

ten pound hammer

Reasons for Optimism, but Clear Danger Signs for Brands

2015 Survey of Kitchen and Bath Dealers in the United States
conducted by Ten Pound Hammer.



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Our goals for a survey of kitchen and bath dealers were simple: Assess relationships between kitchen and bath dealers and the brands they represent; identify strengths and weaknesses in those relationships and in dealer and brand marketing; and, glean information about trends that can help us define a roadmap for brands to follow when seeking to strengthen relationships with dealers and sell more efficiently through them.

Our long history of working with brands that maintain dealer networks informs our knowledge of the challenges that face each partner. Each vertical market has its unique challenges. This quantitative research is designed to identify issues specific to kitchen and bath brands and their dealers, and challenge preconceived notions that present obstacles to effective marketing. Our experience in this space suggests that dealers and brands sometimes have adversarial relationships, that dealers feel like brands do not understand the challenges they face every day, and that brands sometimes fail to give dealers a meaningful voice in determining the best ways to work together. Our research confirmed that these are real issues for brands and dealers. It also reinforced the value of practical activities we have advocated for years. Finally, it pointed to clear dangers that confront brands and threaten their both their marketing efforts and the stability of their dealer networks.

As with most research, answers frequently lead to more questions. Marketing can be as much art as science, but I think you'll find that this survey makes some clear connections. We hope you find it enlightening. We sure did.



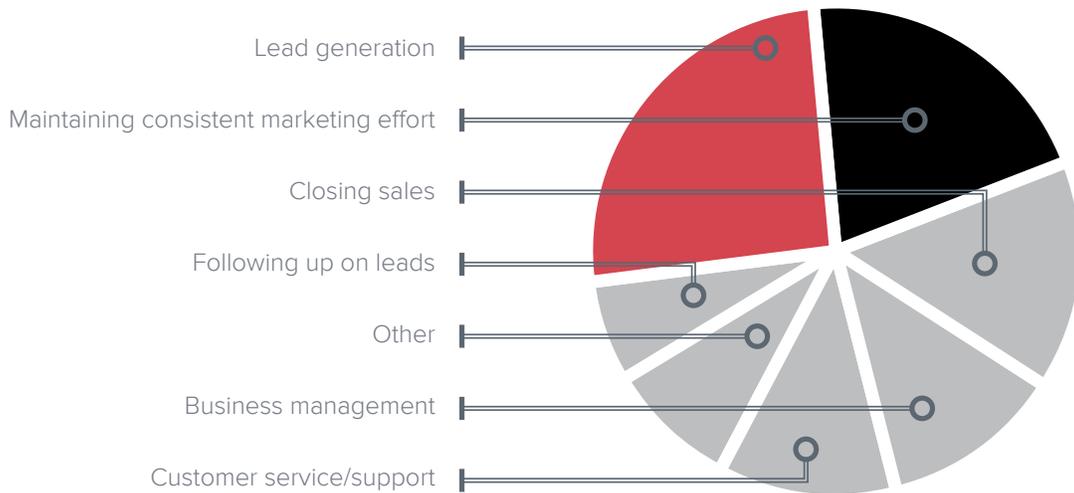
THE CURRENT BUSINESS ENVIRONMENT

The kitchen and bath dealer market primarily serves residential customers doing home renovations. 85% serve this segment, while only 11% of dealers focus on commercial customers. Dealers voiced two key concerns, in this order of importance:

1. Lead generation
2. Maintaining consistent marketing efforts

It is reasonable to infer that these are areas outside of dealers' comfort zones. Dealers enter the industry as designers or craftspeople. Sales and marketing, though critical factors in their businesses' success, are not necessarily native skill sets.

Other concerns trail lead generation and maintaining a consistent marketing effort by a large margin. See chart below:



We confirm this inference by the preponderance of dealers who rank referrals as the number one way new customers find them. Though referrals will always be important to these businesses, the dependence on referrals underscores a need for dealers to cast a wider net when marketing.

Dealers have an optimistic outlook. Over 80% of dealers surveyed plan to expand their businesses by adding staff and/or locations, or targeting new market categories. Respondent comments suggest that the memory of the Great Recession



has left a permanent mark that will make them proceed with great caution; however, this view of the future is one of the encouraging surprises from the study.

Dealer profitability is unclear. Responses yielded few consistent patterns. Two areas of note: Custom cabinet installations are most profitable, while appliances, which are subject to intense online and big box discounting, are least profitable. Many dealers expressed frustration with pressures on margins presented by online competitors.

DEALER MARKETING EFFORTS

Dealers embrace digital marketing channels, with 80% marketing through their own website and 65% using social media. Facebook is by far the most frequently used social media tool with LinkedIn and Pinterest a distant second and third. To a lesser extent dealers are also using paid online ads, email marketing, and third party websites such as Houzz. Traditional channels are still utilized, with trade shows and print advertising being the leading tactics.

Dealers view their own websites as their most productive marketing channel. Often, their site is supported by pay per click advertising such as AdWords. Respondents are likely to be influenced by the availability of web analytics, which provides greater certainty about the effectiveness of online channels. Compared to the lack of similar data for some other channels, dealers may choose to trust channels they can measure over those they cannot, whatever the true return on spending in those channels.

THE RELATIONSHIP TO BRANDS

Now that we have a snapshot of the dealer environment, let's turn our attention to dealers' perceptions of the brands they sell, as well as their relationships with those brands. We chose the word "relationship" quite intentionally. We all can think of examples of relationships where the parties involved have wildly different perceptions of their partners. In many ways, dealers and brands are in just that kind of relationship. Brands and brand managers are evaluated on many levels and frequently the measurements are meaningless to a dealer. For example, brand positioning relative to competition, brand equity, and adherence to brand standards are just a few of



the important but less tangible concerns that occupy the days of brand managers. Dealers are usually small businesses and the only metric that matters is sales. Dealers are in the survival business.

THE MOST IMPORTANT QUESTION WE ASKED DEALERS

We asked dealers if brands solicit their feedback. Alarmingly, 52% of the dealers said no. When brands do solicit feedback, it is almost entirely through their sales representatives—93% of respondents said they deliver feedback to their sales rep. This presents two problems for brands:

- You may be asking your sales reps to collect feedback, but there is a high likelihood that request isn't being carried out.
- Unless there is a formal process for collecting standardized, strategically focused feedback, brands may never receive it—or worse, may receive feedback that has little to no value.

In our opinion, this puts far too much responsibility for gathering and filtering feedback on sales reps who have to balance a range of sometimes-competing tasks.

There is some good news for the half of the brands who solicit feedback from dealers. Of the dealers who brands prompt to provide feedback, 89% believe that their feedback is valued. That is very encouraging to brands that have made the effort. As we get in to more detail the importance of that perception will be more clear, but to return to the relationship metaphor, this brand-dealer relationship is on solid footing. They have an open channel of communication.

SPECIFIC TACTICS

Twenty percent of dealers claim that they get no marketing support from brands. Although we take this with a boulder-sized grain of salt, it is still worth noting that this is their perception, and as we know, perception is reality. This raises several questions:

- Are these dealers unaware that the collateral and displays provided are marketing support?
- Are they getting marketing support that they don't view as useful?
- Is this just representative of the attitude of lower performing dealers?

Any of these, or more likely any combination of these could be the case.



Of the remaining 80% that recognize and understand the marketing support they get, the most frequently mentioned resources are product sales collateral, technical collateral, Point-of-Sale displays, and training. When it comes to the perceived value of these materials, responses were lukewarm. Dealers mentioned the importance of product sales brochures, but expressed frustration with the material either being outdated (the most often made comment) or poorly organized. This underscores the importance of getting dealer input when developing collateral and POS displays.

DEALERS DRIVE THE PROCESS

We asked dealers if their customers are aware of the brands they carry. Not surprisingly, most dealers state that customers are only sometimes aware of the brands they sell. It stands to reason that consumers are not aware of all brands a dealer offers, but the just the ones that have some consumer awareness. But there are many brands that have low awareness among consumers but make up a significant volume of dealer inventory. Dealers are in a powerful position where they can guide a customer to—or away from—brands. Customers going through the process of major remodeling will look for reassurance from experts. Dealers are often those experts, and the ones who hold leverage over brands. Dealers will accommodate customers' preferences for specific brands, but more often dealers who have had bad experiences with service or support from brands can undo years of unaided brand awareness with a simple “we haven't had good luck with that brand, have you considered this?”

We mentioned that the primary challenge that dealers have is lead generation, so it is interesting that 76% of dealers say that brands only sometimes drive traffic to them, with 10% saying that brands never push customers to their stores. That leaves only 14% who are getting consistent traffic that they attribute to brand marketing. Again, it is worth noting that this only represents the perception of the dealer and there are likely many customers that are just not identified as being routed through a brand effort.



This bears repeating: Dealers are not marketers. They are usually small businesses and the people responsible for marketing are often the people responsible for IT, HR, customer service and lawn maintenance. They wear a lot of hats and they view success in a very black-and-white fashion. They evaluate marketing on the basis of one metric: sales. For them, every dollar spent on marketing needs to generate sales.

DEALERS VALUE SUPPORT

Overwhelmingly, when asked what motivated a dealer to be loyal to a brand it was the support brands provide. Support is an ambiguous word and can mean a lot of things to dealers. Many referenced responsiveness of the sales rep. Others noted technical support from brands, and still others viewed support as solving product problems directly for the end consumer. This is also where we noticed an unnerving connection between the performance of individual sales reps and the value dealers see in brands. Good reps who promptly return calls and solve problems create loyalty. Conversely, sales reps who underperform damage dealers' perceptions of brands. One of our assumptions going in to the study was that brands that were connected to monetary incentives would garner more loyalty, but incentives were mentioned so infrequently they were not a significant factor.

PERCEPTION OF SPECIFIC BRANDS

We asked the dealers to name names, though we won't mention specific brands here. Once again, we saw a direct relationship between sales rep performance and dealers' perceptions of brands. In multiple cases, brands ended up on both the "best" and "worst" lists. Allowing for outliers, and judging from dealer comments, the common denominator was the rep.

Some dealers used the survey as a forum to vent about very specific rep issues, from not returning calls to telling dirty jokes. Those incidents stick to the brand.

WHAT DOES THIS MEAN FOR BRANDS?

There is a clear undercurrent of dealer frustration with brands. Many comments confirmed the lack of support and understanding that dealers' experience suggests that brands place them at the lowest point in the value chain.



DEALERS EXPECT SUPPORT

They want to feel like they are not alone on the front lines. They want to be viewed as part of a team. They expect updates on collateral in almost real time. They made many references to difficulty getting their hands on material. This could be a logistics problem, or it could be a side effect to marketing in a digital world, or it could be as simple as a cost control measure. Whatever the reason the message from dealers is clear: make it easier to get literature and make sure it's up to date.

This has to be reconciled with the realities of marketing a brand. Dealers don't understand the process and complexity of budgeting for and producing a piece of product collateral. Dealers feel that brands don't get it, and brands think dealers are clueless. They are both right. Most of this can be resolved by effectively communicating. Other issues can be resolved by managing product planning more closely with marketing. We have helped brands in the past that were very focused on product innovation. That's a good thing, who doesn't want an innovative product? But it happened so rapidly, what it looked like to the dealer network was chaos. And what it looked like to the customer? It didn't because the dealer wasn't about to let the customer see poorly planned products.

HOW TO MITIGATE RISK

Brands' relationships with dealers are reflections of the relationships between dealers and sales reps. Sales reps play an important role, but they also wield an inordinate amount of power over brands perception and performance. When they are the only thread between dealers and brands, brands are placed in a tenuous position.

In our experience, we have found a number of approaches to assist in forming a direct connection to your dealer network. Every brand's situation is unique. There is no universal solution; however, the right solution for each brand:



Acknowledges that dealers play a critical role in brands' success

Creates clear, unambiguous channels for communication – particularly productive feedback.

Evaluates the performance of each dealer, and allocates brand resources to support the highest performers, and elevate dealers that strive to improve.

Maximizes the value of brands' sales representatives without allowing the entirety of the brand-dealer relationship to rest in their hands.

Provides dealers with support that arrives with an understanding of its use, and with agreement between brands and dealers that these efforts have value to both parties.

Continually measures and optimizes efforts to make the most of each marketing dollar.

Dealers can be a challenge to manage, but they represent the critical last mile in the marketing of your brand. Without investing in the dealer relationship, your marketing will face an uphill battle to connect to your end customer.

ABOUT OUR METHODOLOGY

Research was conducted through an online survey comprising 39 questions about respondents' roles in the kitchen and bath market, their marketing practices, and their attitudes about their businesses and their relationships with brands. The survey was crafted using best practices to prevent bias in our questions.

Kitchen and Bath Business magazine solicited 7,519 of their readers to participate in our survey via email. Of those, 139 readers responded and 93 completed the survey. Kitchen and bath dealers who responded were a geographically diverse group, spanning the continental United States. Respondents were offered a gift valued at \$10 in exchange for completing the survey. They were further offered the option to opt in to participate in future studies.



Two industry veterans with combined experience of 50 years assisted with interpreting the results. We are thankful for their important contributions to this project.

ABOUT TEN POUND HAMMER

Ten Pound Hammer is a marketing firm that specializes in helping brands market to and through dealer and distributor networks, with a particular emphasis on brands in the custom kitchen & bath space.

If you have any questions about this research or about any specific challenges facing your brand, please contact Gary Thompson at 336.000.0000 or via email at gary@10poundhammer.com.