

AHTD Business Survey Article for July 17, 2020

By Frank Hurtte | River Heights Consulting



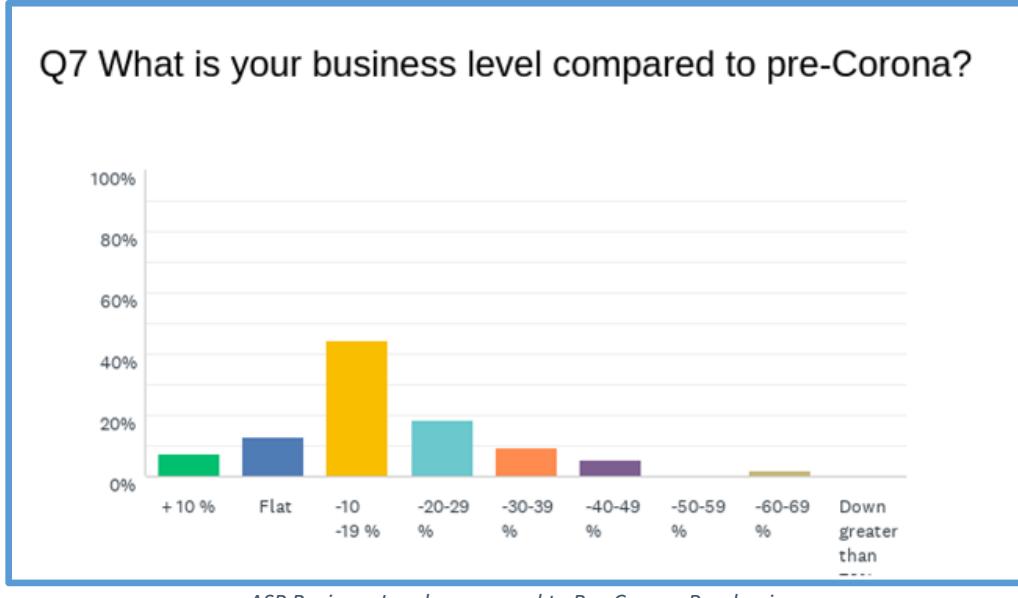
The small towns of Iowa host country fairs. One of the time-honored traditions of these gatherings is the Greased Pig Contest. Kids are turned loose in an enclosure full of 100-pound pigs each of which is covered with greasy mud. The main idea is to grab a pig and carry it past the finish line. In my life, I have both participated in and observed many greased pig adventures. Strangely, our industry's recovery, at least metaphorically, resembles one of these porcine-rich experiences. Let me explain.

Just a month ago, optimism was in the air, but the optimism was "greasy" and tough to hold onto. Two weeks ago, I noted the continuing news blasts chronicling emerging outbreaks. As I write this, several states have announced plans to reclose business. That's the bad news. The good news is our sellers are learning how to better maneuver through the environment. The recovery pig is slippery, but we are gathering a new grip and still making progress.

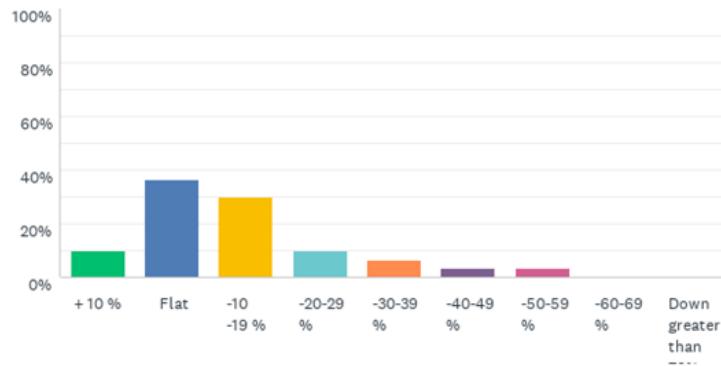
What does business look like?

The data (which was gathered last week) indicates our industry is still making slow progress. Most distributors and suppliers are running above 19 percent down. While this is not a call for celebration, it is something most will find their way through. Quoting another well-known consultant to the electrical industry, "Down 15-20 percent is better than many expected, better than other industries and healthy distributors will survive. Let's celebrate survival."

Here are the charts indicating current trends:



Q7 What is your business level compared to pre-Corona?



Supplier Business Levels compared to Pre-Coronavirus Pandemic

For those who prefer to look at the raw data, here are the numbers:

What is your business level compared to pre-Corona?					
Business Levels	ASP		Supplier		
	Survey Date	8-Jun	6-Jul	8-Jun	6-Jul
Up 10% or more		9.6	7.4	10	10
About the same		13.5	13	26.7	36.7
Down 10-19%		30.8	44.4	16.7	30
Down 20-29%		21.2	18.5	3.3	10
Down 30-39%		17.3	9.3	6.7	6.7
Down 40-49%		7.7	5.5	0	3.3
Down 50-59%		0	0	0	3.3
Down 60-69%		0	1.9	0	0
Down greater than 70%		0	0		0

Data shown in Percentages

How normal are sales activities?

For distributors, it's all about the customer. In the last survey, we asked just how receptive your customers are toward "in-person" sales visits. The answer indicates most are not yet ready to extend their normal level of hospitality. Here are the numbers:

How receptive are customers to in-person calls?	
Answers	Responses
Most are not yet receptive	57%
Open and receptive	4%
It depends on the customer	39%

Follow-up calls to AHTD members indicate the "It depends" portion revolved around a couple of points. First, the size and structure of the company and whether the customer had an urgent need to see the salesperson. Let's hit these separately.

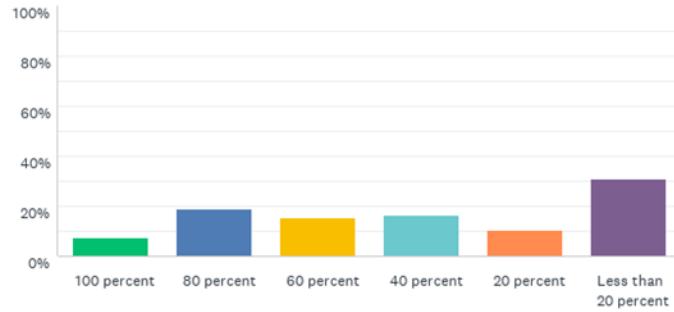
Many AHTD folks tell us larger corporations are harder to see via normal in-person sales visits. Quoting one member, ***"Most of our large OEM's and Medium to Large Customers have very stringent PPE and***

social distancing requirements and are restricting all visitors to essential only. Another pointed out the difference on a state-by-state basis with this comment: ***“Most non-essential visits are not allowed with our Illinois based customers. Wisconsin is less restrictive. We have had many customers meetings at our facility.”*** Still another ASP made this observation: ***“It seems like the bigger the customer, the harder it is to get in. Unless the issue is critical, and they need you. Then they are begging you to come in and help them resolve their issue – pronto.”***

The essential visit point aligns with our observations. Our ongoing research with salespeople indicates a long term and slowly growing trend which could best be summarized this way: ***Customers only want to see when they want to see you. If they want your expertise, they want it immediately.*** Economic storms serve as accelerators of such trends. I believe this behavior will be one of the long-lasting hangovers of the current pandemic and will persist long after COVID-cures are in place.

We asked the group to further evaluate our current situation against the months before the Corona-crap. We asked what percentage of your salespeople's time is being spent in "normal" activities. The answers were scattered with approximately 30 percent of the respondents indicating they were operating at 80 percent or better. However, an equally large number pointed to sales activities being less than 20 percent of the pre-corona level. Clearly no real trend, yet.

Q8 What percentage of your outside salespeople's activities are tied to pre-COVID type in-person customer visits?



Drilling into this a bit, we also looked at both the quantity and quality of Joint Calls between ASPs and their Supply Partners. Most would agree, joint calls (done properly) are an important tool for driving business growth. Defining the "done properly" point is important. Quality joint calls:

- Cement the relationship between ASPs and their Supply Partners.
- Block competitors from accounts where dual distribution is an issue.
- Present an opportunity to establish target accounts, share information, and discuss sales leads.
- Serve as a vehicle for training ASP sellers on the best way to demonstrate products.
- Act as a tool for introducing new products to key customer segments.
- Provide for enhanced supplier visibility into account behavior.
- Allow for on-the-spot negotiation of larger deals.

Joint calls are expensive for distributor and supplier alike. Travel costs play a major role in most manufacturer sales team's budgets. For the distributor, salespeople often find themselves distracted because a day spent with the manufacturer takes them away from other product lines and limits the time available for handling urgent customer calls.

Clearly, joint calls are not being conducted with the same regularity as in the past. Despite the other activities conducted via phone and Zoom types of meetings, this lack of regular joint call activity may impact growth in the future. The chart below shows only 6 percent are making the “normal” number of joint calls, with 48 percent of those surveyed indicating they are making a few calls but certainly fewer than before.

Are you making joint calls with sales partners?	
Answers	Responses
No Joint Calls	46%
A few Joint Calls	48%
Yes, making Joint Calls	6%

Calls to supply partners explain some of this phenomenon. Many manufacturers hesitate to expose their sales team to air travel and the perceived dangers presented. Based on the current situation, I see this continuing at least through the end of summer.

What about the quality of the joint calls being made? Those who were making joint calls were asked how today's calls compared to the quality of calls made back in the good old days (when catching a virus meant taking a few Alka-Seltzer Plus on the way to work). Sadly, the majority of those responding indicate a major drop in quality. Quite frankly, I don't know how to interpret this. Instead, allow me to rail for more pre-call communications to set goals, expectations, and post-call follow-up planning.

How would you rate the quality of joint calls compared to pre-COVID Status?	
Answers	Responses
100 percent	0%
80 percent	12%
60 percent	10%
40 percent	12%
20 percent	14%
Less than 20 percent	52%

Because the number of joint call activities is greatly diminished, I feel the need to improve the activities which remain. Based on countless conversations on both sides of the ASP/Supplier relationship, here are six questions to consider:

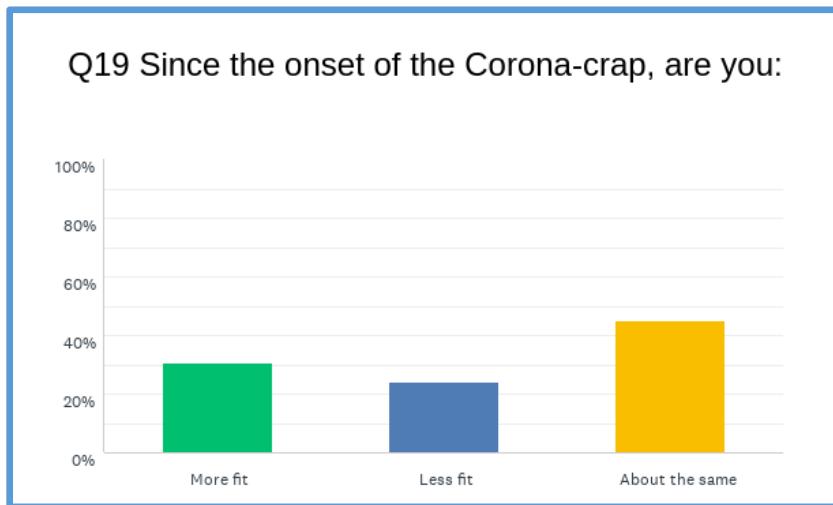
1. What is the purpose and goal of the call? Whether to introduce a new product, troubleshoot an existing product, negotiate a deal, or anything between should be discussed so both sides are prepared.
2. What company and what person/persons will be called on? It sounds obvious but walking into a customer without understanding whether you are talking to the company president or the janitor can be embarrassing and lead to poor results.
3. How will the logistics of the call be arranged? This means setting appointments and arranging for any ancillary support required. Nothing is viewed more dimly than arriving at the customer location only to discover, the customer wasn't expecting your visit.
4. Have you established and discussed a script for the sales call? Distributors often relate stories of supplier salespeople who try to sell everything in their catalog rather than the product identified ahead of time. At the same time, manufacturers tell tales of walking in on a product call and being put on the spot regarding a price negotiation for which they were not prepared.

5. Which seller is responsible for demos, literature, and other materials to be used? I thought you had the demo, mine is on loan to a customer. OK, we'll tap dance. Simple stuff can ruin a call.
6. Who will handle the various follow-ups after the call? Every call has a few follow-up activities. Without an agreed-upon follow-up list, important stuff falls through the cracks and both sellers lose standing with the customer. Sometimes they lose the sale, too.

Restating from earlier, joint calls are expensive and time-consuming. We must do them well.

Ending on a personal note

Just for fun, I asked the group a couple of personal questions. First, I asked about personal fitness. Based on the chart below, AHTD members are 30+ percent more fit. I can't help but notice the coincidence between current fitness and Miller Light beer which is advertised as 30 percent less filling. For the group who joined me in the "less fit" category, we still have time to whip things into shape before AHTD's next meeting.



Finally, and ending our short time together

We gathered a great deal of information covering the inside sales teams of AHTD members in the last survey. This data along with some contrasts to other distributors will appear in a week when we introduce the next survey (Week of July 27th).

I know I have said it before, but on each iteration of this business survey, I am blown away by the overall willingness of AHTD members to share valuable insights and otherwise impossible to determine data. AHTD is bound together by more than just the products sold and the members unique approach to the market. Our connection is our power – the power of association. The Power of AHTD.

We will close with a comment submitted regarding the silver lining associated with living through the Pandemic:

"The tunnel vision I swore I did not have, was born out of living in that tunnel. I am now forced to remove myself from that tunnel, and the new world I am staring into is strange, scary, but hopefully...fruitful. Why bother exploring a weakness when you are seemingly strong? It is only when your strengths are taken away you understand it is deceitful to feel strong. You are only as strong as you are conscious of your weaknesses. Meh, just quote me on a few of those? :)"

Nope, these are thought-provoking words. We're using the whole thing.