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Fran Distributing Company caught the continuous “Self-Improvement” bug when some tools they were introduced to for monitoring inventory added efficiency and more profit to their operation (see my August column at www.CPATechViews.com/go/2916). The results were impressive: dramatic reductions of expired inventory, a drop in shipping expenses by reducing the need for rush items and an increase in clients willing to accept an alternative stock item when sales reps were prompted to offer options when the requested item was out of stock. On the heels of that success, Fran’s president began asking how they could take this newfound knowledge about their inventory to the logical next step to improve customer loyalty and attract new customers.

He asked, “What does the customer want?” And then he answered:

1. That we carry the products they need.
2. That we get those products in their hands when they need them.
3. That they can buy the products at a fair price.

A manager spoke up and asked, “Can we use this new knowledge about our inventory to help our customers buy smarter?” In other words, what could Fran’s team do that would increase their value to customers (\$\$\$\$ = value to customers). And so they started a list:

1. What to purchase, when and how many: When Fran Distributing implemented lot tracking for their inventory items, it was all about them. Their number of expired or soon to expire inventory was growing, and when they got stuck with it the cost took right from the bottom line. The team realized if that was a problem for them, it was likewise an inventory problem for their customers. Their research showed that

certain products they purchased had a longer shelf life, and it seemed the longer the

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on fulfilling this need, but they fell off the wagon for a customer when their best laid plan went awry. A customer had placed an order for items that were not in stock, and Fran reacted quickly enough to get the order placed with their supplier so it would be delivered with the next shipment. It did indeed come in on time, and Fran was promptly shipping the items right out, except they weren't shipping to the customer with the rush order. Instead, it went to a client whose order came in later but didn't have the same urgent need. How could this happen? The response was that they were not taking advantage of reporting that would identify clients with high priority orders. Their new system called it the Back Order Fill Report. It helped them identify all open orders for an item as it is received to be sure orders are fulfilled in the needed order. The report gave them (and their customers) assurance that inventory targeted for a customer would be correctly designated for that customer when it came in. This new process led to an increase in customer confidence, which was of especially high value. (\$\$\$\$)

3. Are we carrying the right products? The answer to this question could only be answered by learning more about Fran's clients and their needs. The good news was that Fran likely already had a lot of that information in their ERP system; they just needed the tools (reports) that would show it. They started with a Customer Usage report that analyzed each customer's purchase history and assigned a rep to share the information with the client. The information positioned the sales reps to recommend alternate products to customers when it made sense, and to prepare for future needs of their customers that would assure they would always be carrying exactly the products their customers needed. Having that deeper understanding of their client's needs was a differentiator for Fran Distributing, and their customers recognized the value (\$\$\$\$) of that business relationship.

What Fran Distributing had accomplished in their efforts toward delivering great value to clients had indeed impacted customer loyalty. Customers saw value in the

advice they were given on what they should stock and on being presented alternate

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