

MODERN DISTRIBUTION MANAGEMENT

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Single-Sourcing on a Smaller Scale

Distributor turns loss of customer into opportunity

1sourcesupplies is an alliance of distributors who want to offer single-sourcing programs to smaller customers, including inventory management, supply chain automation, streamlined billing and information analysis.

Mark Hill's cutting tool distributorship, I.M.C. Supply Co., Memphis, TN, lost its biggest customer in 1997. "The customer we lost really wanted us to have their business, but we didn't have the programs they needed," Hill says.

Instead of folding, or scrambling to make ends meet, Hill pushed forward with a plan to find a way to offer single-sourcing solutions to his customers. Since that year, his business has doubled. About 65 percent of his business is now single-source.

Hill has decided to pass on his newfound knowledge in the form of a separate business that helps smaller distributors provide single-sourcing solutions for their customers, including inventory management, supply chain automation, streamlined billing and information analysis.

1sourcesupplies sells the program and implements it for independent specialty distributors – right now in industrial MRO. "They may not have any knowledge of how to go about it," Hill says. "We offer the expertise and the support."

Nine distributors, mostly in the East, have joined so far.

"When a customer really respects a distributor and really likes working with them, they try to find more ways to give them business. But unfortunately if they don't have a single-sourcing program, then there's no way for the distributor to offer the opportunity to the customer to buy more product from them," says Cary

Rawlings, 1sourcesupplies vice president of sales and marketing.

"With our program, we're able to go in and show them a system that is simple and allows the customer to give them more business."

The program does not attempt to compete with large integrators, Hill says. Instead, 1source targets small to mid-sized distributors (\$3 million to \$20 million on average) and their smaller customers with potential total available sales per year of up to \$1.5 million. These customers are not typically approached by larger distributors for a single-sourcing contract.

"Smaller customers want vendor reduction, they want cost savings, and they want an easier, simpler way to get their product in the door without having to order it when they're out," Rawlings says. "This system offers us a way to do that for the customer."

As a result, many of the distributors who have signed on with 1sourcesupplies have broadened their product lines to include safety products or other non-technical lines. Or they can provide branded lines they are not authorized to sell to the general market but receive permission from manufacturers to sell to "specified accounts."

When a customer wants welding supplies, but the distributor specializes in cutting tools, 1sourcesupplies will combine alliance members and use one invoice.

Eventually, Hill and Rawlings want to have specialty distributors from different commodity groups work together on a larger scale to provide one solution for

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all commodities, whether in a single location or multiplant situation.

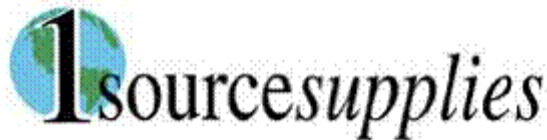
"Eventually when we get into multiplant situations, we will be able to use the distributors in different market areas where they are needed, but we aren't to that point yet," Hill says. "But that is where we are headed."

1sourcesupplies is just starting to branch out. "We've been careful about not getting ahead of ourselves," Hill says. It is looking to add distributors with "solid growth." "We're selec-

tive," Hill says. "We need solid distributors for our alliance – down the road that is going to make a difference when we get into multiplant situations."

The cost to belong is \$300 per month plus a transaction fee based on customer product usage. More information can be found at www.1sourcesupplies.com.

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