



“What Do You Know?”

Last month, I had the opportunity to help a client take a good hard look at exactly how their customers order. Using readily-available data from their freight system, we analyzed every customer's orders over time, and classified every order by total weight, as well as Deliveries vs. CPU's.

For each and every customer, we were able to see both the order frequency and the range of order sizes over the course of the year. And we grouped every customer into a “bucket” based on how they ordered.

As a result, we identified those customers who ALWAYS ordered in small quantities, vs. those who SOMETIMES order in small quantities. And we put the spotlight on those customers who for whatever reason were getting away with a lot of less-than-minimum orders. Finally, we could see which customers consistently ordered in larger quantities, rarely or never dipping below 10,000 lb.

All of this information is helping the manufacturer make smart decisions about how best to serve their customers.

What's the point? There are two:

1. We are entering a new era of sophistication, as savvy manufacturers and wholesalers begin to consider the best ways to segment the market.

Wholesalers initially were viewed as the way to serve “small distributors.” Then it became clear that redistribution made sense for “small orders,” regardless of the overall volume purchased by the distributor.

Today I see manufacturers and wholesalers considering not only order size and frequency, but product mix as well. It may make sense in the future to offer high-volume items directly in full pallet quantities only, and to source all slow-movers and case-pick items via redistribution. This approach would throw the customer size AND order size questions out the window, but could help further optimize your supply chain.

2. There is a ton of data floating around your company's freight system which never sees the light of day in the Marketing and Sales departments. As a result, most Marketing and Sales people don't know much about order size, order frequency, number of line items, and the like. But this data tells a story about how your customers' order behavior drives your costs, and how it should drive your order policies, pricing decisions and redistribution strategy.

So if you're looking for a new way to squeeze a few more profit dollars out of your existing business, the answer may lie right at your fingertips, in your freight data. It ain't sexy, but it works!

Dave DeWalt is President of Franklin Foodservice Solutions. His company works with manufacturers in the foodservice and jan-san channels to improve profitability by tightening the links between Supply Chain Realities and Sales and Marketing Decisions.

For much more on Price Structure, Redistribution Strategy, Product Line Optimization, and other services, please visit www.franklin-foodservice.com