

How to stock the right inventory

BY PHIL SASSO, CONTRIBUTING EDITOR



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Q I've been a tool guy for several years. When it comes to inventory, I still sometimes struggle. I have some stuff that sells out too quick and other stuff that gathers dust. Any advice on managing inventory?

A You're better off with an empty shelf than a shelf full of items that won't sell. Who wants to tie up money in slow-moving inventory?

This is one reason it's a good idea to develop tight relationships with one or two customer service representatives (CSRs) at your flag and warehouse distributor. Those people can be key to your success in selecting the right products and the right number of products. Don't think of the CSRs as just order takers.

Build rapport with them. As they get to know you and your buying patterns, they can also offer advice and help you sort through their lines.

"When you look at 500 manufacturers, it can be overwhelming. But that's why our sales team members are there to help," says Scott Pilkenton, national sales manager for Integrated Supply Net-

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work Inc. (ISN). "They can tell you what's hot and point out what's just arrived," Pilkenton says. "If we get in something today, it will be on our website by 12 a.m. tomorrow."

Your CSR can tell you what is selling well nationwide and in your particular area and can help you gauge what to buy and how much. The good CSR is there to help you increase your turns, not just

stock your shelves. The more you sell, the more they sell. It's a win-win.

"What we don't want to do is over-stock somebody," explains Pilkenton. "We know that we want them to turn their inventory, so they're keeping really fresh products. When we have other hot new products come in, we don't want their 'open to buy' to be totally obliterated. We want to make sure we're working with them to stock the correct items."

If you find yourself stuck with dust collectors, check out the return policy. It's often better to pay to ship products back than to slash prices below your cost - especially if there's no or a low restocking fee.

Q I'm a newbie franchise dealer. I'm not an independent, so is there any reason I need to sign up with a wholesale distributor? What are the advantages and disadvantages to buying out of program?

A You can't sell what you don't carry.

You need quick access to anything a customer might request. So, when your main supplier is out-of-stock or doesn't carry an item your customer wants, you need at least one alternative supplier you can depend on.

The breadth of product of a good wholesale distributor can help you fill out your inventory, fill some franchise back orders and keep you filled-in on new products.

Another benefit of working with a wholesale distributor is access to more discounts. A popular item may be on special this month with your wholesale distributor that's not in your flag's monthly promotion. So by having a good back-up supplier, you can in essence double the specials you can offer your customers.



Having a well stocked truck such as this is key to success in tool sales, providing the inventory turns.

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SALES Q & A

The obvious downside to buying outside of a franchise program is that you risk violating your franchise agreement. So be sure you read it carefully and talk to your flag district manager so you know what is and what's not acceptable.

Q What is the best way to handle special orders? How can I deal with price inquiries without wasting a lot of time? Is drop shipping a good idea?

A Special orders can be a bit of a hassle. But it can be worth a few minutes of your time to turn a special order into a stronger relationship with your customer.

Special order pricing lookup isn't the issue it once was. Your point-of-sale system should do special order price

lookups in seconds. So, you can quote a price, close the deal and collect a deposit on the spot. Some suppliers allow subscribers to text a part number and get back pricing and availability in a matter

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of seconds so a dealer knows immediately if he's placing an order or back order.

A bigger issue can sometimes be figuring out exactly what a customer wants if he or she can't give enough specifics. One dealer told me he once asked if

anyone else in the shop had the tool so he could find a part number or at least a manufacturer's name. It worked!

Lastly, drop shipping is no longer a dirty word. It was once unthinkable to drop ship a special order or out-of-inventory item directly to your customer. Now, I think it's just good business. Many suppliers ship packages without their address or prices on the packing slips.

Many suppliers can ship the same day if orders are received by mid-afternoon. If you call an order in by 3 o'clock today, it ships same day, says ISN's Pilkenton. "We service over 80 percent of the entire U.S. next day," he notes.

So in most case, your customer doesn't have to wait a week or two for you to get back to him with his new tool. This makes for happier customers. And happier customers tend to make for happier dealers. ■

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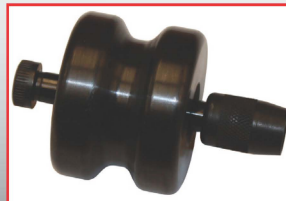


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