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Part 2 — The Customer Relationship

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From the Sept. 2006 Issue

It's not mere coincidence that "count" is in the center of the word Accountant. It is, in fact, a constant reminder of our responsibility to our clients and the companies we serve. Our clients "count" on us to advise and direct them to make their businesses more profitable so there is more money to "count." They also look to us to show them how to count. For companies in the business of distribution, as we covered in last issue's column about the vendor relationship, those lessons on counting and tracking counts are particularly critical. Distributors deal with counts from two very different vantage points: vendors (from whom they buy) and customers

(to whom they sell). In my [August 2006 column](#), the focus was on the distributor's challenges and opportunities dealing with the vendor side of the business. This month, we'll focus on the distributor's challenges and opportunities in serving their customers. Not surprisingly, the solution in both cases is to count on technology.

Customers count on the distributor to supply them with goods when they need them and at the right price. As consumers, we know the routine. The distributor, be it grocer, hardware store or online vendor, earns business when customers can count on them to have what's needed at a fair price. But what happens when the goods you want to buy are out of stock?

Do you try a replacement or another supplier? And next time, do you go back

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Also, she needs to know if the items are already committed to other open sales orders and if there are any more of these on order from her vendor. With an integrated business management and accounting system that stores and tracks inventory, this information should be easily viewable from a sales order screen. When the customer call comes in, it's just a click of a button to check availability.

Distribution companies have a delicate balance between carrying too little inventory and carrying too much. Carry too little and you will lose customers; carry too much and you tie your resources up in costly inventory. The key is to use the systems to manage inventory.

Take the electronics parts distributor who stocks several brands of batteries. The client calls in for Eveready and, while they could be upset if it is out of stock, they might feel reassured if the system was set up to offer a comparable substitute, such as Duracell. What's even better is if the system is also set up to reflect both prices, and the customer service rep is authorized to override if the price on the substitute item was higher. The result? The ability to quickly fulfill the client's needs with a reasonable alternative at the same price and save the sale. Let's say they also set up the system to include quantity price breaks. If their customer buys 36 packs of batteries, they get a cheaper price per pack because it is actually a case. Seeing price breaks allows the sales team to suggest the next level up to get a better price break and, thank you very much, increase sales in the process.

Expand on that concept, and it benefits the distributor of roofing supplies. They set up price breaks by quantity, but also assign different "levels" to each client. Those at level one get a 3 percent discount, level two a 5 percent, and so on in addition to the quantity price breaks. A few of the bigger clients

have their own special pricing. They reward these clients by using a “pricing

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Distributors

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Once the sale is made, the distributor needs to be as efficient as possible in pulling and shipping the orders they fill. A distributor of firearms, for example, found that “wave picking” was more efficient and set up their system to make that happen. Wave picking is the quickest method (shortest cycle time) for picking multi-item orders. Operations with a large number of inventory items and a moderate to high number of items per order benefit from wave picking. Wave picking may be used to isolate orders by specific carriers, routes, zones and more.

Shipping tools from UPS, Starship and others also facilitate the grouping of packages, calculation of shipping costs and then the vital tracking of packages. A distributor of personalized stationery and cards integrated their shipping and their scales into their accounting system. The system tracks the destination of the package and how many individual boxes are in the order, and the shipping amount is calculated automatically. This is a customer service “success story” because they can send a note and tracking number to their customer when the order is on the way. Customers love it, and the distributor uses this efficiency to help lower operating costs.

It's a fact that buying and holding inventory is expensive. Every small cost savings or efficiency savings area for the distributor multiplies into dollars that can make a significant impact on the profit of the company. Today's technology makes it possible to manage inventory, which is vital for the distributor who wants to be a survivor tomorrow and a leader in the future. And that's something you can count on. □

Lisa is President of L. Kianoff & Associates, Inc., which she founded

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