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Business Practices for Building Material Suppliers to Meet Today's Top 3 Issues



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Suppliers of building materials are caught in the middle – trying to make a profit in a highly competitive market while facing ever more stringent demands for quick delivery of a wide range of products to demanding specifications on time, every time. It can be summarized this way: high levels of customer service and high availability of products in a price-sensitive market. How can a company thrive in the face of this challenge? Success comes only through exceptional management and attention to business with a strong commitment to customer service. The three top issues for building material suppliers are:

- Customer service – making it easy to do business with you and making it easy to fulfill complex requirements for complete projects
- Product Availability – to be able to supply what's needed without delay to meet complex building requirements
- Cost Control – keeping costs relatively low to remain competitive

Building material suppliers must continually focus on the twin objectives of tight management and good customer service. This is best accomplished through smart business practices supported by modern, comprehensive information systems support.

Customer Service

Building material suppliers carry a wide variety of product and characteristics (size, color, dimensions) and must handle complex requests easily and conveniently to minimize customer inconvenience and confusion. Capturing requirements with minimal fuss and delivering the right product on time are essential to securing customer loyalty and repeat business. Building material suppliers, whether manufacturers or distributors should develop the following essential capabilities to achieve success:

- Create efficient, convenient and reliable customer ordering and fulfillment processes
- Develop the ability to capture and correctly process complex product specifications
- Be able to quickly and accurately quote availability and price
- Continuously track order status and notify customer of any changes or delays
- Timely and accurate billing, accounting, and collection processes
- Coordinate many products through distribution and manufacturing to ensure on-time delivery of full orders to customers for every project
- Joint innovation with customers, designers, engineers and architects to stay ahead of trends

To build and sustain these capabilities, companies must deploy broad-based, integrated enterprise solutions to capture and manage all of the information that defines the supply chain and its ongoing activities, as described in at the top of Figure 1. Manual tracking through spreadsheets and disconnected subsystems is not sufficient to remain competitive. Integrated applications to address customer relationship management (CRM), order management with the ability to handle configuration and dimensioned products, inventory control, planning and execution, and accounts receivable with credit and collections support provide the information management backbone that enables companies to keep close track of what's going on inside and outside the company so that all resources can be coordinated for optimum results.

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Enterprise Solution Requirements for Service-Oriented, High-Availability, Low Cost Building Materials & Supply Companies
Customer relationship management (CRM) to ensure consistent terms and easy repeat business and ordering for a variety of customers
Order management capable of managing complex, dimensioned product multi-line and multi-ship-to orders seamlessly and efficiently
Inventory planning, management, and control to accurately promise customer dates and re-order effectively without undue inventory costs
Planning and execution geared to a high variety of products shipped as complex orders with precise timing
Integrated accounts receivable with credit and collections to ensure accurate and timely customer billing and strong cash flow
Demand forecasting based on input from customers, sales and customer service as well as overall industry trend data with ability to handle fast and slow movers
Production planning and management is critical for manufacturers to keep supplies flowing at the right time based on seasonal and regional needs
Distribution management and planning to ensure products move to customers efficiently and in-stock products are truly available on a rush basis
Warehouse management integrated to core enterprise planning to ensure rapid response to new orders, customer priority changes, and special project needs
Transportation management for efficient and timely customer shipments
Integrated accounting and measurement applications to ensure proper costing, pricing, and billing of dimensioned products
Fully integrated ERP, CRM, supply chain management (SCM) and supplier relationship management (SRM) to ensure cost-efficient operations with accurate and timely activities throughout

Product Availability

Builders and contractors rely on material suppliers to deliver complete and correct orders on-time in order to be able to fulfill their schedules and not waste time and resources. Maintaining the right inventory and having efficient, responsive supply chains are critically important for the material supplier to be able to meet these expectations.

Essential capabilities include:

- Maintaining sufficient inventory of the most popular items in the most requested sizes to fulfill common requests quickly
- Having fast, reliable suppliers and manufacturing processes for items not stocked, and for timely replenishment
- Engaging responsive and efficient suppliers for raw materials, components, services, and transportation
- Building efficient warehousing and distribution capabilities
- Coordinating many line items and specifications in a single order to meet building project schedules

Information system applications that support this objective include forecasting, inventory planning and management, production planning and management (for manufacturers), distribution planning and management, warehouse management, as well as order and customer relationship management. These are shown in the middle section of Figure 1.

Figure 1: Building materials and supply companies must have integrated enterprise systems to support them in the essential business practices for success in today's competitive market.

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Cost Control

Customers can choose from a number of suppliers for their building materials. A competitive pricing structure is the price of admission to be able to compete for their business. Competitive pricing opens the door for exceptional customer service and availability to secure long-term customer relationships for repeat business and long-term success. Keeping costs low is vital to generating a profit in a competitive environment.

The following essential capabilities support this objective:

- Efficient manufacturing, warehousing, and distribution processes
- Trustworthy and efficient suppliers
- Tight management controls on processes within and between major operational areas
- Quality processes and continuous improvement initiatives
- Cost analysis and management

It all comes down to keeping a close eye on the business, and using information as a tool to identify areas for improvement and good practices that can be replicated in other areas of the business. Applications that are critical to cost control include planning and inventory management, distribution and transportation management, and integrated accounting, reporting and measurement applications as part of a fully integrated, wall-to-wall, comprehensive information system infrastructure. Some of these characteristics are shown at the bottom of Figure 1.

Building for the Future

Building material suppliers operate in a very challenging environment – highly competitive and demanding. To succeed today, companies must master all aspects of their operations while remaining ever alert to nuances of customer needs and demands. Product must arrive at the job site on-time, complete, and according to specifications. Builders are seriously impacted by delays and mistakes so suppliers must prove themselves each and every time they deliver.

Those suppliers that harness information and exploit it to the fullest have a distinct advantage over their competitors. They can anticipate demand and prepare for it to avoid causing disruption or customer disappointment. Harnessing technology can make the customer experience easy and effective. By making business transactions a pleasant experience, leading suppliers can establish strong customer loyalty that will sustain the business into the future.

About Industry Directions

Industry Directions is an independent market research firm that delivers expertise on business processes and IT solutions. Its expertise enables companies to optimize their participation in manufacturing-supported value networks and gain strategic advantage. To learn more, visit: www.industrydirections.com.



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