



Why Competition is Good for Business



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Art Waskey is a speaker who truly delivers. In addition to a 45 year career in sales and marketing, Art is the author of multiple books on selling and a monthly column The Art of Sales. He shares these insights as an in demand event and conference speaker as well as leadership coach.

The Costs of Corrections

The post-pandemic supply chain shortage has created an over-reaction in distributor stocking practices. According to a recent article in Supply Chain Management Review (Supply chain disruption drives up cost, complexity at large enterprises, Supply Chain Management Review, July 1, 2022), “Two-thirds (66%) of large enterprises globally say they are keeping more stock on hand now compared to the pre-pandemic period, with nearly one in five in total (18%) retaining ‘significantly more stock.’” The author goes on to explain other corrective supply actions now at play include increasing the number of vendors and moving to domestic suppliers. Related concerns are the inflated cost of products, the shortage of skilled talent, and supply chain complexity. The article concludes, “Large businesses are likely to incur much higher costs and other negative financial impacts because of the measures they are taking to mitigate disruption.” In this scenario, what do distributors need to do to compete?

Danger on the Horizon

The distribution must take effective steps to prevent situations such as just described. In a recent podcast, Alex Moazed, mentioned the term disintermediation, the removal of intermediaries (middlemen, more specific to our industry, distributors) in the supply chain (DSG B2B Marketplace Strategy: What You Need to Compete, Alex Moazed, Distribution Strategy Group, July 6, 2022). The most obvious notable was Amazon selling directly to the consumer. Within the automobile industry, Tesla eliminated dealers with the electric vehicle (EV). Now, Ford’s James Farley, CEO, suggests that Ford plans to do the same with their new EVs (Ford Motor Company CEO James Farley Presents at Bernstein 38th Annual Strategic Decision Conference, June 1, 2022).

Turn to Innovation

To compete, Alex Moazed suggests **distributors embrace two types of innovation.** (DSG B2B Marketplace Strategy: What You Need to Compete, Alex Moazed, Distribution Strategy Group, July 6, 2022).



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1. Disruptive Innovation – Wikipedia defines disruptive innovation as actions that create a new market and value network, or enter at the bottom of an existing market and eventually displace established market-leading firms, products, and alliances. **Moazed suggests distributors expand their collaborative communication tools, such as co-ops, that will work to build more creative platforms between other similar industrial distributors.** Disruptive innovation would suggest a distributor participate in a new marketplace, an appliance distributor might consider entering into/acquiring an HVAC business.

Another form of disruptive innovation includes partnering with, or purchasing, start-up tech disruptors. These companies look at existing successful business practices from a fresh perspective. They aim to find more efficient ways of performing commerce. Facebook, Uber, and Airbnb are just a few from a long list of successful start-up disruptors. Distributors must find groundbreaking ways of participating in this mode of innovation.

2. Sustaining Innovation – While disruptive innovation displaces markets, sustaining innovation seeks to improve the performance of established products and services. Sustaining technologies are often incremental and generally do not disrupt markets or industries, though it is possible for them to be disruptive (Managing Research Library). **To implement sustaining innovations, focus on improving your digital capabilities through a more robust ERP, eCommerce platform, and better product content description.** In addition, continue to develop more added-value services and broaden your product offerings:

add more vendors for existing products and add new product lines and unique services.

Create Complexity to Compete

Pay attention. To compete in today's marketplace, distributors need to listen closely to their peak profit customer needs. Find ways to differentiate your offerings from those of other virtual channels. The more complex the offering, the greater the opportunity a distributor has for sustainable growth. Complexity may come in the form of bundling products, engineering, maintenance and repair services, and other efficiency offerings.

Consider adding a start-up tech company as part of your incremental expansion into new vertical marketplaces. For example, a local hardware supply business might consider adding a tech company that specializes in improved digital supply integration with core manufacturers.

The Successful Post-Pandemic Distributor

As illustrated in the opening paragraph, the ever-changing supply chain needs to be carefully managed so as not to incur unnecessary costs. To do this distributor need the right technology, partners and talent to manage their supply chain. **Given the sales pressures in the constantly shifting marketplace, distributors must move quickly toward new ways of both disruptive and sustainable innovation to survive and grow.**

5 KEY TAKEAWAYS

1. Supply chain shortage has created an over-reaction in distributor stocking practices.
2. To offset disruptors, expand your collaborative communication tools.
3. Improve your digital capabilities through a more robust ERP and eCommerce platform, and better product content description.
4. To grow, make your offerings more complex.
5. Move quickly toward new ways of disruptive and sustainable innovations to remain competitive.