



Where Industry Knowledge Meets Technological Expertise.

Presents:

3 Best Practices when using Manufacturer's Quoting Tools

Background: In the old days, manufacturers passed out printed Price Books that contained the products for sale by the manufacturer, usually with a List Price shown for each product and feature. For each customer, there was a "Discount Sheet" or a "Multiplier Sheet" that went with the Price Book, that set the buying price for that particular customer. Revising List Prices meant printing and distributing new Price Pages to all customers. Most price adjustments were given to the customer by new "Discount Sheets" that changed one or more discounts/factors for the customer.

Needless to say, this method was cumbersome, slow to respond to changes, and required the customer of the manufacturer to perform detailed calculations for every product they quoted to their customer, with all the mistakes, interpretation errors, and math errors that are part of doing things with a pencil and calculator. While there are still some companies that do business with their customers this way, the market pressure created when the largest window companies began offering automated tools to compute costs for a particular dealer/distributor has caused the "Manufacturer's Quoting Tool" to become a mandatory marketing tool instead of something "nice to have".

However, all is not golden with these tools. While the ability to simply make your choices and get your prices is a major time saver and profit enhancer, if you don't understand how these tools work, they can lead you into unpleasant surprises. In addition, since the main goal of the manufacturer was to meet competition in providing these types of tools, many times they have not thought the process through well enough from the dealer/distributor's perspective, and have simply shifted the burden of order entry from their internal customer service people to you, the customer.

Read on to learn the 3 common misconceptions when using these Manufacturer's tools.

1. **Whose data is it, anyway?** You're entering the data into the Manufacturer's Quoting tool and happily going about quoting your customers, setting markups, identifying job information. You're building a nice library of all your customers, the price you're selling them at (usually based on the cost and a markup), and detailed job information inside

the Manufacturer's quoting tool. Now ask yourself – who owns the data? If you have not reviewed the manufacturer's Privacy Policy or can't find one in the tool you are using, then it is likely that THEY own the data you are putting into their Quoting Tool. Knowing data about your company like who you are selling to and what price you are selling at gives the manufacturer information he would never normally acquire. This is YOUR private information. While we hope to believe that the Manufacturer would never use the data, should there be a dispute or you decide to discontinue using a Manufacturer that owns a lot of this kind of data about you, you may be shocked to find that he can use it to promote his own sales with your competitors. **BEST PRACTICE:** Never put data into the Manufacturer's Quoting tool that concerns your customers, specific job information, or the price at which you sell. Use the Manufacturer's Quoting Tool to be a cost generator for the products you sell to your customers and a purchase order generator to that Manufacturer. Pull the data out of the Quoting Tool and push it into a non-Manufacturer-based secure software product for generating your Quotes to your customers. This also establishes a copy of the data completely in your control that cannot be taken away or made unavailable to you should your relationship with the Manufacturer fall apart.

- 2. Watch your Costs.** While the significant benefit to you as the customer is to be able to determine your costs quickly and accurately, remember that the cost data you access is usually based on 2 components: a List Price and a Cost Factor/Discount. While no reputable manufacturer will simply change your Cost Factor/Discount without notifying you in advance, it is a frequent and regular occurrence for the Manufacturer to "correct" their List Prices, usually to fix mistakes that have been caught over time. The correct way for the Manufacturer to do this is to save up the changes and then announce the changes in a price update that gets applied to the system. However, some Manufacturers reserve the right to change a price immediately at their discretion. What does this mean to you? It means that jobs you have quoted to your customers at a particular Gross Margin may have their costs changed by a "correction" without you knowing it until you go to order the products from the Manufacturer. Even then, many Manufacturer's Quoting Tools will not alert you that the cost you are buying the product for is different than the cost you used when you quoted it. **BEST PRACTICE:** ALWAYS do a "bottom line" check on all purchase orders created by the Manufacturer's Quoting Tool against your reference copy you have in your internal system. Most Manufacturers will honor the price their system gave you originally (provided it wasn't done before announced price changes), so if you KNOW the price changed, you can usually get them to honor the price you have on the quote to the customer. It is much better to catch these issues now than at vendor invoice time, when it is usually too late to try and save the gross margin on the job.

3. Interface to your Main Software System. While the Manufacturer's Quoting Tools are fantastic ways to get your costs, most of you still have the issue of having to move the quote and order from the Manufacturer's Quoting Tool where you entered it into your main business management software package. Since it is NOT a best practice to put customer information and markups (See #1 above) into the Manufacturer's Quoting Tool, then you must enter the Quote all over again into your main software system. This is truly where all quotes belong, and since very few companies only sell products of a single Manufacturer, your Proposal to your customer will include other products and services that your company regularly provides along with the products from your Manufacturer's Quoting Tool. While most Manufacturers are not interested in helping you do things with other manufacturers (fair enough), there are third party tools that can take the lines from the Manufacturer's Quoting Tool and export them in a format that can be imported by your main software system. **BEST PRACTICE:** Invest in a simple tool that can pass the data from your Manufacturer's Quoting Tools into your main software system. Double entry may be good in Accounting, but it is ALWAYS a bad thing in order entry by wasting time and creating the opportunity to make gross margin killing errors.

Conclusions: While the Manufacturer's Quoting Tools have made it so much easier and more accurate to quote some fairly complex products, there are things to watch out for, and you always need to protect the privacy of your information. The Manufacturers did not create the tools out of altruism, and they serve a very specific purpose that can benefit both the Manufacturer and the dealer/distributor. While it is tempting to sit back and let the Manufacturer's Quoting Tool do all the work in quoting your customers, be aware of the risks inherent in giving away so much of your key information to your vendors. It is always your job to actively manage your business, your costs, and to improve the efficiency of your operation. Good luck!

Richard F. Schilke is the President of SureFire Systems, Inc. Find us on the web at www.surefiresys.com or email us at info@surefiresys.com – we welcome comments!