

Q1: How are manufacturers and distributors in the plumbing and heating industry responding to the current economic conditions?

Responses from Wholesalers (10% response rate)

- I feel that both parties are doing what needs to be done in a positive way to strengthen their own businesses while working together as partners;
- Some manufacturers have opened up distribution in order to find new sales.
- Manufacturers are raising prices and tend to be less engaged in the marketplace. Wholesalers are taking shots in the dark trying to find a price point that the contractor will purchase at?
- Both manufacturers and distributors seem to be taking a wait and see attitude. Perhaps that is due to the volatility we have seen over the last several years.



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Responses from Manufacturers & Master Distributors (11% response rate)

- *Reducing margins in an ever increasing competitive environment.*
- *Reviewing inventory levels to meet new business requirements. Requesting suppliers to cover expenses that were normally paid internally.*
- *Watching marketing costs and freight costs*
- *Tight cost controls on both variable and fixed costs. Growing revenue.*
- *It varies. Smart ones are buying and running their companies with no debt!*
- *manufacturers are bringing inventory levels up, trimming costs at all levels to help support the issues*
- *Distributors are pushing more and more responsibility to the manufacturer and their sales department, to specify, size & quote jobs. they are not developing the expertise internally.*
- *I see a very wide net being cast in terms of customers. Competition seems to be spanning non-traditional customer groups.*
- *Keeping open dialogue going between manufacturing, distribution, industry organizations and government are key steps to surviving in these turbulent times*
- *To this point we haven't seen any changes to previous business practices.*



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Responses from Agents (10% response rate)

- Disappointingly, there is very little trust between the two, and this gap keeps getting wider when wholesalers start to become your competitors by bringing in cheap offshore knockoffs or rebrand products with a house name, this changes the way business is done. If wholesalers can become pseudo manufactures, why can manufactures become distributors of their products?
- Unfortunately the Wholesalers are cutting back Stock and putting more pressure on the Manufacture to deliver product quicker.
- Cutting out middlemen. Removing the wealth of representation built up over many years.
- Some Distributors are placing smaller orders, carrying less inventory and relying on more frequent and just in time replenishment from manufacturers
- No change (2)
- With panic!



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Responses from Agents (10% response rate) ...continued

- Most are cutting staff and inventories for the bottom line and are down loading responsibilities that they did at one time as part of their service and duties to the customer.
- Companies that offer new products are gaining -those that cut back service are hurting - many Americans perceive Canada as a potential savior for their sales and are spending alot more effort in our market -margins at the distributor level are tight as the market shrinks and contractors are cutting pricing to get projects
- Lowered pricing on project quantity.



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Q2: How have your working relationships been impacted by these responses? Responses from Wholesalers (10% response rate)

- We are working much closer with (KEY)Manufacturers than ever before.
- The relationships are not perfect with all, but the true partners have strong relationships during the good and bad times. problems accrue when there is a communication break down and decisions are made based upon the lack of proper information.
- We have been negatively impacted as some of the last profitable items are being sold at very low margins by our competitors. Because of this we are trying to find lower pricing or new products that we can regain some margin back.
- Manufacturers representatives for the most part have gone into hiding. we continue to question the value of a vendor sales representative that cannot do anything for us! our customers are also questioning the same of the wholesaler representative!
- Minimal impact.



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Q2: How have your working relationships been impacted by these responses? Responses from Manufacturers & Master Distributors (11% response rate)

- Relationships are becoming strained as there is less money to provide incentives to the distribution channel and we have to look at other sales channels.
- Relationships are becoming more strained as we work through the details.
- Working more closely with one another.
- More phone--less travel--less face to face meetings
- No change. (2)
- Wholesalers are not taking their own costs down outside of inventory which is the wrong thing. They continue to support and spend money in marketing, golfing, trips etc. yet inventory levels are brought down.
- Look for qualified distributors that can help carry the technical load and who will recruit and train new personnel accordingly.
- Yes. A lot of overlap is challenging typical relationships
- In most cases we have grown closer with our distribution channel partners.



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Q2: How have your working relationships been impacted by these responses?
Responses from Agents (10% response rate)

- *When I have to compete with a wholesaler above the other manufactures it affects everything.*
- *We are being tested everyday.*
- *With more manufacturers going direct there is a certain amount of duplication. Which is counter productive for the customer.*
- *It puts added responsibility to constantly update forecasts and relay constantly changing market info.*
- *No change.*
- *Do not appear to have been affected except for some price degradation.*
- *Negatively.*
- *The work load has increased to help in the shortage of people, the chasing of back orders on PO's, helping with deliveries on last minute orders.*
- *We all are working harder with less rewards.*
- *Lowered commissions.*



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Q3: What do you think the future holds for manufacturer/distributor working relationships in the plumbing and heating industry?
Responses from Wholesalers (10% response rate)

- Possibly more direct selling for plumbing as faucets etc aren't heavy and can be shipped overnight to anywhere in NA.
- I feel that with continued communication and mutual respect for the role that both parties play in the supply chain and understanding of the role that each party plays in the supply chain channel will allow all of us to have very strong relationships in the future.
- Our relationship with manufacturers and suppliers who provide reliable products and service will not be affected. Conversely those manufactures who are demanding continued growth through these slower times are becoming annoying, as they are not respecting the current economy.
- Manufacturers have to become more engaged in the marketplace at the installer/user levels to see what they expect and want!
- I think this uncertainty has led to strengthening of the relationship.



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Responses from Manufacturers & Master Distributors (11% response rate)

- There may be a disintegration of the existing sales channel relationship as we know it.
- We need to come to an understanding of each other's business models so both are successful.
- There needs to be a greater sense of partnership. Wholesalers are very reluctant to take on new products and to trust their mfg's and make a commitment.
- Inventory balancing---tight forecasting---closer relationships to survive /thrive in this environment.
- With proper integrity and maintaining your good ethical standards these relationships should improve!
- Manufacturers will see a wholesaler as someone who will carry B,C D items for them in the future and all the top product will be sold directly to contractor, builder and consumer.
- Manufacturers will align themselves with more qualified distributors that make the investment in people, training, product and market knowledge.
- Our expectation is these kinds of challenges help bolster the manufacturer/distributor working relationships. Working together to achieve sales is, and has always been, a key focus.
- The future of manufacturer/distributor relationships will be determined by distribution. It will be up to distribution to provide the value added needed by the manufacturer in our changing e commerce world.



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Responses from Agents (10% response rate)

- They are on a collision course and the Home Depots of the world are going to be there to get there share the moment that happens, while wholesale will still be wondering how they ended up in this mess. They have let most of their skilled staff exit and replaced them with untrained personal who only want to hand out phone numbers when problems arise. They want to “turn and earn” but stock nothing or make UPS rich by stocking in a central warehouse. It cannot continue in this manner, wholesale needs to remember what their job is in the chain and the sooner they figure that out the better it will be for all of us.
- Not sure at this point. I hope they work things out and continue to work together to grow our business.
- In a state of flux. A great deal of friction is building up.
- For the strong, solid, FLEXIBLE manufacturers and distributors that are able to adapt and supply quality products as soon as they are required, the working relationship will only get stronger. Those that can not adapt to the current tougher and more demanding economic conditions, will feel the pinch.



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Responses from Agents (10% response rate) ...continued

- Stronger ties.
- Tough question, I do not have a concrete answer.
- Manufacturers will sell direct.
- The manufacture can not cut pricing any more with out cutting back on all the free stuff the wholesaler requests. The wholesale has to quit selling on price. They need to sell of added values, service, features and benefits.
- The distributor is always needed - if a manufacturer thinks they can sell every contractor directly they are dreaming - it would not be a feasible experience for either side.
- More emphasis on contractor relationships versus manufacturer > distributor.



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Q4: Additional Comments Responses from Wholesalers

- Our Industry hasn't enough qualified sales people that understand margins. It's a huge problem.



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Q4: Additional Comments Responses from Agents

- Short term thinking for long term pain. For everyone.
- All the Sales seminars lend to the fact of selling your services, adding value to the your customers and training staff, yet I do not see it from most of the wholesale sales staff. It is all about price!!! The wholesale sales staff do not know their stuff and rely on the manufactures sales teams to bail them out!



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