

# The Evans Group LLC



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## **The Climate of Denial, part II**

Where I last left us in my soapbox we were still without answer, but pointing the finger and calling a spade a spade. The article was about the change in our business model where "everyone buys direct" and entire channels of distribution are destroyed or eliminated. I have been writing articles for publications for years, and have never received the type of response as I did from this article. As of mid November 2011 The Evans Group had received 254 emails or phone calls, an unheard of statistic. And these calls and letters weren't "Hi old buddy" but filled with opinion.

Manufacturer A: "We choose a distinct business model in which to distribute to a limited number of customers. We also believe we must "pull through" an item for specification as competitors react with lower prices or change the specs"

Manufacturer B": We have no choice to do what the chain asks, or we don't get the business"

The remaining 252 letters and calls were all in agreement, all overwhelmed by what has occurred in a short time, and what a dramatic input it can have on our industry as we have fewer manufacturers (the next logical step) and less channels of distribution.

As a consultant I have purposely not pushed to be a leader in any NAFEM or FEDA organizations in my 35 years in the business, first because having an "outsider" would be unheard of, and secondly, I'm not in the club. I see almost all of our trade organizations as "talking parrots". Only the "top tier" leads, only the "top tier are invited", we see few new leaders outside of the "lead dogs", and have effectively started a few giant golf clubs for the well to do.

We all know the club. Lead dogs. Our industry has great talent, and many superior ideas from NAFEM and FEDA, and I will bet (again that consultant angle) that the "facts say" that things are working much better. The work and effort will be justified, and probably already empirically can be.

So, if my acting as your provocateur can be of value, get going. Things don't seem to change in the dollar transaction that takes part of the manufacturing process, and levels of distribution are being eliminated. Is this the new "logistics" way, and does it work for our kind of distributors? Do we realize what we are letting happen? Is this what we want?

Do our "huge conglomerates" now undermine the small dealer that we lose the very companies we hire talent from, and that teach the large companies often what they missed?

Meetings should be held in which the conversation is not as civil as what and what not is sold to a chain (the manufacturer) as much as a group summit that creates an overall strategy.

**I try not to keep up.** Is stuff like this being done? When I am out closing or restructuring businesses I see first that the

infrastructure has semi collapsed and that the "inmates run the asylum". The customer is now in charge of the business.

Narrowing things down right away to the core issue, the scope of work, and the presentation are key. We are all doing this, or trying to, but probably spending 40% of our efforts instead caught in a "job" that seems to need to be done. In other words we have so many "fire drills" half of our productive time is spent fixing "where the sky is falling that day".

Allow me to be blunt, you have so far:-) All talk, no action, as seen from this teepee.

As part of the first article we discussed going to chains and forming buying consortiums/groups direct, as this is a natural next step. The chains become the consortium.

Of interest I had one large chain finally agree to allow The Evans Group LLC to price a market basket of 20 items the "chain" bought direct. The staff of this conglomerate of concepts were all negative to even reviewing price as they "bought direct" and did not see a need for a dealer. In fact they had created their own dealership in order to buy direct from the manufacturers.

Everyone at the chain turned me down. "No time"... "no need"...no value as we know our prices". I appealed finally to the CEO asking if he truly wanted a staff that so believed in themselves they could be open to nothing new. Although granted an audience to price the same "the customer is now in control" took place.

With the exception of five (5) of the 20 (20) items we used a major dealership and priced at NET minus all maximum rebates, and without any inbound freight charge. On five (5) items the manufacturer would not allow us as the distributor,

their normal customer, to have the pricing for that chain without a “letter of approval” from the chain.

Who’s in charge? Who’s the customer? What role does the non –food distributors now truly play?

The sad end of the story is the large chain came back, as you would expect, and shared they were not interested in joining “another buying group” and that their prices were very similar to those quoted.

Most of us in the industry know this the “controlling purchasing agent” syndrome (do not want to change or admit a better price might be available) as if this chain is truly buying at our maximum buying group rebates?

This is a climate of denial. A circle of pain that each of us as a company, or the employees anxious to get good work, lives with because our manufacturers, their representatives and the customers themselves have “driven” the margin out of the business.

The letters The Evans Group LLC received after the first article were shocking in their agreement, and from distributors of all sizes and manufacturers assuring us that they would not sell direct.

And the only manufacturer with the nerve to speak up and write (both letters were from the same manufacturer, two different divisions, stated they always “protected their customers best interest”.

This climate of denial works well with our antiquated thinking as an industry, few new young people coming in, and our allowing ourselves to be “channeled out of the marketplace”.

Chip Evans

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