

Changing the Distribution Channel

In the mid-'80s the channel was broken; in fact, calling it a channel was a stretch as it was just different companies providing different services to one another. Unfortunately, when the channel is broken, profits are lost at every level in the supply chain and ultimately it is the customer who gets a less-than-great result. So just watching as a distributor was no longer good enough. I thought I could make a difference, so in 1990 I left distribution to provide consulting services to manufacturers so they could drive a more collaborative channel and help the market deliver more value to customers.

Today, I am happy to report that this once-fragmented sector of the market has made major strides and has emerged to become one of the most important parts of the value chain. Like many of today's manufacturers and integrators, distributors have evolved and are well-funded professional organizations that provide efficiency for the dealer, integrator and manufacturer.

When it comes to distribution today:

- There are many choices
- They provide real value and unique services
- They are here to stay

Many choices

In the traditional market, there was once ADI and everyone else. Today there are many options. In addition to ADI, Tri-Ed/Northern Video has emerged as a professional traditional national organization. Security General (SGI), Alarmax and System Depot have become strong regional providers, and PSA has provided dealers and integrators options as a co-op. These distributors provide much more than product and technical training. They provide information on new products and often how these products can help their customers generate new forms of business.

Over the last several years "broadline" distributors have come from adjacent markets driven by three factors: the convergence of physical and logical security, the move to digital vs. analog and networks and IP-based products. Broadline distributors exhibiting at ISC over the last several years include Graybar, Anixter and Scan Source, with the last two making strong inroads into the integrator market through the value-added services they provide. This year they are joined by two distribution giants: CSC Supply (a division of Wesco Company, who come from the elec-



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trical and data communications network business) and Ingram Micro (a Fortune 100 company specializing in IT distribution and logistics). These are well-established multi-billion-dollar businesses who we anticipate will bring more options, new services and benefits to the channel and impact the industry.

Real and unique services

Dealers have always purchased from traditional distribution because of training, credit, relationships and other items of importance to them. Until the entrance of the broadline distributors, security system integrators used local distribution primarily for service inventory and continued to purchase project and new systems

inventory directly from manufacturers. Today these systems integrators, while still maintaining a relationship with their key manufacturers, have moved their purchasing to the distributors who bring a host of new services to the market – making the systems integrators more efficient and more profitable.

Broadline distributors have a global reach, are experts in logistics and often originate from supplying the network/IT world. Through their experience they are bringing a host of supply chain and business services to projects. In addition to representing some major IT product lines and more complex security products (high-end video, access control and networking products), some of the specialized services they provide include:

- Material management
- Product kitting and labeling
- Local and remote site storage
- System programming

While there is often a charge for some of these services, the costs are warranted as they reduce labor and inventory costs. Ultimately the partnership between the dealer or systems integrator and the distributor results in profits and efficiencies.

Here to stay

Regardless of whether the distributor is from the traditional security market or a new broadline logistics expert, they go far beyond provid-

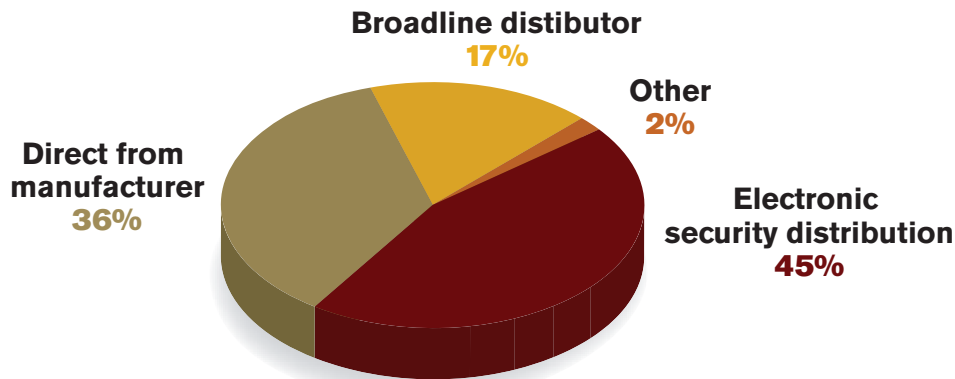
ing products and even support. Some of the distributors we spoke with are helping move their customers into new markets such as cloud-based services that generate RMR and other low-voltage markets ranging from mass evacuation and communication to energy management.

When asked, "Do you expect your purchasing to increase, decrease or stay the same in the next three years for the following distribution purchasing types?", the dealers and systems integrators we surveyed said they expected their reliance on distribution not only to remain but to grow.

Distributors are not just "box houses," so if you are a systems integrator and have not taken advantage of some of the services the new distributors offer, you should visit them while at ISC. And if you are a dealer who has not spent time with your regional distributors or the nationals such as ADI, Tri-Ed/Northern Video or PSA, use this show to find the right supplier that will not only help you become more efficient but one that can make you more profitable. ■

Since 1990, Sandra Jones and Co. (www.sjandco.com) has assisted integrators, dealers, manufacturers, new entrants, and investors with profit development strategies, M&A support, and business growth planning. Sandra developed the New Product Showcase for systems integrators and is a founder of the Securing New Ground Conference.

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