



# Market Makers VS. ORDER TAKERS

BY SUZANNE VAN GILDER

**A**s commodity sales increasingly fall to the low-overhead, minimal-service realms of e-tail and big box stores, new opportunities are emerging for wholesale distribution. A word that is often used to differentiate the modern model of distribution is “annuity.” It encompasses the idea that when manufacturers and distributors make the up-front investments to learn how and why end users specify product, they become better prepared to offer comprehensive solutions in the long term. This not only builds relationships, it creates a robust market for sophisticated products while benefiting end users.

There is no one right way to go to market, but Panolam Surface Systems is beginning to put into practice many of the strategies that support a strong annuity-based distribution model. It is an interesting example because the company manufactures a comprehensive array of decorative surface systems for applications ranging from typical vertical and horizontal surfaces to the most demanding commercial environments. Prior to Al Kabus, president and CEO of Panolam, taking the helm in 2012 the company isolated the specification and sales functions, resulting in products being positioned in the market separately. “There were a lot of great assets and components in place. What needed to be refined to create real value for all constituents was the route to market and the assembly of the brand,” says Kabus. “If you look at Panolam as an ala carte menu, we are only as good as our individual products. But when you look at the products as a collective, we have a tremendous ability to save customers, (meaning architects, designers and facilities managers) time and money, while serving their design and performance aspirations.”







**FROM THE TOP DOWN**

While Panolam’s approach sounds straightforward, it is complex in orchestration. First and foremost, it requires changing the conversation with specifiers and channel partners. “Until recently, I believe distribution has been focused on individual products because we (as manufacturers) have looked at distributors as customers rather than partners. We focused on loading them up on inventory and then asking them to sell. And that model is broken,” says Kabus. “We now focus on what they sell to the market, which creates more business for all parties. The objective is to understand everyone’s business to the degree that we can add value and increase the opportunity to succeed. Now not only do we have specification experts who bring architects and designers real time solutions, but we are equally focused on creating a market for our distributors. The goal is to create a buy versus trying to sell. To me that is the huge difference in terms of creating sustainable, long-term growth ”

One of Panolam’s distributor partners is McKillican American, Inc., a distribution company with a presence in 13 North American growth markets. The company conscientiously shifted to an annuity-based operating model in 2012. “What is really nice is when the distributor and manufacturer are aligned in their philosophies,” says Jamie Barnes, president of McKillican.

“I think there is a business maturation going on that requires distribution to play at a higher level, and I think we are growing in concert with one another right now,” says Kabus. “All we do is make product and focus on making sure we do a good job of marketing its value. We need our distributors; they are truly our partners in educating customers and making sure our product is available. I believe we are just starting to ignite the opportunity to leverage the collective talent in the market place, because all politics are local and every market is a little different. So distributors that understand and can collaborate effectively, are extremely valuable in covering the market and making sure we target the right opportunities and customers that will benefit most from our surface systems.”

**SERVING CUSTOMERS AND CLIENTS**

The annuity-based model has a heavy emphasis on understanding end users. “We have a very defined and disciplined sales process that begins with what we call the discovery phase. From a high level, you can paint every fabricator or specifier, and everything they might use, with one brush,” says Barnes. “But the reality of adding value is to get deeper down into what makes our customers successful. Usually when you look at it, how one company

Jowat | your partner in bonding



**Jowat offers a variety of Adhesives for furniture components that covers**

- 3D Membrane Pressing (1K and 2K)
- PUR Hot Melt Adhesives for High Gloss Flat Lamination
- Thermoplastic and PUR Hot Melt for Edgebanding
- Hot Melt Adhesives for Precoating and Laminating



**Jowat –**  
One supplier for all system components.



**Jowat Corporation**  
5608 Uwharrie Rd.  
Archdale, NC 27263  
Phone +1 336 434 9000  
Fax +1 336 434 9173  
www.jowat.com



does business is quite different than another. We look for what we call an ‘uncommon understanding’ and use that to develop solutions that serve the individual business. That is how we add value and maintain relevance in the relationship.”

In general, architects and designers are very busy and risk adverse. Time is their currency. When it comes to facilities managers and fabricators, they typically focus on getting the exact right materials in place, on time. Their currency is peace of mind.

Panolam addresses this distinction with two functional go-to-market areas. Specification managers call on the A&D community and facilities managers. Territory account managers work with distribution and fabrication companies. “We recognize that the professional designer is challenged to maintain profitability for their firm by maximizing billable hours with their client. At the same time, we as manufacturers are responsible for keeping the design firms current in terms of product representation and related information,” says Kabus. “Because Panolam has a broad collection of surface solutions, we are in a unique position to best honor the design firm’s time. We have shifted our focus to using a real-time strategic approach that combines technology with a deeper understanding of exactly what the designer needs to satisfy their current project. The idea is for product education/representation to mirror the designer’s needs first and ours second. Our goal is to be the most efficient and trusted designer resource in the surface industry.”

In the distribution arm, McKillican also makes a seemingly subtle distinction between clients (typically the A&D community that specifies materials) and customers (typically the buying segments of the channel). “For the most part, architects, designers and specifiers, aren’t looking for immediate product, so it is really more about being that trusted advocate that can educate and be a valued resource time after time,” says Barnes. “Our everyday buying customers have slightly different requirements, so we work with them on things like inventory management, service levels and even things like cash flow via our financial services department.”

## Panolam Surface Systems include:

**PIONITE® HPL:** a classic line with a vast array of colors, wood grains, abstracts, finishes and custom prints. Partners with Panolam® TFL.

**NEVAMAR® HPL:** A designer line with the ARP performance finish, also available with treatments for increased fire, chemical and wear resistance. Partners with Pluswood® TFL

### THICK PHENOLIC:

- EcoStone™ Decorative Surfaces, solid, color-through compact laminate
- ThickLam® Freestanding structural panels
- DecoCor™ Extraordinarily strong structurally engineered laminate

**FRL®:** Fiber reinforced laminate used for decorative wall protection with the same aesthetic possibilities as HPL but superior performance for high-density public areas.

**FRP:** Fiber reinforced plastic is a composite material tested for wall and ceiling use in high-traffic commercial and institutional applications.

## ROBUST RELATIONSHIPS REDUCE RISK

In the end, a more annuity-based model of distribution adds value to the channel by reducing risk for both manufacturers and end users. “I’ve heard it said that distribution is like a shock absorber in a vehicle. It provides a flex point for the core business functions,” says Barnes. “The more we understand what makes our customers successful the better chance we have of being relevant to them for the long-term. “

Both Panolam and McKillican are already seeing benefits from their investments in the human resources required to provide end users with a customized experience. And while the annuity model, by design, is intended to have long-term payoffs, Barnes reports that one of the short-term advantages is a positive shift in company culture. “Our goal has always been to make our customers and manufacturing partners more successful in the long run. When we began valuing relationships over transactions, our internal staff became more powerful problem solvers and service providers. It is a great thing to show up for work and know what you do is relevant.” **s&p**