



The purpose of this article is to share insights from within the industry – how leaders are tackling the change in priorities; how they see the landscape changing over the course of 2020/2021 and the changes they’re adopting.

Granted, the world has changed, and businesses are impacted. The media, as is typically the case, has focused attention around the negative, doom and gloom news stories.

I’ve taking the opportunity to speak with CEO’s, Chairmen, MD’s and HR Directors from within my client base and wider network, to add perspective to the situation.

Snippets from some of the conversations I have held week commencing 8th June 2020:

PRODUCT / SERVICE: CEO of a large independent merchant group

ROUTE TO MARKET: Various

MAIN POINTS RAISED: From speaking with his network of bodies and buying groups within the merchant arena, there are three main themes cropping up:

- Demand: PLC’s have struggled to ramp up post lock down, especially getting workforces back to work. They currently sit some 60% down on numbers. Due to their nimble nature, independents are coping and adapting very well. Although they’re 15-30% down on this time last year, many are reporting increased market share, and this CEO expects that trend to continue. Timber is flying, around 30% up and especially around the decking and fencing ranges.
- Liquidity: He reports that larger businesses are unaware of real cashflow currently, which impacts suppliers and could potentially continue to damage relationships between the two. This is making suppliers question the real value of the partnerships with many considering stopping this omni-channel approach and are likely to reach out to the end customer direct - I saw this during the downturn of 2008. This is likely to lead to an evolution of the supply chain and relationships manufactures carve.
- Digitalisation: The impact of the virus has forced manufacturers to evaluate their effectiveness, both from an operational and commercial standpoint. With manufacturers looking to attract and service end customers directly, investment into digitalisation is going to be key.

Encouragingly, his parting comment was that we as an industry should not forget that manufactures and contractors were one of only a small handful of industries actively working throughout lockdown, which has continued to pour revenues into the industry. This has also resulting in us having a foot-up on other industries when trying to work out how the operate in the new normal.

PRODUCT / SERVICE: Global manufacturer of plumbing products

ROUTE TO MARKET: Commercial (utilities, M&E contractors, OEM) and residential through merchant sector

MAIN POINTS RAISED: This business has taken the current situation as an opportunity to review and implement manufacturing and supply chain best practices across their numerous operating sites. Collectively, they now feel they're one step ahead of competition as a result.

One of their main markets served is to the critical utility and, via OEM's, the healthcare markets. Orders have not declined, and they have been able to bring in the aforementioned best practises when servicing the markets.

The private owners are very bullish about Q3/4 and, although they were 40% down for May, order books are building, with them likely to finish the year only 10% down on 19/20 figures.

Although the domestic OEM market has been hit, primarily due to retailers being shut, they have witnessed a spike in orders last year and expect this to continue as the year progresses. Sheds across Europe continue to operate at above average levels.

He believes the water companies will be busy due to the likely drought to hit the UK during the summer.

PRODUCT / SERVICE: National Builders Merchant Group

ROUTE TO MARKET: Various

MAIN POINTS RAISED: This Managing Director sees a strong opportunity to harness growth within the groups Shared Services business unit, especially across the government and social housing sectors. Ongoing orders are rapidly increasing, and their challenge is to ensure the group can mobilised against the interest.

Having spent £100k on capex for screens around their branch network, the group continues to reopen these in blocks of 20, having arranged a click and collect service previously. This worked well, especially due to the groups increase spend on online presence.

Oddly, their electrical arm has been the slowest to recover. He puts this down to electricians being slowest to return to work. There will be a focus on completing ongoing house building work specific to this subsidiary.

They continue to grow their plumbing and heating brand which, although relatively new to the group, they consider growing this year. Their hire division continues on a comfortable trajectory.

All things considered, the groups board is rather bullish about the rest of the year.

PRODUCT / SERVICE: Architectural ironmongery

ROUTE TO MARKET: Architects and specifiers

MAIN POINTS RAISED: This CEO saw orders throughout April and May decline some 65%. As with the downturn of 2008, architects are quick to lay off staff, but they are yet to hear of swathes of these yet.

Revisions to ongoing work have not changed to any great degree, and the feedback from new enquiries from architect practices are showing positive signs.

This downturn has not hugely affected their Middle Eastern business, with a continued, steady revenue stream and no staff laid off.

Although it is fairly hard to forecast what will happen to the remainder of the year, he remains quietly optimistic, especially within the commercial refurbishment and new build markets in the South East.

PRODUCT / SERVICE: European plant hire business

ROUTE TO MARKET: Primarily contractors

MAIN POINTS RAISED: This CEO expects a steady increase in orders as Europe hits the heart of the summer. The group is trading well within central Europe. He highlighted that opportunities do exist, with businesses having to be more active and smarter in their approach to driving new conversations.

Historically he has implemented a lot of investment into innovation, and this will continue as the industry as a whole wakes up to the positive impact such investment can yield. Construction has always performed and worked well at the frontend of project work (especially on design), but backend has been clunky on servicing processing. Processes that have been enforced on the supply chain will become habits in time, and he views this as a very positive step in the right direction.

Having worked for PE backed businesses for a number of years, many businesses will experience these PE firms stalling exit plans this year. In the main, he views this as another positive to come out of the situation.