

## Wholesalers, Distributors, and Manufacturer's Representatives

As the hospital/health care sector has consolidated, so has the industry serving this sector. Large, regional distributors have been purchased by national firms. A relatively new tactic is being used in the negotiating and purchasing process. The hospital or system will agree to limit their suppliers, in return for deep discounts from the vendor. This is the same tactic that the multinational automotive manufacturers have been using for several years. This tactic has several affects. For the hospital, it assure them of a known price for their products, thus aiding immensely in the budget process. The amount of staff time spent meeting with sales people is greatly reduced. If the manufacturer is unable to meet the demand or quality required, the hospital is placed in a difficult position. This becomes acute if there are few competitors for the particular product or service. From the vendor standpoint, they are able to forecast revenues and supplies for the life of the contract. If the contract represents a significant portion of the vendor's revenue, losing the contract could be disaster. However, this exclusivity allows the vendor to concentrate on customer service and quality.

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