



Your Steps to Get 1% to 2% of Cost in Vendor Credits

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Let's put ourselves in the customer's shoes for a minute. You have paid a deposit for a new living room set complete with gorgeous leather and occasional pieces. Two months later you finally get it delivered to your home after waiting patiently for two hours on a workday. The delivery crew is professional and courteous, placing your new furniture exactly where you want it. Everything looks great so you sign the paperwork and give them a check for the COD amount. Later that evening you sit down to relax in your new sofa and you spot a split in the wood on your coffee table. How do you feel?

Situations like these are far too common in the furniture industry. And customers' expectations are not going to change! They expect and deserve their merchandise to be free of all damages and defects.

To meet these quality standards, you need to deluge or repair all damages and defects in your merchandise, hopefully before it gets delivered. These costs should be passed on to your vendor where appropriate. Here are the steps you should take to maximize your legitimate vendor charge backs (VCB's) and keep your customers happy:

- Establish and train a customer service coordinator who is on an incentive program.
- Setup the PROFIT *professional* SMART *service* tracking and reporting system.
- Require the deluging of all product prior to delivery or pick-up.
- Have your service tech write up all product repairs that are legitimate vendor damages, on a shop repair form, and take a picture, prior to the repair. Do this every day!
- Require your service coordinator to enter these repairs as credit requests into your PROFIT *professional* service system.
- Email the PROFIT *professional* VCB (Vendor Charge Back) invoice and picture to your vendor contact.
- Establish an open vendor credit request paper file and an organized electronic file.
- During meetings with reps, have your buyer discuss the open service file.
- Ask your reps to sign a credit authorization form for any concessions given.
- Ensure that your buyer, service coordinator, and payable clerk communicate closely and notify each other when credits are authorized. Email is best.
- Run an open vendor credit request report monthly to see which requests were ignored and resend them. If they become older than two or three months, take your credit.
- Enter all VCB's in Accounts Payable and provide referencing with your check.
- Review your financials monthly for VCB revenue. You should see this steadily increase!



I should mention that these steps are not intended to punish your vendors or hurt any relationships. They are purely intended to align your expectations with those of your customers and make your vendors responsible to that level. In the process, if done properly, you should see 1% to 2 % of your costs recaptured in vendor credits and be in a better position to meet your customers' quality requirements.

If you would like assistance with any of these steps, please contact me at info@profitconsulting.net.