

## PIONEERING EFFORTS MUST BE PROTECTED

BY JASON BADER, PRINCIPAL - THE DISTRIBUTION TEAM



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Many of you know me as a trainer of distributors, but I occasionally jump over to the other side of the supply chain. Over the past 15 years, I have done one day sessions focused on helping manufacturers and independent rep agents understand the independent distributor. This class was really born out of desire to help reps move from entry level roles serving retail establishments or direct end user demonstration and support. When these folks move over to calling on independent distributors, they need to modify their approach and find a way to be the most valuable resource in the vast quiver of brands supported by the wholesaler. One of the areas I touch on is how to work with a distributor when you want them to launch a new product into the field and how much effort is required to do so. They often forget all the nuances required to make that new product introduction a success. Because of this substantial effort, distributors get a little resentful when the product is offered to local competitors too quickly. It can often feel like a kick in the teeth and will cause that distributor to minimize their interest in a new product, or even flat out refuse to bring it to their customers without an already established market. All this could be avoided if the manufacturer stepped back and recognized what was being asked when they expect their distributor partner to pioneer a new product.

The most valuable commodity in any market is relationships. Years ago, a wise manufacturer shared something I will always remember, "The person that controls the relationships in the market, controls the market". Truer words were not said. It can often be

overlooked that these distributors have been cultivating relationships with their customers for decades. These relationships are built on trust and mutual understanding of goals. These long-term customers have been relying on the supply house to bring quality, time-saving solutions to the market. The customer doesn't have the time to go out and surf the internet or read a blog on the latest and greatest. They rely on the distributor sales rep to do that for them. In a great relationship, these professional customers expect the distributor to provide solutions that will help them make more money at the end of the day.

When a manufacturer asks their distributor customer to introduce a new product, or an upgrade, to that end user, they are really asking the distributor to put their reputation on the line. The protection of reputation is paramount to the success of any wholesale distributor. Will the product save the customer time and money? Is the new product of a quality standard that it will not cause delays or put that customer in the middle of liability suit? Will the product be available if the customer says yes? Right now, this one hits a little hard. All of these factors contribute to the perception of the distributor relationship.

Beyond the relationship investment, the distributor customer must also invest their inventory dollars to support this new offering. Where is this money supposed to come from? Distributors don't just saddle up to the company ATM and withdraw discretionary funds for new ventures. That money has to come from the reduction of investment in another product. The inventory cost associated with new

products can be very expensive. Here is a scary statistic. Out of 10 new products invested in and launched, only 2 or 3 typically become turning and earning inventory. The others tend to be dead on arrival. I have asked this question to distribution audiences for the past 19 years. Nothing is more consistent than the ratio described above. One of the common challenges is when a manufacture launches an upgrade to an existing product. What do you think happens to product 1.0 when 2.0 lands on the shelves? It gets shoved to the side, moved to the top shelf, transferred to the back corner of the warehouse and ultimately winds up as dead stock.

Manufacturers who understand this phenomenon will often develop "lift programs". This boils down to the manufacturer buying back the old model inventory or funding some sales incentives to burn through the first gen material. Either way, this strategy will go a long way to having a distributor make an investment in the latest and greatest coming out of the manufacturer R&D department.

Training the sales team takes time and effort. Wholesale is not like retail. Just because you put it on the shelves, even at the front counter, doesn't mean that it will sell. Products need to be pushed. Manufacturers need to arm the team with unique selling features and reasons to share it with the customer base. I have seen a lot of products die on the vine because the manufacture failed to be excited about the new product in training sessions. Most distributors support well over 100 brands. If the rep isn't excited, why should the distributor bother. Knowing the features and benefits of a product won't cut it.

The owner of the Savannah Bananas, Jessie Cole, said it best, “quit chasing customers, and start creating fans.” If you haven’t seen the man in the yellow tux, look him up.

Now that I have touched on a few of the things wholesalers have to go through when launching a new product into the market, and I have definitely left out a few, you might start to understand why a distributor might get a little irritated when a product lands in the hands of a competitor too quickly. Imagine going out and spreading the word to your relationships in the market, training your sales team to drive the features and benefits, investing thousands in inventory, only to have the knucklehead down the street waltz in and undercut the price of this new offering. Ouch, that will leave a mark. Imagine the response of the distributor the next time a manufacturer comes out with the greatest thing since sliced bread. Hard pass.

The solution, as I see it, is to give the pioneering distributor some level of market protection so that they can at least recoup their investment. Would an exclusive territory be appropriate? A distributor can only dream. This probably isn’t going to happen, especially if the manufacturer is a public entity. Short-term exclusivity or even price differentiation may be a more realistic approach. The grand point is that when a manufacturer asks a distributor to leverage their relationships to introduce a new product, it is an expensive proposition. If that manufacturer wants to continue using their supply chain partner to launch the latest and greatest, they need to honor the investment.

#### **About the Author:**

*Jason Bader is the principal of The Distribution Team. He is a holistic distribution advisor who is passionate about helping business owners solve challenges, generate wealth and achieve personal goals. He can be found speaking at several industry events throughout the year, providing executive coaching services to private clients and letting his thoughts be known in an industry publication or two. Last year, he launched his first podcast, Distribution Talk. Episodes can be found at [www.distributiontalk.com](http://www.distributiontalk.com) and most podcast applications. He can be reached at (503) 282-2333 or via email at [jason@distributionteam.com](mailto:jason@distributionteam.com). You can find additional resources on his website: [www.thedistributionteam.com](http://www.thedistributionteam.com)*