

customer
customer



needs

EPICOR.
IndustrialSupply
ContractorSupply

WEBINAR

HOW DISTRIBUTORS ARE ADAPTING TO CHANGING BUYER DEMANDS

EPICOR | INDUSTRIAL SUPPLY MAGAZINE | CONTRACTOR SUPPLY MAGAZINE



David Gordon,
Channel Marketing
Group



Rich Vurva
Industrial Supply
magazine



Today's Presenter



- ▶ President, Channel Marketing Group
 - Started 18 years
 - Prior
 - SourceAlliance.com
 - IMARK
 - Performance marketing industry
 - Exposure to 60+ Industries
- ▶ Work with distributors & manufacturers in construction & industrial trades
 - 100+ clients
- ▶ Publish ElectricalTrends blog
- ▶ Focused on helping companies accelerate growth

- ▶ How Distributors Are Adapting to Changing Buyer Demands?
 1. What's Driving Your Customers ... What Are They Thinking?
 2. Examples of Adapting to Change
 3. Process for Continuously Adapting

What's Driving Change?

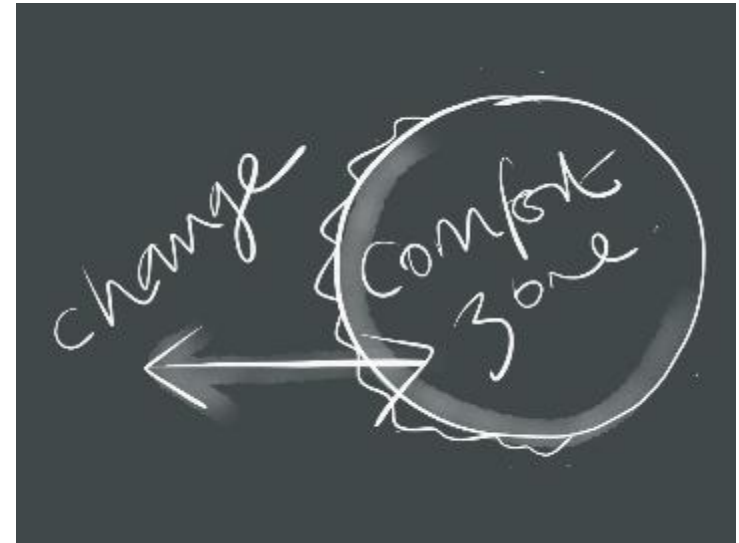
- ▶ Macro-Economic Issues
 - ▶ Societal / Customer Expectation Issues
 - ▶ Customer Specific Issues
-
- ▶ Consider
 - What is Keeping Your Customer Up at Night?



- ▶ “Muddled” Outlook ...
Media Driven
- ▶ Construction & Industrial
Markets are Mature
- ▶ Local Market is Key
- ▶ Move to Urban Centers
- ▶ Labor Availability
- ▶ Business Consolidation
- ▶ Freight / Trucking
- ▶ Digital World
- ▶ Tariffs?

Societal & Customer Expectation Issues

- ▶ Identified preference for self-service, immediacy of response
 - Omni-Channel
- ▶ Desire to be informed before buying (or even asking!)
- ▶ Amazon creates cultural customer expectations
- ▶ Millennial mentality



Customer Specific Issues

- ▶ Need for growth / performance
- ▶ MBOs
- ▶ Labor Issues / Productivity
- ▶ Increasing COGS
- ▶ IIoT & Cyber Security
- ▶ Jobsite Scrap
- ▶ Expect more value added services
... off-sourcing / out-sourcing work
- ▶ Supplier commoditization & options
- ▶ Perception large distributors have lower COGS



“Damn” Distribution Challenges

- ▶ “Damn” Customers!
 - Increased customer service expectations
 - More informed customers
 - Transparency, perception of “little difference” ... commodity mentality
- ▶ “Damn” Competitors
 - Additional channels
 - Consolidation
- ▶ “Damn” People
 - Staffing skills
 - Millennials don’t “know the business” and haven’t “spent the time”
 - Role succession / training ease of access to market
 - Aging leading to exit plans
- ▶ It Costs More
 - Operating costs ... labor, healthcare, taxes, fuel / delivery costs, etc...
 - Investing in Technology, Infrastructure, People

**DAMN
BUSINESS!**

A Changing Market

- ▶ Competitive offerings, Channel Fragmentation / Conflict
 - Motion Industries, Ferguson, Berkshire eSupply, Fastenal, Home Depot, Grainger
 - Aside from “standard” eCommerce concerns
 - Ask senior management from your manufacturers how many channels do they sell through

Impact on Distributors

- ▶ S**t has happened and is happening.
 - Challenged in finding “qualified” people
 - Technology investments
 - Increased Competition & Consolidation
 - Corporate financials are threatened as outside forces / uncontrollable forces erode gross and net margin.
- ▶ The **Affect**
 - Reduced Margins, Retention is Threatened, Market Share is The Game, Net Profit Needs to Be Preserved, Consolidation Will Happen, Diversification Creates Unknown Competitors
- ▶ **Change** is everyone’s mandate
 - Similar to everyone is a salesperson ... to either someone within the company or a contributor to serving the customer.
- ▶ How you deal with it will determine the longer-term success of your company ... and you.
 - *How can you help your company be better?*

Examples of Adapting

Responding to Change

- ▶ What some distributors are doing
 - Material management (wire, reels, storage units)
 - Kitting
 - Pre-fab
 - Account-specific catalogs
 - Direct connection to estimating systems
 - Storeroom management
 - Service truck replenishment
 - Improving processes and systems for productivity, profitability and customer experience
 - Utilize warehouse best practices to reduce bottlenecks, lower inventory carrying costs, etc.

Examples of “Delivering” For the Customer

- ▶ “Servicing the ‘professional’ customer requires speed, expertise and a local presence”
 - Watsco
 - More efficient online customer ordering
 - Mobile customer activity increasing
 - 24 hour business ... 25% of eComm 5PM – 6AM
 - Pool Corp
 - 12-13% sales via mobile app
 - Biggest reason customers do business ... depth & breadth of chemicals and advice
 - MSC (feedback from a medical mfg)
 - Saving customers on tooling costs
 - High service levels
 - Vending machines
 - Annual optimization reports ... customer contact’s MBOs
 - “Save customer money, competitive pricing & free shipping”

Grainger & Fastenal

- ▶ **Grainger** (Feedback from a university)
 - Keepstock program
 - Multiple delivery locations
 - On-site product / safety training
 - Amazon not always lower and can't deliver to delivery zones
 - Provides "delivered price", Amazon doesn't
- ▶ **Fastenal** (Feedback from medical OEM)
 - Works with engineers with delivery to work stations
 - Vending solution / bin stocking / offer on-site storeroom
 - Knows customer business / procurement system
 - Commitment to "cost downs" annually
 - Customer focused on TCO & is consolidating vendors
 - Manages MRO so customer purchasing focuses on A & B items
 - "Eyes on the Factory Floor" business model

Diversification, Penetration, Share of Spend, \$ / Invoice & Delivery

The screenshot shows the French Gerleman website interface. At the top, there is a navigation bar with links for Home, About Us, Careers, Locations, Events & Training, Credit, and Order Pad, along with a shopping cart icon labeled 'CART (0)'. The main content area features a large product image of a Simple Green Industrial Cleaner spray bottle, which is highlighted by a blue rectangular box. Below the image, the product name 'SIMPLE GREEN®' and the part number '2710001213012' are displayed. To the left of the product image, there is a red banner with white text that reads 'REGISTRATION FOR THE EXHIBIT IS OPEN'. To the right, another red banner indicates an event on 'Friday, April 24, 2018' from '9 AM - 5 PM'. Below the main product image, there is a row of five smaller product thumbnails: Acuity Brands IBG 12L MVOLT, Emerson Electric E2H15, Hoffman Pentair AT6624, Panduit VS-AVT-C08-L10, and another Simple Green product. The Simple Green product thumbnail also has a blue arrow pointing to it from the main product image's box.

Electrical Service

- ▶ Not Paying for CD's Till Sold



- ▶ Continuous Improvement Process for Customers
- ▶ Improving Customer Productivity
 - Removing Garbage and ReelEZ Wiring Solutions

The role of the distribution is changing, but where does this leave suppliers?



The **creation of reference designs and development kits** for electronic devices has normally been a job for the manufacturer. Today, some distributors are dipping their toes into the 'supplier' role. The question is; why?

"Suppliers normally use as many of their own **parts** as they can **in their boards**," Amir Sherman, director of engineering solutions and embedded technology, Arrow, said. "But **different supplier parts have different qualities. We need to be unprejudiced.** If we aren't, our customers will question why we didn't use the best products available."

Sherman said this service has been well received. "They see **Arrow as offering a board that uses a range of best products, rather than a board developed using a single supplier from parts it had on the shelf.**"

"Arrow is no longer just a distributor; it is also a technology provider."

"The days of distributors simply moving boxes is over."

Engaging Customers

- ▶ Collaborative, project management workspace (i.e. using MS Sharepoint)
- ▶ Key customer scorecard highlighting engagement, responsiveness, TCOs, opportunities
 - # free deliveries, # calls, # orders, # line items, # quotes, close ratio, training provided, etc
- ▶ Marketing enablement and joint customer / co-branded marketing and demand generation material
- ▶ Contractor / dealer co-op marketing programs

The screenshot shows the PEIRCE PHELPS website with a navigation menu including PRODUCTS, COMPANY, SERVICES, TRAINING & EVENTS, RESOURCES, and CONTACT US. The main content area is titled "CO-OP ADVERTISING" and features a grid of marketing options: Television, Radio, Print, Radius Direct Mailing, Billboards, Truck Wraps, Promotion Items, and Product Line Card. Below this is a section for "Internet Marketing" with sub-sections for Website Development, SEO Development, and Social Media. A search bar and contact information are visible at the top right.

*Help your customer grow their business
for your products*

Why Adapt to Change

- A. To Retain**
or
B. To Grow

Secure Your Base

▶ Operations

Inventory Management

= Cash

= Customer Satisfaction

Process Management

= Increased Throughput

= Customer Satisfaction

Technology Audit

= Process Improvement

= Analytics to Drive Insight

Price Management

= Improved Net Profits

- ▶ Order placement flow chart, order entry processes, price matrixes, min/max points, warehouse layout, wireless warehouse, automation, material movement equipment, etc.

*"It's not what
technology can do,
it's what you can do
with technology."*



Current Microsoft ad

What do you own but don't use?

Treasure What You Have

- ▶ Comfort Selling
- ▶ Penetration
- ▶ Mine the Middle
 - Sales Motivation
 - Resources
 - Marketing = Augment Sales Organization
- ▶ Dig for Diamonds ... or Even Silver
- ▶ The Lost Art of Sales ... New Accounts!



Diversify Revenue Streams



- ▶ Geographic
- ▶ New Products / Offerings
- ▶ Fee for Services

Services

- ▶ 3 Types
 - Expected
 - What you've been doing (and sometimes others don't)
 - Value-Added
 - Variably Charged
 - Assign Cost & Fee
 - What is value of "free"?
 - Chargeability based upon customer value
 - Fee-based
 - Service = product ... defined SKU
 - Chargeable for value / time
 - Can lead to product sales

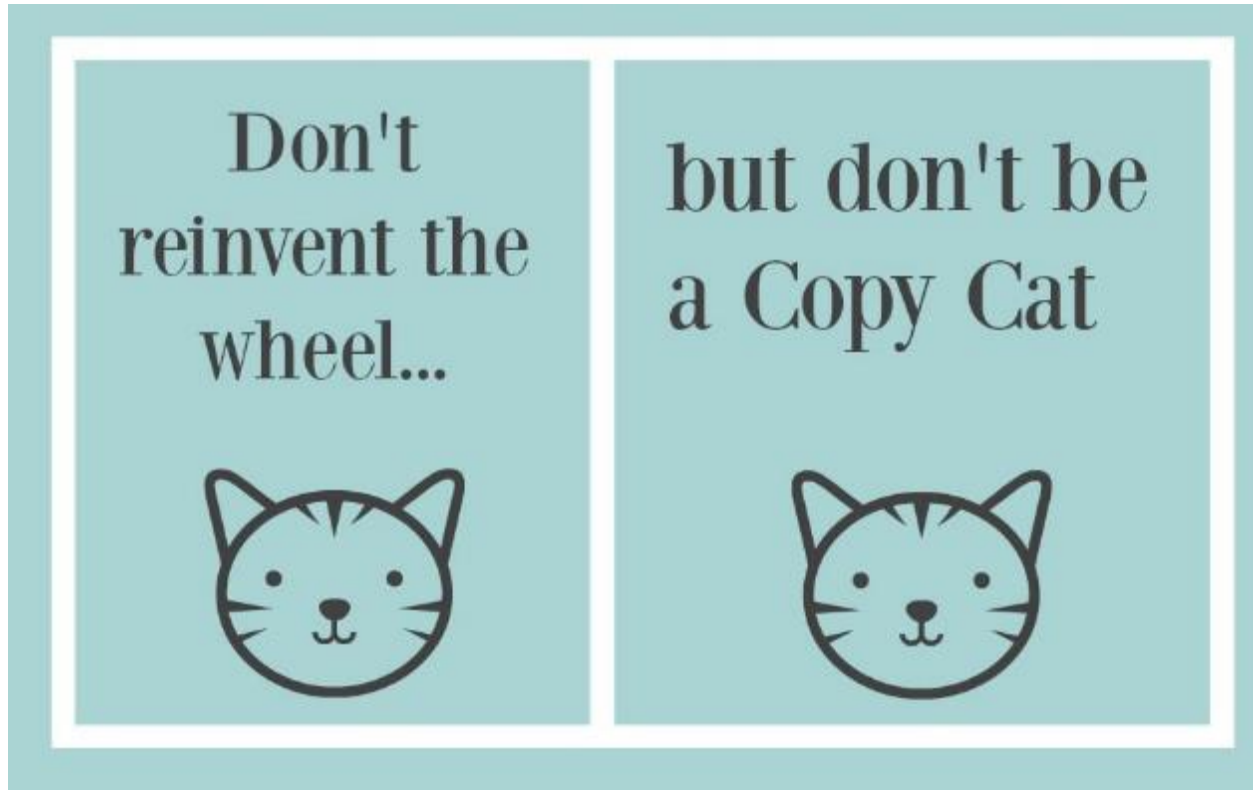
Know Your Niche / Your Customer Profile

- ▶ Compete with All
- ▶ What are you really good at?
- ▶ Can you be all to all?
- ▶ “Talk” to your customers**S**

FOCUS

You and Your Customer on You

ADAPT / EVOLUTIONARY INNOVATION



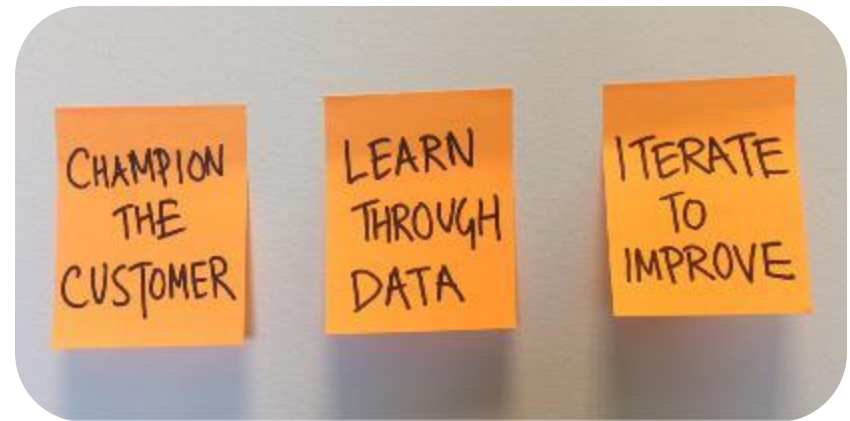
Enhance

Do You Have Satisfied Customers?

Amazon did not kill Toys "R" Us. **Bad customer experience did.** Uber is not putting Taxi's out of business. **Bad customer experiences is.** We live our lives saying **that if it ain't broke, don't fix it.** Well then, why are we blaming others when they are fixing what's wrong and creating better customer experiences. How does this apply to your business model?

Michael Gomes
ClearHealth Partners
Via LinkedIn

- ▶ Identify Trends
- ▶ Act
- ▶ Iterate



Who is your customer champion?



Where Are You?

5 Step Process

- ▶ Research
- ▶ Emulation
- ▶ Value Proposition
- ▶ Marketing
- ▶ Optimize Existing / Under Utilized Investments



Research

1. “Talk” to customers, observe trends / activities
 - Don’t restrict input to top customers
2. Network
 - Gain insights from other industries
 - Ask “what if”
 - Test ideas
 - Show “Their Voice Matters to You”
3. Involve Your Staff
 - Ask your staff to capture customer input

how you can improve internally!



Emulation

- ▶ “Borrowing” is the quickest way to parity
 - Make sure you can deliver
 - Don’t need “bleeding edge”
- ▶ Reverse engineer and be “leading edge” or
- ▶ Improve
 - Listen and learn



Value Proposition

- ▶ Why you?
 - Why buy from you?
 - Is it understood, measurable, differentiable?
- ▶ Great for you to know.
 - How much does sales retain? Communicate? When?
- ▶ Market your value proposition
 - requires strategy
 - integrated communication strategy
 - Repetition & consistency
 - Experiential messaging



Marketing

- ▶ Use technology as a “reminder”
 - Marry messaging and data
- ▶ Be creative / unconventional to break-through.
 - Be know for being different ... and own it.
- ▶ Informative
- ▶ Promotional
- ▶ Training = Marketing
- ▶ Internal Marketing



Optimizing Existing / Under Utilized Investments

- ▶ ERP Tools for Customers
 - Remote inventory management (customer VMI)?
 - Customer Reporting Services using Analysis tools
 - Product Life Cycle Management for Auto-Replacement / Product Maintenance
 - Advanced Delivery Notification vs Email / Text / Auto-Call
 - EDI with customer ... Direct Connect with their System
- ▶ Sales Resourcing
- ▶ eCommerce
- ▶ eMarketing



Driving Internal Innovation

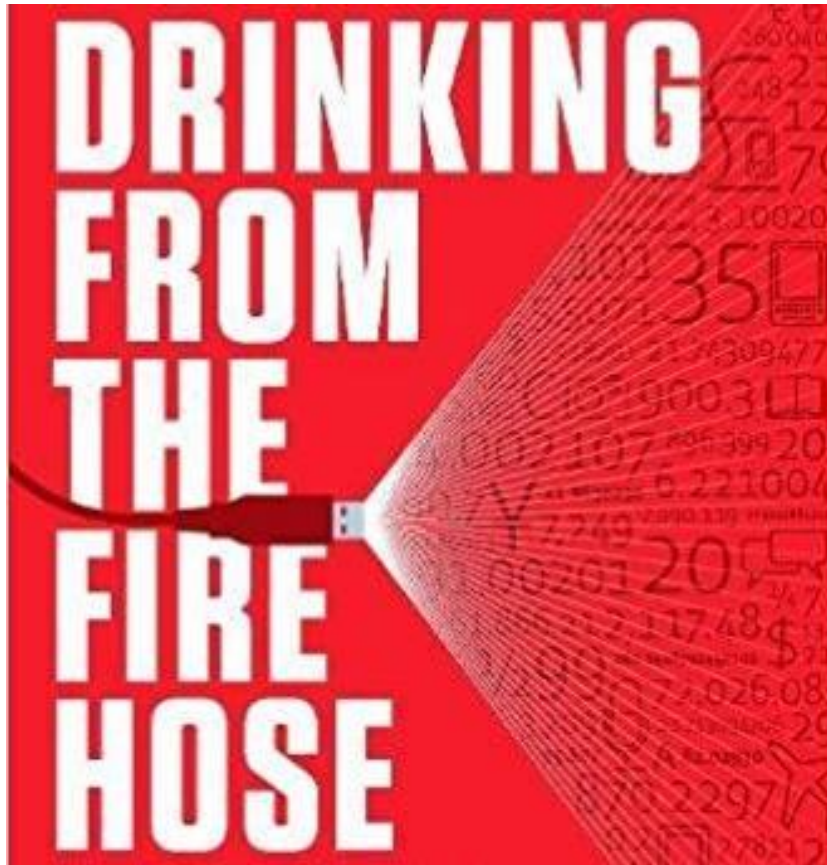
- ▶ Iteration
 - Key is speed.
 - **See. Launch. Educate. Learn. Improve. Re-Launch. Identify Next Area.**
 - Need to have a plan to think 2 steps ahead ... vision ...
- ▶ Disruption
 - The big idea ... revolutionary ... for today until someone copies
 - The objective is making money, so be cautious of Blue Sky ideas. Blue Ocean is okay.

Not Changing is a Decision to Go Backwards ... need CIP (Continuous Improvement Process) ... evolution of culture

"Every morning in Africa, a gazelle wakes up. It knows it must outrun the fastest lion or it will be killed. Every morning in Africa, a lion wakes up. It knows it must run faster than the slowest gazelle, or it will starve. It doesn't matter whether you're a lion or gazelle - when the sun comes up, you'd better be running."



Be **THE** Gazelle



THANK YOU

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