

M A R K E T P L A C E

Technology offers opportunities in a competitive climate

by Joanne Friedrich

The road to distribution efficiency is being paved with a host of hardware and software solutions' all geared toward streamlining operations, gaining the competitive edge and, of course, serving the bottom line.

One area that continues to be the focus is the internet. With the cost of on-line services coming down and processing speed rising, it makes sense to move some day-to-day functions into a 24/7 environment.



" A lot of distributors are pushing technology to the web," notes Todd Michaud, president of Integrated Distribution Solutions (IDS). Whether it's basic order management or some-thing more advanced, such as receiving analysis reports on store movement or tracking proof of delivery, Michaud says the possibilities are vast. "

One of the most exciting things is leveraging the

He says companies can be perceived as behind-the-times if they are still working with hand-written invoices. Yet, some smaller distributors may be wary of the software or so burdened by existing paperwork they can't see their way out.

Making the technology easy to understand and deploy is key to achieving the necessary results. "The good news today is that we've refined the method of delivery," says Fisher, " so anyone can handle installation of a system." While it does take planning and spending on the end users part, he says, return on investment can be seen quickly, often within the first three months of use.

Whether it's the companies with which they work, such as Hershey, or the government, which is looking to track food "from source to consumption," Jim Sams, business development manager for Creative Data Research, says the need to automate " is looming out there."

Both manufacturers and distributors are looking for software that lets them exchange data, says Sams. "We see a lot of manufacturer reporting," he says. "They want the info they find of value." In some cases, he explains, that means having sales of their products reported back to them, as well as ensuring distributors aren't sitting on too much inventory.

Sams says while large distributors are likely candidates for automation, he is also seeing a second-generation among smaller distributors eyeing these products to remain competitive- and for practical reasons as well. "If they are in our industry, they have to do manufacturing reporting. It's a driving force for them."

web," he says.

A more customer service-oriented internet portal is how Elery LeBlanc, president and chief executive officer of Turning Point Systems, sees the future.

"Things that the customer service department would previously provide," he says, such as data on order status or product information, can be accessed online. No longer are customers limited to regular business hours - the internet is open around the clock. "I think there's a value in having a customer portal," LeBlanc says.

Doug Levin, executive vice president at Prophet 21, agreed the web offers new solutions. "One of the things we've developed that distributors should look at is using the internet to streamline the interface between the distributor and the customer by tying in the backend operations," he says.

For example, Levin says, a customer can key in an order and have it flow, via a web-based connection, to the distributor. Purchase orders and invoices can also be sent electronically, as can payments.

While most companies that Prophet 21 deals with are automated, Levin, whose company isn't currently involved in convenience store-related distribution, points out their systems may be outdated. "It's something we battle with everyday," he says.

He says as companies and systems move forward, there will be a need for and focus on open architecture, which allows seamless communication among different vendor products, rather than a reliance on proprietary technology. "That's the way the world is going," he adds.

Sales force automation and the use of analytical tools to further the sales-supplier relationship is another driver in the race to develop new distribution technology.

Michaud says sales representatives are able to take on a more consulting role, based on the breadth of data they are able to gather and interpret.

The information can be used, he says, to better merchandise stores and align products properly.

Without the proper software in place, he says, it's hard to identify what products and customers are profitable. "That's the value of having software."

Within the distribution warehouse itself, the buzz has focused on the growing use of RF, whether for tracking products via tags or radio frequency (RF) technology used in voice picking. "It's at a point where they bring it up more frequently than last year," says Turning Point's LeBlanc. "They want to use it (RF) to improve efficiency of the warehouse."

Most observers agreed that the RFID scenario being used by large retailers such as Wal-Mart will take a while to catch on at the c-store distribution level.

Cost alone will put it out of reach for many companies, says Rick Kallop, Lexmark's industry consultant for the manufacturing and distribution industry. "The cost of the (RFID) tags is coming down," he says, "but it's still costly. So it will be a slow progression for the smaller distributor."

Michaud says tobacco companies and distributors will be earlier adopters of RFID on the case and pallet level, with some deployment likely as early as 2005.

"The implications are very positive," he says. "With RFID, you know where the product is." Larger chain stores and major suppliers will be the proving ground for RFID, says LeBlanc. "That is where some of this technology is being tested and funded." But, he says, for those distributors looking at this area, getting a start in RF now will lay the groundwork for the RFID requirements of the future.

He says some distributors are looking at changing technology with RF-based receiving and confirmation. "You can't be doing RFID without basic RF," LeBlanc says.

Meanwhile, Kallop says, distributors continue to look for ways to cut costs and improve their productivity. One such way, he says, is through improved forms and labels, driven by new printing technology. Combination forms that put together the shipping label with the picking information means just one document has to travel with an item through its packing and

In addition, he says, supplier relationship management can result in capturing more vendor income dollars, which is critical in a time when distributors don't make enough on the margins themselves.

"Distributors are moving into advanced purchasing technology," says Michaud, using forecasting to determine what to buy and when. "It's important to optimize how they spend their inventory dollars."

Solid Innovation's Chief Executive Officer Craig Fisher says automating the sales force is necessary in a highly competitive environment. "We're seeing additional competition in distribution and so distributors are changing their business model," Fisher says. "Today we see control of inventory and a unified pricing model; we see distributors who know their customers and their buying habits."

shipping stage, saving money and reducing errors, he says.

Digital scanning is another way operations are reducing the number of forms handled by drivers, shipping clerks and customers. A single form can be signed and then scanned, with the data being sent to the appropriate areas such as accounts receivable or storage, as well as posted on line.

"People have pretty well upgraded their facilities," Kallop says, "now they're looking to technology."

Joanne Friedrich is a food industry writer based in Portland, ME.