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## How Hose & Fluid Power Distributors Can Increase Profitability of Value-Added Services



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Today's hose and fluid power distributors provide value add services to differentiate themselves and compete against their big box rivals. These knowledge-based services are the backbone of their business and distributors should focus on the following factors to get the most out of their value-added services.

## Don't Give Away Value Add Services

Many distributors provide additional services such as estimating, service and repair of parts, and consulting and technical advice. Frank Hurtte, founder of **River Heights Consulting** - a firm specializing in knowledge based distribution, suggests that you be more careful about giving these services away.

He states that distribution compensation policies (where commissions are mostly the norm) are designed in ways which almost encourage the freewheeling give away of service.

In his article, **Why Are distributors more careful giving away a \$40 jacket than \$400 in services?**, he notes that sellers can give services to customers who buy on price without taking a commission hit. The same thing goes for tiny customers whose gross margin dollars barely justify the transactional piece of their business.

In both instances the distributor may actually be both losing money and throwing costly services into the pot – thus accelerating a bottom line profitability drain.

He suggests segmenting customers by size and profitability to the company, and then determining what group has earned your service.



## Utilize an ERP Solution that Accurately Tracks & Manages Your Value-Added Services

Do you build hose assemblies or large OEM kits? Perhaps you do swap-outs or conversions on your products or send products to outside fabricators for additional services such as plating or welding.



If you fabricate hundreds of hose assemblies per day, your ERP software should allow your staff to enter these orders quickly and easily, whether the customer is placing the order by phone or standing at the counter.

Your ERP system should allow you to design templates for your most common hose series ordered and be able to separate counter sales from the rest of your business.

If you fabricate complex system integrations like power units or valve assemblies, labor and burden are included in the list price, but does your ERP system include everything that went into that assembly into the final cost?

Are you keeping track of every component used (including damaged pieces and scrap), cleaning materials, hydraulic fluids, filters, welding supplies, and any special packing & shipping supplies?

Your ERP software should also allow you to keep track of estimated vs actual costs so that you can precisely track project expenses and profit margins and more accurately quote future orders.

## Ensure your staff has the Proper Training on your Value-Add Services

Hose distributors required a trained staff to put together hose assemblies properly and to follow safety procedures. Most companies have veteran employees teach the newer staff.



This may, however, pass along bad habits and prevent your company from keeping current with industry standards.

Joining an organization like The Association for Hose and Accessories Distribution (**NAHAD**), and utilizing their Hose Safety Institute's training and safety guides, resources, and regional training sessions is invaluable in educating your staff.

Proper training and guidelines ensure that your staff can design, build, and test hose assemblies safely and to the proper specifications, eliminating waste and ensuring quality control.

The **Valve Manufacturers Association of America** conducts many valve education seminars, covering the basics of different types of valves and actuators and offering custom training programs as well.

You should also keep the latest version of the Fluid Power Reference Handbook published by the **International Fluid Power Society** (IFPS) on hand. This reference book is the ultimate resource for hydraulic, pneumatic, and motion control professionals and contains important information for those working in the fluid power industry.

The IFPS offers training, education and certification programs, including certifications for industrial hydraulic, mobile hydraulic, and industrial pneumatic technicians and mechanics. The proper training and certifications are essential if your company is seeking ISO certification.



The **National Fluid Power Association** (NFPA) and the NFPA Foundation conduct a number of student outreach and education programs designed to create a pathway into the fluid power industry, including scholarships for students enrolled in technical colleges and engineering schools. Programs like this can help you fund education for future technicians.



## Create Value and Advertise the Impact of your Value-Add Services

Tom Reilly, founder of **Tom Reilly Training** and an expert on value-added selling, says that companies should transform themselves into a **Value-Added Organization**.

In other words, a distributor must be in the business of creating value for everyone with whom it is connected. He states that you must conceive and communicate your vision for this movement.

And just as important, it's important to **remind your customers about the value you deliver**. Reilly states that no one gets the credit that he deserves; he only gets the credit that he asks for. Most customers are unaware of the value that they receive. This is why you must remind the customer of all the great things that you do for them.

Reilly says that positive bragging is an important part of this value-reminding strategy. A tasteful way is to remind the customer of the success that they have experienced because of your value. Brag about the customer's success: "Mr. Customer, it is great to see how you have increased productivity since installing our system. We're thrilled to play a role in your success."

In addition, you should be actively advertising your value-added services by including photos and videos with descriptions on your website, blog, and social media accounts. Write up case studies of the work you've done for clients so prospects can see the positive impact of your expertise and value-add services.

This increases your SEO rankings and gives any prospective customers a good view of your industry expertise and the value you bring to the table. Creating an e-commerce site is another great way to advertise and sell value-add services along with your regular inventory. Implementing programs and technology that focus on these factors will significantly improve your value-add profitability.

## Software to Run Your Industrial Distribution Organization Efficiently

**TrulinX software by Tribute, Inc.** can help you run your industrial distribution business and value-add services efficiently. With e-Commerce integration and features to help manage complex fabrication projects, TrulinX allows you to track and manage assemblies down to the component level, enabling you to ensure you're operating at maximum profit margin in this tough marketplace.

### About Us

Tribute Inc. is a provider of industrial distribution management software with over 36 years of experience in the fluid power, motion control, industrial hose, fluid handling, pump, sealing, instrumentation, process control, and automation marketplace.

Tribute is a member of many trade associations including AHTD, FPDA, ISD, GFA, NAHAD, NFPA and NIBA. Tribute partners with manufacturers including **Bosch Rexroth, ContiTech, Dixon Valve & Coupling, Eaton Corp., Gates Corp., Garlock Sealing Technologies, Pall Corporation, Parker Hannifin, Sun Hydraulics**, and is headquartered in Hudson, Ohio.



# TrulinX

## **Domain Expertise**

TrulinX software is ideally suited to help you successfully manage your fluid power, motion control and automation distribution & fabrication business because of our knowledge and industry focus.

## **Implementation Team**

Our experienced transition team has worked and been trained in your industry. They train your team onsite to get your business up and running quickly and efficiently.

## **Return on Investment**

With a staff that truly understands your unique business requirements and a timely implementation, you will realize your ROI much more quickly.

## **Customer Service**

Our knowledgeable and friendly support staff still answer the phone, and over 90% of support calls are resolved in the first day, statistics unmatched in our industry!

## **Customer Commitment**

We are 100% committed to your success because it's a reflection of our success.

