



# LIGHTER SHADE OF GREY

It is easy to avoid grey market risks: hire perfect buyers, work to perfect forecasts and use perfect direct or franchised distribution channels. Unfortunately, people make mistakes, customers change the goal posts and suppliers let you down. What then? Ask Kenny McGee

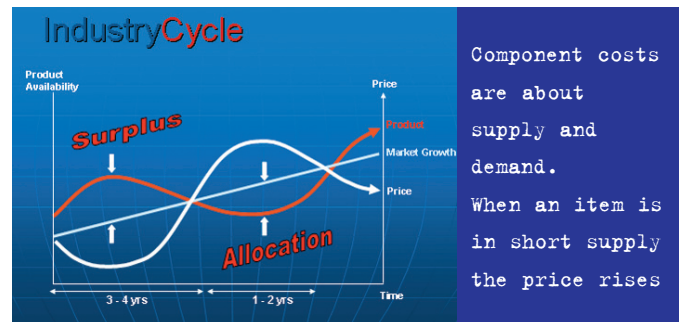
The grey market has come to mean many things, mostly negative. The majority of independent distributors work tirelessly to distance themselves from these negative images. The majority are dependable and trustworthy, honest and reliable. They have to prove themselves time and again, with every transaction open to scrutiny.

The biggest perceived risk at present is counterfeit Chinese parts. However, a few simple precautions at goods-in can reduce the risks enormously.

The essential element is building a long-term relationship with a distributor you trust. You need to know where the stock originates, with many independents supplied mainly from OEM and CEM excess originally purchased direct or through franchised distribution. This type of stock is carefully stored and managed.

Large OEMs and CEMs have strict buying policies that control product quality. Thus, the bulk of independent distribution stock has passed through these checks before being re-sold. When stock is unavailable through this safe, established OEM and CEM network, suppliers may need to look at darker shades of grey.

Trusted distributors should always look for the safest stock first, openly discussing options and identifying risks. Even buying from the dark side needn't be too dangerous: it is all about origin. If an independent is open about origin they can implement inspection and testing procedures to root out problems. Good test houses can test 100 per cent of incoming parts. Sample testing of finished products should also be carried out early as a final confirmation of component integrity. If problems are discovered you may still have a shortage but you have avoided production or field issues.



## Geographical location

As OEMs and CEMs move manufacturing offshore, more good stock will be found in these regions. The geographical location of the stock will, in time, become less important, while a relationship with a trusted independent that can guide customers through the maze will become more important.

Buyers under pressure to cut costs, reduce lead-times and meet unrealistic deadlines can sometimes be lured into situations they would normally avoid. Don't be tempted to shop around too much on price. An ethical independent should always focus on the safest route, not the cheapest. Companies that start penny pinching on the grey market are asking for trouble. Remember, if it sounds too good to be true, it probably is.

On a lighter note, a good relationship with a professional independent can save you money in the long run. Component costs are about supply and demand. When an item is in short supply the price rises. Typically, when you use an independent you are in a shortage situation. Thus, the price is likely to be high. At other times you could save money on normal purchases. Try offering high value commodity lines to independents when they are readily available. You could half the cost, making up for higher costs incurred at crucial times.

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Component Sense's Kenny McGee argues that most independent distributors are dependable and trustworthy, honest and reliable

