

COUNSELOR Magazine's *State of the Industry Report 2003* noted that, based on responses to their survey, 59 percent of distributors now import promotional products. Given the synergy between technology and globalization, it is likely that this number will increase dramatically over the next few years, as will the percentage of total distributor sales imported directly from overseas. As they hone their decorating skills and shipping costs decrease, those overseas companies that are the source of undecorated product for thousands of U.S. suppliers will increasingly market directly to distributors and, ultimately, directly to the promotional products buyer.

This is not to demonize overseas manufacturers. They too see a business opportunity and will take every advantage of that opportunity. Were we sitting in their boardrooms, we would likely be contemplating the same course of action. However, this reality is putting increasing pressure on U.S. supplier margins. Since large orders will be sourced overseas first, U.S. suppliers will face decreasing average order sizes. This is a disturbing scenario given the high fixed costs of processing a small, customized order in our marketplace.

In order to survive this inevitable bypassing of the traditional distribution network, U.S.-based promotional products suppliers will need to do three things:

1 MARKET DIRECTLY TO THE BUYER

For decades, it has been taboo for suppliers to have any contact with buyers. This wall must come down, not so that U.S. suppliers can sell direct, but so that they can *market* direct. Try to name a distribution network in which the supplier of the product is prohibited from marketing directly to the buyer. In fact, in most distribution networks, the re-seller welcomes the concept of the supplier creating brand awareness in the mind of the buyer. Even in the highly regulated pharmaceutical marketplace, product manufacturers/suppliers are now allowed to advertise their product brands on television, recommending that consumers "ask their doctor about it." Is there any valid reason why U.S. promotional products suppliers should be admonished for doing the same?

Simply put, leads generated in a direct marketing campaign would make the distributor salesperson's job easier. The supplier has already put the buyer in a buying mode, or they would not have responded positively to the ad or mailing.

2 CONTACT DISTRIBUTOR SALESPEOPLE DIRECTLY

Remember the days when distributor salespeople were not allowed to attend industry trade shows? Remember when it was prohibited for suppliers to hand out business cards to salespeople? Remember when suppliers were excoriated by some distributors for launching a website? All of these taboos have gone by the board as both distributors and suppliers realize that there is much to be gained through direct contact between U.S. suppliers and distributor salespeople.

Sadly, the method that has traditionally been used to get the supplier's message out to the salesperson is reminiscent of the "whispering chain" or "telephone" game that we all played in elementary school. By the time the message gets to the end of the chain, it is often altered. If U.S. suppliers are to properly educate distributor salespeople on the unique value they bring to the table and help prepare that salesperson to best represent their products, they must be able to communicate that message directly — and not simply through the traditional methods of sales meetings and trade shows, but also through mass channels such as direct mail, telemarketing and e-mail.

3 EXPLORE ALTERNATE RE-SELLER CHANNELS

Promotional products distributors are re-sellers — highly trained and remarkably creative, but re-sellers nonetheless. There

are a number of alternate re-seller channels that present a potential opportunity for U.S. suppliers. Many of these re-sellers already compete with the traditional promotional products distributor — embroiderers, etc. If each of these audiences re-sell promotional products to their clients, they must be viewed as legitimate distribution channels for U.S. suppliers.

A QUESTION OF SURVIVAL

As mentioned earlier, overseas sourcing by distributors is one of the major factors driving suppliers to reassess how they market their products. Just as one cannot demonize the overseas manufacturer, one also cannot demonize the distributor company. They, too, face competitive pressures and direct sourcing may sometimes be their only option for closing a large order. When forced to choose between loyalty to a distribution network or the survival of your company, most will choose the company's survival.

U.S. suppliers face the same choice. However, given the leeway to pursue the three paths mentioned above, while working in partnership with their key distributor companies, they may find the competitive edge they need to survive and thrive.

*Michael Woody, CAS
International Marketing Advantages*

I READ WITH great interest your September Publisher's Letter. I would be happy to enlighten you as to why suppliers are having trouble with the best distributors: a best practice called ABC or Activity Based Costing.

There are price lists based on how much it costs to do business with a customer. For example, an order for full-case sizes of apparel costs less to fulfill than an order where there are a varying sizes and colors — full truckload vs. case orders or electronic ordering vs. faxes and phone calls. They also cull their customer lists and force small customers to buy from some of their larger customers. I know of food companies that have eliminated over 50 percent of their customer list, with no business decline and increased their efficiency.

On the subject of large orders going overseas, many times our suppliers are smaller companies than we are and they can't finance the order and require us to provide full payment. Why am I supposed to pay more for the item and have to front the money? What value are the suppliers bringing to me? We have utilized our suppliers for direct importing needs, but many times they are simply non-competitive.

As one of the ASI top 10 growing distributors in the country for the past three years, I can assure you that most suppliers in our industry do a poor job of customer service and are not interested in proactive change. Unfortunately, many of the suppliers in our industry are operating 20th-century businesses on a 19th-century business model and, without a huge change, will perish as surely as the buggy whip manufacturers did. Wake up, suppliers.

*Thomas K. Harris
Promo Depot Inc.*

VERY GOOD Publisher's Letter in October! The little "Moms & Pops" and "Black Cats" know this all too well. It is our "smallness" that allows us to keep in daily contact with value — it's how we live.

*Colin Serle
Black Cat Promotions*

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