If you can't count it, you probably can't sell it.

For the distributor, much of the content in recent issues of *Purchasing* magazine might be better classified as fiction or fantasy. A few examples:

January 16 — Craig Stainbrook, the quality management specialist at John Deere's Waterloo Works, is reported as announcing that MRO buying is entering a new age of buyer/distributor relationships. As he sees it, MRO buyers should no longer be involved in confrontational relationships with suppliers.

February 13 — Susan Avery reports that "so much has happened in MRO buying over the past few years that it's probably safe to say that purchasing no longer sees distribution as the enemy."

Right!

Perhaps these people aren't talking about the same distributor/customer relationships that you're encountering everyday. They are living in a wonderful world of mutual respect, mutual caring, and partnerships that are joined together — as Avery writes — "to combat the rising costs of acquiring, stocking, and disbursing MRO items." We are still living in a world where increasing customer demands for service are delivered in the same sentence with equally strong demands for lower prices.

A survey conducted by *Purchasing* provides a clue to the difference in perspectives. As one of the respondents said, "value added should be such that financial analysts can identify them and put dollar values on them." Another said that "once I have real costs I can compare, I have something tangible to look at."

In other words, the customer is really looking for value added stated in unequivocal dollars and cents. What we continue to try to sell him is value added that is fuzzy and ephemeral. And we continue to talk to him about product when what he really wants to talk about is improving his business.

We can bring our customers dollars-and-cents value added. In fact, some distributors already are, and some customers are dealing only with distributors who do provide it.

As with most innovations in distribution, the move to quantifiable value added is customer driven. Companies such as Chrysler with its SCORE program have made cost savings an integral part of the distributor/company partnership. (The SCORE program is predicated on distributors committing to providing Chrysler with cost savings equal to 5% of that distributor's billings to Chrysler, and *that savings is not to come from price reductions.*) Chrysler has booked more than $2.5 billion in cost savings since the inception of the program, $1 billion in 1996.

It's seems obvious. The one thing all of our customers have in common is that they want to improve their businesses. And the one thing that can differentiate our companies from all the other possible sources of product is providing more in terms of cost savings than the others.

Why, then, have both customers and distributors been so slow to embrace the concept of selling Quantifiable Value Added.

There are two reasons. The first is that our sales force is poorly equipped to deal with it. To sell QVA properly they will need to be experts in our customers' businesses as well as our products, and they will need to understand the basics of activities based costing. More importantly, they must be willing to talk to customer buying influences other than the purchasing agent and to look much further into the customer's plant than the loading dock. Selling QVA will require a reorientation and retraining for our salespeople.

The second difficulty is the customer. For decades we have been training them to look for alternate sources, to bargain for lower prices, and to keep us at arms length. Now, we'll have to retrain them, proving that we can provide a better value as partners with them than they can provide by playing one source against the other.

In a lot of companies, we will also have to sell above the purchasing department. Purchasing may perceive its value added to be lower prices negotiated by dealing with multiple sources. They may — and probably will — feel threatened.

Both of these sets of problems, those with our sales force and with the customer, are solvable. We simply need to embark on a massive retraining program, internally and externally.

First, we need to teach our salespeople to look for opportunities to bring quantifiable value added to the customer. It isn't brain surgery; in the typical customer there are dozens of opportunities, ranging from simplifying the purchasing process to suggesting product improvements such standardization. We can cut our customers' costs of acquisition, holding, and use.

The second step is to put dollar values to our ideas. In many cases the customer knows the cost of creating a purchase order, printing a check, or holding a certain quantity of inventory. If not, we can use commonly accepted values, understanding that with the customer's involvement we can refine those values to make them more accurate for his company.

Recently we assisted in the presentation of a relatively simple vendor-managed-inventory program. The process map for purchasing as it was currently being done showed that there were nine activities, including two that were particularly time consuming and expensive. Our program eliminated six of the nine activities, including the two more expensive ones and increased the customer's certainty that the product would be available when he needed it. Since the cost of processing transactions is typically pegged between $100 and $150 per transaction, and since we were removing more than 75% of that cost, we could make a case that's difficult to refuse.

And if the customer does refuse? Take your story to another customer. There is a new wind blowing through corporate purchasing, and it could be good for us and our customers.

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