

Independent Distributors Can Take Key Steps to Compete With Larger Rivals

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It's not easy being an independent distributor these days. They face constant competition from large national distributors, most of which have the advantage of multiple locations, more capital to support investments and the purchasing power to get volume discounts. That allows them to compete with wider inventories of products and lower prices, both of which are very appealing to business customers.

Even loyal customers may feel obliged to move to a distributor who can offer more products, for less money.

However, independents have some advantages the nationals don't — especially in terms of expertise and services — and by operating more efficiently and making strategic partnerships; independent distributors can compete against the large discount providers.

That's the message from a panel of experts who spoke at a recent webcast on "[The Future of the Independent](#) [1]," which highlighted ways in which distributors are challenged today, and how they can fight back.

Operating a successful distribution business requires keeping pace with changes in technology, workforce demographics, customer needs and pricing models, as well as in the overall economy and U.S. manufacturing industry, noted Jennifer Murphy, president of NetPlus Alliance, a buying group for distributors of industrial and contractor supplies. These challenges are harder to overcome when a distributor lacks the resources and networks of a national or international distribution company. Specifically, independents often suffer from weaknesses such as poor inventory management, outdated technology, insufficient finances to support

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growth, a lack of strategic planning, ignorance of best practices in pricing and a general fear of change.

Given all of the above, you might wonder how independents are surviving as well as they are. Fortunately, many are led by savvy business people who can identify the unique opportunities within their markets and align their business to maximize those opportunities.



[Organic Spices](#) [2] is one distributor that has realized bottom-line gains by updating its business management software and operating more efficiently. An importer, manufacturer and distributor of hundreds of quality natural organic herbs, spices, seasoning blends, organic teas and organic chocolates, it has grown its business an average of 50 percent a year since upgrading from QuickBooks to NetSuite in 2007. The 50-plus person company, based in Fremont, Calif., has gained transparency

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across its business with NetSuite supporting key functions such as financials, inventory, packaging and distribution. Maker of the Spicely organics brand, Organic Spices has grown its wholesale channel, distributing product to leading food industry manufacturers. NetSuite's manufacturing capabilities support custom packaging at the company warehouse, while lot tracking helps ensure compliance with FDA and other regulations, replacing what had been a time-consuming manual process. NetSuite purchasing and inventory capabilities help Organic Spices manage the lifecycle of more than 800 SKUs, with many products imported from across the world.

Additionally, an independent distributor can also leverage its goodwill with suppliers to get better pricing, or join a buying club to pool purchasing power with other independents. Small companies with knowledgeable employees can leverage that expertise to provide customer services that differentiate it from large discount distributors that may have little or no expertise in a specific area.

Murphy advised independents to begin diversifying their product line by attending trade shows to evaluate likely products to add and to begin expanding even if it's just one or two products at a time.

To diversify services, Steve Short, president and CEO of Updike Supply, an inventory management solutions specialist and distributor of industrial MRO supplies, recommended adding services that will offer the greatest value to their customers and then educate customers about those services.

Networking is also critical. Short has expanded his network of contacts by talking with partners, customers, even competitors, to cultivate relationships, get referrals and ask for discounts and other extras from suppliers. He also shared his expertise and ideas, joined trade organizations and local groups.

His advice in a nutshell: Become an expert with customers, be dependable, and do a lot of networking.

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[2] <http://cp.mcafee.com/d/2DRPoOrhoKepsd7bMVcTsSztBYQsIFLI8CQrILCzBBdZVYSztAsCYYqekNNJ6X8VZeVEVspdX26YoYY-waR0PI9WhZnQ9rOVLk3eMDF7RvgBLbCQ7>

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