operation sits in: £1,450/month → £17,400/year
- add-on modules billed separately (warehouse management plus forecasting and analytics): £400/month → £4,800/year
- one-off onboarding and implementation fee of £5,400, amortised across three years → £1,800/year
- £17,400 + £4,800 + £1,800 = £24,000 — cross-check: 0.48% of £5M turnover = £24,000
- Linnworks does not publish tier prices; its pricing page confirms only that plans are priced on order volume, that advanced functionality is sold as add-on modules, and that onboarding is a one-off fee. This is a modelled band, not a quote.

≈ £24,000 a year — the only one of the three that arrives as an invoice, which is why it is the only one anybody argues about.

Workarounds, exports and re-entry

≈ £48,000

- daily channel stock reconciliation and export checks: 1.5 hrs/day × 5 days = 7.5 hrs/week × 46 working weeks = 345 hours
- rebuilding the purchasing and reorder sheet in Excel: 4 hrs/week × 46 weeks = 184 hours
- re-keying ~2,600 wholesale orders arriving by email and PDF: 5 hrs/week × 46 weeks = 230 hours
- month-end reporting pack rebuilt by hand: 26 hrs/month × 12 = 312 hours
- bundle, kit and two-site stock corrections: 4 hrs/week × 46 weeks = 184 hours
- chasing failed syncs, re-uploading CSVs, fixing listing errors: ~12 hrs/month × 12 = 144 hours
- total ≈ 1,399 hours, call it 1,400 hours a year, at £20/hour → £28,000
- plus rework charged at 0.4% of £5M turnover → £20,000, built as: credit notes and price corrections on 2,600 re-keyed wholesale orders at a 3% error rate × £95 average correction = £7,410; 26 expedited inbound shipments at £280 premium each because the reorder sheet was a week stale = £7,280; stock ordered twice against a figure that had already moved, written down at £5,310
- £28,000 + £20,000 = £48,000

≈ £48,000 a year — buried inside five salaries that would be paid anyway; nobody has ever written 'manual export' on a payslip.

Sync lag, oversells and manual fixes

≈ £47,000

- 100,000 orders a year at a blended £50 average order value
- oversell rate of 0.8% across the sync-lag window → 800 affected orders a year
- 500 cancelled outright: 500 × £50 × 32% contribution margin = £8,000 lost contribution
- 300 honoured at extra cost — bought in at short notice, expedited, or split into two parcels: 300 × £38 = £11,400
- resolution admin, refunds, apologies and replacement sourcing: 800 × 0.3 hrs = 240 hours × £20 = £4,800
- buffer stock carried purely to absorb the lag: £130,000 average value × 14% annual holding cost = £18,200
- marketplace and shipping fees not recovered on the 500 cancellations: 500 × £9.20 = £4,600
- £8,000 + £11,400 + £4,800 + £18,200 + £4,600 = £47,000 — cross-check: 0.94% of £5M turnover = £47,000

≈ £47,000 a year — most of it sat on a shelf looking like prudent inventory management rather than like a workaround.

TOTAL, PER YEAR

£119,000

What closing it looks like

→ The morning export stops existing, not gets faster: one stock record every channel reads from means there is nothing to reconcile at 8am, and the 345 hours have nowhere to go back to.

→ Wholesale orders stop being typed: a PDF or email order becomes a line in the same order book as a marketplace order, priced on the customer's own terms — the whole of the 230 hours.

→ The buffer comes down instead of the cancellation rate going up: available-to-promise becomes a real number with reservations against it, so the £130,000 of padding stops being load-bearing.

→ The renewal conversation changes shape: growth stops being the thing that increases the bill, because an owned operations system costs what it costs to run at 8,000 orders a month or 20,000.

→ Not a full ERP and not a bigger hub — a right-sized operations system fitted to the actual flow (two sites, kits, a wholesale book, five channels), owned outright.

→ Payback, honestly: against a £119,000 annual leak this typically pays back inside the first year on Leaks 2 and 3 alone — but only if the migration finishes and the old spreadsheets are actually retired. Run in parallel and you have bought a second system, not replaced the first.

THE ASSUMPTIONS BEHIND EVERY FIGURE

- £20/hour flat, not loaded — ONS ASHE April 2025 median full-time hourly pay excluding overtime is £19.67. A fully loaded ops cost is nearer £22–£24, so the 1,400 hours are charged at the conservative end. Substitute your own.
- 46 working weeks a year, allowing for holiday and bank holidays.
- 100,000 orders a year at a blended £50 average order value, roughly 8,300 orders a month, across five channels including a wholesale book of ~2,600 orders.
- Platform cost is a modelled band, not a quote: Linnworks does not publish tier prices. Its pricing page confirms only order-volume pricing, separately-billed add-on modules, and a one-off onboarding fee. Your real figure is on your renewal paperwork.
- Oversell rate of 0.8% of orders in the sync-lag window, with 500 cancelled and 300 honoured at extra cost. Marketplace thresholds are why the buffer exists: Amazon's Order Performance programme policy sets an Order Defect Rate under 1% and a Cancellation Rate under 2.5%; eBay's seller standards policy caps transaction defects at 2% and counts an out-of-stock cancellation as a defect.
- Holding cost of 14% a year on £130,000 of buffer stock — below the widely cited 20–30% carrying-cost range, on the basis that fast movers carry less obsolescence risk. At 20% the total rises by about £7,800.
- Contribution margin of 32% on cancelled orders.
- All figures are in sterling; no source used was published in another currency, so no conversion was required.
- Figures are rounded and illustrative. They describe a representative operation of this size, not a named client.

How to read this. This is a worked example of a representative operation — not a named client. Every figure above is a transparent calculation, shown so you can substitute your own numbers and argue with the result. No testimonials, no invented results.

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