

Profit Improvement Solutions for Distributors



Operating with Low Margins Requires Tough Financial Scrutiny

Distributors must operate a tight business. Maintaining low operating margins leaves very little room for financial error. Because distribution is such a complex business, managing profit and loss presents some particular challenges. To truly understand their profitability, distributors need a sophisticated system that accounts for the numerous indirect business costs. For example, how does the cost of value-added services like freight, 3rd party warehousing, EDI, and special packaging/labeling impact profits? The system should clearly show what inefficiencies in the supply chain are affecting profits, and if the products are actually making a profit. Distributors need to know if they are bidding accurately, and if the fees that they charge for "processing" actually cover their costs.

In short, distributors need better systems for understanding and managing the components that make their business profitable. Through a unique consulting methodology and advanced business analysis software, here is how just a few distributors used the Acorn Systems solution to improve profitability.

Distributors leverage Acorn Systems for:

- Measuring & Improving Profitability
 - Product & SKU
 - Customer
 - Channel
 - Vendor
 - Transaction / Line Item / Order
- Cost Allocation & ABC/M
- Supply Chain Optimization
- Price Management

Case in Point: **Customer & Product Profitability, Cost Allocation**

Food Distributor Increases Profitability over 40%

Banta Foods wanted a solution that could give in-depth data on all financial aspects of the organization. They wanted to understand how their data should be working to improve profitability. Within weeks, Banta began running “what-if” profitability scenarios that accurately projected the cost and profits of proposed business before a deal is signed. When Acorn and Banta reviewed the net profitability of their customers, they found they were actually losing money on some top clients. Banta was able to refocus on the most profitable customers and base sales’ bonuses, in part, on net operating profit. To ensure that customer orders were profitable, Acorn set a gross profit and revenue minimum, per order, based on that customer’s break-even point. The Acorn software also uncovered the high cost of processing customer rebates for vendors. So, Banta was able to renegotiate with vendors to recover these costs. These actions have increased Banta’s annual profits by 43%.

Case in Point: **Product Profitability, Cost Allocation**

Wholesaler organizes operations to maximize profit

When management execs at J&B Wholesale, a food distribution company, wanted to know what it would cost to add a new product line, some new trucks, or a new customer, they couldn’t pinpoint the cost of doing business. Faced with decisions like eliminating product lines or enforcing minimum order sizes, they weren’t able to give fact-based answers. Acorn Systems worked with J&B to create a common sense approach to profit optimization. They implemented a system to evaluate and analyze the profitability of every area of operations - from customers and suppliers, to products, market segments and remote offices and staff. By arming themselves with better information, J&B was able to successfully analyze new business relationships, negotiate better deals, and pinpoint areas that needed further attention.

Case in Point: **Services, Operations & Order Profitability**

Acorn helps steel services firm to restructure value added services

McNeilus Steel delivers over one million pounds of steel a day with a fleet of 50+ trucks. After two weeks, McNeilus saw results. Acorn showed them why they were losing money in the service side of the business, and helped McNeilus restructure their inventory system - ranking items as money makers or sleepers. They also worked on improving order profitability. When single custom orders come in, they wait to fill the palette before delivering. They sped up order processing by organizing the materials and stacking on palettes, making nesting a priority. This also resulted in less scrap and optimal yield from materials. By examining customer services, they improved efficiency in loading orders, processing inventory, and maximizing customer service value.

Acorn Systems’ Enterprise Performance Suite (EPS)

Acorn Systems makes sustained profit improvement possible. By combining a unique consulting methodology with advanced business analysis software, Acorn Systems delivers powerful tools for companies to measure and identify key areas for profit improvement.

Contact Acorn Systems to learn more about improving your company’s profitability.

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