

CHANNEL WATCH BY BETHANY SULLIVAN

# Distribution's defining moment

It's time to view information as a strategic asset that's as valuable as inventory—and make data synchronization a priority for every distributor and manufacturer in the electrical distribution industry.

**T**he efficient flow of inventory and information is the lifeblood of electrical distribution. And while a good deal of attention is focused on inventory because it is tangible—it can be seen, felt, and touched—very little attention is currently directed to the quality of the information distributors and manufacturers exchange on a day-to-day basis. It's time for channel partners to view information as a strategic asset that's as valuable as inventory. In doing so, data synchronization must become a priority for every distributor and manufacturer in the electrical distribution industry.

Similar to the elusive "White Collar Productivity," the cost of low-quality information—i.e., unsynchronized data—is hard to quantify and measure. But just because something is hard to measure doesn't mean that costs aren't being incurred. Unsynchronized data—inaccurate, missing, or erroneous information—is robbing the industry of much-needed profits.

According to a 2002 study conducted by the Industry Data Exchange Association (IDEA), a joint venture of NAED and NEMA, unsynchronized pricing and product data costs the average distributor .75% of sales and the average manufacturer 1% of sales. That results in an estimate for the cost of "bad" data of more than \$260,000 for the typical electrical distributor (based on the 2005 *PAR* sales of \$36,897,561 for the typical distributor).

Today the cost of unsynchronized data is a penalty paid by both distributors and manufacturers for ineffective business practices. Tomorrow the cost of unsynchronized data may be survival of the channel. Yet instead of dealing with the root cause—unsynchronized data—both distributors and manufacturers task a cadre of employees throughout their organizations with the unproductive (and often redundant) chore of dealing with inconsistent and erroneous information daily on a case-by-case basis. In an era when efficiency is more important than ever, think about all the wasted manpower devoted to handling receiving errors and returns, as well as processing debits, credits, and bill backs due to errors resulting from unsynchronized data.

Yes, the ramifications of unsynchronized data are insidious to the industry and are ingrained in every facet of a distributor's and manufacturer's business. For example, unsynchronized data diverts both manufacturer and distributor sales personnel's time and attention from value-added selling activities to the administration of complaints and disputes—impacting sales growth.

It results in pricing errors, shipping errors, invoice errors, and increased returns that consume time that distributors' purchasing departments could better spend analyzing customer behavior and purchasing patterns to optimize

**Data synchronization:  
The process of aligning and  
continuously exchanging  
standardized product and  
pricing information electronically  
between trading partners to  
prevent errors, eliminate  
discrepancies, streamline  
processes, and eradicate the  
need to manually rekey  
data updates.**



***The benefits of data synchronization include better service to customers and reduced non-value-add labor dollars.***

purchases and inventory levels. Likewise, unsynchronized data transforms both distributor and manufacturer customer service representatives into data entry personnel, correcting individual data issues rather than expediting orders and providing proactive customer care.

Unsynchronized data also turns IT departments into detectives, tracing errors through the system, often requiring individual updates to product master files, rather than developing streamlined methods of electronic communications that add value to customers. And there's more work for manufacturers' logistics departments and distributors' receiving departments too.

Unsynchronized data not only slows the shipment and receipt of goods, but also results in unproductive time searching for the correct information, increased returns, longer lead times for distributors and customers, lower fill rates, and perhaps even the expense of premium transportation to make a promised delivery. Even accounting doesn't escape the consequences of unsynchronized data—more disputes must be resolved, more invoice errors corrected, and more deductions reconciled.

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**NewsBriefs**

**US Electrical Services (USESI)**, Chester, Pa., announced its intent to acquire **Wiedenbach-Brown**, an electrical and lighting distributor founded in 1913 with headquarters in Westchester County, N.Y. The acquired company has locations in New York state, as well as a national footprint with operations in Boston; Columbus, Ohio; Kansas City, Kan.; Los Angeles; and Seattle.



The National Center for Employee Ownership ranked **Border States Electric (BSE)**, Fargo, N.D., as 89th on its list of the largest 100 employee-owned companies in the United States. BSE has more than 1,000 employees working in 43 branches in 11 states and Mexico.



**Stuart C. Irby Company**, a unit of Sonepar USA, acquired **Rigby Electric Supply**, Rocky Mount, N.C. The acquired company serves utilities in a five-state region.



In mid-June, a pickup truck crashed into the showroom of **Vinson Electrical Supply** in Russellville, Ark., according to the *Russellville Courier*. A passenger reportedly received serious injuries, but no Vinson employees or customers were hurt.



In June, the *Sun Herald* of Southern Mississippi reported that **Lyons Electrical Supply** of Dayton, Ohio, sent more than \$200,000 worth of lighting fixtures to the Office of Long Term Recovery (Catholic Diocese of Biloxi) in a 28' trailer to help the area recover from Hurricane Katrina.



In Schiller Park, Ill., **Schneider Electric's** switchboard plant won a safety award from OSHA and the Illinois Safety Council.



**Tenaris SA** in Luxembourg has committed to pay \$3.19 billion for Maverick Tube Corporation.

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**A competitive edge**

The electrical distribution industry has a lead in data synchronization over retailers that are still struggling to gain consensus on industry-wide data formatting standards. As a result of the countless hours volunteered by the many members of the IDEA Standards Committee, the electrical distribution industry has data formatting standards in place for many of the most common business transactions in EDI and flat file formats. (Visit [www.idea-esolutions.com/info\\_support/kb\\_idx.php3](http://www.idea-esolutions.com/info_support/kb_idx.php3) to view the fruits of the IDEA Standards Committee's labors.) Now it's time to put those standards into use across the electrical industry.

Data synchronization is by no means an easy task, and both distributors and manufacturers have an equal role to play in realizing this channel efficiency. To successfully synchronize data, the product and pricing data in thousands of master files must be matched and cleaned

up—a tedious and time-consuming process that may temporarily require extra help. But the increased supply chain efficiencies are well worth the effort—less time spent correcting errors resulting from inaccurate data. In addition, manufacturers are able to prepare and communicate information in one format on a real-time basis when new products are added or pricing and product information is changed or updated.

Distributors can automatically download information from all manufacturers in one format in a real-time basis so their business systems always contain the most up-to-date information. And once updated, distributors can rely on their business systems for accurate price and product information, rather than calling manufacturers for up-to-date pricing every time a customer requests a quotation. ■ ■ ■

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**Quantifying the cost of "bad" data**

To estimate the cost of "bad" data to your business, informally gather the following information from your coworkers. Then ask the controller to put a dollar value on the time based on your company's actual costs for labor and overhead. The answer is the amount of profits your company is losing by not synchronizing data with channel partners.

- \_\_\_% Outside sales personnel time spent resolving data-related errors that would go away if product and pricing information was always complete and up to date
  - \_\_\_% Inside sales personnel time spent resolving data-related errors that would go away if product and pricing information was always complete and up to date
  - \_\_\_% Customer service representative time spent resolving data-related errors that would go away if product and pricing information was always complete and up to date
  - \_\_\_% Purchasing department time spent resolving data-related errors and returns that would go away if product and pricing information was always complete and up to date
  - \_\_\_% Logistics/receiving department time spent resolving data-related errors and returns that would go away if product and pricing information was always complete and up to date
  - \_\_\_% Accounting department time spent resolving discrepancies and handling invoices and deductions that would go away if product and pricing information was always complete and up to date
  - \_\_\_% Information technology department time spent resolving data-related errors that would go away if data was synchronized
- \$\_\_\_\_\_ Cost of unsynchronized data to my company