



WHAT'S NEW

New ASI Survey Shows Supplier Sales Improving

According to a recent survey of ASI suppliers, sales are down 14.8% for the third quarter vs. same quarter in 2008. However, that figure is an improvement when taken in the context that the Q2 supplier decline was 18%, and the Q1 decline was 21%. In effect, the sales decline is slowing.

“The implications are not good for our industry in the near-term, although there are certainly some well-hidden blessings here,” says Mel Ellis, president of the Portland, OR-based supplier Humphrey Line.

“First off, with the decline in volume, many suppliers have reduced prices and shortened delivery times in order to compete for a share of a smaller pie,” Ellis says. “That means not only margin pressure, but weaker cash flow, slower turns on inventory and receivables and more financial stress marks. There have been a number of distributor firms that have

been unable to pay their bills, or have simply closed their doors, and the supplier side is not really any different. We can expect more consolidation of distributors and suppliers, more failures and more tales of woe.”

Ellis goes on to say that there's been a noticeable embrace of quality, as the well-capitalized firms have gained share at the expense of their weaker brethren. “Also, I think we will see a more risk-averse industry in 2010, with fewer new items, lower inventory stocking levels, less liberal credit policies and smaller staffs,” he says.

Ira Neaman, owner/president of Avenel, NJ-based *Counselor* Top 40 supplier Vantage, believes that the stronger, better-capitalized companies that stress and excel at the basics – great products, great pricing, superior customer service and, of course, deep inventory are the com-

panies that will prevail. “As the economy improves so will the inflow of funds that fuel our businesses. We need to be patient and to be prepared,” he says.

Ellis says that if the industry decline for the year comes in at 15%-20%, 2010 very likely will not be a sales boon, either. “The easy money is gone for now, and so, we can hope, will be the opportunists who came into the business over the past few years,” he says. “The number of distributor salespeople has declined, which should leave us with a more professional core of true believers. Likewise, the number of supplier companies has also dropped, and we should expect the survivors to be better managed, more reliable, and better partners than those that do not survive. All in all, our industry should be stronger, more professional and better equipped to serve the needs of the end-buyer than we have been in recent years.”