


Prices Subject To Change



Suppliers are increasingly warning distributors about fluctuating prices. Thanks to market volatility and the changing pace of technology, the printed catalog may never be the same.

By C.J. Mittica

Out with the old, in with the new. Huge mounds of tradition – last year’s catalogs – were just sitting, occupying space at Target Marketing Group (*asi/341761*). They weren’t requested by the distributor. They weren’t used. And now, out-of-date and obsolete, they needed to go. The move was obviously necessary, but Target President John Leahy, bothered by

the mere excess in environmental waste, wasn't pleased with it. "It's disgusting for us to throw away three pallets worth of catalogs," remarks Leahy, who told his suppliers to send a smaller amount this year.

Distributor Catalog Issues

Quoting the wrong price? Difficulty with catalog pricing? Worries about price changes? Here, some distributors share their thoughts on common problems they encounter with price fluctuations – and how suppliers are dealing with them in their catalogs.

Call and Confirm: Gateway CDI President Chuck Fandos makes sure his company calls a supplier to inquire about availability and to check prices before every quote and order. "There's always been confusion in the industry about pricing," he notes.

A Price to Pay: Distributors were nearly unanimous in their disapproval of the insert price sheet. They would rather have printed pricing, even suggested pricing, in the catalog instead of nothing at all. "The inserts have a tendency not to be used and they get lost and aren't as effective as having pricing in the catalog," says John Leahy, president of Target Marketing Group.

Be Patient: Worried about supplier price hikes due to rising costs in China and abroad? Your fears may be allayed, says Chris Vernon, president of The Vernon Company. "What's fortunate is that the commodity prices and oil in particular have come down recently," he says. "So it's relieved some of the pressure from the Chinese markets especially."

On a larger scale, the industry is pondering the very same dilemma: chucking the traditional catalog. The printed prices that you could set your watch by are vanishing right before your eyes, as if someone drew them in with a magic pen. Blame an economy suspended in free-fall. Blame an Asian market that's breaking all of its previous conventions. Blame a world where information is king and technology mandates you deliver it – now. The forces of change have even created a digital book; if the vessel that holds humanity's greatest works is under attack, what chance does that old standby, the printed catalog, have?

The normal printed catalog would have fallen eventually, besieged by the rapid pace

greatest contingent, however, is in the middle. Most suppliers say they will still produce printed catalogs, but will keep prices up-to-date in some form: Either through an inserted price sheet (in a catalog without prices) or a printed notice to call or check their Web site for the latest pricing.

But are all methods equal in the eyes of a distributor? Some rail against the disintegration of the printed catalog, their primary sales tool. In fact, at the recent ASI Power Summit, an audience poll showed that most distributors said they'd be reluctant to do business with suppliers that get rid of their printed catalogs. Others greet it with a simple shrug or a knowing acknowl-

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– JEFF LEDERER, PRIME LINE (*asi/79530*)

of technological process. That was before the accelerant – price volatility – ignited a firestorm of worries for suppliers. Faced with soaring commodity prices and a do-or-die decision (Do I raise prices before the year is over?), suddenly the printed catalog for some looked very antiquated. "I think that we're at a crossroads in regards to how people do it. I definitely see that," says Fred Parker, president and CEO of Bluegrass Promotional Marketing (*asi/141964*), about catalog pricing.

Indeed, the traditional catalog is very much in flux. While some suppliers say they are still using normal, coded prices in 2009, many are scuttling the printed catalog entirely and moving to digital. The

edgement of the changing times. However, it appears most distributors like the option of having access to a printed catalog, whether they use it or not. And while they understand why suppliers are moving away from it – cheaper, quicker, greener – they don't necessarily like it. In the end, "I think that suppliers are going to have to do what's right for their own business," says Chris Vernon, president of *Counselor* Top 40 distributor The Vernon Company (*asi/351700*).

That's why it's not uncommon now to flip open a catalog and find a reminder that prices are "subject to change." It's not a stretch to say, more than ever, the directive applies to catalogs as well.

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— CHRIS VERNON, THE VERNON COMPANY (*asi/351700*)

Catalogs: Supplier-Distributor Wedge Issue

Despite all the rhetoric about change, you can print this fact: the printed catalog is not dead yet. The reasons suppliers stick with it are many. They’re adamant about holding prices. They feel it’s the best way to market their products. They’re fearful of losing business by switching. And frankly, they’ve always done it that way, so why mess with the formula?

But even as the catalog avoids complete eradication, it’s also undergoing a fundamental transformation. Outfitted with a price insert or Web site disclaimer, the catalog is less an immutable bible and more a way station to further portals of information. “The focus of catalogs has decidedly shifted, and that’s all because of the Internet,” says Greg Johnson, committee chair of the Advertising Products Supplier Group (APS). “Prior to the Internet, where did you go to find product information? There was no search engine, there was no ESP, you had to go to the catalog.”

However, distributors are wary of moving forward with supplier catalogs that don’t include pricing. Just ask Chris Vernon. The president of the Iowa-based distributor is steadfast in his support of the traditional catalog. “We work with over 1,000 suppliers,” he says. “You’re going to force us to go to every one of those suppliers’ Web sites every day and check prices? That’s where the burden starts to be too much. And I think most suppliers think, ‘Well just go check

my Web site, it’s easy.’ But it’s not that easy.”

Parker, whose company also prefers supplier catalogs (Bluegrass doesn’t have its own), says that the visual power of a catalog continues to generate revenue long after a sales call has concluded. “Those catalogs,” he says, “stay put at the end-user, and then we may get a call or the sales team may get a call a month later, two months later, wanting to order something else. And that has been established by the fact that the catalog is still sitting in their hands.”

Cooperation is the crux of the supplier-distributor model; they need each other. But if both sides gave in to their philosophical druthers, their interests would veer off in different directions. Suppliers want flexibility. “It’s just like when you ship something UPS, you’re going to get charged more one day versus the next day, or one time versus the next when they change the rates,” says Jeff Lederer, executive vice president of Prime Line (*asi/79530*), a *Counselor* Top 40 supplier that slimmed down its catalogs this year and refers distributors to its Web site for latest pricing. “You buy a car one time versus the next time, and the car price changes. The standards shouldn’t be different for this industry.”

Distributors, on the other hand, want certainty. “I would hate it if everything in this industry became that way, that everything is negotiable or variable day-to-day,” Vernon states. “That creates more hardships for customers and distributors.”

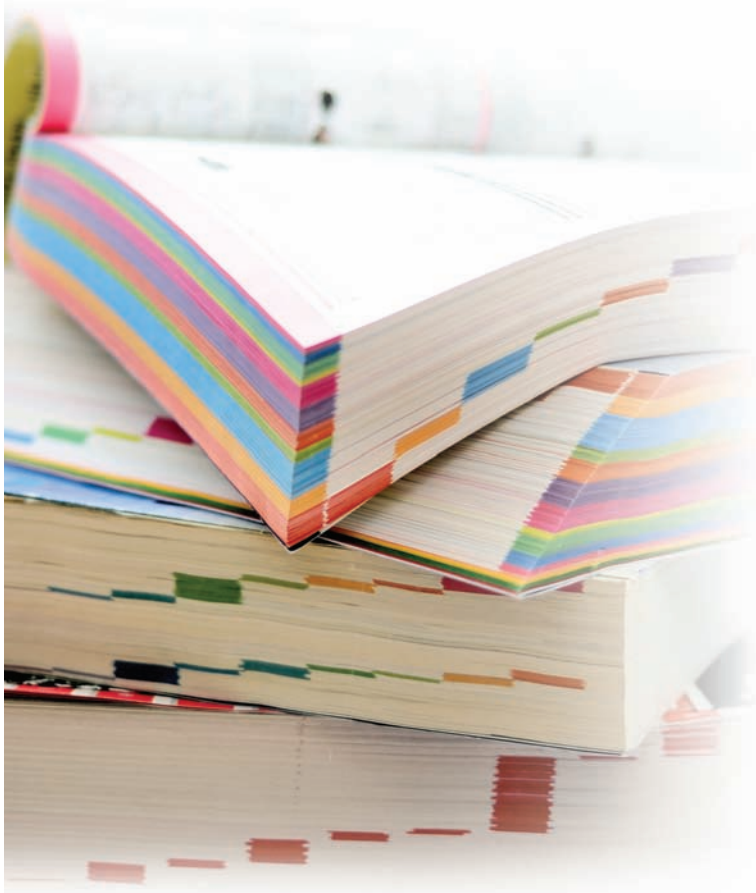
The Future Is Now

The notion that all distributors are adverse to these technological changes, however, is just a stereotype. “If you’re a distributor like us,” says Chuck Fandos, president of *Counselor* Top 40 distributor Gateway CDI (*asi/202515*), “that’s more technology-based and we do almost everything electronically, it’s not going to have as big an impact on us.”

Some welcome such changes; others know they will simply have to adapt. “It would depend on who the supplier is,” Parker says about working with suppliers who jettison their printed catalogs. “And if they’re a good core supplier, then guess what – we don’t have a choice.”

Distributors say it’s a gutsy move to be the technological trailblazer without a printed component. They wonder how much business supplies might sacrifice in making the change. The reality is those suppliers are already out there. Russ Rowan Mogell, president and CEO of Seven Sourcing Inc. (*asi/86556*), started his company a year ago armed with the belief that distributors end up going to Web sites to get the most current information. He didn’t even bother to create a print catalog – an advantage, he says, because he put the money he saved into product development.

“I think in our industry we’re kind of used to printing catalogs, so I think it’s new to folks,” says Mogell, who says that no distributor has refused to do business with him because he doesn’t produce a traditional catalog. “They’re going to the Web site anyway, but I think they’re used to ask-



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FRED PARKER, BLUEGRASS PROMOTIONAL MARKETING (*asi/141964*)

ing for an actual catalog to begin with.”

Other tech-savvy companies felt they were sending the wrong message by relying on snail mail. That’s what techno-gadget supplier Direct Connections (*asi/49807*) realized with a program called “Sticky-Drive,” preloaded on their USBs. Distributors get instant access to Direct Connections’ online catalog, special distributor deals, and content and prices that update every time the USB is plugged in. “We’re selling this software and telling our distributors what a great idea it is and how to use it,” says owner Mary Crug about making the switch for 2009, “and we just decided to put our money where our mouth is and do it ourselves.”

Why are the suppliers making the switch? Web pricing allows for extreme flexibility in a volatile market; not only do suppliers avoid being held hostage to a printed price, they can take fewer gambles with their margins by not over or under-estimating at the beginning of the year. Also noted is the green factor of not using

and throwing away reams and reams of paper – a concern that can’t be discounted when environmental awareness is the order of the day. And, most important, costs can be minimized by avoiding printing and reprinting catalogs in the first place (one supplier estimates that printing costs have

shot up 15%-20%).

“I think that as we all get squeezed a little bit from a price point of view,” Fandos says, “you have to look at what are some of your costs, and I think that catalogs are a big expense for suppliers. I’m not saying those expenses can go away, but if they cut them in half or by three-fourths, that’s a big issue.”

In many regards, distributors are showing in their own actions that they are lock-step with suppliers in these changes. Gateway CDI utilizes the Web to sell to clients and has just switched from pen-and-paper planners to electronic to-do lists. Bluegrass uses virtual samples and industry search engines in addition to supplier catalogs to show off its wares. Target has its own online catalog, uses electronic quotes and culls Web links from preferred suppliers to drive customers online. Their reasons are the same as anybody: It’s the speed of society today.

“This day and age, commerce is moving very quickly,” Leahy says. “When clients

have an interest in a particular product, they want answers immediately, within the hour. The kind of business we do on a national basis, we just can’t hop in the car and run over and get a couple catalogs to them and show them some ideas in a catalog. The days of sending them three or four catalogs are very limited.”

And, it seems, the transition away from paper catalogs is a permanent one. Not only are distributors’ customers getting more adept at working with the Web, but the demographics are changing too. Gen Xers and Millennials, those who have lived with computers their entire lives, are gaining a foothold in the working world and attaining greater buying power. These are the customers of today, not just the future. And distributors – fans of the printed catalog or not – see the change. “We as distributors have to meet that demand,” Leahy comments. “I think eventually distributors are going to have to change ultimately with the clients.”

For now, that means a rough melding of print and Internet, catalog and Web site. All it takes for confusion and strained relations is for a distributor to simply quote the old price in a catalog by mistake. Inflexibility on either the supplier or distributor’s part can cause a deal to fall apart. And keeping clients in the dark can only exacerbate the problem. Says Parker: “That’s why we as distributor salespeople have to be educating the end-user that there is volatility out there on the cost of goods.” ○

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