

The Channel of Choice

Distribution: Serving the needs of suppliers and customers at the lowest cost

By Tim Underhill

Distribution's role in the supply chain

Distributors service both sides of the supply chain. For the manufacturer they act as an extension of the sales function and an integral part of the manufacturers' logistical operations, thus allowing the manufacturer to store inventory in numerous locations. This local inventory benefits customers too. By involving more than one manufacturer—and in some cases involving thousands—distributors minimize inventory carried by the customer, minimize the number of transactions that the customer needs to make and helps keep the purchase cost of products to a minimum. Distributors do all of this while working to minimize the total amount of inventory in the channel at any given time.

By using a distributor's regional and local warehouses, a manufacturer can ship products in bulk to locations where the bulk products can be broken into smaller increments and delivered to a number of different customers. This reduces the manufacturer's freight and processing costs. It also allows storage and sales costs to be spread out among many manufacturers, thus lowering the cost of doing business.

Beyond the cost savings from the key role they play in the channel, many distributors provide additional benefits to their customers—from purchasing and accounting to warehouse operations—in the following three ways:

The support channel. Wholesale distribution offers customers fast, reliable service and unmatched support.

The performance channel. With local support and inventory, distributors keep costs low.

The value channel. Through innovative services and products, distributors are finding ways to improve their customers' bottom line.

The support channel

Distributors offer a wide range of services to support their customers, making this the channel of choice. Here's how:

Objective fulfillment. This is perhaps the most important support that distributors provide their customers. Beyond products, distributors understand their customers' operations, needs and goals. This knowledge allows distributors to identify services that can help facilitate crucial functions throughout the supply chain.

Flexibility. Distributors offer many ways to process orders, meet delivery dates and help their customers succeed. From e-commerce to technical support, they are finding ways to help customers accomplish their goals and reduce their total cost of doing business.

Local service. Around the corner and around the nation, distributors stand ready to meet their customers' needs. No other supply channel provides such a wide range of products combined with local storage and support.

Responsiveness. Wholesale-distributors' are focused on sourcing and supplying products to their customers. This focused approach ensures that distributors can find what their customers want and deliver it in almost any situation.

Ease of use. Inside and outside sales professionals representing many diverse products make communicating and working with distributors fast, easy and convenient.

The performance channel

Local inventory. This means distributors can deliver products to the customer's point of use quickly and with high accuracy. This allows the customer to keep inventory to a minimum while eliminating the potential risk of a disruption in production or lost sales.

Product breadth and depth. To meet the diverse needs of all of their customers, distributors stock a wide range of products in enough quantities to satisfy ever-changing demand.

Short leadtimes. Regional and local warehouses located near customers means leadtimes in many cases can be measured in hours, not days. This allows the customer to keep inventory to a minimum. Local warehouses can also be utilized quickly when a stock-out does occur and for just-in-time delivery programs.

Timely delivery: Many distributors utilize multiple means to deliver product, from their own vehicles and local transit companies to national transportation services. This enables them to deliver their products when promised.

Problem resolution: When problems do occur, distributors are there to help. Their local presence ensures that customers get the attention they need to solve problems.

Quality: In terms of both service and products, distributors excel in quality. Their business revolves around getting the right product to the right place at the right time...*every time for every customer.*

The value channel

No other channel offers customers such a wide range of options to reduce cost and improve profit.

Annual spend: Distributors can favorably impact not only the spend on the products they sell, but also energy costs, service fees and freight.

Inventory. One of the most obvious costs of doing business other than direct spending is the cost of owning inventory. Many distributors offer their customers a wide range of options to reduce inventory, including just-in-time delivery, vendor-managed inventory, standardization, material staging and point-of-use stocking programs.

Revenue. Reduced downtime, improved production rates and reduced rejects are just a few of the successes distributors have been able to help their customers achieve. These results have allowed customers to produce more salable products and services at low overall cost.

Asset optimization. Assets, such as equipment and plants, involve large capital investments that can be reduced through early involvement, preventive maintenance, web-based asset management and a host of other services and products provided by distributors.

Processes. From ordering to receiving and invoicing to stocking, distributors are helping to reduce the costs of many administrative tasks. They are also helping with maintenance, engineering and design.

Safety: Some distributors can help customers identify ways to improve working conditions at the customer's location through the products and services they provide. This has great impact on the health and welfare of the customer's personnel as well as huge implications for cutting operating costs.

By working with distributors, customers and manufacturers are improving their profits and achieving competitive advantage in the marketplace.

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