

A Construction Market Overview



Having experienced significant economic contraction over the past few years, the various construction trades are now finding themselves faced with an overcapacity at both the manufacturer and distributor levels. This has created a need for companies to differentiate themselves in order to capture increased sales while minimizing potential margin erosion caused by pricing pressures.

Growth-oriented companies in the building materials, electrical, plumbing, HVAC/R, roofing and other comparable industries consider performance marketing initiatives as opportunities to:

- > *Stimulate growth from targeted audiences*
- > *Penetrate new markets and launch new products*
- > *Strengthen customer relationships*
- > *Reward frequent buyers*
- > *Become a foundational component of their marketing strategy*

INDUSTRY PERFORMANCE CHALLENGES

Manufacturers and distributors in the construction industry face slightly different challenges. Manufacturer challenges stem from a need to sell more of specific products whereas distributor challenges focus on market share, revenue generation, and relationship management.

Manufacturers typically seek solutions that are designed to:

- > *Stimulate new or existing product sales through either their distributor salespeople or directly to contractors*
- > *Capture share of mind and incremental sales from distributor management*
- > *Encourage contractors to purchase their line either through a distributor or via a manufacturer sponsored program*
- > *Look to find differentiation and value-added services in what is becoming a commoditized industry*

Distributor strategies tend to involve more customer-focused initiatives, which can then be leveraged to solicit supplier involvement. These strategies are designed to:

- > *Recognize and reward top performing salespeople based upon sales, gross margin, and target account performance*
- > *Capture discretionary business from customers*
- > *Retain and expand market share*
- > *Utilize incentive programs as marketing platforms that involve suppliers*





PERFORMANCE MARKETING IMPROVEMENT SOLUTIONS

Incentive marketing strategies have become effective methods of building success within the construction trades. Nowadays the key is developing cost-effective approaches that reward the growth of profitable accounts and enable account-targeting opportunities.

A core market focus for HMI is the construction trades. We've helped companies develop strategies that:

- > *Recognize top customer performance*
- > *Reward customers for growth and continued patronage*
- > *Leverage higher-margin commodities*
- > *Help launch new products*
- > *Impact the mode of payment*
- > *Target selected end-user accounts*
- > *Train distributor salespeople and contractors by incorporating an LMS component as part of the overall performance incentive solution*
- > *Encourage innovation by rewarding for value-added differentiation strategies*

HMI DELIVERS RESULTS

HMI's experienced team delivers real solutions for the construction industries. Some examples:

- > *A **southwestern electrical distributor** enrolled 60% of its customers into an incentive travel program. **These customers grew their business by 24.6%**, resulting in 124 participants achieving a cruise vacation. The program has continued to flourish for the past 8 years as an incrementally-structured incentive solution. **Company revenues during this time period have expanded by 150%**.*
- > *A **New England HVAC wholesaler** launched a customer incentive program targeted at their non-travel incentive customers. When comparing participants to non-participants over the past three years of the program, it was observed that **participant sales grew by 18.3% on average and 54.8% cumulatively**. By contrast, non-participant sales actually declined by an average of 15.2% per year and 45.7% cumulatively. However, positive sales growth achieved by program participants more than compensated for this decrease. Additionally, **award earning participants grew their businesses by an average of 71% per year, and more than doubled their sales with a cumulative average of 213.5%**. This represented millions of dollars in incremental gross margin even after deducting program expenses!*
- > *A **building materials manufacturer** in the Midwest initiated a two-tiered incentive program based on HMI's recommendation. Top customers could earn access to a group trip; smaller customers were able to achieve merchandise awards. Completion of product warranty registrations is important due to liability and industry standards, but this had been historically low across all products. Within the first four months of the program, **10,000 warranties were registered, representing a 44% increase** and greatly exceeding the client's expectations.*



*This client had also previously made an investment of more than \$1M in a training program to educate distributor and dealer salespeople. However, prior to instituting HMI's program, the percentage of sales representatives enrolled in the training program was only 30%, with very few reps up-to-date on their assigned modules. After the second year of the incentive program, **participation has increased to 88%, and all participants have completed their assigned training modules!***

- > *An **Australian swimming pool company** wanted to target pool builders and pool cleaners through a three-tiered program. Top-tier customers had preferential access to ordering and delivery, point multipliers, networking events, and industry seminars, and were given access to co-funded marketing material and a range of business services for small businesses (tax advice, human resource services, marketing advice, etc.). The program saw a dramatic push by participants in lower tiers to reach the top two tiers and enjoy a range of both hard and soft benefits. The client also increased its number of active participants in higher tiers by **230%**, and grew its revenue by a staggering **65% over the past three years.***

- > *A **building materials dealer** implemented a two-tiered incentive program in which top customers could earn access to a group trip while smaller customers were rewarded with points redeemable for individual rewards. Customers who were invited to participate in the Advantage Rewards program saw a **19.14% increase in Home Builder sales and a 34.52% increase in Remodeler Sales. Total sales increased by \$7,676,669 (+20.93%). Margin dollars increased by \$1,856,440 (+ 18.61%)!***

ABOUT HMI PERFORMANCE INCENTIVES

With over 30 years of experience, HMI Performance Incentives (HMI, Inc.) is a leading full-service performance improvement company focusing on channel loyalty initiatives, sales/customer incentives, employee engagement programs, and group travel. HMI's tailored strategies help numerous Fortune 1000 companies increase company sales, improve market share, enhance loyalty, and generate profits. Based outside Boston, MA., HMI continues to expand its global presence, offering client services in over 80 countries worldwide.