



2009 Member Challenges Survey

SECTION A: IDENTIFICATION OF TOP 3 “MOST CRITICAL ISSUES”

In April 2009, CIPH distributed a survey to members to identify

- A.) The top three challenges facing their business at this time;
- B.) How they are dealing with these challenges, and;
- C.) How CIPH might be of assistance regarding these challenges.

Results are as follows:

THE MOST CRITICAL ISSUE

(Majority responses/most common responses are listed first)

A	Declining sales (7)
B	Economic stability (5)
C	Margin crunch (4)
D	Staffing/Training (3)
E	Too much inventory (3)
F	Expense management/operating costs (2)
G	Canadian/U.S. exchange (2)
H	Lack of new construction (2)
I	Counterfeit product
J	Wholesale stock transferring in products represented from branches & out of province
K	Stability of American companies I represent
L	Irresponsible pricing
M	Growth strategies

HOW ARE YOU DEALING WITH THE MOST CRITICAL ISSUE?

(Corresponding with the responses above)

A	<ul style="list-style-type: none"> • Looking for alternative sales opportunities/products (2) • Reducing production & production fixed costs (2) • Strengthening relationships • Laying off staff • Focusing on new customers
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B	<ul style="list-style-type: none"> • Diversifying into other fields • Capturing market share • Maintaining inventory & surveying customers • Laying off staff & capitalizing on infrastructure funding (bail outs)
C	<ul style="list-style-type: none"> • Reducing expenses (3) • Watching credit
D	<ul style="list-style-type: none"> • Word of mouth recruiting • Continuous training of staff • Monitoring forecasted revenues and planning accordingly
E	<ul style="list-style-type: none"> • Reducing orders placed • Cutting Purchases
F	<ul style="list-style-type: none"> • Staff cuts through attrition or temporary cuts • Controlling costs & working on efficiency
G	<ul style="list-style-type: none"> • Reducing expenses • Re-pricing products where possible...but ultimately accepting a loss
H	<ul style="list-style-type: none"> • Cashing in on retrofit and OEM business • Plan steps to take when the downturn ends
I	<ul style="list-style-type: none"> • Taking cost out of current operating budget
J	<ul style="list-style-type: none"> • Addressing this with Branch Managers
K	<ul style="list-style-type: none"> • Hoping for the best
L	<ul style="list-style-type: none"> • Communication
M	<ul style="list-style-type: none"> • Reviewing strategies & tactics for growth

HOW CAN CIPH HELP YOU DEAL WITH THE MOST CRITICAL ISSUE?

(Corresponding with the responses above)

A	<ul style="list-style-type: none"> • Encourage wholesalers to maintain regular inventory levels and support Canadian manufacturers • Be a positive and steadying influence in the public eye. Counter unfairly negative stories in the media • Continue to be an advocate on code and regulatory issues
B	<ul style="list-style-type: none"> • Continue to provide relevant market data and support
C	<ul style="list-style-type: none"> • Educate my competitors on managing prices • Bring the issue to light in the industry. Make sure distributors are placing responsible people in key positions to make good decisions. Often, most junior employees are making decisions that affect net profit • Give us good information about the market • Emphasize to members the importance of margin stability. Continue to lobby governments for infrastructure spending
D	<ul style="list-style-type: none"> • Provide job advertising • Continue to talk about distributor operating costs
E	<ul style="list-style-type: none"> • n/a

F	<ul style="list-style-type: none"> • Provide hints on best practices resulting in expense cuts in a distributor world
G	<ul style="list-style-type: none"> • Explain to manufacturers and distributors how important hedging the dollar is when bidding imported product to large infrastructure projects
H	<ul style="list-style-type: none"> • n/a
I	<ul style="list-style-type: none"> • Prevent small, unreliable companies from joining
J	<ul style="list-style-type: none"> • n/a
K	<ul style="list-style-type: none"> • n/a
L	<ul style="list-style-type: none"> • Communicate that the answer is not to cut prices; that is a short-term solution that leads to long-term problems
M	<ul style="list-style-type: none"> • n/a

THE SECOND MOST CRITICAL ISSUE

(Majority responses/most common responses are listed first)

A	Staffing/shortage of skilled workers (7)
B	Maintaining sales (5)
C	Margin erosion (3)
D	Rising Expenses
E	Limitations on capital expenditure
F	Regulatory interference
G	Customers demanding cost reductions when we've been hit with months of increases
H	Inventory control
I	Hydronic residential pump distributors
J	Low priced U.S. imports

HOW ARE YOU DEALING WITH THE SECOND MOST CRITICAL ISSUE?

(Corresponding with the responses above)

A	<ul style="list-style-type: none"> • Looking for long-term trainable individuals • Hiring more qualified people • Very careful selection and training of new hires/well developed succession planning • Investigating government work share programs • Spreading the word in the industry • Putting together review programs
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B	<ul style="list-style-type: none"> • Looking at new niches to sell/staff attrition to cut costs • Doing more contractor direct marketing • Continuing to convey added value benefits of our product vs. lower-cost competitors • Micromanaging processes and product offerings to scrape out every point we can • Cost reduction and control strategies at lower revenue levels
C	<ul style="list-style-type: none"> • Product mix and margin focus • Effective account management • Moving high cost inventory and replace it with lower cost products
D	<ul style="list-style-type: none"> • Cutting expenses where possible
E	<ul style="list-style-type: none"> • Trying to make the best use of the equipment we have and using innovation instead of money to solve problems
F	<ul style="list-style-type: none"> • Corporate and trade association support to help us be heard
G	<ul style="list-style-type: none"> • Openly discussing with our customers the pricing issues, explaining what we are doing to assist them over the cost of purchases and working together to lower them
H	<ul style="list-style-type: none"> • Creating flexibility within the levels of inventory; creating special pricing, and more management scrutiny over inventory purchases
I	<ul style="list-style-type: none"> • Finding new hydronics partners who are not chasing bid & spec. business
J	<ul style="list-style-type: none"> • Selectively choosing the market areas in which we compete

HOW CAN CIPH HELPYOU DEAL WITH THE SECOND MOST CRITICAL ISSUE?

(Corresponding with the responses above)

A	<ul style="list-style-type: none"> • Promote distribution as a career path for students • Use CIPH networking events
B	<ul style="list-style-type: none"> • Lobby government to maintain and increase reno and new home purchase stimulus • Continue to support the position that a commitment by distribution to support those companies that make a commitment to our industry is a value added feature, and the cheapest price is not the holy grail of the distribution and contractor sectors • Education
C	<ul style="list-style-type: none"> • Offer profitability seminars
D	<ul style="list-style-type: none"> • n/a
E	<ul style="list-style-type: none"> • n/a
F	<ul style="list-style-type: none"> • Keep working on government bill affecting our products and industry
G	<ul style="list-style-type: none"> • n/a
H	<ul style="list-style-type: none"> • Create a "central clearing house" listing for excess inventory
I	<ul style="list-style-type: none"> • n/a
J	<ul style="list-style-type: none"> • n/a

THE THIRD MOST CRITICAL ISSUE

(Majority responses/most common responses are listed first)

A	Maintaining skilled staff (2)
B	Customer loyalty over prices
C	Managing excess inventory
D	Computerization
E	Increasing the profile of the hydronic industry... increasing market share vs. warm air
F	Weak vender representation including agencies, too many 'dinosaur' thinkers at all levels
G	Debt loads of certain accounts
H	Possibility of declining revenues
I	Costing from suppliers
J	Consumer spending on new construction and remodeling
K	Expenses from industry events that to not create a return on investment

HOW ARE YOU DEALING WITH THE THIRD MOST CRITICAL ISSUE?

(Corresponding with the responses above)

A	• Training (2)
B	• No comment
C	• Identifying and eliminating excess stock
D	• Looking for a "right size" business information system to modernize our accounting
E	• Working with CHC to implement a strategy and achieve the goal
F	• Insisting on value and quality from reps
G	• A/R are being kept current
H	• Cutting expenses
I	• Asking for re-quotes
J	• Improving displays/focusing on meeting consumer demand and taste
K	• Declining opportunities to participate in individual branch events (e.g. golf, fishing). At risk is the backlash from those distributors

HOW CAN CIPH HELPYOU DEAL WITH THE THIRD MOST CRITICAL ISSUE?

(Corresponding with the responses above)

A	• Continue support of training
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B	<ul style="list-style-type: none"> • Provide seminars on the subject
C	<ul style="list-style-type: none"> • n/a
D	<ul style="list-style-type: none"> • n/a
E	<ul style="list-style-type: none"> • Commit to supporting this initiative through continued member and financial support
F	<ul style="list-style-type: none"> • Speak to the industry about the lack of selling basics from vendors and agencies. We need speedy responses; people who will answer their phones and who will have knowledgeable responses, solutions and options, can be flexible when things go wrong, more information, and can use technically to communicate
G	<ul style="list-style-type: none"> • n/a
H	<ul style="list-style-type: none"> • Keep sending positive messages to Manufacturer members regarding an immanent return to prosperity
I	<ul style="list-style-type: none"> • Opinions on the price of materials
J	<ul style="list-style-type: none"> • n/a
K	<ul style="list-style-type: none"> • Advise National and Regional Management it is time to reconsider expensive events that are not entirely covered by Rep. And Manufacturer sponsorship

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