

Best Practices: How Some Distributors Do Better Than Others



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While the economy is improving, continued pressures from volume challenges, pricing resistance, and volatility of fuel costs have limited operating performance of distributors. There are steps that thoughtful owners and managers can take to enhance the value of their businesses and protect your most important personal, and sometimes family, asset. A small number of companies exhibit all of the practices shown below; however, adopting even a few will help improve performance and build a sustainable business for the future.

Clarity of Goals

- › Written company goals that are clear and achievable
- › Managers who have the authority to make decisions based on an approved plan
- › Individual performance targets are written and measured
- › Results are communicated in a regular and timely fashion

Emphasis on Developing People

- › Shareholder and management team goals are aligned
- › Roles and responsibilities of all owners and managers are clear
- › A leadership depth chart is developed and updated at least annually
- › Ownership transition planning is discussed and there is a plan in place
- › Ongoing training is a meaningful element of the company's culture

Comprehensive Market Strategy

- › Customer segments are proactively chosen to align with company strengths and goals
- › Products, vendors and marketing programs support those segments
- › Profitability by customer is monitored closely.
- › Delivery area is closely defined and managed in conjunction with customer profitability.
- › Vendor relations are stable and effective; mutual win-win opportunities are proactively sought

Clear and Constant Communications

- › Management team meetings are regularly scheduled and well attended - particularly by owners and senior managers
- › Clear feedback systems are in place for executive, managerial and employee performance
- › Vendor performance is tracked and regularly communicated internally and externally
- › Customer issues (good and bad) are monitored and addressed in real time
- › Owner-managers and executives are visible and accessible

Bridges to Capital

- › Healthy and open banking relationships
- › Performance and financing requirements discussed at least semi-annually
- › Rolling 12 month financial forecasts form the basis for cash flow management
- › Never surprise your lender

Accurate and Timely Reporting Systems

- › Financial reporting is timely, consistent and accurate; areas of concern are spotted before they become problems
- › Management is constantly "on top of" customer A/R risks
- › Inventory levels are constantly evaluated and risks avoided
- › Operational statistics are focused on key metrics for day and night crews
- › Transportation statistics, measuring both equipment and drivers, identify areas for improvement
- › Case based /cube based metrics are a part of the regular management discussions

Prudent Use of Outside Resources

- › A functioning Board of Directors, or an Advisory Board, meets several times each year.
- › The board has a majority of "outsiders" - usually proven executives or local professionals
- › Regular participation in key industry groups
- › Participation in an industry peer group of successful non-competing distributors to share ideas

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This is a long list and may appear daunting at first glance. But do not be alarmed! Very few companies have worked their way through the entire list. Commit to getting started on the ones you have not yet mastered and consider these items when making your decision:

- › Explain your intent to senior executives and include them in the selection process.
- › Balance between near term and longer term initiatives.
- › Consider what existing resources (personnel, systems, financial, etc.) are available to help.
- › Set priorities - if you can select only one or two, think “triage” and choose ones that can improve the company’s health in the shortest timeframe.
- › Do not be afraid to bring in outside resources to help in the prioritization, planning, or execution.

This article is adapted to reflect the distribution sector as a whole from our subsidiary that focuses on Foodservice Distribution Finance, Keiter Stephens Advisors.

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