



# The David Letterman Top Ten Lists: Worst Practices

The top ten examples of the worst practices  
of your trading partner: **Distributor view of Manufacturer**

10. Manufacturers hiring Distributor staff and criticizing Distributors for turnover.
9. Manufacturer websites not kept current with product specifications and other information.
8. Frequent changing of part numbers and skill identification on a regular basis.
7. Not providing your own sales reps/agents with adequate support/training.
6. No clear policy with open-selective or exclusive distribution resulting in overdistribution and margin erosion.
5. Failing to manage end-of-life product effectively and sticking distributors with devaluation.
4. Selling technical product through retail channels without adequate support.
3. Announcing and launching new products and lacking the ability to deliver them.
2. Talking about rebates with sales reps & asking them not to say anything.
1. Providing volume rebates to end users.



# The David Letterman Top Ten Lists: Best Practices

The top ten examples of the best practices  
of your trading partner: **Distributor view of Manufacturer**

10. Support of local trade and industry associations.
9. Investment in training rather than free trips.
8. Consistent pricing practices and ethical rules in competitive situations.
7. Inventory balancing at wholesalers.
6. Good product quality and innovative new product development.
5. Quick responses to product performance issues in the marketplace.
4. Support of practical technology, i.e., EDI, ASN's.
3. Consistent and predictable fill rates and lead times.
2. Willingness to candidly discuss evolving market strategy.
1. Having an actual plan for distribution and managing to that plan.



# The David Letterman Top Ten Lists: Worst Practices

The top ten examples of the worst practices  
of your trading partner: **Manufacturer view of Distributor**

10. Very poor product knowledge.
9. Becoming offshore importers while paying lip-service to local manufacturers.
8. Poor inventory planning, i.e., returning and immediately reordering the same product.
7. Turning co-op activities (ads and trade shows) into profit centres.
6. Bad communication on won jobs that fails to provide lead-time requirements when needed.
5. Commoditization of specs and offering an alternative after it is spec'ed by the manufacturer.
4. Going back to the manufacturer for a better price after the business has been won.
3. Aggressive and silly pricing in the marketplace and asking the manufacturer to copy.
2. Being order takers with no rules.
1. Inability to say "no".



# The David Letterman Top Ten Lists: Best Practices

The top ten examples of the best practices  
of your trading partner: **Manufacturer view of Distributor**

10. Co-op marketing plans that can actually be linked to manufacturers' needs.
9. Providing early notice of problems rather than waiting until last minute.
8. Operating with a well thought-out return goods strategy.
7. Well-managed ordering flow to smooth peaks and valleys.
6. Investing in the showroom channel.
5. Supporting a strategic partner relationship even in situations without the lowest price.
4. Leveraging strong user-end relationships for manufacturer benefit.
3. Investing in staff recruitment and development.
2. Carrying adequate local inventory and managing receivable risks.
1. Being willing and open to discuss changing market needs.

## **The Top Ten – Best and Worst Relationship Issues**

### **Distributor Views**

#### **Manufacturer Worst Practices**

- The manufacturer appoints additional distribution without consultation with existing distributors in that market.
- The manufacturer quotes directly to the customer.
- The manufacturer treats all of their distributors exactly the same, independent of the individual distributor commitment levels.
- The distributor develops the account and then the manufacturer takes it direct.
- Manufacturers who engage in ship from stock and debit pricing mechanisms.
- The manufacturer who creates over coverage exposure by allowing too much distribution in a trading area.
- Manufacturers who permit their own sales staff or their reps to give out market prices in competitive situations.
- Manufacturers who set up direct sales situations and then ask a distributor to service it at an inadequate commission level.
- Manufacturers who are unwilling to tell a distributor that they are committed to another distributor on a project for good reasons.
- The manufacturer fails to treat the distributor and customer relationship with adequate respect.

#### **Manufacturer Best Practices**

- Strong business systems that provide easy order entry, stock checks, accurate fill rates, and EDI.
- Employing quality and experienced sales reps that understand distribution.
- Provides good marketing and technical information and tools.
- Exclusive or semi-exclusive (selective) trading areas.
- Co-operative business planning.
- Joint planning with realistic goals and real new products.
- Train distributor sales reps on their products.
- Flexibility of terms and conditions that reflect local market conditions.
- Actively seeking distributor opinions prior to making decisions that affect us.
- Creating new reasons to call on customers.

### **Manufacturer Views**

#### **Distributor Worst Practices**

- Selling only on price and constantly asking for help without real competitive information.
- Reluctance to stock adequate local inventory.
- Asking the manufacturer for help in competing for business that is already earned by the manufacturer with another distributor.
- Creation of private label product offerings.
- Winning a project at cost and shopping it around for back end margin.
- Taking the lead role to break a specification with an existing supplier to beat another distributor.
- Order takers and not sellers.
- National distributors let their locations “do their own thing.”
- Shopping an order to other manufacturers when they already have an existing manufacturer.
- Delegating pricing authority too low into their organizations.

#### **Distributor Best Practices**

- Maintenance of strong local customer relationships.
- A clear strategy and focus on appropriate customers that delivers value and growth.
- Demonstrated demand creation capabilities.
- Knowledge of local markets and a willingness to share it with the manufacturer.
- Providing some exclusivity for represented manufacturers with respect to conflicting lines.
- Gathering customers together for group training.
- Distributor sharing of their key business goals with their manufacturers looking for potential linkages and mutual support.
- Willingness to invest in training initiatives with manufacturers.
- Clear and consistent linkages from corporate commitments through to branch and individual rep activities.
- Financial support to customers with credit practices.