



QUANTIFYING THE VALUE OF AUTHORIZED DISTRIBUTION

A Distribution Savings Calculator by the National Electronic Distributors Association

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Sales Effort Input »	Inventory Mgt Input	Extending Credit Input	Sales Effort Savings	Inventory Savings	Extending Credit Savings	Total Savings
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Annual sales volume to distributors - Thru Distribution	<input type="text" value="4000000"/>					\$
Number of customers served by distributor in study	<input type="text" value="4"/>					Nos
Number of accounts per sales rep. at supplier - outside sales	<input type="text" value="5"/>					Nos
Number of accounts per sales rep at supplier - inside sales	<input type="text" value="10"/>					Nos
Cost of outside sales force per rep (salaries, benefits, travel, training)	<input type="text" value="150000"/>					\$
Cost of inside sales force per rep (salaries, benefits, travel, training)	<input type="text" value="100000"/>					\$

This represents the cost of a fully loaded inside sales representative of the Supplier. The cost includes salaries, benefits, travel and training.

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Sales Effort Input	Inventory Mgt Input »	Extending Credit Input	Sales Effort Savings	Inventory Savings	Extending Credit Savings	Total Savings
	<input checked="" type="radio"/> Inventory turnover: Current turnover through distribution			8		Turns/Year
	<input checked="" type="radio"/> Inventory turnover: Estimated if sold directly to customers			4		Turns/Year
	<input checked="" type="radio"/> Current Warehouse Cost		<input checked="" type="radio"/> 25 <input type="radio"/> 0		Why?	%
	<input checked="" type="radio"/> Current obsolescence		<input checked="" type="radio"/> 4 <input type="radio"/> 0		Why?	%
	<input checked="" type="radio"/> Estimated obsolescence if sold directly to customers		<input checked="" type="radio"/> 7 <input type="radio"/> 0		Why?	%
	<input checked="" type="radio"/> Current inventory insurance + tax cost		<input checked="" type="radio"/> 2 <input type="radio"/> 0		Why?	%
	<input checked="" type="radio"/> Current company cost of capital		<input checked="" type="radio"/> 15 <input type="radio"/> 0		Why?	%

Recommended Value
 15% - Best practice distribution
 20% - Distributors who measure their warehouse
 25% - Suppliers and Distributors who do not measure

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Inventory Savings

Annual cost of sales		4,000,000.00	\$			
Inventory turnover						
Current turnover through distribution		8.00	Turns/Year			
Estimated if directly sold to customers		4.00	Turns/Year			
Company cost of capital		15.00	%			
Current obsolescence		4.00	%			
Estimated obsolescence w/o distributor		7.00	%			
Current inventory insurance cost		2.00	%			

Inventory cost of capital







Current average value of inventory		500,000.00	\$			
Current \$ cost of capital		75,000.00	\$			
Estimated avg value of inventory if sold directly to customers		1,000,000.00	\$			
Estimated \$ cost of capital		150,000.00	\$			
Using distributor lowers inventory to		50.00	%			
Annual cost of capital savings [as % of sales]		\$75,000.00	1.88%			

Warehousing

Warehousing Cost as a Percent of Inventory		25.00	%			
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Sales Effort Input	Inventory Mgt Input	Extending Credit Input	Sales Effort Savings	Inventory Savings	Extending Credit Savings	Total Savings »	
Total Savings							% of Sales
Savings from Sales Effort					\$200,000.00		5.00%
Savings from Inventory					\$260,000.00		6.50%
Savings from Extending Credit					\$68,000.00		1.70%
Total Savings						\$528,000.00	13.20%

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Note:

-  Save or Print a copy of the report: [Results in PDF](#)
-  You can modify input values and see the changes in results by either clicking on the previous button or by clicking on any one of the input tabs
-  The results are generated in real time. The input number and the results are not stored anywhere on the server. Once you close the browser all the information is erased.

How to interpret the results:

-  The savings are expressed as a percentage of the transactions' value. If not using a distributor for this business the supplier will experience an increase in costs equal to the total savings listed.
-  Some variables have a significant impact on the total result. Number of customers served, turns, and cost of capital are a few examples of variables the user may want to try at varying levels in order to assess the opportunities/risks associated with any policy.