

Distribution Glossary

Term:	Definition:
ABC Classification	Classification of a group of items in decreasing order of annual dollar volume or other criteria. This array is then split into three classes called A, B, and C. The A group represents 10 to 20% by number of items, and 50 to 70% by projected dollar volume. The next grouping, B, represents about 20% of the items and 20% of the dollar volume. The C-class contains 60 to 70% of the items and represents about 10 to 30% of the dollar volume.
Accessory Items	Products that compliment or go with the original order items. Accessory items increase sales, improve customer satisfaction, and saves everyone time.
Actual Cost	The labor, material, and associated overhead costs that are charged against a job as it moves through the production process.
Actual Demand	Actual demand is composed of customer orders (and often allocations of items, ingredients, or raw materials to production or distribution). Actual demand nets against or consumes the forecast, depending on the rules chosen over a time horizon.
Carrying Cost	also known as holding costs and inventory carrying costs, the costs a business pays for holding inventory in stock, including the cost of capital that helps to generate income for the business.
Contract Pricing	Time-sensitive pricing in a contract for customers that need negotiate pricing down to the item level—establishing fixed, time-based net prices on a SKU-by-SKU basis.
Customer-Specific Pricing	Flexible pricing that offers select customers preferred pricing, offers pricing based on quantity breaks, and sets promotional pricing—ensuring distributors maintain their margins while meeting customer and competitive demands. Customer-specific pricing may include set start and end pricing dates on a customer, product, or product group basis to meet contractual obligations or for limited-time specials.
Dead Stock	Items that remain unsold in a warehouse for a long period of time. Dead stock takes up space in the warehouse and carries costs. Distributors lost money on dead stock by not generating a profit from the items, as well as the carrying cost for the items.
Disposition	The status of an item on a customer’s order. Common dispositions include: <ul style="list-style-type: none">• Allocated – The item is pulled from the on-hand inventory as associated with an order.• Hold – The item is available at the warehouse; however, it is not allocated to the order. For example, a customer may exceed their credit limit and need to take an action before they can complete a purchase.• Transfer – An Item is available at a different location and needs to be moved from that location to another before sending it to a customer.• Backorder – Not enough of the item is on-hand to fulfill a customer order and the distributor needs to order more before sending it to the customer.• Direct Ship – The vendor or supplier sends an item directly to the customer, cutting the distributor out of the shipping process.

	<ul style="list-style-type: none"> • Special Order – Often used for items that the distributor does not normally keep on hand. This disposition generates a special or rush purchase order. • Cancel – Removes an item or part of an item quantity from an order.
Distributor	A business that does not manufacture its own products but purchases and resells these products. Such a business usually maintains a finished goods inventory. Distributors are the middle-man between vendors and customers. It's important to note that a lot of the time, customers are another business, such as a retail location. Distributors are also called wholesalers
Distributor Managed Inventory	The distributor's inventory housed at a customer job site. The customer uses the inventory as needed for the job. At scheduled times, the distributor goes to the site to count what was used and bills the customer for what they used. They may also create a replenishment delivery to replace inventory at the managed site.
Front Counter	In its simplest terms, a front counter is a cash register. In distribution, it's where walk-in customers go to complete an order. At the front counter, distributors and customers can access an entire inventory, offer a price, place the order, and then accept payment or record the transaction for invoicing.
Integrated Electronic Data Interchange (EDI)	The electronic exchange of documents electronically, such as purchase orders and invoices. Integrated EDI transfers documents from one computer or system to another, replacing manual communications such as postal mail, fax, and email.
Inventory Control	<p>The process of ensuring that a distributor has the appropriate stock and quantities in their warehouse to meet customer demand while keeping carrying to a minimum.</p> <p>Certain items go in and out of style or are regularly replaced by newer, more innovative products. Inventory control tracks customer buying trends, ensuring that distributors keep the right items on their shelves while reducing dead stock.</p>
Lead Time	The amount of time that typically passes between when a distributor places a purchase order and they receive the order at the warehouse. Lead time affects the amount of stock a distributor needs to keep on and at any point in time.
Lot Billing	Functionality that manages large jobs that require a bid and quotes from multiple vendors. For example, a customer may have a contract to install lighting in a large building. Lot billing enables distributors to obtain quotes from several vendors for the necessary products, and, based on the best quoted cost, determine the price for the customer.
Packing Basis	<p>A customer's preferred method of receiving orders, especially when only part of the order is available to ship. Common packing basis options include:</p> <ul style="list-style-type: none"> • Order Complete – An order ships only when all items on the order are available and ready to ship. The entire order goes out at once and the customer only receives one shipment. • Item Complete – Individual items on an order ship only when the entire quantity ordered for the item is available and ready to ship. • Partial – Items ship to customers as soon as they become available. The customer receives multiple shipments.

	<ul style="list-style-type: none"> • Item Partial – A hybrid between Item Compete and Partial. The order ships when at least all of one item available to ship. After that, they receive partial shipments. • Partial Order – Customers receive partial shipments; however, they limit the number of shipments they receive. Customers set their maximum shipments per order.
Proof of Delivery	Written acknowledgement that a recipient received goods or products. This may include a signature captured by a delivery carrier or, if the customer is at the front counter, a signature captured at the time the customer picks up an order.
Quoting Projects and Products	<p>Quotes provide pricing for a job, service, or product.</p> <p>When quoting a project, a distributor provides a fixed price for the project in terms of cost and a specific time frame.</p> <p>Quoting products refers to the customer’s cost for an item.</p>
Safety Stock	An extra amount of stock that a distributor keeps on hand to reduce the risk of running out of inventory due to fluctuations in demand.
Stock	Products or items kept in a warehouse that’s available for sale or distribution.
Vendor Managed Inventory (VMI)	Vendor placed products at the distributor’s warehouse. Inventory is owned by the vendor and can be viewed by the distributor. When distributor sells the VMI products, software automatically receives the inventory and allows distributors to sell to customers. Once a customer order is processed, the distributor pays vendor for the inventory
Warehouse	A large building for storing inventory. Within a warehouse, you see rows and rows of shelving; these are identified in some way, such as alphabetically. Each of those rows have different sections or groups of shelves. And, within those, are bins, or where items are stored.
Warehouse Management System	Software and processes that keep warehouse and distribution functionality running efficiently. Warehouse Management Systems may include wireless and manual capabilities, and directs warehouse personnel through receiving, maintaining, picking, and shipping items.
Workflows	A process where one action triggers the next to allow employees to be proactive instead of reactive and improve customer service