

Success

Strategies for a

Distributor /

Dealer Network

This document sets out to explain the concept of the 'distributor/dealer network' and reveal some of the intriguing factors involved.

Let's start with naming conventions.

We're using 'distributor' to mean 'a company that has a collection of products that they don't plan to sell direct-to-consumer (DTC)'. Some distributors ALSO sell DTC. Some distributors call themselves 'wholesalers'. Some distributors are also manufacturers.

If you have a warehouse of products that you want to sell to people who will then sell to the public, then for the purposes of this article, you're a 'distributor'.

We're using 'dealer' to mean a middle-man. Middle-person. Someone who buys from a 'distributor' and then marks up the price and sells to the public. Some dealers are professionals (plumbers, medics, therapists, mechanics) who are selling the goods as part of a professional service. Some dealers are on-the-ground retailers. Some dealers have a geographic territory, and others are online-only.

Some dealers buy in bulk and move goods into their own warehouse. Others will only resell on a drop-ship basis (they only order the goods POST making a sale.)

If you buy product from a company and then sell it direct to the consumer, then for the purposes of this article, you're a 'dealer'.



What is a Distributor/Dealer Network?

A distributor/dealer network is a chain of online stores that are all populated by the distributor's products. Product data (SKU, name, short description, image, GTIN, brand etc) is piped in on day one and thereafter kept up to date through automatic synchronization (sync).

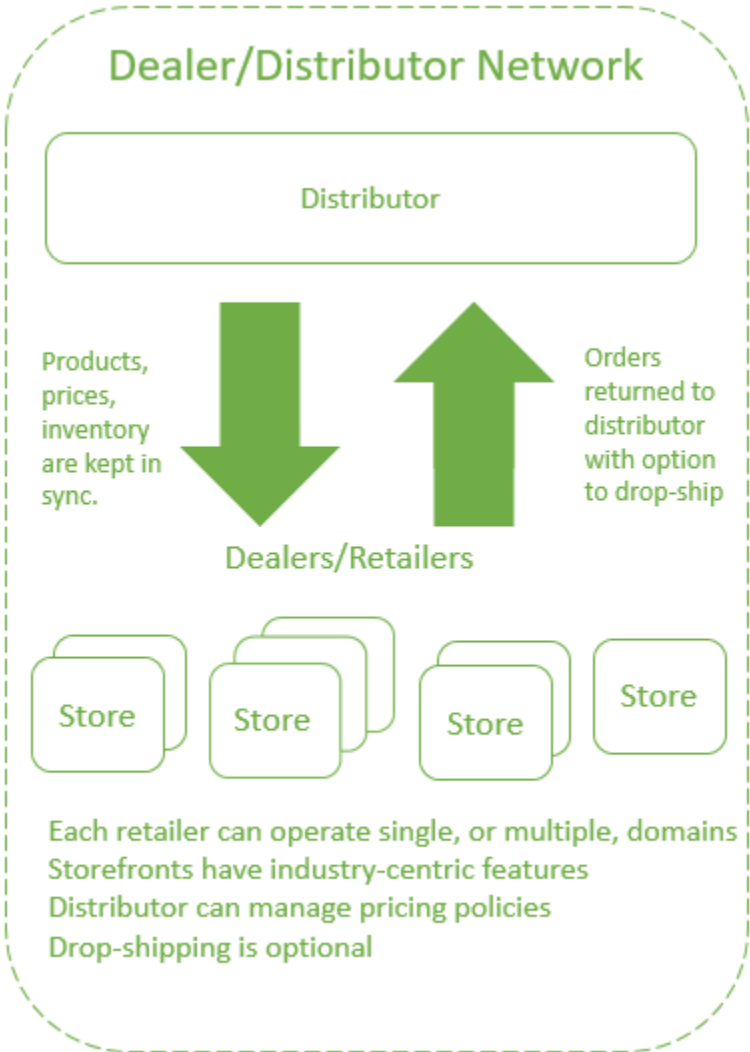
Prices and inventory (i.e. data that changes often and is critical) is synchronized more often, around all the stores in the network.

When Dealer Store A sells a product, then Store B knows almost real-time that there is one less of that product available to sell. If a dealer is storing goods in his own warehouse, then his own inventory is not decremented, but the distributor availability is reduced.

Dealers are not necessarily told the selling price. The distributor can determine the pricing rules. The distributor might choose to set MAP pricing (minimum **advertised** price) or to set UPP pricing (unilateral pricing policy – absolutely no undercutting) – or the distributor might lock down the selling price completely, or give complete freedom.

Dealers are not necessarily restricted to only selling in-stock products. They can normally set their own back-order policies.

Some distributors offer drop-shipping to the consumer. Some dealers prefer drop-shipping, and some dealers like the option to fulfill from their own warehouse if the product is in stock, and just fall back on drop-shipping in an inventory crisis. A distributor/dealer network allows for both distributor and dealer to manage their business in their preferred style, with the technology meeting both sets of needs.



Who manages the network?

In the full distributor/dealer network being described in this paper, the dealer is taking full control of his online store and will manage his marketing, his own brand identity, and his fulfilment to suit his business needs. The distributor, equally, feeds product data to his dealers and benefits from orders taken by each dealer, but is not weighed down with additional admin work.

Other distributor/dealer models are available and also successful. One is 'shared admin' – where dealers get less control over the store and have no administrative control. In this case, the dealer role is all about marketing the store, and the distributor takes over the management role. This can work well if the dealers are 'low-tech'.

Some distributors choose more of an 'affiliate' model – where their dealers are provided with web pages that advertise the distributor products, but there is no eCommerce on the web pages – they are used to drive traffic to the distributor's online store, and the affiliates earn revenue when the traffic converts.

What do distributors gain?



Providing online stores to their dealer network gives a distributor a strong competitive edge. A distributor who has invested in the technology to make this possible is seen as 'leading edge' and forward-thinking. More dealers will be attracted to working for a distributor with this edge.

Furthermore, once dealers commit to a distributor (having been attracted by the inclusion of an online store), the relationship quickly becomes 'sticky' since the dealer is much less likely to 'flitter' between distributors.

Naturally, the primary benefit is business growth. The more people on the ground selling a distributor's products, the more sales are likely to happen.

Business intelligence is a very real 'added-value' benefit. The stores will provide very useful data which can be mined by the distributor. If the dealer stores are allowed to set their own price markup, then the distributor can learn about price points in different markets. If dealers create their own descriptions, embedding competitive key-phrases, then the distributor can collate all the combined data and learn about buying trends.



What do dealers gain?

A dealer is often a retailer, or a provider of professional services, and adding an online store will give that dealer a competitive edge. In particular, the opportunity to own and run an online store that is pre-populated with a wide range of products is a very great benefit to a reseller, since it expedites the pathway to success, and dramatically reduces the workload.

Wider reach will naturally result from being online. The 'total available market' will grow exponentially and more sales will be a natural result.

A dealer can use the online store not just for remote sales, but also by optimizing for 'local' terms (instead of optimizing for 'red shoes', optimize for 'red shoes in Denver, Colorado'). Google has a strong 'local' ethic and can dramatically increase foot traffic to an on-the-ground location.

Many dealers struggle with the cost of holding stock, and are happy to have drop-shipping as an option, even if it is only a contingency plan.

If a dealer is allowed to add his own products to the online store, fulfilled by his own warehouse, then there is an additional benefit.

What are the costs? Who pays for what?

There are many successful models. There will always be a cost for the creation of the network, since every distributor owns and releases data in different formats and structures, so a single 'custom connector' will always be necessary. If drop-shipping is part of the solution, then it is just as certain that the orders will need to be piped in a particular format, and a second 'custom connector' will likely be required. Beyond that, however, the network replicates an existing solution and costs can be contained.

Once the custom connector(s) are built and tested, then each individual dealer store will need to be setup, as and when dealers sign up with the distributor. However, 'do-it-yourself' design and configuration wizards mean that the cost of setup can be minimal if both dealer and distributor prefer it that way.

All other costs are 'recurring' (usually monthly) and need to cover:

- Hosting each store in a secure environment
- Supporting the dealer with the technology
- Helping the dealer thrive, by supporting marketing campaigns
- Keeping the storefront 'always up to date' (implementing new features and hot-fixes overnight for all stores)

- Maintaining the synchronization, even when the distributor changes the available data

This list might seem like it will get expensive quickly, but on the whole the inevitable costs are usually well received by dealers and it is rare for distributors to cover the cost.

What is the likelihood of a win-win?

A distributor will need to invest in a network in advance of seeing the resulting growth, and that is always tough, especially since the initial cost of building a network for 2 dealers costs about the same as building one for 2,000 dealers! The risk really reflects the caliber of the dealers. If a distributor is building a network of entrepreneurial, hard-working dealers, then it is extremely likely that the network will pay off quickly with growing sales and a better business relationship.

A dealer will need to work hard at online marketing. Owning an online store is never enough. The successful dealer will invest time in identifying 'hot products' and optimizing them with winning keywords.

A good dealer solution will provide a storefront, complete with ...

- Upsell facilities
- Cross-sell facilities
- Metadata and microdata
- 'Sign up' forms to capture visitor data
- Integration with email campaign programs
- 'Feeds' to leading shopping engines, like Google and Bing
- MAP pricing tools (show price in cart)
- Rich content on category and informational pages
- Strong promotions and loyalty pricing
- TRAINING AND SUPPORT ON USING THESE FEATURES

... and the really successful distributor/dealer network will be the one where the dealers are willing and able to take advantage of those marketing features to bring in sales.