

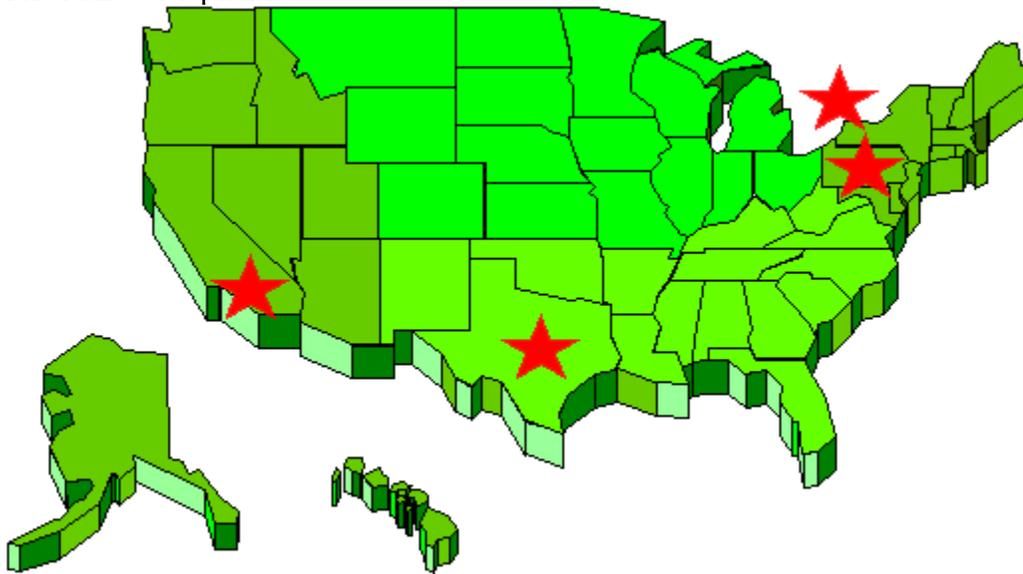
How Do I Set Up a Joint Selling Entity?

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The following scenario has been developed to help members understand the dynamics of a joint selling entity and the relationships between the customer and the AICC member. This scenario is modeled after the provisions of the review letters issued by the U. S. Department of Justice and the Bureau of Competition in Canada.

The Customer: Widget Cup Co. (WCC) in Buffalo, New York, is seeking a single source supplier for their four plants in Buffalo, Toronto, Dallas and Los Angeles. Widget Cup approaches their current supplier in Buffalo, ABC Box Company, to help set up this kind of arrangement. Widget Cup has been a long-time customer of ABC Box, considers them to be a reputable supplier and would like ABC to serve its other locations around the country.

The Supplier: ABC Box Company (ABC), a sheet plant in Buffalo, recognizes that WCC is not only seeking its help in starting this network, but is also looking at other larger suppliers with multiple plants around the country. In order to protect this current business, but also seeing the opportunity to expand it, ABC Box Company, attempts to create a Joint Selling Entity (JSE) to serve all WCC plants



Widget Cup Company Plant Locations
Buffalo (HQs), Toronto, Dallas and Los Angeles

Step-by-Step: With this scenario now in place, here are the steps which ABC Box Company would take to set up a joint selling entity. Because ABC is taking the lead and is the primary contact with Widget Cup Company, it is the lead member of the joint selling entity.

1. ABC obtains from WCC all specifications for each plant's packaging purchases. This includes any specialty items, tooling needs, printing specs, etc.

2. ABC Box uses AICC web site or Membership Directory (either printed or CD-ROM) to identify potential JSE members in those cities where WCC has plant locations. ABC looks for a number of attributes in potential JSE members, including quality procedures, ISO certification (if required), equipment and product listings, etc.

3. Using these kinds of qualifiers, ABC Box focuses first on WCC's Dallas, Texas, location and identifies three potential members there: X, Y, & Z box companies.

4. Following the parameters of the Department of Justice Business Review Letter, ABC eliminates Box Company Y from consideration because Y also competes with ABC in the Buffalo market area. Reminder: competitors in the lead company's market area cannot be a participant in a joint selling entity.

5. ABC Box Chooses either X or Z, and repeats this exercise in Toronto and Los Angeles, and informs WCC of their selection. WCC is given the opportunity to approve these choices based on ABC's recommendation.

6. As the lead member in this joint selling entity, ABC Box Company qualifies and gets commitments from members in satisfying the following WCC specifications

- Delivery location, schedules and requirements
- Quality
- Corporate culture similar to ABC Box Co.
- Product & Machine Capabilities which can meet the requirements
- Etc.

7. Each member of ABC's joint selling entity is instructed by ABC as follows:

- Issue all price quotes to ABC Box
- ABC Box will quote prices to WCC
- No prices or terms are to be discussed with WCC at any time. Only ABC Box Company can discuss issues related to price.
- ABC Box is obligated to keep all member disclosures confidential
- WCC price & term re-negotiations submitted to ABC Box only

8. Each JSE member, as approved by WCC, will ship product directly to specific WCC plants and will:

- Use own shipping manifest
- Use own delivery trucks
- Provide customer service to WCC plant but cannot discuss price or terms with that plant. All inquiries relating to price and terms must be referred to ABC Box.
- After each shipment by JSE member, an invoice is sent to ABC Box for the agreed-on price.
- ABC Box then invoices Widget Cup Company as agreed on in quote.

9. Any JSE member can quit group at anytime. An important provision of the Business Review Letter from the Department of Justice maintains that any JSE member can leave a group at any time. Once a member fulfills its part of the contract, then a member can leave at will. That member is then free to pursue other selling groups as it so chooses.

10. If one JSE member belongs to more than one selling group, they must not discuss the other group's business practices. Because Joint Selling Entities can, in effect, compete with one another, there can be no discussion among groups concerning their business activities.

The steps in this simplified scenario illustrate the process for a joint selling entity. There are many other details which are not listed here, and these should be worked out carefully in advance, especially those that are the responsibility of the lead member. The next section deals with the responsibilities of lead member in a joint selling entity and also includes a checklist for prospective members in such an entity.