

## Article: The When And How of Using Distributors

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**Over the last few years we have carried out a number of surveys to examine the effectiveness of distributors in industrial marketing. There is no doubt that there are many unhappy marriages between manufacturers and their distributors and that the commonest causes of friction are misunderstandings as to when and why this channel should be used and how to get the best out of it.**

Distributors, merchants, dealers or factors are characterised by two features. First, unlike agents who take a commission, they buy stock for re-sale. Second, they are usually but not always appointed by the manufacturer to cover a specific geographical area or sector of the market. Typically the distributor is a small company, perhaps with only one or two branches. It may be privately owned and managed by the proprietor, an ex-salesman who has opted for a life of greater independence.

The ideal environment for a distributor is a market with many small customers and where the level of sales service required is high. The spread of customers is difficult and expensive to reach with a directly employed sales force who are more suited to dealing with a limited number of large buyers. Distributors generally aim to win business on sales rather than technical service. Their stock of products means customers can have instant delivery.

A difficult technical problem may require referring to the manufacturer. Simple repair work may be handled by the distributor. Distributors are, therefore, an efficient means of selling car parts to garages, tools to industry or components to electrical companies. They are inappropriate for selling complex industrial plant, computers or castings. If distributors are not performing well the manufacturer should ask if their job could be better undertaken by a sales force or agency. Distributors will never be successful if they are used as a cheap alternative to a sales force - they either fit the conditions or they do not.

Even in the correct marketing environment the use of distributors is not always successful. Many distributors make the mistake of expanding their product range to an unmanageable level, with the result that selling effort is dissipated. This gives rise to the commonly voiced complaint of manufacturers that distributors are order takers and not order getters. The product range they sell may be deep as well as wide with a variety of items from high to low value. In a recent interview, the marketing manager of a tool company complained bitterly that his distributors were more interested in selling expensive compressors than tools which on average only a couple of hundred pounds each. Distributors are not necessarily the wrong way to sell air tools but certainly the company had the wrong distributors.

Poor distributors can be recognised by their low level of stocks. Since an important role of the distributor network is to provide immediate access to goods, poor stocks will result in poor service. The same person who carries inadequate stocks is likely to be the one to complain that the manufacturer is letting him down with deliveries which are too slow.

Staff employed by distributors may sometimes leave a great deal to be desired. Counter staff may lack selling experience. A recent survey of packaging distributors asked the proprietors whether they would be prepared to let the manufacturer train their sales staff in one of the product lines. Only a minority were interested in the offer, even though it would have cost them nothing except the opportunity cost of their employees' time.

Distributors do not shrink from criticising manufacturers. They point to the all too frequent practice whereby the manufacturer takes the rich pickings for his own sales force leaving the distributor with the crumbs. Worse, the distributor may be encouraged to take up sizeable accounts only to find this business has been short circuited when it suits the convenience of the manufacturer.

Manufacturers are also accused of being interested only in selling into distributors and providing little help in selling out. Distributors rely on a strong demand puff for their products. Distributors want customers who ask for a product by name and this demands strong branding. Manufacturers should not assume that distributors are interested in switching customers to another brand at a point of sale. Small distributors may lack the time and trained management for planned marketing. Many are glorified shops relying heavily on counter sales. A token entry in Yellow Pages may well be the sum of their marketing effort.

It usually falls upon the manufacturer to provide marketing support. This can range from the provision of display material for a showroom through to media advertising or mail shots aimed at drawing a response and directing it to the distributor. A number of distributors in the packaging survey said that not only did they receive little or no support from their principals but they even had to buy their own sales literature!

Territories are a frequent bone of contention. This may be due to the loose definition of boundaries placing one distributor in con-

with another or it could be the result of the carving up of one area into smaller units.

After studying a number of different markets in which distributors are used we have arrived at the conclusion that wherever a sales channel fails it is most likely to be due to shortfalls on the part of the principal. Distributors are, after all, selected by a manufacturer rather than self-appointed. They need a helping hand and may not get it. They can hardly be blamed for placing their own limited time and resources behind products which sell easily and make money rather than those which are hard to sell and provide little profit.

There is no single recipe for the successful appointment and management of distributors but here are some ingredients which are worth considering.

Seek specialists. Distributors who specialise in a narrow field tend to be the most successful. They understand the needs of their customers better and know where in their territory the potential lies.

Treat distributors as part of your own company. In a recent exercise carried out for a manufacturer of solenoid valves it was seen that the reason it achieved the lion's share of the market was that it treated its distributors as if they were company employees. Regular conferences bound them together and provided an opportunity for sorting out problems. Just as a manufacturer would not dream of sending a new salesman on the road without product training, so too should distributor staff be trained. If the distributors find it inconvenient for their people to visit the principal's factory for this purpose then a school should be devised for on the job training.

Set strict codes for merchandising. Contrary to the belief of some manufacturers, distributors are quite prepared to conform to a tightly controlled formula for merchandising goods - as long as they know it works. Snap-on Tools, for example, have hundreds of distributors selling tools to garage mechanics from vans. Snap-on insist that every van is laid out in the same way and that every distributor wears a uniform. And the distributors are happy to comply because they know that this approach sells more tools.

Provide assistance with Marketing. Marketers take it for granted that everyone knows which directories to look in for a list of prospects, how to organise a direct mail campaign and where to place ads. Distributors are likely to be managed by good salesmen and poor marketers. Any assistance that the principal can provide in marketing the products will improve the relationship and both parties sell more products.

Make the business worthwhile. If a manufacturer decides to use distributors rather than another marketing channel, he should not begrudge the distributor his margin. This margin saves the manufacturer from having to invest in cars, salesmen, depots and expensively high stock levels. The margin he provides should be sufficient to cover the distributor's costs and provide a profit incentive.

Keep the distributor interested. Distributors are under constant pressure to take on a new range or a new supplier. A manufacturer who becomes complacent about its distributor network is putting it at risk. If it is good there will be many who will steal it. Distributor incentives and prizes, newsletters and constant support in the form of visits are essential to keep the distributor interested and stop it being tempted away.

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