

The Curator: how to thrive as a middleman

Being a middleman (or woman) has become risky business.

When was the last time you used a travel agent? Agencies have largely become irrelevant given the rise of online travel booking companies.

How about a record/CD store? iTunes and online music subscription services have gotten rid of the middleman between you and your music.

Think back to the last time you rented a movie – did you get in your car to visit the local movie rental store?

Travel agents, record/CD stores and movie rental businesses have all fallen victim to the curse of the middleman. When all you do is move other people's product, the only value you have is your location. But in a world where content can be streamed and containers can be shipped overnight, being the local guy or gal is becoming irrelevant. Even if you have a protected geographic territory, near perfect pricing information available to your customers through the Internet will eventually grind down your margins.

Dragging down your value

Not only do you risk losing sales and margin to online competitors; being a middleman drags down the value of your company.

We have access to a tool that measures your business along eight dimensions that drive the value of your business. One factor is called The Switzerland Structure, which measures your reliance on any one customer, employee or supplier.

If you're reliant on a *single* supplier who provides the goods you resell, you could be in trouble. Having *one or two* suppliers means you could be at risk of an industry change (like the one that hit record stores a few years ago) or at risk of your supplier choosing to build his own sales force and start competing directly with you.

Henry Schein: a valuable middleman

If you're a middleman, the solution is to rethink the value you provide your customers. Instead of assuming it is your location that counts, consider yourself a curator of great products for your customers. Your job is no longer to be the local guy or gal but to be the person who sifts through all the noise, tests and evaluates what's available, and supplies just the very best for customers who value – and are willing to pay for – your services as a curator.

Take, for example, the case of Henry Schein, Inc., a FORTUNE 500 company and a member of the NASDAQ 100 Index. Henry Schein is the world's largest provider of

health care products and services to medical, dental, and veterinary office-based practitioners. The company is one of Fortune Magazine's "World's Most Admired Companies" and all it does is hawk other people's stuff.

The difference is that they see their job as sifting through all of the suppliers who want to provide products to dentists (or doctors, vets, etc.) and picking only the very best to recommend to their clients. They are the uber gatekeepers.

Dentists would prefer to spend their time billing patients rather than meeting with suppliers, so they value the role Henry Schein plays in helping them minimize the number of sales people they need to see.

Dentists' loyalty to Henry Schein means that if a supplier wants to sell to dentists, they need to go through Henry Schein. The balance of power has been turned on its head because customers would prefer to buy from Henry Schein rather than directly from the end supplier. And that's the acid test of any middleman: given the choice, would your customers rather buy from *you* or go direct?

If you're curious to see how your business would perform on The Switzerland Structure and the other seven drivers of the *value* of your company, take The Value Builder Score here: