



# ITEMS

NEWSLETTER

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## Wholesalers Report Deteriorating Relationships with Manufacturers

**AB&I bucks the trend by firming ties with stocking distributors**



"We provide real-world, down-to earth help to our distributors that enables them to remain competitive in any market," says AB&I's vice president, Kip Wixson.

AB&I's five-point stocking distributor program includes the following components:

- 1) AB&I DWV is universally accepted by all codes and meets all standards;
- 2) AB&I sales reps call on specifiers and contractors in each stocking distributor's area to drive business to the wholesaler;
- 3) AB&I sales reps visit major specifying engineers to make sure that jobs specify or allow AB&I products;
- 4) In the event of a customer complaint, an AB&I representative will contact or visit the customer within 24 hours to assist in resolving the problem;
- 5) AB&I will assist with the funding of appropriate advertising and marketing programs.

"All we ask in return is that our distributors stock only AB&I cast iron DWV," says sales manager, Greg Seiler. "Mutual commitment to mutual success is the key to the future," continues Seiler, "and we work hard every day to help our wholesalers stay on top."

The results of a four-year study conducted by the Industrial Performance Group indicates that the level of communication between manufacturers and distributors has declined significantly over the past four years.

This study of 750 manufacturers and 500 distributors also indicated a decline in commitment and cooperation in manufacturer/distributor relationships.

In this study, 82% of the manufacturers surveyed and 92% of the distributors said their sales and profits had been negatively impacted by problems related to their manufacturer/distributor partners.

Manufacturers reported that the biggest problem with distributors is their lack of commitment to their products and promotional programs.

On the other hand, the biggest problem reported by distributors was ineffective management of territories by manufactur-

ers, often resulting in conflicting channels of distribution, such as direct selling. Manufacturers were also reported as doing a poor job of providing direction for their distributors. Only 17% of the distributors surveyed said they had clearly defined goals with their suppliers.

AB&I's experience with distributors stands out in sharp contrast to these findings. Rather than loosening the ties with wholesalers, a trend indicated by the recent study, AB&I has worked hard over the past several years to develop even better, more solid relationships with the distribution network. Our stocking distributor program provides our wholesalers with tangible benefits and a level commitment by AB&I that enables the kind of trust that fosters mutually beneficial, long-term relationships.

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### Perspective

## Do Buying Groups Provide a Better Venue for Customer Contact Than ASA?

*Yeah, we went to the show and did our thing, but the question keeps nagging at me, "Is this the best use of our time and money?"*

The ASA Show this year was poorly attended. We can blame the terrorists for part of it, but the last off-year show wasn't anything to write home about either. So what gives?

I've noticed a real decline in the number of distributors attending these shows. I'm sure everybody has their reasons, but the simple fact is that manufacturers need good attendance at this show to justify the cost of participation. Manufacturers will stop supporting ASA with their dollars if they continue to see dwindling attendance.

I don't mean to overstate the case, either. We did get to see many of our good customers. Although there was plenty of time to chat during the show, most of the real "quality time" was spent with customers before and after the planned activities. This is not unusual at shows, but was accentuated at this year's ASA by the relatively poor attendance.

Much of the value of the show this year was in sharing observations about our present and future economic conditions. After talking with a pretty diverse mix of industry types, I came away with the conclusion that most people were looking for a general slowdown in their business through the third quarter of 2002, with a pick-up late in the year to something resembling the 2000 sales figures.

Most distributors are sensitive to inventory issues and plan to remain cautious for now. This will put extra pressure on manufacturers to fill orders quickly and complete, giving the distributor a little breather from having to stock in depth. AB&I is well positioned to provide these quick-turn services, and will be working closely with all stocking distributors to make sure they get the product they need when they need it.

I know AB&I is not the only manufacturer questioning the dollar value of ASA show participation. The ASA question has become more sharply focused in recent years with the advent of buying groups which provide truly focused time with distributors. These buying-group sponsored events are shaping up as growing factors in the development of manufacturer-distributor relationships. Their highly-structured nature builds efficiency into the process of meeting with customers, and distributors appreciate the "down to business" tone of these meetings.

The bottom line is that the ASA show may be seen as increasingly redundant and less important in the overall marketing mix of manufacturers. Changes in the way ASA operates these shows should be considered, with the central goal being to bring buyers and sellers of plumbing products together in an efficient, business-building environment at a cost that won't break the bank.

### Lessons Worth Repeating...

*The following stories came to me from one of my sales guys, and I thought them worth relating to you here...*

#### Remember Those Who Serve

In the days when an ice cream sundae cost much less, a 10-year old boy entered a hotel coffee shop and sat at a table. "How much is an ice cream sundae?" he asked. "Fifty cents," replied the waitress. The little boy pulled his hand out of his pocket and studied the coins. "Well, how much is a plain dish of ice cream?" he asked.

By now, more people were waiting for a table and the waitress was growing impatient. "Thirty-five cents," she brusquely replied. The little boy again counted his coins. "I'll have the plain ice cream," he said. The waitress brought the ice cream, put the bill on the table, and walked away.

The boy ate the ice cream, paid the cashier, and left. When the waitress came back, she began to cry as she wiped down the table. There, placed

neatly beside the empty dish, were two nickels and five pennies.

You see, he couldn't have the sundae because he had to have enough left over to leave her a tip.

#### Giving When it Counts

Many years ago, when I worked as a volunteer at a hospital, I got to know a little girl named Liz who was suffering from a rare and dangerous disease. Her only chance of recovery appeared to be a blood transfusion from her five-year old brother, who had miraculously survived the disease and developed antibodies needed to combat the illness.

The doctor explained the situation to her little brother, and asked the little boy if he would be willing to give his blood to his sister. I saw him hesitate for only a moment before taking a deep breath and saying, "Yes, I'll do it, if it will save her."

As the transfusion progressed, he lay in bed next to his sister and smiled, as we all did, seeing the color returning to

her cheeks. Then, his face grew pale and his smile faded. He looked up at the doctor and asked with a trembling voice, "Will I start to die right away?"

Being young, the little boy had misunderstood the doctor; he thought he was going to have to give his sister all of his blood in order to save her. You see, after all, understanding and attitude are everything.

#### The Obstacle in Our Path

In ancient times, a King had a boulder placed in the roadway. Then he hid and watched to see if anyone would remove the huge rock. Many passersby complained about the large stone, but none did anything to remove it from the road.

Then a peasant came along. After much pushing and straining, the peasant finally rolled the stone to the side of road. There, beneath where the rock had been, was a purse containing many gold coins and a note from the King indicating that the gold was for the person who removed the boulder from the roadway.

Every obstacle presents an opportunity to improve our condition.



### **Customer Spotlight** **Frank Marrone & Sons, Inc.** **El Monte, California**



The year was 1973. The tumultuous '60s had just ended, but the disco craze had not yet begun. Tie-dye shirts were still popular among the younger set, but some in the counterculture were turning 30 and starting to cut their hair. The Vietnam War was winding down, and it would be just a few months until the last helicopter pulled those desperate people from the roof of the American embassy in downtown Saigon. Against this backdrop of changing times and lowering hemlines, Frank Marrone started a new plumbing and mechanical business in the Los Angeles suburb of El Monte, California. Little did he know at the time that his fledgling company would one day grow into a major contractor in the region,

ably managed by his two sons, Frank and Ben.

The founder's commitment to personal service and attention to detail can still be seen in the operations of the company today. "We don't use answering machines," says Frank Marrone, Jr., "and we're open for business early, 5am to 5pm, Monday through Friday."

While the types of projects Frank Marrone & Sons works on today are

different than in 1973, the company's commitment to quality and customer service is still the same.

Instead of condo construction dominating the workload, today the company does primarily commercial and industrial work, with some custom residential projects thrown in for diversification.

Employing some 40 people, Frank Marrone & Sons has earned its place as a leading Southland contractor.

AB&I is proud of our association with Frank and Ben Marrone and their team of professionals. The same commitment to customer service exemplified by the people of Frank Marrone & Sons is shared by AB&I, and we look forward to continuing a long and mutually beneficial relationship with this fine company.

## **Remodeling Activity Remains Strong in Western U.S.**



The September 2001 issue of *The Wholesaler* magazine reports that the National Association of Home Builders has unveiled its Remodeling Market Index, an economic index created to measure the level of activity in the remodeling segment of the construction market.

The results of this index indicate that remodeling activity has maintained its momentum in the western region of the country. Results from other parts of the country indicated slight declines had

occurred in the most recent quarter.

Ratings for future expectations, however, were not as strong. The index recorded a 5 point drop from expectation levels during the same period one year ago. The NAHB attributed this decline in expectations to the job losses that have hit the West, particularly in the high-tech sector.

Remodeling expenditures in the West accounted for over 27% of the national total, despite the region having only 22% of the population.

The report indicates that the most common types of remodeling projects undertaken by contractors were kitchen remodels, bathroom remodels, and room additions. The average remodeling project took 3.4 months to complete, longer than in any other region in the country.

While materials for most types of remodeling projects were purchased from the subcontractors doing the installation, the report indicated that many remodeling contractors buy plumbing supplies directly from a wholesaler/distributor or home improvement center.

This Remodeling Market Index will be released every quarter for each of the four census regions covered. We'll keep you posted as future reports become available.

## **Manufacturing Index Lowest in Decade**

The National Association of Purchasing Management has recently reported that its monthly meter of factory output plunged to 39.8 in October from 47 in September. Most experts agree that the dip was due largely to the aftershocks from the September 11 attacks.

A reading of under 50 signals that manufacturing activity is declining. The NAPM index has held below 50 since August 2000, and the October report was far worse than forecast.

The report said that aerospace, steel and automotive sectors were struggling, while major construction suffered a severe setback, with some businesses reporting a 20% decline in activity.

New orders took a major nosedive in September following two months of what appeared to be improving conditions. Some observers have reported that the September 11 attacks set back the economic recovery by 6 to 9 months.

The NAPM employment index also took a hit in September, as did new export orders.

Companies across the country reported paring back inventories in response to weakened demand for goods. This is often seen as a first sign of recovery, but with new orders dropping, some economists see weakness well into 2002.

## China Expects Layoffs From WTO Entry



With other countries competing in the Chinese market, government officials expect the domestic workforce to be negatively affected, most likely resulting in layoffs of Chinese workers in uncompetitive industries and companies. These layoffs are expected to affect a variety of industries, from farming to banking and insurance.

The acceptance of China into the World Trade Organization will bring many new challenges to the world's largest communist country. Since WTO rules bar discrimination against any other members wanting to provide goods and services, many companies from around the world are hoping to gain inroads into the markets serving the 1.26 billion Chinese.

Some estimates put the total number of Chinese unemployed at 11 million by the time the full effects of WTO membership are felt.

This anticipated unemployment will put additional pressure on Chinese officials to keep their citizens working at the continued expense of the environment and worker safety. AB&I encourages everybody to buy American.

## Retail Sales Take Biggest Jump Ever!



October saw the largest increase in retail sales ever recorded, up 7.1%. This was on the heels of a 2+% drop in September, attributed to the aftermath of the 9-11 attacks.

Many economists are now seeing strength in an economy where only weakness had been seen for over a year. Many are saying the worst of the downturn is over, and that a pick-up in overall activity could come sooner than previously expected.

### Just for Fun...

#### Who Reads What Newspaper and Why

1. The Wall Street Journal is read by people who run the country.
2. The New York Times is read by people who think they run the country.
3. The Washington Post is read by people who think they should run the country.
4. USA Today is read by people who think they ought to run the country, but don't really understand the Washington Post. They do, however, like their smog statistics shown in pie charts.
5. The Boston Globe is read by people whose parents used to run the country and they did a far superior job of it, thank you very much.
6. The New York Daily News is read by people who aren't too sure who's running country, and don't really care as long as they can get a seat on the train.
7. The New York Post is run by people who don't really know who's running the country, either, as long as they do some thing really scandalous, preferably while intoxicated.
8. The San Francisco Chronicle is read by people who aren't sure there is a country, or that anyone is running it, but whoever it is, they oppose all that they stand for. The exception is for handicapped minority feminist atheist dwarfs who also happen to be illegal aliens from any country or galaxy as long as they vote for Democrats.

#### Golf, Anyone?

Jeb was an avid golfer. Actually, he was a golf fanatic. Every Saturday morning, he got up for a very early tee-time, and played all day long.

One Saturday morning, he got up early, dressed quietly, got his clubs out of the closet, loaded his car and drove to the golf course. During his drive, he ran into a torrential downpour with lightning and thunder, then snow and hurricane-force winds.

Deciding this was too much even for him, he decided to go home where he could catch the weather channel to see how long this storm was going to last. The TV said it would last all day, so Jeb put his golf clubs back in the closet, quietly undressed and slipped back into bed with his wife. Cuddling up to her, he whispered, "terrible weather out there."

His wife, stirring from her sound sleep, replied, "I know. Can you believe my stupid husband is out there playing golf?"

#### True Salesmanship

Harry Bullis, former chairman of the board of General Mills, used to give his salespeople the following advice: "Forget about the sales you hope to make and concentrate on the service you want to render."

The moment people's attention is focused on the service to others, they become more dynamic, more forceful and harder to resist.

How can you resist someone who is trying to help you solve a problem?

"I tell our salespeople," said Bullis, "that if they would start out each morning with the thought, 'I want to help as many people as possible today,' they would find a more easy and open approach with their buyers and they would make more sales. The person who goes out to help people to a happier and easier way of life is exercising the highest type of salesmanship."