



# The Distribution Team

We wrote THE BOOK on Distribution Inventory Management

## **What's In a Name?**

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Does anyone remember a time when the guy with a mop and an enormous ring of keys was called a janitor? It seemed like all of a sudden they went off to a convention and came back as custodians. Some made it to the elevated status of “custodial engineer”; but that probably required a few more years of schooling. The word janitor refers to someone who cleans and maintains a building; but the word custodian refers to a caretaker, someone in charge. Although the name change was a simple swipe of the pen, the perception of the job responsibilities changed drastically. No longer were the men and women of this profession cleaning up after someone else. They were the caretaker of the facility. It became their baby. The mindset had changed to one of ownership. Isn't that something we strive for in our distribution businesses?

When we teach classes on inventory management, we tell the students we want them to all sleep like owners of the business. Owners sleep like babies. That means that every hour they wake up and start bawling. The real goal of the session is to teach the participants how to take ownership in their job. Where can they think like an owner? How do they remove the barriers to net profit?

The hardest part of developing a solid inventory management strategy is changing the mindset of the people that work with us and for us. Often, the real change has to start with our own preconceived notions about the roles in the company. What kind of a company do we want to model in the future? Will we be sales dominated, or sales oriented? Is inventory cash, or is it just stuff that we store in a warehouse? If we are going to invoke a mental change, we need to provide verbal reinforcement of the concepts we are trying to implement.

In all of our educational sessions, we refer to the warehouse as a vault. Why? Because the place is filled with money. In a hard goods distribution company, the largest asset is inventory. According to Webster, a warehouse is a place where goods or merchandise is stored. But are we really in the business of storage? No, we are in the business of turning and earning. The simple change of verbiage from “Warehouse” to “Vault” is a catalyst for a change in mindset. If our vaults were actually filled with stacks of cash, would we manage them the same way? This is a great question to ask your material handling team. I imagine that they would come up with some thought provoking answers. The trick is to draw the correlation between the answers given and how they will conduct themselves in the future. Calling their work environment a “vault” is a subtle reminder that they are the managers of the company's cash.

I would encourage you to emphasize the point by changing how we refer to the position of warehouse employee. They are “Cash Managers” or the “Vault Management Team”. This is the time to be creative. Changing their perception of how they view the job will yield amazing results. Where is it written that people who work in the warehouse have to be called warehouse employees? Change the title, change the mindset.

I recently ran into another change in verbiage that really emphasized the cash management concept. This one related to the purchasing agent. In our companies, who do you think spends the most money? Hands down it is the folks who generate the purchase orders. Each buy is an investment of company money. We don't just buy items to fill our vault. The idea is that we are going to create a return on that investment of company funds. The timing of the buy, how much we pay and the quantity we purchase all determine the return on investment. I have a good friend who once told me, “The art of purchasing is a thousand small decisions done right every day”. Done right, we can maximize our return on the dollars we invest in inventory. Done wrong, these investments can take a company to its knees in a heartbeat. The company I visited recognized the significance this role. In order to change the mindset of the purchasing team, the term “Investor” replaced the traditional title of “Purchasing Agent”. Anyone can purchase SKUs; but an investor expects a return on those purchases.

Although many distributors use the term inside sales rep to describe the folks that handle orders over the phone, I am always impressed when someone chooses to use the title customer service representative. We may wish that they would do a little selling, like adding on a complementary item; but more often than not, these folks are charged with giving the customer the most positive buying experience possible. Many folks feel that their outside sales representatives maintain the relationship. I ask you this: who has more customer contacts in a day? A good outside rep may be able to hit 20 customers in a day; but our inside folks can handle 50 to 60 customer interactions in a day. It continues to baffle me why our industry insists on giving outside sales reps the top peg on the pay scale. That is for a later debate. The manner in which a customer is treated over the phone will dictate whether they choose to continue placing orders with us. A customer service representative is an expeditor. They call upon their knowledge of company resources to satisfy the needs of the customer. Inside sales rep limits the view of their responsibilities. Our job is open their eyes to the big picture.

Leadership is the ability to inspire people toward a common goal. As wholesale distributors, we are constantly fighting an uphill battle for net profit. As our margins squeeze, we must scramble for new ways to keep our eye on the prize. We can't do it alone. Everyone in the company has the ability to contribute to the bottom line. I encourage you to look for ways that simple verbiage can motivate the people that work with us and for us to look beyond their current capacity. What's in a name? The ability to change our perception.

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