NEMRA
NATIONAL ELECTRICAL MANUFACTURERS REPRESENTATIVES ASSOCIATION

Recommended Minimum POS / POT Standards & Definitions

Updated April 19th, 2017

These recommended standards are presented by the NEMRA / NMG Task Force as a guideline for facilitating reporting between distributors and manufacturers and should be considered as "minimum standards." The information gathered is used, at a minimum, to ensure accurate, timely and complete remuneration of manufacturer sales agents.

NEMRA encourages all parties to treat any information received and/or transferred in a confidential manner. In no instances is NEMRA advocating for customer-specific information to be shared unless expressly agreed upon by all parties.

Process

In 2014 NEMRA commissioned Channel Marketing Group to conduct surveys and interviews to gain a better understanding of the current state of the point of sale / point of transfer issue in the electrical distribution industry. NEMRA members expressed interest in the topic due to an array of compensation and reporting issues. It was felt, and agreed by many manufacturers, that NEMRA members were not being equitably compensated for supporting a number of distributors who should, or are, providing information regarding point of sale. Few felt that distributors were purposely restricting access to information; most felt that the issues related to an increase in distribution centers, reporting challenges as well as difficulties in tracking "commodity" products. Additionally, members commented about the state of the reporting that they receive from many of their manufacturers.

The research was conducted. A report was developed and shared with NEMRA's NMG (NEMRA Manufacturer Group) and the findings were released to the membership February 2015. An executive summary of the report is available at http://nemra.org/getattachment/72e72b8a-bdd4-4ef5-b354-6e9398ba1784/The-State-of-POS-in-2014-Executive-Summary.pdf.aspx and the complete report is available at http://nemra.org/getattachment/About/Member-News/Point-of-Sale-Reporting-Study-Available/The-State-of-POS-in-2014_0315.pdf.aspx

NEMRA initiated action with a goal to promote adoption of data reporting standards and to share best practices amongst manufacturer representatives and manufacturers. The goal is to implement a number of the recommendations in the 2014 State of POS report and to streamline, through standardization and normalization, reporting for all parties for non-commodity and commodity products.

A Task Force was formed. The group has met a number of times and has:

- Developed a definition for "point of purchase" to reflect the reality of POS / POT relations between many distributors and manufacturers
- Gathered and reviewed, generically, almost 20 different reports submitted by distributors to manufacturers and reports manufacturers submit to their manufacturer representatives.
- Recommended POS and POT minimum reporting standards
- Developed suggested guidelines for manufacturers and manufacturer representatives to consider in their agreements
- Shared some best practices
- Engaged with at least one ERP company about refining POS / POT methodology in their reporting tool(s)
- Engaged with the five national distribution chains to solicit their support. Sales plans have been identified to facilitate further discussions with these organizations and adoption with these distributors as appropriate.
- Interviewed a number of commodity-oriented manufacturers regarding POS / POT for their product categories

This report is the recommendation for the minimum POS / POT standards for non-commodity products. Input was solicited earlier in the year from manufacturers and distributors. The committee reviewed the input, made refinements and added clarity to a number of definitions. Manufacturer task force companies have endorsed the minimum

standards. Additional support is being solicited. NEMRA is recognizing and promoting endorsing manufacturers via press releases, on its website and will recognize them at the NEMRA annual meeting.

A future phase will focus on recommendations for commodity products. Further phases will focus on promoting best practices and soliciting regular feedback from manufacturer representatives. Throughout the process NEMRA will engage with the industry's national distributors and, as appropriate, with regional distributors and manufacturers, to drive adoption.

Task Force Members

NEMRA would like to thank the following manufacturer representatives and manufacturers who are participating on the NEMRA POS / POT Task Force:

Manufacturer Reps

- Byron Brewer — Northeast Marketing
- Doug Mayle — CBM
- Jack Floyd — One Source Associates
- Mark Gibson — Agents West
- Nancy Martin — Martin Electrical Sales
- Fran Pollart — Pollart Electrical Sales
- Kevin Weber — Electrical Materials Inc.

Manufacturers

- David Dean — Thomas & Betts
- Dennis Linden — Electri-Flex
- Gary Norris — Ilsco
- Jodi Kilinski — Littelfuse
- Miriam Blazowski — Appleton Group
- Chris Carrella — Leviton
- Terri Dumas — Rab Lighting
- Tom Fredericks — American Polywater
- Tom Bisson — General Cable

NEMRA spoke with the industry's national chains (CED, Graybar, Rexel, Sonepar, WESCO) as well as the industry marketing groups (AD, IMARK) regarding this initiative and has provided each an update and a copy of the findings and standards. Due to confidentiality the individuals' names are not being shared, however, each company recognized the value of the endeavor, endorsed the principle that manufacturer representatives should be compensated for their efforts and sales in their territories and expressed they would be amiable to implementing the Task Force's recommendations. Individually companies may or may not authorize communication of their support and adoption.

Definitions

In 2006, NAED formed a joint distributor / manufacturer task force to discuss POS / POT issues and to share recommended best practices. An output of this endeavor was the definition of a number of POS / POT related terms as well as recommended delivery systems.

Recognizing that the industry is comfortable with much of the terminology and accepts many of these definitions and that distributors typically utilize Microsoft Excel, and in some instances the EDIPro 867, the NEMRA Task Force determined that there was no need to redefine what has already been defined or recommend alternative reporting processes.

The only definition, which is offered as an element of clarification, is the definition of "point of sale", from an industry perspective.

While the Task Force does agree with NAED's definition that "point of sale" should be about gathering and sharing information at the end-customer level, from a NEMRA Task Force viewpoint, and recognizing channel challenges in broadly sharing this information, and recognizing that one of the goals of this Task Force is to streamline processes and ensure manufacturer representatives are equitably compensated, it was agreed that the definition of ***"point-of-sale"*** would be *"The sharing amongst channel partners (distributors, manufacturers and manufacturer representatives) of aggregated sales information for local locations."* The term **"place of purchase"** is suggested as terminology for this definition. This subtle difference provides that end-user contact information (company name, address) is not required to be transferred between distributors and manufacturers, unless expressly agreed upon by both parties. The definition of "place of purchase" is either the distributor branch location and/or the customer's zip code.

The Task Force encourages distributors and manufacturers to be as granular as possible in sharing customer, vertical and/or channel information but recognizes that this decision is the domain of discussions between the manufacturer and the distributor.

The definitions below were recommended by the NAED Task Force in 2006 and are offered here for consistency and completeness purposes.

Point-of-Sale (POS)

Information about the **end-customer transaction;** includes shipments directly from the manufacturer to the end-customer (Direct Ships), as well as shipments from a distributor's branch and/or central / regional distribution center (CDC / RDC) to the end-customer. POS can be used to grow sales, for marketing purposes, to achieve operational efficiencies, and to optimize asset management.

Point-of-Transfer (POT) - Information about the **transfer of product** within a company; including shipments between a distributor's central / regional distribution center (CDC or RDC) and a branch and transfers of inventory between branches. POT can be used for sales credit purposes and for marketing trend analysis.

Point-of-Sale (POS)

Manufacturer	→	End Customer
Distributor CDC/ RDC	→	End Customer
Branch	→	End-Customer

Point-of-Transfer (POT)

CDC / RDC	→	Branch
Branch	→	Branch

Note: Distributors with only one location, or whose branches receive shipments directly from manufacturers, rather than from a regional distribution center, may not see the same need as other distributors to collect POS or POT data, although they may see value in sharing POS data for marketing and/or sales purposes. The collection of POT data is not relevant to such distributors.

Place-of-Sale

Manufacturer → Branch

Manufacturer → Distributor CDC/RDC → Branch

Commodity Product – Electrical material which is commonly placed / inventoried in the same location by a distributor regardless of which supplier they may have purchased the material from so as to make it virtually impossible to determine which supplier's material is sold at any given point in time.

Examples of this may be certain types of wire, pipe, conduit and other commonly defined materials. Whenever feasible, however, it is desired for distributors to identify which supplier's material is sold to specific customers.

Distributor - Channel to the marketplace that partner with manufacturers to add value to, and grow the market for the manufacturer's products. The mode of the sale (via counter, delivery to customer, drop ship, order received via website) is not considered relevant. Regardless of how sales are received by the entity, the entity is considered a "distributor" as it is distributing product to its customers.

EDI 867 Product Transfer and Resale Report - EDI transaction used to: 1) report information about product that has been transferred from one location to another (*inter-branch transfer and/or transfer from a Central / Regional Distribution Center to a branch*); 2) report sales of product to an end customer; and/or 3) report lost orders, i.e., demand beyond actual sales.

End-Customer - The distributor's customer(s) who "consumes" the product—the end-user; an OEM who uses it as a component in their product; the contractor when a building is under construction / repair / remodel or maintenance; or the building owner after construction is completed.

Inter-Company Transfers - Transfers of product from one location to another within a company, i.e. between branches or from a Central / Regional Distribution Center to a branch.

Quantity Purchased - Quantity of each item purchased by the distributor from the manufacturer by item or catalog number.

Quantity Returned - Quantity of each item returned by a) the end-customer (*distributor's customer*) to the distributor or b) by the distributor to the manufacturer by item or catalog number.

Quantity Sold - Quantity of each item sold to the end-customer (*distributor's customer*) by item or catalog number.

UPC Code - Acronym for *Universal Product Code*, a 12-digit number used primarily in North America. Unique for each manufacturer's item, UPCs standardize product information for scanning via bar code. **Note:** *Can be converted into a GTIN by adding 2 digits (typically zero's) to the left of the UPC.*

Recommended POS Standards

The first phase focuses on non-commodity products. Non-commodity products are defined as those products with a specific UPC, a specific part number and are commonly inventoried by distributors in unique inventory locations. It is easily determined by the distributor which manufacturer's product they have sold to a customer.

The following are the recommended fields for reporting "point of sale" and the reporting order for these fields:

Column	Field
1	Transaction Date
2	Selling Branch #
3	Bill To
4	Bill to Branch Name / City
5	Shipping to Branch
6	Shipping to Branch #
7	Shipping to Branch Name / City
8	Selling Branch Zip Code

Column	Field
9	Customer Zip Code
10	Manufacturer Catalog #
11	UPC Code
12	Manufacturer SKU #
13	Distributor Unit Cost
14	Quantity (# of Units Sold)
15	Unit of Measure
16	Extended Net Price

It should be noted that there are some fields that may seem obvious or that "the manufacturer / the rep 'should' know", however, it is important to recognize that information does change (i.e. product numbers reassigned, branch codes reassigned, etc) but more importantly, the information may be reviewed by someone in an administrative role who may not be intimately familiar with specific distributors as well as specifics within a manufacturer. This level of clarity is desired to minimize inaccuracies.

Any additional information to be shared between the distributor and the manufacturer to support appropriate agent compensation or manufacturer marketing analytic requests should go to the right of the standardized reporting columns.

The report header, especially if the report is produced in Excel should include:

- Reporting Month Start Date
- Reporting Month End Date

In either the first two rows or on the first row in separate fields

POS Reporting Column Definitions

- *Selling Branch Zip Code* – For POS reporting, this is:
  - The branch that sold the material to the customer.
- *Customer Zip Code* – This is the zip code of the customer. This can be defined as:
  - For contractors, if material is picked-up / delivered, this is their zip code.
    - When material is "drop shipped," ideally the zip code is the zip code of where the material is shipped.
  - For industrial end-user, OEM and institutional customers who purchase directly from the distributor, this is the zip code of the end-user facility / where the material will be used.
    - The zip code of a physical address is used rather than a "bill-to" address due to some accounts having invoices billed-to corporate accounts / locations
  - Zip code of delivery locations for deliveries made directly from a distributors CDC / RDC (central distribution center / regional distribution center) to a "customer" location.

- *Distributor Unit Cost* – this is the cost in the distributor system. The manufacturer is responsible for removing any rebates or additional deducts that may impact agent compensation.
    - It is the manufacturer responsibility, unless otherwise agreed upon by the manufacturer and distributor and so noted, that the manufacturer calculate a Distributor Net Cost upon which to compensate their agent. The rationale for this is that the definition of "net" may vary amongst manufacturers in the areas of sales tax, freight, service fees, etc…and this, theoretically, can change by product / product category.
- *Quantity / # of Units Sold* – this field identifies the total number of units sold, based upon the unit of measure, to the customer
- *Unit of Measure* – This field identifies manufacturer's unit of measure as communicated to distribution through either the manufacturer's catalog, the purchase order or information communicated via the IDW. This could take the form of "each, carton, box, bundle, etc" and does change by supplier and potentially by product. Typically, standard "unit" information is stored in the distributor ERP system.
- *Total Price* – This is defined as the distributor net cost multiplied by the quantity (# of units).
- *End-user / Purchaser Name and Address* – this information is not part of the minimum reporting standards. If agreed upon by the distributor and the manufacturer, this information can be included to the right of the standardized columns. There should then be separate fields for:
    - End-user / Contractor Customer Name
    - End-user / Contractor Address
    - End-user / Contractor City
    - End-user / Contractor Zip Code

While some manufacturers requested that a description field be included, the task force felt this would be problematic given that distributors can, and do, adjust the description field within their ERP system and also may change the part number. It was felt that it was sufficient to capture the SKU number.

Recommended POT Standards

The following are the recommended fields for reporting "point of transfer" and the reporting order for these fields:

Column	Field
1	Transaction Date
2	Transfer Branch # (Ship to from Manufacturer)
3	Transfer Branch Name / City
4	Selling Branch #
5	Selling Branch Name / City
6	Bill to Branch #
7	Bill to Branch Name / City
8	Selling Branch Zip Code
9	Distributor Cost (Purchase Price)

10	Manufacturer Catalog #
11	UPC #
12	Quantity / # of Units
13	Unit of Measure
14	Distributor Unit Cost
15	Extended Price

It should be noted that, again, there are some fields that may seem obvious or that "the manufacturer / the rep 'should' know, however, it is important to recognize that information does change (i.e. product numbers reassigned, branch codes reassigned, etc) but more importantly, the information may be reviewed by someone in an administrative role who may not be intimately familiar with specific distributors as well as specifics within a manufacturer. This level of clarity is desired to minimize inaccuracies.

Descriptions for terms that are common for POS are under the above POS section.

Best Practice Recommendations

This report focuses on reporting criteria and the collection format. Through the information gathering phase a number of distributor and manufacturer reports were reviewed and input was solicited from many. During the process a number of "best practices" were suggested. NEMRA encourages manufacturers and manufacturer representatives to consider these best practices whenever possible:

Information Gathering from Distributors.

- Manufacturers and distributors should execute a confidentiality agreement that covers point of sales / point of transfer information and identifies the usages of the information and where, if anywhere, and what, if anything, can be transmitted to other parties.
- All information from distributors should be at a transactional level, not an aggregated level. This allows for information to be specifically tracked and appropriately compensated as manufacturers may compensate agents by product groups / categories differently and may "bonus" them during specific time frames. Coupled with end-user zip code information, this enables manufacturers to audit ship / debit activity to compensate appropriately.
- Some manufacturers asked how "lot orders" should be managed from a POS administrative viewpoint. The Task Force recommends that manufacturers handle this through their direct ship process and compensate accordingly.
- Distributors are encouraged to provide manufacturers with the manufacturer's part number information in the format that the manufacturer provides them the information in their product / price files, hence without any appended pre-fixes. If hyphens / other characters are included in the manufacturer part number and can be accommodated in the distributor ERP system, they should be included. Whenever feasible, a UPC number should be used as a cross reference to facilitate manufacturer research to identify a product.
- Manufacturers inquired about a recommendation for handling bulk packaging, specifically as a unit of measure. The Task Force recommends that, depending upon the manufacturer, either the UPC account for the bulk unit of measure as a unit of

one or that this be handled on a one-on-one basis between the manufacturer and the distributor as distributors handle this differently based upon their internal systems.

- Some manufacturers, during the open comment period, inquired about distributors providing their invoice number (from the manufacturer). Based upon feedback, it is extremely difficult, and many times impossible, for a distributor to correlate their sales to specific supplier invoices. This level of request is left to manufacturers interacting individually with their distributor(s) to request the information or, if necessary, conducting audits if necessary.
- Manufacturers who desire additional information from a distributor / their distributors should engage directly with their distributors regarding this additional information (i.e. customer level information (name, SIC/NAICS, etc), customer industry (SIC or some segmentation level), division sold through (i.e. datacom, utility, telco, etc). This information should be recorded in columns 16 and further. As appropriate, the information should be shared with the manufacturer representative to support sales efforts, however, in accordance with agreed upon guidelines with the distributor.

<u>POS / POT Issues Between Manufacturers and Manufacturer Representative Agencies</u>

- Manufacturer representatives and manufacturers should annually, during their planning process, review which distributors in the territory should be providing POS / POT information. Jointly they should identify which party will engage with a distributor on the need to submit, if appropriate.
- Manufacturers should provide as much transparency in reporting information to manufacturer representatives while adhering to distributor confidentiality commitments. This is most critical at the product purchase level. NEMRA will be releasing recommendations on reporting from manufacturers to manufacturer agencies.
- When there may be a need for a deduct / claim back of commission, the manufacturer should provide line-item detail identifying any issues.
- Reports and commissions should be provided to manufacturer representatives 30 days after submittal by the distributor / on an agreed upon schedule. If a delay is expected to last more than 30 days, for an extended time period, the manufacturer should compensate the manufacturer representative based upon the preceding 12-month commission run rate. This is suggested in recognition that manufacturer representatives have made financial personnel commitments to support the manufacturer.
- All reporting to manufacturer representatives should be via Excel.
- Manufacturers should seek to synchronize, and integrate as possible, their sales / commission reporting and their POS / POT reporting to streamline manufacturer representative administrative reconciliation and facilitate more accurate territory reviews.
- Manufacturers should consider development of summary reports, by product category / family, to support territory and distributors specific market planning and discussions. This would include an aggregation of POT information into appropriate distributor reports.
- Some manufacturers, reportedly, do not provide their manufacturer representatives with POS / POT information because "their system / ERP system cannot do." In these

instances, NEMRA encourages the manufacturer to seek outsource industry providers. NEMRA can provide the names of three potential providers.

- Manufacturers should ensure that they are compensating manufacturer representatives for direct shipments as well as stock and flow business. A number of manufacturer representatives shared instances where a manufacturer, inadvertently, reports stock sales but not direct shipments and hence the manufacturer representative is not compensated.
- Manufacturer representatives should encourage distributors to provide them with what the distributor provides to the manufacturer (less any customer fields if so desired by the distributor) so that the manufacturer representative can compare what they are compensated on (manufacturer vs distributor report). Differences should be discussed between the manufacturer and the manufacturer representative. Once the manufacturer representative is comfortable with POS / POT accuracy, then the process can be discontinued or a periodic / annual audit process can be established.
- Manufacturer representatives and manufacturers should clarify if the manufacturer representative should be compensated for private label / no label sales in their territory and to specific distributors. This should also be considered for POS / POT reporting as private label products may be shipped into / out of the territory via a Central / Regional Distribution Center.
- Manufacturer representatives should periodically conduct audits of their manufacturers to ensure accuracy, that processes have not changed and that all applicable distributors / distributor locations are providing the appropriate information.
- Manufacturers should combine direct shipment and POS reporting into one report.
- Manufacturers should provide, or offer, roll-up monthly and YTD POS reports, segmented by product category to their manufacturer representatives for performance review and planning purposes.
- Manufacturers who have Manufacturer Representative Advisory Councils should solicit input regarding POS / POT reporting at these meetings. Regional / National sales management should solicit input, at least annually, when speaking with manufacturer representative principals.

Rep / Manufacturer Agreement Suggestion

Few manufacturer / manufacturer representative agreements include verbiage relating to a manufacturer's responsibility to compensate a manufacturer representative on sales that occur outside the manufacturer representative's territory but are shipped into their territory. The current, industry accepted, practice is based upon a sense of fairness, however, this can be subject to the specific manufacturer's decision.

While many manufacturers and manufacturer representatives have "understandings" for compensation allocation and some manufacturers include this in their manufacturer / manufacturer representative agreements, NEMRA recommends that point of sale / point of transfer compensation and reporting responsibilities be clearly noted in the representation agreement.

To provide some guidance on this issue, NEMRA has updated its "G*uidelines for Negotiating Agreements Between Sales Representatives and Manufacturers*." Manufacturers, and manufacturer representatives, should contact NEMRA at www.nemra.org to obtain a copy.

Given the emergence of alternative / expanded channels which may include ecommerce from existing electrical distribution, electrical online distributors, online aggregators (i.e. Amazon), companies expanding their product offerings into the electrical space (Grainger, Fastenal, Anixter, electronic distributors and other types of distributors where electrical is not their primary focus but where electrical manufacturer representatives have sales / service responsibility), and more, NEMRA encourages manufacturers and manufacturer reps to discuss the manufacturer representative's role in representing / supporting these channels and the appropriate compensation process for engaging and supporting the manufacturer efforts, especially, since in many of these instances the material is sent into the territory via a centralized, or regional, delivery system.

Getting Started

1. The first step for manufacturers is endorsing, and adopting, the data collection and reporting standards and efforts should be undertaken by distributors and manufacturers to initiate change.
2. Parallel to endorsement, distributors should seek to align their formatting to these standards and provide manufacturers 90 days' advance notice of their change in formatting.
3. Manufacturers, at their earliest convenience, are encouraged to adopt these standards in their reporting to their manufacturer representatives. Any fields that they desire to additionally include should be listed to the right of the standardized fields.

Next Steps

While gathering point of sale / point of transfer information can be important to manufacturers from an informational viewpoint to support forecasting and marketing efforts, for manufacturer representatives this is first and foremost a compensation and "fairness" issue. From a fairness viewpoint, and research supports this, practically all feel that manufacturer representatives should be compensated for their efforts.

Distributors benefit from this as they receive better support from local manufacturer representatives when the representatives know that they will be compensated for their efforts on behalf of that distributor and manufacturer.

The goal of the POS / POT Task Force is to help improve the process to ensure that NEMRA members are compensated and can efficiently administer the process.

This first step of reiterating standards and reporting formats has been focused on non-commodity products. NEMRA is seeking manufacturer endorsement and adoption, will communicate and work with the national chains and will promote these standards.

The next phase will focus on commodity products, as previously defined in this report.

NEMRA will meet with manufacturers and distributors to gain support and adoption and will share endorsements via www.nemra.og and press releases as appropriate.

Future activities may recommend reporting enhancements, sharing of best practices and more.

NEMRA thanks the members of the POS / POT Task Force and looks forward to all of its affiliated manufacturer members adopting these standards.

If you have any recommendations or suggestions to improve these standards, please contact David Gordon, NEMRA POS / POT Task Force Facilitator and President of Channel Marketing Group, dgordon@channelmkt.com, or Ken Hooper, NEMRA, khooper@nemra.org.