DORVAL
MANAGEMENT ASSOCIATES

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Focus of Business

- Distributor of supplies to the microbrewery industry
- $7,700,000 in Annual Revenue
- In Business 11 years

Business Problems (Before DMA)

The company was running out of warehouse space for its products. Cash flow was tight, the line of credit was maxed out and bills were being paid late and incurring interest charges.

Solution:

DMA discovered that the company carried a lot of generic products, in some cases as many as seven similar products from different vendors. We calculated the gross margin of all the products and recommended the company only carry two of a similar product; the two with the highest gross margin.

Result

The number of inventory items was reduced by 25%. By keeping the higher profit margin items, the gross margin increased by 6% effectively increasing gross profit by $462,000. The company became more important to the reduced number of vendors thereby, getting better prices, better terms and better delivery. It was easier for the purchasing manager to buy less items and control the inventory. The value of inventory sitting on the shelves was reduced by 35%.

With the reduction in inventory items, there was more room in the warehouse and everything fit on the shelves with room to spare. Warehouse personnel could now pick orders quicker and two warehouse workers were no longer needed. Over a four-month period, cash flow increased substantially and the company started paying their bills early and taking a discount. After six months, the line of credit was down to zero and the company was putting money into a savings account.