



How Building Materials and Industrial Equipment Suppliers Can Survive The Current Economic Challenges

This guide addresses some practical steps that Building Materials and Industrial Equipment Suppliers can take to survive the current challenging economic environment and better position their businesses for an upturn

WE'RE FACING A VERY CHALLENGING ECONOMIC ENVIRONMENT

TODAY'S ECONOMIC CHALLENGES

Most distributors of building materials are struggling. The global Supply Chain is broken, and distributors cannot get the products they need. What's more, the lockdowns in Shanghai and other parts of China mean that there is likely no Supply Chain relief coming soon. The current out-of-control inflation and the lack of effective public policy steps being taken to curb it, mean that prices are going to continue to rise fast. And, because your customers are also struggling, only some of these price increases can be passed along without losing your hard-to-come-by customers. On top of this, because of the Coronavirus pandemic, lockdowns and government handouts, most distributors are having a hard time finding good employees.

Unfortunately, most experts expect that things will get worse before they get better. Many industry watchers are predicting an industry shake-out with many distributors either going out of business or being acquired.

What steps should you take now to ensure your business survives?

THERE IS A COMPREHENSIVE APPROACH TO IMPROVING YOUR BUSINESS

WHAT YOU CAN DO

With all the seemingly insurmountable challenges, you can focus on the things that you can control. Your objective should be to improve the efficiency and effectiveness of your sales and operations and take cost out of the business. Change is always hard, and this works best if you approach this systematically as follows:

- Evaluate. First identify where changes can be made that will make the biggest difference to your business.
- Get the Right Tools. Then get the tools to effect these changes such as software or systems that will support the initiatives you want to take.
- Implement. Lastly implement these changes. Often this takes not only a change in your processes and systems but also a change in mindset.

If you can do these things, you will best position your business to weather the current conditions and you will also give yourself a competitive advantage when conditions improve.

SOME STEPS YOU CAN TAKE NOW TO WEATHER THE STORM

Diagnose Problem Areas

Carefully evaluate your business to understand what is working and what could be improved. This is harder than it sounds. One possible approach is as follows:

- Business Intelligence. To diagnose problem areas, start with getting access to business intelligence tools. Most of the time you don't know where the problems are until you can follow a train of thought to cut and recut your data. This iterative exercise, where looking at your data in different ways creates one insight which then leads to another, can be extremely powerful.
- Plan. Create a clear roadmap of where to focus, a prioritization of areas of focus and a budget. This will help you make changes and maximize the effectiveness of your changes.

SOME STEPS YOU CAN TAKE NOW TO WEATHER THE STORM

Diversify Suppliers

You cannot unentangle the Supply Chain by yourself, but you can diversify your supplier base. These are some of the steps you can take:

- Add Suppliers. You can take steps to seek out and qualify new suppliers.
- Send RFQs. Where you used to rely on one or two go-to suppliers only, you can routinely send RFQs (Requests for Quotations) to multiple suppliers. This will help you build relationships with a wider group of suppliers.
- RFQ Automation. Many distributors are spending huge amounts of time trying to find and negotiate pricing on products. Automated RFQ processes targeting multiple vendors, will get you better results and save you time. With RFQs, you will get information not only pricing and terms but also on availability, which may be as (or more) important to your customer than pricing.

SOME STEPS YOU CAN TAKE NOW TO WEATHER THE STORM

Understand and Cut Costs

You cannot get inflation under control by yourself, but you can take steps to better track and reduce your costs. For example, these are some areas to explore:

- Landed Costs. You can make sure you are correctly capturing all the multiple Landed Costs associated with purchasing globally. If you don't have a good handle on Landed Costs, today's spiraling Supply Chain costs will quickly cripple you.
- Cut Safety Stock, More Frequent POs. You can implement tighter inventory management to lighten up safety stock levels and rethink review times and cycle times to increase inventory turns.
- Multiple UOMs. You can evaluate whether multiple Units of Measure (UOMs) for products you carry can help you cut down on repackaging costs.
- Drop-Ships and Cross-Docking. You can also explore doing more special orders, which match sales orders and purchase orders to facilitate drop-shipping and cross docking. These will help reduce the levels of the inventory you're carrying and free up capital.
- Multi-Carrier Shipping. You can and should explore how to save on shipping costs through multi-carrier solutions that allow rate shopping and other carrier options.

SOME STEPS YOU CAN TAKE NOW TO WEATHER THE STORM

Reduce Headcount

You cannot solve the labor shortages in the economy, but you can take steps to run leaner and do more with fewer employees. These are some areas to look at:

- Implement WMS. Your warehouse operations that are probably your most labor-intensive processes, can be streamlined. With handheld wireless scanners and a good warehouse management system (WMS) you can pick, pack, ship, receive POs, and do physical inventory counts with less headcount and fewer errors too. Because WMS guides a picker through the warehouse and scans products, you need less training of your people – they won't need to know all the warehouse locations or all the products you stock.
- Move to Cloud. Also, if you haven't switched to the Cloud, you should. This will enable you to allow your employees work remotely and you will find it much easier to recruit the right person for your needs. You will also need far fewer IT personnel and as an added benefit, get better security and performance at the same time.

SOME STEPS YOU CAN TAKE NOW TO WEATHER THE STORM

Implement eCommerce

The pandemic forced many businesses to work remotely, and deal with the imposition of broad lockdowns. As a result, many customers started buying online. You probably cannot change this, but you can implement eCommerce:

- Self-Service Portal. You can roll-out a self-service portal where customers can place their own orders, track their orders, see their statements and pay invoices. In addition to making your customers happier, this will also reduce your costs and headcount.
- Online Stores. You can also set up online stores on several eCommerce platforms and link these to your ERP database. Customers have already made the switch to buying online – you just need to keep up with them.

CONTACT US TO LEARN MORE ABOUT ACCOLENT ERP FOR BUILDING MATERIALS AND INDUSTRIAL EQUIPMENT SUPPLIERS

Contact Us

As bad as the situation is, there are many things that you can do now to survive and to better position your business. When these difficult conditions abate, your business will be in a much stronger position as a result. Accolent ERP software runs in the AWS public Cloud and can help you with all of these initiatives. Whether you want to move forward with RFQs, or track Landed Costs, or automatically update/assess your reordering, or implement drop-shipping and cross-docking, or multi-carrier shipping, or WMS or eCommerce, we have you covered.

Contact us today.



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Accolent ERP is optimized to serve the needs of building materials suppliers. Contact us for a quote or to schedule a demo.

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