

Hisco: Inventory Hawks

His Company (Hisco) is a distributor of electronics materials (adhesive, solder, flux and tape, to name a few). Founded in 1970 and privately held, Hisco (hiscoinc.com) also provides custom fabrication, warehousing and inventory management.

In 1976 William Baird joined Hisco's customer service and warehouse staff in Little Rock, AK. Recently named CEO, Baird's rise has paralleled the company's: from three branch locations in 1976 to 27 today across the U.S. and Mexico.

CA: What percentage of Hisco's revenues comes from value-added services?

WB: Approximately 15 to 20%. Our business is growing faster in this area than in traditional distribution and we are placing a large emphasis on value-added services.

CA: Are customers asking distributors to share responsibility for excess inventory?

WB: In distribution, watching inventory is key to running a profitable business. It is not uncommon for customers to push orders out for months. We are fortunate to have over 10,000 customers and can try to move inventory within our system or return to the vendor. If the inventory is custom and nonreturnable, we ask the customer for a firm purchase order with scheduled release dates.

CA: What effects do you foresee for distributors as the industry switches to lead-free solders?

WB: We see this as an advantage as we have 65 to 70 outside sales representatives, each of whom receives a minimum of 50 hours technical training from our suppliers every year. The more technical the product, the more dependent customers become on distribution partners. We bring value to customers not only by helping with the new solders but also by working with them on soldering tips and other related products. Any change in technology is tough for distributors because we don't know where the technology is going to go. Lead-free is a new technology, but we've been through it many times before in solder paste and other products. It looks like the industry is standardizing on two or three types of lead-free pastes. That's no different (for us) than carrying three types of solder bars.

Part of our game plan is to be the source. We're not going to invent a new technology. But if a customer wants a lead-free paste we act as the conduit between customer and supplier.

We also see a trend in hazardous chemical management, mostly on the military/aerospace side. A customer may say, anything with an MSDS (material safety data sheet), we buy through you, you dispose of hazardous waste and you track all the hazardous products con-

sumed in our locations. Because of this, the chemical management industry is now a customer of ours.

CA: What services are paramount for distributors to provide? Do you see a day when distributors will hold and manage the lion's share of inventory – either in-house or on-site at a customer's plant?

WB: Mandatory for distributors is 24/7 service. Nights, weekends and emergency shipments are where a distributor earns its stripes. Anyone can handle the easy orders; it's when a customer is in a jam that they rely on distribution to get products to keep their lines running.

Inventory management is becoming a bigger part of the picture for distributors. Customers can spend their time building products, distributors can help them with inventory management. Vendor-managed inventory brings a new breed of competition to the industry. Now, instead of distributors competing with distributors, they compete with 3PL (third-party logistics) firms for VMI. VMI/3PL is one of the fastest growing segments of our business.

Hisco is an ESOP company and 100% employee-owned and we custom build our distribution centers. That's an expensive way to do it, but to custom build a rental means increasing the value of someone else's real estate. Besides demo rooms, we have custom cold rooms for storing solder paste and heat-sensitive items, hazardous chemicals rooms and flammable storage.

CA: Will the move to online auctions for procurement affect the distribution channel?

WB: Online auctions are here to stay. They compress the bidding process and give customers visibility as to where the pricing range is on a basket of products. Customers don't always go with the "low price" and look at the best overall value when picking a supplier at these auctions.

CA: Do you see a trend toward Lean Manufacturing, and what steps do you have to take to adapt?

WB: We have a national contract with a major aerospace electronics manufacturer. They have been working with Lean for years. Our customer volunteered to help us start a Lean program. We take Lean projects that have been successful and have a "Pit Stop" team that travels to our branch locations to help implement best practices for Lean. We are helping another aerospace customer with a Lean project for electronically managing inventory with our VARS (value-added replenishment system).

CA: Is there any service you would like to offer, but don't?

WB: We constantly look for services to offer our customers. Kitting is a service we would like to provide; I expect we will in the near future.

– Mike Buetow



Conduit: Baird