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MULTIPLE MARKETS, ONE PARTNER

Many distributors are thinking diversification after the recession. Partnering with a wholesaler can help ease the transition

By **Becky Mollenkamp**

If necessity is the mother of all invention, a weak economy may be the mother of all expansion. When times are tough, jan/san distributors often look to diversification as a way to create new revenue. Testing the waters of a new market can be less scary with a wholesaler's help.

"Expanding beyond traditional jan/san items may be outside of their comfort zone," says Mark Lyle, executive director of RDA Advantage in Littleton, Colo. "We are their ally. It behooves us to make sure they get the sale with the end user."

Wholesalers report that in the last year, many of their member distributors have expanded into new product categories.

"We have a couple of customers who stay very true to jan/san, but I think most of them see that change is inevitable," says Donna Bruno, president of Logistics Supply in Charlotte, N.C.

There are many reasons for diversification, but for most distributors the primary motivation is maximizing cash flow. Adding a new product to an existing order is a hassle-free way to boost profits. For example, when a customer orders tow-

els, can liners, and cleaning chemicals for a kitchen, why not sell other items for the room, such as plastic cutlery and coffee cups?

"Expanding beyond traditional jan/san products helps customers improve key metrics, like revenue per customer and revenue per delivery," says Carol Butler, vice president and general manager at Saalfeld Redistribution in Cincinnati. "To do this you either need to increase volume or offer new solutions, and that requires a more diverse offering."

Offering a wider array of products can also help jan/san distributors gain a foothold in new markets. A potential customer may not be interested in cleaning products, but may need safety items or foodservice products. Having more entry points into the product catalog increases the chances of addressing every end user's needs.

"When distributors start looking outside their comfort zone, their invoice average increases," Lyle says. "It also helps them

get out their message to new customers to further solidify their position."

A more robust catalog is also important in today's environment of consolidation,

which is a trend across most, if not all, markets. End users have come to expect one-stop shopping from their vendors as a way to save time and money, which is especially important in a weak economy.

Offering more product lines also makes it easier to compete with large, national companies that have been siphoning business away from local distributors.

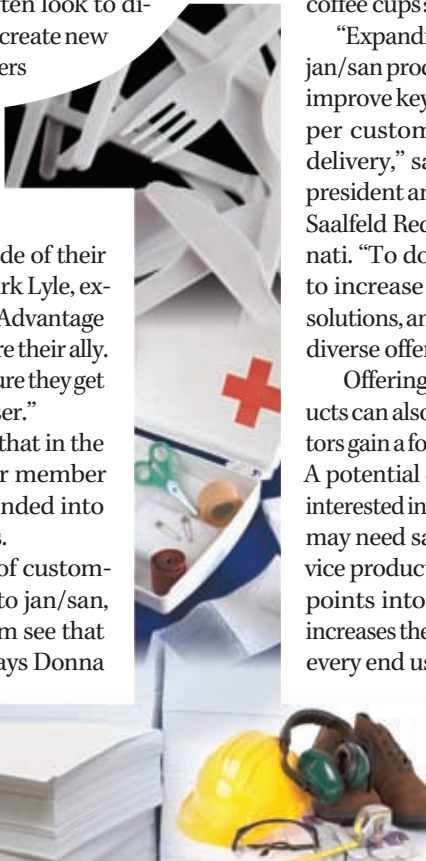
"The market is changing," Bruno says. "The national guys are getting more aggressive — how do you level that playing field? Having more than one product line gives you a chance to stay competitive."

Adding New Lines

Expanding operations into areas outside traditional jan/san products can be intimidating. Wholesalers can reduce anxiety by helping distributors assess which new product categories best fit their current operations. Because many wholesalers carry a full spectrum of product categories, they have a broader understanding of end users' needs.

Most often, distributors add products that are tangentially related to jan/san, such as foodservice items, safety equipment and maintenance products. Typically, these types of products are already being purchased by a distributor's established customer base.

"They are the types of goods a customer would pick up if they were buying their jan/san supplies from a wholesale club," Butler says.



To determine which new products distributors may want to test, wholesalers suggest having their sales reps conduct surveys of current customers. Do they have a fleet of vehicles? Are there local safety laws that affect their business? What products do they use, but aren't available from their jan/san distributor?

"We encourage distributors to be proactive in looking at their customers' needs," Bruno says. "If we understand the customer profile, we can make suggestions on what else the distributor should carry. There may be a lot of opportunities for expansion they never thought of."

with sales reps by providing talking points for sales calls. We can even make calls on the distributor's behalf to help define and clarify what it is the consumer is looking for."

To make the transition even more seamless, wholesalers also act as marketing consultants for their distributor clients. Typically, the wholesaler will create customized fliers, private-label catalogs and more at little or no charge. These materials allow distributors to test their customer base's response to the new products.

"You can't just take on a new product and think people will buy it just because you have it," Bruno says. "We can help build

he can even sell. The investment doesn't end there. There is also the space needed to warehouse the items until they sell and the shipping costs for getting the products to the customer.

With a wholesaler, the same expansion presents less risk. For one thing, a distributor can buy the new item only as it is ordered. Purchasing on an as-needed basis lets the distributor grow demand for the new product before jumping in with both feet.


"When a distributor is going into products outside their normal product offering, we can help them cut their teeth without the risk," Lyle says.

Wholesalers' no-minimum approach also gives a distributor the ability to fill niche requests to remain a customer's go-to supplier. Also, because wholesalers purchase from multiple suppliers, the distributor can mix and match products to create bundles tailored to a customer's specific needs.

"They can buy what they want, when they need it, and in the quantities they need," Lyle says. "If a customer needs two cases of towels and one case of cutlery, the distributor can deliver that. It allows the end user to deal with one supplier, which saves them time and money generating purchase orders."

A third benefit of wholesalers is the drop-ship option. They can ship products directly to the end user until the distributor has established enough demand to warrant warehousing. If a new product line doesn't resonate with customers, distributors aren't left with dead stock sitting in their warehouse.

"We assume the risk by investing in the inventory and making it available to the distributor just in time," Butler says.

Whether it's foodservice, safety, maintenance or other product categories, diversifying can be a profitable venture for many jan/san distributors. However, jumping into these uncharted territories doesn't happen overnight and it is probable that customers won't be interested in every new item. To mitigate the risks associated with diversification, distributors should talk to their wholesaler representative or look into forging a relationship if one doesn't exist already. 

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Bruno has helped many jan/san distributors expand into safety products with great success. For example, a distributor who is already selling to property managers can often easily upsell fire extinguishers, signage and other identification products, and fire, smoke, and carbon monoxide alarms.

Other ideas for expansion include offering personal protective equipment (hard hats, safety glasses, vests, etc.) to construction clients, selling first-aid kits and fire extinguishers to companies with a fleet of vehicles, or pushing foodservice items to offices with kitchens or break rooms.

"It's great to look for items that are not so specialized that you will only move one or two cases a month," Lyle says.

Get Educated

Choosing new products is only the first step in expansion. Next, distributors' sales reps must sell the items. To ease nerves about pushing unfamiliar items, wholesalers typically offer training and sales assistance.

"Everything we stock, we know and are comfortable selling," says Jim Merfeld, director of redistribution sales development for R3 in Elk Grove Village, Ill. "We can work

materials to get you exposure and make your customers think of you as the source for that product. You have to go beyond just telling your salespeople that it's available."

Take Less Risk

The wholesaler's goal is to help distributors test the waters of expansion with as little investment of time, money and effort as possible. Perhaps the biggest way they do this is by allowing distributors to purchase products without the large order minimums required by manufacturers.

"Distributors can get what they need as they need it without worrying about vendor [order minimums], which can be half- or full-truck amounts," says Merfeld.

Ordering direct from the manufacturer will likely drive down per-unit pricing. The tradeoff, however, is meeting big minimums on untested products. That can be costly to a distributor if the products don't fly with customers.

For example, say a jan/san distributor wants to add four lines to expand into the safety market. Each line has a minimum order of \$2,500 for a total investment of \$10,000 in products the distributor isn't sure

Becky Mollenkamp is a freelance writer based in Des Moines, Iowa. She is a frequent contributor to Sanitary Maintenance.

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