

9 Ways Lumber Dealers Can Reduce Costs

Who doesn't want to increase profit margins, especially in today's challenging economy? We've got strategies to help you identify pain points and take the steps to reduce costs.

A review of your operations can help you uncover ways your company can tighten its belt by cutting costs and retaining employees while still turning a profit. Here are nine solutions that could help you reduce expenses:

Solution #1: Decrease Carrying Costs

- **Find the Right Reorder Point** – The ideal reorder point for products avoids shortages but keeps you from having too much extra on-hand. It's vital to get this right. One solution - speak with your customers about their ongoing needs and keep only that much stock on hand at regular intervals. Or invest in an ERP system or other software that allows you to forecast the demand for products and order stock based on that data.
- **Remove Obsolete Stock** – Obsolete stock takes up space you could use for more current products. It's expensive to carry dead stock so bundle your more obsolete stock with current products, selling the obsolete stock for a fair discount. Or use a service to sell obsolete stock at auction.
- **Implement a Lean Warehouse Strategy** – A lean lumberyard ensures that you always have what you need where you need it when you need it. We have identified strategies and tools successful lumberyards are implementing and have done our own [lean warehouse implementation](#). Contact our experts for strategies to make your operations leaner and meaner.
- **Reduce Dwell Time** – The more time someone spends idle, the less profitable your company will be. So, get them more engaged in your operations. Being a part of the process of implementing Lean initiatives helps create buy-in for all employees and can reveal problems that cost you time and money. Ask employees about their pain points on the job. Dwell time isn't necessarily the result of someone being lazy; it is often the result of inefficient processes.
- **Improve Employee Retention** – Improving employee engagement has a secondary benefit; it improves retention, which is a great way to reduce labor costs as well. Another way to improve retention is to offer cross-training and upskilling. Training engages employees and helps them be more productive in their work - a win-win.



Solution #2: Join an Industry Trade Association

Many industry trade associations offer educational resources, which is a great way to train and engage employees. Some trade associations provide members with direct ways to save money as well with highly competitive rates on programs and services, such as business insurance, credit card and payroll processing, and more.

Solution #3: Safeguard Your Inventory

The best way to reduce inventory shrinkage is to focus on what you can control regarding where it's stored, how it's delivered, and where and how damage occurs. You can then find ways to address these issues. For example, [enhanced packaging](#), like we offer at BPI, can help prevent costly damage during transit or on a jobsite by adding an extra layer of protection. Also, [a proof of delivery picture program](#) will help you maintain an accurate inventory, saving lost time and effort to look for missing products, and it helps reduce and mitigate theft.

Solution #4: Implement Reductions in Energy Costs

Reduce the overhead cost of energy by improving building insulation to improve energy efficiency, using automatic lighting systems, reducing water usage and automating thermostats, among other solutions. Utilize technology to automate these systems instead of relying on employees to do manually.

Solution #5: Reduce Delivery Costs

Implement new strategies to offset your transportation costs, such as sharing the cost with a surcharge or an increase in the delivery fee. Or you can raise prices across the board by incorporating a fuel surcharge into the product cost. Outsourcing transportation by partnering with a logistics or delivery company to take on some or all of that load can also help you streamline your operations and reduce your overall costs.

Solution #6: Find the Right Technology Tools for Your Business

Investments in automation tools like ERP and WMS software – or other time-saving apps like GPS delivery management systems – can have a dramatic effect on your long-term profitability. With essential information at your fingertips, you can reduce man-hours, improve accuracy, increase visibility, give you more control over operations and increase profitability.

Solution #7: Keep Track of Your KPIs

Key performance indicators (KPIs) serve as a report card for your business and provide tangible metrics for different areas of your operations. Focus on concrete measurements and be relevant to your specific operations, such as order-picking accuracy, receiving and putaway time, safety stats and more. The goal should be to identify areas where you can improve, either via process improvement or better training.

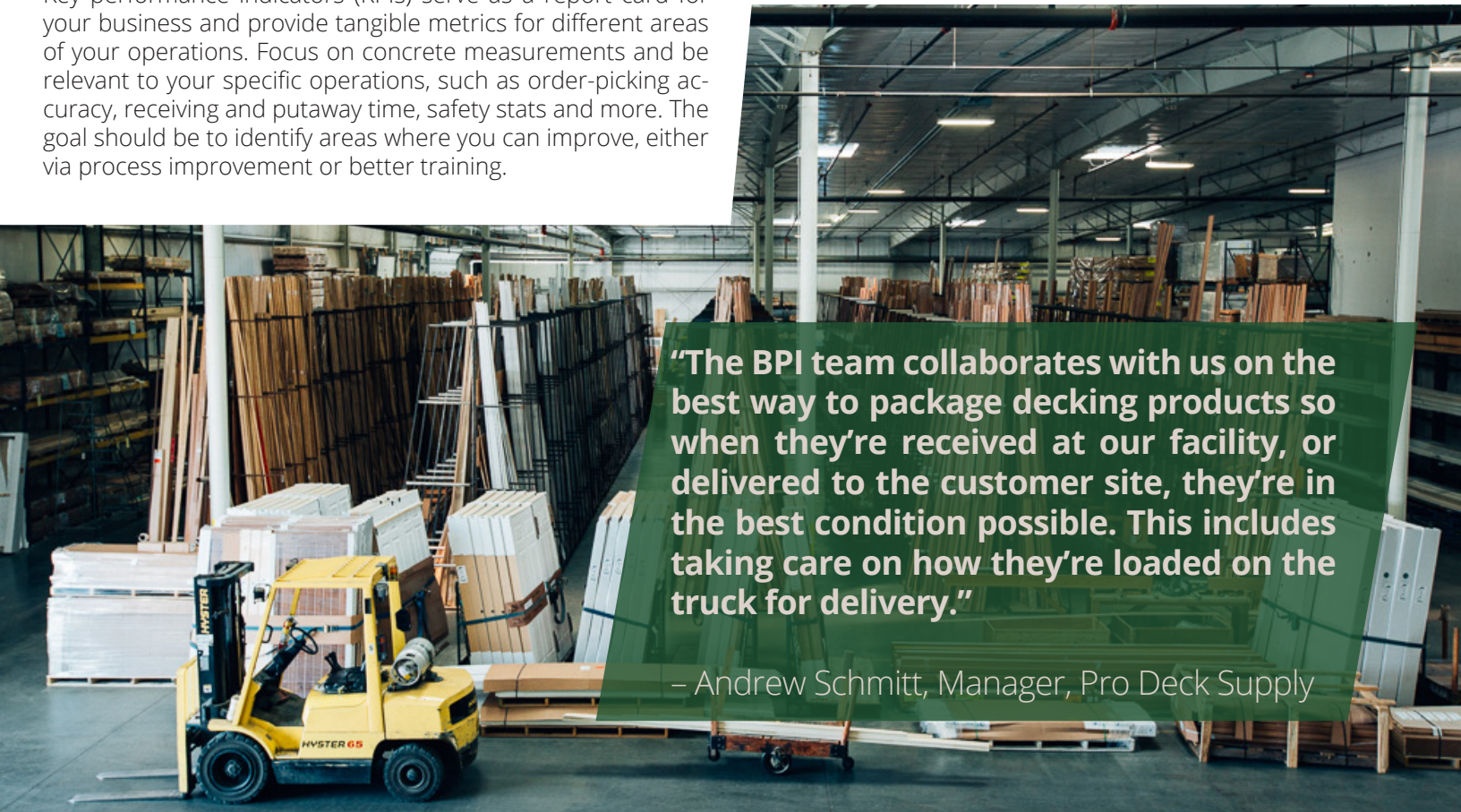
Solution #8: Take Advantage of Cross-Docking

Cross-docking removes or reduces storage costs by reducing the time product spends on your warehouse shelves. Products are removed from delivery vehicles such as trucks or railroad cars, sorted, and immediately loaded onto outbound vehicles for delivery. This increases delivery efficiency, meaning customers receive orders faster and may be a strategy you can employ to reduce costs.

Solution #9: Talk to The Experts

You have a lot of opportunities and decisions to make to reduce operational costs in your warehouse. It can be hard to make the best choices and implement them efficiently. This is why talking to experts in lumberyard and warehouse efficiency, like our staff at BPI, can be an intelligent choice.

To increase profits while reducing costs by finding the strategies and tools you need, contact us at [Building Products, Inc.](https://www.bpi.build) to see how our experts and solutions can help you.



“The BPI team collaborates with us on the best way to package decking products so when they’re received at our facility, or delivered to the customer site, they’re in the best condition possible. This includes taking care on how they’re loaded on the truck for delivery.”

– Andrew Schmitt, Manager, Pro Deck Supply