

CLIENT SERVICES

WHOLESALE DISTRIBUTION INDUSTRY EXPERIENCE & SERVICE

LISTENING. That is where we have the most experience. It is where our client relationships begin and it is always a part of how we work best, even with clients we have served for extended periods of time. In working with distribution clients, once we have listened, we find the best ways to apply our service and industry experience to make a positive difference in their financial circumstances.

One of the critical issues constantly facing distributors is inventory carrying costs. Because many distributors finance their inventories, they're sensitive to interest rates. On average, distributors hold inventory equal to about 60 days' sales. Inventories typically are larger for industrial equipment distributors, smaller for distributors of food and petroleum products. Because industry profit margins are low, financing costs have a large impact on profits. Inventory financing is often tied to the prime lending rate.

Wholesalers are also dealing with more competition from the manufacturers. The increasing efficiency of logistics systems allows manufacturers to sell more goods directly to end-users, bypassing distributors. Direct manufacturer sales account for 25 percent of total wholesale trade in the US. Consolidation in many manufacturing industries has produced large manufacturers with national distribution systems. Manufacturers have a large direct distribution presence in drugs, petroleum products, and chemicals, a small one in groceries and clothing.

Price CPAs experience in the distribution industry includes:

- Over 100 years of direct wholesale distribution industry experience represented on our staff.
- A broad understanding of the industry through our work with various types of wholesale operations

In addition to accounting, tax and financial reporting services, additional services provided to our distributor industry clients include various consulting and advisory services, as well as financial reporting assurance services. The advisory and consulting work also includes assessment of accounting systems and department personnel with recommendations for improvements; interim accounting department management and oversight; special projects for owners and management as needed; accounting and tax related matters pertaining to changes in ownership, in addition to company valuation services.

Additional accounting and financial services range from CFO/Controller to complete oversight of internal management and accounting systems, including the performance of daily accounting functions, when necessary.

Our services are scalable. While we are staffed and equipped to provide our services to large, established companies, we can also work with start-up and recently-established companies and grow in what we provide as support services as the company itself expands.

Price CPAs truly does exist to make a positive difference in the financial experience of our clients. Contact us today about how we can be of service to you and your organization.

COMPETITIVE LANDSCAPE

For most distributors, demand is closely linked to **local economic activity**. The profitability of individual companies depends on efficient **inventory management** and **order fulfillment** operations. Large companies can supply customers with a wider range of goods and in more markets, but smaller distributors can compete successfully by carrying specialty products or providing add-on services. In the US, the industry is highly fragmented: the 50 largest distributors generate about 25 percent of industry revenue.

FINANCE & REGULATION

Most distributors have a large investment in their **inventory**, which turns between six and seven times per year on average. Inventories tend to be higher for durable goods, lower for nondurable. In many cases, inventories are financed by manufacturers (especially for expensive products like machinery) or third-party lenders. In segments with rapid demand changes, like electronics or clothing, inventory **obsolescence** can be a problem. For goods with seasonal demand, such as toys or farm equipment, inventories may vary significantly during the year.

INDUSTRY FORECAST

Revenue (in current dollars) for the US wholesale industry is forecast to grow at an annual compounded rate of 5% between 2017 and 2021. Data Published: September 2017.