



An Ever-Evolving 'New Normal'

Coping with new challenges in the distribution industry.

By Mike Sawchuk

For most distributors in North America, 2020 was looking to be a good year. There was talk of a possible recession, but most thought it would be no more than a temporary “breather” before things swung back into action.

But then COVID-19 hit North American shores, and all predictions, plans, and expectations were turned upside down. The speed, density, and complexity of the fast-moving changes created great turbulence, which we are still experiencing.

For some, this turn of events proved to be a huge benefit. But many were not prepared, and others did not act quickly enough to take advantage of the situation. Their inventory of sanitizers, disinfectants, gloves, and masks was limited and gone in a matter of days. They then found that their manufacturer suppliers were back-ordered, so they had no choice but to wait in line with everyone else. In the meantime, their customers looked for other sources.

Distributor challenges

But that was just the start of a chain of events that put even more pressure on these distributors. Several challenges soon emerged:

Cash flow. For some distributors, cash flow problems very

quickly became a serious concern. For example, restaurants that had recently ordered supplies from distributors but were now closed due to COVID-19 were not paying their bills. Paying distributors became a back-burner issue as the restaurants became focused on their own survival. This same scenario played out in all types of settings and situations.

Cash basis. Various manufacturers insisted on being paid before shipment. There were rumblings early on that some distributors may be experiencing serious cash flow problems, as we just described. Further, there were concerns that some distributors would not make it through the next six to 18 months. Manufacturers quickly switched to survival mode, requiring cash on the spot.

The profit squeeze. A new challenge surfaced once the supply chain started moving again, back orders were filled, and distributors began getting the pandemic-related products their customers were clamoring for. It all came down to Economics 101: When products are in limited supply and hard to get, prices generally go up; but when products become more plentiful, prices go down. Many distributors ordered supplies when they were in short supply, and delivery took days to weeks. By the time the distributors received their orders, market prices had come down again. This meant that the

profits they expected to make on these products were reduced accordingly.

Bankruptcies. Some distributors have been left holding the bag because a few of their customers have filed for bankruptcy. How well they weather the storm depends on how many good-paying customers they keep on the books.

Moving forward. The situation for distributors does not look rosy. Even those distributors that had the right products on hand at the right time may find the rest of this year—and possibly next year as well—a bumpy road. Certain customers have gone out of business or found another distributor; others have plenty of supplies, but their sales volume is down; several will have their budgets temporarily cut; while still others will have to have proof of the return on investment and payback period before they make major purchases. In most cases, what will be needed is a complete refocusing and restructuring of the distributor's business model.

Distributors must analyze their current situation and determine which strategies they should take to get them back on sound footing. Several theories have been put forth, and two are rising to the top.

Which 'new normal?'

A term that has quickly become overused and a cliché is referring to the future as the "new normal." This new situation will be our way of life—at least until the pandemic is resolved, and possibly beyond that time—affecting how we live, conduct business, fly, eat, and even attend funerals.

But distributors need to know that what some are calling the new normal is always evolving. The supposed new normal seen in April, May, or June of 2020 may not look the same by fall of 2020 or spring of next year. All companies must be fluid and flexible in their strategies, tactics, and plans. They must know which ones to implement and which ones to let go.

E-commerce came 10 years early

In 2017, Benfield Consulting predicted that "by 2025, one in four items sold will be transacted online in business-to-business (B2B) markets, and half of all items will be sold online

soon after 2030." Like everyone else, having a worldwide pandemic was never part of their calculation. In many regions of North America, B2B customers are already purchasing half of the items they need online—if not more.

So, how can distributors address this challenge?

The first thing distributors must realize is they are not just order takers or box delivery services. Leave that to Amazon and the other much larger online retailers. If a distributor focuses on requests for proposals or purchase orders, they are in jeopardy of being squeezed out over the next few years by Amazon and other mega-retailers on the one side and jansan distributors offering greater value and service on the other side.

But this does not mean they should not enhance their e-commerce platforms. Far too many distributors in North America

still have primitive e-commerce websites. Those must be revamped or replaced as soon as possible.

Competing against online mega-merchants

Nevertheless, the most effective way distributors can compete against online mega-merchants is with proven, demonstrated value and enhanced customer experience. Examples of this value include the following:

Focus. Since there are limits on resources—people, dollars, space—businesses must choose which customers and prospects to focus on, and which to ignore. Be selective. Focus on those that are the fastest growing and most profitable.

Service. Have you ever tried to call Amazon? And if you have, did you speak with a person, a chatbot, or endless voice-mail options? Distributors will find one of the most significant values they can offer their customers is just being available. Never underestimate the power of personal, proactive, transparent communications and interaction with your customers.

Expertise. Today's successful distributor cannot simply call on their customers and take orders. Those days are gone. Today, when a distributor calls on a customer, they are expected to share their expertise. COVID-19 has made this more necessary than ever before. Online retailers may provide videos on how to use a product or step-by-step tutorials, but those often result in more questions than answers. An astute distributor can clearly demonstrate their product knowledge

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and proven ability to help customers lower their cleaning costs while at the same time increasing their level of cleaning, disinfection, and building safety.

End-to-end customer experience. Distributors need to focus on the overall, end-to-end customer experience—from the quality of the sales team, to order placement and processing, to product delivery and invoicing.

People. Select, train, and retain the people you will need for the upcoming years. Pay quality wages and make sure an effective training program is in place. This builds worker loyalty.

The “wow” factor

There is one more thing distributors must offer their customers going forward and that is the “wow” factor. Customers are looking for help in ways to more effectively and efficiently clean and disinfect. We are starting to see some amazing new products introduced into the jansan world.

And even if they are not new technologies, we are finding new ways to use them in cleaning that considerably improves worker productivity and effectiveness, ensures enhanced

cleaning and disinfecting performance, and helps keep facilities safer and healthier.

Electrostatic sprayers, robotic autoscrubbers and vacs, pre-screening devices at entry points, installation of antimicrobial coatings such as those in floor finishes, and new uses for UV technology are a few of the new and innovative uses of technology we are seeing. The more “wow” distributors can offer their customers, the more likely they will stay customers in whatever new normal we experience.

Although moving forward in the new normal may be easy, jansan distributors can confront the challenges they face by using these recommendations. **IF**



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