

“How Distributors and Reps Can Build Trust and Work Better Together to Remain Relevant in Our Markets”

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Wholesaler Close-up Presentation by Eddie Gibbs

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SPEECH EXCERPTS

EXCERPT 1

There’s no doubt in my mind that you’ve seen these headlines:

- “Ferguson buys master distributor Jones Stephens.”
- “Home Depot will spend 1.2 billion dollars to open more than 100 distribution locations that can reach 90 percent of the U.S. population within hours.”
- “Franklin Electric – a leading manufacturer of pumps and motors – buys four distributors with 70 locations nationwide.”

And probably the most chilling headline of all – from this past Friday’s NAW SmartBrief – which reads: “Sales move online, jeopardizing field reps.”

The Bloomberg article that follows is titled, “Death of the Salesman: Humans lose as computers close deals.”

Meanwhile:

- Amazon keeps expanding into wholesale distribution. They’re supported by our national vendors – and often by distributors themselves.
- More mechanical contractors are planning to use digital commerce to buy more products day-to-day.
- And more vendors are promoting an omni-channel experience. That could mean reaching around distributors and reps to sell direct to the end user.

Threats like these are much worse than the perceived threat all of us faced in the early 1990s, with the rise of the Big Box stores. Back then, some people said the Big Boxes would destroy the traditional wholesaler! And yet, somehow our industry survived and prospered.

Here’s the truth: Vendors want to sell whatever they make, however they can – which is not a knock on vendors; it’s just reality. And today, vendors have more sales channels than they’ve had in the past – well beyond the traditional channel that relies on us: distributors and reps.

This was confirmed in a recent study by NAED, which also identified the “Great Disconnect” between vendors and their distributors.

Dirk Beveridge led this study. Many of you know him from his work with NAW and ASA.

The results of Dirk's study showed that both vendors and distributors feel like they're being abused by a 9-to-1 ratio.

- Distributors complained about “too many distributors and channels.”
- And vendors complained about “distributors wanting more of our margin, while offering little in increased benefits and value.”

All of this has an effect on you, as reps. Because it may put you on opposite ends of the spectrum with your customers and your vendors.

And what about contractors that are consolidating across the country?

It means more centralized purchasing – or at the very least, more centralized decision making – and less business for some of us.

Make no mistake: Our industry is rapidly changing!

And distributors and reps are feeling the brunt of these changes. Our roles are shifting. So there are many unanswered questions. And quite frankly, a bit of fear.

Here's something else that's changed:

Winsupply came to realize that "we loved reps" – and recognized that they are more of a key to our success than we'd previously been willing to admit.

We realized that if distributors and reps are to survive and thrive in the future, we need to figure out ways to add more value. That way, we can remain relevant in our markets.

A major contributing factor of HOW this might be done is a discovery that Winsupply made gradually, starting around four years ago.

This morning, I'd like to talk to you about it – and give you some food for thought about how *the working relationship between distributors and reps needs to change* if both of us want to secure our future in this industry.

EXCERPT 2

After our first Rep Council, the takeaways for us were very clear:

Independent reps like you are more like our independent local company presidents than we ever knew.

And for the most part?

As reps, you have staying power since you – just like our local company presidents – are local owners committed to your agencies and to your markets.

We realized that you, as reps, were a key audience for us – potentially a very strong partner – that we'd been overlooking.

We concluded pretty quickly that it would be good to work closer with our reps, and improve our communication with them.

But the question was this: HOW could we work better with our reps? WHAT would we need to do differently?

After all – let's face it – there's often a lot of baggage between distributors and reps. It can happen with any distributor and any rep, anywhere.

We knew from talking with local company presidents and with reps that trust issues had piled up over the years.

- Both of us were guilty of not being completely transparent with each other.
- Both of us had violated each other's trust at one time or another.
- And as a result – both of us had sometimes been burned.

Frankly, some of us at Winsupply's parent company and many of our local companies viewed reps as a "necessary evil." And I have no doubt that some of our reps felt the same way about some of our local companies.

This was no way to view a potential partner if our goal was to work better together!

So there were lots of hurdles and barriers to overcome.

We had to get rid of all this old baggage. So we decided the next thing we had to do was keep our Rep Council going so we could keep the conversations going.

EXCERPT 3

At the end of each Rep Summit, we left both reps and local company presidents with this challenge: “Guys, we’ve set the stage. What you do with all this information is up to you. The ball’s in your court.”

It was an important moment for reps and local companies that had trust issues in the past. They had to decide whether they wanted to pick up the phone, have a conversation and agree to bury the hatchet.

If they did, then they could finally sit down together. Really talk. And decide how to start pulling the rope in the same direction, together.

An interesting thing happened during our third Rep Summit in Richmond, Virginia.

After it was over, a rep said to us, “We had a falling out with one of your presidents five years ago. He has been successful, and I have been successful – but I think we may have been more successful if we’d have worked together. I’m going to give him a call.”

Michael and I didn’t say a word.

We kept that information to ourselves.

And then the next day, the very same president that rep was talking about said to us, “I get the message. I’m going to give my old rep a call. We’ll go to lunch.”

And before long? That actually happened!

But how many other reps and presidents would do that?

How many other reps and presidents would take the next step?

We did not know at the time.

EXCERPT 4

At the end of the day, here are the questions that distributors and reps must be able to answer:

- *If you did not exist tomorrow, would your customers notice?*
- *Would your key vendors notice? Would your partners notice?*
- *If you weren't around, would they say, "What in the heck am I going to do now???"*

Make no mistake: Changes in our industry will continue to disrupt traditional channels in wholesale distribution.

What we don't know is how these changes will play out, and the impact of those changes on traditional relationships in the supply chain that involve us: distributors and reps.

We can't predict the future. But we know this much is true:

Vendors that aren't meeting their sales goals through reps and distributors now have other channels that will allow them to make their numbers by reaching around and going direct. In fact, we learned about a vendor doing that just this week.

As time goes on, there are more chances for reps and traditional distributors to be eliminated from the picture.

So the real question is this:

What are we going to do about it?

Clearly both of us need to maintain close working relationships with our key vendors. And we need to know what vendors expect of us so that we can meet those expectations.

Some vendors tell me that they expect their reps to be specialists in very niche products. They want reps to do more solution selling to move higher margin products out the door. And they need reps to work every day with engineers and builders to get their branded products specified.

Right now, at this moment, your key vendors are meeting to figure out where their growth and their profits will come from in 2019 and beyond.

Are you a part of these plans?

Do you know exactly where you fit into your vendors' businesses over the next one or two years? The next three to five years?

Because vendor expectations are changing!

Distributors like Winsupply are influencers with strong contractor relationships.

So what can we do to help you meet your vendors' expectations?

What role can we play to help you create more awareness of your new products in the marketplace ... train more local company employees ... and help you get access to contractors ready to buy your higher margin products?

Here's some advice: If you work with our local companies, make sure that the local company presidents understand where THEY fit into YOUR plans – and always ask them where YOU fit into THEIR plans.

Now is the time for both distributors and reps to redefine our roles so we can secure them for the future.

To do this, we need to have deeper conversations so we can figure out new ways to provide more value and be more relevant in our markets by working together.

It doesn't make sense to go it alone.

Whether you've been around for 20 or 30 years – or even more than 62 years like Winsupply! – that's no guarantee you'll be around next year.

Tim Morales – past president of AIM/R and Supply House Times Rep of the Year in 2014 – is a member of our Rep Council.

In November 2016, during our sixth Rep Summit in Atlanta, Tim stood up and said this:

“I want to make sure everyone in the room understands: Winsupply is on our side. These guys are the best advocates for reps that we have in the industry.”

Tim, we really appreciate that acknowledgment, so thank you.

And to everyone here, let me say:

All of us at Winsupply believe that you – our independent reps – are a key ingredient to the success of our 600 local companies.

A rep responding to our recent survey about the Rep Councils and Rep Summits told us this:

“Eddie, we appreciate the local nature of your organization, and the opportunity to deal directly with decision makers.”

As it’s been said many times: We have a lot in common!”

Indeed, we do.

And with that, I’d like to thank Mike Mullen for inviting me to speak to your group today.

Thank you.