

EDA State of the Sector Survey Wholesaler Feedback: Q2 2024 April





State of the Sector Survey Wholesaler Feedback: April 2024

Introduction

This is the second quarterly EDA State of the Sector Survey of 2024: the survey launched on Monday 8 April 2024 and closed on Monday 22 April 2024.

This survey represents the feedback of EDA wholesaler businesses (members). There is a separate survey for EDA manufacturers (affiliates).

This survey attracted 105 responses, a 41% response rate. As at April 2024 the EDA has 259 wholesaler members, plus the head offices of the 4 buying groups. A summary of wholesaler and manufacturer feedback was shared at our Talking Shop Dialogue on Wed 24 April 2024.

Highlights

EDA State of the Sector Surveys include questions which feature every quarter but there are always new topics to explore. Regular questions include feedback on [business turnover](#) and [top 3 business challenges](#).

New areas explored in Q2 2024 include wholesalers' take-up of the [renewable energy products market](#), the [heat pumps market](#), and plans to diversify into these areas.

Other topics included wholesaler awareness of [the Building Safety regulatory requirements](#), and the rising cost of [motor insurance](#).

Despite the legislative changes regarding [fluorescent lamps](#), [it appears there is still demand from contractor customers](#). This survey also explored the type of [projects/buildings that fluorescent lamps are used in](#).

The withdrawal/reduction of [Trade Credit Insurance is covered](#), along with the impact on business.

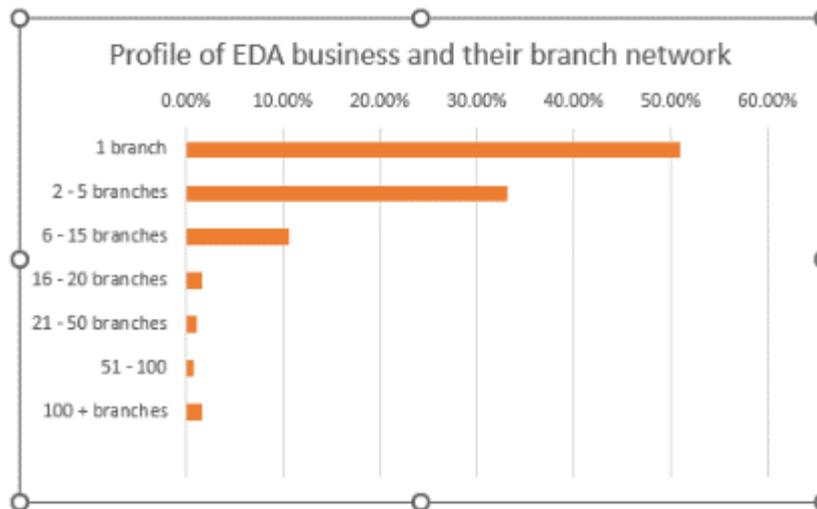
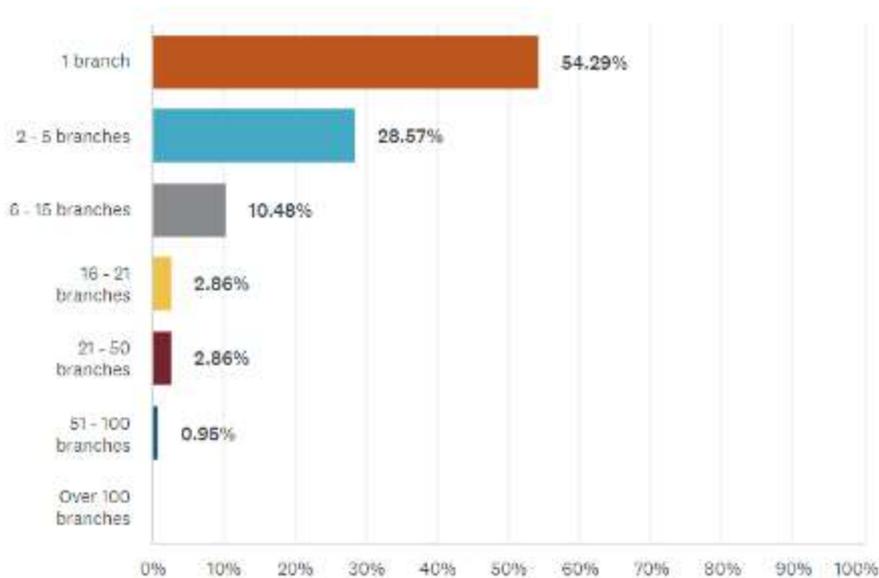
With April's increases in National Living Wage and National Minimum Wage, what's been the impact on wholesaler businesses? [Wholesalers were extremely vocal in their responses](#).

In summary, wholesalers give their [predictions on the performance of the sector for 2024](#).

State of the Sector Survey: April 2024



Q1: How many branches do you have?

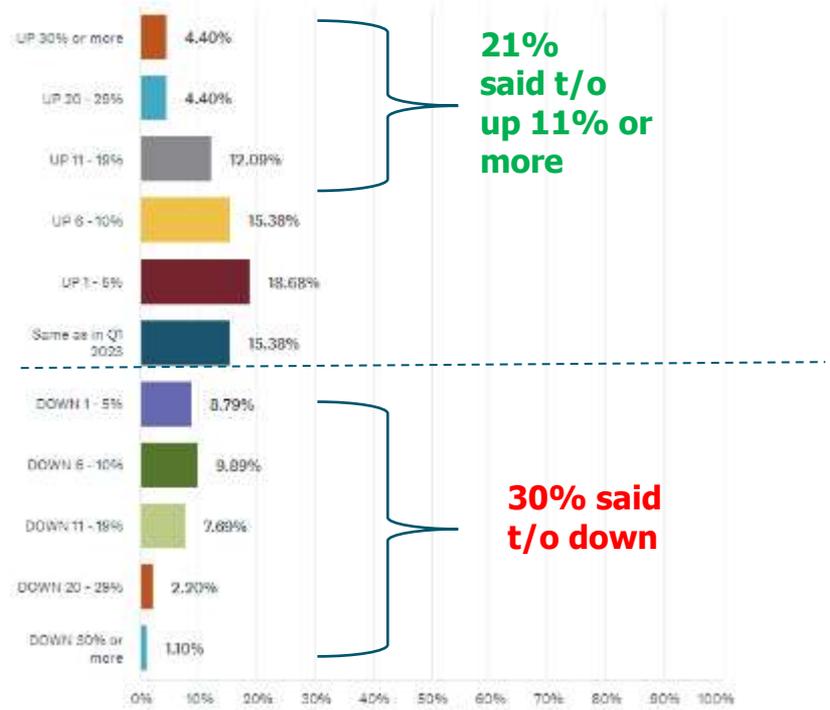


As at April 2024, the EDA had 259 member wholesalers, plus 4 buying group head offices. Collectively, EDA wholesalers run 1,917 branches.

State of the Sector Survey: April 2024



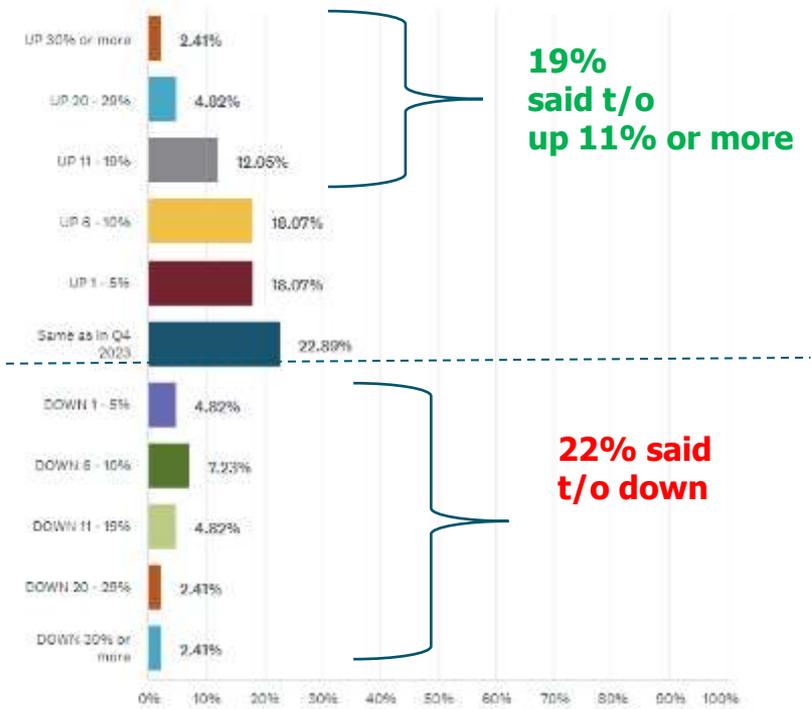
Q2: How does turnover in Q1 2024 compare with Q1 2023?



State of the Sector Survey: April 2024



Q3: How does turnover in Q1 2024 compare with Q4 2023?

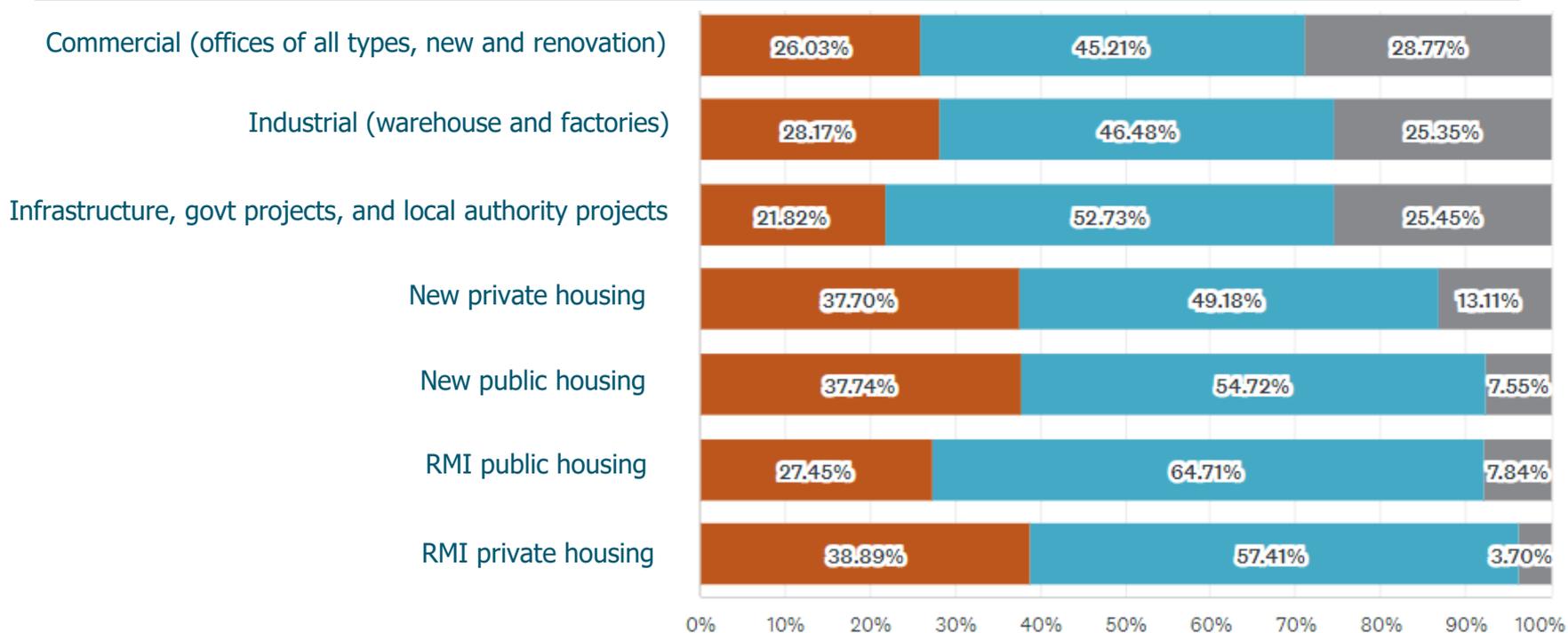


State of the Sector Survey: April 2024

Q4. Have you experienced a change in turnover in Q1 2024 compared to Q4 2023 for the following sectors? **Ranked by growth (grey band)**



Decline No change G



State of the Sector Survey: April 2024

Q5: Your Operational Challenges: from a prompted list please tell us which 3 operational challenges are your most pressing at this time?

	April 2023	July 2023	October 2023	January 2024	April 2024
1	Product price and availability issues	Customers paying more slowly + Increased exposure to bad debt	Cash flow challenges including customers paying more slowly, or paying with credit card	A downturn in demand	A downturn in demand
2	Attracting and retaining staff	Inflation + Downturn in demand	Rising wage bills equal 2nd Increased exposure to bad debt	Customers paying more slowly	The impact of increases in National Living Wage and National Minimum Wage on my overall wage bill
3	Customers paying more slowly + Inflation	Attracting and retaining staff	A downturn in demand	Increased exposure to bad debt	Attracting and retaining staff

State of the Sector Survey: April 2024





Q5: Comments on operational challenges

“Online prices are making margins tight.”

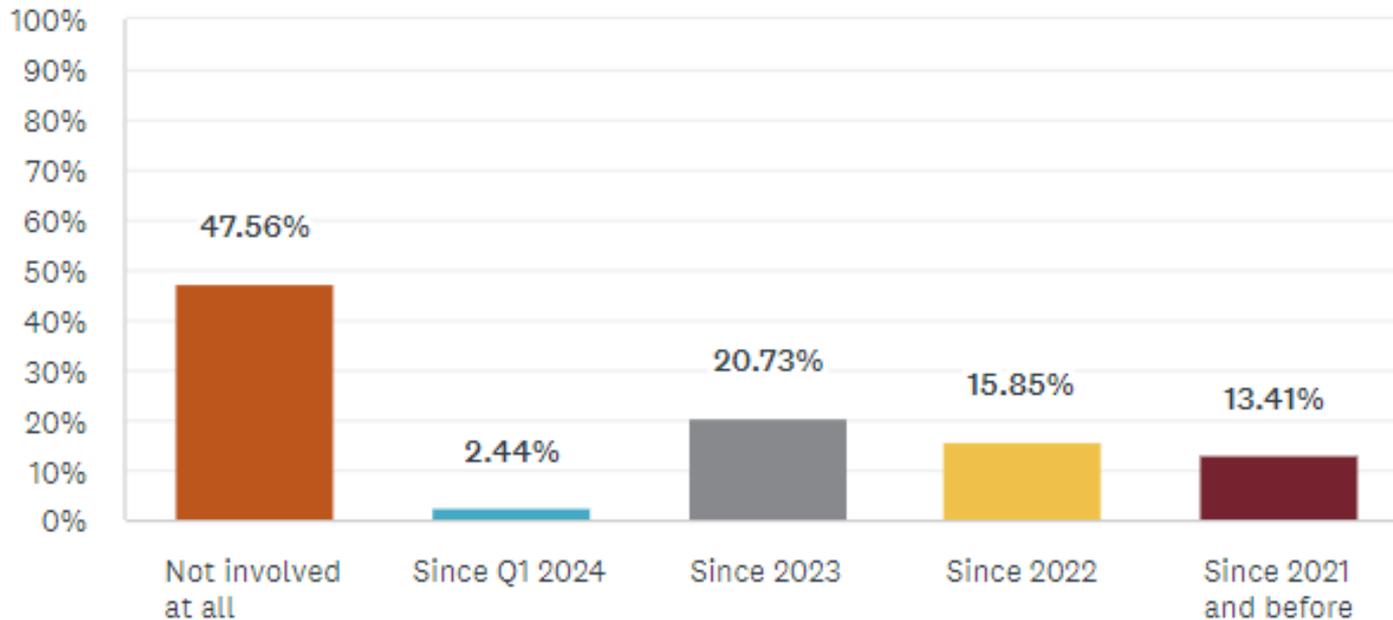
“Changes to HR laws and the need to continually spend on making sure contracts and practices remain valid and legal. Rates relief for Covid now pulled dramatically adding to the bottom line of all premises.”

“All aspects are applicable at this time!”

“SALES ON LINE + SCREWFIX, TOOL STATION + SHEDS ETC SUPPLYING AT PRICES WE CANNOT COMPETE WITH AS WE ARE A SOLE BRANCH AND NOT ONE OF MANY WHICH MEANS THEY CAN OPERATE AT A LOWER PROFIT MARGIN PER BRANCH.”



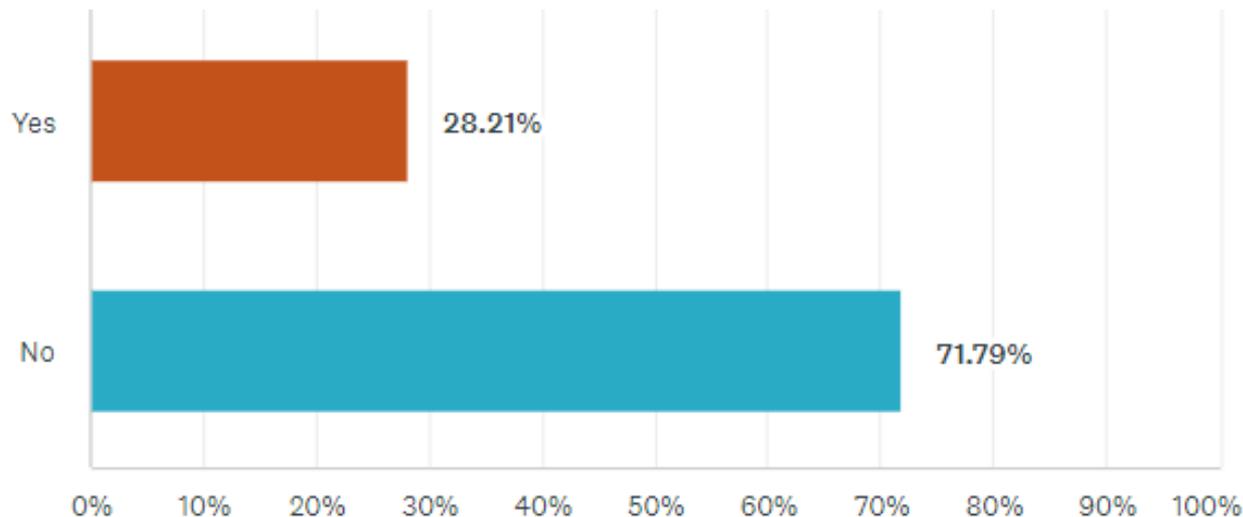
Q6: How long has your business been involved in the sale of **renewable energy products** excluding heat pumps?



State of the Sector Survey: April 2024



Q7: To those that are not involved we asked a subsequent question. Are you planning to diversify into renewables during 2024?



Comments:

“Waiting for the technology development to reach a point where prices are less volatile.”

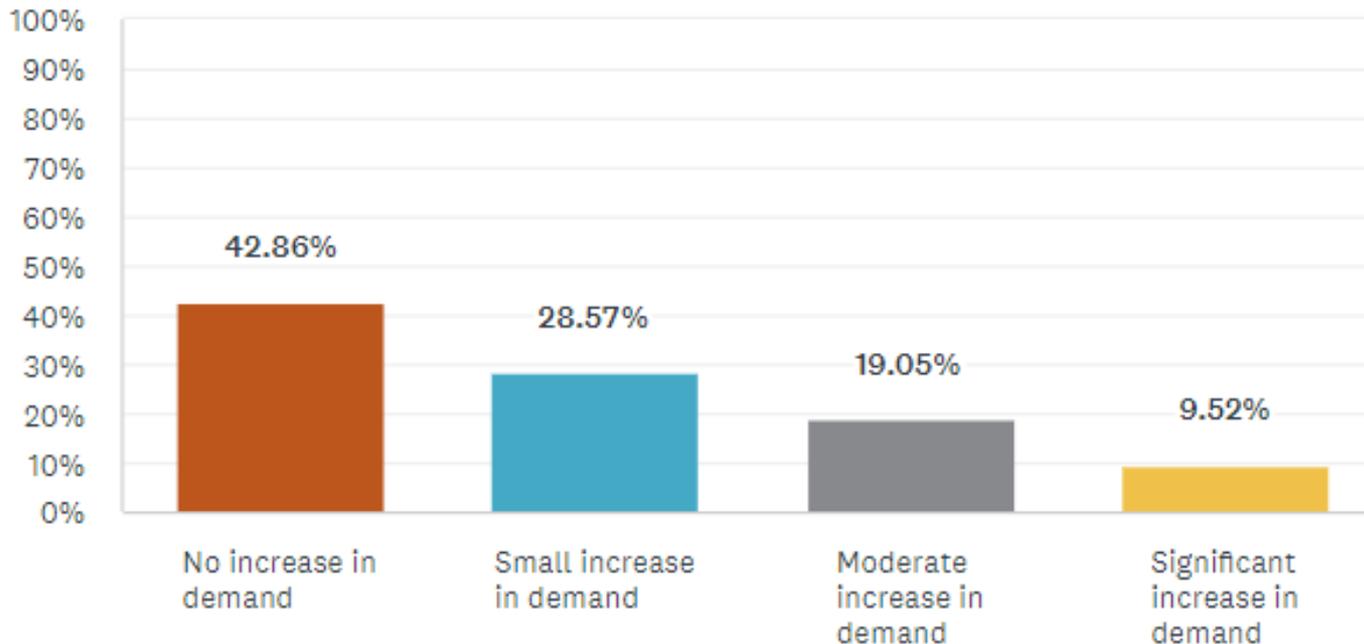
“Too big an investment for our business.”

“If solar panel 'kits' become easier to source.”

“Myriad of suppliers, falling prices on solar panels - tricky market to get involved in.”

“As more suppliers come on stream with products to meet the needs of the sector this will hopefully increase our sales in this area.”

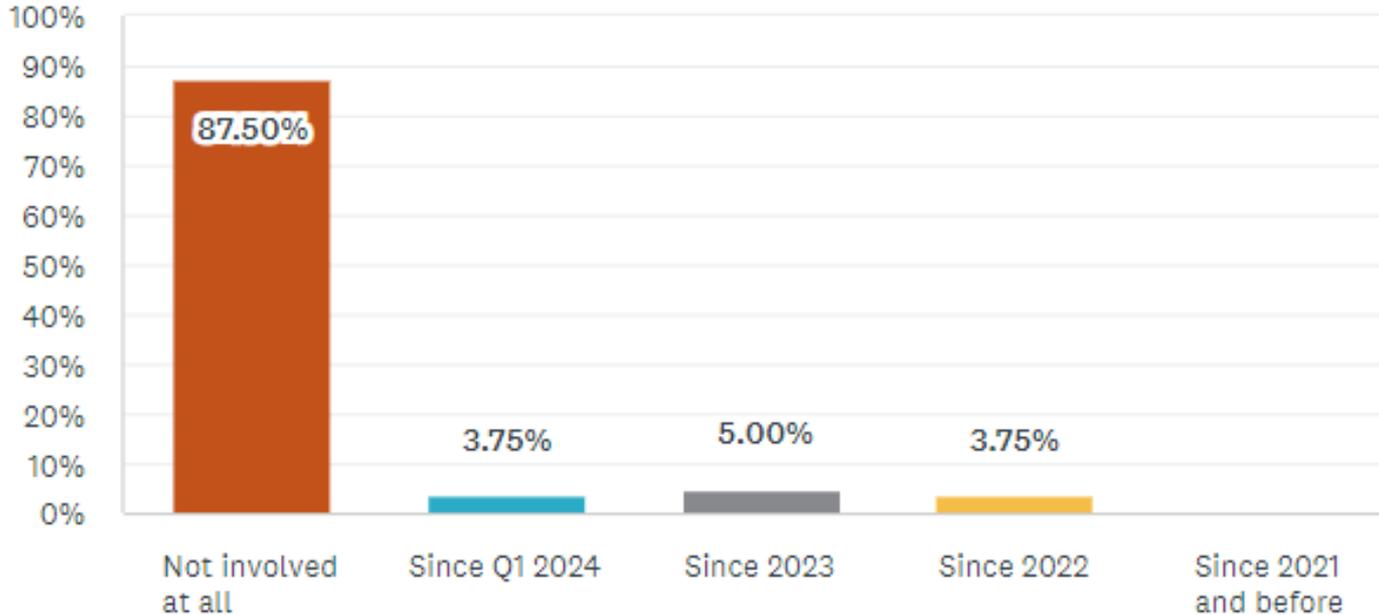
Q8: To those wholesalers that are involved in this market, we asked a subsequent question. As your business is involved in renewable energy products (excluding heat pumps), please tell us if demand for these products has increased in the period Jan - March 2024 and if so by how much?



State of the Sector Survey: April 2024



Q9: How long has your business been involved in the sale of heat pumps?

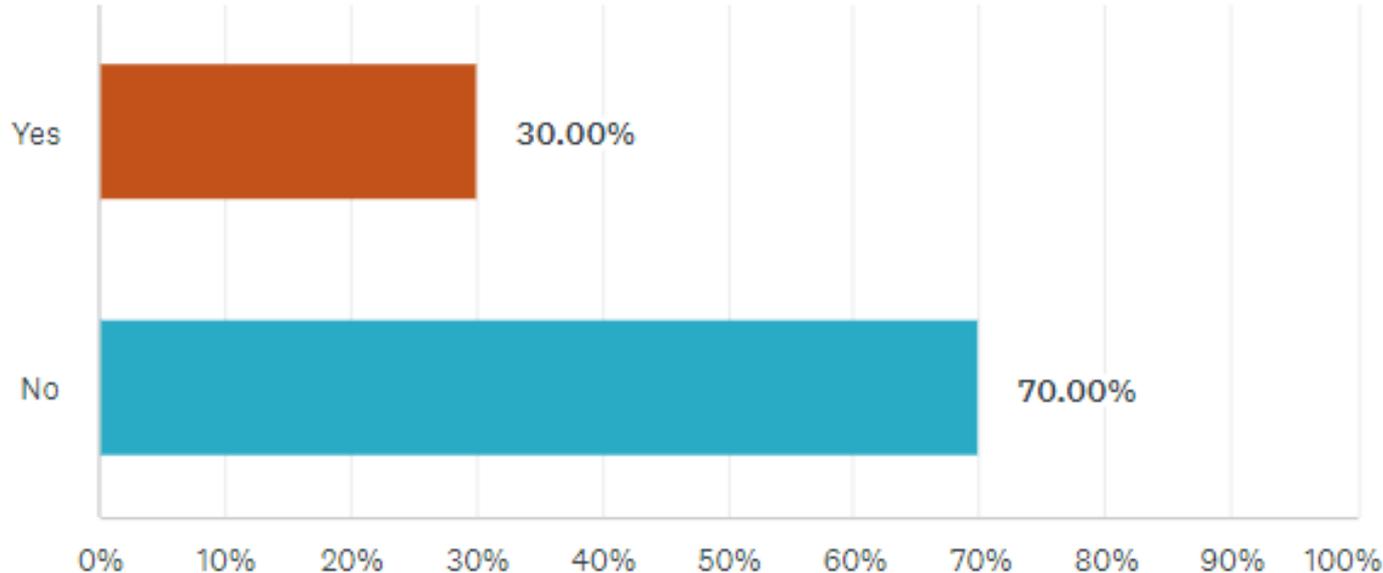


State of the Sector Survey: April 2024





Q10: To those that are not involved we asked a subsequent question. Are you planning to diversify into heat pump during 2024?



Comments:

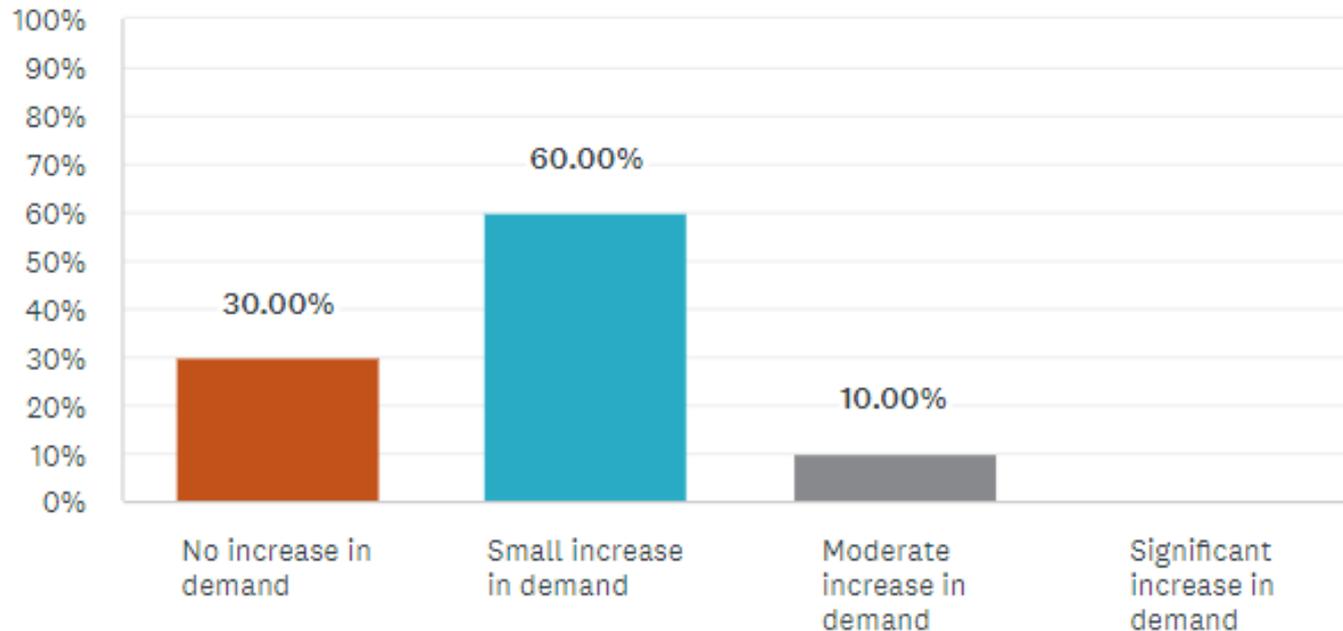
"Starting to look into this area."

"Value and space required at branch level plus active customers not being involved in the market as long with no value being added to current supply base. doesn't justify the work and risk involved."

"If we can find a reputable supplier."

State of the Sector Survey: April 2024

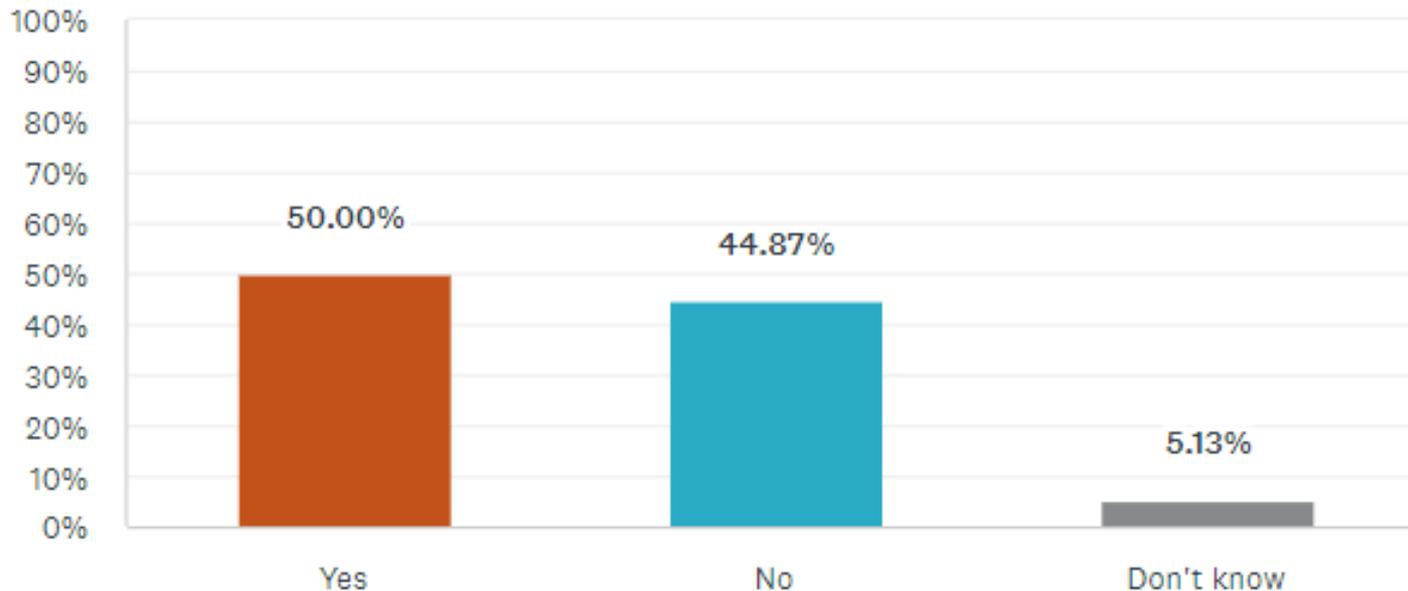
Q11: To those wholesalers that are involved in this market, we asked a subsequent question. As your business is involved in heat pumps please tell us if demand for these products has increased in the period Jan - March 2024 and if so by how much?



State of the Sector Survey: April 2024

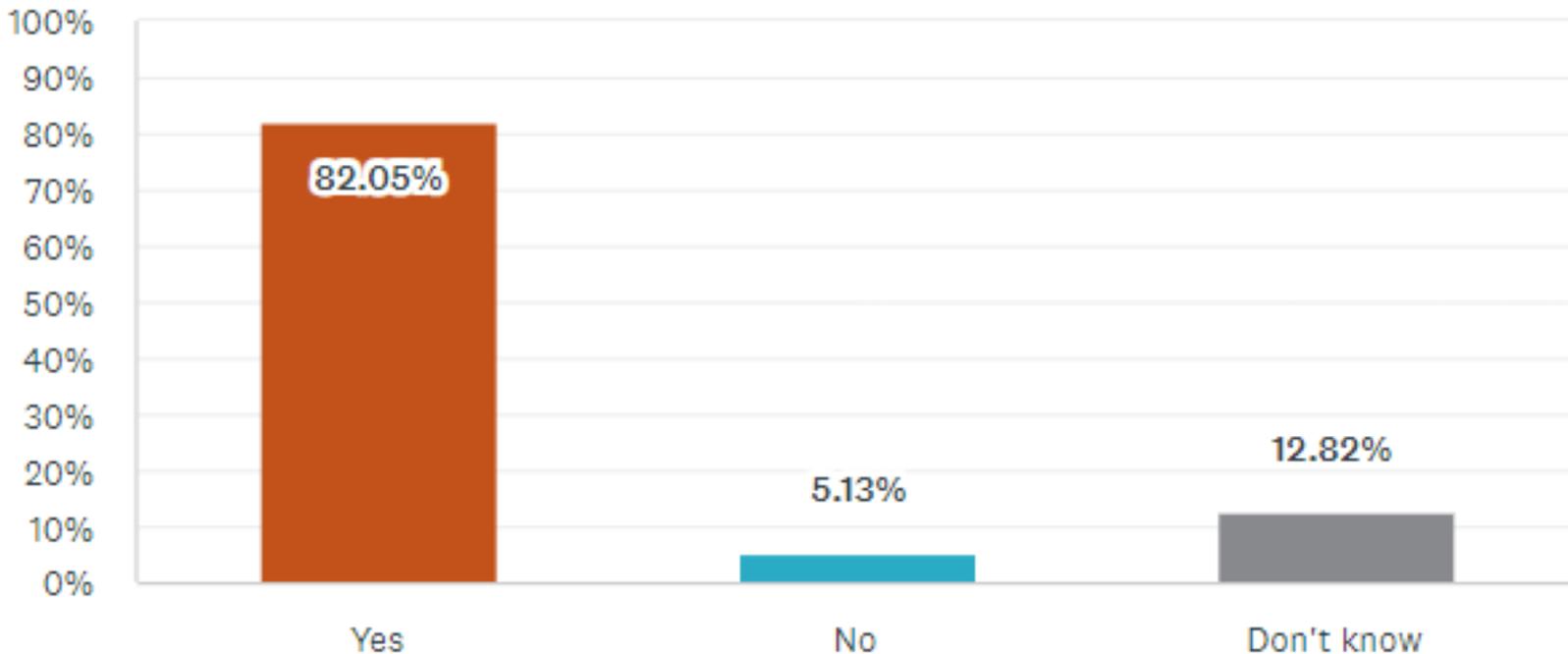


Q12: Despite the recent changes to legislation regarding fluorescent lamps, are you still experiencing demand from contractors?



State of the Sector Survey: April 2024

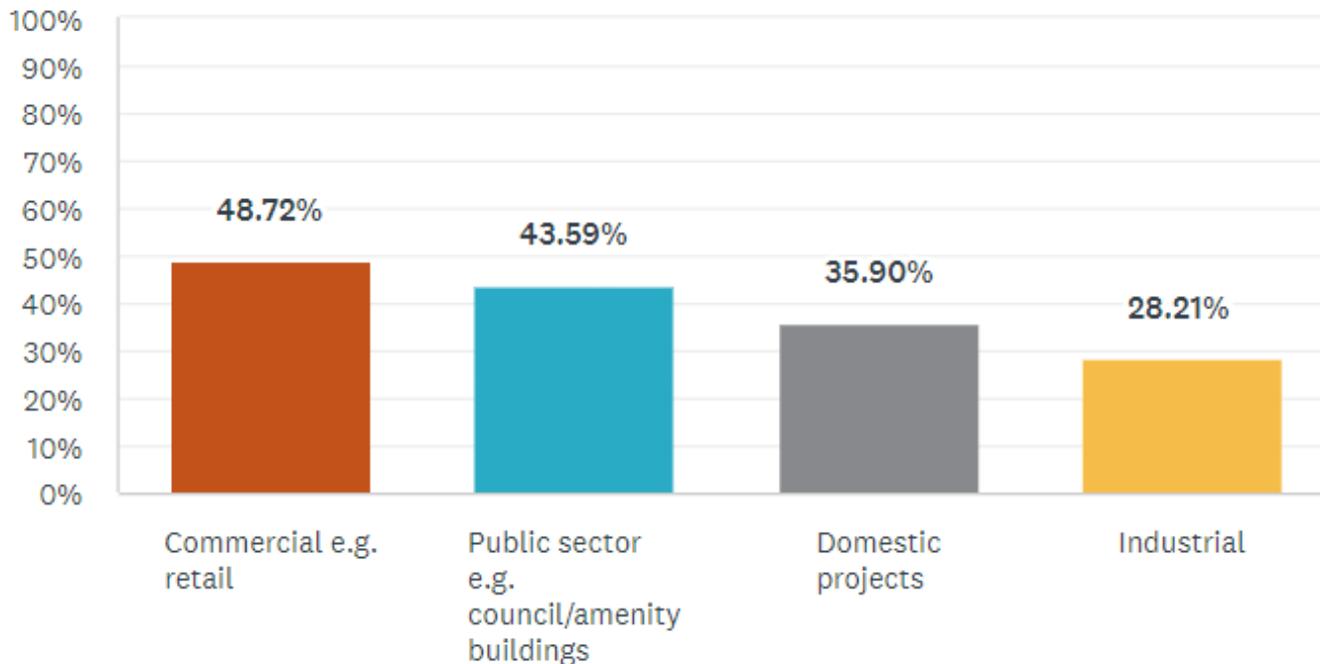
Q13: To those who said yes, are your contractor customers aware of the changes to availability of fluorescent lamps?



State of the Sector Survey: April 2024



Q14: Please tell us more about the type of projects that are still using fluorescent lamps. Please tick as many answers as you wish.



Comments:

"No projects, only maintenance."

"Stadiums."

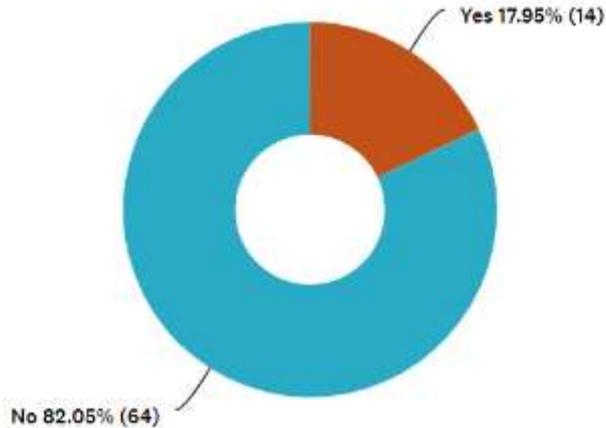
"Replacement only."

"Cheap lamp change rather than a whole fitting being changed - mainly in agricultural buildings."

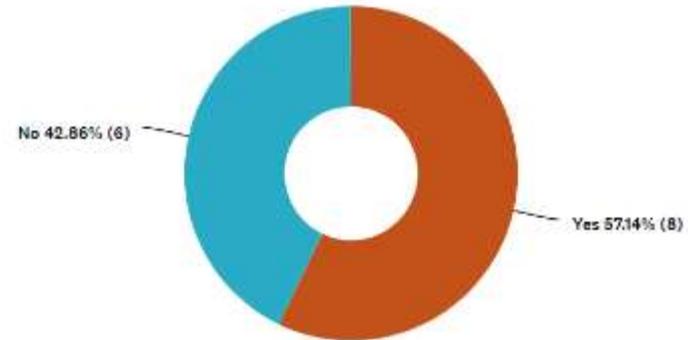
"Like for Like Fluorescent replacements do not work in all applications. Little awareness of the fact you cannot dim or will not work in emergency lighting replacement LEDs."

"Clients are reluctant to and resistant to change to LED due to cost and lack of grants / funding."

Q15: Do you regularly use Trade Credit Insurance?



Q16: To those who answered Yes, we asked two follow up questions.
(1) In the last 12 months has your business seen Trade Credit Insurance limits **withdrawn**?



Comments: "This depends a lot on the circumstances of each individual customer. some were reinstated when questioned"

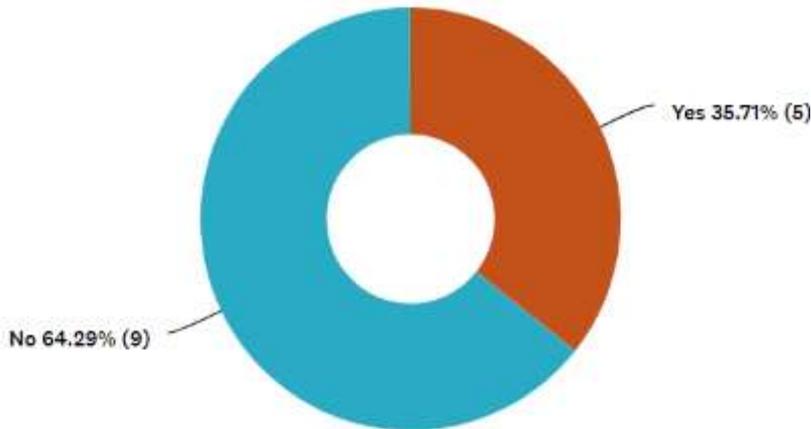
"A lot of our customers' insurances are dropping and not returning back. We have had some accounts go bust on us 4 since January."

"When we appeal and give customers payment record it often gets reinstated. Sometimes CCJs settled."

State of the Sector Survey: April 2024



Q17: (2) To those who answered Yes to Q15, we asked two follow up questions.
In the last 12 months has your business seen Trade Credit Insurance limits reduced?



Comments:

"Most of them go from £10k - £20k - £30k all the way down to £0 never normally seems to be a slight decrease."

We also asked wholesalers to explain the impact of withdrawal/reduction of Trade Credit Insurance on their business. They said:

"If an account goes to £0 it makes it very difficult for us to do business with them moving forward."

"Reducing credit limits to customers."

State of the Sector Survey: April 2024

Q18: Increases in National Living Wage and impact on business. We understand that new legislation has led to upward pressure on wages and salaries across the board. What practical steps have you taken in your business to deal with this?

- Try to increase turnover
- Stop hiring, be more efficient
- Increase in product sales prices
- We have adjusted salary structures accordingly as we do not want to be perceived as a min wage employer.
- We have known about this for long enough to plan and not be a surprise or strain
- It is a government clause putting the onus on employers to meet the shortfall in people's standard of living, covering governmental mismanagement
- We have had to increase wages for the lower earners and those slightly above considerably.
- Implemented wage increases above the required levels ahead of the NWL date.
- We ensure we pay above the NMW as we are a fair employer.
- We have just been honest with our staff and told them that the company cannot keep the parity between staff levels and give everyone a double figure pay rise.
- We do not want to take a step back in our offering so our staff levels and competitiveness remain the same. For now we will continue to swallow the additional costs on the business.
- We have increased those wages that needed to be increased. On the whole our sales are similar to previous year with margin slightly up
- We don't want to go backwards and want to remain competitive in the market so we will soak up the additional cost.

State of the Sector Survey: April 2024



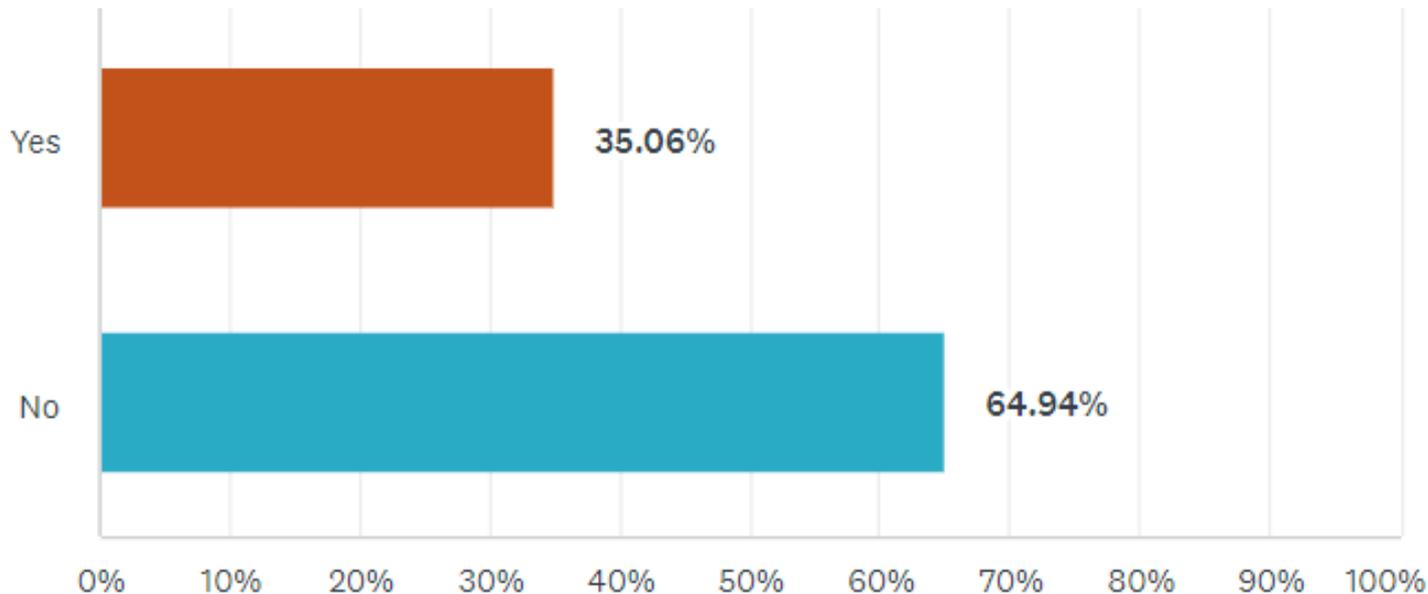
Q18: Increases in National Living Wage and impact on business. We understand that new legislation has led to upward pressure on wages and salaries across the board. What practical steps have you taken in your business to deal with this?

- We will not be employing new people as the new increase is the wages we would pay 2 extra staff members.
- Reduce certain staff hours
- Slightly increased our prices
- Just being more mindful with all overheads
- Made all managers aware of the increase in costs. Passed an increase to all staff helping to keep a gap between skilled and unskilled workers. Stopped recruiting and investing in apprentices as well as looking where staff can be dropped.
- We are looking at reducing number of hours worked eg 40 hour week reducing to 35 hour week.
- We have had to increase others in line with this within the company. Consequence will be a reduction in our people within the business long term.
- Small business so no impact
- More circumspect about recruiting the right candidates
- None of our employees are on National min wage.
- Not alot really except trying to improve margin to cover the additional overhead
- Increasing salaries to not only cover the NMW but also over and above to cover any pension contribution.

State of the Sector Survey: April 2024

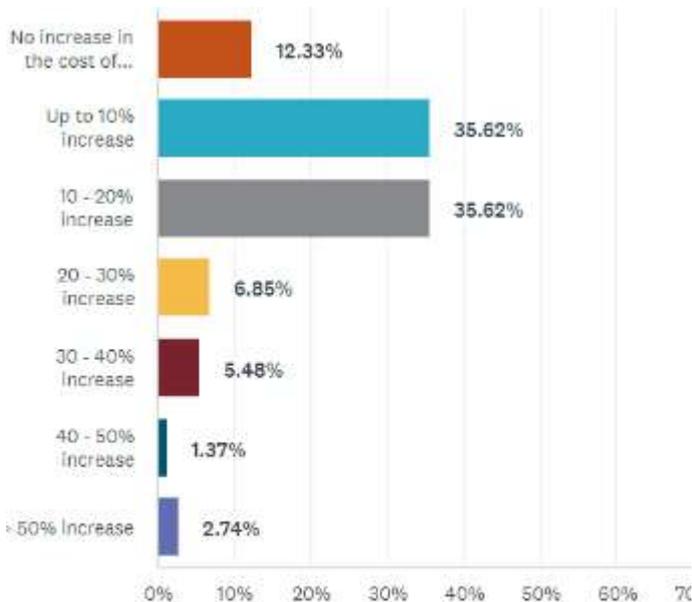


Q19: Are you aware of the anticipated Building Safety regulatory requirements for manufacturers to provide product test/compliance information which can be shared with wholesalers, for you to share with your contactor customers?



State of the Sector Survey: April 2024

Q20: Have you experienced an increase in motor insurance for business vehicles, and if so by how much?



Comments:

"We have had two years of higher than average claims which contributed to the rise in costs."

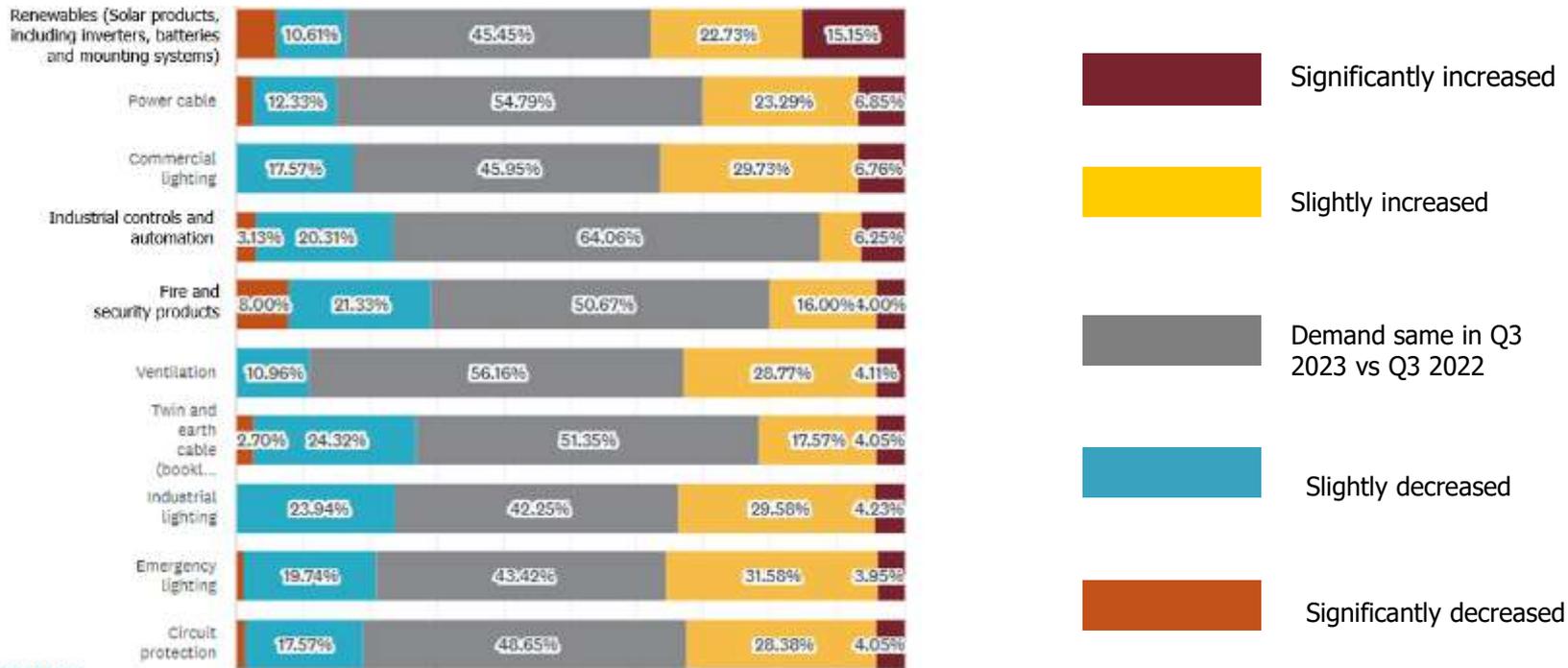
"This year our broker has managed to reduce our fleet insurance cost."

"We are just waiting for an updated quotation as renewal is due at the end of April but we do expect an increase."

State of the Sector Survey: April 2024

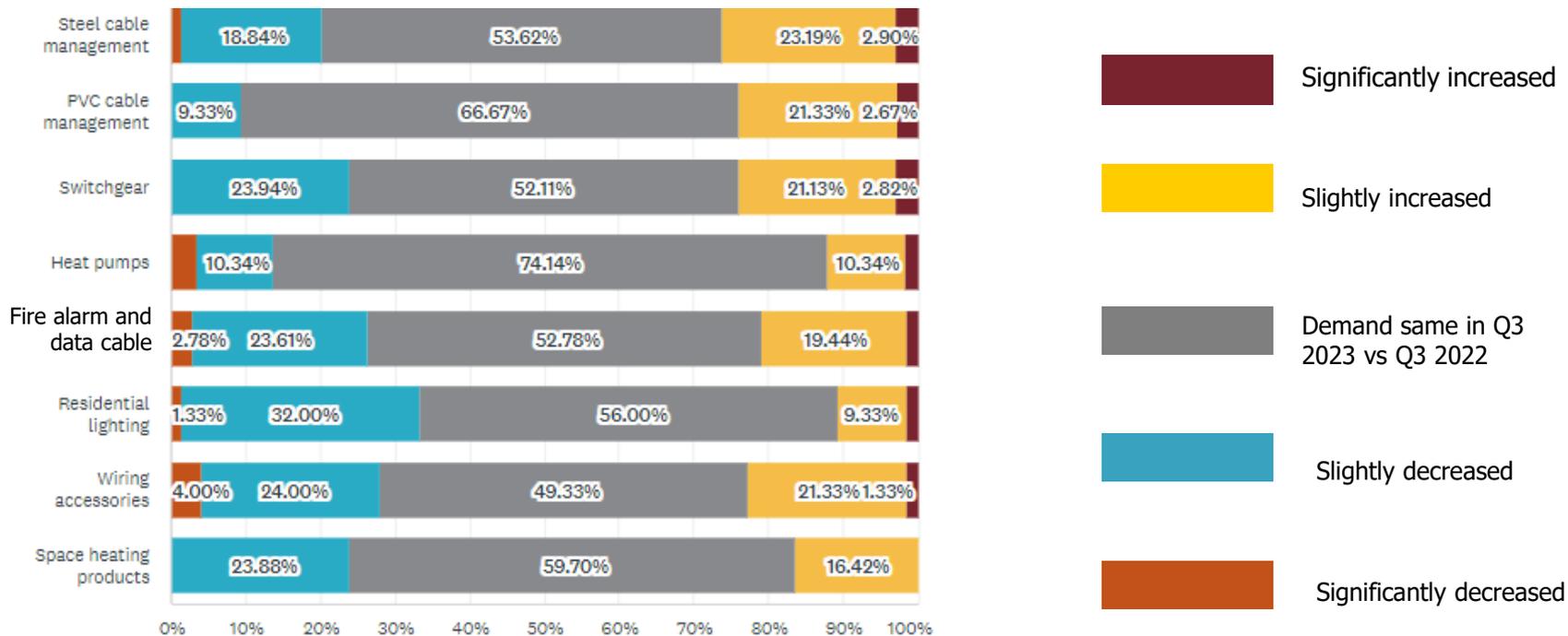


Q21: Has there been any change in demand for the following products in Q1 2024 compared to Q1 2023? Ranked by **Significantly Increased**. Page 1 of 2



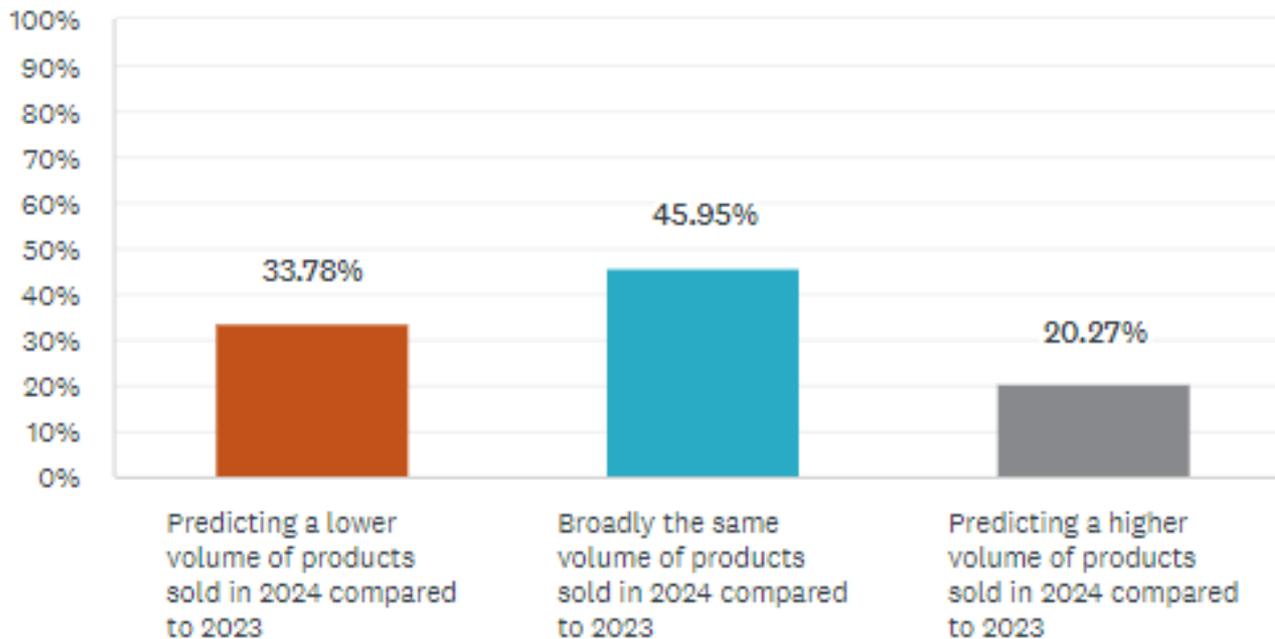
State of the Sector Survey: April 2024

Q21: Has there been any change in demand for the following products in Q4 2023 compared to Q4 2022? Ranked by **Significantly Increased**. Page 2 of 2.



State of the Sector Survey: April 2024

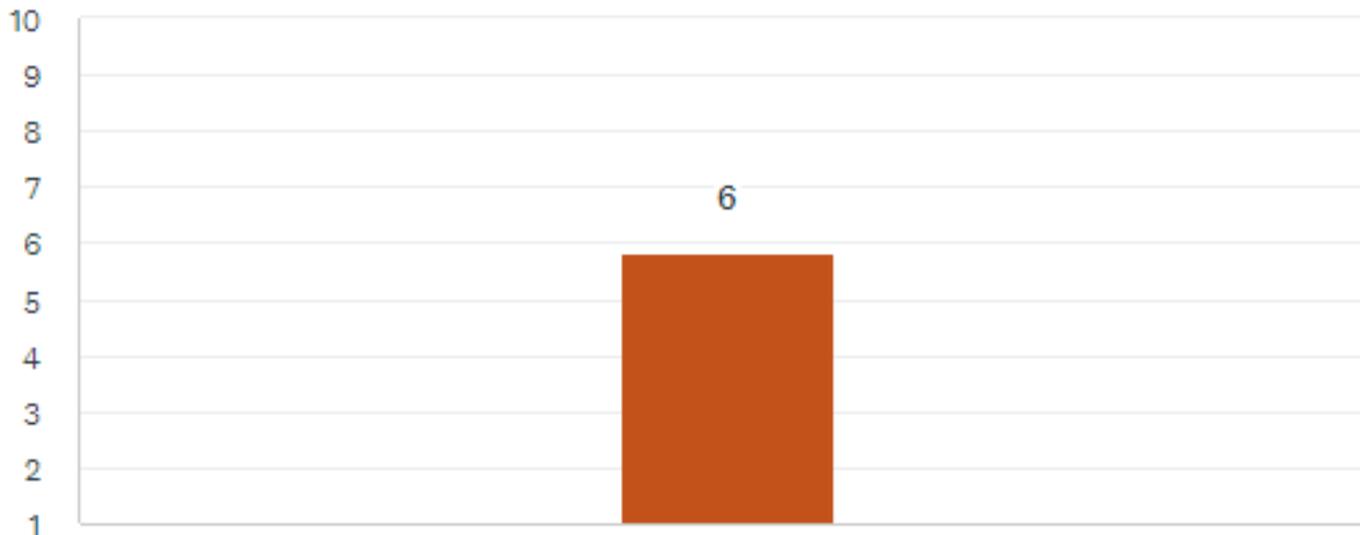
Q22: How will like-for-like sales in 2024 compare with 2023?



State of the Sector Survey: April 2024



Q23: On a scale of 1 – 10 how optimistic do you feel about this sector’s performance potential for 2024? Where 1 is not at all optimistic and 10 is extremely optimistic



State of the Sector Survey: April 2024

Q24: Please add any final comments:



“We are an expanding business with maturing branches so expect to see an increase in a difficult market.”

“Demand and therefore supply of new build private housing is decreasing.”

“Despite a slower start we are optimistic that larger projects we have quoted will be started this year.”

“The market is not as buoyant as it was and I don't see this changing imminently. I understand many will be riding this with an increase in Solar & renewables, I don't see the margins available as a benefit in comparison to the level of commitment needed for our business.”