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***Clancey Design Distributor*—Unleashing Hidden Cash and Defining a Good Customer**

Clancey Design Distributor

Clancey is a full-service, ISO certified, supplier of mechanical component solutions. Founded in 1932, their people pride themselves on personal integrity in all interactions. They are experts who can suggest the perfect mechanical component, confirm a size or mechanism, or answer your question with 100% certainty. Whether it is a gas spring, a latch, a hinge, a drawer slide, or anything in between, *Clancey* is able to provide a solution.

Overview

Clancey increased cash flow by 6% of annual sales during a relatively slow growth year, in its first full year after implementing BUCSanalytics.

At the time of engagement, *Clancey* was trying to determine the definition of a good customer. While traditional metrics, such as sales and gross profit were readily available from its accounting system, other factors were not. Their industry continued to evolve and as customers grew, their needs changed. More customers requested drop-shipments, margins were being compressed, terms with customers and vendors were changing and other unique requests had related expenses that needed to be associated with the customer. While there was confidence that customers were profitable, there was some question to the extent which they created positive cash flow and value for the business.

Utilizing BUCS, *Clancey* incorporated these factors into a simple scorecard that allowed a greater understanding of performance by customer. Additionally, this scorecard included product and supplier data as it was designed to provide one version of the truth throughout the company. Upon completion of the scorecard, *Clancey* began to rely on BUCS to identify quantifiable insights into opportunities and was able to drive actions throughout the organization to take up and down the supply chain. Utilizing BUCS, *Clancey* was also able to pinpoint low-risk pricing opportunities, negotiate improved terms with vendors and customers and improve communication of customer needs to improve service levels. This resulted in *Clancey* increasing cash flow by 6% of annual sales during this slow growth year, after implementing the BUCSanalytics tools.

Through increased visibility to customer specific service levels, *Clancey* was also able to communicate to their customers the value it brought to its supply chain. This allowed it to protect margins because customers trusted they would not incur additional hidden costs from stock outages.

Challenges and Objectives

Clancey saw a lot of opportunity and changes in its industry. Segments of its business were growing but due to circumstances outside its control, other areas of the business were flat. As a result, *Clancey* sought to increase its understanding of performance by customer, product or supplier to be able to quantify profit as well as the risk and cash return on these relationships. When approached, *Clancey* was growing but much of this growth was being reinvested in the balance sheet and not being converted to cash. Its profit was largely going onto their balance sheet, into working capital. Visibility into this investment and how to unlock it was necessary.

Clancey was looking to develop a definition of a good customer. In particular, one customer that had grown significantly had different economics than others. This customer made high volume, drop-shipped purchases but the profit margin was less than average when compared to all other customers. *Clancey* asked BUCS to assist by providing a comprehensive analysis utilizing more than the traditional sales and gross profit data. It also wanted to include other direct expenses, resources and investments needed to support the customer. Initial discussions allowed BUCS to load *Clancey* data onto the BUCS platform for initial business analysis.

BUCSanalytics

BUCSanalytics was able to support *Clancey* by providing an evaluation of all customers based on contribution profit. On occasion, additional costs were included in large clients to assist in evaluating the value of a customer. These included pick/pack/shipping costs, customer service, research and development, shrinkage and working capital investment.

The performance evaluation reports were automated so the customers could be evaluated in real time. Once automated, the previously mentioned factors were included to help create one definition of a good customer. Additionally, other operational metrics, like service levels, were included to see a full picture of performance. The ability to drill down by customer, product and vendor provided further depth to the analysis.

With working capital components included, not only was the required investment necessary to support the business across any dimension better understood, *Clancey* also had more detailed visibility into cash flow. Purchasing began using the information to negotiate vendor pricing and terms. Sales used the information to predict inventory demands, facilitate appropriate service levels, set pricing and improve accounts receivable terms and timing. With the entire organization relying on common information and performance criteria to drive decisions, the company was able increase the efficiency to which it used working capital while better servicing customers.

Clancey was able to monitor and impact the keys to its business which helped create a healthier balance sheet. Additionally, alignment across all facets of the organization improved.

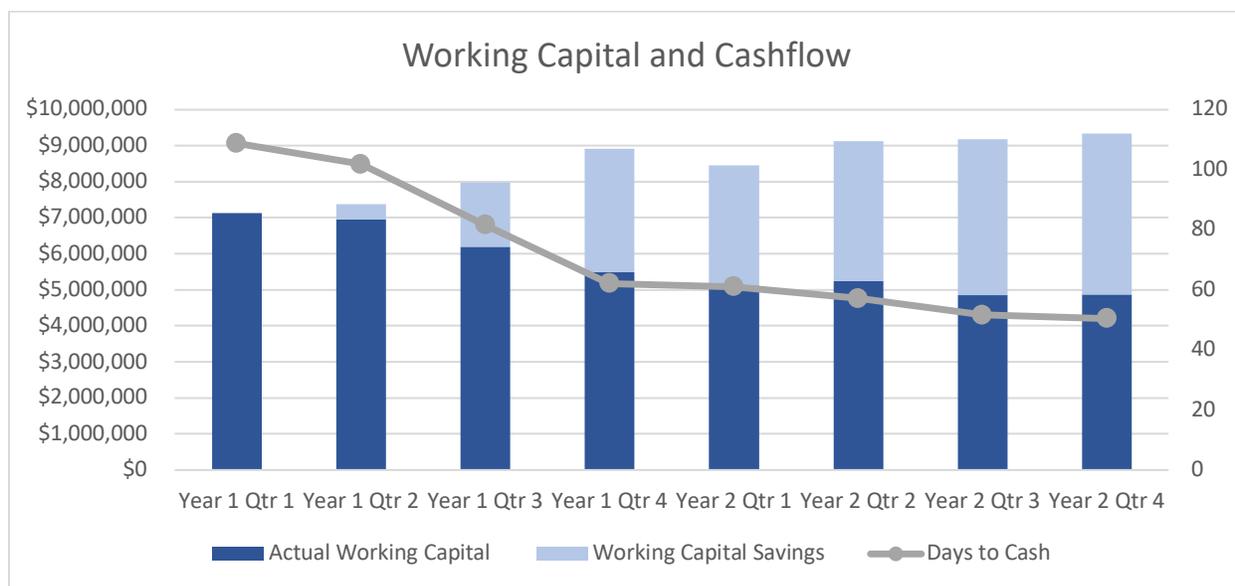


Figure 1: Working Capital and Cashflow

Results

As shown in Figure 1, *Clancey* was able to reduce their cash cycle from 108 days to 50 days by using the information that was made available by BUCSanalytics. If it had continued with a 108-day cash cycle, *Clancey* would have needed approximately twice as much working capital but by using information through BUCS, it had a clearer picture of its cash cycle and working capital.

Clancey was able to increase cash flow equal to 6% of annual sales. Other measurable and achieved goals included:

- increasing sales growth by 30%

- decreasing days of inventory by 49%
- decreasing average inventory by 24%

Additionally, access to real-time data allows the whole *Clancey* team to make decisions based on a complete set of facts. This has led to improving customer service and repurposing support staff to other key areas (eliminating repetitive tasks) while not having to increase head count.

With the BUCS platform in place, the resulting performance clarity and decision guidance provided actionable insights to improve performance. The first-year cash flow improvement surprised us all, particularly in a flat sales year."

Brett Vuillemin, President

Future Plans

Clancey is a family-owned business with several family members involved in the day-to-day operations. BUCS challenged their thinking while keeping continuous, open lines of dialogue to make sure *Clancey's* needs were being met. There were many questions and concerns. *Clancey* came to understand that its business was, and still is, important to BUCS. BUCS earned the *Clancey* team's trust by being responsive and helping them make better decisions to improve its business.

With the support of BUCSanalytics, *Clancey* has now established a decision-criteria that it uses for assessing customer, product and vendor performance. The "what-if" capability allows them to assess alternative strategies to meet or exceed the decision criteria.

Clancey continues to have business challenges where it utilizes BUCSanalytics to help them with its analysis. BUCS has continually acted as a trusted advisor since 2014.

To learn more about BUCSanalytics, please contact Mike Simonett at msimonett@BUCSanalytics.com or 913.669.3459.