



DCKAP eSessions Exclusively For AHTD Members - July 09, 2020

Main Session

Watch Video Here: <https://youtu.be/CYFy1pIT96A>

Tim Diep (Customer Success Manager, DCKAP)

1) Introducing William J Miller of Koganei (00:00-01:06)

William J. Miller III is the national marketing manager for Koganei. He is the first American hired by Koganei, which is a privately owned Japanese manufacturer stepping into their 85th-year history. William has been on a mission since day one to build one of the largest networks of channel partners and distributor dealers in the Americas and deliver the highest quality product to the hands of engineers which are making the future of everything that is manufactured.

William has traveled the world from Israel to Tokyo, Japan, and just about everywhere in between. His current role entails being Head of Marketing for North and South America. William is also the host of a national manufacturing podcast produced and managed by Jacket Media Company. So it's called Where's Willy podcasts.

Here are his insights:

William Miller (Head of Marketing & Business Development for Americas Koganei)

2) William on eCommerce and distributorship: an insight

I appreciate all your patience. As you guys know, going virtual, there's always going to be challenges with the internet, so I apologize, but I assure you this will be well worth the wait. Alright. just to give you guys a little bit of context, the reason why I volunteer to share at least my insights based on what I've been doing with Koganei and my experience over the last 15 years, traveling globally from Israel, all the way to

Tokyo, Japan, I've always worked for a supplier, working with distributors, understanding very clearly the distribution, our relationship with suppliers and what we are both trying to achieve.

This all started with a conversation that I had with Tim a year ago at the AHTD. And he had asked, "Hey, do you think e-commerce will ever happen in our industry?" And I said, Absolutely not. We have partnered over, with 50 distributor organizations coast-to-coast here in North and South America."

And they are geographically protected and local distributors, I think will always be catalog companies. Unfortunately, I think that has changed. So I'm eating my words and I wanted to get on and share what I think over the next couple of slides that you're going to see, is the reality of where the industry is.

I think that we do a very good job of putting on our sport coats, having a couple of cold milk at our events, and at least for me over the last two years that we've been associated with AHTD, I think we have to start being a lot more realistic about the current state of affairs and where we're at and really start talking openly about a strategy and what we're doing, for us to grow.

3) Innovation the distribution industry during COVID (01:06- 02:37)

Here we are present-day facing Corona, COVID-19, whatever you call it, aka, we can't go anywhere. So I think that maybe by circumstance, serendipity, etc., this reality was coming regardless of any type of pandemic. So this first slide, I want to talk about what we all know is the big elephant in the room or in this case, the **DCKAP Rhino**.

Okay. eCommerce is here. It's been here and it's been in my opinion. so everything that I'm going to share with you guys today is my own opinion. It is not represented or supported by Koganei who employs and pays me. So I just want to give you guys that context as well. The industry is changing and it was changing before Corona happened.

I'll reference many of you that have been in the industry even longer than me, as I said, 15 years, some of you have 30 plus years. Back in the eighties, there was handshakes, cigars, and a pocket full of quarters.

Many of you had hip dysplasia from carrying those Hoover books whether you're looking up NAICS, SIC code, you were getting to know your APR, your geographic territory in your vehicle, and going to visit customers face-to-face. In the 90s and 2000s fax machines start saying goodbye... and our parents learnt how to start

typing on a machine called a computer. The reality is the old way of doing business has changed significantly.

4) Emergence of suppliers and change of functioning (02:38- 06:17)

More suppliers than ever before are available to distribution, mostly because of globalization. Companies like for instance, Koganei, many of you never even knew who Koganei was, which makes sense because Koganei came to North America only in 2015. We used to have a master distribution agreement, but I'm not gonna talk about that because it really brought nobody any value. Koganei established itself in Fremont, California in 2015. Since then, I have been trying frantically and relentlessly teach people how to say our name correctly and have them understand that we are not from Pyongyang or somewhere else, but we're an actually privately owned Japanese manufacturer.

That being said, how contracts changed? So I've seen this paradigm shift from when we talk about the eighties, nineties, two-thousands and present day. In the early days, many of the distribution partners did a couple of things, same with suppliers. Number one, they had trust with one another.

They were very strategic on who they wanted to represent as a brand, as a technology, as a solution provider. So most line cards as we reference, a given distributor in a given geographic area would represent maybe 5 to 10 at most a supplier brands or technologies to serve all the customers in their geographic APR driving distance, that would use any of these components.

So we are pneumatic, electric, robotic components. As you guys know, there's a lot of automation, PLCs, different drives, etc. So different technologies and you are the local supplier for these customers. Now today. I think the industry has turned, unfortunately, because of eCommerce, because of these big catalog companies that don't provide as much value as a local distributor.

Many of these distributors are carrying more and more suppliers and they're almost becoming Walmart. I do not have a problem with this, because I just think it's a reality. All of our contracts that we have with our distributors, we don't have exclusivity and even though they tried to tell us that we have to be, we respect that, but the reality is how can a distributor serve their customer by limiting the brands or the technologies that they have.

5) Change in perspective for distributors (06:18- 09:10)

Distributors have to take on new suppliers, even if it's not their intention to have a line card now with over 90 different manufacturers, but the local distributor wants Mike and Pete to buy from them. Distributors today, their job is for any OEM or manufacturer within their APR. And again, each distributor has a different size, geographies, different size sales staff, etc.

They want every manufacturer that needs something to go physically or online to that distributor to buy what they need, whether it's a Koganei valve, whether it's Norgren, whether it's Bimbo, whether it's, whoever the thousands of lines that they represent, they want them to go there. The reality is over the course of the 80s, 90s, 2000s to now suppliers would sit back and say, we have a contract with our distributor. It's their job to build our brand. It's their job to put us in the car and go visit OEM customers because we are giving them a discount to do that.

So the value of the contracts between supplier and distribution was predicated on two things. Number one, building the brand and allowing a supplier like Koganei to get market penetration, geographically. That was number one, number two, it was. You're going to stock locally so we can deliver fast because we all know if a customer has to wait two, three weeks lead time, they may go outside of your APR and go to one of your competitive distributors because unfortunately, your supplier didn't have stock locally.

You didn't have stock either. So there you lose the local customer. This paradigm, this elephant in the room, this DCKAP Rhino has been going on. Now, at the present date because of COVID-19 pandemic. We have distributor owners that are going, "We have sales representatives that are making some cases 100, 200, 300,000 a year on commissions because they've had the same accounts for the last 30 years." And those, sales representatives really don't care about the owners from the stance of. - Scenario"-If the owners threatened to say, Hey, we're going to have to cut the territory down because you've brought in no new customers, because over the course of the year, you've done a very good job of taking care of 90% of the opportunity that's out there."

So unless you expand to new markets or you expand to, more real estate, bigger geographic areas, distributors are not going to grow. And the problem is if they're limited in their current geography, and now eCommerce from catalog companies can come in and pluck and take their customers virtually.

6) What's going to happen to the future of distribution? (09:10-13:22)

So, this is covering, "What's going to happen to the future of distribution?" That's the first part is talking about, industry. Now I want to talk about the territory. Back in the

80s and 90s and 2000s, the distributor, a sales representative, they knew everybody around.

But now they succumb to sitting in a lobby, holding donuts. The truth is because of the pandemic, the salespeople are not on the road. Maybe they are. So some of you guys can humble me, but for the vast majority, okay, they're reaching out saying, "Hey, we want to keep all of our girlfriends happy. All of our suppliers like Koganei, because within the territory, you're not getting any new business because you're covering 90% of the business".

So all the distributors have to figure out, okay, how are we going to keep loyalty? But the reality is once as we start to consider eCommerce-the biggest protection in these agreements is going to change, which is exclusivity, geographic protection from suppliers, like Koganei not being allowed to sign another distributor down the road from you three miles. I think that's been what has really limited distributors and suppliers from either A) going direct B) keeping their agreements with their suppliers, for exclusivity, supporting one another and keeping that partnership.

But eCommerce lack of being able to meet with customers, something has to change. When we look at the market. Okay. Many of you used to sell air logic, diaphragm, poppet valves, mechanical, the heart of automation. Nowadays that has all changed. You're selling robotics, you're selling advanced automation, IoT, the annual 3% price increase, complete BS in my opinion, but your suppliers continue to do that.

Why? I think the biggest reason is the operational costs are increasing. Suppliers are seeing very little growth because basically you've capped out geographically the opportunity. If you're serving 90% of a geographic location, there isn't much room to grow. So the best way to impact your balance sheet is to apply a 3% increase and relate it to operational costs, but that goes directly to your bottom line. Suppliers are notorious for doing it, many suppliers do it annually. I will not say that Koganei will never have a price increase, but we haven't had one in eight years. So I think that suppliers need to wake up stopping ignorant and understand that our dependency on the distributors has to change. We have to start building our brand. We have to start driving offline sales to our distributors' websites so they can have more transactions. I'll also say, technology has changed AI, the ability to automate transactional salespeople are going away.

7) Role of Suppliers and Leads (12:38-6:44)

I personally know at least 10 distributor sales representatives. That have had their territory for 20 plus years. They're making net take home over \$250,000 a year.

What's their incentive to retire. Now the challenge as an owner is you want to integrate some kind of trap. I was also talking about, your costs.

So we as a distributor, what do we do? A minimum of an order's four turns a year, dead inventory returns, wasted dollars, the need to drop ship to have just in time, suppliers need to stock, but then where's the value of the relationship. It begins to suffer. Suppliers say, "Hey, distributors, get discounts for a reason to build the brand stock locally that used to work."

When you have any percent of your crops offset with corn, how can I accept reality to think that you are now going to sell coconuts or watermelons in the same field? You can't do that. what's the one thing that we hear all the time I just interviewed. If you guys saw Larry White, the owner of interlinks. Distributors. They want leads. Suppliers. They want leads. So we'll both just sit around and wait until one of us give each other leads. Truth is you don't get new business suppliers say, bye bye. And if suppliers brand isn't being asked for distributors, aren't gonna want to push the brand. It's not their job.

Sales stood out to me. The sales staff today, they make ridiculous commissions. They're leaving distributor owners with fewer and fewer pennies because operational costs are increasing, but you're on sales staff threatens to leave. If you take that away, the way we've always done, it is really starting to bite everybody in the biscuits.

what are we going to do regarding e-commerce to be clear, Koganei, we are not in e-commerce. Okay. We are supporting our distributors, but if they choose to go to e-commerce, you've got to look at the investment. The challenge is you can make the investment all ou want to have the best technology to have an eCommerce platform with the best configurator, the best online transaction software that's out there.

But if nobody knows who you are, if nobody knows that you spent 50, 60, \$70,000 to implement this new virtual online catalog ordering system, similar to an Amazon locally. It's not going to work. So this slide deck that I'm going to talk about next has to do with, what's going to happen.

What do we have to do? Okay. At the age TD events and I love this. When I walk in, everybody's dressed so nice. We have a lot of bravadoes. We talk about how great we're all doing. Nobody tells the truth. Everybody says, Oh, we're having a banner year as best we've ever had.

We're doing so many values at assemblies. It's ridiculous. But yet when we're online, virtually, which we are all beginning to embrace to keep up with e-commerce and

not lose any more customers because the old way of sales business doesn't work were mice. Many of you that I know personally where I've shaken your hand prior to COVID, I've heard great stories.

I hear about great successes yet online. You have no presence. So from my standpoint, as a supplier, If the reality is all distributors are looking at building an online store, going E-commerce, that discussion you have to have. And thankfully I'm in marketing now. So you have to talk to our national sales manager about that agreement.

How are you guys going to face protectionism against a supplier, going to other lines, how are you going to be able to win or convince the supplier that they need to stay exclusive with you? If you're going to start selling out a territory? Because when you go out, an e-commerce that 1000% happens.

7) Role of social media and going online (17:11-21:44)

The reason why all of us have embraced e-commerce or, push offline sales. Many of you aren't on social media. Many of you don't know how to do it. I don't know how to do it. I've had asked my 15-year-old daughter to do it to what she's embarrassed and says, dad, don't ever tell anybody that I'm helping you do this.

The reality is, when you go online. You become exposed. Okay. not just exposed to, your knowledge base, the value that you're bringing customers, you become exposed to number one, your suppliers. For example, I always say we don't want to make our girlfriends angry. So when I am on LinkedIn, for example, and I see some of the distributors that I love, we've had wonderful dinners together.

We've had a lot of good activity together, and then I see them promoting nor Graham, the rest of them see barf, but then how do they feel when they see Willie promoting a distributor near them, Willy stinks, but we're both doing it. We're both trying to show value to those we serve.

For me as I pontificate from the Koganei USA company page that we've been growing. Koganeiglobal manufacturer made Japanese quality. We're available at 50 locations coast to coast here in the Americas. I want to highlight every one of my distributors. So locally people know the brand and locally they know where they can go.

So if my distributors are staying brick and mortar, or if they're going to e-commerce. I want to continue to push that, because again, in my mind, if I'm building the brand and now I'm able to start getting people to ask for the Koganei brand, the next step is they need to know where they can get it. And ideally my distributors who ask us

Koganei "Hey, we need leads".

We need leads. That's what Willie's doing. I want to continue doing those things, but I can't do it alone. Are there suppliers, fortunately for me are hesitant to embrace going online and being social and being virtual. But that's where the attention is. If you're not meeting people face to face, if you're not giving them donuts, if you're not meeting Becky in the lobby and seeing Frank and talking about their kids.

Because now they're online in virtually. You have to go where your customers are and if you don't, you will lose 100%. You will lose. I'm seeing it now. And that's why I think that there are members of HDD that accept that reality and are making changes to go where the customers and the attention is. And that's virtually, and that's through eCommerce.

AHTD in the world is watching. So you have to be smart. I think that. one of the biggest challenges for distributors is isolating or protecting your value because your competition is always the first to respond. They're the first to view your profile for those of you that aren't on LinkedIn, there, you have the ability to see who looks at your profile.

So for me, if I see, if I do a post, I will immediately see SMC Mack Norgren, Bemba Festo. Everybody's looking at my posts and I can bet that you, as a distributor, if you talk about, Hey, we just launched a new online store. Your first people that are going to go to your comments or see your posts are going to be your competitive distributors, your competitive suppliers.

I know we're going to go to their distribution network and say, Hey, Pete, off the road, just to an online store, you need to do that. And when you go online, you become exposed. Everybody can see what you do, your customers, your suppliers, AHTD members. And that's just the reality. And again, we all have to swallow our pride and realize this is where the attention is.

This is what we have to do. And I think. More distributors than suppliers. I can highlight a new technology that we make. That's easy. Koganei made this, and I can talk about a feature, a benefit, a solution that this would provide. So this is, Ethan at IP, direct as a distributor. If you're only stacking 70 or 90 different brands, you're going to tell everybody, Hey, we've got everything you're looking for from a mop to evalve.

We've got it all. That's great. But what's the value because Motion's doing that. So is, Command. So is everybody outside of your APR that selling to your customers that's visually seen on social media to drive off on sales, stealing your customers and your APR. You really got to start thinking about what the value is you're bringing.

And if I hear another distributor say we do value at assembly. I'm sorry. That's now a commodity. Every distributor is doing that. And then what's going to happen when the catalog companies say, So if you had, if you sell extruded aluminum and you do framing and you have engineers, and that's what you're selling and telling everybody online, what happens with motion says, we're going to hire our own engineers and we're going to start doing that and we're going to deliver faster and we're going to have no minimums.

And we're going to say, Hey, if you buy \$500 worth, we're going to give you a hundred dollar credit back. So there's some significant challenges it's happening because of eCommerce because of globalization. And we just have to accept the fact that you can't hide. You have to be seen or you're not going to sustain the next five to 10 years, my opinion.

8) Avoiding confusion(21:45- 25:10)

So I talk about confused experience. So orders, transaction sales. In my mind, those are dead. those were referencing the sales people that have been going to the same account, because it was an OEM spec that you got the drawing for you spec the parts, and they've been buying it for 25 years.

That's wonderful. What have you done lately? What have you done to generate new business? So AI and automation now can handle that transaction of the same orders. If you're doing forecasting, the owners can now implement this software. So many of these OEM customers can go online. you have a quick discussion or an email confirming your forecast for 2021, for example, by quantity.

All these transactions now can now be automated. So you really have to start talking about bringing real value, whether that's experience, whether that's, your understanding of technology, you have to become the thought leader or the resource that everybody goes to. And I think that, like I said, we've had some wonderful guest speakers that talk about it.

I know Brian fans have talked about, pressing the damn button. I live in West Michigan and I have horrible internet service. That's why I've cut out twice. So I apologize. but I'm starting to see that by being present online, I'm getting more and more traffic and people just coming to me because I'm comfortable now to be on camera.

I'm comfortable enough to talk about the 512,000 products that Koganei makes I'm comfortable enough to talk about my experience. I'm not saying I'm the best at it, but I definitely have 15 years of experience with working with distribution. So I think I

have a little bit of insight that some people are starting to see value.

I said it before, if nobody sees you, that's one thing. Now people are starting to see you and they see great. You went all in. You were embracing e-commerce. We have to now focus on that experience for the customer. So when I talk about confused experience, time beats relationship. So your customers, you can't continue to be selling the me tos in the commodity.

You have to have them. For example, one of the drawbacks about partnering with Koganei is we are not a drop in replacement company. 90% of the sales in industrial automation is round body cylinders. Yeah, linear actuators, dimensionally footprint. We don't match typically st. Born stroke. We're going to be dimensionally smaller. That presents a problem for a distributor that says, Hey, we have Koganei but it's not form fit and function. It's not second to fit the same dimension. So they have to make modifications. If it's on a drunk, you can't use Koganei really for Koganei, anybody that partners with us, I know USD sales. We're proud to have them, as one of our newest distributors.

So thank you, Carrie, for your support. We've talked openly about when we started our partnership, we have to drive new OEM business for Koganei. They will never be for any of you that ever talked to us and MRO dropping replacement. Other line that's on your card that everybody's going to call and ask for. if you're on a sack with Clippard, can we use Koganei or if you're on a sack of Koganei, can we use this and see if it doesn't matter?

The reality is you've got to have everything and you've gotta be speed to market, not confuse the customer. And that's led to distributors feedback to us. We have to have better configurators because now everybody virtually is coming to you as a distributor and ordering the exact part number that they are a configured with your suppliers, on the screen.

9)Aligning offline messaging with online messaging- (25:11- 32:23)

So I just think that. If you're going to embrace, e-commerce your messaging that you do for offline sales has to be consistent with what you have on your platform. So whether you use DC cap to help, create a new website, to have that AI, that's introduced to have that automation in place for all transaction orders or MRO orders. And you want to focus on OEM transactions, you as a distributor, similar to what I'm doing at Cogan, a you have to talk about specifically. What you can offer. And in my mind, before you talk about how great the lines are that you represent, because those lines you represent are also probably in 50 plus other locations in North America, there has to be some kind of incentive that you, as of the USB distributor,

Provide that all of your customers in your APR, geographic area feel the incentive to still go to you versus motion or anybody else.

Okay. So I'll just, I'll say that don't confuse the experience, make sure that your messaging that you're doing on the social platform or virtually or webinars, or again, getting the attention of the customers that you serve is consistent with the messaging that you have on your website. Okay. So I have four, please.

All right. Your time is now. And there's the timing in my mind is probably the biggest opportunity. Here's why. You get out of LinkedIn, Facebook live, Twitter, Vimeo, YouTube. It costs all of you. \$0 to post \$0 to do a video, \$0 to highlight one of the brands that you represent in a new innovation that they have.

However, unfortunately, getting that for free, which you've never been able to do when you ordered line cards, when you order. the extruded aluminum books and, how to make things that all costs you guys money. So we all have the opportunity to go virtually to, if you're going to go outside of your geographic territory or not to become the voice, the resource that everybody goes to.

Why would you not take advantage right now when it costs you nothing to do that? Okay. Percentage, it's a numbers game. As I've spent 15 years traveling with different distributors. Tell me about, will you know, it's all about percentages. You got to talk to a hundred people. If you get 10%, that's 10 new customers, and we have to keep that going virtual.

It's the same thing. Right now, many of you, if you haven't embraced e-commerce or you're not doing it things to leverage yourself to sustain the next five to 10 years, number one, you have to be present. So you have to come to existence virtually. one of the things that I'd recommend, so yay. 85 years, they've been in business. I'm the first American they ever hired. That was a little scary. Now forward thinking, they're saying, Hey, we'll, you've been, I was a national sales manager with Kogan a I helped build our network to 50 stocking distributors coast to coast. Are you willing to go into the brand side and become the head of marketing for the Americas? You're going to do more than just make line cards where you're going to start doing is telling our story. You're going to start explaining to the potential customers that we serve. Why would they go to Koganei versus. SMC or Festo or anybody else? I never once ever two things, one, I never bashed our competition.

I respect them. there's so much business out there that everybody can do well, and I support everybody. Number two, I never, and I go on record for this, for those of you watching still, I do not put on LinkedIn or any other social platform that Koganei is

quote the best. I simply say, give Koganei a try what I have looked at.

Koganei has anything that I P so does. Every other supplier, Koganei has valves. So as every other supplier, if I look at the portfolio, it took a conversation that I had with our precedent to simply say, we can't talk about precision. We can't talk about quality because everybody says that we can't talk about being a drop in replacement. So we're not going to be in that commodity game. So we're not low margin dollars. We're not going to compete with the air tax of the world. Or like I said, some of these off-brands are private labels. a Koganei a day, 100% test every single part before it shifts. Sounds great.

The customer doesn't care. they expect everything to work.

For example, I bought kayak refracts, for my kayaks. I didn't care who made them, I expected them to work. So I know that I can't lead and talk about precision and quality testing, things like that. What can I talk about that? Differentiates Koganei from every other smart in my mind. As I talked to my distributors, they say, form fit and function.

Your dimensional is smarter than everybody else. Coconut currently has the world's smallest solenoid valve. It's the smallest. When you look at our cylinders, we have a single acting round body cylinders down to 2.5 millimeter bore. We have a tubing down to 1.8, no meter ODI.

Koganei specializes in miniaturization period.

So what I've done to leverage what I'm marketing. To drive offline sales to our distributors when they call us and say, Hey, we saw we'll do a video. They have that new world smallest. Valcom get more information about that engineers, as we all know, they don't like BS. So they don't care about the gel in my hair or how great I think we're going to is they want free samples.

So I've always been very good. Yeah. And thankfully Koganei has always been willing to give the engineers are going to test it anyway. So they're going to do durability test staying one to three months, six months. If it's going to FDA and it's medical. But it cuts out the BS. So talk about focusing on percentage, focus on getting your company's brand out there, focused on being virtual, because that's where the attention is now focused on. You gotta have your own conversations with your sales representatives. They're making 300,000 a year. They haven't grown new sales in 20 years. you guys have to figure that out. That's a separate conversation. E-commerce your time is now it's here. I can't fight it. Koganei just says, Hey, we're going to focus on making good innovative products.

If the products are good, if they bring enough value to engineers, they will sell will. You have to build the brand. So people know who Koganei is. you were new here. It's

going to take time as it always does. This message for eCommerce is my call to action. If you are a distributor, if I was a distributor, I can't physically go see anybody anymore.

The value of carrying the line cards is over the saturation of the suppliers because the globalization is here. I want to be present. So if I have a 2,500 mile radius, in my physical location, where I have local stock that I can deliver in 24 hours or less, I have a service team that can bring value to the outsource provider, to these manufacturers.

I'm going to make sure that virtually to drive offline sales, everybody that uses our products is a part of our technologies. That's an AHTD member. I don't know exactly what we do and how we do it. And I have to accept the reality that a) some co competitors will probably copy. They have to. And b) if you choose not to do these things, I think that in the next five to 10 years, if you are not a part of e-commerce, you will no longer be in business.

10) Key takeaways (32:24-33:18)

So I'll wrap up with, some more, ideas of the things that I've been doing. So if you guys haven't followed me on LinkedIn, look up William Miller, Willie Koganei I go by Willie, but I'm William. When we're in the car with a customer, a couple of things I'm doing, I started a, Willie and Yoshi show.

Basically, what I do is I act like a big knee football player. Cause I'm really good at that. And I, sit down with Yoshi and Arcata, he's the head of our customer service and he has a PhD. So he's brilliant. And I have open conversations about, Hey, why did Koganei make this? What's the point of us having this product?

What are the applications? Because...the mind share for a distributor to know the 512,000 products of ours. Plus the other 70 companies they represent is so far, like you literally got to say, Oh, this is from Koganei. This is why they made this. I've also been doing live streams. So that's something else that again, costs you nothing, but we'll help you guys drive find sales.

Tim Diep

11) How does e-commerce ordering affect pricing for the customer? (33:41-40:21)

There's a question from Brian, how does e-commerce ordering affect pricing for the customer? If the distributor has special pricing for customer locally, is that

represented on an eCommerce site?

Alright, so that's a good question. And I can always speak to it again from the context of Koganei.

So for example, Koganei, if you go to Koganeiusa.com, we don't put publish any list pricing. Okay. I also am not going to tell any of you what our discount structure is. So if you want to talk to us, you can't. So here's how it works. Brian, for us, we're building the brand and putting all the products out there.

When it gets to the customer. So like right now I'm revamping our entire website. We're working on having a selection guides, not so much configurator, but at least selection guides to help customers within three clicks or less. That's been my goal. As I looked at the best case practices in our industry of manufacturing e-commerce catalog companies, I've gone through all their websites.

The benchmark is...you have to be able to get an engineer or a prospect to a specific product or part number within three clicks or less. I am working on doing that with Koganei. The next step, click number four is contact one of our 50 locations or the one nearest you. Okay. I'm doing this to try and generate lead activity for our distributors, because if I can do that, then they're going to, their mind share is going to increase with Koganei.

To answer your question for the suppliers. And there are suppliers and I'm not badmouthing them that do publish their list pricing. They also have the ability for customers to buy direct from them. They are going to pay a lot more. So I guess the question is. Going back to what I said with the offline sales is your messaging. Hey, go to Koganei USA today, or is it what I've been consistent in saying, go, Koganei USA, learn more about this specific product and then contact us to find the distributor nearest you to get pricing and availability or lead time. So your to answer your questions two ways. If you're a supplier that publishes less price.

Then the conversation in the messaging has to be, Hey everybody, for example, this is a Ethan card for directional control valves, go to Koganei right now, our list price on this is 99, 99 for better pricing, contact one of our 50 distributor locations nationwide by clicking here. So I think that if your supplier that's going to put less pricing out, there could at least give people better.

Because a lot of times people just want to know a ballpark price, We all know that distributors, and God bless all of you. You're always going to ask for special pricing. And one of the things that I am notorious for doing is responding back with, how many are you asking for? And I've had amazing brilliant sales people come to me and say, they're looking at two a year.

Guess what? You're not getting special pricing. You're getting your normal discount. But again, there's incentives that you, that the distributors, if they start investing into the online eCommerce platform to compete, they have to recognize and see every day. again, if I'm a brick and mortar distributor here in West Michigan, I'm going to have somebody on our team or myself.

Everyday going online to see if these catalog companies or these huge eCommerce platforms are offering incentives that we comfortably can match based on our discount structure or our, the gross profit margin that we're making. So for example, if, this is the, this is what I was bragging about earlier.

This is the world's smallest to position through a solenoid bow. If Koganei a was not exclusive to just local distribution, like we are today. And we were working with motion industries. For example, if motion put out, Hey, if you buy, a 500 zero zero five series Val from Koganei, we're going to give you a \$200 discount me as the distributor.

I have to go back and say, all right, Motion maybe has more buying power, but I'm trying to connect and tighten my relationship with my supplier. So either a) the current discount structure, I can't offer that \$200 off. If they buy a minimum 500 piece order, I have to get creative in and match or provide more value.

That's not going to hurt, two things not going to hurt my operational costs. And it's not going to hurt my brand because I think whatever distributors trying to do. And for me, I would not want to be a distributor right now is to put a value on the value, add that you're doing because outside of representing a line and having these on the shelf, if your discount structure, isn't an advantage, you have so little room for gross profit margin that, you've got to come up with a strategy or work with your suppliers to have an incentive.

one of the things that we did at Koganei and I'll share this. in the world of pneumatics directional control valves. Okay. Right here. So this is a directional control valve stack. We see them on every conveyor. Okay. This is our 10 millimeter series. one of our big competitors just came out with a new attendant, 15 millimeter because they realized that.

Yeah, there's cost of air consumption and, living the life of an oversized valve and just using, a sandwich regulators or full controllers doesn't work. no one, the incentive that I said was, I came up with this program called the game changer program.

Koganei. Nobody knew the brand, but these are ready to do a hundred million cycles.

So compared to the industry, compared to our competitors, again, I totally respect their direction. Control valves are rated to 30 million cycles. So if we're at the same price, three or four times the life. That's going to bring a lot of value to an OEM, not so much. You're the distributor because your math is well, I could sell him three 30 million, second life owls instead of Koganeis.

So I'm going to have less purchase orders, but that's neither here nor there. I had to come up with a way to say, okay, how are we going to get market penetration? How are we going to generate sales in this product category? The commodity is everybody has these. There really isn't a, advantage of ours versus somebody else other than downtime, installation, life cycle, and power consumption.

Okay. everybody that we competed with, it's going to flow pretty much to the same. So the value opportunity was fast delivery. Typically when you buy a direction control valve stack, for example, and I don't care if you buy it, motion or whatever. It's typically a two to three week lead time. So what we did was we took, this was the idea, take some of our partner distributors, fly them to Tokyo, Japan, get them certified to where we're actually selling them the entire bill of material.

So they're stacking all the individual parts to make any manifolds they want, whether it's on a din rail, aluminum block, two station five station, whatever ethernet IP. That distributor now has the ability to, if they choose to stock the parts to now, no, and their APR going against motion and everybody else.

12) Marketing Innovation with Koganei (40:27-41:52)

Hey, we partnered with Koganei on this game changer program. If you need a directional control valve stack or a direction control valve manifold for IP ether, cat, flying leads, whatever we can take your order, build it, test it and ship it. Same day. That's huge. That's been a great program and we've had some success.

We've had a lot of success where I think we're still struggling with it in my, review of how we've done since this product launches. It's still the challenge of people don't recognize the Koganei brand. And if we're not publishing our pricing, we're just not getting those conversations.

So for me, when I talk about e-commerce going back to your question, Because Koganei doesn't put pricing out there. Yeah. I'm getting a lot of I's and we're getting a ton of traffic on these, but that transaction, as we all talk about, it takes average five

to six touches to get a customer, to get a quote.

We are sacrificing the opportunities of more transactions because we don't publish what our list price is to start. I just think that as a supplier, you've got to be consistent in your messaging and you have to recognize what you're limiting yourself to. If you don't publish this pricing and you also have to recognize what you'd be hurting relationally with your distribution channel to market by publishing less price. Thank you so much.