



Gaining the Trust of the Sales Team

By Jason Bader

Transitioning from a branch manager based purchasing scheme to a centralized purchasing model is never an easy project. The inventory manager has a very difficult challenge. On the one hand, they are being pressured from the financial side of the company to reduce inventory and increase turns. On the other hand, they must stock enough of the right product to satisfy the customer to a very high degree. Unfortunately, the two are not mutually exclusive. The financial side must support strategic inventory increases in order to shore up customer service levels; but more importantly, the sales team must feel like the inventory manager has their best interests at heart. Gaining this trust is a critical step in any inventory optimization plan.

The great divide between sales and purchasing comes down to perspective. From the sales perspective, the question is, “Why can’t you just buy what I sell?” The purchasing camp comes from an opposing viewpoint, “Why can’t you just sell what I buy?” This is the classic chicken or egg argument. Neither is right – although many a meeting has been held trying to convince the logic behind each argument. Since the sales arguments tend to be more emotionally based, I believe that the only way the purchasing side can bring resolution is through the reliance on data.

I was recently reviewing a scorecard one of my private clients had created. In this scorecard there were a couple of really solid metrics relating to inventory turns and customer service levels. I am a firm believer in building these types of scorecards so that both sales and operational teams can chart their progress. This type of documentation goes far beyond taking the company temperature by revenue levels. As I helped the owner get down to his root priorities, I started to realize that the inventory management team was going to have to come up with some fairly strategic moves in order to meet expectations.

I reached out to the gentlemen charged with correcting the inventory levels and offered some advice on how to make the necessary improvements. Both of them are very versed in making system changes, but they were a little stuck on where to begin. Remember, the job is about balance and not tipping the scales to one side or the other. However, what I shared with these folks is that the balance could only be achieved once they convinced the owner that the sales side would no longer be jeopardized. In order to gain the trust, they had to start with eliminating stock outs and back orders.

Strategic investments in inventory levels will take care of a back order problem. Buy more and you will not stock out. Seems easy enough, doesn’t it? Unfortunately, money doesn’t grow on trees. And neither do lines of credit. Since we do not have the luxury of infinite resources, we need to invest our cash in the products that give us the best bang on the customer service buck. These will be your high hit, not to be confused with high unit sales, items. Those of you who have been reading my articles over the years know where I am going with this. Your highest hit items are the ones that your customers, and incidentally the sales team, care the most about. These are the items that you simply should not run out of. When you do, the credibility of the inventory manager is shot.

In order to make headway, the inventory managers had to focus their attention on the top 100 hit items in each branch location. Just to clarify. These were the top 100 items by appearance on customer

orders in the last 12 months. For those of you with multiple locations, you know that these top 100 items will not be uniform across the board. Part of the scorecard tracked the number of stock out days in this top 100 items. Remember, these items have the greatest number of transactions in the location so even one day without inventory could be fairly significant. Ideally, you would want to drop the number of stock out days to zero for these critical items, but that may not be possible. Our goal was to drop it below 5 on a consistent basis. If we could do that, the sales team would start believing that purchasing was coming around to the “buying what we sell” point of view.

Cleaning up days out of stock can be done several different ways in the system. My favorite remedy is to simply bump up the safety stock percentage to 100% on these items. What this means is that we will be creating a layer of safety stock equal to the average units sold during the lead time. If your system requires you to put in days of safety, then you would put in a number equal to the average lead time. In some systems, a user can put in a protected quantity. This is similar to a Min in a Min/Max replenishment method. All of these tactics will increase the inventory levels on the top 100 items and significantly reduce the number of back orders. Plus, it will make the sales team happy. Ok, maybe it will help them whine a little less. Either scenario is a feather in the inventory management cap.

As I have mentioned in the past, my consulting practice tends to run in themes. The topic of the moment seems to be finding the balance. Fresh off the coaching session with my current client, I sat down with a prospect challenged with multiple locations. The owners of the organization had charged my prospect with more effectively managing their inventory asset. In addition, the company would like to move away from branch directed replenishment and create a more efficient central purchasing team. As I looked over this massive spreadsheet detailing turns and customer service percentages, it dawned on me that the key to a successful transition was all about gaining trust with the branch managers.

When a company moves to centralized purchasing, branch managers relinquish the power to handle the needs of their local customer base. Since most branch managers are sales driven, this is not a comfortable set of circumstances. Most of them can see the logic in a centralized scheme, but there is still the fear that their customers are too far away from the person pulling the replenishment trigger. If the company wants to make a smooth transition, they can't overlook this fear. Similar to the example above, the new central purchasing team must prioritize customer service (order lines filled complete) over inventory turns in the short term. If the new team goes charging down the inventory reduction trail first, the branch managers will rebel. Remember, they are looking for this little experiment to fail. Branch managers who do not feel that they have the inventory necessary to take care of their local customers will fix the problem – and it will cost you plenty.

Once the inventory management team has gained a modicum of trust, through shoring up the investment in high hit items, they can start doing the real work of right sizing the inventory. Like it or not, the sales teams will have to become allies in the liquidation of unnecessary stock. They have to believe that the inventory managers are going down the right path or they will thwart the best laid plans – especially when it comes to stock vs. non-stock elections. Strategic reductions in inventory will improve the turns without jeopardizing customer service. I know it and you know it; but you must earn the trust before you can implement it. As always, I am here to help.

About the Author:

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