

The often unexploited utility of Distribution

By Mark Tayles, president Enabler Tech

As a 14 year veteran of **Electronic Distribution**, and now the nervous founder of a fledging (and lean by necessity) Manufacturers Rep-ing company, I'm at an ideal reflection point to comment on the continuing evolution of Distribution!... and the unexploited value that OEMs often leave on the table'.

Let me start with an accepted truth., all industries (and by default, the companies within these industries), work to push their 'value proposition' beyond its traditional boundaries. Sort of a corollary to... 'if your standing still, the competition will eat your lunch'. Think hardware stores & the success of Home Depot, think PCs and the success of Dell, & think vacations and the success of Disney tours.

With this industrial drumbeat in the background, now consider some immutable forces that hi-tech companies have always and most likely will always face:

- **component prices fall (an old axiom that I've always chuckled at was 'all chips eventually are a dollar, except those that become less')**
- **product development time will shrink**
- **the competition will leap-frog your product**
- **the resources available to pull it all together will shrink**

★ This certainly this describes a pretty lough sandbox, eh?

It is amidst these two industry dynamics, that I've observed the evolution of distribution over my career. From their roots, and during the 70's, 80's and early 90's, distributors were mainly used for their flexible ordering (and returning) policies, their generous credit terms, & their small order handling capabilities (among others). Technical resources were scarce and if a local distribution manager was fortunate enough to entice an Electrical Engineer to become his/her FAE (Field Application Engineer), their career stop-over was often very brief.

Today, distributors operate some of the most elaborate (and lean) supply chain systems in the industry. They also (an example of pushing the value proposition) employ numerous skilled FAEs, many of which are talented system designers in their own right. I estimate that over fifty FAEs currently are employed by Canadian based distributors and are available to service Canada's OEM base today.

★ So when asked today about distribution and the industry, I'd make a couple of observations & comments.

Canadian companies, for the most part, are leveraging Distribution's SCM (Supply Chain Management) utility. There still exists OEMs (and I include subcontract manufacturers in this) that have room to increase the degree of automation and narrow their 'supplier spend'. Also, for the most part, LEAN principles have started to get a foothold within Canadian companies, especially those with manufacturing operations. Of course (especially with competition from low-cost regions of the world), you never can be LEAN enough, quick enough!

Canadian companies still have a lot of utility they can squeeze out of distribution on the 'technical value proposition' side. Too often, when distributor FAEs are consulted, new projects have already been functionally & architecturally defined. As I've commented over the years, "if I was an entrepreneur just starting up with a product idea, I would call in my favourite distribution FAE as one of my first priorities"... remembering that this group of technical "consultants" are some of the most impartial resources available.

★ So going forward, what challenges lay ahead for distribution as an industry?

Well certainly, a continuing challenge is the relentless march of manufacturing to contract manufacturers. Great progress has been made in the communication links (electronic & otherwise) between: the innovator (design authority); the electronic manufacturer; the component supplier and the distributor. In fact, the distributor is one of the most valuable tools in streamlining this communication. These challenges will continue and dare only exacerbated as more manufacturing moves to low cost regions like China.

There is continued challenge in combating a residual belief that 'buying through distribution' is more costly. A lengthy topic in itself, but suffice it to say that when considerations like; inventory, obsolescence, & responsiveness are taken into account, I believe the distribution channel can be the most cost effective.

Finally, the challenge faced by their technical value proposition, With the growing trend toward modular designs, increased time-to-market pressures, and with the system aspect ever important, the distribution FAE is best positioned. The challenge is whether collectively, the supply chain participants can support this infrastructure.

Overall, I'm optimistic about the distribution industry and their ability to meet today's and tomorrow's challenges. I do know that my new company's strategies will be to leverage the value of this significant industry player... to the max