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PDA Operations Survey Insights

Overall GP%:

Majority fell in the 21-25% category, ¼ in the 26-30% range. Indicates a steady GP% over the last several years, overall wholesale distribution ranged from 20-35% depending on the commodity served.

Warehouse GP%:

There was almost sa 50-50 split in this area. 44.4% was in the 21-15%, 44.4% was in the26-30%.

Noting the above overall average in the 21-15% range this seemed an oddity that the majority would not be higher than the overall GP%.

Direct Ship GP%:

Overall very strong with the majority falling in the 21-25% range, indicating a great contributing factor to overall GP. More importantly how do we shift more business in this direction?

Percentage of Sales Dropped Shipped:

There were split numbers on this answer a third of respondents were in the 1-10% range while almost 50% were in the 21-30% range. This would indicate that those in the higher overall GP range are also in the higher range for drop shipments.

Average Sales Per Order:

The overall Weighted Average was in the $1750.00 range, assuming an overall 23% GP, this relates to $437.0 GP per order.

Product Return Percentage:

A large majority reported less than 1%. Shows a good control in the warehouse on picking and also strong inspection from suppliers on quality.

Average DSO:

The vast majority was in the 31-45 day range on receivables. This is a typical time frame for most distribution companies. Although this range keeps cash flow in a good position driving down one day has a great impact. Collection period starting on day 31 can help move that day.

Average DPO:

Most fall into the 16-30-day payment schedule while a significant amount fall into over 30 days.

The assumption is that those in the 16-30 may be taking early payment terms, given the current interest rates this would indicate that early payments are above 1.5%. As cost of money goes up, the terms for early payment may increase to drive cash flow for suppliers and this could drive more payments to the 16-30 day range.

Warehouse Inventory Turn Rate:

The weighted average is 7 turns and most distribution falls around 8 turns. Assuming a 25% GP on warehouse sales our Earn/Turn ratio (measurement of ROI on inventory) at 7 turns would be 1.75. A low acceptable E/T is 1.35 so 1.75 is better than acceptable, a strong E/T would be 2.0 to 2.25, this ratio can be affected by either turn rate or GP%.

Best scenario for our average would be to increase turns by one which would lift the ration to 2.0.

Financial Turns: (measurement of total COGS against inventory investment)

This turn rate should be higher than your physical inventory turn, taking in your total investment in COGS divided by inventory is a financial ratio that shows your ROI on your total state of business against your investment in inventory.

The weighted average for our study was 9.5, with inventory turns at 7 the expected rate of financial turn would have been between 10-12 so we are about on par.

Percentage of Custom Product in inventory:

The weighted average is 52% with a high end of 85% and a low of 10%. Custom inventory affects our turn rate, as in most cases of custom product turn is slower than normal inventory items. Finding a way to shift ownership of custom product is essential in improving the ROI on this investment. Better distribution performers are usually in the 33-40% range of custom product on the floor.

Do you charge sales for dead stock?

75% of respondents charge back sales for dead stock at some level. Different organizations have different plans of charge back which are illustrated in the survey.

Do you charge sales for past due accounts?

66% of respondents do have a charge back plan illustrated in the survey results.

Complete ship percentage by line by order:

Overall fill rate was in the 97-98% filled per line. This would indicate that the same rate would be for order. Although 98% fill rate is very good more customers are rating 100% complete on time deliveries.

Number of VMI accounts:

This was a surprising number. There were not many VMI accounts in the overall scheme. This may indicate that customer demand is tapering off or that there could be a greater opportunity for us to secure business.

CSR to Salesperson ratio:

Ratios were all good ranging from a 1:2 ratio up to 1:4, there were outliers at 1:6 and 1:10. This is a very fair ratio and should allow for very good customer satisfaction. With those ratios the next question would be. How much selling is your CSR doing on your salesperson's behalf.

Operating expense as a percentage of total revenue:

This was fairly consistent in the 20-30% range. If we can achieve some of the better numbers in this survey the impact could be quite great.