

CHAPTER ONE

Introduction

I have been involved in the world of distribution for almost 30 years. I spent five years as a salesperson, then three in management. Since 1987, I have worked as a consultant to sales organizations and an educator of salespeople with distributors of all kinds. As a consultant, I have been personally involved with literally hundreds of distribution companies. As a speaker and trainer, I have interacted with tens of thousands of distributor salespeople.

Out of all of this experience, I have arrived at two observations, upon which the premise of this book is based:

1. Distributors are (or should be) sales companies at heart.
2. Relative to the rest of the world, most distributors don't do sales very well.

Seems like a contradiction, doesn't it? Let's examine these two observations.

1. Distributors are (or should be) sales companies at heart.

When the industry we know as distribution began to develop, it was a way of meeting several evolving needs. Customers wanted a local source of inventory so that they didn't have to wait for long periods of time to receive the goods that they needed. They wanted to buy in smaller portions than most manufacturers were willing to sell. And they needed someone to provide credit terms and to hold their payables for a period of time.

The response to these needs was the local distributor. They could inventory goods, break bulk, and provide local accounts receivable. Sounded like a good idea, and it was. For decades that rationale defined the primary way that distributors brought value to their customers.

But things have changed in recent years. The rapid change in communication technology evidenced by the World Wide Web and E-commerce have enabled even the most remote manufacturers to communicate directly with their customers. Changes in transportation technology have meant that almost any manufacturer could, if they wanted to, receive an order today from even one of their smallest users, and get the goods to them tomorrow. The value of local inventory and the ability to break bulk in this kind of world is dwindling.

At the same time, the use of corporate credit cards has exploded in recent years. That threatens the value that the distributor brings as a source of credit.

So, developments in the last few years have rendered the core value of the distribution company in question. Where does the future value of the distribution company lie? Not so much in the value it brings its customers, but rather in the value it brings to the manufacturers whose lines it carries!

Manufacturers will forever require someone to create demand for their products. When your manufacturer creates a hot new product, they will need someone to introduce that new product to their market, to support it, and to convince potential customers to try it. That is a way of describing the sales function.

And, as long as distributors carry multiple lines, they will be able to perform the sales function at greater efficiency and less cost than the manufacturers. That's because distributors can amortize the cost of sales over all the product lines it distributes, whereas the manufacturers can only amortize their sales cost over their own product line.

Looked at from the perspective of sales, the distributor will forever have an efficiency advantage over its suppliers. It's my belief that a distributor who can do sales well will enjoy a growing market share, greater support and involvement from their suppliers, and a hopeful and optimistic future.

Distributors in the 21st Century market must become effective sales companies. The heart of the value the distributor brings to the economy is rapidly becoming his ability to sell well!

So, distributors are (or should be) sales companies at heart. Unfortunately, they aren't very good at it.

2. Relative to the rest of the world, most distributors don't do sales very well.

On almost every measurement of effective sales forces, distributors rank lower than the average when compared to companies in general. Here are some specifics.

A. Investment in training and development. According to ASTD, leading companies spend about 3.2 percent of their payroll on training and developing their people. (1) According to

Facing the Force of Change, the average distributor spends only 1.3 percent of payroll on training. (2) From my experience, it is only a very small portion of distributors who have any kind of organized training system for their salespeople.

B. Use of SFA. Sales Force Automation systems have been around for over ten years and have developed to the point where they are very user friendly and ubiquitous in the world of sales. Yet, it is still the exceptional distributor who has a company-wide SFA system in place.

C. Measurement and accountability. Distribution is the only industry I know where sales management routinely fears measuring and holding the salesperson accountable for his/her performance.

I could go on with specific examples, but you understand. Very few distributor sales forces exhibit the practices that are shared by the good sales forces in other industries.

So, we're faced with a contradiction. On one hand, the future for most distributors lies in their ability to do sales well. On the other hand, they are less than average at this most important competency.

Out of that tension comes the need for this work. Most of my work since 1987 has involved working with distributors to help them improve their sales effectiveness. Over the years, I have evolved a set of initiatives that represent the path to greater sales effectiveness for most distributors.

That's what this book is all about. In it, I describe the practical and specific initiatives that you can choose to implement to take your sales force to a higher level of production and effectiveness — to transform your sales force for the 21st Century.