



The Distribution Team

We wrote THE BOOK on Distribution Inventory Management

If you Want it – Write It

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Distributors often feel as though they are constrained by their software partner in terms of what they can and cannot do or report out of their system. I have heard it hundreds of times from distributors – “I don’t think we can do that with our software”. I am amazed when I hear that statement. Over the years, distributors have spent hundreds of thousands and even millions of dollars on software products, support and services. It does not seem to me that what I am asking them to report on, or analyze is anything difficult. Most of the time, it is a little different way of looking at the data and extracting it to become a more useful tool for future decision making. If you really believe that you can’t do that with your software, then think outside “the cd” and make it happen yourself.

I often think of the business information tools that have been around for years. Some call them “Business Information Systems” and some are called “Executive Information Systems”. What these tools provide is a way for you to take the billions of pieces of information in your system and look at them in a more reasonable format. They will do some simple calculations for you, but their biggest value is the ability to manipulate the data in just about any format you want. There are some out there that will just give you a summary page of key ratios and performance indexes by using colored bar charts, line graphs or pie charts. Hey, now that would be cool, I can look at a picture instead of running through columns and columns of numbers.

Back when I was programming systems for distributors in RPG II, we spent hours upon hours laying out reports on green bar paper. The magic number was 132 spaces across. You know the stuff, it was in a huge box that fed through a high speed printer that often had a plastic cover over it to keep the noise down to a light roar. The paper would fly out of the big box sitting on the floor, and page after page would rip through the printer dumping out sheets of data. The classic old green bar reports would often weigh a few pounds, and you still had to analyze the date. Well, you would analyze it if you could find what page it was on. Once you finished, they often were good for holding up a table with a weak leg in your office.

Now we have the smaller 8.5 by 11 sheets and the print got smaller. We tried to cram everything we wanted on a much smaller width. We had the value of better printers and page breaks. We could come up with column subtotals and totals much quicker. We had new tools that helped us sort the information into smaller bite size pieces. We learned how to use the report writer that came with our software. Well maybe we did not learn it,

but we found a few ways to get what we wanted. Then we had the option of downloading data to a personal computer and using Excel, further splitting the data.

What distributors need to fully understand is that if you want to see data in a certain format you are not constrained by your software provider. They would love to have you call them and write a custom report. They enjoy taking a report layout that they have probably done for many other clients, tweak it a tad, change the headings, send it to your with a nice invoice. I think the margins on those requests are up in the 100% range. Most of the time, the request you are making is not something new. They might even use the tool you already have to write the report, called the report writer. If you have software with a report writing or report design feature that came with the software, learn to use it. They are there for you to design reports using simple calculations to write your own executive information reports. You can look at data by branch, by vendor, by product, by day, by week, by year, by margin and by anything you want. One report that comes to mind is a simple turn and earn report by product and product grouping.

When it comes to useful reports, you will find that most software companies do a great job of giving you sales analysis reports. If you sold one of something to anyone at any price, you can usually have it dumped out on a report. Now take that a step further and look at what you made on the sale. You should quickly have at your disposal a margin analysis report that tells you when a product was sold below your acceptable margin, in dollars and percentage. You should be able to report by line on an order, and definitely by complete order what margin was realized, before and after discounting. This is a great tool to combat a sale person who is always telling you that they sold it way below margin, but on a larger scale this sale made the customer more profitable because of all the other things they buy. Maybe it is just me, but to be able to run a report showing total margin achieved by customer by sales person would be helpful in managing your bottom line. Maybe the next time your sales personnel come up with a great reason to sell a product at a low gross margin, you can prove that their reasoning is not very valid. It also allows you to take a different approach to managing that customer. It helps with goal setting in terms of raising margin because now you can report it quickly. It might even help you determine if you even pay a commission on a low gross margin sale.

Note: it is amazing to me how many distributors have been successful in using the approach that anything sold at a very low margin does not yield a commission to the sales person. It is also interesting how many times the sales persons figure out a way to sell more items above the acceptable margin once this strategy is implemented.

Another great report that you should write if you do not have it as part of your system is the HITS report. This simple tool allows you to look at how often your products are sold, ordered, what's on hand, what's on order, how much you have invested and how many months supply you have in stock. It shows you that even though the sales personnel believe they are selling a bunch of them, in actuality you have not sold many in the past 12 months, and you might have a 3 years supply on hand. The next time you are asked to bring in a new product and it functions like many of the others you have in inventory, you can show them that investing in another like product will only hurt the HITS of the ones

you have in stock today. Use the HITS report to help you reduce overall inventory, reduce your slow movers and dying inventory, identify dead stock items and assure you are in a good position with your fast movers. You can run a HITS report by sales person to support their claims of selling everything you have in stock. OK, maybe support was not a good word to use there, but you need a proof source to show them that maybe what they remember and what your system is reporting are not the same.

There are a myriad of reports that you need or would like to have to help you quickly identify issues and challenges. Yes some of these will not be part of your normal report package from your software vendor. Yes sometimes the report writing tool they have is not all that easy to use. However, the best return on your technology investment is get someone in the organization up to speed on how to use the report writing tools you already have. The next phase would be to get someone up to speed on downloading data and using something like EXCEL to slice and dice it the way you want. You might explore purchasing a Business Information package or an Executive Information tool. Whatever you do, do something. The last option in today's world is to request your software vendor to write you a custom report. You should be able to get just about every piece of data you want out of your system on your own. If you want it – write it. You might have to go through a few layout changes to get exactly what you need, but go for it. Just don't sit there and say you can't get that information because your system does not provide it. It is not their fault because they didn't do it just that way when they did their master report layouts. It is our fault for not learning how to use the tools you bought. Learn to write any report you want. Each time your try another one, you learn more and it becomes much easier. As the commercial says, "try it, you'll like it"!

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