

2020 ERA Conference

RDM Pulse Check Breakout Session - Distributor Sessions Raw Input Summary

As highlighted during the brief wrap up session on Tuesday afternoon, there were several general themes that emerged from the RDM Pulse Check sessions:

- Ensuring that all Partners understand the Value Proposition of the other Partners
- Enhancing communications and teamwork
- Establishing expectations that foster trust
- Ensuring ERA's focus on existing or new activities that add value

Using this framework, we have captured the discussion from the Distributor sessions.

Ensuring that all Partners understand the Value Proposition of the other Partners

- Need to better articulate the value of each Partner. Distributors provide significant value in these areas:
 - Inventory
 - Financing
 - Samples
 - Product Management
 - Product Marketing
 - Design Assistance
 - Provide industry insight to customers on important topics, e.g., tariffs.
- Many Manufacturers measure Distributor importance / value based on POP results, as opposed to POS. Using POP results don't take into consideration excess inventory that might result if the POS does not happen. Opportunity to align on common metrics.
- Design Registration margin is getting squeezed by Manufacturers. This threatens to reduce the time Distributors invest in driving new NBOs and design activity.
- Channel optimization – Too many Distributors for some Manufacturers.

Enhancing communications and teamwork

- Streamlining and more standardization of the quoting process to enable faster response times to customers. Some Manufacturers support the RFQ via their direct team, some require the request to be sent to the Reps. Some offer an on-line system.
- In general, better communication and more transparency.
- Opportunity to tailor Manufacturer training delivered in distributor branches. Tailor to cover applications that are important to that territory (vs. applications that exist in other regions or continents). Avoid pictures of management, factories and too much technical data. Include a good overview of features and benefits, applications and competitive advantages.
- Challenge getting Distributors to focus on IP&E / PEMCO.
- Need realistic commitments for samples, quotes and follow-up.
- Manufacturers need to share roadmaps and collateral with Partners.

Establishing expectations that foster trust

- Suggested resale vs. margin control: Issue is Manufacturers dictating resale pricing and limiting Distributor profitability.
- Need a collaborative compensation / reward system. There are examples of Manufacturers who reduced Rep commission believing that Distributors were responsible for the design in. This highlighted a better understanding of the Rep and Distributor roles. Reps and Distributors can accomplish more working together versus one being penalized by the performance of the other.
- Better management of special pricing to limit margin erosion, business shift, lack of inventory support due to movement of business from one Distributor to another.
- Manufacturers should pay commission at POS resale not POS distributor cost.
- Avoid pricing “auctions” where customer bid Distributors against each other to achieve the lowest cost.
- MOQs should be reasonable set to support the customer base and not to maximize Manufacturer revenue.
- Manufacturer needs to include both Rep and Distributor in meetings and communications that involve them both.
- Balanced sharing of target accounts as territory joint Rep distributor sales meetings can result in the need for the identification of “target” accounts. Both Reps and distributors should prepare and provide target accounts.

Ensuring ERA’s focus on existing or new activities that add value

- Reps were insulated from the increases in China tariffs. Opportunity for ERA to help educate Reps on the impact of these tariffs on Manufacturers, Distributors and customers.
- Possible white paper on tracking split commissions.