



ICOMIA

INTERNATIONAL COUNCIL OF
MARINE INDUSTRY ASSOCIATIONS

ICOMIA Distributors' Guide

To assist with the development of an international distribution network

www.icomia.org

The International Council of Marine Industry Associations - ICOMIA - is the international trade association representing the global marine industry since 1966. ICOMIA brings together national boating federations in one global organisation and represents them at an international level, presenting a strong and united voice when dealing with issues challenging the industry. For more information visit www.icomia.org | Contact info@icomia.com +44 1784 223 702

contents



- 1.** Meet ICOMIA
- 2.** What makes a good distributor?
 - Distributor facilities and services
 - Distributor and your brand identity
 - Information and technology transfer
 - Distributors form part of the value of your company good or bad
- 3.** Making the right decision and avoiding “the wasted years”
- 4.** Do the homework on your product
- 5.** Accept it is a three year plan
- 6.** So, you still want to get into international distribution?
- 7.** Legal issues
- 8.** Sales strategies
- 9.** Boats or equipment, the rules are the same
- 10.** Starter-guide summary

1. meet ICOMIA

ICOMIA is the international trade association representing the global marine industry since 1966. ICOMIA unites national marine industry associations in one global organisation and represents them at an international level.

35 marine industry associations across the world are members of ICOMIA today and its membership is estimated to represent more than 90% of the world's leisure boating business. With the help of its members throughout the world ICOMIA acts internationally on behalf of the recreational marine industry.

ICOMIA lobbies national governments and international organisations in order to improve boating safety, protect the environment and promote international trade.

ICOMIA liaises with authorities in emerging markets to develop favourable conditions for recreational boating; highlighting local regulations that impair imports and discussing solutions to these barriers.



ICOMIA
INTERNATIONAL COUNCIL OF
MARINE INDUSTRY ASSOCIATIONS

ICOMIA DISTRIBUTORS' GUIDE

Whilst primarily aimed at the Small to Medium sized Enterprise (SME) who are new to export and need a starter guide to help avoid the pitfalls, the ICOMIA Distributors' Guide has been developed to assist anyone operating in the marine industry, whether boat dealers, distributors or boat builders, develop and implement an international distributors' network.

There have been dramatic changes over the years - however, the basics of international business development, particularly with regard to developing export markets, have remained largely the same. This start-up guide outlines the requirements and considerations needed to make the right decisions when selecting a distributor for your company and how to set-up vibrant distribution networks for a wide range of products.

With continuous change and adaptation the key to developing growth in all areas of business, it is worth remembering the following:

“Globalisation has changed us into a company that searches the world, not just to sell or to source, but to find intellectual capital - the world's best talents and greatest ideas.”

- Jack Welch, Former Chairman and CEO of General Electric -

2. what makes a good distributor?

A good distributor will be handling strong brands and your product will be an augmentation of those. However it is always good to check the following:

- **Distributor facilities** – Does the distributor represent the quality characteristics that you would wish to be associated with?

The main office should be in the right strategic area for the majority of good customers in a specific country, and your distributor should be trading with the main trade outlets, or be able to demonstrate that he or she is acceptable to them. The distributor should already be attending the major national exhibitions and agree that your product will be included on their booth. The distributor will undergo any product training required.

- **Distributor and your brand identity** – is the distributors' ethos aligned with your company brand?
- **Intellectual Property** – Obviously the distributor could become aware of some of your intellectual property; you need to be confident he will respect this.

An example of this is by using trademarks to protect you. Some years ago a European manufacturer was working with a USA distributor, and for years the association worked well. However the manufacturer eventually wanted to move on and informed the distributor that he wished to end the arrangement. Unfortunately the manufacturer had not obtained a trademark in the USA, but the distributor had! It cost the manufacturer a great deal of money to buy his own trademark back. If you think sales will be significant in any given market seriously considering securing your trademark in that country.

- Is the distributor known for freely sharing, with you, information about major accounts and end users?
- Distributors form part of the value of your company - good or bad - and your reputation is linked to distributor performance.
- Realise that the internet is not just about a website. It should help support the ethos of your company and this should be reflected on distributor website pages of your product.

<https://www.spinlock.co.uk/en/here-to-help/spinlock-distributors-worldwide> shows how it should be done by a distributor.

The distributor will expect the following from the manufacturer:

- Commitment of senior management to export
- A flexible approach to products and packaging to ensure it is right for a given market
- Being prepared not to expect too much early on and play the long game
- Honesty and responsiveness
- Product and/or service knowledge

3. making the right decision and avoiding “the wasted years”

A manufacturer’s distributor is the face of the company in a particular country. They represent your brand identity; they need to reflect the market position you see for your company and if the product has a service element, then their skills and capabilities are seen as yours.

The reputation of the distributor is a direct reflection on the manufacturer and the distributor’s reputation will hang on the manufacturer’s success or failure. A good distributor will have thoroughly researched the manufacturer and the product. If a distributor of this calibre agrees to represent a product, you can be sure there is a good chance it will be successful. Customers will also respect the distributor’s reputation for handling good products. A good distributor will not take on a poor product.

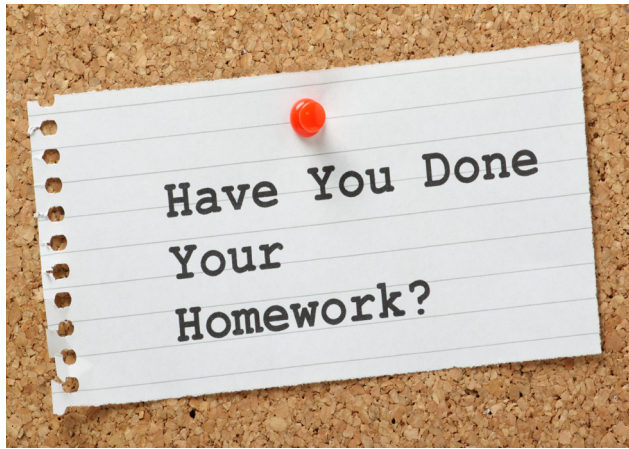
So making the wrong decision on selecting a distributor will cost you at least a year to sever the relationship and then the time required to find a new distributor. Plus your product may have suffered a damaged reputation over this initial period that will take a while to repair.

Care in selecting the right and best distributor is therefore paramount.



4. do the homework on your product

When a small to medium sized enterprise (SME) decides to develop overseas sales, there are many aspects to consider before starting on the planning process of developing international distribution.



A company may be successful in its home market where there are little or no freight costs, no currency variables, no translations, instructions or packaging to change and no distributor margins to deal with, but this all changes when it comes to international sales.

The first step in the development of an international distribution plan is to critically assess the potential benefit of your product in the international marketplace. This assessment will do two things:

Firstly, it will tell you whether your product is market ready, and if the market is ready for your product.

Secondly, it will give you as the manufacturer, a huge amount of information on the competition, their features and benefits, pricing structures, distributor types, and marketing strategies.

With access to the web this process is now a lot easier. Your market research needs to be forensic and unemotional, as it will give a true baseline assessment from which to go forward.

It is worth investing in consulting an expert intermediary to assist with this, as not only will it save you a great deal of time, but critically, the external consultant will not be emotionally attached to your product, and will have an unbiased and experienced view based on their market knowledge.

for example

If you are being assisted by an intermediary then they will know how to contact good qualified distributors who can critically assess your product. With many products the best thing to do is get samples and pricing into the hands of distributors and they will be able to assess your product for quality, features, and benefits plus see how your market pricing and discount structure looks against the competition.

5. accept it is a three year plan

International distribution does not just happen; it is a long term plan that takes effort and persistence. It also requires patience to deal with some of the prolonged gaps that naturally occur during the process. It is an investment in both time and money.



The following scenario is not uncommon:

Contact is made with a good distributor. The distributor requests pricing, documentation and if relevant, samples. The distributor will then evaluate the product in-house. If approved, the distributor's sales force will then start travelling to customers with the samples to assess local market opinion.

This process alone can take months. After that, the product will be considered for inclusion in the next year's catalogue at the distributor's in-house product review.

Some distributors have one final check when they invite their top customers in for a new product day and ask the customers what their final opinion is on all new products under consideration for the next catalogue. This whole process can take up to a year.

info *A manufacturing company will need to consider what infrastructure for administration and sales will be required. In the early stages most of this can be done in-house with existing personnel handling the homework required and the assistance of an expert intermediary when required. When you start to generate sales to foreign countries, marketing, visits for product and training may be required. In addition, technical product information, international freight and product data translations will all have to be accommodated, plus a myriad of other smaller issues that will crop up along the way. Bear in mind that some countries might even require small changes to the product to fit in their market.*

info

Due to EU and USA regulations there are no cross border restrictions and this can disturb your distribution network. For normal stocking distributors a Dutch customer could buy from Germany if he wants. However, most good distributors prefer to honour their own borders and work with each other to make sure that a national customer is dealt with by a national distributor. With regards to internet sales there are internet companies that deal across the globe and they can be a concern, but they will have to become part of your future strategy as to how you deal with them as business progresses.

The following year the product will appear in the distributor's catalogue and sales will start to be generated. The distributor will order base stock to supply against these orders and for delivery to trade customers who will introduce it to their customers. There can then be another time-lapse as end users start to gain awareness and purchase the product.

When selling to boat builders, particularly the larger ones, similar time delays can occur but for different reasons. Generally boat builders do not like introducing new equipment on existing ranges, especially if it means any changes in production techniques.

So your entry point is when new boats are being introduced to the range. Boat builders will also often wait to see if a new organisation, particularly a small or start-up company, survives for a few years before they will even talk to them.

They do not want to include a product on the boat that may not be there next year. To gain credibility, it is also important to ensure that your selected distributor in any given country is known and is acceptable to the major boat builders in that country.

info

The type of distributor you require will also depend on the complexity of your product. If it is a simple product you can look at a broader range of distribution outlets. However if you require technical expertise then more specialised distributors are required. You can research who is selling compatible products and could add your product to their portfolio, as well as checking out other innovative distributors in similar market sectors. For complex products big is not always best; some distributors have enormous catalogues and teams of salesmen, plus they cover big areas and more than one country which could cause difficulties with your other national distributors. Will they be able to train their sales force to handle the complexities of your product? Will they be able to handle installation? Some times bigger distributors require deeper discounts to service their infrastructure.



On completion of this review you should have a good understanding of your market. Remember that in the past many new products have been successfully launched into crowded markets through hard work and good presentation of their advantages and features, using innovative marketing and solid business practices. With strong customer support programmes, these products have become market leaders.



One specific area that needs in-depth analysis is pricing and margins. Once you start selling into international markets you have one particular force that you cannot control, and that is currency movements. You have to make a decision as to how you are either going

to buffer pricing against foreign exchange movements and risk being expensive, accept that the markets will move and go with the flow, or set currency breaks at which your international distributor pricing will rise or fall.

The example on the right only touches on the myriad of pricing issues in the international market place. For your product you need to find out what pricing structures are in place for your market and ensure that you are competitive while aligning your pricing with the features and benefits your product offers.

One way of looking at this in terms of how you pitch your retail price is in terms of Return On Investment (ROI) for the end user. There is more detail on this in the section on sales strategies.

for example

Some high value market leading products may have as little as 35% discount from retail, some products could retail at three-times the ex-factory cost, and some up to 70% discount for fast moving items so it all depends on product type product value, and volume purchased. Your product type will depend on the market area you are in, and that will also determine the distributor and trade expectations of discounts available to them. A high value product will normally have smaller margins to play with but will usually need a technical distributor who should also benefit from installation charges and ongoing business selling service and maintenance parts. A less complicated and lower value product will possibly be in a more competitive market and will need more flexibility in its pricing matrix, again your research will identify this.



6. so, you still want to get into international distribution?

Now is the time to commit to exporting, so be aware of regulatory issues affecting the product. This may include EEC certification, wording required for safety issues, translations, packaging and marketing.

Next step is to test the market. There are a number of ways of doing this:

Using a knowledgeable export intermediary who has international contacts can dramatically reduce the time it takes to get samples or product information into the right distributor's hands. This means the distributor can start the research process in their given country.



Product releases sent to the trade media, consumer marine press, and other marine contacts are a key way to distribute information about a new product, at least until sales develop to enable further paid-for advertising.

There are over 350 trade and consumer leisure marine magazines and online sites globally and the media are generally very helpful in assisting companies get off the ground, as they see them as future advertisers.

There are agencies that have access to these contacts, and databases can be rented to allow access to thousands of highly targeted marine companies. There is a cost to this, but it is worth investing in to ensure that your product will succeed, rather than find out the hard way a few years later and after a lot of investment in time and energy, that your product may not be right for the market yet.

A public relations programme will also have its place in the success of a product launch and on-going user awareness. PR can be a powerful tool especially before attending exhibitions to raise product awareness to potential trade customers.

Distributors should be undertaking the same marketing before their own national shows. Providing them with product press releases could help form a corporate image, whilst reducing their workload.

The Marine Equipment Trade Show (METS) which is held in Amsterdam every November, is the number one opportunity for any manufacturer in the marine equipment market to get its product in front of influencers and users.

Some 20,000 visitors come for the three day show to visit around 1,200 international exhibitors. The show is a mix of structured business meetings, global distributor meetings, networking, and a bit of partying – which is still networking. It is a three day immersion in marine sales and distribution activity.

Of course not everyone can get their products into METS, but it can be an excellent launch platform. For a 4m X 3m stand along with exhibits, hotel costs, subsistence and travel, the cost will be approximately eight thousand Euros (as of 2014).

Before a trade show, time should be spent identifying and contacting potential distributors, other trade contacts and relevant boat builders or purchasers - an experienced industry professional can help generate these contacts and issue product information, pricing details and an invitation to visit your stand.

Here are some useful common trade show trends:

The first year could create lots of leads and some products might generate hundreds of interested contacts. By the end of that year masses of information and samples could have been issued and two or three distributors may have been appointed.

As previously stated, some good distributors will get those samples out on the road and it can take six months for them to fully assess the feedback to those samples in the market place.

Please note, a lot of distributors will have already sorted their products for the following year (for instance, before METS takes place in the November), and their catalogues will already be in print, ready to hand out at the fall and winter shows.

So, you have done your homework, researched the competition, carried out your blanket test marketing, attended your first trade show, and it appears that your product is showing promise . . .

By now following up leads is a priority - although frustration may follow at the lack of response or rejection - this is perfectly normal so focus on honing the product sales pitch.

Ensure a budget is set aside for further exhibitions, translations, travel and accommodation - visits to potential distributors is vital to ensure they meet the required criteria to work with the product.

Finally distributors can be appointed, packaging translated, manuals and other paperwork prepared, distributor pages set-up on websites and the first orders received and delivered.



7. sales strategies

There are some sales and strategy trends that seem to average out, whatever the product:

Everyone thinks the USA is a massive market. It is, but it is also highly competitive and like many other countries, it likes to purchase home grown product first. So unless your product has such a massive advantage over its competitors then leave the USA until later in your expansion plans.

European companies have the rest of Europe to expand into first and although there are language issues to deal with many of us use the same currency, and believe it or not, our cultural issues are not as great as you may think.

There can be large differences in dealing with individual countries within continents. Do not assume the same processes exist within say Finland and Germany in Northern Europe, as in Italy or Greece in the South. The manufacturer's job is to understand his customer - so listen to their needs and tailor your product and service to meet the individual market needs.

A new SME should treat the world equally and do not get hypnotised by the perceived gains from one individual country.

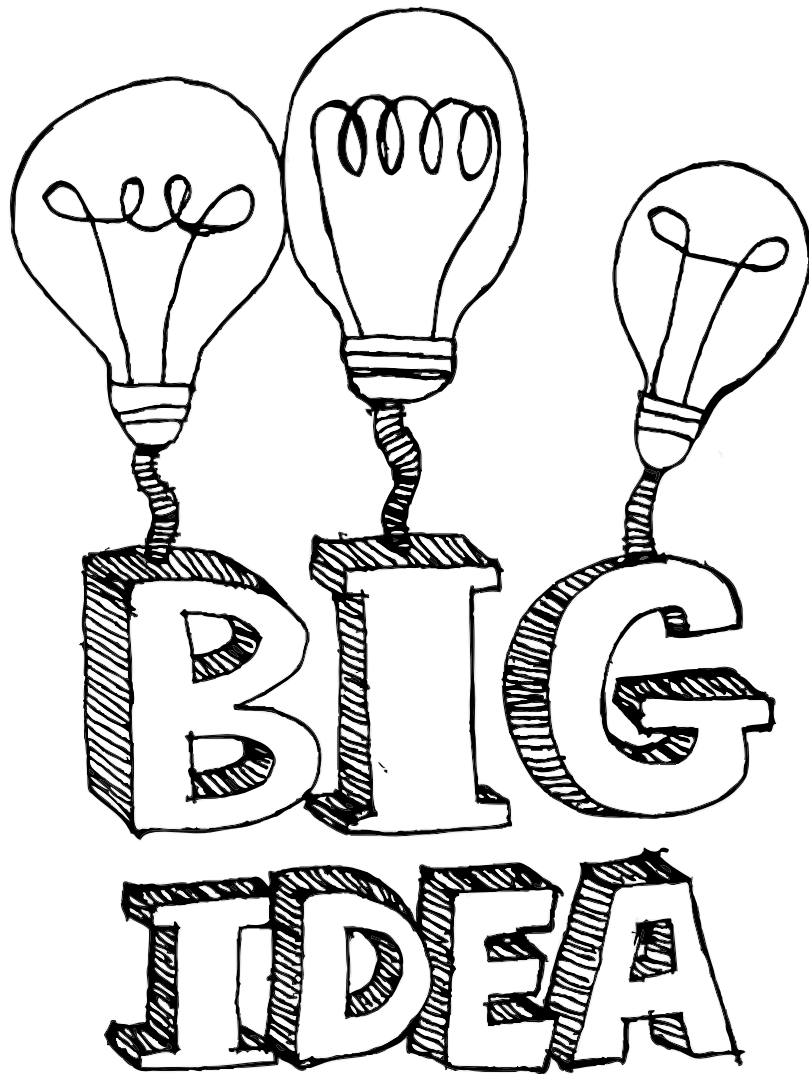
example 1

Your product is a new antifouling system. After having completed the market research and product testing, you are now ready to start on the next step. At this stage, the end user customer wants to know four things:

- 1. Does it keep my boat hull clean?*
- 2. How much will it cost?*
- 3. What is your customer service and support like?*
- 4. How quickly will I get my money back and what are savings compared to what I am doing now to keep my hull clean and protected?*

Assuming that your product does its job, it is all about question 4 which is Return on Investment (ROI). So, for example, if you can show that by fitting your system the customer will save on mid-season scrub and prop burnishing costs, a percentage improvement of fuel costs and increased performance, then the product shows a good ROI. All of these can be converted into a cash benefit for the customer, thus offsetting the cost of your product so the customer can work out when she will have saved the price of purchase. If she is really interested, the customer will also see how you have saved her money in the long term.

The next step is to figure out is what you can charge for that, and how much margin is left after your ex-factory cost, plus your profit, which is left to feed your distributor chain. Finally you have to do the delicate calculation of how this fits in against competitor pricing, and what your product is worth because of its own features and benefits over the competition. Then sell it through your marketing information.



example 2

A hydraulic rigging systems company was having extreme difficulty entering into the European boat building market. All attempts to enter were thwarted by current suppliers discounting or supplying rigging as part of a package. The solution was for the hydraulics company to partner with other companies that were supplying compatible products to boat builders and to add the hydraulic option into their existing package. This worked almost immediately as the boat builders wanted to keep their supply chain to a minimum. They already had faith in their existing suppliers, all normal business procedures were already established, and the increased volume to the hydraulics manufacturer meant he could increase discounts to suit the partner supplier and the boat builder.

example 3

A manufacturer of an innovative water maker had approached a number of boat builders without success and so the product was failing to sell. Therefore specifically selected boat builder dealer networks were targeted directly by the manufacturer's distributors. Many of the best boat dealers immediately saw a way of increasing their profitability by installing the water making product themselves. After a while it became apparent to the boat builders concerned that there were a lot of these innovative and high tech water makers being fitted by the dealer network, and it enabled negotiations to be re-opened with the boat builder to supply direct as well.

8. legal issues

These will obviously vary from country to country and it may be preferable to write your distributor agreements in your own country's law. Outlined below are some **basic facts** to consider - this is not an exhaustive list of different countries' legal nuances.

As a manufacturer consider clauses that include, amongst others:

- Probationary period
- Geographic distribution area
- Annual renewal
- Exclusivity, or not
- Discounts
- Annual targets
- Handling of pre-existing international sales, and future in-house accounts. A house account is when product is supplied directly to a major customer, such as a boat builder, with a small commission reserved for distributor to provide first line of service.
- Marketing responsibilities on both sides
- Communication and disclosure of sales contact details. You will want to, and need to know where the product is going
- Currency exchange policy

Be wary of long and onerous contracts. Contracts should be short and concise, containing relevant legal requirements and detailing the manufacturer's promises (to provide and support the product) and the distributor's promises (to give his best efforts to sell the product).



9. boats or equipment, the rules are the same

Although most of the above advice may be seen to be geared towards equipment, the principles are the same for boat builders looking for dealers, though there are perhaps some extra requirements.

Boat builders will certainly want to know about other issues such as client account requirements, infrastructure for the sale and service of boats, the ability to supply a good level of service and general back up, and be competent with dealing with warranty issues.

Finally there needs to be a good indication from the dealer that he or she is financially able to deal on behalf of the boat builder, afford the stocking requirement, and other financial responsibilities that are required.



10. starter-guide summary

- Do your homework on market research, look at competitors, and evaluate their pricing- have you the margin for two step distribution? Use expert advice from the market to de-emotionalise this process.
- Distributor agreement - keep it as simple as you can within your legal environment.
- Use knowledgeable intermediaries to help you find the best distributors.
- Do not panic. Be patient when you think the process is taking too long. Remember it is a three year plan.
- Once active in the market your biggest advantage will be created by the way you handle deliveries, service and backup. A well serviced product will always win through.
- Finally communicate, communicate, communicate with your distribution chain. You are there to help each other, and to develop each other's sales and profitability.
- For more detailed information please contact your national Marine Industry Association



Strategy

- Product
- Price
- Place
- Promotion

This guide has been prepared by ICOMIA in coordination with the ICOMIA Exporters' Committee and authored by Barrow International



BARROW INTERNATIONAL

Barrow International has been delivering cost effective, specialised, high impact marine marketing distribution results, nationally and internationally, for over 25 years. Directed by sales and marketing expert David Barrow, Barrow International, has become the leading export business development agency in the commercial and leisure marine sector.

Over this period Barrow International has seen changes in the market which have required continuous development to distribution methods and requirements.

Read more at: **www.barrowint.co.uk**