

# **TurningPoint Systems Quantifiable Case Study**

## **Ohio Valley Wholesale**

**“We really feel like we could grow in the next few years to \$200 million and the TurningPoint software will grow with us,” confides Jim Glockner, President of Ohio Valley Wholesale.**

**For every \$1 dollar invested in TurningPoint Systems, Ohio Valley Wholesalers received back \$4.41**

### **BACKGROUND**

Ohio Valley Wholesale is a wholesale distributor of products to almost 600 convenience stores and tobacco and smoke shops in southern Ohio, western West Virginia and Eastern Kentucky. It sells more than 4,500 products, including candy, cigarettes, tobacco products and general merchandise, as well as automotive, concession and grocery items.

### **THE CHALLENGE**

Ohio Valley Wholesale used to monitor inventory with a computer system that had severe limitations. It could only track inventory in two places and frequently allocated inventory for pick-up that was no longer in stock. Before automating its warehouse operations, Ohio Valley Wholesale couldn't track individual worker productivity. The company also couldn't tell if return items presented for refund were their own or had been purchased from competitors.

System delays slowed inventory turns and receivables collections– and it was tough for OVW to enforce its credit policies uniformly. Orders were tediously organized, by hand, into delivery routes. Ohio Valley Wholesale couldn't track when it was owed vendor rebates and its shipment scheduling was antiquated. In the long run, the shortcomings of the outdated software would restrict how much OVW could grow.

Ohio Valley Wholesale decided to install a more sophisticated automation solution to enable it to compete with larger wholesalers. The functionality that TurningPoint provided paid both tangible and intangible benefits to OVW:

- Order picking is more efficient.
- A newly-installed warehouse automation function will measure each worker's productivity.
- OVW saved on the cost of labor to receive, shelve and restock inventory.
- The problem of paying refunds for items stocked by competitors was eliminated.
- The accuracy and speed of cycle count inventory improved.
- More inventory is being turned over more quickly.
- Receivables collection time was reduced.

Sales totals grew an average of 17.76% each year, vs. the industry average of only 4-5%. So, instead of limiting OVW's growth, TurningPoint has facilitated the company's expansion. **"We really feel like we could grow in the next few years to \$200 million and the TurningPoint software will grow with us,"** confides Jim Glockner, president of Ohio Valley Wholesale.

## THE SOLUTION

### NEW SYSTEMS TIGHTEN INVENTORY CONTROL, SPUR SALES

**Before:** Ohio Valley Wholesale's successive computer versions couldn't accommodate the amount of information it would need to expand and compete with its larger wholesaler rivals. OVW's existing systems couldn't track multiple inventory locations, nor pre-allocate inventory as orders came in. The company didn't match inventory with incoming orders until it invoiced the orders, so it frequently sent pickers to retrieve inventory that was no longer in stock. While it could measure the output of work teams, it couldn't gauge the productivity of individual workers since it didn't have an automated warehouse operation.

**Today:** TurningPoint's software systems, implemented in September 1998, modernized OVW's inventory, billing, purchasing, and accounts receivables and payables programs. Now it could pre-assign inventory in tandem with orders: the pre-booked items are keyed in and then shipped when the orders arrive. That saves half a clerical person's time, or about \$15,000 a year and improved picking efficiency by 25%. Within the past eight months, Ohio Valley Wholesale also incorporated in the warehouse automation program that tracks individual, as well as group productivity, and will be followed by performance incentive systems that could increase productivity by 40%.

Ten months after TurningPoint's initial systems were in place, in 1999, company sales were \$35 million. Seven years later, sales are at \$109 million, meaning sales went up an average of 17.76% per year. Growth in tobacco taxes over time contributed to that improvement, but without TurningPoint's software, Glockner estimates that company

growth would have been much closer to the industry average of 4-5% per year. **“My suspicion is we would have reached a point where our software system would limit us to how much we could grow our business with new customers, now we don’t have to worry about our systems constraining our ability to grow” he adds.**

## THE LABOR-SAVING DIFFERENCE

Where the new software made a big labor- and cost-saving impact was in accounts payable and receivable, and picking. After OVW moved into a new warehouse, the software created a matching interface from warehouse to accounts payable. Receipts were funneled into accounts receivable, and the system checked pricing on processed invoices so that they could be quickly matched on a dollar basis. The inherent efficiency in this operation has let Ohio Valley Wholesale employ just one AR and AP employee apiece, despite the growth in business in both functions, and in purchasing. Without the new software, Glockner figures he’d need two additional employees, at a \$65,000 annual cost.

The TurningPoint programs eliminated the need to hire four more people to receive, put away and restock inventory. That’s an additional \$55,000 annual savings. Instead, OVW has only had to grow that workforce by two people since 1999. OVW saved an additional \$110,000 in picking, where it would have needed four more people here, too, without the new software. OVW posted a few other economies, too, in return items (\$15,000 in annual savings), shipping confirmation (\$15,000) and general ledger (\$5,000). The system records each purchase of an OVW item by a customer, so it successfully prevents fraudulent attempts to get credit for purchases from other wholesalers.

Shipping now is confirmed automatically when an order is merged. There's also no need to re-key data, which makes it available more quickly.

## MORE INVENTORY TURNS, GREATER INVENTORY VALUE

**Before:** Back in 1999, OVW averaged 18 inventory turns per year on a \$2-million inventory. Its in-stock rate was 94-95%. The inventory carrying cost savings was \$3,000 annually.

**Today:** Cycle and physical inventory counts have become much more accurate, and while they didn't create direct dollar savings, they paid off in orders that were realistic instead of speculative (Accuracy in ordering is 90% due to the software, in Glockner's view.); in customer satisfaction at finding the desired product in stock; and efficient deployment of pickers. The most dramatic benefit involved turns. Today, \$4.5 million worth of inventory turns over 24 times a year. Glockner attributes that entirely to the new software from TurningPoint. The in-stock rate is up to 97% -- worth \$500,000 in sales -- and the inventory carrying cost savings was up to \$5,400 annually. Those extra turns also reduced the receivables balance since 1999 by \$750,000; the \$63,750 interest on that balance is pure savings to the company - an economy Glockner attributes to **"a combination of stricter credit policies and the new technology"** from TurningPoint.

## MORE BENEFITS: REBATES FUTURE SAVINGS

**Before:** In the past, Ohio Valley Wholesale only found out about any rebates it was owed if the vendors provided that information. There was no way to track this information, other than manually. In the Internet age, OVW also had no capability in place to let customers shop online for items. It has one employee spending up to 40% of his time just putting reports and catalogs together.

**Today:** The TurningPoint software automatically tracks rebates and notifies OVW about them. OVW is in the process of rolling out an e-commerce capability, called its Customer Web Portal, which would let customers access reports and catalogs online. Glockner figures the potential savings there to be \$12,000-\$15,000 per year.

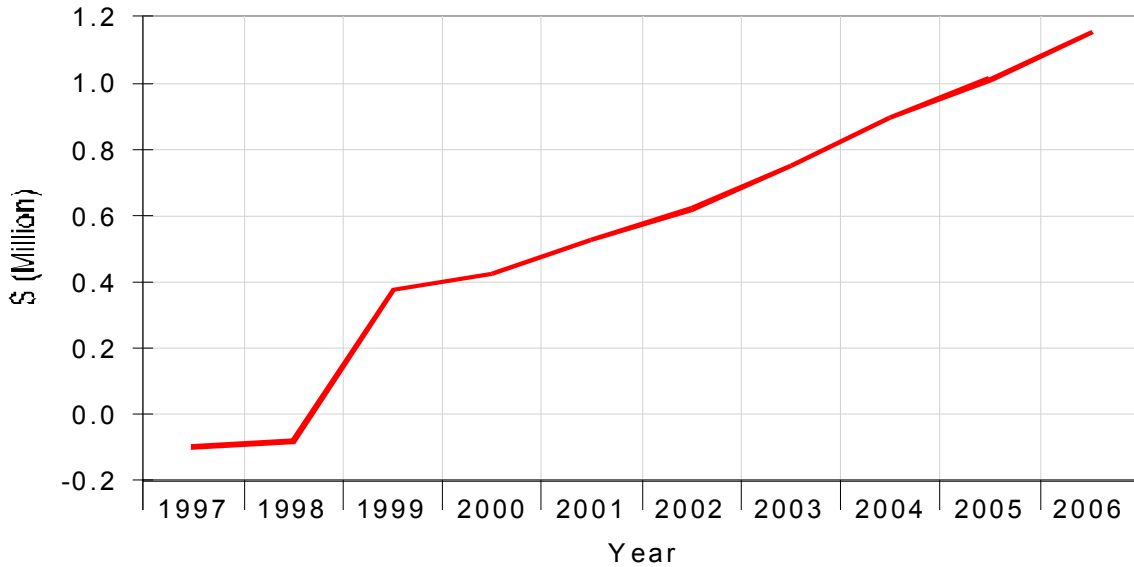
## THE RESULTS

In dollars, cents and percentage terms, TurningPoint literally lived up to its name in delivering product and service results to Ohio Valley Wholesale.

## RESULTS SUMMARY

\$1,365,401 in TurningPoint Systems generated costs savings translated to a \$1,150,121 incremental net operating profit impact for FY 2006, if you accumulate the incremental net operating profit impact from 1997 thru 2006, it was \$5,569,170 due to TurningPoint Systems products and services. The cumulative value impact was \$6,574,191.

### Incremental Operating Cash Flow



Year	Incremental Operating Cash Flow Impact of TurningPoint Systems Products and Services on Ohio Valley Wholesalers Net Operating Income before taxes	Cumulative Operating Cash Flow Impact of TurningPoint Systems Products and Services on Ohio Valley Wholesalers Net Operating Income before taxes
1997	(\$98,280)	(\$98,280)
1998	(\$82,580)	(\$180,860)
1999	\$375,947	\$195,087
2000	\$422,924	\$618,011
2001	\$527,216	\$1,145,227
2002	\$619,577	\$1,764,804
2003	\$749,777	\$2,514,581
2004	\$893,411	\$3,407,992
2005	\$1,011,058	\$4,419,049
2006	\$1,150,121	\$5,569,170

**Every \$1 paid to TurningPoint Systems has yielded Ohio Valley Wholesale \$4.41 in operating efficiencies.** According to Jim Glockner, President of Ohio Valley Wholesalers, TurningPoint Systems, products and services paid for themselves in 2 years and 10 months and boasted a Net Present Value (NPV) of \$3,427,878 and an Internal Rate of Return (IRR) of 74.74%.

## RESULTS ITEMIZED

- Sales have grown from \$35 million to \$109 million between 1998 and 2006 – an annual rate of 17.76%, vs. the industry average of 4-5%, This translates to an FY 2006 impact of \$932,684 on Incremental Net Operating Profit Improvement due to the higher volume enabled by TurningPoint Systems.
- Pre-booking items saved \$15,000 per year and boosted picking efficiency 25%.
- Accounts Payable and Receivable functions need one less worker each – a \$65,000 annual savings in salary and benefits.
- The inventory receive, put away, picking and restock operations need six fewer employees – a \$165,000 annual savings.
- Return item, shipping confirmation, and general ledger savings involved \$15,000, \$15,000 and \$5,000 per year, respectively.
- Order Processing and Delivery \$14,000 per year
- Marketing and store reset costs were reduced by \$20,000 per year
- Inventory value and the number of inventory turns have risen from \$2 million and 18 to \$4.5 million and 27 turns per year, respectively.
- The in-stock rate grew from 94-95% to 97%, saving \$39,200 per year.
- Inventory carrying cost savings is up from \$3,000 to \$5,400 per year.
- The receivables balance is down by \$750,000, saving \$63,750 in interest charges.

## **CLOSING**

The bottom line is that TurningPoint positioned Ohio Valley Wholesale to grow into its future, realize its potential, and compete with its larger rivals. System capabilities of the TurningPoint software will expand to meet OVW's need to exploit ongoing growth opportunities. **"TurningPoint's been a very good and very responsive partner"** Glockner praises. **"They try to please and make changes when you request them. If you have a problem in the middle of the night, you call their helpline and they call right back. So they're there when you need them."**