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Distributor exclusivity risks

Competition is development. The competitive environment stimulates the development of distribution. The realization that "your" dealer network, built, diluted and managed at once can become the basis of your competitor's business, stimulates the distributor to closely communicate with dealers, suppliers, and active marketing policy in the controlled area.

However, this is the view of the vendor - supplier, managing brand and distribution of goods across territories. If you ask the distributor's opinion on this, you get a completely predictable and completely different view of the competition. The distributor is interested in a monopoly right of distribution, more precisely, "skimming off" from the territory under its control from the exclusive right to sell products in its region. How to treat this type of cooperation?

Exclusivity of communication

The exclusivity (no variance) of the supplier's communication with the distributor of a certain territory, or the distribution of a certain brand always makes the supplier dependent on the distributor. The lack of control and reliance on one exclusive distributor is fraught with the abuse of the distributor by the dominant position in the distributor-distributor dialogue.

Example from practice: At the peak of the season, the distributor who does not increase the volume of purchases, asks the supplier for crediting him under the program of supplying goods to the network retail, explaining the reason for the request and the lag in purchases by the lack of available funds to ensure the supplier's required purchasing dynamics. Understanding, in this case, the duration of the "showdown", not wanting to miss the season, the supplier is forced to make concessions to the distributor. A little later, it turns out that the distributor's own resources were redistributed to create their own non-competitive brand. Thus, on the face of the distributor slyness and competent use of their own resources, and distribution of goods at the expense of the supplier.

Often, due to the weakness of the supplier's brand position in the market, and its own exclusivity, the distributor may threaten to break the relationship with the supplier, or may put forward other reasonable or not-so requirements for the supplier, and the terms of cooperation.

Distributor selection error

I will give an example from practice: an exclusive contract for a certain period was concluded with a distributor of snack products, one of the regions. All contacts with other distributors capable of distributing were frozen.

However, a year later, due to management problems, the distributor was unable to ensure sales volumes and brand presence in the city's retail chain. Sales remained at a minimum level, while rejected distributors received the right to manage competitive brands in the region, whose distribution work was easily accomplished. It is quite obvious that if the short-sighted supplier lost the struggle for this market, then:

slowed down the development of its own brand;

and allowed (not prevented) the development of distribution of competing brands.

findings

The decision on the granting of exclusive rights should be considered multifaceted and justified, taking into account not only all possible risks, but also the opposition of the supplier to the distributor's incorrect work.

In this case, one should not be limited by an agreement on sales volumes, declaration by the distributor of a large customer base, including all necessary sales channels, or regional specifics.

If the supplier can avoid the exclusivity of supply, you must certainly take advantage of it. The choice of distributor depends not only on the quality of distribution of the supplier's brand, but, more importantly, on the competitive environment and position of the supplier in the regional market.

Negotiations can be conducted with everyone, whereas the choice of a distributor always involves serious work on analyzing possible negative factors that may occur if distribution is denied to one or all of the region's distributors competing for your brand. The fundamental role in this analysis belongs to the trade - marketer. The choice of a distributor, or a strategy of distributor exclusivity should be made taking into account the marketing strategy, the company's goals, with a clear understanding of the competitive environment, the possibilities of competitive brands, the specifics of the region.

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