

INCREASING CUSTOMER VALUE IN DISTRIBUTION

HOW TO IDENTIFY & REDUCE WASTE IN THE SUPPLY CHAIN

For distributors, maximizing net income is a daily challenge. Strategies to increase sales and customer satisfaction are frequently discussed and deployed. Inventory maximization initiatives get attention too as distribution best practices are applied to the warehouse layout to maximize the picking of high velocity items and to stocking levels to support service level goals.

Often overlooked are parts of the supply chain that limit order processing efficiency and speed before orders get to the warehouse. Invoicing and accounting process after the shipment can also be inefficient. These processes can be greatly improved via Lean techniques. However, many experts agree that only 25 percent of companies have adopted Lean initiatives.

Key concepts in Lean such as value, pull, just-in-time, and one-piece flow all have one common goal; to fully meet the needs of each customer on each order. You can apply these concepts by using value stream analysis, which often shows that well over 80 percent of the time in a process is waste from the perspective of the customer. The old saying "time is money" means that wasted time is wasted money.

It helps to think about it from your own personal perspective. When you purchase an item, you want it to meet your expectations for function, quality, price and delivery time. You really don't care about the internal processes of the store, distributor or the manufacturer. You are not concerned about how many departments, process steps, meetings, shipping channels, or computer systems these companies have. You make your personal "sourcing" decision based on your perception of the best overall value available.

Your potential customers are no different in that mindset when they choose a distributor.

TOOLS FOR CONTINUOUS IMPROVEMENT

Lean value stream analysis is a powerful method to use because there are so many activities throughout the distribution process that do not add customer value. Consider that all your internal processes and those of your supply chain partners are perceived by your customer as one single "service."

For this reason, it is vital that you include analysis (and ideally participation) of your external supply chain partners

CONTINUED ON PAGE 132

PHOTO: JAROSLAV FRANK

DON'T WORRY ABOUT DIRT, WE REMOVED IT.

Protect surfaces from damaging dirt & debris with the only jobsite tacky you'll ever need. Choose hard **Clean Mats** by **Surface Shields**® for your next project.

Make preventing dust and dirt from spreading, quick, simple & affordable.

Clean Mats by **Surface Shields**® are commonly placed outside dust / lead containment areas or even used as a mat when entering a building & contain 30 tabbed sheets for easy removal. Combine with the customizable, reusable protection of **Step N Peel**™ **Clean Mats** & leave dust and dirt worry at the door.



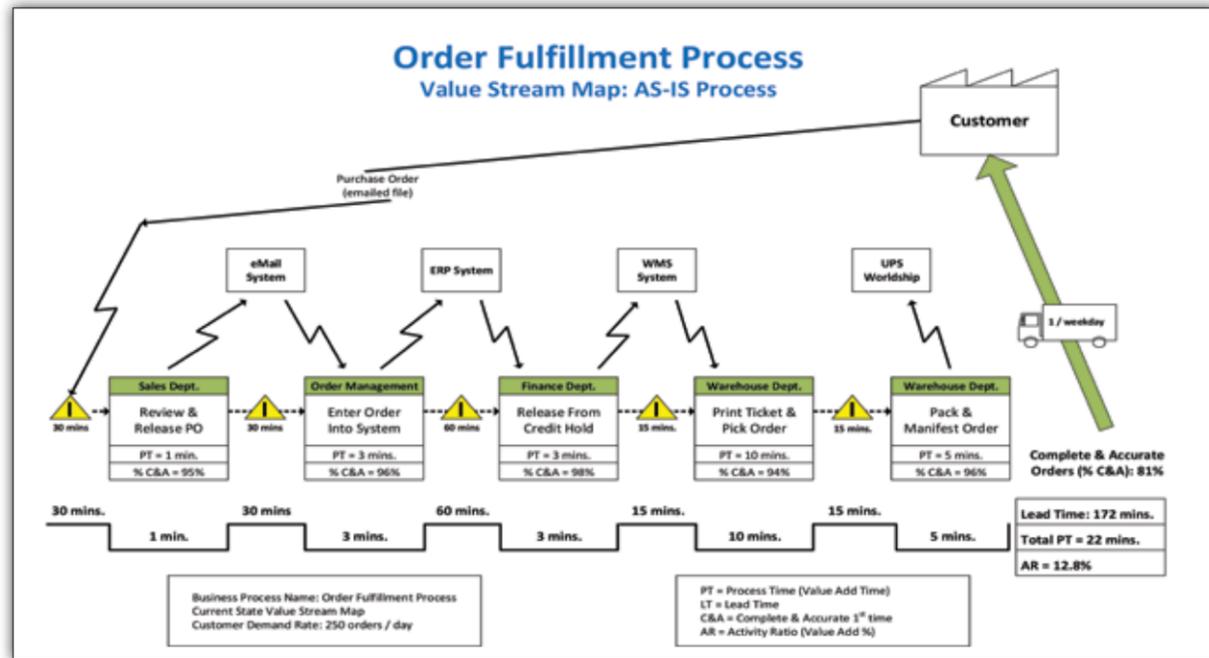
surfaceshields.com/clean-mat

© 2016 Surface Shields, Inc. All rights reserved. Trademarks property of Surface Shields, Inc. where applicable.

SURFACE PROTECTION
DUST CONTAINMENT
ADHESIVE TAPES



TOUGHER
THAN THE
JOB SITE.™



In value stream analysis, you measure the average time that each order spends in each step, including the in-process inventory steps.

in your value stream analysis and continuous process improvement efforts. Process improvements that benefit your customers will increase sales, which also will benefit your suppliers and your delivery partners.

In Lean, the ideal process is when your customer orders an item, you pick and ship it immediately and order another to replace it. In reality, you must maintain adequate stock levels and excess fulfillment capacity to be able to fill orders that meet customer expectations at or above what your competitors can deliver. The goal is to do this as efficiently as possible given that net income in wholesale distribution is often below five percent.

The traditional approach is to maximize fill rate by increased levels of inventory, however, this increases costs and reduces net income. Inventory levels will always need to be actively managed, but they can be set to lower levels as your total supply chain becomes more Lean.

In value stream analysis, you measure the average time that each order spends in each step, including the in-process inventory steps. The sum of the times is your

total lead time and the “value added” portion of that is typically very low. Let’s look at an example, illustrated on the preceding page.

Here, the total lead time per order is 172 minutes (2.9 hours), while the sum of the value-added steps for process time is 22 minutes. The value-added time as a percent is called activity ratio and is only 12.8 percent, so over 87 percent of the time is non-value add. Using the average quality at each step (%C&A), we see that only 81 percent of orders get through the process completely and accurately filled. That means almost 20 percent of orders have defects, which is another form of waste, and the time to resolve those issues is also non-value added time.

The goal is to reduce total lead time by multiple rounds of attacking the slowest step as you work toward the one-piece-flow concept. The more Lean your process becomes, the faster it can respond to daily customer demand and the lower operating costs you will have from unneeded inventory and the other forms of Lean waste.

CONTINUED ON PAGE 134

Pros Trust the Original

FEIN developed the first electric drill in 1897 and the first Multi-Tool in 1967. Now the future is here, with the **STARLOCK** mounting system of FEIN MultiMaster tools & accessories.



- ▶ lowest vibration in the industry
- ▶ up to 50% more power
- ▶ tool-less accessory change in 3 seconds
- ▶ largest & highest quality accessory range
- ▶ trusted by professionals
- ▶ available in corded & cordless

Simply snap in and GO!



3 Second change!

Simply flip to release!



MADE IN GERMANY
feinus.com

FEIN. Unverwüßliche Elektrowerkzeuge.



HGA | Harvey Gerstman Associates

516.612.0463
GerstmanAssociates.com

Manufacturers Representatives Since 1978

CONSTRUCTION INDUSTRIAL/MRO PAINT & HARDWARE SAFETY

Our family has been selling construction products for manufacturers to the leading distributors in the Northeast and Mid-Atlantic since the 1950's. With our strong distributor and end-user relationships, we can offer STAFDA manufacturers an unsurpassed level of service and can demonstrate a proven track record of driving sales in our territory.

Our mission is to deliver exceptional sales growth and unparalleled customer service to the industry. Let us show you what we can do for you!



Join HGA at the STAFDA 40th Annual Convention & Trade Show / November 6-8!
Call today to schedule a meeting.



GOT PROBLEMS?

Are there parts of your distribution business that are in need of improvement? Do you have an old software system or many isolated systems? Do you have major process steps people perform with Excel? Do you have backlogs of anything such as orders, products, returns or invoices? Does it take too long to close the monthly books? Do you have a high number of errors that all have to be fixed? Does your current process fail to accurately measure process performance and defects?

If the answer is "yes" to any of those questions, then in the words of Apollo 13 Captain James Lovell, "Houston, we have a problem." The impact of these types of problems includes the specific costs such as for software licenses and document scanning and storage as well as the total FTE cost for people to perform the work. This often adds up to several hundred thousand dollars per year that can be saved.

Visit the STAFDA Tech Fair to meet software vendors that can help to automate most of these outdated ways of doing business. These systems can provide a single

integrated solution to these types of problems. Then you can free up your staff for more important work that can't be automated but is needed to help your business grow.

By calculating the full cost of your current process — including waste — the business case can be made that Lean processes deliver a high return on investment and a short payback period. Consider a process improvement project to analyze your current processes and the opportunity for improvement or a software selection project to evaluate the available choices for replacing existing systems. **CS**

Jeff Gusdorf, CPA, is STAFDA's business technology consultant and writes STAFDA's Technology Advisory. He is a Principal for Brown Smith Wallace Advisory Services, which publishes the Distribution and Manufacturing Software Guides and the Software Selection Handbook. You can contact him by email at jgusdorf@bswllc.com; phone (314) 983-1208 or visit the Brown Smith Wallace websites at www.bswllc.com/bpi or www.software4distributors.com.



PORTABLE LIGHTING PROFESSIONALS



LED Work Light
- Includes 200 lb. rated magnet
- 50w, 5,500 lumens



LED Work Light with Adjustable 'Wings'
- Adjustable panels for focused lighting
- 50w, 3,000 lumens



Dual Head LED Work Lights
- Includes all steel 8' heavy duty tripod
- 2 x 50w lights, 11,000 total lumens



Metal Halide Cart Lights
- 8' - 12' self-braking, winch driven mast
- 1,000w, 110,000 lumens/per fixture



100' LED String Lights with Slide Lock Connection
- Daisy chain up to 750 continuous feet on a 20 amp circuit
- 18/2 STW cord with 6w, 680 lumen panels spaced 10' apart



50' LED String Lights with Slide Lock Connection
- Daisy chain up to 500 continuous feet on a 20 amp circuit
- 18/2 SJTW cord with 9.6w, 1,100 lumen panels spaced 10' apart



LED Bay Light
- Includes daisy chain receptacle
- 120w, 14,000 lumens



Metal Halide Bay Light
- Multi-tap pulse start ballast
- 400w, 29,000 lumens



CFL Bay Light
- Includes daisy chain receptacle
- 105w, 5,800 lumens



Compact Fluorescent Lamp
- E26 lamp base
- 105w, 5,800 lumens

Since the 1970s, Construction Electrical Products (CEP) has served as the most complete source for your temporary power and lighting requirements. From LED to metal halide to quartz, in ranges from 50 to 1,000 watts and everything in between, we have a product to satisfy your needs.

We are dedicated to providing you with the safest and most economical methods for delivering lighting to your job site — so you can get the job done right. **Contact us today.**



GARVIN
ELECTRICAL MANUFACTURER

847-455-0188
garvinindustries.com
info@garvinindustries.com

WE PAINT



Great For System Identification!

WE'VE GOT STAINLESS



Guaranteed For Life!

WE CUSTOMIZE



Fast Solutions Designed By You!

WE STOCK IT!



Order Today... Ship Today!

DEAL DIRECT WITH THE MANUFACTURER!