

The State of POS in 2014

Prepared for

NEMRA

National Electrical Manufacturers Representatives
Association

July, 2014



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Introduction

During 2005 / 2006, NAED hosted a cross-industry taskforce comprising sixteen companies to address a myriad of issues relating to point of sale (POS¹). The group delivered an industry white paper as well as recommended formats for collecting point of sale and point of transfer information (POT). While a good start, unfortunately there was not a champion to maintain the effort.

Fast forward a decade; POS remains a major issue for manufacturers. POS facilitates tracking product movement to geographic areas, compensating a manufacturer's sales organization, executing support for specific distributors and effectively evaluating their sales organization as well as determining market share in geographic areas. From a distributor perspective, effective POS administration can influence rep support of a distributor's location(s) purposes.

Industry dynamics and "commodity" products further affect the need for more effective POS processes and execution. Issues include:

- Industry consolidation by distributors, thereby creating larger distributors that cross manufacturer sales territories.
- The emergence of more distributor central distribution and regional distribution systems.
- Commoditization² of products that, to distributors, is undifferentiated from an inventory management perspective.

These issues have combined to make it more difficult to determine what products are sold from, and within, a specific sales territory, thereby impacting sales organization compensation. Given that over 80% of industry suppliers go to market through independent sales representatives and these manufacturers represent in excess of an estimated 60% of industry sales, this is a major issue for NEMRA's members and associated suppliers.

This State of POS report was commissioned by NEMRA to gain greater industry insight into the importance of POS throughout the channel; to understand, and uncover, POS issues; and to suggest a path forward. When the project started, NEMRA requested additional research relating to "commodity" products, especially in product categories such as wire, pipe, conduit as this appeared to be a major concern for the membership.

The report details the research findings and shares suggestions to maintain visibility on this issue and improvement for all parties.

Report Highlights

Key report findings include:

- While the industry agrees on the definition of POS from a technical interpretation of the term, most industry stakeholders view the "customer", for POS purposes, to be the distributor location, not the end-user / contractor.
- POS issues touch all, or vast majorities, of NEMRA members as practically all sell to a national chain that ships product into a branch, or to a customer, from a CDC or an RDC.

¹ For this report, POS is used to reference the entire process of gathering POS / POT information, except for when POT (point of transfer) data is separately discussed.

² Commodity products are defined as those products that distributors do not segregate in their inventory management and ERP processes. These products are placed in a common inventory space / bin and are collectively referred to as a product type, not by a supplier product number. From a distributor perspective, they cannot differentiate which supplier's products are sold at a given point in time or to which customer.

- Due to concerns about the accuracy of POS reporting, a significant percentage of reps will redirect business, when feasible, to a distributor from whom they know they will be compensated from the manufacturer.
- POS issues relate to information accuracy, the level of geographic and product detail that is providing, reporting to the manufacturer as well as to the rep, the lack of transparency (for the most part) in the information shared with the rep from the manufacturer; differing formats for sending information to manufacturers; timely receipt of information and commission payment.
- Managing POS for “commodity” products is viewed by all as a challenge due to distributor warehousing processes (common bins). There are no perfect solutions that are currently on the horizon. The industry best practice is an allocation model with frequent updates (monthly) with information transparency amongst all stakeholders.
- Trust is a major concern throughout the channel. This relates to distributors selecting which manufacturers, if any, to share information with to reps’ concerns that their manufacturer is not compensating them accurately (and sometimes not being too concerned about the rep being compensated fairly).

Sales reported through POS systems will continue to increase due to consolidation, distributor focus on operational enhancement and inventory management and improved reporting systems. Challenges will always exist in capturing information in environments where the distributor does not have a strong relationship with the manufacturer. In some industries POS reporting is a condition of distributor authorization; however, given the maturity of the electrical distribution industry and long-term authorization relationships, it is doubtful that this will change.

Leadership, and sustained focus, on the POS issue should be considered by NEMRA as the NEMRA membership is financially impacted by this issue.

Research Methodology

To gain broad insight, Channel Marketing Group (CMG) contacted distributors, manufacturers, NEMRA member representatives and POS 3rd party processors for their input on a range of POS issues.

Interviews and a survey were conducted with each audience.

From a statistical viewpoint,

- 54 distributors shared information via an e-survey that was sent to select IMARK members (chosen at the discretion of Bob Smith, President of IMARK), AD and national chains. CMG identified the distributor lists and reached out to these distributors. Reference to conducting research on behalf of NEMRA was mentioned.
 - Approximately 200 emails were sent to distributors, culminating in a 27% response rate. In some instances there were multiple per company.
- 51 manufacturers participated in an e-survey that was sent via NEMRA’s manufacturer email list
 - 630 emails were sent (multiple per company) with 202 emails opened (32.1%) and 51 surveys completed (25.2% of open and 8.1% of sent)
- 125 NEMRA representative contacts participated in an e-survey sent from NEMRA
 - 1,171 emails were sent (multiple per company) with 437 emails opened (37.3%) and 125 surveys completed (28.6% of open and 10.7% of sent)

- 30 interviews were conducted amongst NEMRA members, manufacturers, distributors and three service providers
- CMG presented initial findings to NEMRA’s NMG on June 11 and received additional input from manufacturer reps and manufacturers.

From the amount of feedback received, and no incentive was offered to participants, it is evident that POS is an important topic to the industry.

While more can always been done, it is our opinion that these research findings broadly identify the POS issues challenging the industry.

In this report we detail the survey findings, with verbatim responses to open-ended questions in the Appendix, and have aggregated common questions to identify trends, or differences, by audience. Interview feedback is also provided throughout.

Survey Demographics

The e-surveys were sent to NEMRA members, manufacturers and to distributors. A review of respondent demographics highlights that the appropriate array of companies responded. We purposely did not ask for role / function as the list was targeted to presidents / owners, sales management and purchasing management.

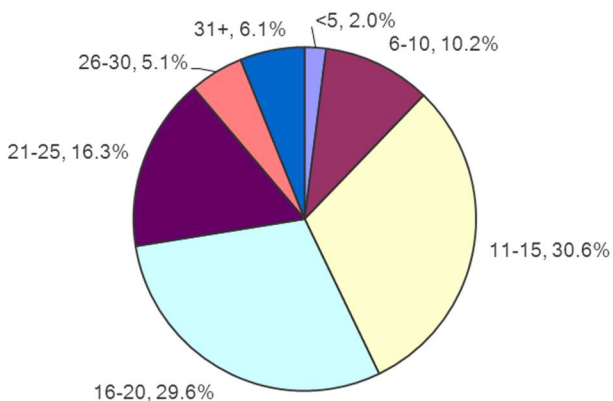
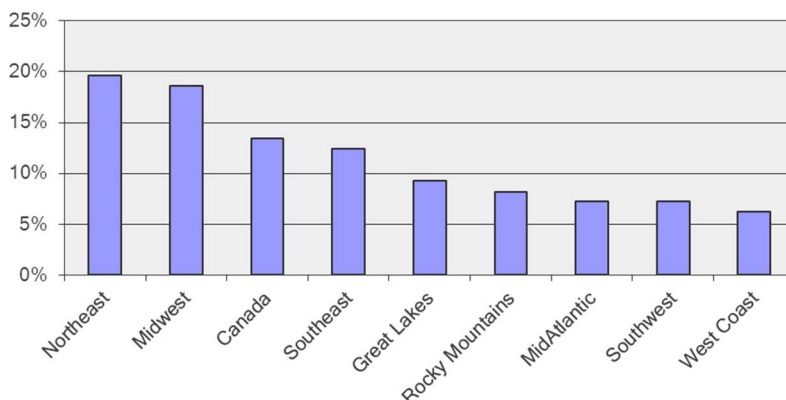
NEMRA Respondent Profile

Geographic Coverage

Geographically, feedback was received from throughout the U.S. and Canada

Certain parts of the country have larger agencies which may account for the reduced number of responses in areas like the Mid-Atlantic, Southwest and West Coast.

Canada represented about 13% of responses.

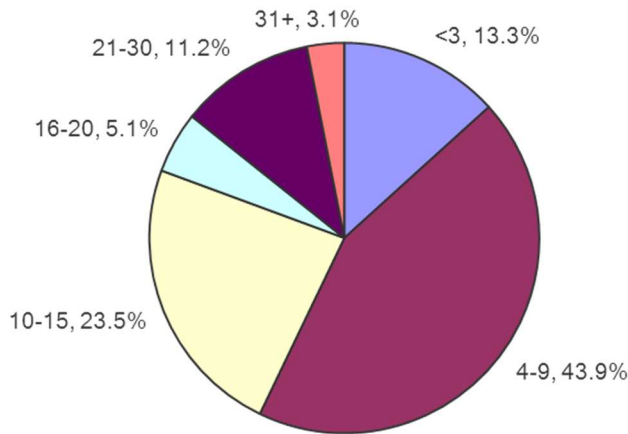


of Lines

60.2% of respondents have 11-20 lines. Another 16.3% have 21-25 lines.

The importance of this, from a POS viewpoint, is that most, if not all, reps have at least 1 line that should be capturing POS information from distributors as well as the fact that these reps are carrying lines of importance to all distributors.

Reps that are representing a broad base of suppliers will be impacted, to varying degrees, by the POS issue.



of Salespeople

43.9% of respondents have 4-9 salespeople working for them with another 23.5% having 10-15 salespeople resulting in 68.4% having 5-15 salespeople.

The importance of accurate POS reporting for compensation reasons impacts many individuals who typically are on commission-based compensation plans.

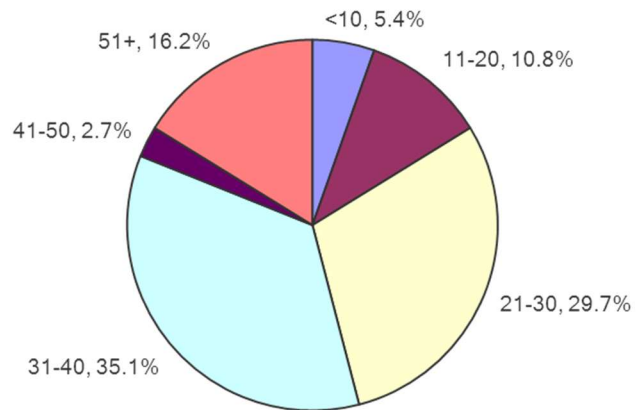
Additionally, these "mid-sized" firms have limited administrative resources.

Manufacturer Respondent Profile

of Manufacturer Reps Firms

64.8% of responding manufacturers have relationships with between 21-40 manufacturer rep firms.

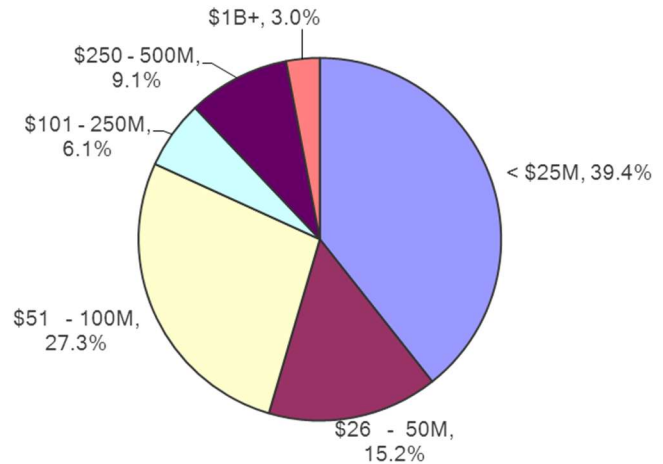
This is an indication of how widespread the issue could be for them as most have nationwide coverage, also indicating relationships with distributors that sell across multiple rep territories and hence suggesting that POS should either be an issue or will be an issue for them if their product is sold through distribution centers.



Revenues

While 54.6% of respondents stated that their companies have less than \$50M dollars in sales and hence may not have a presence in a multi-territory distributor's warehouse, they may have some POS issues or will encounter the issue as they grow.

Conversely, 18% of manufacturers have sales greater than \$100M and should have POS experience. A number of companies in the \$50-100M range also have POS experience due to their involvement with companies like Graybar and WESCO.



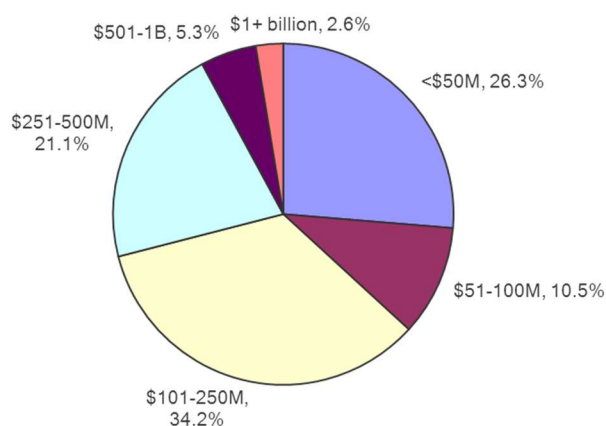
Product Categories

Input from an array of industry product categories was obtained. While some of the percentages are low, the number of industry suppliers in some of the product categories is small (i.e. fuses has 3 suppliers).

Typically suppliers who are members of NEMRA are not lighting suppliers or, if they are, are typically smaller companies.

Product Category	Response Percent
Electrician Supplies & Tools	25.9%
Switchgear & Controls	13.0%
Wire & Cable (Copper & Aluminum)	9.3%
Wire Management	9.3%
Boxes & Fittings	7.4%
Lighting Fixtures	7.4%
Wiring Devices	5.6%
Electric Heat / Vent	5.6%
Enclosures	5.6%
Fuses	3.7%
Conduit (Metallic & Non-Metallic)	3.7%
Lamps	1.9%
Pipe	1.9%

Distributor Respondent Profile

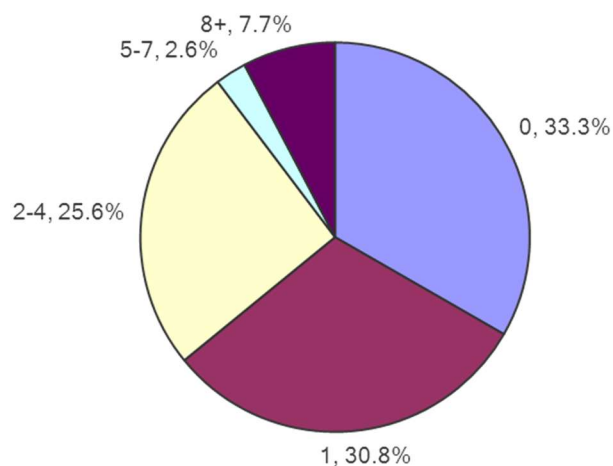


63.2% of respondents advised that their sales are more than \$100M dollars. This is typically the target market for companies that may have the profile for providing POS information and interacting with multiple NEMRA members.

Additionally, this audience is more prone to having CDCs/RDCs or is considering them.

While smaller distributors may have reason to submit POS information, this would typically be due to specific business niches / lines rather than as a "full-line" distributor.

RDCs / CDCs



33.3% of respondents currently do not have a CDC or any RDCs

30.8% do have 1 facility with another 25.6% having 2-4 facilities.

When compared vs 2005-2006, the number of RDCs has increased as the industry consolidated, companies increased sales and their sales footprint and operational efficiencies have been sought.

The aggregation of inventory into centralized locations from local branches further highlights the need for increased visibility of the POS issue.

POS Insights

In conducting the research we identified issues relating to:

- data collection, formatting and reporting issues
- timeliness of receipt of information from distributors to manufacturers and between manufacturers and their sales organizations
- the need for shared, detailed, information
- differences in the definition of POS
- concerns about accuracy, completeness and the transparency (some refer to this as the auditability) of the information, and one of the most important issues is that
- POS is a monetary issue for all parties.

What is POS?

Based upon initial conversations with NEMRA reps, manufacturers and distributors and receiving input on issues in “managing” POS, there was a feeling that the definition of POS varied by audience. For some, POT did not appear to be an issue.

Addressing the POS issue requires that all parties define the issue similarly. While POS in its most basic definition relates to understanding what, and where, a “customer” purchased, for many in the channel the definition of “customer” is a challenge ... is it the end-user or the distributor?

We asked NEMRA reps, manufacturers and distributors “Please select which of these statements most closely defines POS for you.” With possible answers of:

- POS means "point of sale" which is where the material is being shipped to (customer location or project - could be expressed as a zip code or county). "Point" is defined as the customer. This information could include customer name and/or SIC, however, that is at the discretion of the manufacturer and distributor.
- POS means "place of purchase" and is where the material is purchased from (distributor branch location). Some people call this "point of purchase".
- POS means "place of shipment" and is where the material is being shipped from (or to if coming from a CDC / RDC). This is typically a branch location. This broadens the definition to include RDCs/CDCs.



The findings indicate that all three audiences understand the intent of the terminology, however, in looking at “place of purchase”, distributors and reps nominally feel that the issue is more “place of purchase” rather than end-user specific.

Open-ended feedback from each audience further confirmed that the industry defines “customer”, for POS purposes, as distributor location rather than end-user customer or where the material is used.

- Open-ended feedback from reps included:
 - "Place of shipment
 - Where the product is shipped and purchased from (i.e: main distribution center ships to a branch location where a customer purchases said product).
 - Location where material end up, regardless of what area it was sold in.
 - It's a combination of where material was ordered and was shipped.
 - We do not get paid until a distributor reports it sold.
 - It's a combination. Manufacturers are reporting when material is shipped into the geographic area covered by an agency while the purchase order was placed elsewhere.
 - Where the material is used or installed
 - Sales credit to the branch within a rep's territory, so rep can be paid
 - Means branch or CDC from which product is sold
 - Where the end-customer purchases the product. Has nothing to do with if distributors bought in a distribution center and transferred it.
 - Point of application - where the user applies the product
 - A combination of point of sale and place of purchase.
 - Point of sale and place of purchase both apply to us
 - As a rep we see each manufacturer handle POS differently so all 3 of the above definitions can and do apply
 - The location of the branch who ordered the product. The product was shipped to the branch or end user from a location outside of the agent's territory."
- Feedback from manufacturers
 - "Where the end user is
 - POS means Point of Sale = When a DC (CDC or RDC) ships to a branch. If our system doesn't pay the DC sales rep, I want to know which branch sold it to accurately pay the sales rep.
 - Transfer of goods from the RDC/CDC to a branch
 - Needs to be clarified, so everyone is talking about the same thing.
 - POS can be any or all of the above, and we have instances of all three.
 - The issue is 'distributors' and most others use POS as POT
 - The location from where the product is SOLD to the end user. Used for purposes of determining which rep should get commission.
 - POS means a shipment coming from a Distribution Center into a distributor or end user location.

Discussions with manufacturers indicate few, if any, are using POS information for market intelligence and marketing purposes. Some did point out that SPA information does contain some POS information; however, none stated that they are harvesting this information for marketing purposes.

As can be seen, most feel that for compensation purposes, POS is currently defined as "distributor selling point / branch location".

There are two consequences of this:

1. Given that the research identified issues of channel “trust” (to be discussed), if the POS discussion is limited to locale versus customer specific, this could assist in removing some distributor concern.
2. As e-commerce continues to impact the industry and distributors service multiple geographic areas through centralized, or regional, warehouses for direct shipment to end-customers, how will this affect the POS discussion? Will it become orders into a geographic area? Will contractual agreements be refined? Will the issue change based upon the need for local rep support (so perhaps by product offering)? Will reps who have CDCs/RDCs in their area that fulfill e-commerce orders benefit through increased access to buying influencers at these locations? Could ...?? This will be an evolving issue for the channel.

POT (Point of Transfer)

The channel was also asked about the importance of POT information. Both manufacturers and reps feel that POT information is important as it enables the capturing of data from CDCs/RDCs as well as inter-branch / out-of-territory inventory transfers (but the primary intent relates to CDCs/RDCs.)

POT gets to the issue of appropriately compensating the local rep. Some companies intermingle the definitions of POS and POT.

As more independent distributors consider CDCs/RDCs to support their growth plans as well as open locations across rep territories and national chains gain greater support from their branches to obtain material from their RDCs, the issue of POT will proliferate. Currently the primary focus of POT initiatives is with national chains and selected independent distributors as these distributors represent the greatest percentage of POT issues.

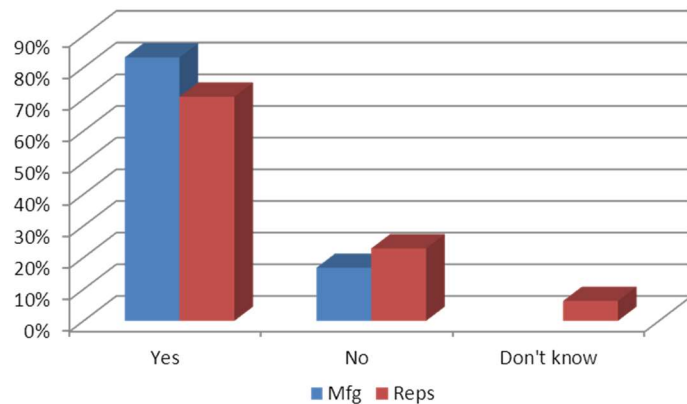
Verbatim input from manufacturers and reps regarding the importance of POT is available in the Appendix.

Financial Impact of POS

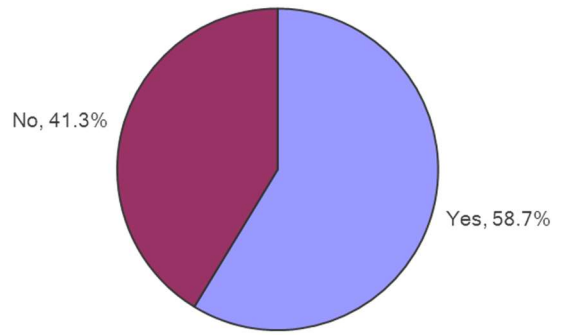
While the financial impact of POS is most easily identifiable at the independent manufacturer sales representative level due to compensation / commission issues, it also impacts distributors as sales representatives shared that they, at times, redirect business to distributors from whom they know purchase information is easily reported and hence they will receive appropriate compensation.

POS also financially impacts manufacturers as manufacturer sales reps may contravene manufacturer strategic initiatives to support selected distributors / national chains, potentially missing goals, and could impact compensation issues within the manufacturer (regional / national account management).

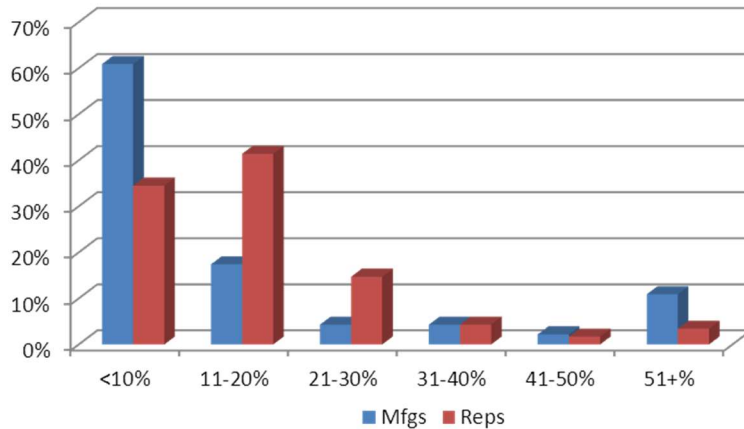
Essentially, a percentage of manufacturer representatives, through their actions are saying “if we cannot trust in manufacturer / national chain POS data, we will sell around the national chains.”



In the representative survey, 58.7% of respondents reported directing some business to a distributor for whom they know they will be compensated. Feedback from reps was that they felt they could redirect commodity and engineered / branded products in a number of cases.



Additionally, when asked “what percentage of your sales are impacted by POS?” manufacturers and reps replied:



This highlights that:

- For 88% of manufacturers, POS represents less than 20% of their business.
- For almost 76% of reps, POS represents < 20% of business.

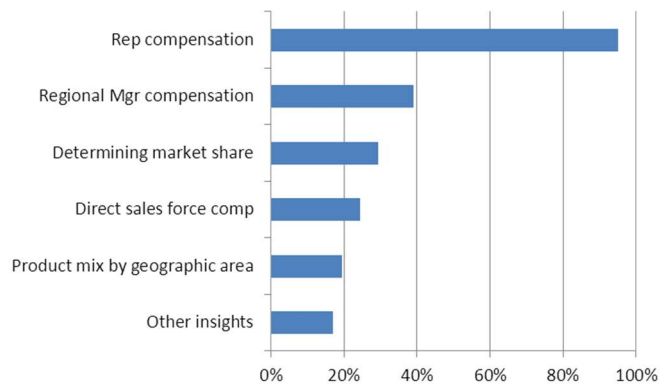
But while the percentages are “low”, they have inevitably risen with the increase in the number of CDCs/RDCs in the industry.

However, a question becomes, “what percent of national chain business (and large regional chains’ business) goes through their RDCs versus direct to / from a branch?”

But as can be seen, for some manufacturers and reps, the percentages can become significant as evidenced that almost 11% of manufacturers reported that more than 50% of their sales is captured through their POS reporting.

As this was a survey and respondents in all likelihood did not review sales reports and calculate percentages, this is a “guesstimate” and our suspicion is that the percentages are under-reported for both audiences.

And while rep compensation and distributor sales can be affected by receipt of POS information, manufacturers use POS data in a multitude of ways (chart on right).



While 95%+ use the information for rep compensation purposes, manufacturers are also using the information to compensate factory direct salespeople and sales management. Some companies are taking advantage of the market intelligence that they are receiving to enhance their business

decision making. Many manufacturers recognize this potential but do not have the resources or enough data to aggregate and act upon the information.

POS Affects Many Manufacturers & Distributors

Many reps have a significant number of their manufacturers providing POS information to them.

- Only 32.8% have less than 3 lines (and less than 3% have none!)
- Almost 40% have 4-6 lines
- And 24.1% have between 7-15 lines.

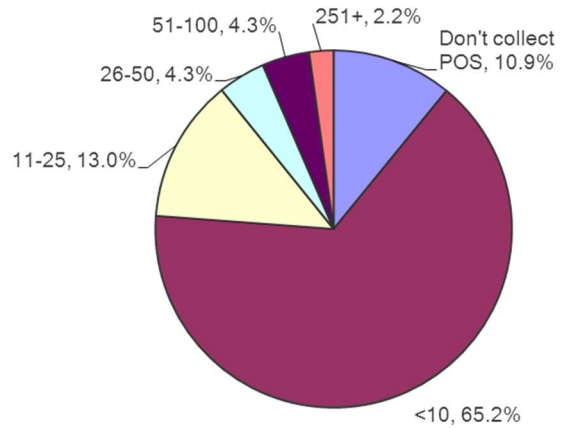
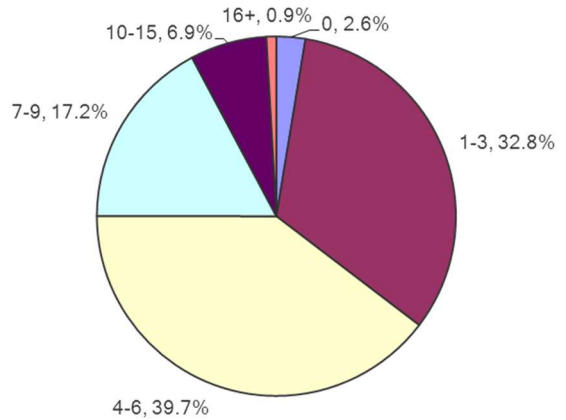
So the issue has grown in the number of manufacturers that this impacts ... and hence the impact on the industry.

This results in increased administrative burden for all channel participants.

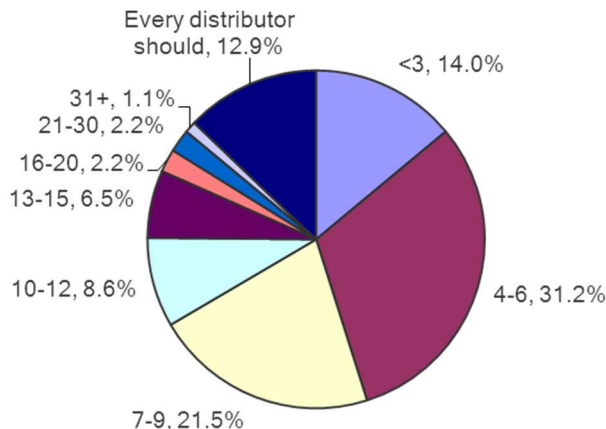
Manufacturers were asked "How many distributors currently send you POS information?"

As can be seen,

- 65% of manufacturer respondents are receiving POS data from less than 10 distributors (presumably all national chains / super regionals).
 - This was expected given the number of small manufacturers in the industry, many of which are not stocked at CDCs/RDCs, as well as the number of manufacturers who distributors purchase from for projects or "special orders."
- 13% receive POS data from 11-25 distributors
- 8.6% receive POS data from 26-100 distributor



This shows that a number of distributors do provide POS information to manufacturers although, based upon feedback from distributors, just because they do POS for a manufacturer does not mean that they are willing to send information to all of their manufacturers. Issues relating to relationship with the manufacturer and their rep network, importance, trust and reporting complexity drive these decisions. These decisions are typically made by senior management, purchasing management and sales management.



The current administrative effort could be further compounded by the number of distributors that both manufacturers and reps think should be reporting POS but may currently not be reporting.

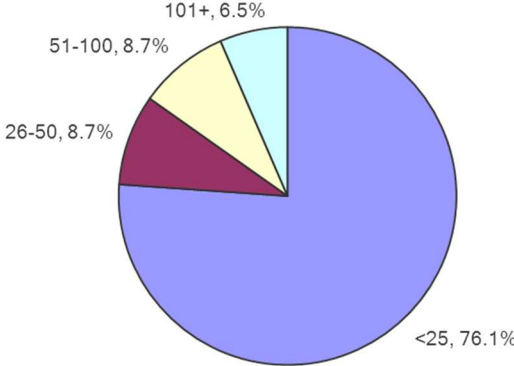
Reps feel that more distributors in their territory could / should, provide POS information with 66.7% feeling that up to 9

distributors in their territory should be provide POS data. This is a combination of distributors and RDCs in their market.

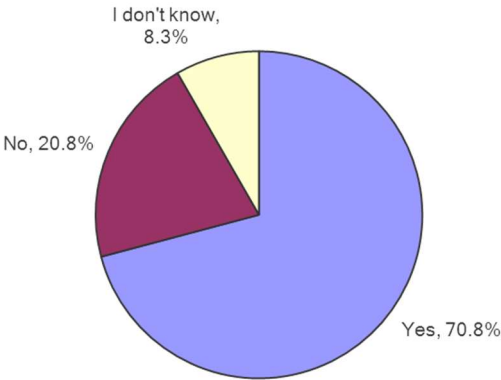
Part of the reason is a desire for quality data to ensure compensation transparency and that POS information provides enhanced sales and marketing data to support business development efforts. Rather than rely on supplier reports, reps could have actionable data on what was sold by the distributor and what was sold in their market.

Manufacturers also think that there are more distributors that could / should provide them with POS information. In some instances this may be for informational purposes, in other instances it could be to improve the accuracy of their rep compensation.

As can be seen, 25% of the manufacturers think that there are 25-100+ more distributors that could contribute POS information.



Whether the rep projection of the incremental number of distributors who should provide POS information is accurate, or the manufacturer estimation is accurate, either way, more POS submissions would increase manufacturer and rep administrative burdens.



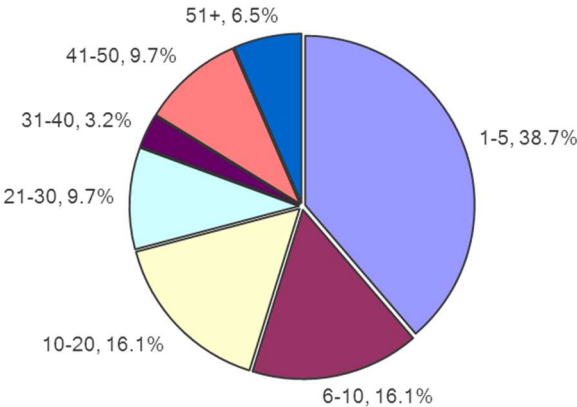
From a distributor perspective, many are sharing POS information, as 70% of distributor respondents noted that their company is providing POS information with their manufacturers.

The ease of utilization, quality and accuracy of data and what level of detailed, actionable, information is sent to the rep can vary.

In a few instances, reps are receiving information directly from the distributor at the same time it is sent to the manufacturer. A number of reps identified one national chain that provides this information. According to these reps, since there is data transparency they are more apt to support this national chain, similar to how they support local independent distributors.

For those distributors that do share POS information,

- 32% provide it to between 6 – 20 manufacturers
- approximately 30% provide it to more than 20 manufacturers (and hence are very experienced) and
- approximately 39% provide to 1-5 suppliers.



Many have the capability and have shown the inclination, for valued suppliers, to provide POS information.

The question then becomes, why do more distributors not share POS information?

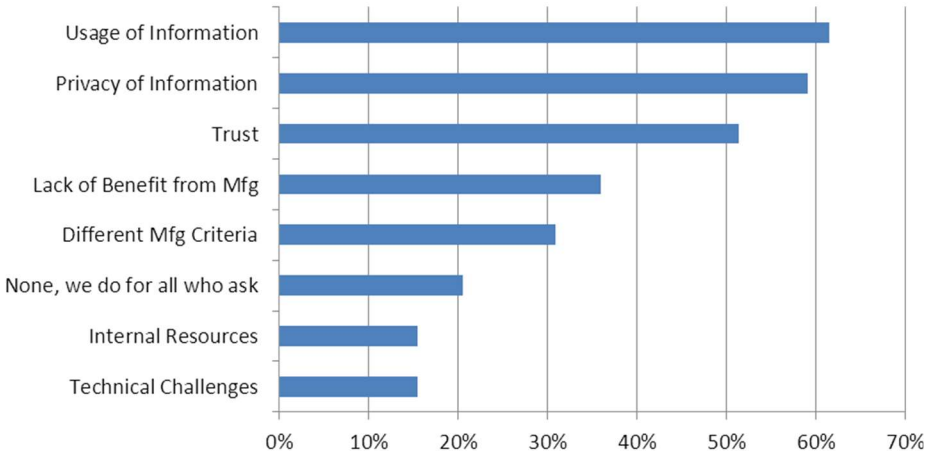
Feedback on this question varies based upon one's role in the channel. Manufacturer reps have their perspective, manufacturers have a different perspective and responding distributors have their view. All are correct based upon their role in the channel. The challenge, from an industry viewpoint, is addressing the latent issues of trust, information standardization and understanding distributor ERP capabilities and process management.

Distributors say they:



For some this is a philosophical issue, for others they don't believe it applies to them, some are waiting to be asked by someone from the manufacturer's sales management team and a minority sees this as a resource issue.

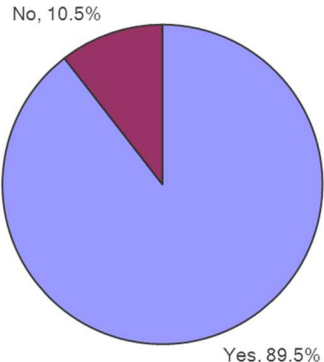
Additionally, distributors are concerned about:



The first three issues are essentially "trust" issues and should be governed by defined supplier policies and perhaps legal agreements.

Distributors Support Reps

When asked "Is it important to you that the local representative be compensated for sales in his territory?" 89.5% of distributors responded affirmatively.



When asked why, feedback included:

- "So he/they will support the distributor's sales efforts
- So he/they does his job better/incentive
- Without compensation, they will not support distributors
- They are an important partner in developing our markets
- Only way we get the return support

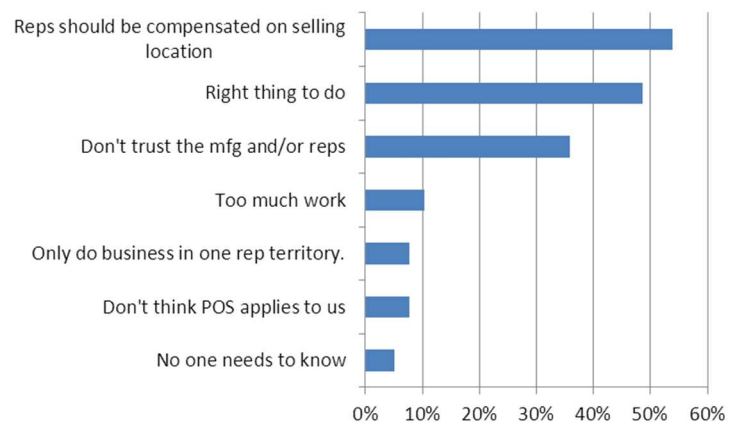
- He has earned it and will not support us if he is not being paid
- If they are providing value added benefits such as technical application assistance, and service after the sale they deserve credit. Every situation is different though.
- It's fair
- To keep them working the territory hard. If they feel they are not being paid for what they do, why do it?
- He supports the hand that feeds him
- Generally the rep helps create the market and is entitled to be compensated.
- Motivation
- Need the support
- Should be paid for the effort
- Working relationship/partnering
- One should be paid for work done.
- If they're not, then there's no reason for them to do the work
- They will support you better.
- So they are motivated to work with us. Won't if they don't get paid
- To foster working relationship. Why would they work with us if not getting paid?
- Way to gain further support from local reps
- Compensated for results.
- Some reps are valuable during the sales process or SPA process"

Is POS Important to Distributors and Manufacturers?

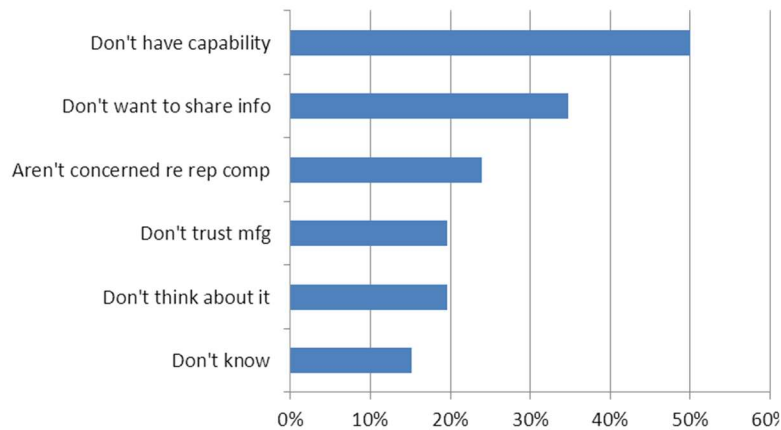
Further, distributors were asked "Which describes your feelings regarding providing POS/POT information to your manufacturers?"

Distributor feedback shows they feel:

- Reps should be compensated based upon selling location
- Providing POS information is the "right thing to do"
- And that "trust" is a major issue and it affects POS information sharing.



Given this input, it is evident that a high percentage of distributors recognize the importance of appropriately compensating manufacturer sales representatives. The challenges become addressing the trust issue, the benefit for the distributor and standardizing and simplifying the data gathering process. From a benefit aspect, an element to consider is "what is in it for me (WIIFM)?" This could relate to support as well as product and/or aggregated market intelligence.



From a manufacturer viewpoint,

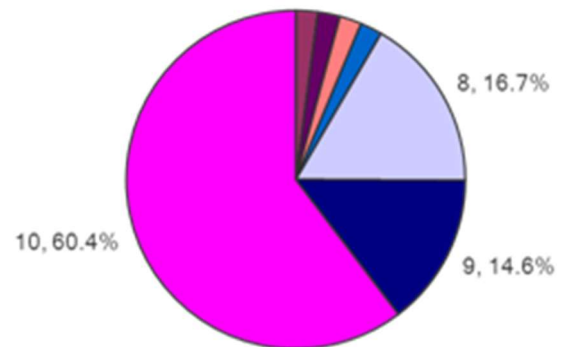
- 50% of manufacturers believe distributors don't have the capabilities to gather the information
- 35% feel distributors don't want to share information
- 23% believe distributors are not concerned about rep compensation.
- And only 20% believe it is a "trust" issue.

This feedback differs significantly from the distributor input as distributors' major issue is trust and resources are of nominal concern. The difference essentially becomes a philosophical one.

While 23% of manufacturers feel that rep compensation is not important to distributors, when asked how important rep compensation is to manufacturers, almost 94% said it is important to them and, on a rating scale, scored it 9.1 out of 10.

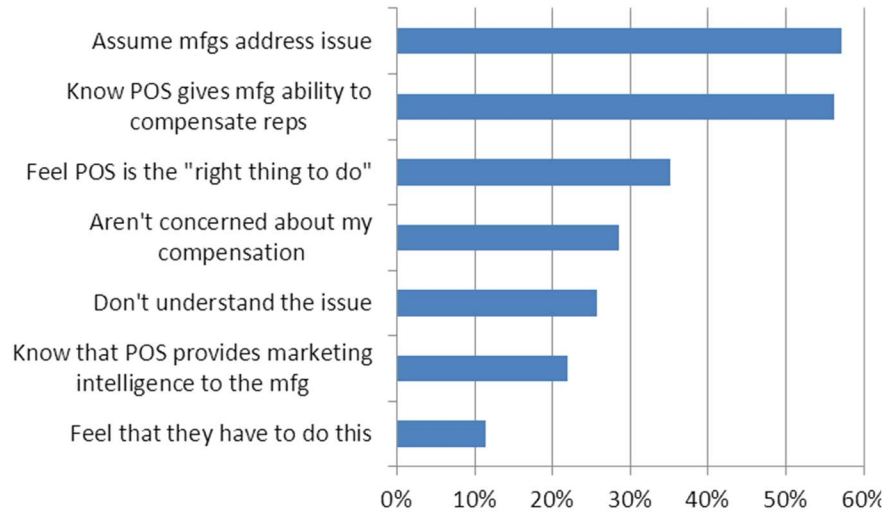
When asked why, manufacturers responded:

- "Everyone should be accurately and fairly compensated for their work
- It is the true measurement of growth into a market, judged on sales to customer versus distributor location of RDC / CDC.
- Sales should always be compensated
- Accurate payments help drive sales. Who wants to be a salesperson for someone else's paycheck?
- It's their income
- We need the salesman to call on these branch locations and help them sell product.
- It's vitally important that the agency gets credit so they know that they're being compensated for their sales efforts and will continue to work our line with that distributor. We don't want the reps directing business to one distributor or the other because they're worried about not getting commissions if it ships into a location outside of their territory. The same would apply to the individual sales rep - especially if they're commissioned or bonuses based on their sales.
- If it is not important to us, we are not important to our reps
- Motivation!
- We want their support at the local level
- Line support
- It is important but frankly some POS/POT is just way too small in dollars versus the effort to correctly compensate.
- No one should be expected to work without proper compensation
- The agency/salesperson should be paid for their work.
- Compensation is for earned effort and that effort is what we depend on. Accurate and timely reporting is key to the relationship.
- Because if they are getting credit they are getting paid. Also very important for the manufacturer regional manager!



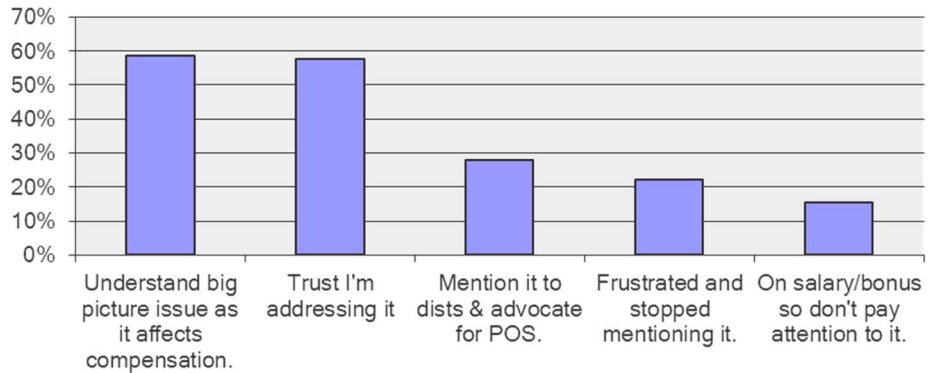
- This is not a ten (*on the rating scale*) as often times, the rep that manages the warehouse, earned the initial commission. When we give POT commission, we don't typically see the rep working at the branch or at headquarters to impact additional new items or other ways to increase sales.
- Reps should be properly compensated for the sales in the territory
- Commission accuracy and fairness is an important component in developing and strengthening the agent-manufacturer relationship.
- They aren't getting paid for the work they do.
- Ultimately the interest and effectiveness of a rep is heavily dependent on their payback for commissioned sales people.
- We all work for business we get paid for, no pay - no work."

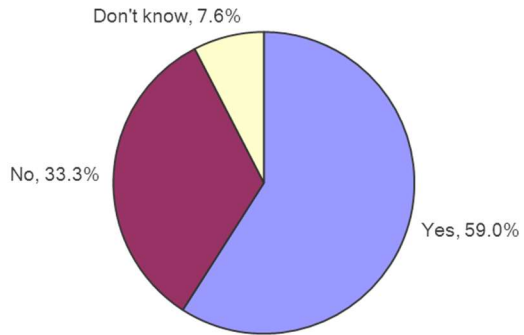
Reps' perception of distributors is that distributors:



The challenge for the rep agency is that the rep principal may be able to present the POS issue to senior management at an independent distributor; however, the issue needs to be presented by the manufacturer at larger companies.

Reps were asked "How well informed do you feel that your sales organization is regarding the importance of POS/POT information?"





Representative respondents were also asked “does your sales organization effectively communicate the importance of POS data to distributor management?”

Manufacturer rep sales personnel, while aware of the issue, and sometimes an advocate, are more focused on branch support and “day to day” selling. Rep principals prefer that their personnel focus on supporting / generating demand and leave POS discussions to the manufacturer.

A discussion of POS periodically does occur between the rep salesperson and distributor branch managers in instances where the rep asks for business to be shipped into the branch versus procured through an RDC for compensation reasons. Frequently, according to interviews, this request is accommodated as the branch manager either has a relationship with the rep or is trying to gain more field support from the rep.

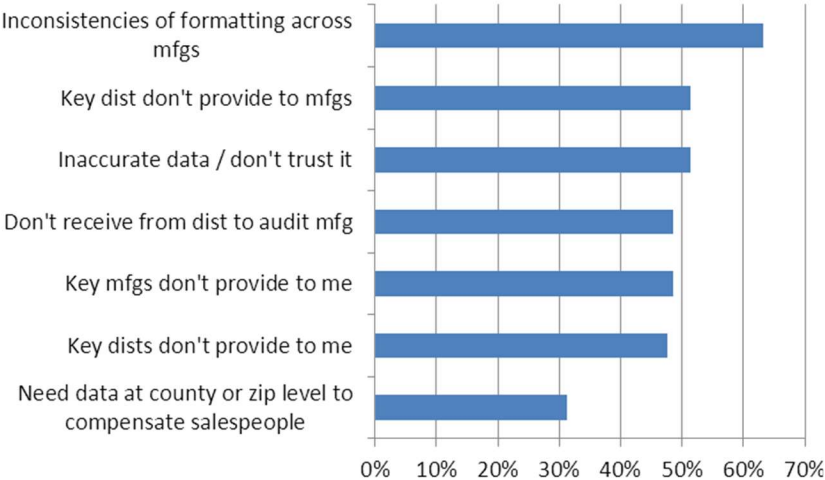
POS Reporting Challenges

In speaking with members of the supply chain as well as through the various e-surveys, a number of trust, data, accuracy, transparency, completeness, formatting and standards issues were shared. While most companies are consistent within themselves a frustration for

- reps is the inconsistency amongst manufacturers in gathering the information, the level of detail as well as the willingness to share the data, timeliness in reporting and commission payments
- manufacturers it is inconsistency amongst distributors, differing formats as well as a lack of understanding of why distributors will not share with all manufacturers and
- distributors it is inconsistency for data requests from manufacturers and not understanding what, if any, information is shared with the rep and what their role should be in sharing information with reps.

For reps, key issues relate to:

- Inconsistency of formatting which makes reviewing, interpreting and utilizing the information
- Completeness through the inability to get all relevant distributors to share the information
- The expectation of “trust me” regarding the data as there are concerns about accuracy, receiving product, geographic and sometimes distributor specific information.



In fact, we heard from reps of instances where POS was reported as a line item with a commission adjustment (positive or claw back) and reps are told “don’t worry” or “trust us”. While they may bring the issue to the attention of the manufacturer, they have limited recourse.

Additional input from reps included:

Difficulty in tracking commission payment.	Commission Tracking
Some distributors will ONLY provide direct to the manufacturer	Detail not available
Commissions show up on commission statement as a line item with no detail.	Detail not available
We have no way of monitoring EDI orders.	Detail not available
We have no way of verifying if it is accurate. We depend 100% on the distributor to get the manufacturer the correct and timely information. I suppose some of the information is generated by the manufacturer. I have always understood it to be that the POS/POT information we get was provided by the distributor	Detail not available
I don't trust that manufacturers pay on materials out of RDC/CDC because, for some manufacturers, those centers aren't assigned to a rep.	Detail not available
(Manufacturer) doesn't pick up all products that are transferred	Detail not available
The information has to be by distributor branch location NOT zip code	Level of Detail
Some factories choose to not "waste their time" due to lack of resources to process distributor POS adjustments	Mfg Commitment
Very little sense of importance to the mfg., they have the business and are being paid, POS is an afterthought of low importance.	Mfg Commitment
More and more distributors are crossing borders and the manufacturer is not doing enough to make sure that all parties are properly compensated. They simply are not putting enough resources into it because it isn't affecting their bottom line.	Mfg Commitment
The most prevalent issue, by far, is the time lag. We wait up to 90 days.	Payment Timing

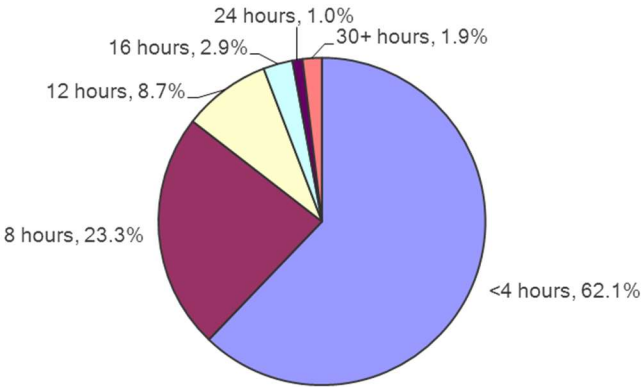
Specific input regarding the data issues that reps experience is included in the Appendix.

Rep Administrative Burden & Compensation Impact

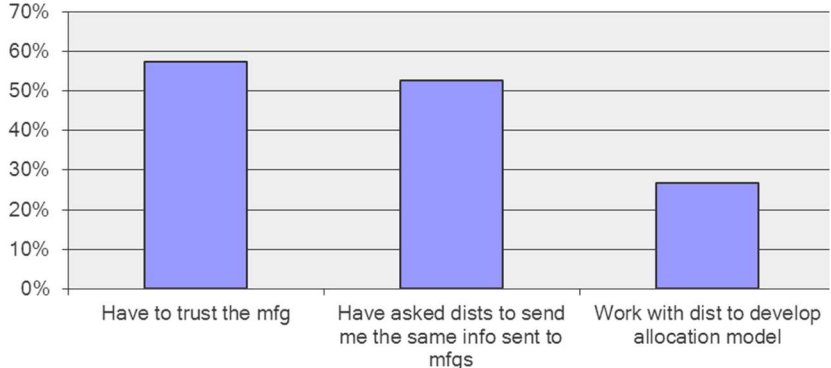
The administrative issues created for reps by the POS process is time consuming and costly.

14.5% of them stated that they have staff spending 8+ hours administering the reports.

In conversations, we heard of more time that had been devoted to managing and interpreting POS information, however, in a number of instances, rep principals feel that the reports / information they receive are "as good as they are going to get" and are "close enough" that they are trying to manage how much time is devoted to this effort.



Essentially they are willing to forego some income to move the process along. Given that most reps are entrepreneurial and former salespeople, this is understandable, especially given their limited ability to influence change on this issue other than through dialogue with their manufacturer(s).



The quality, accuracy, timeliness and level of detail can influence the compensation strategy that a rep uses with their staff.

Most rep salespeople are on a commission basis based upon assigned accounts / territory.

Many reps shared that they have gotten to the point

where they have to just "trust" the manufacturer and hope POS-affected sales do not represent a significant percent of their sales.

Others have:

- Put salespeople on a salary and use POS commissions as a "bonus" or "lump payment" at the end of the year (or a quarter)
- Some average it out and "true-up" at the end of a quarter, semi-annually or annually
- Some have spoken with their distributors to gain a "sense" (percentage) of sales that are impacted by POS and use that in their compensation formula and then provide a bonus at a defined time period (none mentioned about clawing back compensation from their staff).
- And POS reporting delays commissions. This email message from a manufacturer was shared by a rep:

- "Please be advised that the first (Distributor) (Manufacturer) POS report that will be processed is the DATE POS report since we turned off (reporting system) effective DATE and are allowing 2 months for inventory to turn. Please also note that DATE POS commission will be paid in DATE (3 months later).

What this means is that agents will not see commission on (Distributor) sales for 3 months; the 2 months are explained by inventory turnover as to avoid the agent getting paid on the same sale twice, once through (reporting system) and second time through POS; and the 1 additional month is explained by the fact that we are always one month in arrears on POS commission payment."

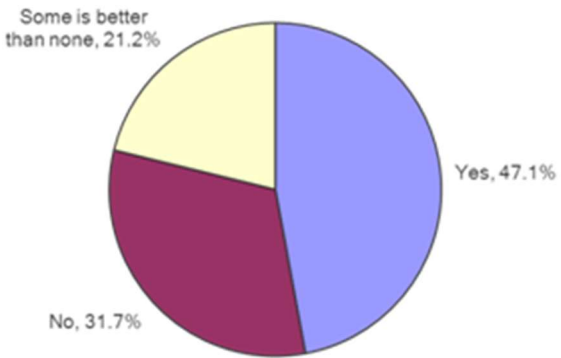
- Some specific comments, and strategies, included:

I pay my men on a percentage based upon number of branches in a territory	Change comp model
Change compensation models for our own sales people to pooled accounts or territories.	Change comp model
We believe it's the manufacturers who need to overcome their problems. Some distributors claim they report numbers but manufacturers do not process it.	Mfg commitment

The biggest issue is the manufacturer does not care enough to resolve about POS and compensating the rep appropriately.	Mfg commitment
Move business	Move business
I stay after my manufacturers and audit what they pay us and then prove to them what is missing.	Talk w/ mfg
Talk with the manufacturers	Talk w/ mfg
Asking the manufacturers regularly what they are doing to improve their POS system.	Talk w/ mfg

Regardless of the methodology, all felt that they, and their salespeople, were not being fully compensated but that the ability to get to 100% was impossible due to quality of data, the inability to audit the information and the lack of concern by other channel stakeholders. The only recourse for a rep is persuasion.

Reps were asked if they would be willing to drop a line due to POS conflict and inability to get compensated from a manufacturer. While 47.1% said yes, feedback from reps was this would only occur if there were other issues that were creating a deteriorating relationship.

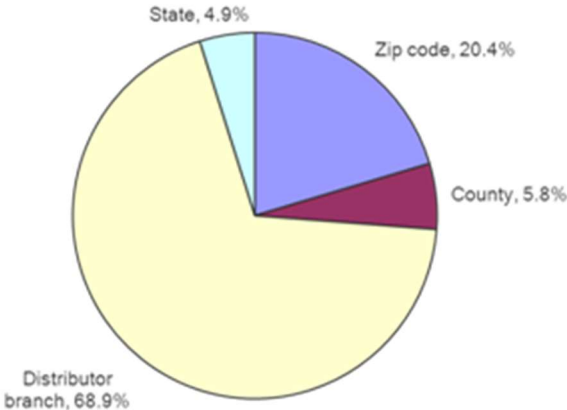


All essentially said

- “some is better than none”
- that “good lines are tough to get”
- it depends upon the volume, and commission dollars, with the manufacturer
- and a few felt that POS did not represent significant lost dollars at this time.

Geographic Detail and Market / Business Intelligence

Some reps mentioned that they scan the reports they receive for market / sales intelligence to identify what else could be sold to a distributor (ideally for stocking purposes) but that the formatting and quality of data makes this difficult to do consistently.



To better understand the level of detail that reps desire, reps were asked “At what level of detail would you like to receive POS / POT (point of sale) information?”

Two-thirds of reps want information to be categorized at the distributor branch level (defined as “the rep customer”) as this assists them in calculating information to support their compensation programs for individual salespeople who are typically assigned to geographic territories and/or distributors.

26.2% of the reps would like more detailed information which could be used to gain better

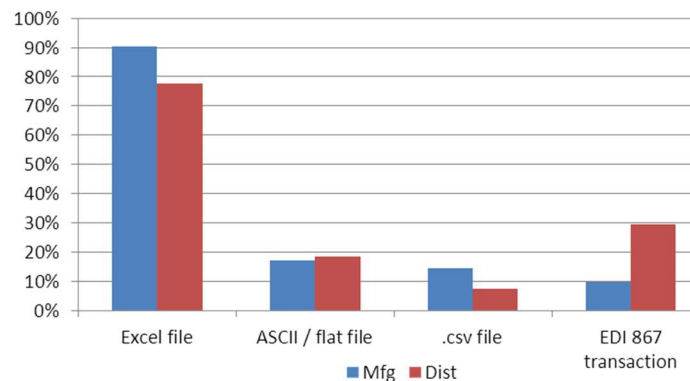
marketplace insights. The information could be used to identify potential when cross-

referenced to NEMA data, if supplied by the manufacturer, or to zip or county level data which is available from DISC, www.disccorp.com. Zip data can be aggregated to county and state level through automated processes; however, the data would also need to be referenceable by distributor branch location given that the rep, and manufacturer, for the most part, is selling to multiple distributors in a geographic area.

Manufacturer Administrative and Informational Challenges

For manufacturers, issues related to:

- The inconsistency of when they receive information from distributors. Rather than being received on a specific day / date of the month, the information can be received randomly. This requires manufacturer personnel to regularly follow-up with many distributors and impacts when reporting is provided to reps as well as when they are compensated. To further compound this issue, manufacturers report that frequently distributors do not respond to calls / emails for POS/POT information and distributors do not have designated personnel to support POS (hence manufacturers talk to IT staff, email IT@distributor.com or similar operational roles.)
- The consistency of information which can relate to the level of detail, receiving information regarding new / closed branches, product categories / product numbers, columns in the same format, etc
- Definition issues that relate to branch coding, pricing columns, customer types, product category codes, etc
- Accuracy of information as there are times that information is incomplete, doesn't total what has been sold to the distributor, there are product data synchronization issues, the level of detail for the information (geographically as well as at the applicable product detail level) as a number of manufacturers compensate their reps based upon specific product categories, sometimes SKUs or could adjust compensation to support new product launches and other promotional initiatives and pricing issues.
- Format of the information, inclusive of receiving it via .xls, .csv, .txt, .pdf, EDI 867 and sometimes it can change based upon who from the distributor is sending the information. The challenge, from a manufacturer perspective, is that distribution is not consistent although Excel appears to be the industry format of choice for distributor submittals with more distributors "thinking" that they are submitting via EDI.



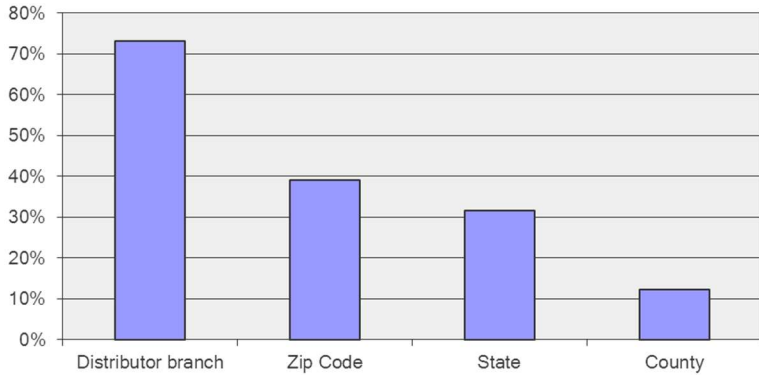
According to IDEA, there are not many manufacturers or distributors submitting the EDI 867 transaction set through the IDX. In speaking with some manufacturers, they were not aware of this transaction set. If the transaction set is to become an industry standard, or an alternative, greater awareness is needed.

A manufacturer also mentioned that a national chain sent them information in a .txt file that was created in Microsoft Notepad!

- POS administration is a labor intensive process. Some manufacturers have multiple people assigned to this task. 97% of the manufacturers surveyed noted that they handle POS administration in-house. We did speak with three service providers who

are out-sourced providers to manufacturers, two of which work with electrical manufacturers.

Many more manufacturer specific issues are detailed in the Appendix.



Manufacturers, like reps, would like to see information at the distributor branch and the zip code level.

It is surprising that 30% mentioned at the "state" level given the ability to aggregate zip codes. For some, this may infer limited interested in using this information from a data analytics viewpoint.

Other challenges that manufacturers experience relating to POS include:

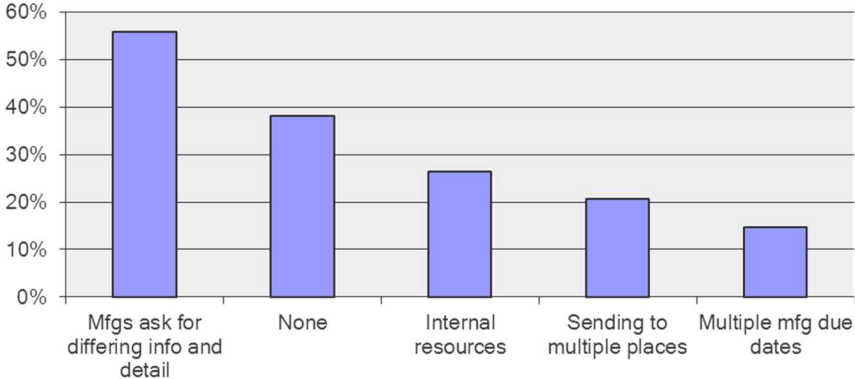
Generics seem to be the only challenge for our company and it does not represent a significant part of our business.	Commodity Items
Percentages assigned to commodity based products when our SKU's are not assigned.	Commodity Items
Consistency of reporting data from distributor	Consistency
Send accurate acquisition price and part numbers	Data Information
Consistency. Distributors need to work with manufacturers to validate product costs and establish a data format that works for the individual manufacturer. Right now one size does not fit all.	Data Information
Stock/Direct fields should be mandatory	Data Information
A cross ref distributor list helpful	Data Information
Helpful if the NEMRA number was on the POS report so the supplier knows what's being captured	Data Information
Unresolved zip codes, part numbers and distributor branches.	Data Information, New Branches
Clearly defined reports	Definitions
Instruction should accompany the report i.e...I've seen up to 3 shipping columns in 1 report and had to question which one I needed.	Definitions
Distributors should not send POS reports through any Rep Agency, it should always be transmitted directly to the supplier	Direct to Mfg
Helpful to have a POS representative...some IT departments send an automated "do not reply" email	Distributor Contact

On Excel for example - need a consistent format to use across all distributors	Excel
Standard format with all required data would make POS processing much more manageable.	Excel
Excel should be the industry standard	Excel
They do not provide accurate POS for the Mfg. They just dump it on the manufacturer and expect us to sort it out	Format
Yes but they are usually internal to my company. Getting the data isn't too much of an issue, adjusting our system is the challenge.	Internal Issues
Correct linkage of SPAs and Ship/Debits to allow for correct SKU market price versus "average" SKU price	Pricing Definition
Need reports to be timely and consistent.	Timeliness
There is a standard that was developed by NAED a long time ago - some follow some don't. do not need another one	Use NAED Standard

Distributor Challenges

Distributor issues relate to:

- Differences amongst manufacturers, which creates additional work for distributor personnel
- Trust



Comments included:

- "Trust and Security of Information
- Biggest issue is many manufacturers don't support the EDI 867 transaction that we prefer
- Trustworthiness and the reason for providing the info"

According to manufacturers and distributors getting feedback, and information, from a distributor is based upon "strength of alignment" with the distributor.

Resources, and the ability to generate the information, do not appear to be major impediments for distributors, contrary to many people's belief. In fact, 44% of reporting distributors operate the Eclipse software system, 25% utilize Infor and 14% are Prophet 21. Almost 36% stated that their company utilizes their software provider's POS capabilities, 44% did not use these systems but used a report writer process and 20.5% did not know how their company generated the information. With 83% of respondents utilizing one of three systems and at least 36% utilizing software packages, the opportunity may exist to leverage existing systems.

Commodity Products

Given the aforementioned challenges with gathering POS information and sharing it with manufacturer reps to facilitate compensation, it is not a surprise that commodity-oriented products represent the biggest product-oriented challenge in the electrical industry.

Commodity products were defined as "products that distributors / end-user customers considered 'interchangeable' with manufacturer competition and were frequently placed in bins (or locations), by distributors, with competitive products." Some of the products that frequently are considered in this category are wire, pipe, conduit, some ECN (elbow, couple, and nipple) products, some fittings and other similar items that are typically bulk shipped to a distributor.

These products can represent a significant percentage of sales for some reps as well as for construction-oriented distributors.

In speaking with reps, distributors and manufacturers, the allocation methodology which is currently used by many, appears to be the only efficient methodology. While not 100% accurate, many feel it comes "close", especially if there is frequent enough communication amongst parties to recalibrate the percentages on a regular basis. We spoke to some that receive information from some of their distributors monthly, some quarterly and some annually. Some of the conversations occur between the manufacturer and distributor headquarters and some between reps and RDCs and/or headquarters (in the case of independent distributors). This lack of consistency and triangulation of information hinders the development of trust.

From a rep perspective, information from the distributor needs to be at the territory level. All reps interviewed that participate in the allocation method receive their insights from a local branches and/or an RDC. None mentioned that they receive this input from their manufacturers. Manufacturers did not mention if they receive allocation by RDC and by territory to correlate the information back to their rep network.

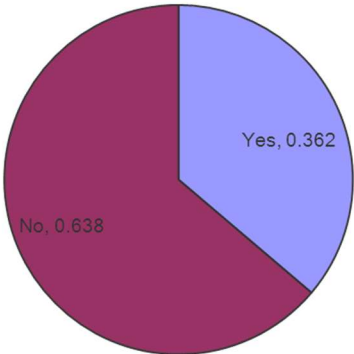
Unfortunately there is no consistency and the issue relates to trust, willingness to share and time to communicate.

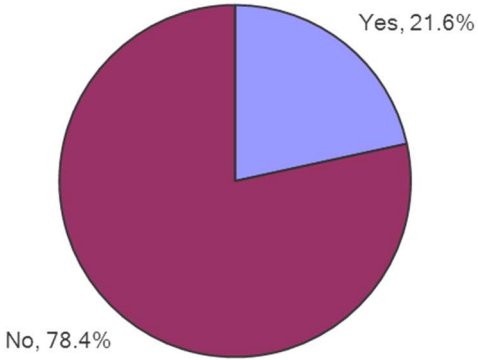
This is an opportunity for development of a best practice approach for all parties to consider.

36% of rep respondents mentioned that they have a commodity-oriented line that pays them based upon POS / POT information.

Manufacturers mentioned, but not verified, include:

- General Cable, Atkore, Southwire, Cantex, Encore, Coleman Cable, Electri-Flex, United Copper, Prysmian, Wheatland, Anamet, Blue Diamond Conduit, Bridgeport Fittings, CERRO Wire, Heritage PVC, Nexans, Republic Wire, Sapa Aluminum Conduit, Service Wire Company, Western Tube & Conduit.

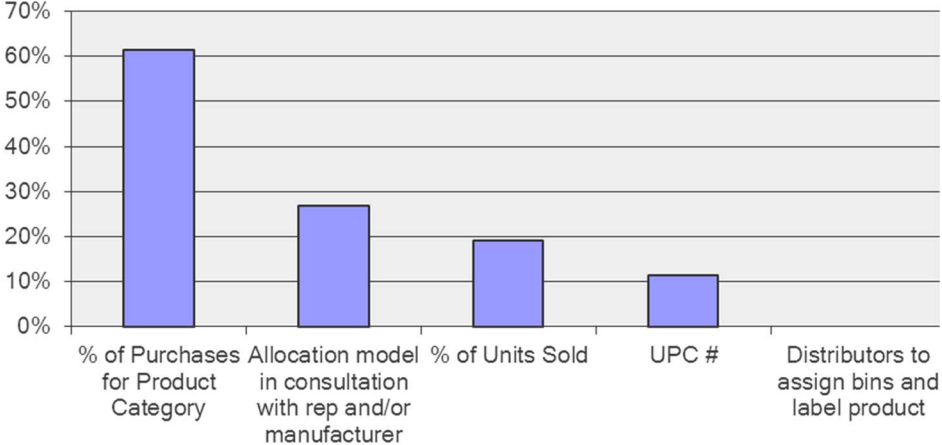




21.6% of distributors stated that they do provide POS / POT information on "commodity" lines to manufacturers.

Reporting distributors were asked "what criteria would you recommend for tracking the sale or product and/or allocating commission for products that you define as 'commodities'? (Check all that apply)"

Distributor feedback can be seen on the right. The first two approaches focus on percentages. This is either of the product category(ies) or allocation models ... both are essentially the same.



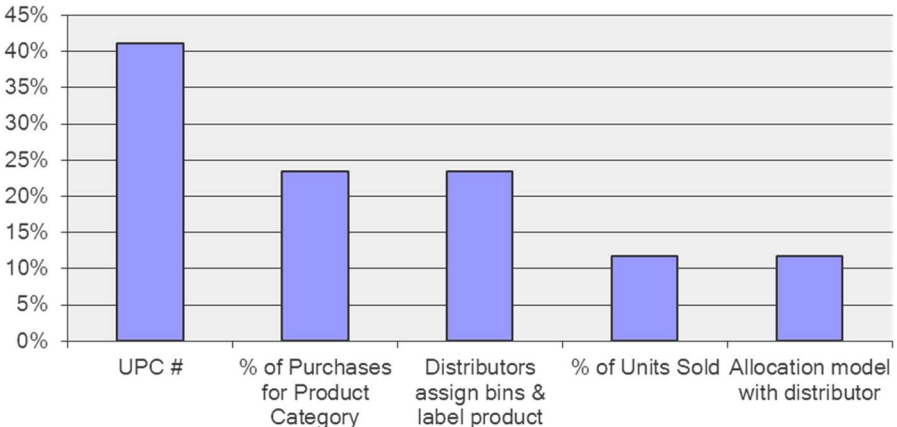
Much of the reason for this is distributors' inability to segment the information based upon sales as they do not know which products (suppliers) are pulled from bins / pallets / wire racks at what time.

Additionally, some distributors are concerned about sharing commodity supplier information as they feel it may provide some market share information and possibly affect pricing support.

Manufacturers, when posed with the same question responded (data in chart to the right).

While manufacturers desire a UPC# or assignment of bins, neither is realistic as:

- Distributors will not allocate additional warehouse space for commodity products, essentially segregating products by manufacturer that currently reside in the same bin unless manufacturers are willing to pay slotting fees, and,
- Not all products have UPC#'s on each item nor do enough distributors have the ability to use picking "guns" in the warehouse to read bar coded UPC information on each product (nor will they take the time to do this process.)



While not desirable, most commodity manufacturers are using some semblance of an allocation model. One commodity manufacturer mentioned verifying allocations quarterly with 4 distributors (inclusive of 2 national chains) and feels that the data is "as accurate as it is going to be." A manufacturer was also interviewed who receives allocation information from a distributor monthly. A rep mentioned that the RDC of a national chain shares it with him annually.

POT is not an issue for generics / commodities as these products are rarely stocked at the RDC / CDC level due to freight costs.

Currently this leaves the industry with a less than perfect system that could be improved through standardization of frequency of communication for allocation processes and more effective sharing of information amongst distributors, manufacturers and reps so that there is more transparency, and hence trust, throughout the process.

Conclusion

POS has been a challenge to the electrical industry for a number of years. While efforts were made in 2005 / 2006 to suggest processes, terminology and standards to address the issue, marketplace events and the lack of a champion inhibited any traction from being gained on the initiative.

Since then market dynamics have evolved. More distributors utilize CDCs/RDCs to improve their operational efficiency, the desire for data for analytical purposes has accelerated, the industry has experienced distributor, manufacturer and rep consolidation and system capabilities have improved.

Over the years, chains have come to represent a greater percentage of industry sales and manufacturers desire their sales reps to spend more time at end-users / contractors to influence brand preference and sales. These issues amplify the need for POS to support commissions as, according to one rep, "Chains are becoming more critical to the success of the rep due to consolidation therefore POS is becoming more critical, otherwise we don't get compensated as we should." Another commented, "Manufacturers want us to call on end-users in our market but we can't keep calling on them if the material is bought outside our market and we're not compensated."

One area that continues to lack in the industry is "trust" so that information can be freely shared among relevant parties. Much of this relates to market dynamics and go-to-market strategies...but it has improved for some companies.

While POS is a challenging topic due to a number of issues mentioned in this report, progress can be made through improved communications amongst trading partners, increased transparency between distributors, manufacturers and reps and improved formatting / standardization of information.

A greater understanding of how POS financially affects each party could also shed a brighter light on the issue.

When asked, "If there was a NEMRA standard/recommended best practice for the format for sending POS/POT data, would you be willing to adopt it (presuming it was compatible with data you are receiving and your IT data output capabilities)?" over 90% of manufacturers who participated in the survey answered affirmatively. Additionally, manufacturers shared some thoughts:

<p>We assign territory by county/state. If the reports included this information, it would help. We also need the reports by part number sold because we compensate depending on the product. In an ideal world, Distributor's branch computer would provide a report to the supplier of what they sold for the month (which we shipped to the</p>	<p>Additional Data</p>
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DC). The rep agency in charge of that branch would get commission on that branches monthly report. This report would not include any transfers to other branches - it would be a list of sales activity. The DC account is a house account so no one gets "subtracted from" in order to pay another agency.	
All distributors should provide POS	All Provide
Automation.	Automate
Somehow it is automatic, our systems talk to each other, similar to EDI and the transfers automatically take place.	Automate
Allocation by sales or units done by bar-code of individual supplier.	Bar Code
Single industry format	Consistent Standard
Utilization of EDI transactions with consistent definition of requirements & all fields	Consistent Standard
Industry is inconsistent, need a standard	Consistent Standard
Industry standard would help, specifically to cost reporting and customer identification.	Consistent Standard
Standardization	Consistent Standard
A standard format would really help. We do not need product level detail. We need sales dollars only for compensation. Product level would be great to have if it was easy to work with and in consistent format.	Consistent Standard
I have limited knowledge but my 2 cents: For the DC's to send POS reports with general instructions. I now know how to process POS but it took a long time of figuring out how to read the reports.	Include Instructions
Third party clearing house for POS.	Industry Clearinghouse
If there was a way to show savings to distributors and manufacturers, it would be a lot easier to sell.	Show Benefits
Training	Training
Increased trust between channel and manufacturers is needed - so there is no doubt that POS data will be shared to inappropriate parties.	Trust
Products would be entered in the Distributor systems under each specific manufacturer.	
POS is provided by item and quantity and PO it came in on to DC	
If the process for gather and sending the information was easier, it would get done.	

More trust with distribution channel.	
Distributors need to understand that they don't have to list the name of their customer and that the rep will work harder if they know they are getting the credit.	
Distributors need to make this a priority every time they open another branch.	

Thank you for the opportunity to support NEMRA gaining greater insight into the current state of POS in the electrical industry.

APPENDIX



NEMRA REP INTERVIEW RESULTS

What trading areas do you cover?

- Ohio, Kentucky, Indiana, Northern & Southern California, Nevada, Texas, Florida, Maryland, Pennsylvania, New Jersey, Virginia, Georgia, Iowa, Nebraska

How many lines do you represent?

- 20, 18, 14, 22, 16, 12, 10, 8, 18, 14, 10, 12, 12, 10, 19, 15, 14, 17

How many lines do you think should be sending you POS information?

- 5-6, 6, All 18, All (12 replied), 7, 5, 7

How many lines do you receive POS / POT sales data from? What kind of product lines?

- 5, 4, 8, 6, 8, we currently receive 25% of our sales from POS, 4, 3, 4, 5, 5, 2, 4, 4, 5, 4, 5, 2,

How many distributors in your marketplace provide POS information? Does this represent all that should?

- All said that all distributors must provide POS data
- A number of distributors do not. WESCO being one of them, Also, McNaughton-McKay, Crescent Electric, State Electric, Independent Electric.
- Most distributors will provide the data if you ask for it. But they all should.
- REXEL is going to a central warehouse approach in the future and that could pose a problem.
- They all do if you ask. The issue is for wire, conduit and fittings which the distributor chooses to inventory generically. (4 replies)
- Only 8-10.
- Not that many. Approximately, 10
- Graybar is the best at proving data and some of the bigger independents as well.
- For some distributors it's not an issue. But for the others you have to wait and ask every time you need them.
- Sonepar shares with our key suppliers and provides us a copy of what they send to the manufacturer.

Do your salespeople understand the issue well enough to communicate it to distributors and local manufacturer sales management?

- Yes, clearly they understand the issue. (All replied yes to this question)
- Without a doubt can they communicate the issue.
- They not only know what to say but they will divert orders to other distributors who are not POS issues to get paid faster. (16 reps said this in their reply to this question)
- Yes.
- They know the problem and are willing to redirect orders to avoid POS problems.

- Yes. They will direct orders through other distributors so they get credit and payment faster.

Who within a manufacturer should be responsible for initiating a discussion with independent distributors? (rep salesperson, rep principal, district / regional management, senior management, other)

- It all starts with the distributor. Without the input data it will never resolve the issue. (15 replies)
- I believe the manufacturer is the key in this case. (3 replies)
- They want to drive and motivate their sales team. Missing sales data is not acceptable.
- For me the distributor is the key link. Not only getting the data but the accuracy is important.
- I believe it starts with the distributor insisting that the manufacturer pays their reps. In some cases the manufacturers are proactive about getting the data.
- It starts with the distributor. He must insist on action by the manufacturer.
- It's the distributor and manufacturer. We have central accounts for wire we do not get sales credit even though we negotiate the order. We have to wait for the sale to be recorded at POS.
- Manufacturer sales management needs to approach the distributor. We can only do it sometimes with independent distributors.
- The manufacturer is paying the commission and selling to the distributor. They need to ask for the information.

POS / POT Issues

What are your biggest challenges with POS? This could relate to distributor willingness to send data, accuracy, reporting, key information, etc.

- Not available. Poor quality of data. Insufficient data (i.e. zip code). (13 mentions)
- Manufacturers and distributors who don't understand the reasons. (in general they all said this in one form or another)
- Distributors that inventory wire, pipe and fittings as generic products.
- Lack of understanding how this affects the field sales person motivation to sell on their behalf. (9 mentions)
- The impact that it has on cash flow to a rep firm. (6 replies)
- The amount of time that is wasted that should only be spent selling with and for the distributor. (5 mentions)
- We are the sales arm of our manufacturers. If we are charged with getting the order we need to be paid for it. (5 mentions)

How do you think this could be improved?

- We need to make this issue a high priority in the eyes of the manufacturer and distributor. (all commented of the high importance required)
- We have to either instruct NEMRA or NAED to form a committee of reps, distributors and manufacturers to set standards for reporting. Identify the various solutions that are acceptable and communicate them to all parties. (14 mentions)
- First we need a common format that all could comply with. Second, the distributor needs to pressure the manufacturer to pay us for work performed on a timely basis.
- We need to have focus on this issue for all to see.

- We need to communicate the pluses and minuses to distributors so they understand the need to take action. (9 mentions)
- The biggest issue is the commodity products that the distributor inventories generically (18 mentions). If we could come up with a solution, this would cover a very large part of the problem. You should target these manufacturers and distributors to respond.

When you've mentioned POS reporting to manufacturers, what has been their reaction? To distributors?

- Many care and are proactive to set up a system for payment. The wire companies do the opposite. (18 mentions)
- The distributors are on our side and want to make sure we receive our commission. Most manufacturers do the same.
- We need a solution for the commodity companies. They are arrogant and seem to feel they do not have to do anything about it. (All replied to this question in a similar manner)

Commodity POS / POT Questions

Are any of your commodity-oriented lines providing you POS / POT information? Can you send a copy of the report? If yes, are there any issues that have to be resolved?

- It was almost unanimous, seventeen No's. And one affirmative.
- They leave it up to us to figure out by percentage what we need to be paid. The payment is always delayed because we have to retrieve data from the distributor and provide some proof to the manufacturer. (14 answered this question in about the same manner)
- No was the number one reply

Based upon your experience, what product lines, other than pipe, wire, some types of cable, do distributors treat as "generics" and house in the same inventory bin?

- All said it is only these companies.

Are you receiving / have you experienced POS issues with small manufacturers or is this an issue where the large are addressed first because of the commission impact and smaller ones will hopefully "evolve" down the line?

- The answer from all was basically yes and no. The explanation is they understand the need but they do not have the resources to execute a program. Hence, they will accept any reasonable calculation. Hence, POS can be a game like horseshoes, where very close is a winner.
- The small manufacturers try to make it work. They do not have the staff, but they will accept the distributor's data or an intelligent guesstimate for payments.
- Not so much
- The big volume product lines are the main issues to concentrate on, since they represent the biggest commission checks.
- Yes, but they will be willing to find a reasonable answer/solution to resolve payments. In other words, they are flexible and fare.

Have you, or do you know if one of your salespeople or someone you know, consciously guided a piece of business to a distributor whom you know you'll be paid from rather to whom one you'd be concerned about getting pos information from?

- All said yes. It appears that switching occurs between 25-40% of the time with a distributor who doesn't cooperate.
- Will this issue become more prevalent as e-commerce increases and hence potentially impact more manufacturers and more distributors (getting them to report)?
- Again all were affirmative when replying to this question. But, they are not assigning a very high priority as e-commerce doesn't have as big an impact on commissions today as they might be in the future.



Additional POS Interview Information

Gathered from Manufacturers, Reps and Distributors Interviews

- Graybar does provide, to selected manufacturers (criterion not known), allocation reports for commodity products. From one manufacturer we heard that the information is available monthly; from another we heard quarterly. Both could be correct on when "they" received the information. In at least 1 instance we heard that a manufacturer shared this information with their district management, however, not with manufacturer reps.
- Based upon monthly allocation information provided by Graybar, a manufacturer was / is able to pay their reps monthly based upon this allocation.
- Another commodity manufacturer mentioned verifying allocations quarterly with 4 distributors (inclusive of 2 national chains) and feels that the data is "as accurate as it is going to be." They feel that percentages do change quarterly amongst a distributor. A key to success in this environment is "open communication."
- Getting feedback, and information, from a distributor is based upon "strength of alignment" with the distributor.
- RDC / CDC issues relate to stock business; project business is written at the branch level.
- POT is not an issue for generics / commodities as rarely is stocked at the RDC / CDC level due to freight costs.
- One manufacturer felt Kendall Electric is "the best". Others felt Sonepar, WESCO, Graybar do well.
- A major administrative task for manufacturers and 3rd party providers is "scrubbing data" to match manufacturer product numbering systems. Given that this is one of the foundational underpinnings of IDEA, the need for manufacturers to scrub the data is surprising. Issues relate to UPC look-ups, checking branch locations and "special requests" / "special orders". Direct shipments can also impact this.
- Old data = bad data. Submission dates should be consistent and at least standardized for a manufacturer ... similar to payment terms.
- Some 3rd party providers can send information directly to reps and, in other industries; this is considered a "best practice".
- Another "best practice" is integrating the sales report with the commission report to increase reporting and evaluation clarity.
- Perfection Data and Jigsaw Solutions are developing on-line / cloud-based POS reporting systems.
- Price verification is becoming an issue ... various price schedules, SPAs ... as these affect rep commissions.
- Distributors don't understand the consequences of data issues and system / formatting changes.
- Needs to be a manufacturer senior sales management issue.

- Manufacturers need a policy of what POS is and how POT information is used by the manufacturer to calculate rep commissions (and this can change by manufacturer)
- Each manufacturer needs to identify / communicate / discuss detailed needs to distributors as it relates to their format, how "cost" is determined and other issues. Manufacturers need a manual.
- EDI 867 not being used (also heard, "never heard of it")
- There should be recognition by NAED and NEMA that this is an issue and is a cost to manufacturers to handle.
- Spoke to a rep who had commission clawed back from almost 2 years ago!
- Bad reporting of data can lead to incorrect rep commission payments which can also lead to underfunding of 401Ks (if there is a company match), incorrect bonuses (if paid on performance), rep agency net profitability, the opportunity for wage increases for non-commission rep personnel, the amount of taxes that are paid and possibly to the rep making bad business decisions (if the amount substantially under or over reports income).
- To show transparency, a manufacturer could show reps what its overall rep commission payout should be and then show how much it paid to reps, in aggregate.
- Sonepar companies and USESI provide report by branch and by zip code
- Cantex and another PVC supplier send a \$ amount to their reps. A rep who was interviewed commented "don't know if the amount is true or not" as there was no detail to substantiate to total.
- Bridgeport does reporting well, although can border on "too much" detail.
- WESCO and Graybar, reportedly, share some data with reps (do not know if this is a particular instance or nationally) of total sales for a branch and by product.
- If there is no breakdown of data, therefore there is no trust.
- Robroy doesn't believe in POS
- General Cable expects reps to look at the reports, hence they provide us good information
- Could be a good issue for marketing groups to support as we tend to support independent distributors as we know we'll get paid.
- 3M provides reporting to reps that has "ship-to" information (branch info) for anything coming into territory.
- Graybar sends %'s for manufacturers.
- Werner Electric shares reports directly with local reps (but we don't know if their report is accurate or the manufacturer report, but we get paid based upon the manufacturer report!)
- Basis for POS = "trust"
- General Cable provides us with 5 reports ... by location, by sales \$ by location, by part # (and can compare to customer part #)
- WESCO provides POT reporting, paid by ship-to from manufacturer to branch
- A Rexel VP in an area with a distribution center would not share any allocation information with a rep.
- United Electric in Delaware provides POS information

- Accurate information is important as manufacturer evaluates rep based upon all sales in the territory, not just what is shipped into branch locations by the manufacturer (need RDC / CDC information)
- Reports are not straight-forward. Need to use "logic" method / deductive reasons to evaluate reports.
- Most manufacturers, according to a couple of reps, are not using data for market intelligence.
- An industry best practice is that the distributor should provide to the rep or the manufacturer should provide access to the distributor supplied information.
- Lighting suppliers can be a challenge given how much is project, influenced by reps or product can come in from outside the area.
- A rep with many RDCs in his market doesn't feel POS is much of an issue as he benefits from the RDC purchasing
- Erico / Caddy provide information by zip code.
- Raco is not good with POS reporting
- Encore seems to do a "wild guess" on stock for POS
- Only 8-9 manufacturers use the EDI 867 through IDEA and the IDX. Manufacturers prefer to use Excel as it is "looser" and "editable"
- Since chains are becoming more critical to the success of the rep due to consolidation, POS is becoming more critical, otherwise we don't get compensated as we should.
- Manufacturers want us to call on end-users in our market but we can't keep calling on them if the material is bought outside our market and we're not compensated.
- Receive POS reports from AFC, Hoffman, Leviton, Quazite, Siemens, Salisbury
- Manufacturers should treat us like they would treat their employees.
- For a large "wire / cable" manufacturer, "point of shipment" = "point of sale"
- Pay reps based upon 50% of what is purchased and 50% of what is shipped to their area, appear to be content
- 30 days to get report from distributor and then 30 days to pay rep ... time lag.
- Key is transparency to reps; to be fair to them they need to see the information; provide information by zip code
- Being sole source with a commodity supplier (or pretty close to sole source for stock) makes POS much easier for a distributor
- Allocation reports can be designed to drive standardization within a distributor and automated to be sent via email to manufacturers / reps (use Brio, Crystal reports, other report-writers). Should be a best practice per a distributor.



POS Challenges

Manufacturers

Consistent accurate information
Timing - real time results are typically 2-3 weeks after close of month
Accuracy - manufactures have to build robust matching algorithms to keep the data clean
Validity - Not all distributors report correct cost, so POS numbers could inflated/deflated depending on the analysis used
Distributors offer cumbersome approach to manage monthly.
The major hindrance was once....no playbook. Not knowing if the DC's in the field generated POS reports based on the same circumstances as other companies' DC's.
ensuring the right data and that it is accurate
Getting good quality info from the distributors.
Timely information
Wire & Cable entered as a generic in distributors systems makes it a challenge to get accurate POS information.
Internal resources - today this is a very manual, labor-intensive process.
Reluctance by the distributor to share information, particularly when 'mixed commodity products' in a single bin (as you described) must be allocated by the distributor. This places the distributor in the 'middle' of the issue, something we do not desire to do.
when the pos comes in we cannot easily see the sold in price. There are generally volume discounts that need to be applied but with several levels we cannot determine the right level to base commission on.
Getting the info from the distributors
Cooperation from distribution.
The staff to take care of this information once we get it. It is very time consuming and a manual process.
Most distributors that send POS, send the file "their" way, not in a format our company can use. Some distributors don't want to use EDI because of the cost associated with it. If they are sending information on an FTP server, there is little associated cost as compared to EDI. This is significant if the company provides a lot of data.

differing formats. time and people.
distributors getting info to us in a timely manner. the larger distributors report routinely and consistently
Time consuming
POS adoption
Not having a standardized reporting form. Each distributor puts together their own information and we create a legend/key that crosses their branch codes to our rep listing. Every distributor is different and we use a different cross for each one. When a new branch is opened, we have to take the time to see who that branch belongs to. We also don't know if the information is accurate. The report is just an excel spreadsheet provided to us, and sometimes from a rep agency. We have requested the report be sent direct - that is getting corrected. However, we don't know the criteria being used on the distributor's end. What do they use to create the report?
customer cooperation
The distributors.
Solid info from distribution.
Coordinating different reporting systems and internal IT capabilities
consistency in distributor data
poorly trained staff handling POS.
Adjusting our own system is worse than analysing the data.
POS data is received in many different ways, with different data and different times. The time it takes to collect, enter and report POS is a very big deal. We also work across channels which compounds the issue. Some report branch level sales, some report zip code sales, some give us other report formats.



Why is POT important?

NEMRA Reps

We work the region including these distributor branches. Distributors offer this to retain continued support.
Lost revenue for transfers into my territory that we do receive compensation
I have distributors that are national that pull stock from branches outside of my commissioned territory.
Getting paid for work performed
We pay our sales staff commission, because of this we need to know where the product is being shipped.
Most times they do not report this
If POT is within my territory I get credit. If POT is outside my territory and ships to my territory, credit goes to the agency that owns the dirt upon which the POT is located.
As NDC become more common, it is hard to track all material shipped to your Territory.
We have distributors that ship across the country from one location
Distribution Centers do not always provide stock transfer info to manufacturer in order to properly pay commissions to Reps.
Should be compensated for all sales to our specific territory
I rep some generic products such as pipe and wire that are shipped from out of my territory into branches that are IN my territory
Salesman commissions, territory analysis
Yes, as the local market normally gets most if not all of technical questions. Thus working on something you earned no compensation for.
When POT crosses Sales Territories, we need to make sure appropriate sales people are compensated. Also is the RDC/CDC is out of my sales territory how will I know if it has shipped into my area?
We need to know what's moving into and out of our territories
Paid Commission for products sold in our territory.
Several distributors have branches in multiple rep territories
Many reason: we are measured on the numbers we should know what generated them, Difficult for us to pay people for reaching their individual quotas if we don't have POS
Only concern is the reporting of the material transferred from outside our market area, into our market is being reported to our manufactures correctly.
Getting proper sales credit
Some manufacturers are trying to pay on POT and it doesn't always translate to appropriate credit being paid
If POT is not reported and the RDC is out of my territory I get no credit.
In the past the distributors do not track this information. We have had numerous conversations with distributors that transfer from one location outside of our territory to a branch that is in our market. We explain that if we are not going to get paid then we will support the distributor in our market where we do get paid.
Because often times that affects our commission, especially for distributors that cross territories
With other distributors we get paid when it is purchased and ships to stock.

We should be getting paid on these transfers...not always sure we do
If transfers are out of our territory or into our territory adjustments are needed
Some distributors cannot provide reporting for rep commission splits on transfers
This defines the actual branch that is using the said material and where commissions should be credited to the outside salesman for that location
There seems to be no way for a manufacturer to keep track of goods once they are in a branch or distribution hub. Then the rep in the area gets all the credit, while the rep. Who has done all the work on specification gets nothing.
If we are working with the distributor to sell the product, we need to be compensated. Otherwise we should work against him and try to work with another distributor.
As RDC models rise, we must effectively measure
We rely on them for accuracy
Mainly from RDC to branch location. If RDC is in another territory, I don't receive credit for promoting the line.
If we create the market for a product in our territory we should be compensated if the product is used in our territory.
Most distributor support this to support their people in that region i.e. Wesco. Wire distributors are sometimes a challenge.
Just to make sure proper sales/commission credit is allocated to the branch material is shipped to.
Our territory is not the corporate location where these larger distributors are located and doing the purchasing. Typically purchase orders are placed in other cities and shipped into our market.
So rep in territory where material is transferred gets paid.
It also shows us the items purchased although not coming from the CDC
Use this information to determine pay for salesmen.
I have many central warehouses in my territory, and want to make sure that POS is done correctly. Also, we have many new players entering our country (eg Grainger) who have not participated in POS in the past.
We base salesman pay on accurate sales information.
Regional branches order from central distribution or main stocking warehouses in another Province.
We have Eastern Pa Distributors now selling in Western Pa and in some cases we only receive commission for products shipping direct if billed to a local branch, if all billings go to the main office we may receive no commission for the sale. Unless the factory and distributor choose to work together on POS reports.
Branches that are not in my territory that are shipped to from the RDC/CDC in my territory.
Accuracy, transparency
Many times product gets shipped into a given territory either from brand or CDC and we don't get credit for the sale of the product
We want to know where the sale is taking place and if we have influenced it.
If those branches are in different territories, not only are the commissions off but so are the sales volume reports.
If manufacturer pays commission based on shipment from distributor DC to branch in another territory and subsequently there is an inter-branch transfer to a branch within my territory, I don't get paid.
Commissions are lost every day because of poor reporting by both manufacturers and distributors
To know if my branches are selling items they should be stocking

It allows rep management to track branch activity & sales with sales reps who are different from the CDC
Low confidence that reports are accurately being sent to the manufacturer and in return being calculated into commission reports. Also, so RDC will drop ship to a customer which is not included in a POT report to Manufacturer
Because of how we calculate compensation or our sales team. If a distributor purchases all inventory through a centralized distribution center and ships it to a branch location we do not have a good way to monitor that sales. Two problems, if the distribution center is in another territory we may not get credit and within a territory we may not pay the right sales person the correct amount.
The two locations could be under two different reps
From an RDC to a distributor branch location the Rep in that branch location should receive commission
Rebates and economies are causing the consolidation of purchases and then the transfer of material into other locations.
So that everyone gets paid for the products that they sell.
We need to compensate our salesforce properly. Most times the salesman at the RDC/CDC doesn't call on all of the branch locations.
Districts keep the sale with the local rep receiving credit
Proper compensation
Because this is a growing issue that is effecting most if not all reps compensation.
If we create demand in our territory, the sales and commission need to reflect that.
I don't believe that credit is being given to the rep based on that criterion.
To assure proper commission credit for the company AND our sales reps
There is NO standardization so we see everything from POT from some and OUT THE DOOR with others and no way to verify we are getting paid properly due to timing and reporting.
Lack of verification
I am concerned with the place where demand is created, the material is required there to serve the customer asking for that product. I want to know when it gets in my territory and sold to my users.
It affects my commissions
We lose branch visibility without this data and for gauging whether or not our sales people are growing the business in the local market area. Also for sales person compensation purposes and "split definition" this is important data. Particularly where there is a CDC crossing rep territorial boundary.
There is no logical way to prove what they give you on the report is correct.
Like POS commission credit, POT commission credit is required to properly compensate the rep responsible for developing acceptance and preference for the products.
Shipments into CDC should have "no credit" attached to it UNTIL it ships to a branch. Then that Rep should be credited with the sale and commissions.
Yes because some branches are in territories other than the RDC/CDC.
Sales info and commission credit
1) Items with specific catalog numbers are easily traceable, others are not. 2) Some manufacturers are very good at handling this, others are very poor. I find that manufacturers like these reports in electronic format. If it's a manual process, they do poorly.
Allocate sales to correct salesman to determine commissions to be paid

Manufacturers do not commission sales to from a branch outside my area to a branch inside my territory. This is an ongoing issue.
But not as important as POS
Accuracy
Few are willing to gain the capability to provide this information in order for us to be paid on an ongoing basis
We want to know where the material is transferred to and ultimately sold.
Out of territory branches & RDC

Manufacturers

So proper sales credit is given to local representative
Somewhat - If I receive a POT report and it's the closest to a POS, I'd use it to pay off of. But POT reports can ship the same item back and forth from locations, never selling it, and paying commission a few times on the item....would be my concern. Another scenario, a branch shipping to another branch in another territory, that means I've just paid the wrong sales rep.
Commission and sales are calculated from POT data
Product transfers between locations can cross territories and affect who ultimately gets compensated for the purchase
So that the correct rep gets commission credit. Additionally, manufacturers need to keep the Agents calling on these branch locations, so they need to be sure the agents get compensated correctly for their efforts.
To ensure that they're getting paid for the product being sold by the distributors in their area, regardless of where it was initially ordered in to.
One agency gets point of sale while another agency might be working the distributor to drive demand
Ultimately manufacturers should pay commission to reps based on the final destination of the material. Often times branch locations are in a different rep's territory than the distribution center.
It's how they are compensated
If you pay on POS it doesn't matter where it transfers from.
Because that is what is being reported as POS from distributors
To commission proper rep for their field work.
In the event material is shipped from an RDC into a distributor branch in their sales territory, they should be paid commission.
Because the person selling the products should get the proper credit.
Because distributors have branches in their territories that are either shipped from or two their territory.
If material is transferred in or out and then a ship/debit is claimed back we need to know that the material existed in the branch and how it got there
Provides visibility to material locally that may have been transferred from a zone or DC
Manufacturers do not like providing POS due to the labor involved in processing the transactions
It affects the reps commission and payback for spending time promoting a product.
To compensate reps we want the local person to get credit for sales efforts



Data Issues

NEMRA Rep

Low confidence level of accurate reporting	Accuracy
With a previous supplier POS was provided as an estimate in a percentage from the distributor's overall performance in that product group. This percentage was then applied to the purchases.	Accuracy
It is inaccurate and all sales are not accounted for. Many of the sales remain in distribution center sales numbers	Accuracy
Not at all accurate	Accuracy
Conflicting data. Distributor has shared one number, manufacturer number is much less.	Accuracy
We believe some is not accurate	Accuracy
Accuracy	Accuracy
Inaccurate/inconsistent	Accuracy
Hard to know really	Accuracy
No way to verify accuracy	Accuracy
With the POS reporting outside of our market how would I know about this issues	Accuracy
The calculation for pipe and wire is sketchy at best and I have one manufacturer who only pay's me 33% of my full commission and gives the agent in the other market the other 66%.	Accuracy
On commodity lines, all of their product purchases are considered generic, and they estimated a percentage for payment	Commodity
Only in one manufacturer. Dispute on the number	Data Dispute
Bad data or not broken out into areas and products, lump numbers	Data quality
Not enough details	Detail
Sometimes the products have different commission levels and do not get separated accordingly.	Detail
Not enough details	Detail

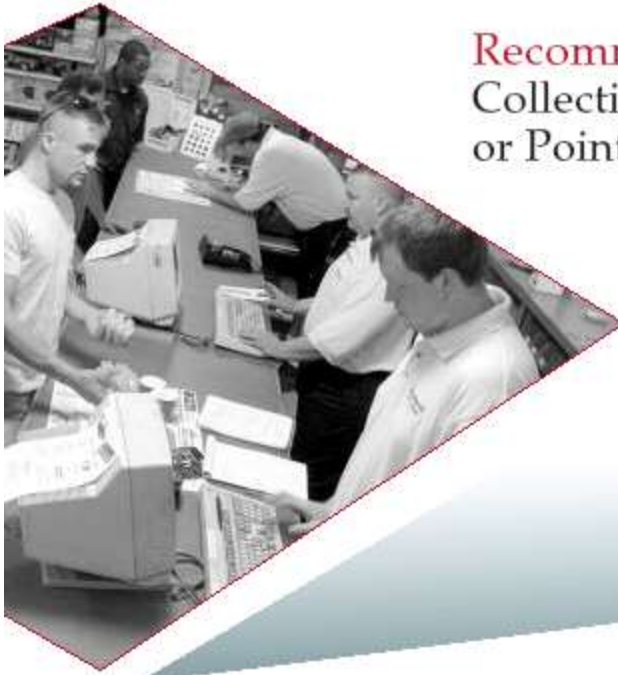
Not always accurate or detailed	Detail
Lack of detail. We need part numbers and quantities.	Detail
Don't trust the totals, a lot can be left out that requires an audit to get the money back later	Detail
Sometimes there are errors on orders that were placed and we do not get proper credit	Detail
No detail. Found coded to wrong state.	Detail
It is vague. we have no way to double check	Detail
We don't receive enough detail in the reports provided from the manufacturers.	Detail
Lack of details	Detail
Not always given in a clear manner as far as location and product type that was purchased or transferred	Detail
Some reports only show how much is sold in our territory by a distributor that submits POS but does not break out by branch location within our territory	Detail
Branch detail	Detail
Not nearly enough detail by location, typically it is just lumped as one number (i.e. "Wesco April POS") vs. which locations and invoice detail.	Detail
Shows dollars or percentages at times, not detail.	Detail
It comes in different formats with each report.	Formats
Inconsistent formatting	Formats
The data is cumbersome and requires a manual process to calculate commission data for sales people	Formats
In distributors' format, needs lots of processing to be usable.	Formats
the format each comes in is confusing	Formats
Some is very hard to manipulate and must be done by hand by the manufacturer so it is only done several times a year. Never incorporated into sales - just commissions.	Formats
Hard to use	Formats
Sometimes is a file that is not easy to negotiate	Formats
Inconsistent	Inconsistency

Difficult to decipher	Inconsistency
Sonepar provides very accurate data; Graybar, U.E. and Rexel do not.	Inconsistency
Piece meal	Inconsistency
There is no way of knowing where in the territory the order was placed. There is no indication of when the order was placed.	Missing info
The POS needs to be added to the sales reports issued by the manufacturers. With as much as 40% of my sales being reported as POS by some manufacturers, the sales reports are meaningless without the POS data.	Sales reporting
No consistency on how each manufacturer presents it to us,	Supplier consistency
Manufacturers have trouble with mapping, particularly with nationals and try to use a combination of POT and POS with virtual transfer and it doesn't work.	Territory mapping
The data if given is up to 90-120 days delayed making it hard to track	Timing
Always behind 30-90 days.	Timing
Trust	Trust



NATIONAL ASSOCIATION OF
ELECTRICAL DISTRIBUTORS

Smart Tools for Smart Distribution..



Recommended Best Practices: Collection of Point-of-Sales (POS) or Point-of-Transfer (POT) Data



Prepared for the electrical industry by the
NAED Distributor and Manufacturer Task Forces on POS/POT
in collaboration with the National Electrical Manufacturers
Representatives Association (NEMRA)