Conclusions

1. The U.S. distributor environment for medical products is currently one of conservatism. Due to the U.S. economy and to the unresolved legal conflict between national distributors and local distributors, the distributors are showing a very low level of risk-taking behaviour.

2. The trend among local distributors is one of constriction rather than expansion. These distributors are trying to reduce the number of brands per product category, and express reluctance to add new products.

3. The locals say they are reducing the number of brands per product because they are trying to simplify inventory and to focus their marketing activities on a reduced number of brands. Their reluctance to add new products does have some important exceptions. They are willing to adopt a new product if: (1) it is innovative, (2) they can get an exclusive distribution agreement, and/or (3) hospitals specifically request it.

4. The distributors interviewed showed no specific resistance to adding foreign products, either Canadian (with whom they've had little experience) or Japanese (with whom they have had mostly favourable experience). Predictably, distributors specified that these foreign products must show some specific, significant advantage in profitability or quality. Although there was no specific resistance to adding Canadian or Japanese products, their adoption was conditional on the same factors that distributors said were necessary of adoption of any new product: (1) innovativeness and (2) exclusivity. Because of a highly competitive distribution environment, there is a preoccupation with exclusivity as a competitive weapon.

5. The missing piece of information concerns the future of the national distributors. Only one national distributor, American Hospital Supply, was willing to participate. The outcome of the unresolved legal despute between local distributors and American Hospital Supply will have a profound influence on the future of the distribution market. While the case is awaiting resolution, most planning and risk-taking by distributors is at a very low level.