

Mathew Dickerson, Axxis Technology



The importance of your relationships

Effective communication is a key tool for managing and avoiding unrealistic expectations with your partners

I received an interesting phone call from one of our disties this week. They wanted to make a complaint about our organisation. More specifically, they wanted to make a complaint about our stock controller. It appeared to this distie that our stock controller had committed the ultimate sin and had to be dealt with appropriately. Perhaps instant dismissal would be appropriate for this employee. They weren't so unreasonable that they thought that we should tar and feather him – just dismissal should be fine.

You see our stock controller had committed the ultimate distie sin. He had ... drum roll please ... he had ... started purchasing more products from a rival distie! Actually, started purchasing might be a little loose with the facts. It had gone on for some six months or more and this distie thought it was time to get this renegade employee sorted out.

I needed to find out why this terrible sin had been committed. Our stock controller, under the bright white interrogation light and after injection of truth drugs, had finally confessed the real reasons he preferred another distie. While waiting to have the entire sordid truth of sexual favours and under-the-table transactions revealed, we found out that the other distie who he was using actually offered greater stock levels, better service levels, an easier ordering system, a rep who occasionally dropped in to say "hello" and the added bonus of better pricing. Surely it couldn't be that simple?

Before complaints were lodged about our stock controller I would have thought that the distie might actually enquire as to why business was going elsewhere. I know in our business if we lose a client or a client seems to be purchasing less from us, our first thought is "What have we done wrong?" We question our service levels, our stock levels, our pricing structure, our staffing structure – you

name it, we question it. Sometimes we will even talk to the client – almost like an exit interview – and ask why. It sounds a bit simplistic but rather than question every facet of your business the easiest path would be to ask the decision maker about the actual reasons.

Good businesses tend to look inwards for explanations. Great businesses not only look inwards but also ask their clients. I am bemused when a distie would choose to make a complaint about a stock controller who has chosen to purchase our stock elsewhere.

I would hope the distie might try and find out why a reseller had chosen to purchase elsewhere or offer additional support or services to try and win back our business.

It brings up the eternal question – do vendors actually need distributors? Many vendors have scrutinised their supply chain strategies over recent years. Many have asked if they need distributors and some have chosen to deal direct with resellers. Why have vendors considered disrupting the supply chain? It is a complex question and the quick and easy answer is value.

When a vendor outsources distribution they effectively pay a distributor to perform a service. Vendors want sales penetration and to be front of mind with resellers. They want this at a price lower than they could do it themselves otherwise why would they outsource the function? Vendors should stick to their core strength of R&D and manufacturing rather than dilute themselves with sales and distribution activities.

In many ways the relationship between vendors and distributors is similar to the relationship between end-users and resellers. Do end-users really need resellers? Do resellers add any value to the end-user? I am a little biased, but I believe that resellers have a great opportunity to add value to end-users and to the businesses of end-users.

“ Do vendors actually need distributors? ”

I believe that at all levels, relationships are crucial to this value proposition – despite the fact that relationships are considered soft skills. Further research reveals that communication is the most important facet in a good relationship.

The vendor/distributor and reseller/end-user relationships that are world-class embrace partnering and relationships as if their livelihood depends on it. That is because it does.

There are basically three relationship levels that I see in the marketplace. The first is box mover. This is almost where the partnering is adversarial in nature. The buyer squeezes the supplier for the absolute lowest price and the supplier therefore tries to deliver the lowest level of services to make the transaction cheaper. This is based on volume and the relationship is really only transactional with minimal loyalty.

The second level is a monitored relationship. In this type of relationship, you are first choice in any transactions, but there are still constant checks or alternative relationships to ensure that the best value is being delivered.

The highest level of relationship is trusted adviser. This is where true partnering takes place. At this level, a high level of trust has been developed to the point that usually only one supplier is utilised for those goods. There is the unspoken word between both parties that has the unwritten rule of 'do me wrong and you lose me forever but look after me and you have me forever'. The best way to achieve this relationship level is by being able to deliver anticipated value.

Try examining the distributors you deal with the most and examine what value they deliver to your organisation. Then see how you might deliver similar value to your clients.

Let me know what attributes you look for in a good distie at mathew.dickerson@smallbusinessrules.com