

Plugging the Sales Leak



Preventing Stock Shortages and Boosting Gross Profit Margin

Situation:

A middle market distributor of construction supplies and materials used centralized purchasing to support their network of branches. The branches regularly ran out of stock, causing losses of 10 to 20% of total sales. In addition to solving the stock shortage problem, company management wanted to improve customer service, revenue, inventory turns, profitability, and cash flow.

Solutions:

We launched a comprehensive change management effort including better sales forecasting, use of a distribution center, and improved materials management throughout the interstate network of branches. Specific

product ramp-up and ramp-down methodologies for new products helped establish proper inventory levels.

A new team-oriented structure established clearly defined roles, responsibilities and accountabilities throughout the purchasing and operations areas and allowed for partnerships between the branches and central offices.

Results:

The company is meeting or exceeded their goals, and things are still improving.

- Increase revenue by 5 to 10%
- Improve inventory turns from 2.8 to 10
- Improve gross profit margin by 10%
- Reduce obsolete inventory by 75%