8.0 DISTRIBUTORS

Interviews with distributors are divided into two categories — those dealing primarily with hardware products and those dealing primarily with software products.

In most areas of business involvement in the computer industry it is often difficult to draw a fine line between hardware and software distributors. Although many distributors concentrate primarily on a variety of hardware products this study showed that an average 18 percent distributors in the Southwestern United States have added software to their product line-up in order to better service the industry. We determined that hardware distributors tend to sell systems software rather than applications software. At the same time, some software distributors also sell hardware although generally they do so on a turnkey or system house basis in order to expand the potential service offered by their particular software system.

The original brief for this study did not include software distributors. Due to certain re-emphasis during the course of the study we interviewed a number of software distributors and manufacturers. The information obtained from these interviews is discussed in section 8.2.

Criteria for interviews: 150 hardware distributors in the market area were mailed a set questionnaire. It became apparent during the selection of companies for the mailing that demographic trends play a significant part in the number of hardware distributors located in a given territory. Consequently, Southern California with its greater population is home to a larger number of hardware distributors than Northern California. For the purpose of the study we mailed 43 percent of our questionnaires to distributors in Southern California, 30 percent to distributors located in Northern California, 10 percent of Arizona, 8 percent to distributors in Colorado, and 4 percent to distributors located in Utah. Approximately 5 percent were mailed to companies located with their headquarters outside the market area.

Distributors selected to receive the questionnaire were selected for a variety of reasons: Volume — it was essential to select companies of some substance who would be financially strong enough to add additional lines to their distributorship. Generally, we mailed companies with sales volume in excess of $3 million. Product base — we made a point of mailing companies who had a reasonable but not excessive range of products. Previous studies in other industry sectors have proven that it is often not wise to consider doing business with companies who attempt to distribute too broad a range of products.

As with computer systems manufacturers, initial returns from hardware distributors were disappointing. We targeted for 30 percent return rate but received only about a 20 percent response. Consequently, we supplemented mail returns with extensive telephone interviewing. In some instances, we selected companies who were not on our initial list for mailing. The full list of companies mailed is presented in the Appendix.

8.1 HARDWARE DISTRIBUTORS SURVEY RESULTS

Product Information

1. What percentage of the products you sell is imported?

   High: 60.0%
   Low: 0.0%
   Average: 13.4%

   6.1% did not answer

2. Are imported computer products causing you problems in price, delivery, etc?

3.1%	did not answer
24.2%	do not import
60.6%	are not experiencing any problems with imported products
12.1%	are experiencing problems with the products they import

3. What percentage of your sales make up "complete systems" as opposed to individual units?

   15.1%   did not answer

   high: 100%
   low: 0%
   average: 43.8%

4. Are systems sales or sales of individual units more important to you?

9.1%	did not answer
27.3%	reported that systems sales are more important to them
33.3%	reported that sales of individual units are more important to them
30.0%	reported that systems sales and sales of individual units are equally important to them

5. What percentage of hardware do you sell as opposed to software?

   9.1%   did not answer

   high: 100%
   low: 40%
   average: 82.2% hardware

6. Do you hold stock of any of the items you sell?

6.1%	did not answer
24.2%	do not hold stock
69.7%	hold stock

7. In what price bracket are these "stock" items?

33.3%	did not answer
36.4%	stocked items which sell for less than $10,000
18.2%	stocked items which sell for between $10,000 and $30,000
12.1%	stocked items which sell for more than $30,000