

# Metrics That Matter:

## Key Metrics for Distributors to Drive 2023 Revenue



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Throughout history, the distribution industry has looked to specific metrics to understand business performance. By tracking these metrics, organizations know how they are doing, month over month, quarter over quarter, and year over year. Metrics provide a data-driven understanding of the business areas that are doing well and the areas that need more concentrated focus to guide strategic decision-making.

But often, organizations fail to review, reevaluate, and adjust their metrics regularly; as a result, organizations can end up paying attention to the wrong metrics or things that are no longer truly meaningful. The events surrounding the COVID-19 pandemic caused dramatic shifts in the supply chain and the distribution landscape. As a result, some of the historical key performance metrics that distributors looked to in the past are no longer relevant, some are much more important, and some are even more important.

This distribution guide will discuss metrics that matter now in the following areas:

- Profit Margin
- Inventory Management
- Sales Performance
- Expense Management
- Customer Management



# 1

## Profit Margin

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Distributors deal with less pricing pressure today than in the past, although the cost-of-good prices are 50% higher. Customers expect higher prices, so there is a particular “zone of indifference.”

### What you need to start tracking:

Supplier cost increases introduce a window of opportunity for distributors to reset their pricing to achieve more significant margins. To take advantage of this pricing indifference, distributors need to change how they price inventory at the customer level more than ever before.

**Distributors who usually experience a price increase annually are now experiencing monthly price increases due to supply chain shortages.**

NOW is the time to reset your pricing and profitability to proper levels, using data to establish the right price points for every customer that will protect profit margins.



# 2

## Inventory Management

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Inventory shortages are a genuine concern. Protecting inventory for your best customers now can go a long way to create customers for life in 2023 and beyond. Distributors must keep a close eye on both inventory and pricing, as monitoring both has never been more important.

Most distributors are familiar with the Gross Margin Return on Investment (GMROI); this entails looking at sales by the cost of goods sold and the average inventory cost to determine the overall financial return on your stock. Having visibility into product line pricing and profitability performance from an inventory perspective is paramount. This will enable you to understand if you have X amount of dollars to invest in inventory, how and where you should make strategic inventory investments.

Keep in mind vendors are competing for space in your warehouse. If GMROI is less than 50 points, telling your sales team to lead with that product is unrealistic. However, this can present an opportunity to have a different type of conversation with your vendors; they can do other value-added things to help you with dead inventory.

Be sure to watch stock sales when it comes to gross margin percentages; you can't afford to sell what you have on hand at below specific percentages.



# 3

## Sales Performance

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It is vital to get the most out of every sales conversation. Even in a B2B world, your customers expect a user experience on par with every B2C customer experience they've ever had. Show up prepared to provide value with impactful information that your customers can't get anywhere else.

Self-serve capabilities provide always-on convenience, but you may need to help customers transition to digital channels. One way to understand your organization's success in this area is to track the percentage of eCommerce sales.



Finally, in the remote work environment, it's critical to have more command and control down to the individual salesperson level. The act of measuring something tends to improve it. Therefore, having analytics on sales rep performance can optimize sales and help guide management conversations around growth and performance.



# 4

## Expense Management

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### What you can stop tracking:

In the past, things such as time to backorder were key metrics to focus on, but right now, this is devastatingly irrelevant.

### What you can start tracking:

So, what is important to watch when it comes to expense management? There is so much disruption in the supply chain; therefore, you need to do everything else well to fight for every nickel. When it comes to expenses, it is important to keep track of them early and often. Expenses are like rabbits – pay close attention, or they will multiply!

What's equally important to top-line growth is the costs needed to achieve it. Tracking expenses can cut surprises on your Profit & Loss statement. Bear in mind that \$1,000 in extra costs will require \$25,000 in sales to make up for it. Or you can look at it this way, with a typical 4% gross margin profit, you will have to sell double to cover this expense.



# 5

## Customer Management

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### What you can stop tracking:

In the past, returns were one of the biggest factors in customer management. However, this is a non-issue at present.

### What you can start tracking:

**Please pay close attention to those customers that have increased their purchase volume due to supply chain issues with their primary distributor.**

It would help if you priced them appropriately, considering that they may leave after the supply chain crisis resolves itself.

Accounts Receivable (A/R) is another area that is of critical importance. However, very few ERP (Enterprise Resource Planning) systems keep track of historical A/R. For this reason, it's essential to keep an eye on collections to spot outlying behavior.





# Navigating the Metrics That Matter and the Winds of Change

Over the past two years, distributors have experienced an astronomical rate of change. In the past, sales management measured KPIs quarterly and annually.

**Today, it's necessary to stay apprised of key performance metrics on a three-month rolling window and a weekly basis to have a more granular vision of the business's happening.**

Navigating the metrics that matter during this notable change requires syncing pricing strategies with business execution systems.

Ready to get in the data-driven driver's seat? White Cup's Revenue Intelligence platform consisting of BI, CRM, and Pricing, enables distributors to make sense of their data and make business decisions that improve revenue performance. We can help you connect the dots of your data across critical business systems, reveal key insights via analysis, and provide the tools you need to take action for revenue improvement.vv



# About Us

White Cup turns a distributor's sales pains into profit gains. Our CRM, Business Intelligence (BI), and Pricing software make it easier for you to sell more, keep more profit and beat the competition. With over 20 years of experience, White Cup is trusted by more than 1,000 customers globally.

To learn more, visit [whitecupsolutions.com](https://whitecupsolutions.com).

Let's Talk

