

The cost of running inventory on spreadsheets

A £6M wholesale distributor running 12,000 SKUs across two warehouses on one master stock workbook, with six people on stock admin. Nothing is visibly broken — which is exactly why the leak survives. Here is where the money actually goes, with every calculation shown so you can re-run it on your own numbers.

VERTICAL**Wholesale distribution****REVENUE****£6M / yr****TEAM****6 people on stock admin****SCALE****2 warehouses · 12,000 SKUs****STACK****Accounts package + a master stock workbook****WHERE THE MONEY ACTUALLY GOES**

Maintaining and reconciling the sheets

≈ £53,000

- Sheet upkeep across the team: ~25 hrs/week — 10 hrs typing daily stock movements for both sites, 8 hrs reconciling the two warehouse tabs against the master, 4 hrs of month-end close averaged out, 3 hrs repairing formulas and chasing versions
- 25 hrs × 46 working weeks = 1,150 hours a year → at £20/hr loaded cost = £23,000
- Decisions taken on stale numbers, costed at 0.5% of £6M turnover = £30,000 — roughly £18,000 of expedited freight and small top-up buys at list rather than break price, plus £12,000 of avoidable inter-warehouse transfers
- £23,000 + £30,000

≈ £53,000 a year — the cost of making a spreadsheet agree with itself, not of controlling stock.

Stock errors, mis-picks and write-offs

≈ £54,000

- 10,000 orders × 4 lines = 40,000 order lines a year
- 1.2% line error rate (just above the 1% floor of the evidenced human error range) = 480 errored lines × £50 all-in to fix (re-pick, re-pack, return carriage, credit note, admin) = £24,000
- Average stock value: £4.5M cost of goods ÷ 4.5 stock turns = £1.0M on the shelves; net written off at count at 1.8% = £18,000
- £4.5M of purchases with no line-level three-way match; under 0.3% of purchase value paid on short deliveries and unchallenged price variances = £12,000
- £24,000 + £18,000 + £12,000

≈ £54,000 a year — equal to 0.9% of turnover, and spread across so many small journals that nobody ever adds it up.

Overstock tying up cash and space

≈ £40,000

- Manual reorder work: monthly review across both sites ($2 \times 4 \text{ hrs} \times 12 = 96 \text{ hrs}$) + quarterly slow-mover and dead-stock review ($2 \times 8 \text{ hrs} \times 4 = 64 \text{ hrs}$) + ad-hoc 'do we already have this' checks (40 hrs) = 200 hours → at £20/hr = £4,000
- Average stock £1.0M, of which ~15% is genuine surplus beyond what a reorder-point discipline would hold = £150,000 of excess stock
- Carrying cost at 24% a year, built from components: 8% cost of the money, 8% storage/handling/warehouse labour on the surplus, 2% insurance and admin, 6% obsolescence, damage and eventual markdown
- $£150,000 \times 24\% = £36,000$; $£4,000 + £36,000$

≈ £40,000 a year — cash sitting on a shelf because no buyer can see the true total position.

TOTAL, PER YEAR

£147,000

What closing it looks like

- The typing stops: goods-in and picking are captured where they happen, once, so the 1,150 hours of transcribing and reconciling largely disappear rather than moving to a different person.
- The two sites stop disagreeing: one stock record covering both warehouses, so buyers see total position before they order — which removes most of the emergency freight and the pointless transfers.
- Errors get caught at the point of the mistake, not at year end: a pick that does not match the record fails immediately, and a delivery that arrives short cannot be matched to a full invoice.
- Surplus becomes visible: reorder points and slow-mover reporting turn 'we might have too much of that' into a list with values on it, which is the only way £150,000 of excess stock ever gets released.
- Not a full ERP and not a rebuild — a right-sized operations system that fits how the business already works, owned outright.
- Payback, honestly: a build of this shape sits in the £10,000–£25,000 Growth band. Recovering a third of the leak is about £49,000 a year, which clears the build inside the first year. Judge it on the third, not on the whole £147,000.

THE ASSUMPTIONS BEHIND EVERY FIGURE

- Loaded labour cost of £20/hour (salary plus employer costs). ONS ASHE 2025 puts median UK full-time gross hourly pay excluding overtime at £19.67, so £20 loaded understates the time cost.
- 46 working weeks a year, allowing for holiday and bank holidays.
- 1.2% error rate on order lines. Panko (EuSpRIG 2015) reports base error rates of 1–5% for simple cognitive actions and a 3.9% cell error rate across 14 spreadsheet studies, so 1.2% sits at the optimistic end.
- Gross margin 25% (cost of goods £4.5M) and 4.5 stock turns a year, giving £1.0M of average stock value.
- 10,000 sales orders a year at an average of 4 lines each.
- 15% of average stock is genuine surplus beyond what a reorder-point discipline would hold.
- Carrying cost of 24% a year, assembled from four named components rather than borrowed from a vendor rule of thumb; the widely quoted 20–30% range is a planning convention, not a measured statistic. Bank Rate was 3.75% at the Bank of England's June 2026 decision, so 8% is a fair cost of capital for an SME funding stock.
- 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.

Run it against your real numbers.

The free Operations Leak Audit does this exercise on your actual operation: where it leaks, what that costs, and what closing it would involve. No commitment — you keep the findings either way.

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