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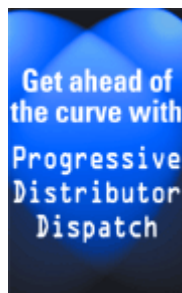
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Progressive Distributor

Making the upgrade

Multiple branch location is create opportunities and unique challenges for distributors.

by Rich Vurva

Distributors dream about having multiple warehouses filled with fast-moving inventory. But if antiquated computer hardware and software prevent a company from getting products into the hands of customers when they need it, inventory is an expensive cost center instead of a revenue generator.

Headquartered in Montgomery, Ala., Construction Materials (CM) is a building materials distributor that sells tools, concrete accessories, masonry products and other building supplies to commercial contractors throughout the Southeast U.S. With 18 branches in Alabama, Mississippi, Georgia, Tennessee and Florida, and customers who buy from multiple locations, inventory visibility across every location is critical.

For example, a contractor in Birmingham, Ala., would typically be assigned to a Birmingham branch salesman. But if the contractor has construction sites in Huntsville, Mobile and Atlanta, he usually buys the supplies he needs for those jobs from the local CM branch. Salespeople in those branches also need to be aware of the customer's projects so they can call on the job sites.

Until CM made recent hardware and software upgrades, limited inventory visibility across branches slowed customer service. Managing accounts receivables and crediting branches and individual salespeople for sales was also difficult.

"We were previously running an outdated computer system with dummy terminals. Twelve months ago, we changed to a new server. Before, it took us 14 hours to run a month-end report. Now, it takes 14 minutes," says CM controller Mike Elmore.

After switching to a new iSeries IBM server and installing a Microsoft Exchange Server, Construction Materials can now take full advantage of the software capabilities of its distribution management program, System 2000 from Vormittag Associates Inc. (VAI). The technology upgrades improved customer service, made it easier to manage inventory, purchase products more efficiently and analyze sales data.

Improved inventory visibility

In the past, if a customer placed an order from a branch that was out of the needed supplies, CM transferred material



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between branches before shipping it to the contractor. The extra step was necessary because individual CM branches did not have access to the customer files from other branches.

“Now, we just issue a sales order to a branch that has the material and ship it directly out of that location to the customer,” says Elmore.

The customer receives the order much faster, and CM can credit the appropriate branch for the sale.

System 2000's item search capability makes it easy for order takers to locate material even if they're unsure of the item number or product description. This advanced search capability was not possible on CM's old IBM "green screen" terminals.

“Having an item search that's very friendly helps increase the accuracy of our inventory, orders being pulled and delivered,” Elmore says.

CM uses a 30-character product description field. If a salesperson doesn't know the exact description or product number, an order taker can enter a question mark in place of unknown alphanumeric characters and let the system search for possible matches. With the old green screen terminals, searches took so long that order takers had time to get up from their desks, grab a cup of coffee and a doughnut, chat with co-workers and hope the search was complete when they returned.

“After our hardware upgrade, I can enter a question mark and as few digits as I want and the search pulls up every item with those two digits in a matter of seconds,” Elmore says.

Vince Taravella, director of channel sales and marketing for Vormittag Associates Inc., says the advanced search capabilities are possible because the iSeries server has a relational database built into the operating system.

“If we don't provide the data the way they want to see it in our base reporting package, they can pull it out with queries. These query tools are very affordable and give users the data they need any way they want to see it,” says Taravella.

More accurate sales analysis

Technology upgrades benefit salespeople by giving them more time to sell and less time doing paperwork. CM requires salespeople to turn in monthly reports ranking their customers in order from the smallest to the largest. In the past, salespeople analyzed their entire customer base each month to determine the top 10 customers.

Elmore asked VAI programmers to develop a monthly report that salespeople could run to retrieve that information automatically.

“I get a much more accurate report than in the past and the salesmen spend much less time trying to analyze it. It's

important that the salesmen know what their numbers are and understand how big of an impact one or two customers can have on their monthly sales, but you don't want them to spend too much time gathering that information," he says.

Improved inventory visibility also helps CM purchase products more effectively. For instance, the Montgomery location may buy material from vendor A and the Fort Myers, Fla., branch buys the same material from vendor B. Elmore asked VAI to write a report that shows the price that each branch paid for the inventory, enabling him to easily determine which location purchased material at the best possible cost. The data helps Elmore decide if CM can save costs by standardizing on one vendor.

With no IT department to provide programming support, Elmore uses VAI programmers when he wants to change reports or develop new queries. Taravella says about 80 percent of System 2000 users don't have IT departments.

"What's nice about that scenario is, distributors don't need to pay for an IT staff year-round. We're the IT staff they pay when they need us. When they don't need us, they don't pay," he says.

More accurate accounts receivables

Tracking accounts receivables can be tricky when customers buy from multiple locations. If a contractor falls behind on a bill, CM asks the salesperson assigned to the account to help in the collection process. But when a Mobile salesman sells something to a Birmingham contractor, Elmore can't expect the Birmingham salesman to collect payment. He didn't get credit for the sale and might not be familiar with what the customer ordered. The ability to split out exactly who sold what material to which contractor helps expedite collections.

"We have the ability to run accounts receivable reports based on what each individual location is selling. All of our overhead is allocated on branch collections, so being able to run a report by who sold the material instead of by customer is important to us," Elmore says.

Employees can also fax purchase orders and invoices directly from the iSeries server. During a collection call, if a customer wants to see a copy of the invoice, the collector can fax it to the customer without leaving his or her desk.

Primed for growth

CM's business grew by about 35 percent in each of the past two years. The fast growth also enabled the company to open new branches, including two new Florida locations this year. Elmore says adding branches is much easier with System 2000 than with his previous distribution software.

"We have the ability to take inventory records from one location and set it up as a new location instead of having to rebuild all the inventory files," Elmore says.

Manually building inventory records from scratch each time a new branch came on line would take days.

“When I set up a new location, I don’t have to go in and set up all those inventory items for a new location. We can take inventory from location 14 and copy it into location 17. So, I already have pricing, cost history, item descriptions, quantity, weights, unit of measure and other key data,” he says.

Elmore says Construction Materials spent more than \$100,000 on software and hardware upgrades in the past few years. He believes it was money well spent because it enabled the company to experience fast growth and primed it for greater sales in the future.

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