

# ***Distributor Policy Manual***

## **DISTRIBUTOR SALES PHILOSOPHY**

Distributors are ABC Company's key channel to achieve sales coverage and market penetration throughout North America. ABC Company regards its distributors as business partners and will follow a set of straight-forward policies designed to make this business partnership work in a way that is fair and profitable to both parties. To ensure understanding, these general policies are outlined below:

- ✓ We will work with a limited number of distributors who are equipped to serve ABC Company's markets and can grow in financial strength and capability to serve our mutual customers. Our partnership with these distributors will provide the necessary financial returns to invest and profitably grow. We will support our distributors on product and commercial issues so that they can compete effectively in the marketplace. Distributors, in turn, are obligated to represent ABC Company in an ethical, business-like manner and to provide the sales coverage, technical backup, and local inventory of our products necessary to achieve our joint market objectives.
- ✓ Distributors will be interested in this partnership arrangement only if there is sufficient value in the ABC Company franchise to enhance their profit outlook. This means that we will appoint a limited number of distributors to prevent over-lap in market areas. A limited distributor philosophy, per trading area, will be utilized to enhance our distributor's position in his local marketplace, while providing us with the market coverage and penetration we need to achieve our market objectives. We will continually analyze the market structure and potential in each trading area and follow a plan for achieving balanced distribution based on market and economic facts. We will review our analysis of a trading area with distributors at any time, as well as the volume requirements we must meet to achieve our market objectives. Although we may choose to make our products available to other classes of trade such as resellers, ABC Company's price structure will be such that our authorized stocking distributors will be protected.
- ✓ ABC Company recognizes the market knowledge and customer relationships of our distributors. We intend to serve small to medium OEM's, and all User accounts via the authorized distributor. Large OEM business does not normally allow enough margin for both the manufacturer and distributor, so our intent is not pursue this business, unless a distributor can profitably obtain and maintain this type of business.
- ✓ We will provide all distributors with consistent terms and conditions. This doesn't mean that all distributors will have exactly the same arrangement. However, any differences will be explained logically on the basis of market needs and conditions, distributor capabilities, products represented and performance.

Commercial distributor policies covering terms and conditions of sale are published separately.