

Session Q&A

Creating Stronger Medtech Partnerships

Part 1: Contracts & KPIs

Q: What are contractual obligations to avoid as a startup distributor?

A: As a start up distributor be aware of manufacturers that insist on stocking orders and minimum purchases that are not validated. They may be "channel stuffing" with only motivation to get an order to satisfy shareholders. This is especially important if there are expiry dates or if it's a new product with no history. You want to avoid getting stuck with inventory that is not moving or becomes unsaleable.

Two ways to avoid this:

1. Collaborate with your manufacturer such that the risk is shared.
2. Agree in advance on a return policy.

You may also want to avoid a situation where you are locked in on your selling price to your customer, but not locked in on your purchase price from your supplier. If you commit to a fixed customer contract for 2 years, then collaborate with your manufacturer to get the same cost commitment from them for the duration of the contract.

The same with foreign exchange rates. If possible, negotiate your cost in your currency, or have a clause that allows you to share the pain of fluctuating foreign exchange rates. Many distributors see their margins erode over time when costs go up and you can't raise your selling price to your customer.

Q: What are factors of considerations for contracts involving two distributors?

A: If you are a manufacturer who implements a "non-exclusive" strategy, whereby you have more than one distributor in any single market, you need to give both the same purchase cost. It is not unusual to give a distributor protection for a project, but very important that the other is aware. Otherwise, it's a free for all that everyone lives with. This is most common for manufacturer's selling generic commodities. If not, then you may create a situation where no one commits to your product for fear that they do the work the other guy gets the business.

Q: How to establish efficiently a KPI? Any standard process to establish the correct KPI?

A: KPI's need to be creative, realistic, and achievable. They can be anything that you and your business partner agree to that will drive growth. Most importantly have a way to manage them and measure them. The myCaribou platform has tools and templates to achieve this.

Watch this video podcast on establishing performance metrics.

<https://cariboumed.com/resources/videos/mycaribouconnections-001/>



Q: Do any of you work with bonus schemes in terms of achieving KPIs and revenue targets with your distributors? and if so, how? I often find that motivation through KPIs and revenue targets is difficult and often just results in extra margin to the distributor and not trickled down to the actual sales rep.

A: It is very common for manufacturers to provide "bonus" incentives directly for the sales reps. The purpose is to elevate the % of time and activity you are getting from the sales team (your share of wallet) to drive increased results for a period of time.

This requires cooperation with your distributor management contact, who will need to manage it and report to you specific data/results. Based on the results, you then cut a cheque that they commit to allocating to the reps. Most often it is monetary but if trust is an issue, to ensure it gets to the rep(s) who earned it, you may make it non-monetary, like a voucher, or trip (ie. weekend getaway) that you have some control over.

Q: If you have many distributors, how equal or similar are the contracts, or do you have individual agreements?

A: As a manufacturer, you should have your own template that works best for your business. Distributors will mostly comply with this, providing there is room to negotiate terms based on their policies or market uniqueness. You start with a standard agreement and likely end up with many individual agreements, as rarely are any two markets (or contracts) the same.

Q: KPI's are sensational..., the only thing is that it only works with big players. If you start applying the KPIs with small distributors they will probably jump out of the partnership.

A: The myCaribou platform is designed to drive collaboration between manufacturers and distributors regardless of their size. All KPI's can be established, customized and managed according to the spirit of your partnership, expectations and desired outcomes. Smaller distributors will be more apt to jump ship if they feel your expectations are unrealistic or if they feel you are not sharing in the process or responsibility.