

Quick Take: Big Ideas for Exploring Marketplaces

Collaborators or competitors—what’s your take on the role of marketplaces in distribution?



Welcome to the first [NAED](#) Office Hours *Quick Take* edition. As an extension of NAED’s [Futures Group](#), Office Hours is a bold exploration of the future of distribution in electrical markets. Office Hours is held monthly and open to anyone seeking a thoughtful discussion about big ideas and the specific actions needed to move our industry forward. Our goal is to think differently, push boundaries, make tough calls, and, most of all, invite debate. Below, we ask you to share your thoughts on the questions that must be answered and actions that must be taken, individually and collectively, as input to an upcoming Office Hours episode.

Exploring marketplaces

Our next *Office Hours* episode, *Marketplaces as Competitors or Collaborators*, is scheduled for November 10 at 1 pm CT. Marketplaces exist in every distribution line of trade, founded by disruptive outsiders, incumbent suppliers and distributors, or players from adjacent markets. Marketplaces are a fact of life, or a reality of business, offering challenges and opportunities for every distributor, supplier, and customer. The only question is whether marketplaces are competitors, collaborators, or something else. Like every *Office Hours*, this episode is for a live

audience only. You must attend the Office Hours session on November 10 at 1pm Central to learn the insights gained during the event. Click [here](#) to register.

To help direct our exploration of marketplaces, your intrepid *Office Hours* hosts—Ed Orlet and Mark Dancer—interviewed [Eric Wendt](#), strategic program development director at [Digi-Key Electronics](#). Digi-Key is a distributor of electronic components and automation products, founded as a pioneer in the mail-order catalog business. Today, Digi-Key offers the “world’s largest selection of electronic components in stock and available for immediate shipment” and “supports design engineers and procurement professionals with a wealth of digital solutions.” Please listen to our entire interview, recorded, and shared [here](#) as a podcast episode, for your personal understanding of Wendt’s insights and Digi-Key’s offerings.

From Wendt, we learned that a “marketplace is just another sales channel.” Traditionally, companies may sell through brick-and-mortar, online webstores, or salespeople. Marketplaces allow companies to list products or services that can’t be sold through their existing channels or to reach new customers not currently served. Digi-Key created a marketplace to add infrequent, non-standard, and custom products that are not available from Digi-Key’s shelves. This allows customers to buy everything from one source instead of “just most.”

Moreover, business lines are blurring, and the electronics, automation, and electrical industries are merging. Digi-Key joined NAED to gain an understanding of electrical markets, but not to become an electrical distributor. To be a leader, the company believes it must be involved in the entire evolving industry, everywhere leading manufacturers like Siemens, Schneider Electric, and more operate.

Innovating with big ideas

This *Office Hours* episode evaluates marketplaces as competitors, collaborators, or something else. To guide that discussion, we must first identify big ideas prompted by considering marketplaces. To act on those ideas, one must determine the first steps distributors might take in embracing or defeating marketplaces. Then, we can move forward.

Below, we offer three big ideas stimulated by thinking about Wendt’s comments—not lessons learned or best practices, but new ways of thinking about markets and customers, how they operate and how they buy:

1. In the digital age, distributors must be able to describe the value they create for customers utterly independent of the traditional terms a distributor uses to express itself.

Digi-key is a place where “engineers go to invent new things.” If asked where one might go to invent new things, an engineer might point to a lab, an incubator, a university, or many other places before they mentioned a business founded to stock products, take orders, and ship them. By defining its value independent of traditional distributor roles, Digi-Key frees itself to do anything for customers, including building a marketplace that offers non-core products almost wholly unsupported by Digi-Key’s traditional knowledge, expertise, or capabilities.

2. If electrical, electronics, and automation markets are merging, distributors must enable systems and processes, not product portfolios and value add.

Manufacturers, especially the largest brands, are playing everywhere, inventing and marketing products within and across traditional markets and trade lines. Manufacturers are free to do this because they care about share and technology, not distributors or distribution. Digi-Key hints that distributors must rethink their role as an intermediary to be a leader. Offering a marketplace that enables everything a customer needs is the first step. Thinking about customer processes for buying, designing, and whatever the customer does to fulfill their mission is probably next. Then, pulling all those processes into an actionable system, not a line card of brands and products, follows. Enabling processes, not filling orders, is the future of distribution.

3. Services will be licensed, not sold.

Wendt uses this language almost as a given, a statement of fact without explanation or support. Today, marketplaces exist (and are designed) to enable customers to acquire products. If services are offered, they are an add-on to products, as in “buy the product, and we will install it for you, or teach you how to use it, or deliver it to your custom needs, etc.” That thinking consigns services to value add designed to improve customers’ experience with products. Distributors must go in a different direction and offer services designed to improve a customer’s experience

with the value distributors create on their own, *independent* of products. And to break free of products, distributors may need to get paid differently for their services. Licensing can be about authorization but can also grant freedom. And freedom is a digital-age value.

Foresight and Footsteps

The Future Group's mission is to help distributors think about the future—unknown trends, ideas that are not considered, and strategies that do not exist. This mission is about nurturing ideas and foresight; making foresight actionable is never about implementing best practices. Instead, it's about identifying the first steps that put distributors on a journey toward the future. With this in mind, we ask you to bring your big ideas and actions to our *Office Hours* to help create a robust and valuable discussion. Please send them to Jennifer McKinney, *Office Hours*' production manager, at jmckinney@naed.org. To help you get started, think about your experiences with marketplaces (or listen to our podcast episode with Eric Wendt of Digi-Key) and send your questions or answers on three topics:

1. How will marketplaces change the way markets operate, meaning the way that suppliers and distributors go to market, customers acquire the products and services they need, and so forth?
2. What would you want from a marketplace for it to be an effective channel for your business? Your wants might be supporting your brand, earning a profit, developing new customers, and so forth.
3. Under what conditions would you build and launch your marketplace? Would you do so on your own or in partnership with other distributors or suppliers? Would it include products from different trade lines, or serve specific customer needs, and the like?

Please join us for our next *Office Hour* episode, *Marketplaces as Competitors or Collaborators*, scheduled for November 10 at 1 pm CT. Click [here](#) to register. If you can't make it but want to talk about marketplaces, please reach out to Jennifer McKinney at jmckinney@naed.org.