

DISTRIBUTOR PROFILE

KINETIC MODELS BUILDS A GLOBAL DISTRIBUTION NETWORK

Gary Wollenhaupt

Hong Kong-based Kinetic Models is establishing North American warehouses as part of its global network of distribution hubs.

Director Raymond Chung said the arrangement provides distributors and retailers with a more predictable supply of model kits and accessories for both new releases and the company's deep back catalog.

The warehouses in Topeka, Kan. and Vancouver, British Columbia, import models and other products from Kinetic and other manufacturers in Asia and Europe. The warehouses aren't competing with established distributors. Instead, it's a brand-owned distribution arm that is a direct subsidiary of Kinetic Models. The goal is to provide manufacturer support and services to dealers and wholesalers in North America.

The warehouses fulfill the role of importer to support the existing supply chain with more consistent and larger shipments of models to help retailers fill their shelves, Chung said.

The U.S. warehouse is centrally located in Kansas, where it can serve all states more cost-effectively than a facility on either coast. It was fully operational in February 2021, only seven months after opening.

With more stock in the country, Kinetic has increased sales turnover about six times over previous distribution models. Distributors and retailers have access to more stock that can be replenished quickly.

With the number of brands from China exploding, it's impossible for importers to stock up on every item. When a new kit is announced, importers ask distributors and retailers to pre-order, but that may cover only part of the consumer demand. The importer will never carry enough goods to fulfill the market. The distributors won't have inventory to restock popular kits, and the retailers would lose sales.

"A store owner may order three pieces of



a new kit, but that doesn't mean they can sell only three pieces, but that's how much capital resources they can commit at one time," Chung said. "A dealer may be able to sell 30 pieces in a year, but they only pre-order three pieces."

Kinetic wanted to get out of the traditional pre-order model

to ensure distributors and dealers could restock kits.

"In the past 10 years, we've seen a lot of lost sales in the U.S. because of the restocking cycle," Chung said.

Kinetic has adopted a new model, similar to Tamiya USA's role, to serve as a manufacturer-directed stocking service to replace the original importer slot in the distribution chain. As a direct subsidiary of the manufacturer, the investment to fully stock inventory is different than an independent importer.

The multi-level distribution system is still in place, but the difference is that Kinetic is bearing the risk of importing inventory, including their entire line up, not just the latest hot products.

For example, Kinetic could import 1,000 pieces of its new 1/48-scale F-104C Starfighter model, where pre-orders may only call for 200 to 300 pieces under a traditional system.

"Whatever we have in stock, we have the chance to sell, especially when shipping costs are crazy high," Chung said.

In addition to distribution, Kinetic is taking on the responsibility for marketing services for the brand as part of its investment in the U.S. market. Dealers can order through distributors or directly through the Kinetic website. It's also working with strategic partners that don't have a U.S. importer to manage their inventory, Chung said.

The Canadian warehouse was expected to open in November, and a warehouse in Brazil should open in the first quarter of 2022. The Kansas warehouse has proven so successful it will be moving to a larger location soon.

"These locations are part of our global operational deployment," Chung said. **HM**



Kinetics Models imports a wide range of aviation, armor and automotive kits through its North American distribution operations.

