

# What's In A Name?

MICHAEL M. WOODY DISCUSSES HOW GLOBALIZATION IS ALTERING TRADITIONAL INDUSTRY ROLES



**IN THE U.S.,”** we have grown relatively comfortable in our well-defined distribution network. Traditionally, suppliers import (or, more rarely, manufacture) goods, place them on a shelf in a warehouse, decorate them and ship them to their destination. Distributors go out into the buyer marketplace, sell the products using a consultative approach, aggregate orders and generally service the buyer. This approach has worked well for the last few decades, providing value to the buyer and a good living for most of us.

However, due to the globalization of our economy, the tradition-

al definitions of supplier and distributor will be increasingly unable to accurately describe all of the players in our marketplace. Although our industry culture still tries to pigeonhole companies into one of the two roles mentioned above, the reality is that some companies will evolve into entities that fit neither of those definitions. New players, who care little for our traditional distinctions between suppliers and distributors, will enter the field, from abroad and from within the U.S.

Does this mean promotional products Armageddon? Hardly. It is completely natural for those of us who have grown comfortable in our playpen to rail against any development that upsets the status quo. However, if industries far larger than ours can adapt to globalization, we can too. We simply need to re-think our definitions, or create new ones, and adapt to the changing competitive conditions—like the European marketplace.

Indeed, because the European promotional products distribution network evolved somewhat differently in each country, the definition of a “supplier” and a “distributor” has always been a bit nebulous. For example, many large “distributors” in the European market have extensive warehouse space for stocking blank >>

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product and in-house imprinting capabilities including embroidery, silk screening, laser engraving and pad printing. Is this company a distributor or a supplier?

One of Europe's largest "supplier" companies aggregates blank products and re-ships them to "distributors" and buyers. The company does almost no decorating. Is it a supplier in the traditional U.S. sense, or is its business model more like that of an apparel

500 buyer companies. Has the widespread existence of distributor decorating capabilities or supplier sales to Fortune 500 buyer companies prompted cries that the promotional products sky is falling in Europe? If so, I have not heard them. Based on my last visit to the PSI Fair and conversations with a number of friends in Europe, business is thriving. These companies adapted years ago to the global economic reality.

To some, this may sound like semantics, but it strikes at the very core of our traditional assumptions about the roles of players in the U.S. marketplace. European and Asian companies entering this market will be less focused on the traditional roles of the supplier and distributor and more focused on the most profitable way to service the buyer.

Certainly, the buyer cares little about our nomenclature. Over the long run, the buyer cares about what is best for the buyer and will naturally source offshore in an attempt to lower costs. Information technology, lower offshore production costs and more efficient overseas shipping methods will facilitate the process. This puts distributors at a competitive disadvantage, leading them to source offshore.

An increasingly crowded U.S. supplier market, pinched by lower average order sizes due to offshore sourcing by distributors and buyers, will seek a greater influence over the buying decision. This is less revolutionary than evolutionary—and it is driven by the relentless globalization of the world's economy.

None of this will render the roles of the traditional supplier and distributor obsolete. Rather, the facilitation of global sourcing and the influence of overseas market forces will lead to new ways of doing business that require new monikers. No sense in trying to put a square peg in a round hole. **PPB**

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wholesaler? Since its core operational competency is order aggregation and distribution—not decorating—could it not just as easily be defined as a distributor?

One of the reasons the European market has evolved in this way is that the "rules" concerning who can and cannot import from Asia have, for the most part, never been carved in stone. Visit the Hong Kong Gifts and Premium Fair, and you will encounter a number of European distributors who have visited this show for decades.

On the buyer side of the European distribution channel, many companies we would classify as suppliers have had direct marketing contact and even extensive direct sales contact with Fortune

There are examples from our side of the Atlantic of globalization blurring the distinctions between suppliers and distributors. A number of U.S. suppliers now offer programs that allow distributors to purchase imprinted goods directly from Asia. If the U.S. supplier is simply acting as a conduit for the order and neither stocks nor decorates that product, is that "supplier" not truly acting as an agent for the overseas manufacturer?

When U.S. distributors order imprinted products directly from an Asian source, are they not creating a new form of overseas supplier, one that vertically integrates the manufacturing and decorating roles? Do we call that Asian source a supplier?



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