

# Distributor Appointment

Simplified with my

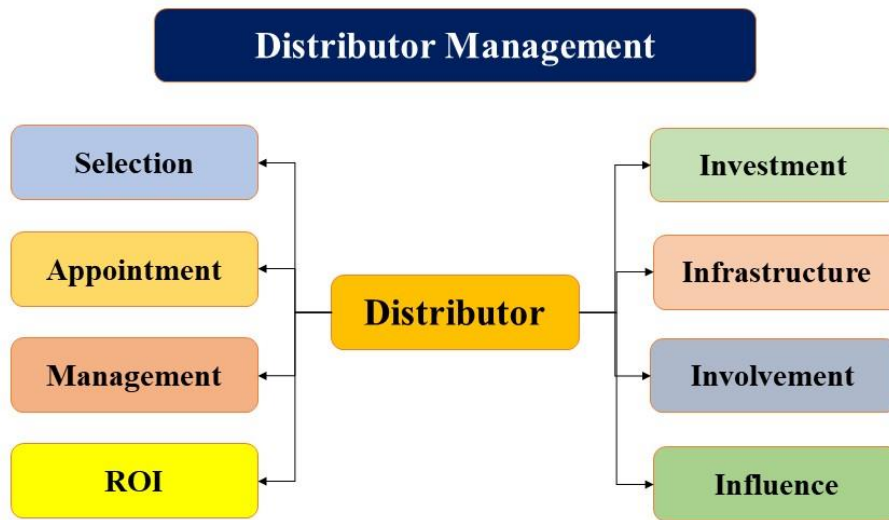
**4 “I”**

**Formula**

## Criteria for Selecting a Distributor.

A  
“I”

simple 4  
formula.



1. **I**nvestment.

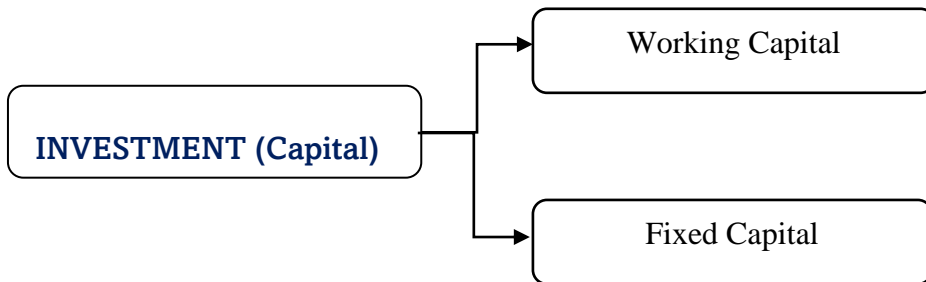
2. **I**nfrastructure.

3. **I**nvolvement.

4. **I**nfluence.

The 4 “I” formula is not the complete criteria but the main things to see to select.

# 1<sup>st</sup> Requirement Investment



## Fixed Capital

- Warehouse.
- Office.
- Furniture.
- Racks.
- Shelves.
- Distribution Units.
- Computers, Printers
- Office Automation Etc.

## Determinants of working capital.

- Nature of Business.
- Size of Business.
- Fluctuations in Business.
- Rotations.
- Turnover.
- Minimum Stock norms.
- Average market credit.
- New products launch.
- Terms of invoicing.
- Discounts.
- Growth rate.
- Profit Margin.
- Payment terms.
- Company plans.

The investment is the first step in selecting a distributor.

**Note: The investment is the top conflict issue with distributors. Need to explain the investment required to start the business. Future and investment requirements. New product launch plans investment required. Product promotions and investment are required.**

## 2<sup>nd</sup> Requirement Infrastructure

Infrastructure is in other words the facilities required for the smooth running of a business.

**The infrastructure includes:**

- Warehouse Space
- Office Space
- Furniture Tables -Chairs
- Files and Racks
- Computers, printer
- Shelves -Pallets
- Mechanized Units Autos, Vans. Non-Mechanized Units Rickshaws, Tricycles, Cycles
- Personnel Sales Reps, Delivery boys, Supervisors, Accountants, Managers, warehouse in charge.
- Office equipment Phone, Fax, Computer, Printers, ERP. Etc.

Depending on the above points the infrastructure requirement can be decided.

In the case of high-volume products, more warehouse facilities are required.

In case of low volume, a minimum warehouse is required.

Some products need an airconditioned warehouse, and airconditioned delivery units are required. In case of more area coverage, more delivery units and more personnel are required.

**Note: Infrastructure is the 2<sup>nd</sup> conflict issue with distributors. Need to explain in detail about area coverage, outlets coverage, and distribution units required. Stock levels and warehouse size requirement. Office space requirement. Future plans for new products, product promotions, area and outlet coverage, and requirements.**

## 3<sup>rd</sup> Requirement Involvement

The Owner's involvement in the distribution business is particularly important. Because the investment invested in the business and the infrastructure must be maintained properly.

The right use of investment and infrastructure will give fruitful results. The distributor should know the stock levels in the warehouse, orders booked with the company, C&FA, damaged stocks in the warehouse, etc.

He should know the market credit, good payers, and bad paymasters, etc. The distributor should know the claims to be raised, claims already raised to be submitted, already submitted but not cleared, etc.

The distributor should know the proper usage of infrastructure also.

Keeping business in the manager's hands or some employees is very risky for distributors as well as for a company. Stocks stolen, outstanding collected from the market but not deposited, fake invoices made, etc will affect the distributor's business and company performance. owner or partners must look at the figures regularly to ensure the healthy running of a business.

**Note: This is 3rd area of conflict. Need to explain the distributor's availability in distribution point from time to time to discuss business plans, product promotions, product launches, market outstanding, bad debts, cheques issued for stocks, bank drafts for stocks, company plans etc.**

## **4<sup>th</sup>** Requirement **Influence**

In distributor business with the involvement, the influence in the town is also an especially important point. To get more profits, a business must grow which leads to an increase in turnover and profits. The distributor must be a known person in the area where the business is operated.

Because the distributor can use influence to collect bad debts and tough paymasters.

- Getting government approvals etc Roadshows, trade offers and promotions, etc.
- To stop infiltration of the same products from other towns/states etc.
- To use influence to increase the sale to increase stock pressure.
- To bargain shelf space for product displays, brand image windows, etc.
- To solve any issues with government departments like, weight & measurements, consumer courts, etc.
- To borrow funds when required for special activities.
- information, to borrow money in peak times, etc.

**Note: This is 4<sup>th</sup> conflict issue with the distributor. Need to explain his influence to get approvals, collect bad debts, collect competition information, etc. The distributor normally says that his people will manage. But distributor direct influence is very much useful and fast to get the results.**

By Abdul Gafoor