



Input from Electrical Distributors,  
Manufacturers & Manufacturer  
Representatives  
Weeks of April 1-17, 2020

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# Overview

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- ▶ Channel Marketing Group and DISC Corp launched an electrical industry wide survey via our email lists and with the support of ElectricalTrends, NEMRA, IMARK Group and Egret Consulting, to understand the electrical distribution channel marketplace sentiment during the weeks of April 1-17, 2020.
- ▶ This survey is a follow-up to one conducted March 16-27, which was the beginning of the impact of COVID-19
- ▶ “Shelter-in-place” restrictions are now in 42 states. At the beginning of the month there were only 27. Reportedly this is 95% of the population. Further, some major electrical material consumption markets have had all except essential / emergency work halted. Combined with the devastating health impact of COVID-19 in these markets, some report sales down at least 50%!
- ▶ The goal of the survey is to provide a sense of the impact on the industry and to potentially share best practices.
  - The survey was originally built for distributors, hence some questions, or answer options, are not applicable for manufacturers and/or manufacturer representatives.
- ▶ Overall, there were 658 respondents to the survey. 42% were distributors, 29% manufacturers, 23% manufacturer representatives and 6% were others that are affiliated with the industry

# Executive Summary

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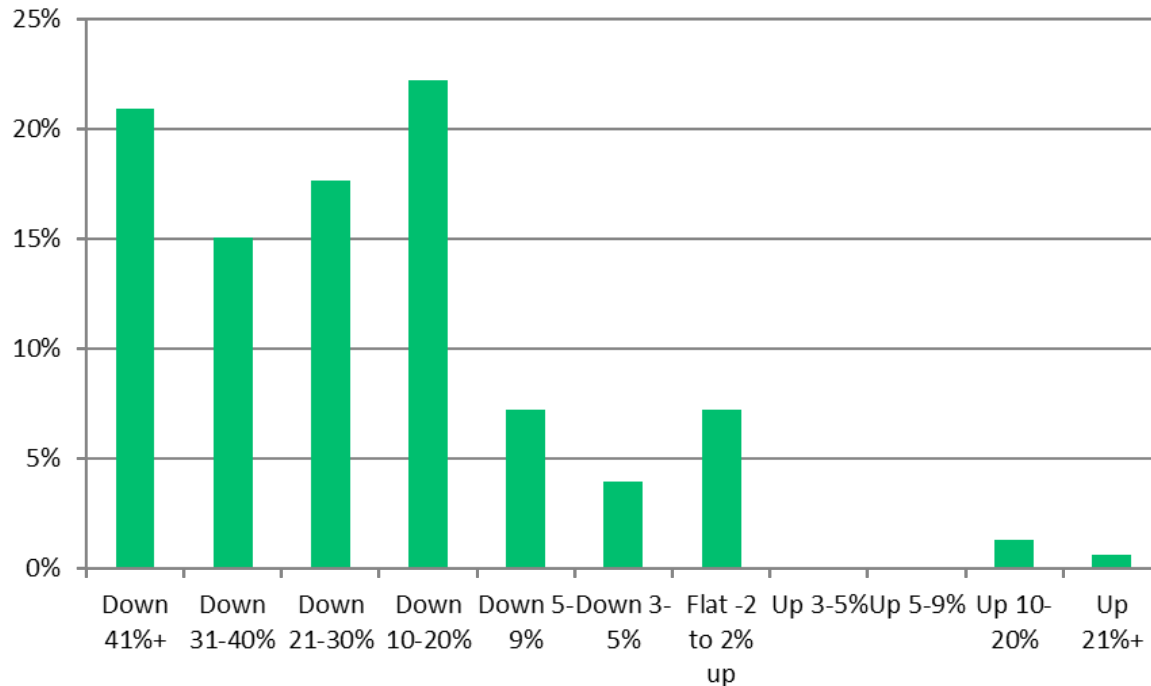
- ▶ The electrical distribution channel has declined approximately 20% over the past two weeks.
  - Distributor respondents reported an average sales decline of 18.6%, from 10.2%
  - Manufacturer respondents reported an average sales decline of 17.9%, from 8%
  - Manufacturer representative respondents reported an average sales decline of 22.8%, from almost 15%
  - When asked to forecast for Q2, all expect a decline of 20-26%
- ▶ Performance declines are steepest in the East and in metropolitan areas. Rural areas are the least affect. There is marketplace disparity. Anecdotally we hear of industrial distributors doing somewhat better.
- ▶ Many respondents shared that their company has undergone layoffs, furloughs and compensation changes.
- ▶ Distributors report a decline in their backlog and quotations and a slowing of their receivables.
- ▶ Most eligible companies throughout the industry have applied for federal funds under the Payroll Protection Program and 65%+ of respondents shared that their company is starting to talk about what “post COVID-19” could be, however, there is much concern about timing as well as what new business protocols may be.
- ▶ Many best practices, and concerns, are shared in the Appendix.

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# MANUFACTURER REPRESENTATIVE

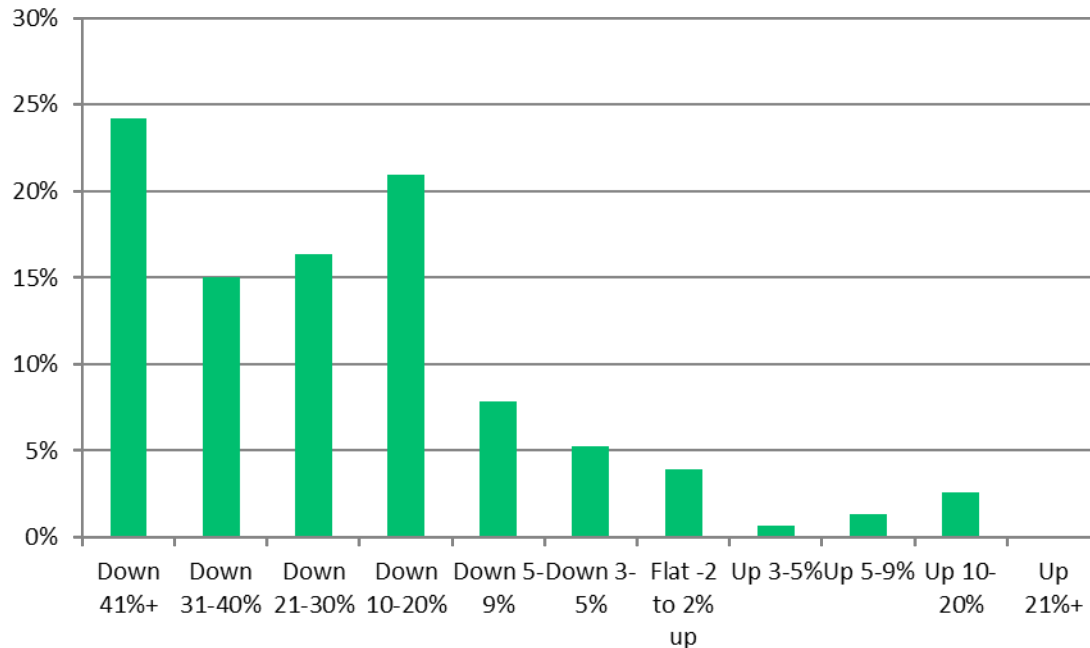


# Performance First 2 Weeks of April



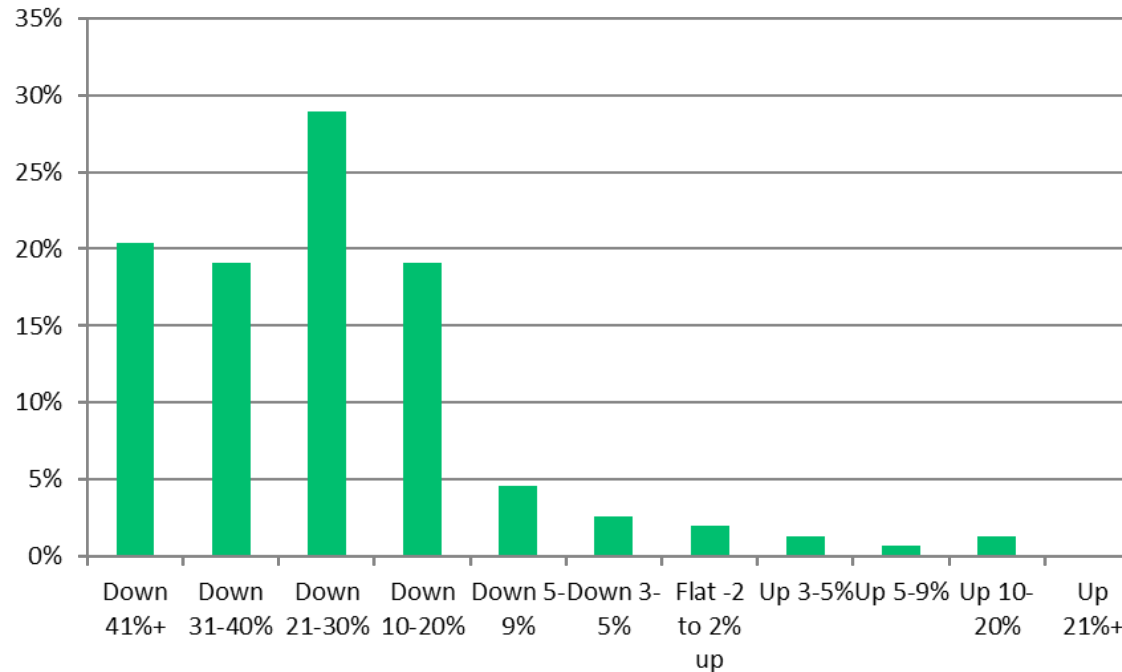
- ▶ 76% of manufacturer representatives reported a decline of more than 10% the first two weeks in April, with 36% reporting a minimum of a 31% decline. On a weighted average basis, manufacturer representatives report that business is down 22.8%
- ▶ Only 2% reported business being up. 7% of respondents reported “flat.”

# Year over Year Feedback



- ▶ When asked about their business versus last year, respondents shared that their **business is down an estimated 23.6%**.
  - A combination of COVID, a decline in the price of copper and low oil prices contribute to a “triple whammy” to impact rep sales.
- ▶ 35% reported business down over 30% versus last year.
- ▶ Only 5% report being up versus last year, which may relate to projects that were in the pipeline or being the beneficiary of COVID not being too prevalent in their market.

# Q2 Projection



- ▶ Manufacturer representatives are pessimistic for the second quarter and are guesstimating **Q2 being down 26.1%**.
- ▶ Almost 40% of respondents expect their company to be down at least 30%.

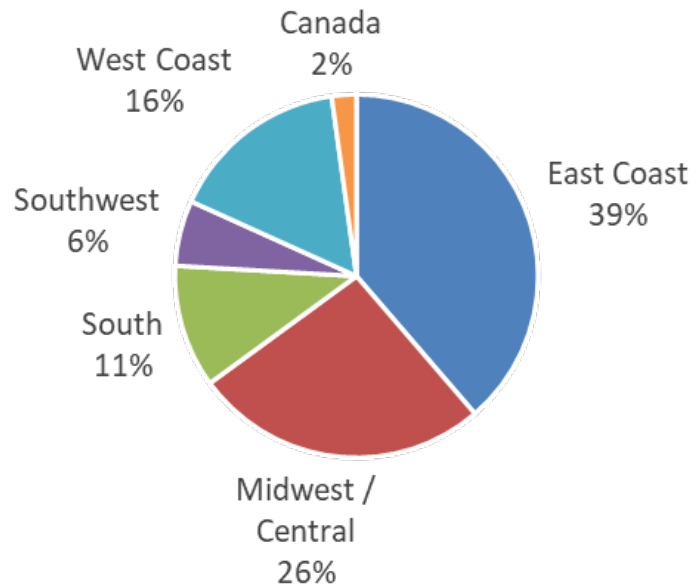


# Regional Analysis

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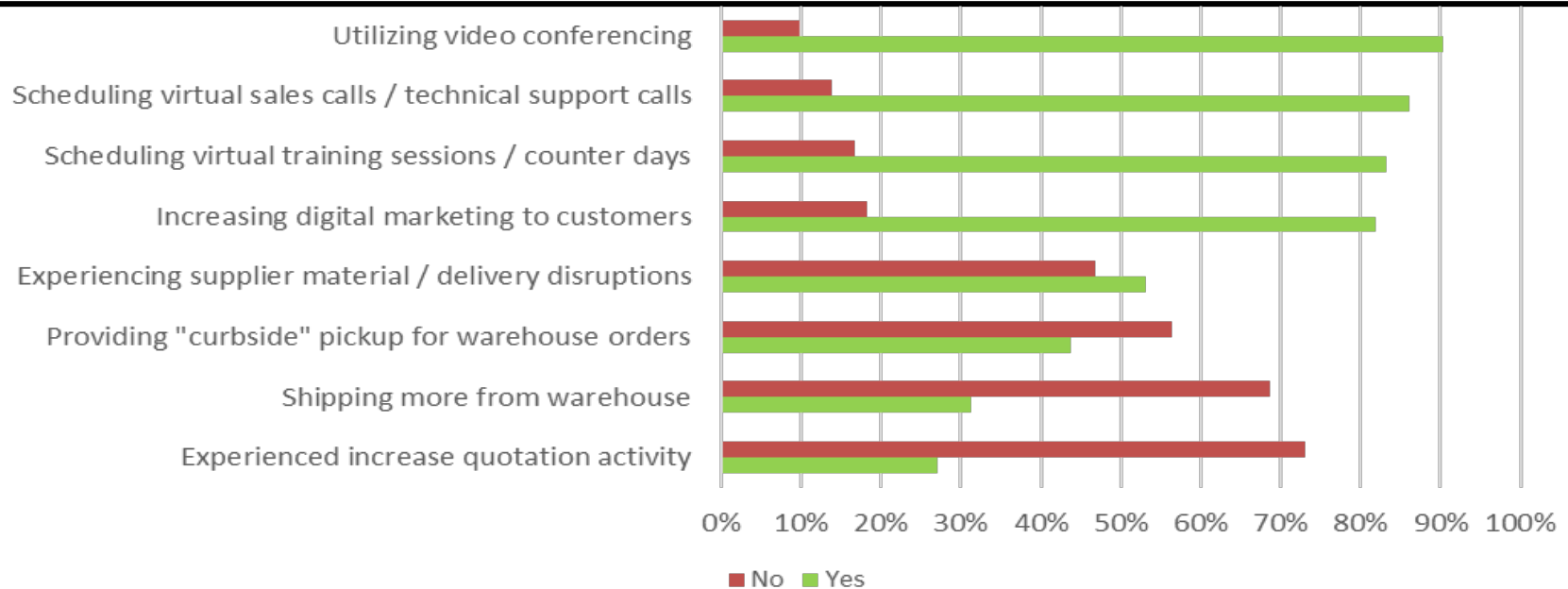
- ▶ In digging deeper into manufacturer representative performance, the following regional insights can be observed:
  - East
    - 44% of respondents have sales declines of over 30%
    - 85% have sales declines of 10+%
  - Midwest
    - 28% of respondents have sales declines of over 30%
    - 80% have sales declines of 10+%
  - South
    - 28% of respondents have sales declines of over 30%
    - 86% have sales declines of 10+%
  - Southwest
    - 40% of respondents have sales declines of over 30%
    - 100% have sales declines of 10+%
  - West Coast
    - 47% of respondents have sales declines of over 30%
    - 74% have sales declines of 10+%

# Geographic Diversity



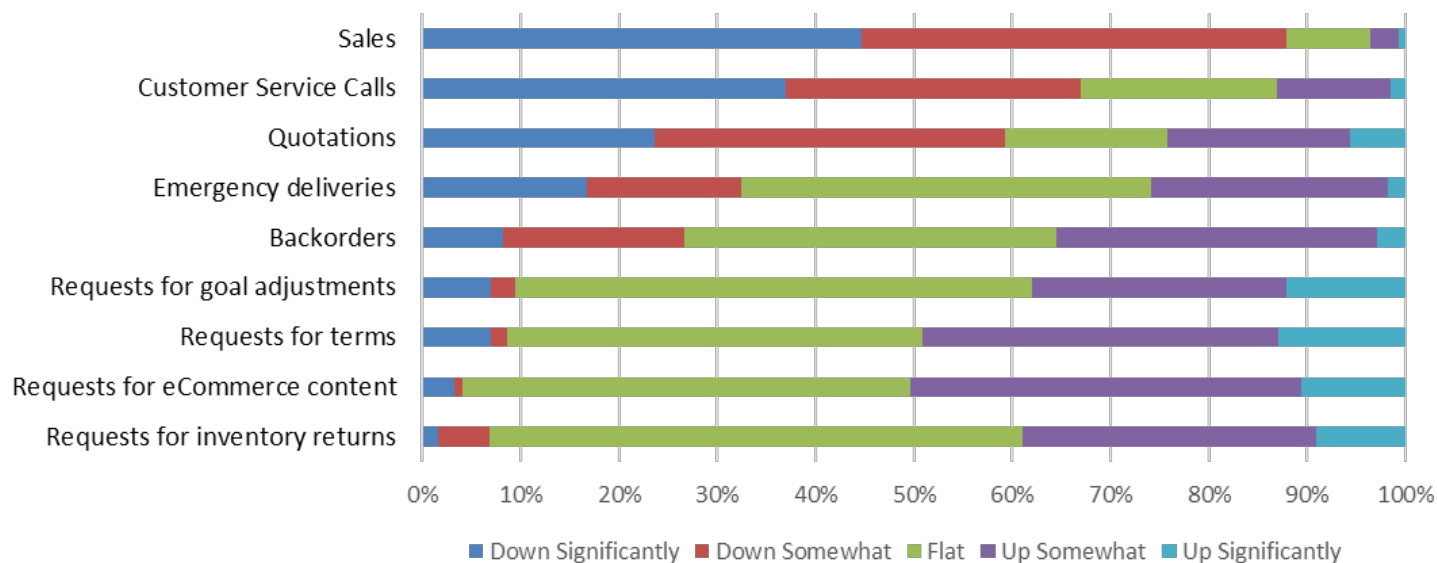
- ▶ 39% of respondents are from the East Coast and 26% are from the Midwest. Another 16% are on the West Coast.
- ▶ Southwest response is only 6%, hence a decline due to the price of oil should not be much of a factor.
- ▶ Major issues relate to construction closures in the Northeast / MidAtlantic as well as automotive shutdowns and more in Michigan.

# Manufacturer Representative Business Actions



- ▶ Agencies are adapting to a virtual and digital environment with 90% using virtual sales calls, technical support and training
- ▶ Only 27% have seen an increase in quotation activity, which does not bode well for future sales and/or replenishing backlogs.
- ▶ 81% of reps are using digital marketing
- ▶ 83% are using conducting virtual training / counter days, up from 65%, indicating that sales activities are continuing.
- ▶ 53% of respondents shared that they, and hence their suppliers, have experienced material delays, up from 40% in our last survey. This could relate to factory shutdowns.

# Sales Activity



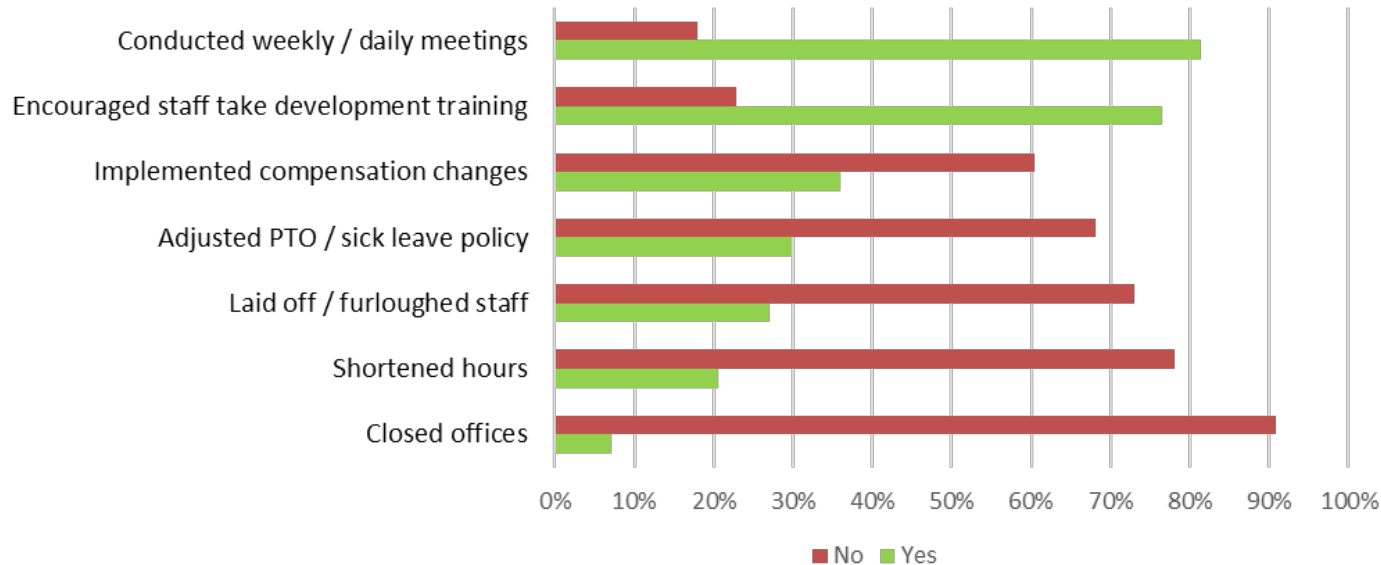
- ▶ 88% of manufacturer reps report that sales are down / significantly down
- ▶ 63% of respondents report customer service calls are down
- ▶ 40% report that quotation activity is flat / up, which indicates that there is some business in the planning process. Anecdotally it has been reported that quotation activity continues as architects / engineers work from home. It is not known if these are funded projects.
- ▶ 40% report an increase in distributors requesting “terms”
- ▶ 44% report that distributors are inquiring about eCommerce content indicating these distributors are either conducting business online or planning to deploy websites.

# Market Segments

Segment	%
Hospitals / Medical Facilities	59.4%
Commercial construction	58.0%
Residential Remodeling / Building	37.1%
Utility / Infrastructure / Datacom	35.0%
Industrial MRO	30.8%
Educational Facilities	24.5%
CPG / Food Processing	18.9%
Petrochem / Oil & Gas	9.8%

- ▶ Other market segments where distributors report opportunities include:
  - OEM supporting essential segments
  - Amazon Warehouses
  - Data Centers
  - Energy lighting / Retrofit projects
  - ESCOs
  - Government
  - Infrastructure
  - Military
  - Pulp and paper OEM's
  - Renewables
  - solar farms

# Actions Manufacturer Representatives Have Taken



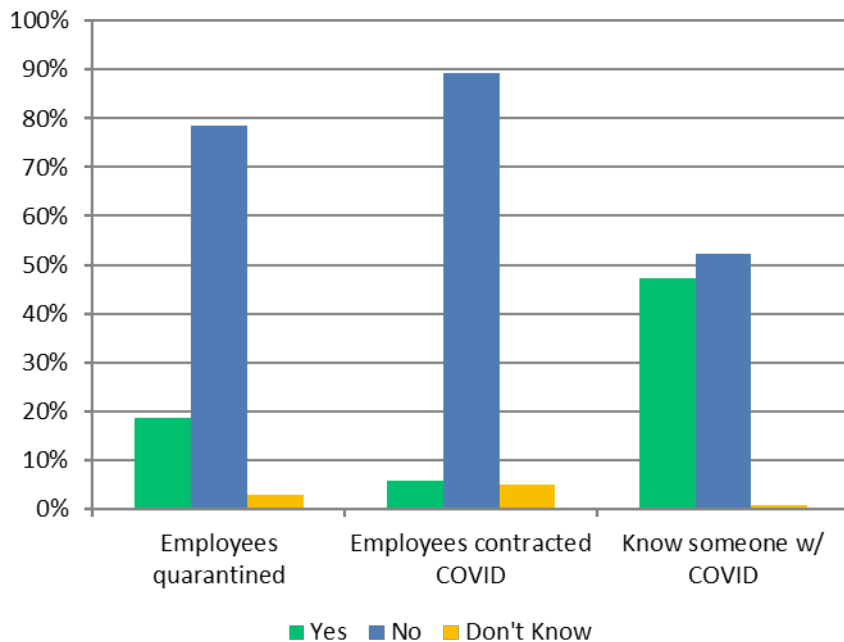
- ▶ 81% of manufacturer representatives are talking to their staffs frequently to enhance communication, down from 90%.
- ▶ 76% have staff, presumably salespeople (inside and outside) improving “skills”, up from 60%
- ▶ 36% of agencies have implemented compensation changes to their staff. This is expected given that reps receive commission from manufacturers 30-60 days in arrears (depending upon the impact of POS)
- ▶ Almost 30% of agencies have formally adjusted their PTO / sick leave policies to address COVID-19 related absence.
- ▶ 27% of agencies have initiated staff reductions, up from 22%.
- ▶ Some have asked staff to take 50% of their vacation time now.

# Catching Up

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- ▶ When asked how they are utilizing their time differently, respondents shared:
  - Improving their website as well as digital / social marketing presence
  - Product training
  - Enhancing prospect lists and conducting more customer research
  - Populating CRM systems
  - Following up on old quotes
  - Reaching out to “infrequent” customers
  - Partaking in professional skills development / product application training
  - Updating company information (manuals, documentation, etc.)
  - If they have a warehouse, cleaning the warehouse as well as cycle-counting.
  - Improving their technology skills / evaluating and learning new technology
- ▶ While all would prefer to interact with customers, either at distributor locations or at end-user facilities, they recognize that remote selling is providing them with additional time and the significant drop off in business is providing time to address other areas of the business that are frequently “delayed.”

# It Becomes Personal



- ▶ While many, hopefully, won't personally be affected by COVID-19, some manufacturer representatives know someone who has been impacted.
  - 18% have had someone from their company quarantined.
  - 6% report that someone from their company contracted the.
  - 47% know someone who has contracted the virus. This is up from 20% previously.
- ▶ With almost 50% having a level of "intimacy" with COVID-19, this heightens personal awareness and the need for safety.



# Agency Principal Leadership

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- ▶ Respondents rated their management teams 8.57, down from 8.73 for their crisis leadership skills.
  - 37% of respondents rated a 10
  - 21% of respondents rated a 9
  - 26% of respondents rated an 8
- ▶ Overall, 84% of respondents rate their companies 8.0 or higher.

# Manufacturer Representative Actions

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- ▶ Manufacturer Representative actions, beyond social distancing, remote work force and cleaning initiatives that they undertook the end of March, include:
  - Acquiring more laptops to enable customer service / inside sales to work remotely.
  - Increased eMarketing, whereas others have decreased and are calling customers more to casually touch base.
  - Rewarding customers / end-users for participating in online training.
  - Reduced hours, reduced compensation
  - Staggered work hours and shifts
- ▶ Additional input is in the Appendix.
- ▶ Channel Marketing Group has shared actions that companies in the electrical industry have taken at [www.electricaltrends.com](http://www.electricaltrends.com).

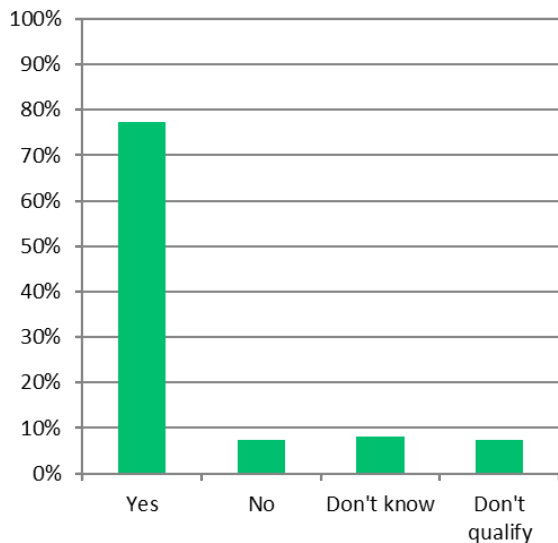
# Manufacturer Representative Concerns

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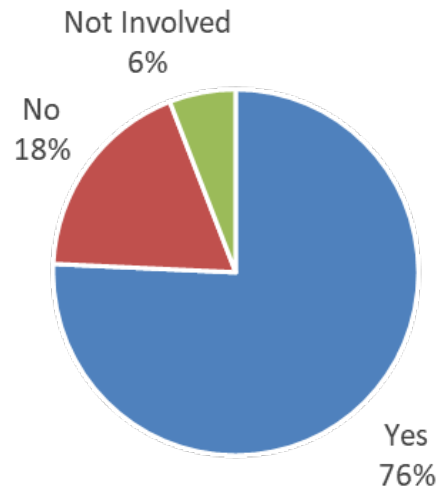
- ▶ Manufacturer Representatives shared many concerns. These relate to:
  - How will this change future sales activities with distributors? Contractors? End-users?
  - How this will change future interaction with regional managers / national sales managers? They expect more virtual meetings and less field visits.
  - Concerned about contractor project activity and current projects being delayed.
  - How manufacturers will adjust budgets / goals.
  - Product availability if there is a V-shaped rebound, especially if manufacturers have factories closed and/or have adjusted inventory due to business decline.
  - Lack of backlog with some saying Q3 will be when the “depth” of the impact will best be determined (also, Q3 is typically the strongest quarter for the industry.)
  - Distributor finances and their ability to pay bills (and distributors getting paid by contractors).
  
- ▶ Specific comments, and highlighted concerns, are in the Appendix.

# Preparing for Tomorrow

## Applied for PPP



## Started Talking / Planning Post COVID-19

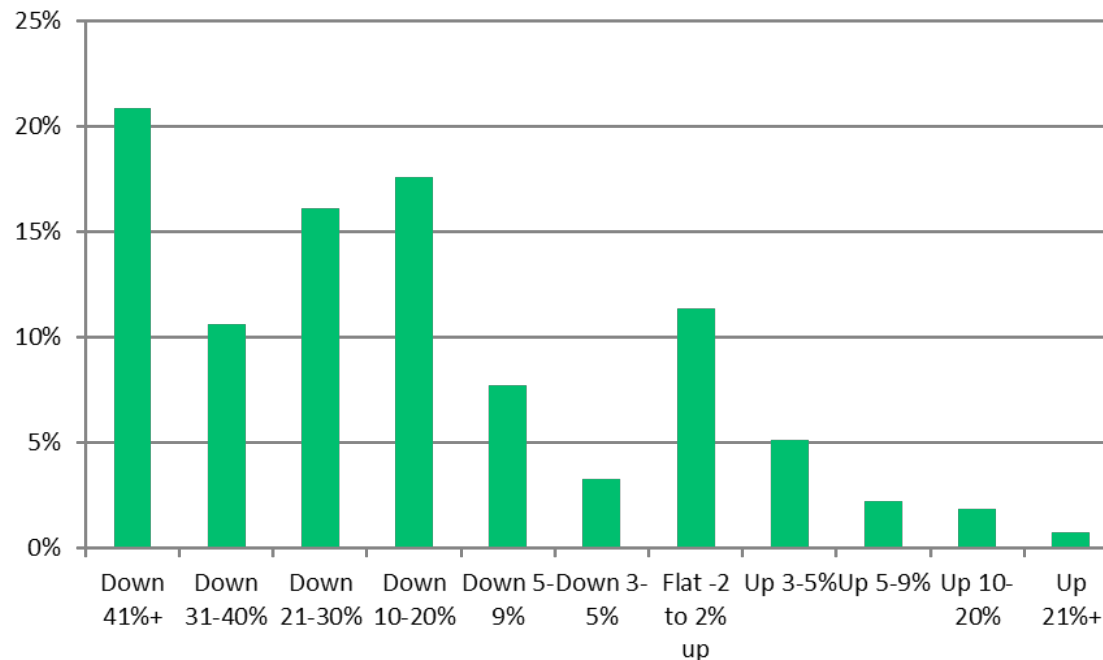


- ▶ 77% of respondents knew their company applied for funds from the Payroll Protection Program whereas 8% didn't know, 7% didn't apply and 7% say their company doesn't qualify. Given that, for a loan to be forgiven, 75% of the employee count needs to be retained by June 30<sup>th</sup>, sharing PPP status can provide a sense of "comfort" for staff.
- ▶ 76% of respondents stated that their agency is discussing post COVID. Agencies discussing the future may want to review NEMRA's Rep of the Future report for ideas that may be beneficial.

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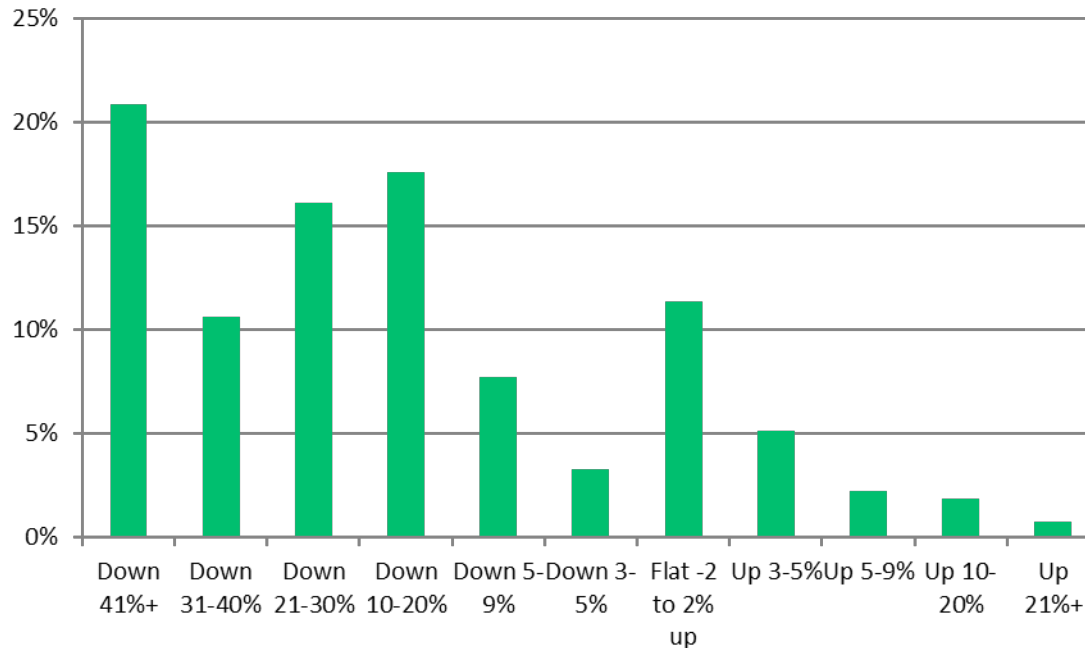
# DISTRIBUTOR INPUT

# National Performance Past 2 Weeks



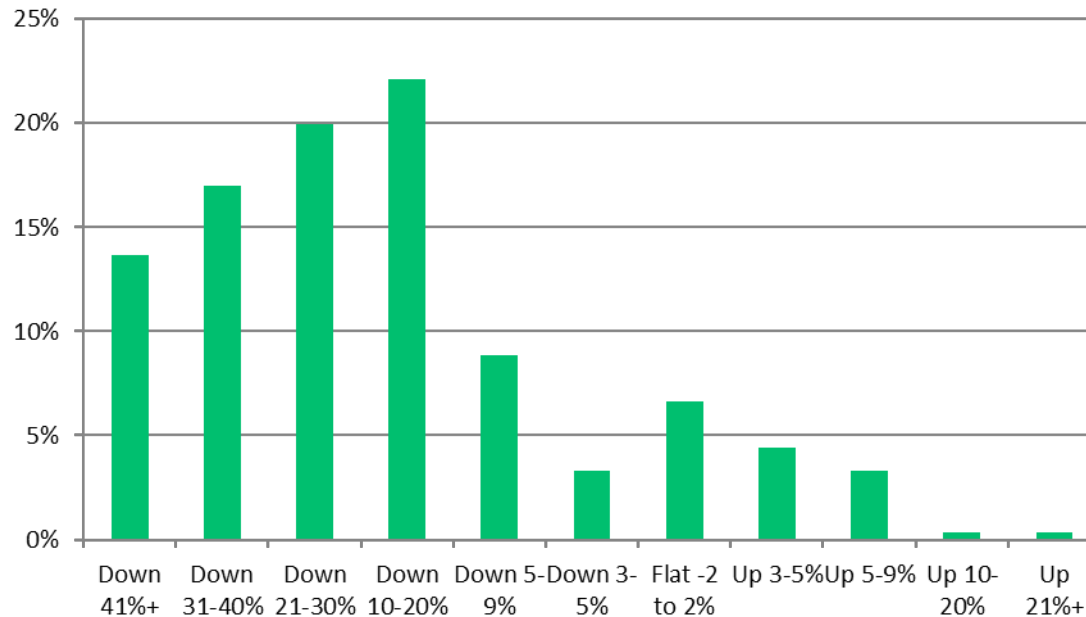
- ▶ On average, electrical distributors are down 18.6%, an acceleration of the decline of 10.2% reported the last two weeks in March.
  - 66% of distributor respondents reported a decline of 10, with 27.5% reporting a minimum of a 30% decline.
  - 14% report flat / nominal impact, and 9% report some growth.
- ▶ Almost a 20% decline in a month and recognizing a portion of these recorded sales are recognition of backlog that was previously generated and is being worked down.

# Performance versus 2019



- ▶ On average, respondents share that they are down 19.7% versus last year.
  - 65% of distributor respondents reported a decline of 10+%, up from 46%, with 31% reporting a minimum of a 30% decline.
  - Only 11% report flat / nominal impact, and 8% report some growth.
- ▶ Essentially, the market is down 20% in less than a month, according to respondents. The fear, as can be seen with 46% being down a minimum of 30%, is that as the virus spreads it could further impact business due to the severity and duration of the virus.

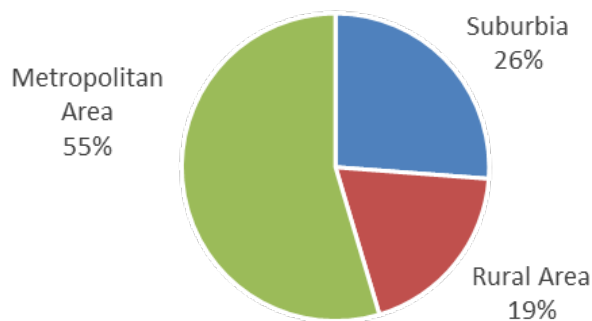
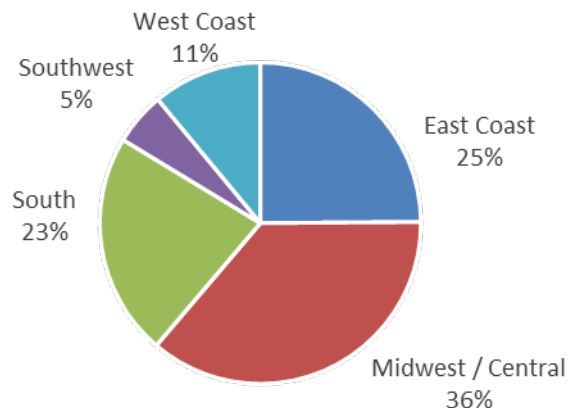
# Q2 Projection



- ▶ 30% of respondents project Q2 business will be <sup>up</sup>down at least 30%. 73% feel business will be down 10+%. This is based upon “known factors / hope” as the duration of **COVID-19** is unknown as is the timing of an economic re-opening, even in phases. Further, the re-opening will differ by region.
- ▶ The weighted **average projection is -20.6%**
- ▶ Only 8% of respondents project their company will have growth in Q2.
- ▶ Many commented that Q3 could be more significant as they work through their backlog and do not replenish it.

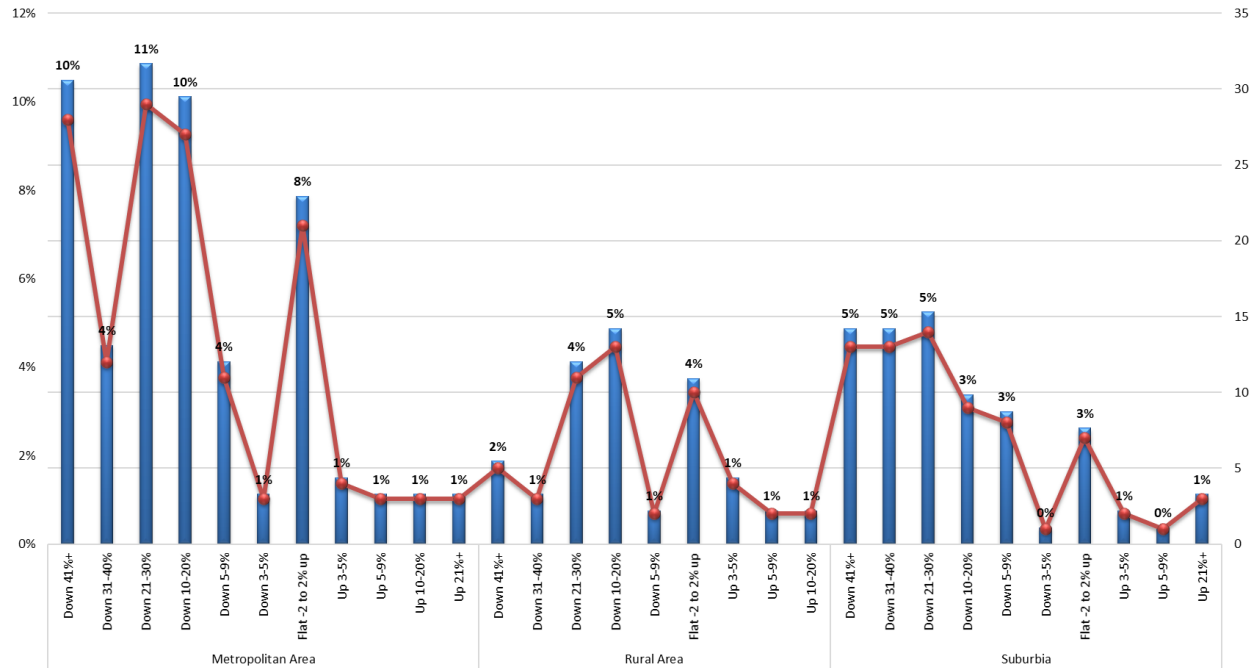


# Geographic Diversity



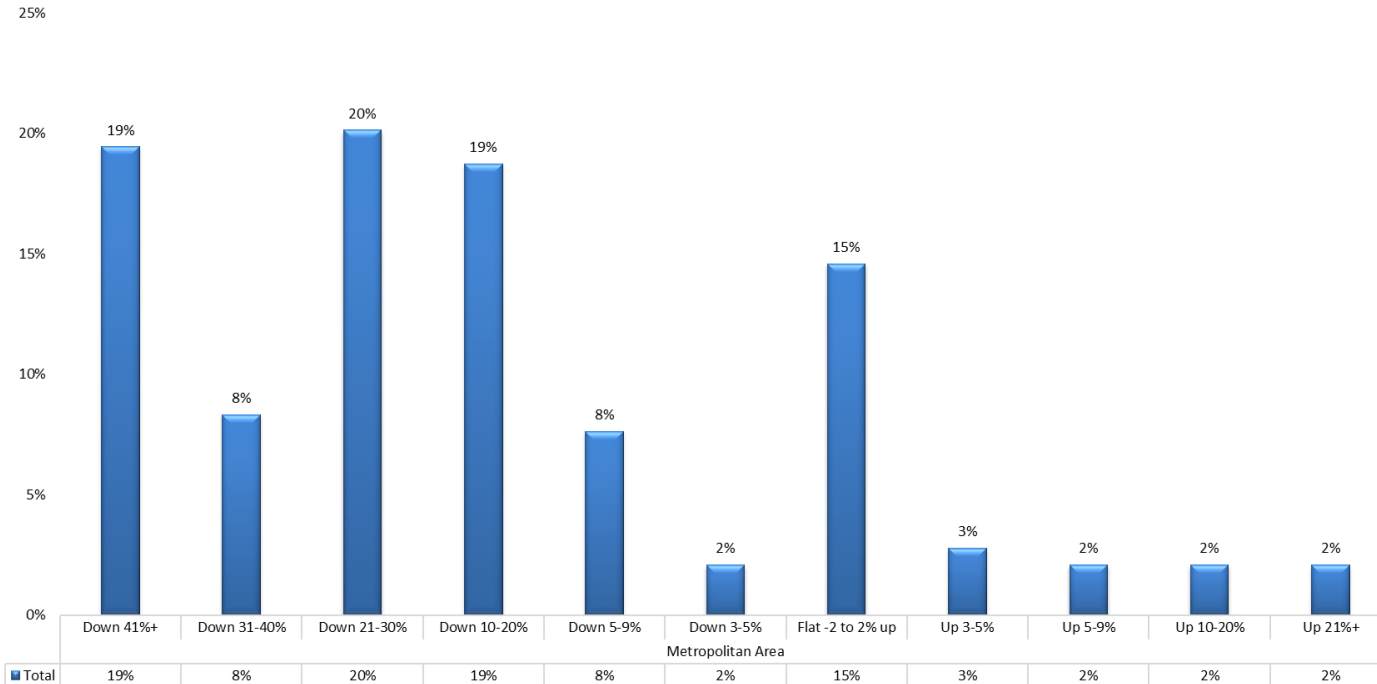
- ▶ 25% of respondents are from the East Coast, 36% are from the Midwest, 23% in the South, 11% on the West Coast and 5% in the Southwest.
- ▶ Regional responses impact the weighted average as last survey had a higher percent response from the East. A low Southwest response mitigates any impact from the decline in the price of oil.
- ▶ The regional response rate is not commensurate with electrical spend by region, indicating the decline may be more pronounced.
- ▶ 55% of respondents are from Metropolitan areas, with high population density. These areas typically have the highest electrical spend and are the areas most impacted by COVID-19.

# Geographic Performance Past 2 Weeks



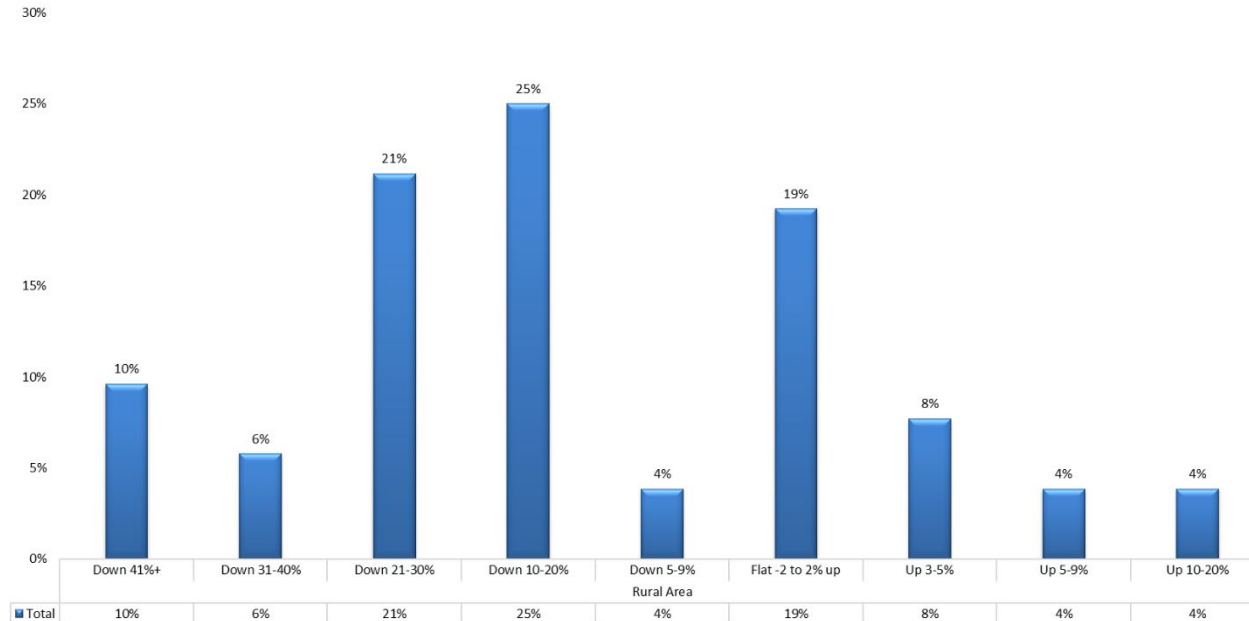
- ▶ The red line represents the number of responses and the columns are the percentage of total nationally.
- ▶ The repercussions of social distancing and stay at home policies compounded by construction work stoppages will continue to put downward pressure in areas with higher population densities.
- ▶ Over the next 4-6 weeks easing of restrictions will start to provide limited positive gains.

# Metropolitan Areas Performance Past 2 Weeks



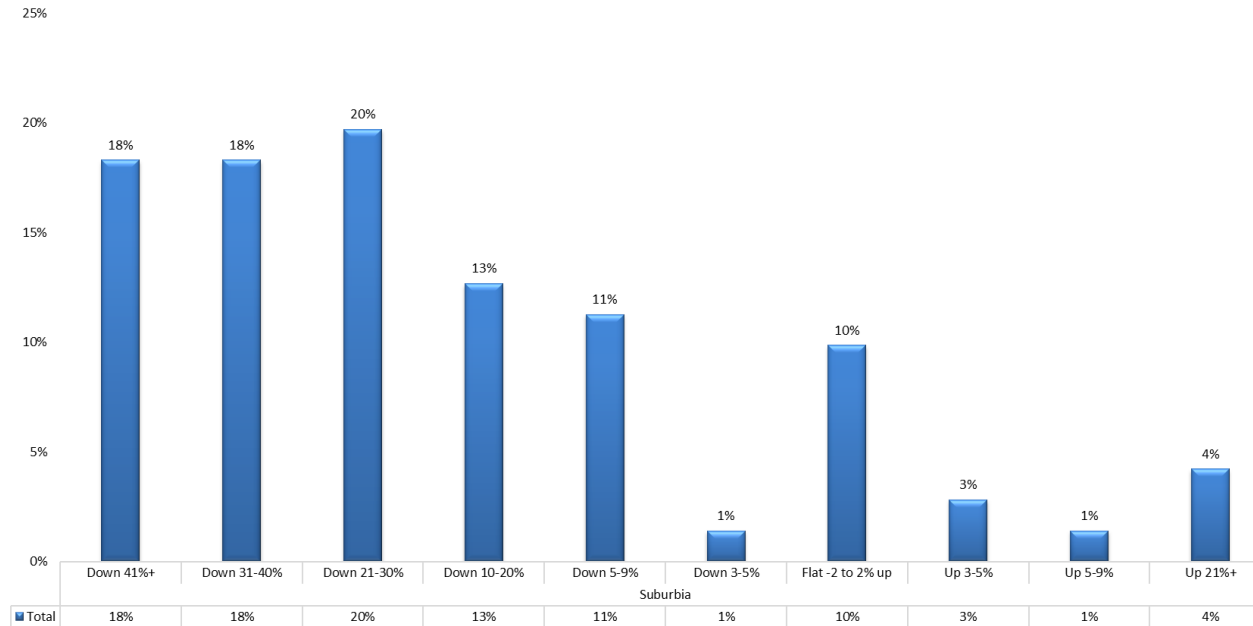
- ▶ Metropolitan areas are the hardest hit with 65% reporting declines greater than 10%. Population density is the driver for these declines. Construction, industrial operations and institutional spend has come to a near standstill.
- ▶ Political policy favoring personal safety will continue to restrain opportunity in the near term.
- ▶ It is encouraging to note that 24% of respondents remain in positive niche positions.

# Rural Areas Performance Past 2 Weeks



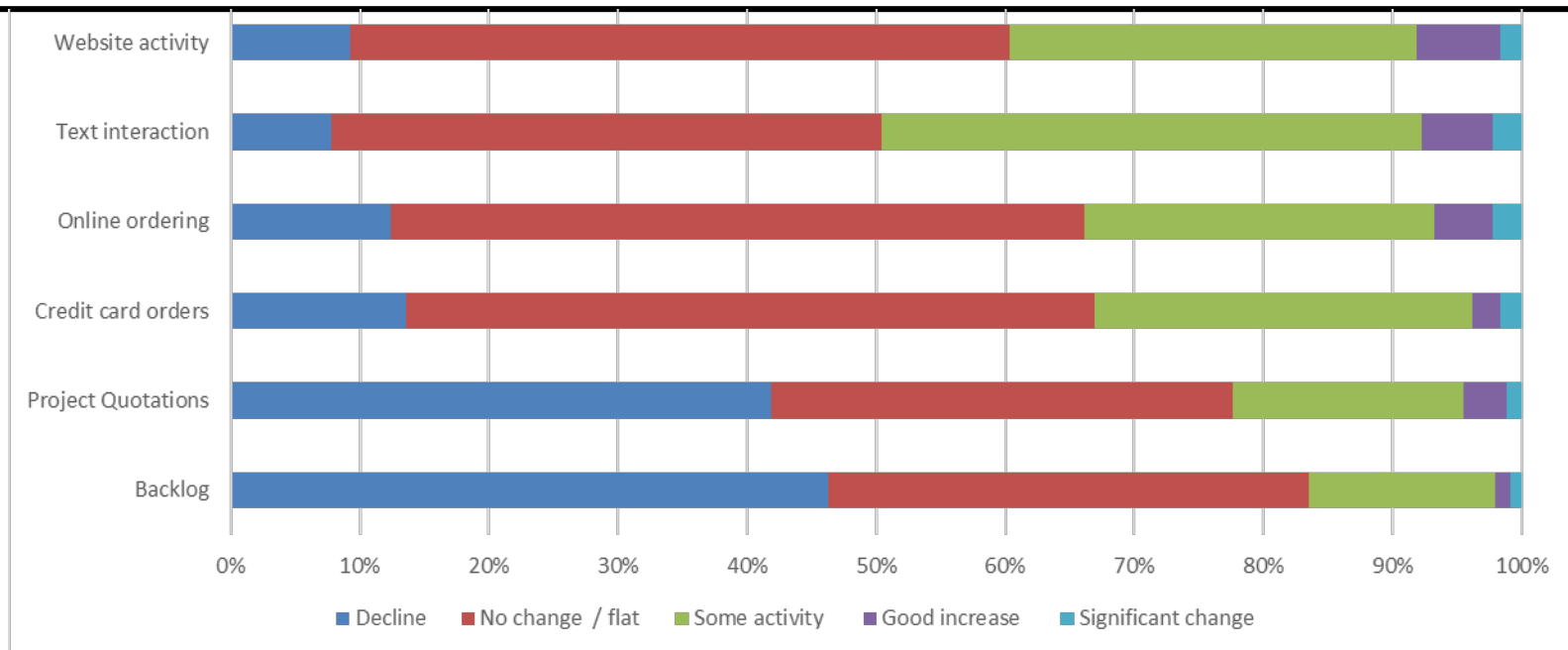
- ▶ Rural areas, for these two weeks, continue to outperform other population centers, declines exceeding 10% are impacting greater than 45% of respondents.
- ▶ 35% are reporting nominal impact or sales gains, these companies are in areas that have not been impacted as much by travel and population density.
- ▶ The downturns in rural areas may be impacted by the decline in oil prices and political uncertainty.

# Suburban Performance Past 2 Weeks



- ▶ More than 71% of Suburban distributors reported a decline of more than 10%, up from just 52% two weeks ago.
- ▶ This rapid deceleration is a result of enhanced social distancing and stay at home orders. Institutional and residential markets are grinding to a virtual standstill with all but essential services remain in play.

# Sales Activities



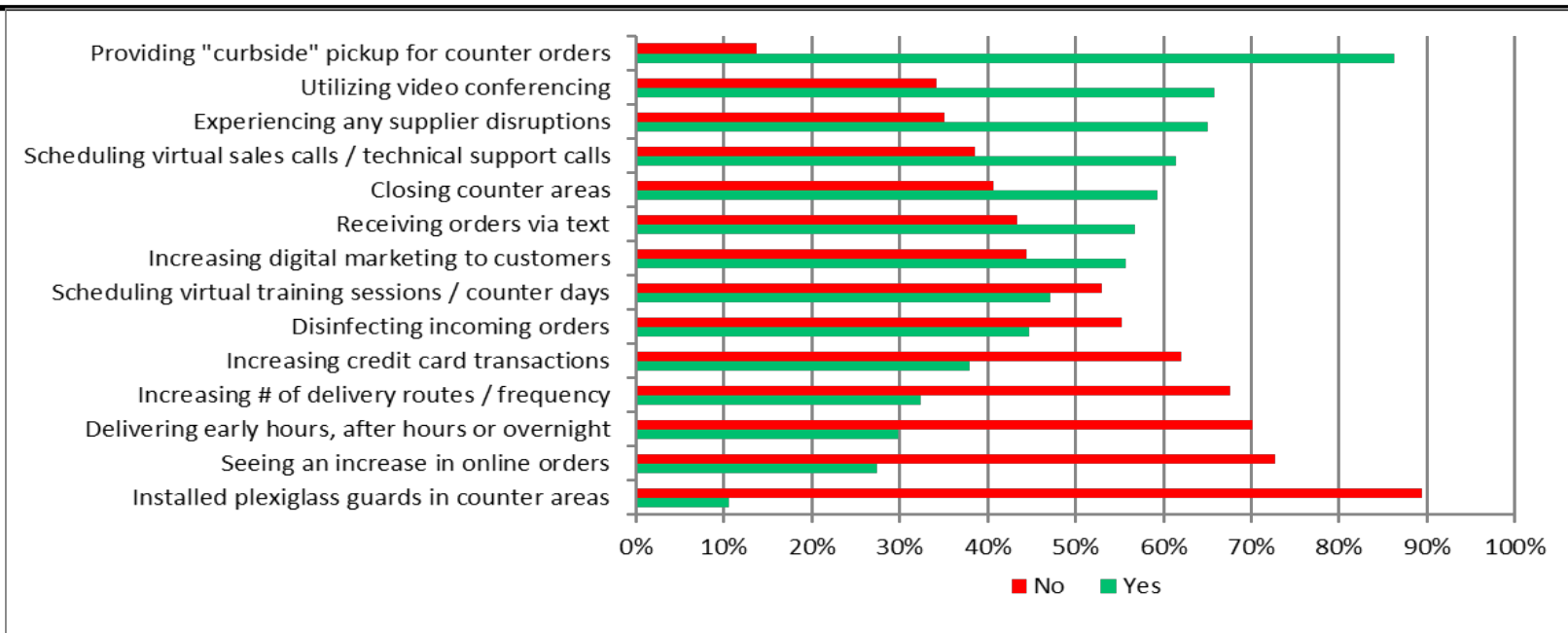
- ▶ 46% of respondents report a decline in their backlog
- ▶ 42% report a decline in project quotation activity. Projects are still being bid, however, starts are delayed, which impacts sales / backlog and may involve projects getting "rebid". Architects and engineers still working.
- ▶ Less than 5% report a "good / significant" increase in web traffic and orders but 20-25% report "some" activity (inferring more than prior)

# Market Segments

Segment	%
Hospitals / Medical Facilities	49.6%
Commercial construction	47.9%
Residential Remodeling / Building	43.4%
Industrial MRO	35.1%
Educational Facilities	26.0%
Utility / Infrastructure / Datacom	25.6%
CPG / Food Processing	19.0%
Petrochem / Oil & Gas	5.8%

- ▶ Other market segments that respondents mentioned include:
  - Municipalities
  - Pharmaceutical
  - Public buildings ex: new police stations and fire stations
  - Large solar project
  - State / Municipalities
  - Agriculture
  - Marine
  - OEM
  - Warehouse construction
  - School retrofits just started
  - Wastewater treatment
  - Data centers
  - Repair
  - Design Build
  - Commercial/Facility MRO
  - Residential Heating and hot water
  - Healthcare construction

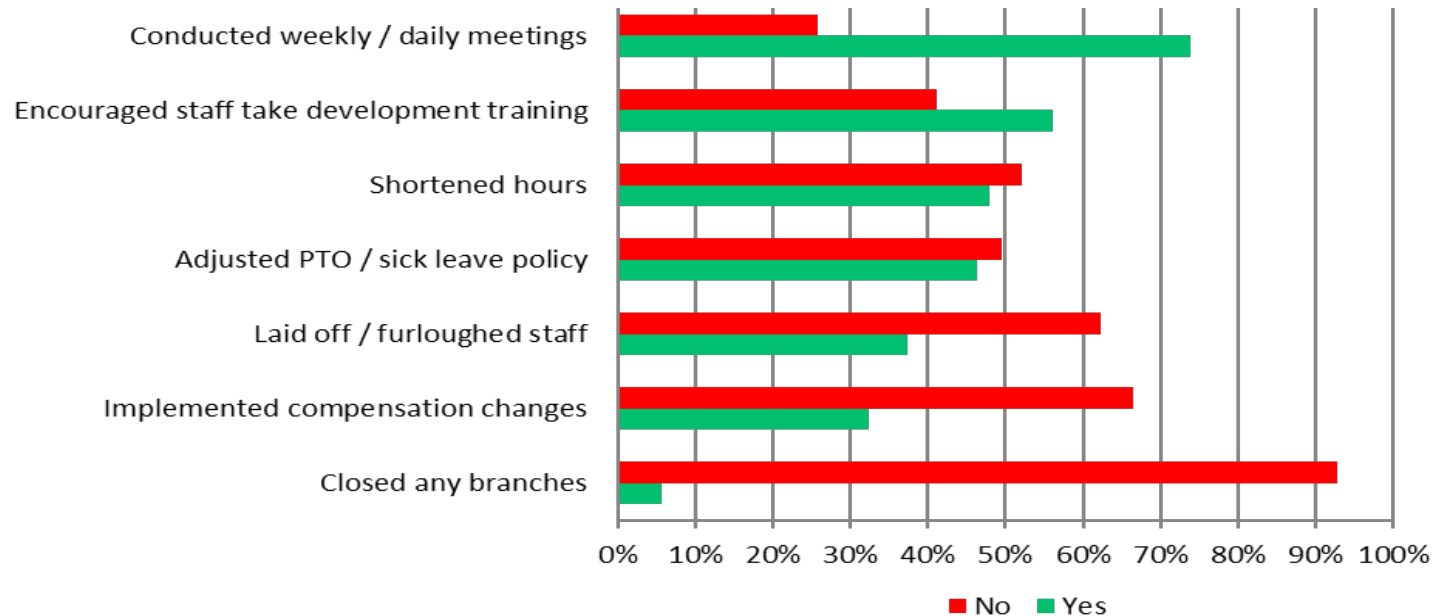
# Distributor Business Actions



- ▶ Distributors are adapting. 86% of respondents now offer "curbside" pick-up, up from 74% and 57% accept orders via text.
- ▶ 38% have seen an increase in credit card transactions
- ▶ Only 27% have seen an increase in online orders
- ▶ 59% have closed counters / showrooms.
- ▶ 65% report supplier material disruptions.
- ▶ Webinar activity is strong, especially for internal usage. 47% report using for training, 61% for sales / technical calls



# Actions Members Have Taken



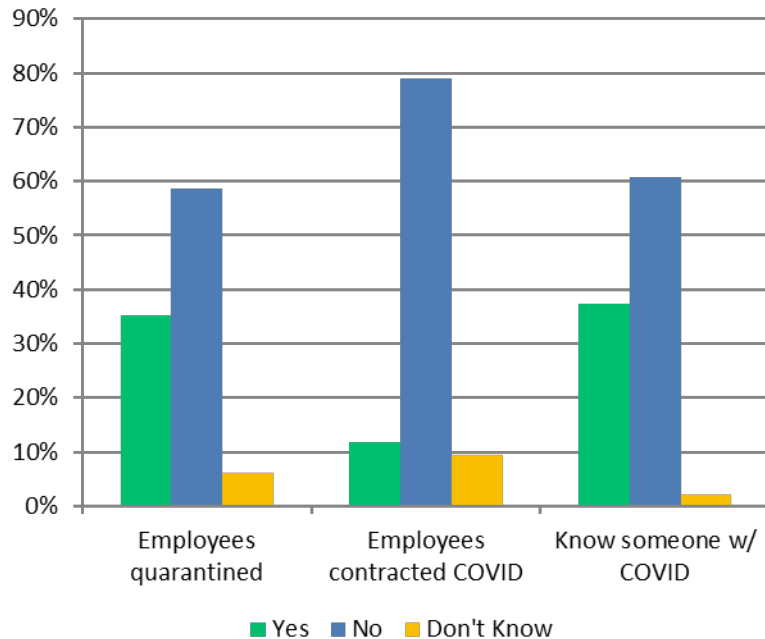
- ▶ Almost 50% of respondents state that their company has shortened hours, up from 35%.
- ▶ 37%, up from 23%, of respondents reported their company has initiated furloughs / layoffs. Some companies shared the layoffs were of staff that was "less productive" and have differentiated between layoff versus furloughed staff.
- ▶ Additionally, 32% have implemented compensation changes.
- ▶ There has been minimal shuttering of locations to date, however, we are aware of at least three companies that have closed.
- ▶ 74% of respondents state they are talking to their staff daily / weekly, down from 80% earlier.
- ▶ 56% are encouraging staff to participate in training initiatives, most typically supplier-driven webinars.

# Catching Up

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- ▶ Recognizing that there has been a significant decline in business and that salespeople are not visiting customers or traveling, and there is less telephone interaction, distributors are having staff engage in other activities. These activities include:
  - Process improvement projects
  - Physical inventory and cleaning up the warehouse
  - Reviewing dead / obsolete inventory and seeking returns or other ways to monetize this material.
  - Product training
  - Skills training
  - Software / technical training
  - Improving website and social media presence
  - Updating price files as well as customer lists / contact databases.
  - Customer “cost to serve” / profitability analyses
  
- ▶ A complete list of responses are in the Appendix

# It Becomes Personal



- ▶ While many, hopefully, won't personally be affected by COVID-19, some members know someone who has been impacted.
  - 37% know someone who has contracted the virus.
  - 35% have had someone from their company be quarantined. This is up from 15% two weeks ago.
  - 12% of respondents have had someone from their company contract the virus.
- ▶ Having someone from the company quarantined can significantly disrupt the business as it requires a 14-day separation. Further, with 37% of people knowing someone, this makes COVID very "real" to many.

# Member Leadership

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- ▶ Respondents rated their management teams 8.5 for their crisis leadership skills.
  - 32.3% of respondents rated a 10
  - 26.5% of respondents rated a 9
  - 24.4% of respondents rated an 8
  - 8.3% of respondents rated a 7
- ▶ Overall, 83% of respondents rate their management an 8 or higher.

# Distributor Actions

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- ▶ Distributor actions since March, beyond social distancing, remote work force and cleaning, include:
  - Increased compensation adjustments
  - Sectioned off sections of counter area
  - Drivers and other staff now wearing masks. Sales staff wearing gloves and masks.
  - Split staff shifts
  - Initiated / increased furloughs and layoffs
  - Restarted sales activities and outbound calling.
  - Leadership call frequency now every other day or weekly. No longer as frantic.
  - Increased digital marketing
  - More focus on inventory management
- ▶ Additional input is in the Appendix.
  
- ▶ Channel Marketing Group has shared actions that electrical distributors have taken at [www.electricaltrends.com](http://www.electricaltrends.com).

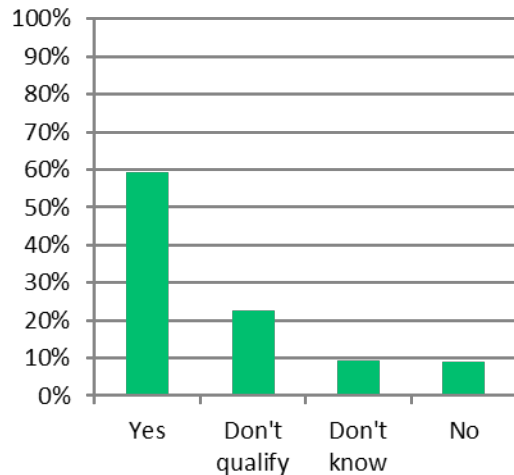
# Distributor Concerns

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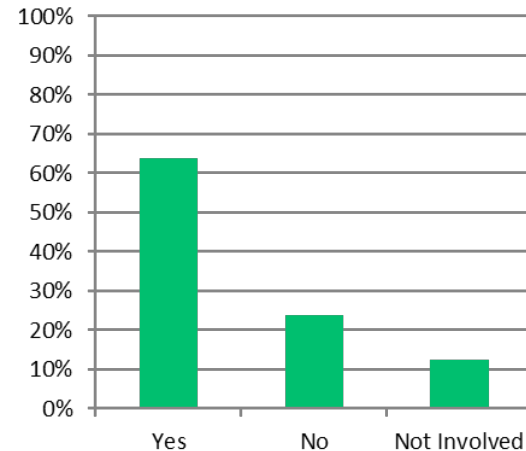
- ▶ Distributors shared many concerns. These relate to:
  - The impact of COVID on the ability to fund future construction projects as well as the ability to continue funding existing projects.
  - Getting paid from contractors for February / March sales
  - What the new business “norm” will be as it relates to calling on customers? Interacting with agents and suppliers?
  - Adapting to a new management style driven by “objectives” of a remote workforce
  - Channel erosion to Amazon (for MRO) as well as smaller contractors to Home Depot, etal
  - A rebound of the virus in the fall and the impact that could have on a summertime economic restart.
  - Many concerns / questions about when the economy will open
  
- ▶ Specific comments, and highlighted concerns, are in the Appendix

# Planning for Tomorrow

## Applied for PPP



## Started Talking / Planning Post COVID



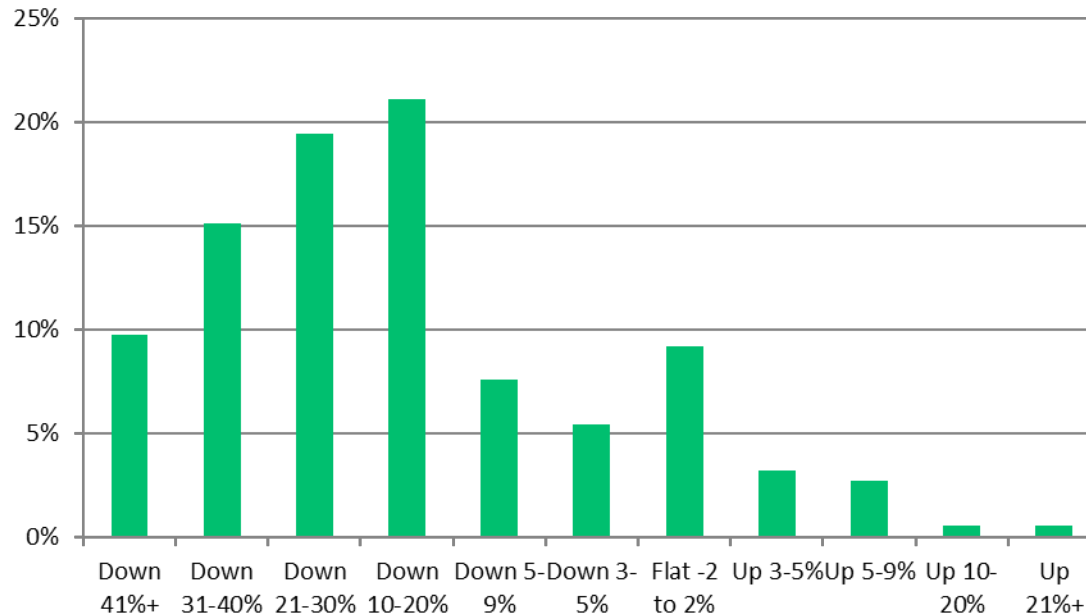
- ▶ 60% of respondents knew if their company had applied for funds from the Payroll Protection Program with 23% reporting that their company didn't qualify (had 500+ employees). This indicates that a significant percentage of independent distributors will receive funding which should help support the companies. The loans are forgivable if 75% of their employee count is retained as of June 30<sup>th</sup>.
- ▶ 64% of distributors are thinking about tomorrow and what an eventual recovery of the economy, and their business, will be like as well as how the business will change short-term and potentially longer term.

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# MANUFACTURER INPUT

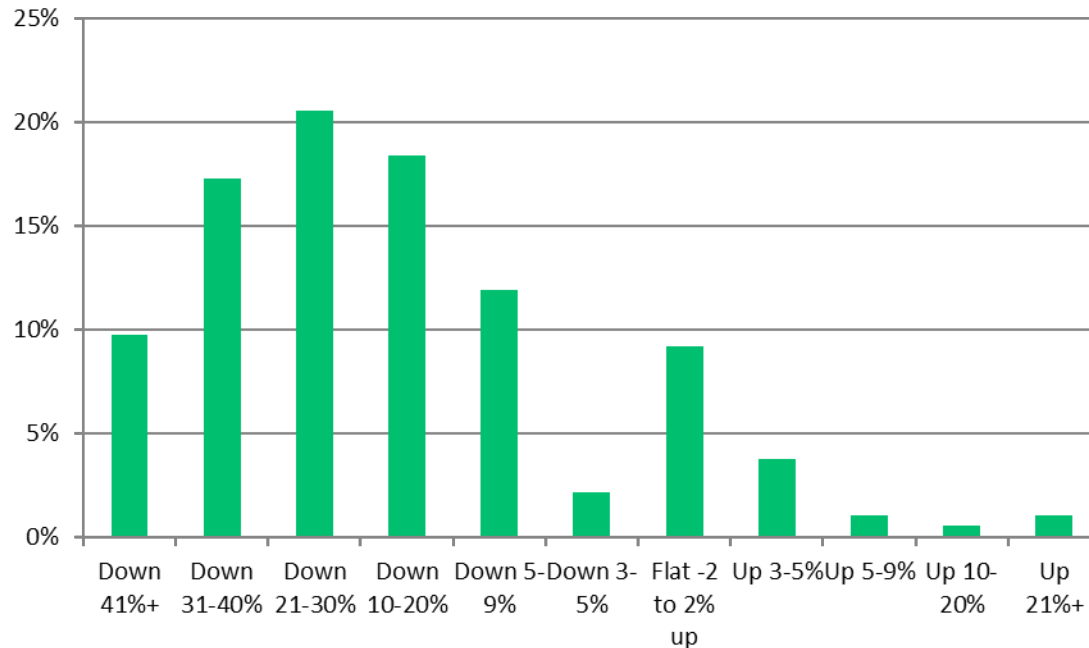


# Performance Past 2 Weeks



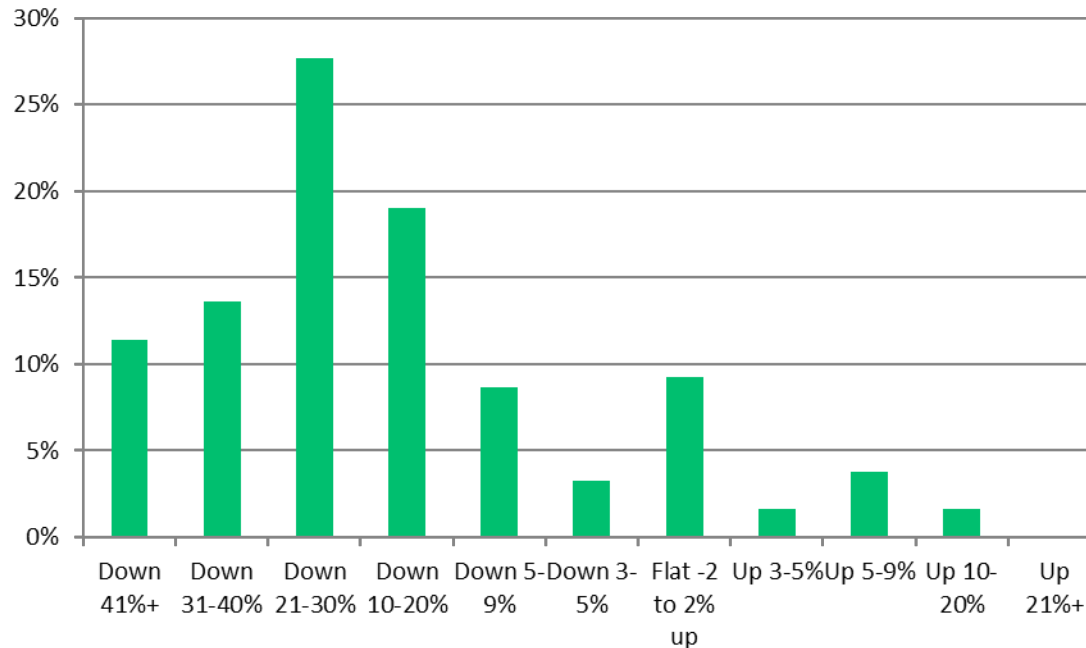
- ▶ On average, electrical manufacturer respondent's report that they have declined an average of 17.9%, this is more than double the decline of the last two weeks in March (8.3%).
- ▶ 65.4% report a sales decline of more than 10%, up from almost 40% previously!
  - 25% report a decline in excess of 30%.
- ▶ Only 15% report being flat or generating an increase over the past few weeks. This contrasts with 30% reporting flat / up in late March.
- ▶ Given a decline in distributor project quotations and key states halting construction, we would expect manufacturer sales declines, on average, to be more significant in April.

# Performance vs Last Year



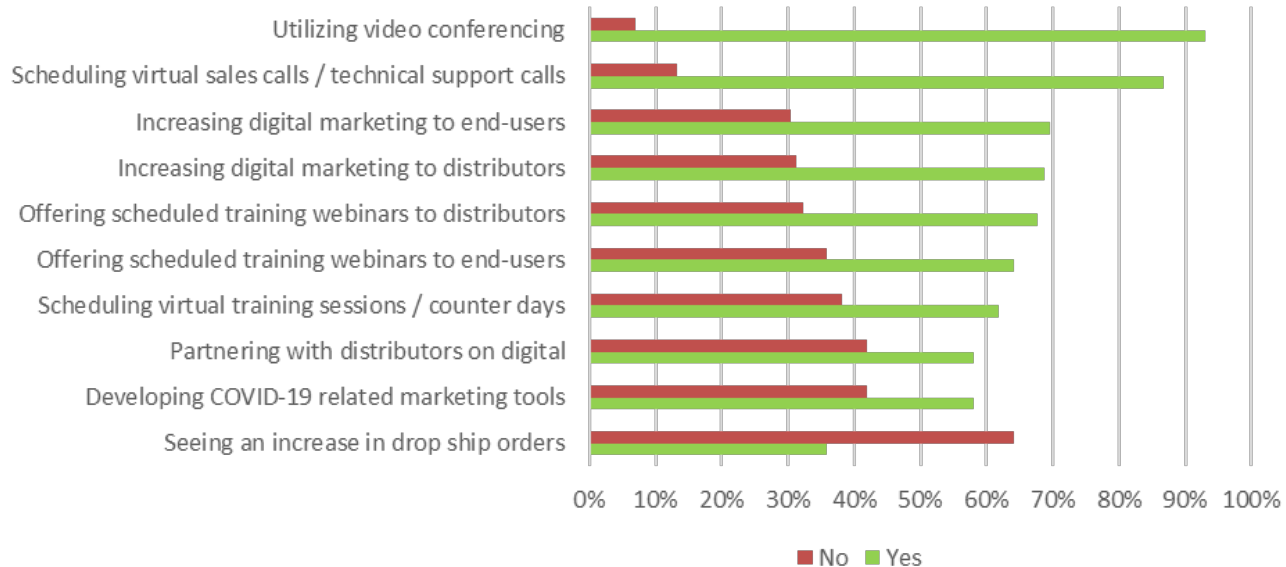
- ▶ Manufacturer respondents share that, versus 2019, for the same time period, they are down 18.7%, on average.
- ▶ 20% of respondents share that their companies are down 21-30% with another 27% down over 30%.

# Q2 Projection



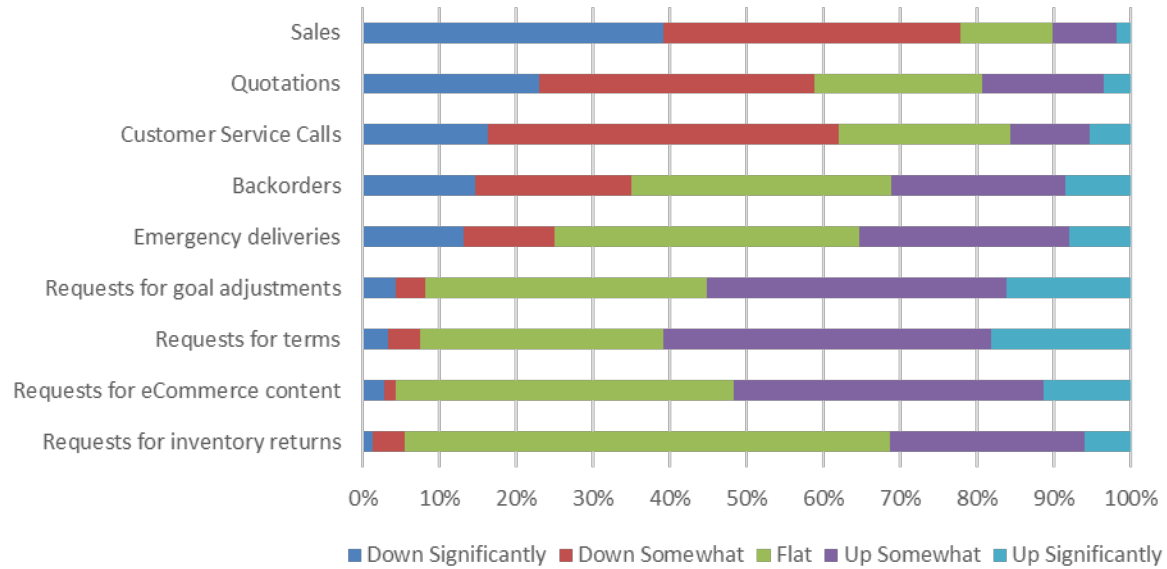
- ▶ In thinking about the second quarter, manufacturer respondents expect the quarter to be down 19.8%.
- ▶ 47% feel that they will be down between 10-30% and 25% believe they will be down in excess of 30%
- ▶ Only 5% of respondents feel that their company will have growth.

# Manufacturer Business Actions



- ▶ Manufacturers have gone virtual, using video conferencing extensively and 85% scheduling sales calls as well as webinars.
- ▶ Further, 70% are marketing digitally to distributors and almost 63% are digitally marketing to contractors / end-users.
  - Note: With all the digital marketing, to distributor and contractors / end-users, the question then becomes, "how to get seen / opened?"
- ▶ Almost 60% are "partnering" with distributors digitally. This could be a lasting outcome of COVID-19 and could differentiate manufacturer support for distributors. "Partnering" can relate to product content for websites, lead generation, eMarketing content (email and social media), customer webinars as well as business process integration.

# Sales Activity

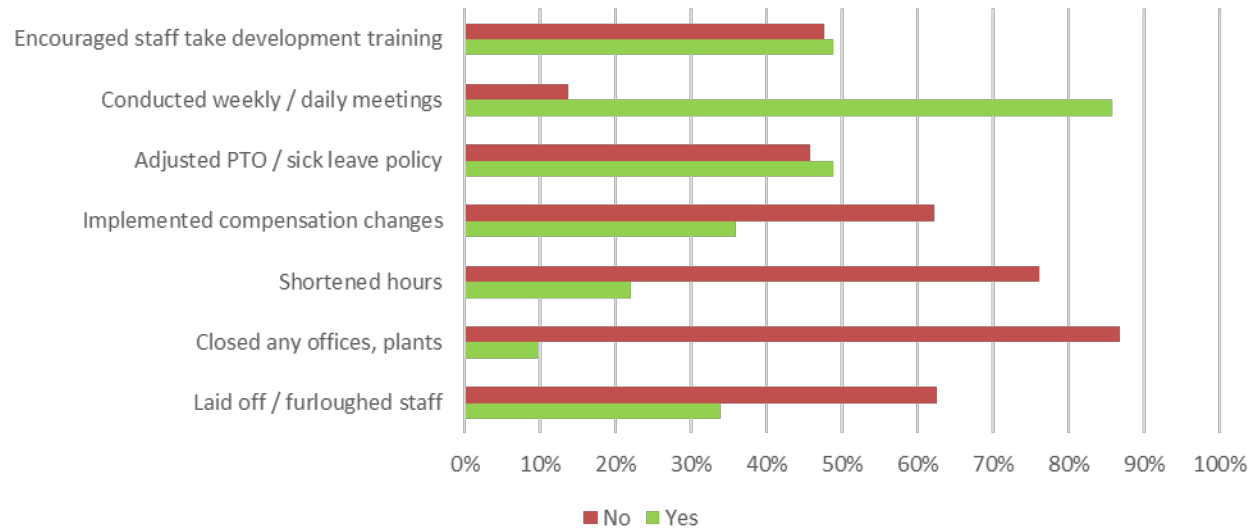


# Market Segments

Segment	%
Hospitals / Medical Facilities	54.8%
Commercial construction	44.1%
Utility / Infrastructure / Datacom	44.1%
Industrial MRO	29.2%
CPG / Food Processing	26.8%
Educational Facilities	23.2%
Residential Remodeling / Building	22.6%
Petrochem / Oil & Gas	10.1%

- ▶ Chemicals
- ▶ Lighting
- ▶ Energy Retrofit - Lighting
- ▶ Medical
- ▶ Agriculture & HVAC Supply
- ▶ Commercial
- ▶ Renewables
  - Wind
  - Solar
  - Utility Scale PV
- ▶ Retail
- ▶ Agriculture
- ▶ Datacenter
- ▶ Service parts / repair
- ▶ Plumbing
- ▶ Logistics

# Actions Manufacturers Have Taken



- ▶ Almost 80% of manufacturers conduct daily, or at least weekly, staff meetings regarding COVID-19 and actions their company is taking or may take.
- ▶ 60% of companies have adjusted their PTO / sick leave policy to encompass COVID-19 related issues. This may be in preparation to the upcoming Families First Act and/or due to union interaction, if applicable.
- ▶ 55% of companies are encouraging their staff, especially those being remote, to participate in additional professional skills training.
- ▶ 15% had already undertaken some personnel reductions.
- ▶ Almost 15% have taken any employment or compensation changes to date, however, as sales decelerate, this is expected to accelerate within factories unless the company relies heavily on sourcing
- ▶ Additionally, manufacturer respondents mentioned that they have upgraded internet speed at their facility and are promoting stress coping resources

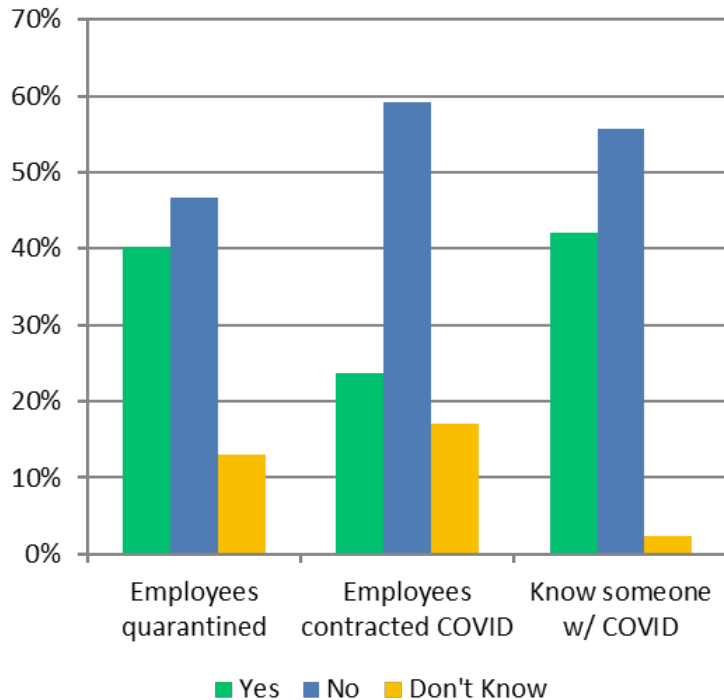
# Catching Up

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- ▶ With a decrease in business, and wanting to retain staff, companies have redirected staff in the following ways:
  - LinkedIn training and providing remote selling training
  - Providing internal product training as well as product training to distributors and reps
  - Cleansing distributor, rep and end-user data / email files.
  - Improving process documentation
  - Getting more people, especially sales, involved in new product development.
  - CRM training
  - Building eLearning programs
  - Website improvements
  - Utilizing experienced staff to support eCommerce data attribution, lead follow-up and promoting EDI implementation to automate processes.
  
- ▶ More detail is provided in the Appendix



# It Becomes Personal



- ▶ While many, hopefully, won't personally be affected by COVID-19, some manufacturer know someone who has been impacted.
  - 40%, up from 30%, know someone from their company who has been quarantined.
  - 24%, up from 11%, have had someone from their company contract the virus.
  - 42%, up from 20%, of respondents know someone who contracted COVID-19.

# Manufacturer Leadership

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- ▶ Respondents rated their management teams 8.49 for their crisis leadership skills.
  - 35% of respondents rated a 10
  - 21% of respondents rated a 9
  - 22.9% of respondents rated an 8
  - 9.6% respondents rated their management a 7
- ▶ Overall, manufacturer management has done a stellar job, according to respondents. 79% rate their company an 8.0 or higher.

# Manufacturer Actions

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- ▶ Manufacturer actions to promote safety, since March include:
  - Increased availability of computer equipment for employees to work at home.
  - Formalized employee communications
  - Sought, and rewarded, employee input and ideas for best practices in the plant.
  - Increased focus on social media to enhance product exposure.
  - Increased online training offering
  - Increasing transparency internally
  - Implemented face masks and administering temperature tests to all office and plant staff.
  - Anticipating, and stress tested for, a 30-40% decline in business.
  - Purchased cloth masks for all employees
  - Reduction in work hours
  
- ▶ A number of respondents commented that their company had compensation adjustments, had furloughs or were planning furloughs (or additional rounds).
  
- ▶ Additional input is in the Appendix.

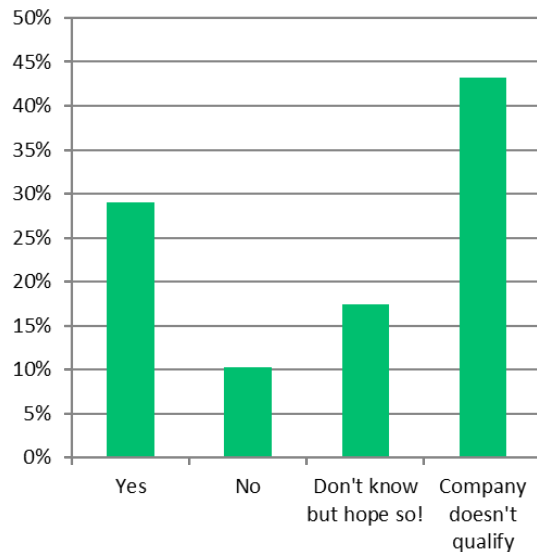
# Manufacturer Concerns

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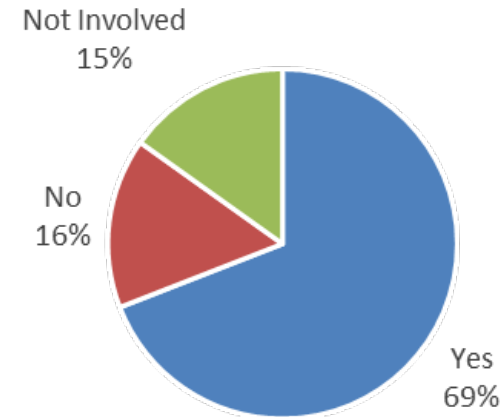
- ▶ Manufacturers shared many concerns. These relate to:
  - Duration of COVID-19 as well as when economy will restart, and how.
  - Desiring insight from distributors, and customers, on how best to communicate / interact with them post COVID-19. Essentially, how will business interactions change.
  - Some supply chain concerns. Mexico was mentioned a couple of times.
  - Distributor cashflow concerns and “are they getting paid by their customers?”
  - How to project inventory needs, especially when importing material?
  - Understanding the cancellations / delays on projects that have been bid
- ▶ From manufacturer questions it appears that some are doing a good job of aggregating state specific information whereas others are not and are seeking marketplace guidance.
- ▶ There is also a number of questions about the end-user / contractor market ... how to interact, opportunities / project delays, pent-up demand, business viability
- ▶ Specific comments, and highlighted concerns, are in the Appendix

# Preparing for Tomorrow

## Applied for PPP



## Started Talking / Planning Post COVID-19



- ▶ 30% of manufacturer respondents shared that their company applied for PPP funds. 43% of respondents reported that their company did not qualify for the funds due to their size.
- ▶ 17% of respondents didn't know if their company did apply.
- ▶ These funds can help companies survive over the next few months and hopefully provide the foundation for longer-term success. 69% of respondents shared that their company is already talking "post COVID."

# Overall Conclusion

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- ▶ Overall, the market is declining at an accelerating rate. Manufacturer representatives report the steepest decline; however, they may be the closest to the market as they interact with distributors and end-users.
- ▶ Given that distributors have been billing backlog and, in most cases, not building backlog, this is a longer-term concern. Some commented about the ability of companies to fund future projects given that funds are being used to employ staff / keep businesses running. Further, distributors commented about a potentially growing receivables issue.
- ▶ The East has been hit the hardest. Metropolitan areas, where there is the largest concentration of population and revenue, is impacted the most.
- ▶ Companies, and staffs, are adapting. While there has been some downsizing and a few closures, companies and employees have swiftly embraced web conferencing as a means of communication. The industries strength of being historically relationship-oriented, has helped companies facilitate supply chain communication.
- ▶ From a health perspective, companies are taking the next step and issuing masks, in some cases gloves, and have strengthened distancing initiatives within their locations.
- ▶ Many shared best practices, marketplace observations and comments. These are detailed, verbatim, in the Appendix.
- ▶ The report is offered as electrical distribution channel marketplace sentiment. We unfortunately believe the channel's Q2 outlook, and probably April results, are optimistic and are concerned for Q2 and Q3 based upon a phased economic opening, slowdown in project quotations, declining backlogs, slowing account receivables reduction in staff that will require rehiring.

# Channel Marketing Group

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- ▶ Channel Marketing Group, an IMARK Group member service provider, works with distributors, manufacturers and manufacturer representatives in the construction and industrial industries to assist with:
  - Strategic Planning
  - Marketing
  - Marketing Research
- ▶ Areas we have helped companies include:
  - Annual and Strategic Planning
  - Customer Satisfaction
  - Market Size / Share and Market Research
  - Market share taking strategies
  - New product launches
  - Incentive & Promotional Strategies
  - eCommerce initiatives and digital marketing
  - Business advisory services

And more. Visit our website at [www.channelmkt.com](http://www.channelmkt.com).

We work extensively in the electrical industry and have a dedicated blog with over 1200 distribution-related articles, at [www.electricaltrends.com](http://www.electricaltrends.com). It is free to subscribe.

- ▶ Channel Marketing Group also collaborated with Financial Problem Solvers to develop the IMARK Group member Financial Planning Playbook to assist in addressing COVID-19

- Since its inception, DISCCORP has been delivering reliable, relevant, and trusted market intelligence. Whether through its robust suite of cloud-based software or via our subscription-based reports sent directly to your inbox, DISCCORP is the leader in forecasting the future of the electrical wholesaling industry.
- DISCCORP is staffed with a complement of economists and programmers to provide the industry's most trusted analyses. The company provides industry sales for national and regional market segmentation (customer type) and NAICS industry specific forecasts. Our suite of applications is ideal for Electrical Distributors, Electrical Manufacturers, Electrical Manufacturers' Representatives and Financial Market Companies.
- The industry market forecasts produced by DISCCORP have been proven to be historically accurate. Add to this that DISCCORP is the only source of granular electrical industry market data, and the net result is that DISCCORP is more than first-in-class, it is best-in-class.



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# APPENDIX

## Electrical Distribution Industry Insights COVID-19 Market Sentiment Input Survey #2

### Manufacturer Representatives

**Many companies have told us that they are utilizing staff to "catch up" on initiatives such as skills training, enhancing website copy, improving sales contact lists, conducting research, doing product training, taking certification training, cleaning warehouses of "old" inventory, vehicle maintenance, improving prospecting lists and customer research, etc. What initiatives are you or your company undertaking, if feasible, during slower times?**

Mobile marketing & LinkedIn, website improvements, remote presentation skills
Customer research
Daily sales meetings and training sessions. Increased focus on application training. Daily marketing specialized per customer.
Organizing samples and literature
Website enhancement, product training prospecting lists
Gain product knowledge
Develop presentations, research, marketing content
Improving CRM data and utilization, sales and product training, end customer web training
Following up more closely on old quotes and putting together training courses for our customers.
Webinars, zoom meetings, making 15-20 phone calls a day not emails! Touching base with customers
Just about that is listed above. We are conducting a lot of training via Zoom or webinars
Activity overall has not slowed down, actually has increased. However, the outside sales team has taken on a virtual sales routine with their customers (distributors/end users) as well as increasing their digital marketing touches
Product training, with and without customers
Getting as much sales/product training as possible from our factories...all online of course
Skills training, product training, marketing training
Develop Google Classroom for company learning. Implement virtual sales calls, getting better at virtual officing.
Training, virtual marketing
Reviewing all accounts and training.
Training, quote follow up, Developing Virtual Happy Hour presentations for specifiers.
We would not describe our current situation as slow. The forward-looking funnel remains strong. Having said that, the time not spent traveling is being primarily focused on improving contact lists, product training and customer-facing webinars.
Updating insurance coverage, employee manuals, cycle counting inventory, cleaning samples, creating new sample cases, working on conversions
Professional development, sales skills and technical competencies.
Product training, improving and editing contact lists
Listed above; training seminars; webinars with distributors and end users including certification and hands on training over the internet with contractors specifically

<b>We are updating our digital media and social network presence.</b>
Outbound sales calls and targeting internal projects.
Participating in more online sales trainings.
Clean out old paperwork.
We are still busy, but it is more busy work. It is like people are cleaning off their desk from stacks that have been pushed to the side for some time. That busy work is not increasing sales.
Training, updating customer data base, technology training, outbound sales calls - telemarketing, conducting video sales calls
Learning to sharpen our skills
Outside sales needs to work harder reaching out to customers asking for order with email follow up. Coordinated online training with manufactures with email blast and sign up. Encouraged all staff to train on manufacturers. Requested all manufacturers provide their online training options.
Increased quote follow-up.
Increased virtual training
We are still fairly busy with sales and more quotes. We have yet to experience a slowdown that we would need to take care of our employees' time. When that time comes, we will work on many of the projects mentioned.
CEU and non-CEU employee and customer training. Weekly video training for distribution 30 min max and "live". Extensive use of Teams and Zoom
Working on original video content, scrubbing contact database.
LinkedIn networking
Cleaning up the facility, catching up with new products. Taking on new product lines
More activity via email, text, mail.
Online training, contacts list updates, phone or email contact with customers and or prospects.
Skills training, sales contact list updates
Product training for Sales team and customers, Customer Research /Prospecting.
Skills training, developing sales and commission spreadsheets to make better decisions. Encourage everyone to interact with customers EVERY DAY, every business hour.
<b>CRM documentation</b>
Sales planning, lead generation in addition to those mentioned
Online training, frequent customer touches via phone calls, flyers, new product info, promotional offers.
Website update, trainings
Online training with our manufacturers and distributor partners online marketing
Updating data bases, cleaning offices, reviewing website content
Plenty of trainings available so many that one of our distributors said, "no more". Still busy enough that we can't possibly attend all.
Lots of product and process training. More virtual engagement with customers
Organize and cleaning warehouse, product training webinars for inside and outside sales staff, encouraged outside team to up their social media awareness and activity to promote our brand
Daily huddles, inclusive of all personnel, detailing previous 3-day activities, follow-ups, etc. Manufacturer training, updating databases, scheduled customer tele-calls.

**How has your company's response, or actions, changed since the first two weeks of COVID?** (What's new in April?) (Highlights by CMG)

80% of our staff is working remotely now. It started gradually but we purchased laptops to accommodate inside staff to work from home.
All of our sales staff are working from home...seamlessly I might add
All working remote from home
April is completely dead in MI. We are a hot spot and have a governor that has halted all activity in this state.
Asking employees to take 1/2 of remaining vacation so we can get at it asap at full staff levels; major drop in sales this month
Began to engage more as the shutdown settled in.
Being more thorough on every task and opportunity we can take part in, to increase our win ratio.
Calm leadership
Clean and sanitize more frequently
Committed to our employees' safety & health. Encouraging training.
Company conference calls, weekly CRM reports
Doing more video conferencing, training, and marketing products.
Everyone is working from home now.
Evolving daily
Figured its overstated and not the threat it is made out to be. Too much false information.
Keeping us up to date on where we stand with pricing inventory training and deliveries
Less face to face activity, down in sales and prospects, down in projects
Limited visitors from the outside. Anyone traveling outside the state most let leadership know.
Lot more email advertising and virtual meetings.
More focus on activities
More focus on planning and training
More inclusive training for end users and giving rewards for completing testing to customers taking the training and our own associates. More cleaning of our offices and specific directions for both pickups and deliveries. Communication with associates from weekly to now daily updates
Much more aware of our distancing, washing of hands and faces, respecting people's space. Take the approach that anyone we talk with could be a carrier. Bringing more lunches from home or having only one person go out and bring lunch in for all or have lunch catered
Not a lot of new changes. We had already implemented working from home and weekly meetings to update. The biggest change is the concern for future business and the unknown.
Not many changes. Still engaging the customer as much as possible.
Now wearing mask in warehouse
Operating remotely, with home office shutdown ...
People are working remotely.
Pushing harder to have salespeople and spec people reach out to customers. Decrease # of emails going out
Reduced hours and compensation. Elimination of expenses and car allowances.

Reduced salaries for outside sales. Management is not taking payroll. Weekly conference calls
Scattered shifts, more proficient in virtual sales calls and training
Staggered work hours. More videoconferencing
Stayed consistent from start
Still the same from beginning. Social distancing as well as cleaning office more!
They announced "no compensation or lay-offs" for at least the foreseeable future.
Steady as we move on, we created a plan and we are sticking to it. A principal is in the facility every day. One inside rotates in the office every day. Video meeting every morning with inside people. Tuesday and Thursday video meeting with outside. One warehouse in every day. Canopy out front for will calls.
Virtually no change as a "stay at home" order was implemented early on. Check-in mtgs with outside sales team is every other day and full team meeting is every Friday.
We are more upbeat, knowing we are controlling what we actually control as best we can.
We are basically on the same course, but people are beginning to grow weary of the "not knowing" when this will end.
We attacked this early on in March. Our projections and models we built have played out and don't expect to have to make any additional changes in April.
We continue to develop and hone our skills electronically.
We have been working remotely since the middle of march.
We have developed a plan to contact distributors on a limited, consistent basis as to offer help but not create a burden
We have gone virtual. Working hard to be a resource for our customers to be sure we are relevant. There is more fear for the future, so we are being very conservative
We made a commitment to ride it out without anyone losing a paycheck. That hasn't changed.
Work from home. Lower compensation
Working from home
Working remotely - communicating via phone calls, emails
Working very hard to win any inquiry we can. Don't give up.
Yes, it worsens weekly, more pessimistic on a return to new normal, more worried than ever before and have 40+ years in the industry...
Yes, slightly. One week in we reduced half our inside support team (located in our building) to working from home. Outside sales moved to work from home the entire time.
Yes. Implemented voluntary work-from-home policy.

**What are your concerns going forward?**

When will we see construction begin to return? Which states will get to Level 2 first?
Need to get workers on the building work sites back to work
Manufacturer expectation that we can make up for months' worth of lost time and still hit 2020 budget numbers set prior to COVID-19. Manufacturers pushing sales force for plans due to lower daily run rates when construction is shut down. What are reasonable requests and expectations from a manufacturer and what is wasting the sales force time?
Testing, Testing, Testing
How projects are funded and active
What will the ramp up look like V or U if you how long will it take to get back to or close March 15 sales numbers

Payroll reductions? How difficult or easy was it to receive PPP funds?
When they stay at home orders or withdrawn will distributors contractors and engineers allow salespeople into their facilities as openly as previous times.
How will this affect outside sales, customer to customer business, new product introductions
Access to PPE more readily
Where the industry will move afterwards.
Ongoing concern that "opening up" will be a slow process in many sectors of the economy and unemployment will stay higher than we are used to for a while. Since consumer spending ultimately drives much of the economy, the rippling effect will eventually be felt everywhere.
How can we control pandemics to get into the US from overseas? Should we have tests at airports?
How are sales calls going to change?
Product availability. As soon as we get some dry weather, we think the business will start coming back stronger than it currently is.
More demand than supply available
Slow recovery
The way overall we do business. We might have a surge of business that will be overwhelming, but we are planning supply accordingly
Lack of back log is a concern. Q3 will determine what the actual impact of Covid-19 and where we are trending
No real concerns. Our feeling is that demand will increase dramatically when the restrictions start to be removed.
We feel we've all been victims of misinformation about the true effects of Covid19. We feel fear has driven most government activities and requirements. We are disappointed with the worlds' response and have concerns about the next "super-virus" wreaking even more havoc on the global economy. Social distancing is a good idea but destroying civil liberties to do so is a mistake.
Distributor finances and their ability to staff & pay their bills, stay afloat.
When will it end?
Shortages of inventory to handle surge of business in Q3 & 4
What are manufacturer expectations as far as sales goals for the year?
What is the new normal? We will have to fight harder competition will increase. More consolidation.
Biggest concern is the inertia of this lockdown. How long will it take after the all clear is given to get people back to work. Absenteeism is a huge issue for manufacturers.
Are manufacturers not using independent manufacturer rep reaching out to potentially make that change as we are the most inexpensive way to market, and auto correct \$\$ at times like these?
Concerns remain of a continuance and reintroduction of the virus leads us to keep in place some of the processes internal to the company including warehouse, shipping & receiving plus the use of the internet for training customers has brought us orders and significant followings by a few of our distributors who have been promoting our capabilities to their people and customers.
Percentage of known projects being cancelled?
Our sustainability beyond June. PPP funding should hit soon but the uncertain future is what troubles us. How do you plan for the unknown?

<p>What people are truly seeing out there? How hard will the startup be for the economy? We are seeing capital projects canceled in higher education are there others?</p>
<p>It's going to take a long time to make up lost business.</p>
<p><b>How long will projects stay on hold?</b></p>
<p><b>What is a sales call going to look like once we're not locked down, will our distributor, contractor, specifiers, and end users want to see us? How will the business change?</b></p>
<p>I will eventually have to reduce salary and income and possibly let people go as the economy remains broken. I do not expect that the economy is up and running until 12-18 months from now until they have a distributed proven vaccine/treatment. Or the virus disappears for some reason.</p> <p>Presently the effort to protect 'everyone at all costs' is breaking the economy. Until politicians change their minds, the number of cases and associated deaths will only support remaining closed indefinitely.</p>
<p>Sales! If businesses can operate how will you adjust with personnel? Will the basic jobs still be there? Are constructions jobs on hold be released? When? What impact if schools still remain closed and its impact on staff? Daycares, will they be open so you can work?</p>
<p>How long the slowdown, social distancing will last. I don't see anything but Q3 is the start of the ramp up</p>
<p>Will this shutdown effect inventory levels once we have the stay at home ban lifted? Also, will companies be forced to close up permanently because of the length of this shutdown</p>
<p>The ' bounce back ' time for our manufacturers to produce inventory for higher sales demands.</p>
<p>Are people worried about Q4 &amp; Q1'21 if we don't have a vaccine available?</p>
<p>How will the downturn effect credit markets and capital at large End User locations? How much has the downturn in Oil and Gas effected the market as well?</p>
<p>What is the average pay decrease among Reps.</p>
<p>Do they plan on trying to payback to their employees the money that they took away?</p>
<p>This will continue into June. Stock orders will continue to be low for quite a while. Any rebound will take 2-3 months to show itself. Dig in for a slow recovery.</p>
<p>How to improve oil market issue</p>
<p>No concerns, short term pain.... Will Come out of this well organized, focused and more effective.</p>
<p>A vetted &amp; safe return to work protocol particularly for employees that travel to various locations such as sales &amp; service</p>
<p>Concerns going forward are the elimination of lock downs that are currently putting many businesses on life support.</p>
<p><b>We will meet with national and regional managers via video more than ever. We will communicate new products via video to our customers and set firm meetings to show the actual products. We will be more electronic and will be working smarter.</b></p>
<p>Business climate moving forward. There is still business being done but it is from back log. There is no back-log building at the present. Another 60-90 days of this and no new jobs starting could spell doom for business just before the usual slowdown of winter.</p>
<p>Manufacturers will not be able to meet the pent-up demand.</p>
<p>Our concern is how quick the trade recovers and if they open different segments in our marketing territory, will we be allowed to travel out of state to make face to face sales calls.</p>
<p>How long will this last?</p>

How long this will last and ramp up time to get the economy opened up.
Cash flow, construction projects not restarting.
What % of reps are reducing salaries across the board
When will distributors feel safe to allow sales visits
Concern is for the role of the outside sales rep and where they fit in the traditional sense
How long it will take to re-open the country.
% of manufacturers' warehouses or manufacturing facilities have had a shutdown due to the virus
My gut tells me my typical customers (electrical contractors) will not change much, other than potentially less face-to-face sales calls at first. But I believe we will be back to where we were in Feb by June
Why can't we work with some limited restrictions instead of total shutdown of the economy?
Ask how distributors will handle request from reps and manufacturers to set up face to face visits in May & June...or the balance of 2020?