

Great Expectations



I have heard customers and suppliers express frustration about what they get or do not get from the distributors with whom they do business. Much of that is simply a function of distribution being an easy target, since they are the ultimate middlemen. Customers are reluctant to place a value on the services that distribution provides and suppliers often don't want to recognize distribution's contribution to their sales strategy. In fact, both benefit greatly from distribution. The customer needs the channel to provide elements in the supply chain that the supplier cannot provide. The supplier needs its distributors to reach and service the industry's large and diverse customer base. So why does this level of frustration exist? Allow me to try to explain.

Distribution has essentially no intellectual property (IP) to offer. Distributors are selling organizations - in some cases, very good ones. They sell products and they sell themselves to customers and suppliers. One outcome of this activity is the setting of expectations. Sometimes promotion exceeds performance, leaving the customer or supplier thinking that they are getting less than they deserve. Both customers and suppliers need to set their own expectations regarding what they know to be reality, not the photo-shopped images presented in a polished pitch. Demand creation and technical support are growing components of the distributor services portfolio, and provide good examples to support my thesis. Distribution strongly advocates for and promotes its capabilities in these disciplines, but if a customer expects a distributor to be as informed about a supplier's products as the supplier itself, the customer will likely be disappointed. Distributors are trained and supported by suppliers' engineers, and can handle the great majority of situations. However, they will rarely possess the depth of knowledge needed for the most complex designs, which will still require factory FAE involvement.

In a similar vein, distributors can and do play a supportive and collaborative role in creating demand for their suppliers. But, if a supplier believes that a distributor will do as complete a job in this area as its own technical organization, it too is setting itself up for disappointment. Distribution is an extension of the supplier's sales and marketing effort, but not a dedicated extension. Distribution's expertise and bandwidth is spread across the broad swath of its line card.

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Both customers and suppliers need to recognize that the channel provides an important service to the industry. Distribution brings convenient service to many customers that the suppliers cannot address effectively, thereby extending the supplier's reach. Customers benefit from distribution's design services and supply chain management - two capabilities that would not be available otherwise. Given reasonable and realistic expectations, there is a point of equilibrium, which, when it is reached, satisfies all parties. Finding that point can be a challenge, but I see the industry getting there over time.

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