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The Perfect Distributor in the Eyes of a Rep (Revisited)

Do we live in a perfect world, have a perfect spouse and a perfect marriage? Do we drive perfect cars and live in perfect homes in perfect neighborhoods? Do we have a perfect President presiding over a perfect country? Do we have a perfectly balanced budget and balanced trade with the Far East? Are 45 million U.S. citizens without insurance acceptable to you? The answer is obviously a resounding NO! Now, for the \$64 billion question. Is there any such thing as the perfect distributor? Read on and draw your own conclusions.

As the electronic distributors converge on Las Vegas for EDS '08, this article will serve to revisit and perhaps redefine the perfect distributor in the eyes of a rep. As I have stated before, distributors are fiercely competitive (and that may be a gross understatement)! They spend millions of dollars to gain a competitive edge and set themselves apart from their brethren. If they can't beat them, they sometimes eat them (pardon me, buy them), thus consuming their competition and that sometimes makes for "financial indigestion" (debt service). Frankly, I'd be surprised to see many new M&A's any time soon. Soft market conditions and tight money may preclude this from happening.

25 Perfect Axioms To Ponder

Some of you may not agree with the following axioms, and I'll define it for those of you who may not be familiar with the term – an axiom is a self-evident truth that requires no proof. Many of them were contributed by industry colleagues.

1. Perfect distributors realize that their primary function is demand fulfillment.

2. Perfect distributors do not get involved in price wars, they sell on the merit of their inventory and services, like the D.A.M.N. team.

3. Perfect distributors realize that professional reps are the cost effective outsourced alternative to a factory direct sales force; reps are not middlemen nor do they cost more money.

4. Perfect distributors realize that reps are not their competition, but more importantly, their partner in generating sales and profit.

5. Perfect distributors understand there is room enough for all types: globals, nationals, regionals, locals, specialists, independents and the catalog guys. Almost forgot, hybrids too.

6. Perfect distributors share POS data, which means that they trust their suppliers and their sales force.

7. Perfect distributors do a great job of tracking commission splits for their suppliers, reps and their own sales people.

8. Perfect distributors view design wins as a joint accomplishment.

9. Perfect distributors do not say that they own an account – because they don't!

10. Perfect distributors are demand recognizers, not demand creators. Design engineers are the true demand creators.

11. Perfect distributors do not abuse registration programs by registering more than one line per opportunity.

12. Perfect distributors do not work from an empty shelf.

13. Perfect distributors encourage joint calls and sales meetings from their suppliers and reps.

14. Perfect distributors do not use golf outings or customer appreciation events for profiteering.

15. Perfect distributors do not denigrate reps or factory direct people conversely they are their advocates.

16. Perfect distributors do not "cook the books" when it comes to ship and debits.

17. Perfect distributors do not give phony "meet comps".

18. Perfect distributors do not strong arm their suppliers at the expense of smaller distributors. Bully tactics are ideally replaced with sound planning/forecasting.

See **REP**, continued to next page

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REP, continued from previous page

19. Perfect distributors recognize the fact that the manufacturer who developed the components are entitled to a fair profit based on R&D, product liability, plus sales and marketing expenses. They also realize that they often sell at higher bottom line margins than the supplier.

20. Perfect distributors have great interactive websites.

21. Perfect distributors will give the incumbent suppliers and their representatives every opportunity to resolve a problem with a customer before suggesting (pushing) the customer to “jump ship” to one of their other suppliers.

22. Perfect distributors will reach out to the representatives to engage us with their customer’s issues and sales objectives.

23. Perfect distributor’s management will visit my office once a year to discuss lines in common and establish mutual growth plans.

24. Perfect distributors are more loyal to valued long term franchised line than strictly the bottom line.

25. Perfect distributors truly appreciate referrals and the reps that made them.

We are all flawed. Distributors, reps and suppliers aspire to be perfect but we all know that it’s impossibility. Why, because there is no such thing as perfect people working for perfect companies with perfect systems. The object for all of us is to be the “low risk” business partner/supplier.

Profit Margins

The perfect distributor generates respectable profit margins for investors and owners. They don’t give away precious margin points for the sake of market share. Or, if they do, they do

not complain or try to recover it from the supplier. If that’s the way some distributors choose to make their bed, they should be perfectly content to sleep in it.

Customer Service & Inventory

This may be the most critical area for differentiation. Catalog distributors such as the D.A.M.N. team have grown their business on the age old mantra “inventory drives sales”. This is especially true with the IPE lines. It’s also reported that the semi side of their business is also accelerating. They focus on the basics; stock it, sell it and ship it, and it’s obviously paying off.

Relationships

The most perfect distributor realizes that success is built on relationships throughout the entire supply chain and not just their customer base. To accomplish growth goals perfect distributors work equally close with reps and factory personnel. In the past, we sold relationships first and products second. Now all distributors must truly “deliver value” to their customers. In today’s world that means logistical perfection and that takes us back to inventory and that means the ability to fulfill quick-turn opportunities.

Responsibilities

Perfect distributors know what is expected of them by customers and suppliers. They communicate openly, honestly and frequently with their suppliers’ sales force. They provide accurate and honest “meet comps” and “point-of-sale” information. I hasten to add they do it in a timely manner. They don’t cross over “design wins” without a courtesy call telling their supplier why. They try to act as “partners” in the truest sense of the word and that means TRUST. This means all parties in the supply chain and not just one.

New opportunities are shared with suppliers and conversely the suppliers share their opportunities with their distributors. Exceptions are based on the buyer’s preference or specific instruction. Product training is a shared responsibility with the manufacturer’s sales force – rep or direct. Both make the time and understand the priorities.

Trends

The perfect distributor is mindful that their function is constantly evolving. As the old business proverb states, “Whatever got you where you are today, won’t be good enough to keep you there.” It’s an acknowledged fact that our industry changes with startling speed and that means dramatic changes on a continued basis. The perfect distributor will experience greater challenges from their customers than their competition. Selling to contract manufacturers can no longer be done at double digit margins, especially to the Asian ones. This category of customer represents the global distributor’s greatest challenge!

Summary

Distributors have made major advancements in perfecting their multitude of services – both financially and logistically. They continue to master high speed, low-cost delivery and inventory management solutions. Perfect? No, but the electronic distributors do it better than other market segment in the world and for that they arc to be commended. They put their money where their mouth is for the sake of perfection. The future will bear some turbulent times and I believe the best and brightest will survive. They will truly be the MOST PERFECT of all.

Prophetically, we are living in an era when we must understand the difference between globalization and “global-is-asian.”

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