



# The Distribution Team

We wrote THE BOOK on Distribution Inventory Management

## **Technology in Distribution**

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Looking back over the past 100 years of distribution, one thing will continue is the changing landscape and never ending challenges for distributors. Software packages, e-commerce, bar coding, electronic data interchange, hand held this, hand held that, and cell phones so small you can't even see the numbers. Hey, it has been a rough ride for some, even many, but for others life has become much easier. What has worked for you may have been someone else's nightmare. Over the past 20 years, I have seen first hand the successes and the failures (and am called more often to help fix the latter). Like many of you, I have heard countless presentations and read numerous articles on how technology will save us all from cash flow problems and enhance our bottom line profits. Today, we hear about e-commerce from every source possible, and we try to figure out what it means to us. We see many dot.coms becoming extinct, and millions of dollars gone with their short ranged business plans. So how should we react to all of this?

What technology has done for most distributors is provide the vehicle to make business run faster. This is a good thing. We can communicate with employees, vendors, customers and funding institutions faster and with great ease. OK, maybe not great ease for all of the above, but at least our creditors know more about us than ever before. We can buy material and product without ever writing it down on an order form. We can receive and pay for it without ever scribbling our names or writing a check. We can put it away faster, in more organized warehouses, and hopefully, we can find it faster because of our bar coding system. OK, maybe we can't find it at all, but at least we know we got it somewhere. We can send out invoices when everyone is sleeping, and use electronic funds transfers and lock boxes to get our cash. We can send emails and EDI documents to let people in the chain know what has happened, where stuff is and when it might arrive. Wow, this stuff is way cool.....for some of us!

Looking back and learning from our past has been a trademark of most successful businesses. Like my Dad told me, "never try to make the same mistake twice" (oh how I wish had listened!). Many of us have bought more software packages than we ever knew existed, and are even using some of them effectively. Many of them promised great efficiencies gained across our enterprise. Looking ahead, I suggest we all learn a lesson from our past, and that is making sure the technology will actually work in our enterprise. Before buying any new "technology", test drive it using your own stuff first. Can you really make it work with your diesel engine based home grown software? Even if you

have slick new stuff, can you take what is being offered, and achieve total “connectivity”? Connectivity is the buzz word of the current information era. Connectivity is the ultimate goal in today’s technology game. Every application talking to all other applications and everyone else, with seamless integration. Movement of data between companies, departments and individuals, all using different platforms, hardware and tools. Now that my friends would be “really way cool”.

So as we sit here in this new millenium, what are the technologies that work? Most of us have found an operational software package that meets our basic needs by now. If you haven’t, give me a call and I will help you over the phone for **free**. We found that some work better than others, and we know that whether your are working on a PC-based networked system, or some character based system, the tasks remain the same. Finding something to help you buy inventory at the right time, at the right place and in the right quantity to make a profit. That technology exists in many software packages on the market, and in many shapes and configurations. For many of us, success depends on the “operator(s)”, not the system.

Assuming that over the years of buying new systems, throwing out new systems, and then replacing new systems has landed us a keeper, let’s look to other horizons. Now that we can get stuff (buy product) faster, quicker and hopefully smarter, what can we do to help us manage its movement. How about warehouse management systems? These are wonderful tools that help the “distribute” part of distribution become a reality. By definition, distribution means movement. Movement means turnover. Turnover usually yields profits. Profits make everyone smile.

I have seen warehouse management systems in just about every form possible. Heck, even some that look really “non-technical” work pretty well. The key is to identify, track, know, pull, ship and bill with a high degree of accuracy. If I know what I am getting (order confirmation), and I tag it when I get it (bar coding or some sort of labeling), and I tell my tracking system (your software package) where I put it, then I should be able to find it when I want it. This requires a great deal of planning, and as with most technology, is not as easy as it sounds. To make most warehouse management systems work requires someone to act just like a “city planning engineer”. You have to layout the streets, the sewers, the utilities, the airport, the parks, the central administration depot and the police and fire station. You have to plan for both the “euphoric” and the disastrous. You need to make sure that if you have a hiccup in one area, you have a back up plan for quick recovery. In addition, you need to come up with street names and logical numbering schemes for your city. Yep folks, you need to think about it all, plan it out well and then start construction, demolition or just plain reshuffling. But, when accomplished, you can actually move stuff very efficiently, with a high degree of accuracy, and turn some profits.

Along the way, you will most likely need to utilize some of the “old dogs” of technology like bar coding and laser printed pick tickets. You might also have to use some hand held devices or maybe some “strap on” readers and scanners. You might have to use bar code label printers and clear tape. You might go for the shiny metallic labels and cool colors.

But, whatever you use, make connectivity a priority. Connectivity meaning, what you read, input, scan and report can all be done using the myriad of hardware and software used around the enterprise. Try your best to avoid having one system that is super slick being slowed down by having to communicate, upload, download or integrate with one that is not. Remember, movement is key here. Movement of information, data and product can be hindered by having one system go at light speed, and another being fueled by squirrels in a cage. You need to determine what “real time and on line” mean in your company. Defined by today’s standards, it is right now, all the time and available to be used by anyone....NOW! When it comes to inventory, I suggest distributors look into “warehouse management” systems for help, as they have become slicker, neater, faster and cheaper over the past 5 years.

What about e-commerce? Well folks, what does it mean to you? I have heard just about every definition possible, and then I read a new article, and I get confused. What I think it means to most of us, is that we have the tools to make almost everything we do move along the electronic infrastructure that lies beneath the soil or orbits the earth. We have the capability to create, share and utilize information simultaneously around the globe. We can receive orders, place orders, send acknowledgements, send invoices, field inquiries, answer questions and get paid without leaving our desktops or laptops. Web sites are the “brick and mortar-less” shopping malls of today. We can send email and junk mail, hustle business and get rid of dead stock all while most the world sleeps. However, whatever the definition of e-commerce ends up being (when defined over the next millenium), we need to make some choices. Similar to other technology choices we’ve made over the years (some good some not so smart), it all boils down to what technologies enhance our “movement” or our ”distributing” capabilities.

Most of us already cringe at the line item on the income statement indicating our “computer expense”(or whatever creative ledger account your accountant uses). We are all wired with cell phones, beepers, laptops, emails and web phones. We are more in touch now than in the history of the world with what is happening with our business by simply touching a button or a screen. Now that we have solved the problem of “not knowing enough” or “not being in touch”, what should we do with all this information?

Look to the new wave of “executive information systems” to help manage the mountain of data. These nifty tools come in all shapes and sizes. Some give you just the highlights, while others drill you down to the most intricate of details. You have spent hundreds of thousands of dollars capturing and tracking the information, now it is time to invest in the “secret decoder watch”. You know that special device that became popular way back when. Anyone who had it could know more than those without one because they could decode secret messages. Well, your “secret decoder watch” is a good “executive information system”. It looks to the integrated databases of your company, and sorts them out for you. It will give you up to the minute status of your company’s well being. It will make the foreign language spoken in the “M.I.S. department” sound like English to your ears. It will plot, graph, sort and draw pictures if you want. Most of all, it will make sense, and will allow you become proactive in your management style.

With competition and margin pressures all around us, we need to make prudent and profit making decisions. We need to exactly know which items are moving, and which ones are not. We need to know how long and how much we should invest in new products, and when to bail out. We need to know which segments of our market are growing, and which are shrinking. We need to be able to do “what if” scenarios in just about every aspect of our business. We need to have exact data, detailed data and interactive data to make our business plans become reality. We need to know, not guess, how our hard earned money is spent, and what return can be expected. The data gathering technologies we’ve invested in to date need be harvested and “mined”. Data mining, data warehousing and networked systems are the future direction for distributors. Taking the mounds of data collected over the past 100 years and using them in the new millenium requires more technology investment. However, distributors will now be investing in an integrated team of technology developers and leaders. Technology firms have joined forces to provide solutions to every aspect of your business. They have “connected” to provide you the much needed “connectivity” for the new millenium.

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