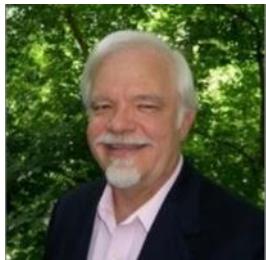


AHTD Week Nine Survey Report

By **Frank Hurtte** | *River Heights Consulting*



Welcome to the eighth weekly recap of AHTD performance during the Coronavirus Pandemic situation. Truthfully, when this weekly survey was launched, most of us optimistically imagined the whole thing would be firmly planted in the rearview mirror by our Canadian friends' Victoria Day or at the very latest, the U.S. launch of summer, Memorial Day.

As those of us in the U.S. look forward to a three-day weekend loaded with social distancing with family and friends, we are making a few changes to the AHTD survey. Later, we'll explore some of the many suggestions for improving the value and information presented in the survey. Thanks to suggestions to change the frequency of the survey, we have made some adjustments.

The next survey will come out in two weeks rather than one. This will allow four things:

1. More time elapses to add greater significance to the changes in business levels.
2. Extra time enables more people to participate in the effort. (More data points from ASPs and Suppliers equates to better quality information.)
3. More time to spend with summertime chores and activities. For example, my wife is putting in new flowers and needs a cheap source of labor after business hours.
4. You get a break from Frank Hurtte's constant dribble.

For those of you who miss my wit, wisdom, and fractured fairy tales, you can still catch new updates on The Distributor Channel Blog. This week we wrote about infamous letters throughout history including one near to our hearts, "The Dear Valued Supplier" letter.

Business levels

We have been conducting this survey for 8 weeks and the data continues to show ASPs operating at pre-COVID levels (or up) as holding in the 27 percent range. The disappointing part comes via the number of distributors who are down 21 percent or more category, which has climbed this week.

What was your business level for the past week compared to pre-Coronavirus crisis?								
	Comb	ASP Data						
Week	3/23	3/30	4/6	4/13	4/20	4/27	5/4	5/11
Up 10 percent or more	9.8	7.8	5.4	3.5	1.5	2.1	5.6	5.8
About the same	35.3	21.9	14.3	22.8	14.9	27.7	20.4	21.2
Down 10 percent	19.5	20.3	19.6	17.5	13.4	12.8	18.5	7.7
Down 11-20 percent	16.5	17.2	23.3	14	29.9	23.4	16.7	21.2
Down 21-30 percent	9	15.6	19.6	22.8	17.9	17.0	24.1	26.9
Down >30 percent	9.8	17.2	17.9	19.3	22.4	17.0	14.8	17.3

For our supply partners, the most notable statistic is the decline in companies down more than 30 percent.

What was your business level for the past week compared to pre-Coronavirus crisis?								
	Comb	Supplier Data						
Week	3/23	3/30	4/6	4/13	4/20	4/27	5/4	5/11
Up 10 percent or more	9.8	18.4	10.3	10.0	5.4	8.3	6.5	10.8
About the same	35.3	36.8	25.6	22.5	37.8	20.8	29.0	18.9
Down 10 percent	19.5	13.2	20.5	15.0	18.9	20.8	9.7	10.8
Down 11-20 percent	16.5	13.2	15.4	22.5	16.2	25.0	22.6	27.0
Down 21-30 percent	9	13.2	20.5	15.0	10.8	16.7	19.4	29.7
Down >30 percent	9.8	5.3	7.7	15.0	10.8	8.3	13.0	2.7

What are you doing to gather the "voice of the customer" information?

This week we asked manufacturers about their outreach to both customers and distributors. We will ask distributors a similar question in future surveys, but for our current survey we decided to do a deep dive with Suppliers only. Our findings are shown in the chart below.

Supplier Partner Voice of the Customer (VOC)	
Informal information gathered by salespeople	72.2%
Electronic survey of customers	8.3%
Phone-based survey with information recorded	5.6%
No "voice of the customer" activities – we're too busy trying to keep orders flowing	13.9%

Nothing is more important to marketing and new product development than a keen understanding of customers, their views of their surroundings, and customer issues. Nearly everyone has some form of VOC information gathering.

Experience dictates most companies rely on their sales teams to know and understand the customer. However, I was a bit disappointed by the number of companies choosing to rely *entirely* on an informal system channeled through their sales force. Allow me a second to explain my disappointment.

Information gathered informally is flavored by the pre-conceived notions of the sales team. Further, customers are often uncomfortable talking about competitive issues directly with salespeople.

Distributors could provide feedback, but again expect a certain level of bias. If the manufacturer uses agency reps, the information flow is only as good as the manufacturer/rep relationship.

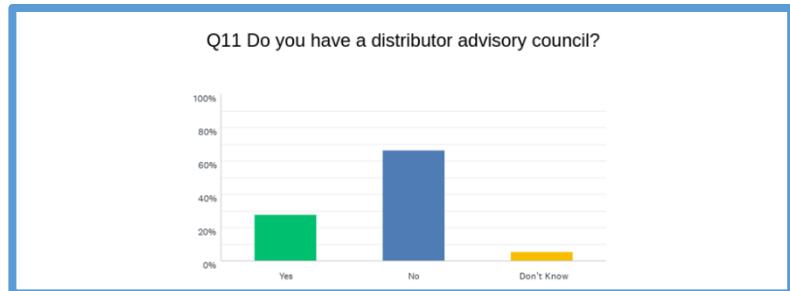
Finally, in work done for the electrical distribution and the National Electrical Manufacturers Representatives Association (NEMRA), we discovered many comments relating to the turnover of Regional Managers and the loss of customer intimacy due to this phenomenon. Again, we might wonder how this impacts informal VOC activities.

In the past we've talked about distributors and their partners working to modernize some of their joint marketing plans. Perhaps, a joint VOC effort might be in order. The distributor's customer list and the supplier's marketing team might work to gather a better understanding of the customer base. The combination would be awesome. This may be a good topic for a distributor advisory council.

Distributor Advisory Councils

I believe in the power of Distributor Advisory Councils (DAC). While working directly for an ASP/Distributor, I served on many and found great value in the process of sharing ideas tied to improving relationships and the flow of information from distributor to manufacturer (and visa versa).

Sadly, most of the manufacturers taking part in this survey do not have a DAC. For those who do not, here is a brief description. A DAC is a select group of distributors comprised of members viewed as industry leaders directly involved with the manufacturer's products. They understand their market and have deep relationships with key customers. The group meets at least annually to explore issues tied to growth, streamlining distributor/supplier relationships, and reviewing changes in policy connected to the manufacturer's channel to market. Some of the topics we've seen explored are new product/technology launches, changes in distributor agreements, and, suggested above, new ideas to assist the manufacturer more easily reach targeted customer groups.



In an article titled "Advice for Distributor Friendly Manufacturers," <https://thedistributorchannel.blogspot.com/2019/07/advice-for-distributor-friendly.html> we said this:

"Develop a real working Distributor Advisory Council (DAC). Wholesale distribution as an industry exists in a state of flux. With the right selection of people, they can provide an early warning system of disruption coming down the line. Some of the news will not be pleasant; other times you'll jump for joy. The point is the sharing of the good, the bad, and the ugly needs to be unvarnished and straight forward."

Just over 40 percent of the ASPs surveyed indicated they have served on a DAC. We asked this group, what value they have seen from participation. Here is a sampling of their comments:

- "We had the opportunity to address high-level issues with high-level people at the manufacturer."*
- "Heads up on policy changes...heads up on new products but more than anything else....networking with other ASPs."*
- "It helps the vendor and in some cases allows us to steer some decisions, policies, and product development in ways that are beneficial to both distributor and supplier alike."*
- "The ability to see directions that companies are heading..."*
- "Best practices, relationships so you have someone else to call with ideas/questions/etc."*
- "The DAC drove partnership for long-term growth of the industry"*
- "We get insight into what the manufacturer is thinking, learn why policies are being changed and who is driving the change, and provide opinions on upcoming changes."*
- "We develop closer connections, networking, and sharing of best practices with leadership at other premier distributors."*

One distributor provided sage advice for manufacturers contemplating a DAC. He said, "I've been on many DACs; some were effective, some were not. If there are solid action items with real accountable follow up, it works (Valuable). Otherwise, it peters out over time (Not valuable)."

Finally, it should be noted a couple of suppliers mentioned they had planned to hold their DAC at the AHTD Spring meeting. I certainly hope they do something via Zoom or GoToMeeting soon. Now is an important time to capture great ideas.

How could this survey/information be improved?

We already discussed this, but it's important to understand our customers. Consider this question our VOC research. We are making a few changes for future surveys. Most notably, the move to less frequency and changing our schedule to a survey every two weeks. Other ideas will be implemented. Most notably:

- More granularity on backlog versus incoming orders.
- Information on gross margin levels today versus before the COVID situation.
- Additional business levels below 30 percent down.
- Supplier production levels and potential parts shortages.
- Regionally-based differences in business flow.
- The direct correlation between marketing activities and specific products: for instance, robotic sales to medical facility manufacturers.

A few final thoughts

I hope you find some time to relax, refresh, and enjoy some family time. We all must face the fact this is possibly the most stressful time for business leaders in recent times (perhaps even in recorded history). Facing the future with the batteries fully charged and body healthy is important. Do that this weekend.

I look forward to connecting with everyone in two weeks and once more demonstrating the Power of AHTD.