

# A Stimulus Package!

## Freight Reduction

by Bill Groak and Richard Bennett

### John Towle Performance Warehouse Association

Email: john@pwa-par.org

Unless someone has been sleeping for the last year or so, we all know the economy has slowed.

And while other industries have addressed the needs of their distributors and retailers during these times, with lowering freight requirements, increasing local advertising dollars and lowering the cost of goods, some in our industry are slow to respond. In fact, some manufacturers are having a price increase. Now this on it's own is not the issue, but when a company increases their price (so they can stay profitable) and then they ask their buyers to drop their selling price in an effort to sell more of their products (reducing the distributor and jobber profit) then I find this very interesting.

Why is it that a manufacturer can raise their prices to help their profit margin, while allowing the value of their products to drop? Maybe it's time to work on increasing profits for all channels of the automotive aftermarket distribution system, not just the high volume Mail Order / Internet markets. I believe our industry still needs all of the show rooms and display counters which you find in the independent jobber / retail stores. This is where the consumer can touch our products. Pictures in a mail order catalog and on an Internet site is not the best way to create excitement and interest for our industry. OK, before someone shoots me, I'll stop.

If your company is doing something creative to help the WDs and jobber/retailers during these times, please let us know. If you have reduced you freight requirements, lowered the price on your products, increased advertising allowances, if you have lowered or reduced drop shopping charges, added products to a MAP program or any number of other helpful plans, send us an outline of your programs and we will tell your story.

With the economy stuck in first gear, production of performance products are spinning its tires and moving ahead on a slow track. Some PWA manufacturers' members have come out with their own stimulus package: Reduced-Freight changes. We asked some of these manufacturers and others how the new program was working. Here is what they told us.

### W.S. (Bill) Wagner, Jr. Winfield Consumer Products, Inc

Email: bwagner@huskyliners.com

*What has Husky Liner done to help the WDs during these down times?*

Husky Liners has cut our minimum freight charges to help WDs during these difficult times in the industry.

Our temporary (we will review this program every 60 days based on economy) half freight program in the continental United States has allowed and will allow those niche marketers to hopefully survive until a turn-around can be found in the economy. The biggest problem is the WD and/or Jobber who continues discounting ever deeper to his customer in this slowing economy just to turn inventory into cash (remember free freight is actually a discount). Plus, once a discount is given, it's hard to take it back.

I have been told by many of our WDs that it allows them to keep their inventories clean and turning on our product line (which is not the case with many lines). The "big" WDs don't like the program because they don't have that problem (turns); but then, they also normally offer "free delivery" to their accounts which is that "discounting thing" again only at the next level. Why don't more manufacturers do it? To be quite honest, "prepaid freight" programs are quite costly (up to 10% sometimes - based on order, size and ship point) and when a manufacturer sees the discounting going on while he is trying to assist the accounts in making a profit, he steps back and asks himself... *WHY?*

### Adrian Murray Painless Performance

Email: amurray@painlessperformance.com

*What led Painless to cut their minimum freight charges to help WDs during these difficult times in the industry?*

Our freight policy was \$1,200. When the slowdown began last summer, we felt that we needed to remove any impediments in the way of distributors placing orders. One such impediment, obviously, is a minimum freight requirement. During good times, it's not much of an issue for a WD to make freight. During slow times it can be, particularly if the need is only for \$500 and the freight requirement is \$1,200. The more excess product a distributor has to order just makes it even harder to make freight in the future. Basically, the distributor is faced with two possibilities: order \$700 worth of product that is not needed at this time or hold off ordering until \$1,200 is needed. Neither scenario is desirable for a manufacturer. We don't want customers delaying purchases when sales are slow enough as it is and we don't want to put customers in a position of having to buy product they don't need during tough economic times. So the sensible solution was to lower our freight requirements. There is a slight impact to margin, of course, but our focus during a downturn should be to ease all impediments to moving product through the distribution channel. We all need to work together during these times and if that means we give up some margin to help customers sell product, then so be it.

It already has helped. We've seen WDs ordering more frequently and buying the products that they need.

*continued on page 8*