



Building contractor loyalty

Data-backed insights reveal what drives
contractors' purchasing decisions



As product availability and pricing become increasingly uniform across the market, distributors and manufacturers need innovative ways to differentiate themselves. But how?

Channel Marketing Group conducted a comprehensive study on behalf of ITA Group to uncover what drives contractors' decisions about which distributors and manufacturers to buy from. **The research aimed to provide valuable insights into contractor behavior, focusing on four critical areas:**

**Loyalty
program
landscape**

**Purchasing-
decision impact**

**Reward and
incentive
preferences**

**Participant
experiences**

The results, combined with our professional experience spanning more than 35 years in the contractor industry, reveal how effective contractor loyalty and rewards programs have evolved over time—and how you can maximize the impact of your own programs.

Understanding the key drivers of contractor loyalty and using these findings to implement effective strategies can enable distributors and manufacturers to thrive, even in competitive markets and uncertain times.

Key takeaways

57%

of contractors choose to purchase from a wholesale distributor or select a manufacturer because they earn rewards in their loyalty/incentive program

50%

of contractors are enrolled in at least one manufacturer, wholesale distributor or big box store program that offers rewards (e.g., cash, points, discounts, special privileges, merchandise or travel) based upon purchase volume

49%

of contractors purchase more frequently from the sponsor of a loyalty program once they enroll

22%

of contractors (more than half of the 43% not enrolled in a loyalty program) stated they were not aware of any programs from the companies they do business with

63%

of contractors say a loyalty program has improved their perception of a manufacturer or distributor's overall value

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Loyalty program landscape

Loyalty program landscape

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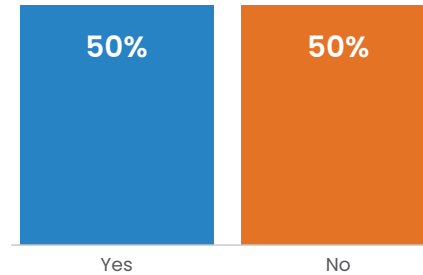
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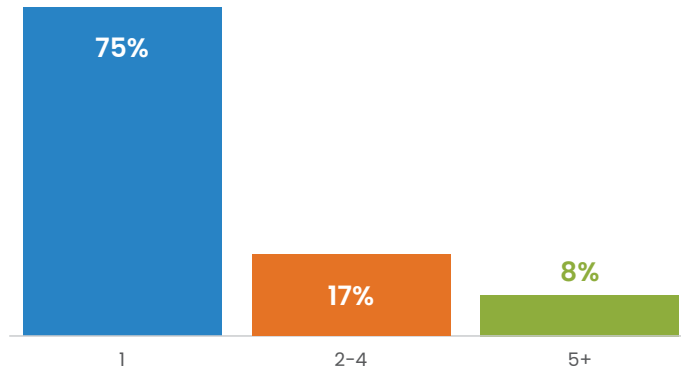
Understanding the current state of loyalty programs will position distributors and manufacturers to identify what's working and where there are potential gaps in their programs.

There was an even split of contractors who are and contractors who are not currently enrolled in a distributor or manufacturer rewards program. Given how many aren't enrolled, there's a lot of opportunity to grow market share by implementing a loyalty program or improving an existing one.

Do you belong to any loyalty/incentive programs offered by the manufacturers, wholesale distributors, big box stores or online-only companies that sell you material?
(Any program that offer cash, points, travel or discounts.)



How many rewards/loyalty programs offered by manufacturers, wholesale distributors or big box stores do you currently participate in?



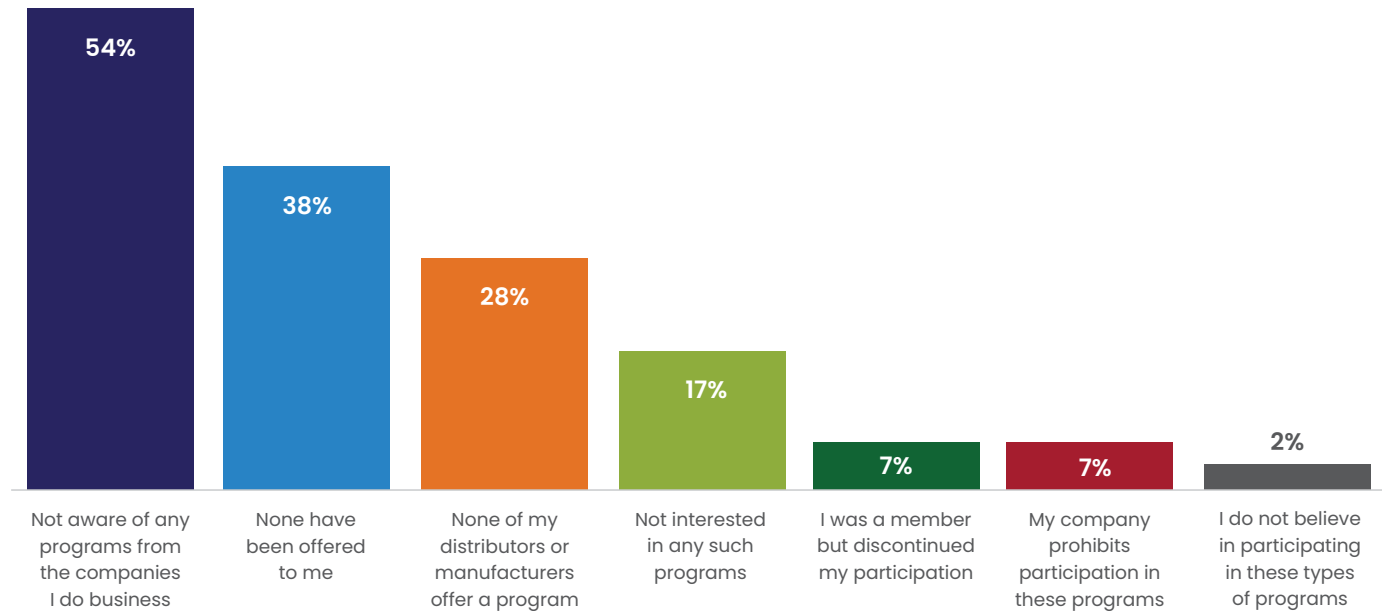
Of those enrolled in a program, there's approximately a 1:4 chance that contractors are participating in multiple loyalty programs. That means your program's offerings need to compete for their attention.

Encourage more participation

We sometimes hear distributors and manufacturers question if contractors are truly interested in a loyalty program. They doubt whether a program will drive sales more effectively and cost-efficiently than other means. The survey responses, however, prove contractors are interested.

For contractors not currently participating in a program, the majority replied they aren't aware of any programs from the companies they do business with. A third of non-enrolled contractors either tried it and declined, weren't interested in participating or can't participate based on company rules.

Why do you not participate in any reward program? (Choose all that apply.)



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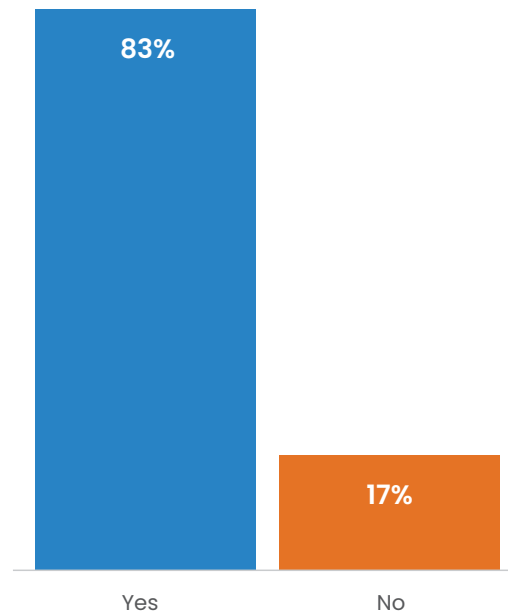
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The study results show there's a real opportunity for a comprehensive program in the contractor space. In many cases, program awareness is the underlying issue. You can solve it by leveraging field sales enablement resources, improved marketing campaigns and sponsored vendor relationships (if you're a distributor).

If one of your distributors or manufacturers offered you a loyalty/incentive program, would you enroll in the program?



The overwhelming number of “yes” responses when contractors were asked if they would enroll in a program proves that loyalty programs are seen as adding value to your brand or company.

In competitive markets, an effective loyalty program can be the deciding factor in where contractors buy from and which products.

Loyalty program landscape

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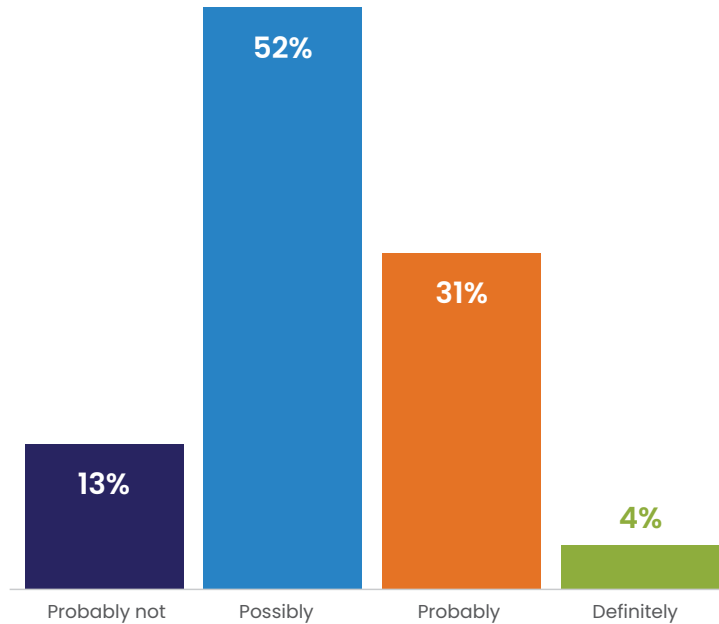
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If a distributor or manufacturer offered you a program, would it increase your purchases from that distributor/manufacturer?



87% of contractors

not enrolled in a rewards program shared that a program would likely increase their purchases with a distributor or manufacturer.

“My first distributor mentor, Dick Schmid at Crescent Electric Supply, once told me: ‘When the price, service and support are equal between one distributor or manufacturer and another, who wins that “jump ball”?’ Our loyalty program helps us win that “jump ball” business.”

—JOHN GUNDERSON, VICE PRESIDENT—CMGTRENDS



Increasing program enrollment

Most contractors who aren't currently enrolled would be willing to join a loyalty program if they knew of any they were eligible for. This highlights an opportunity for distributors and manufacturers to gain market share and use a program as an acquisition tool.

Directly asking contractors to participate in your program, presuming they are credit-qualified, gives your company access to an untapped market. If you act first, you'll earn a competitive advantage and secure new customers with great growth potential. In slow growth markets, this makes an incentive or loyalty program a revenue and profit driver!



“Loyalty programs help differentiate a distributor when everything else is equal. Contractors have a WIIFM or ‘what’s in it for me’ mentality, so a program that has a high-perceived value stands out.”

—DAVID GORDON, PRINCIPAL AT CHANNEL MARKETING GROUP AND A LEADER IN DEVELOPING CONTRACTOR INCENTIVE AND LOYALTY INITIATIVES

Recommendations



Lead with a hard-to-ignore value proposition

If contractors are going to go through the effort of signing up for your program, they need to know what's in it for them. Grab your audience's attention by communicating the program benefits before they log into the platform. A strong hook will convince them participating is worth the effort. Remember, while rewards are nice, they are *in addition to* the value your company brings them.



Offer an initial incentive they can't say no to

A richer payout up front will draw contractors in and deliver a positive ROI. Send strategic follow-up communications through the incentive platform to encourage repeat purchases and build loyalty. For example, promote a \$75 bonus after their first purchase and double points during the first 60 days to offer immediate benefits and a reason to purchase again so soon.



Weave sign-up opportunities into on-site promotions

- > **Distributors:** Consider promoting your program on your website, on social media, within your branches, via sales tools, through direct marketing and via your credit application. Incentivize your sales organization at the counter and through inside sales. Encourage registration throughout the program (and prorate goals as needed.)
- > **Manufacturers:** Consider using QR codes on point-of-purchase displays, product packaging or coupons you share with distributors. Promote at trade shows. Partner with your sales team and your distributors' sales teams to encourage contractors to register on your platform. Incorporate call to actions on your website and social channels to advertise the program. Maintain participants by giving them the first look at innovations and exclusive offers.

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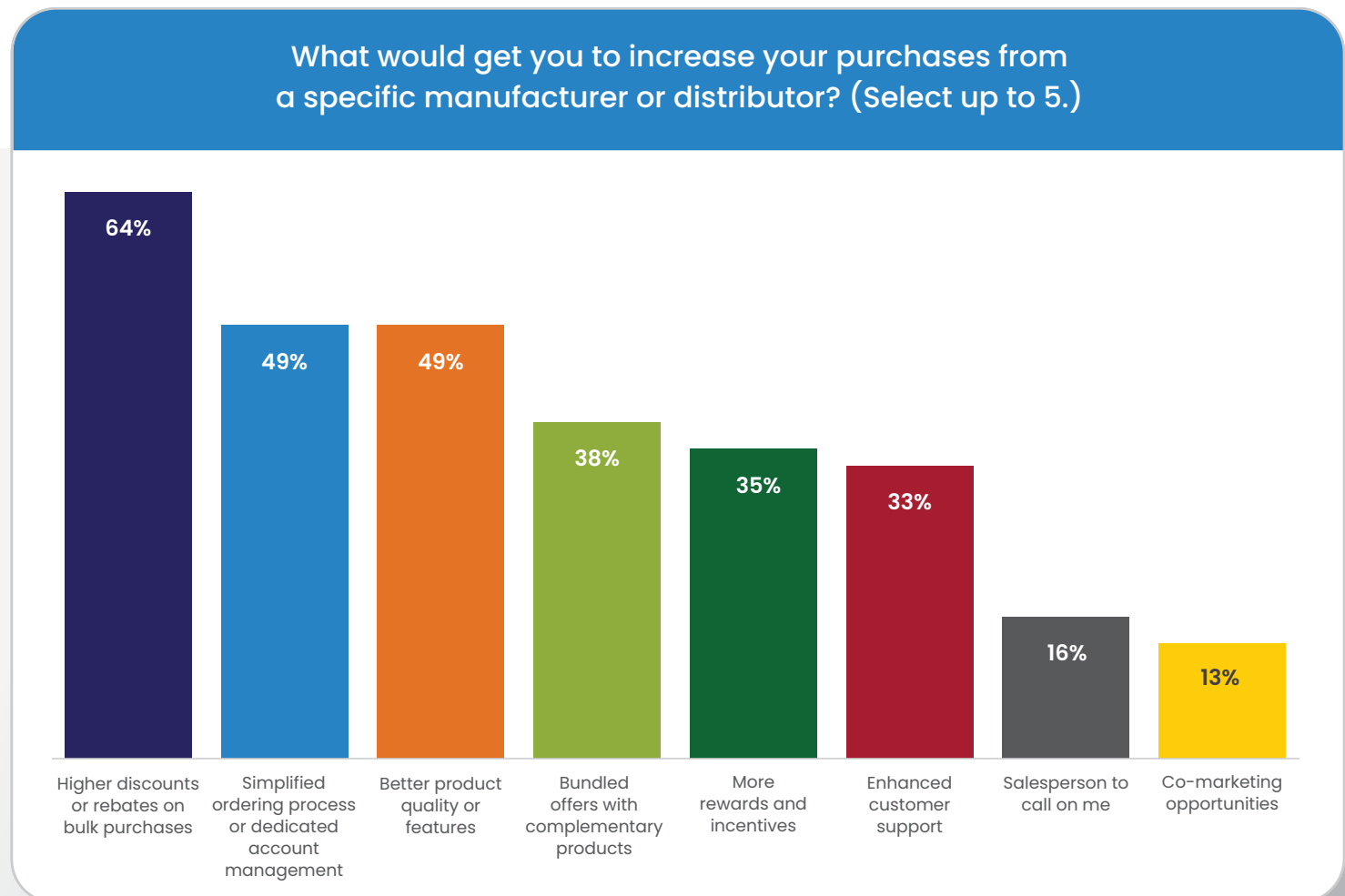
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Purchasing-decision impact

Loyalty programs affect contractor purchasing decisions in two main ways: purchase frequency and volume.

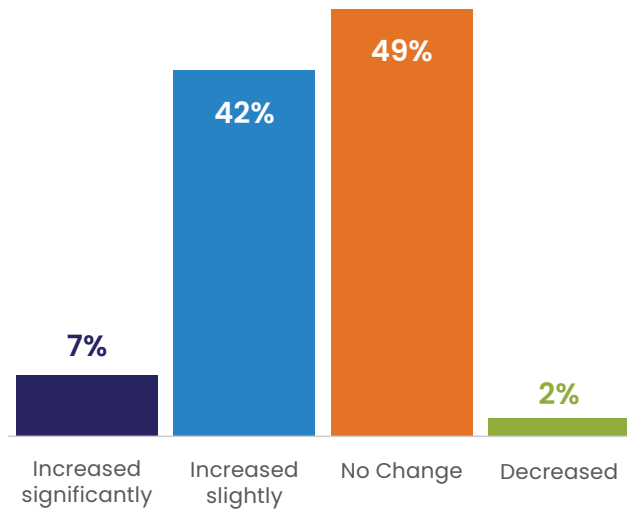
The study found contractors are primarily motivated by discounts and rebates when deciding to increase purchases from a distributor or manufacturer. A seamless and simple ordering process with dedicated support is also a strong purchase driver, which reflects how busy contractors appreciate brands which value their time.



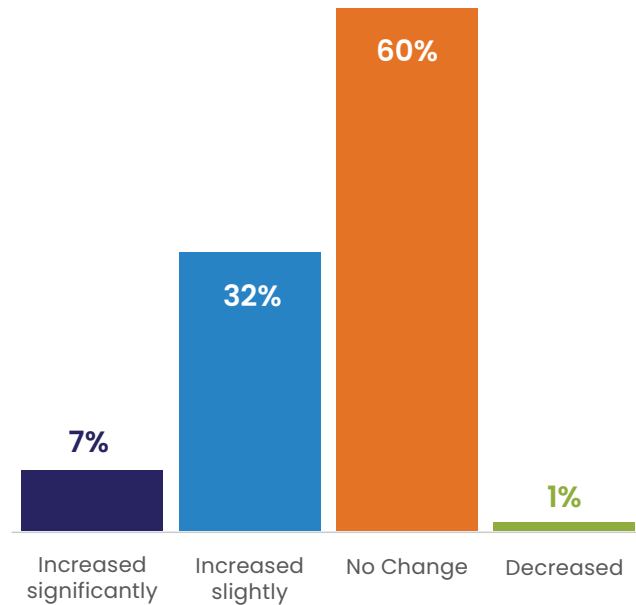
Almost half of the contractors shared that their purchase frequency increased (whether significantly or slightly) since joining a loyalty program. Loyalty programs have the power to drive purchases, if they're done right.

39% of contractors reported an increase (significant or slight) in how much they purchase from a program-affiliated distributor or manufacturer, showing loyalty programs can be the deciding factor when making purchasing decisions regarding similar products.

Thinking about the loyalty/incentive programs you participate in, has your purchase **frequency** changed since joining the program?



Thinking about any of the loyalty/incentive programs you participate in, has your purchasing **volume** changed since joining the program?



Evaluating contractors' purchasing patterns

The discrepancy between the percentage of contractors reporting increased purchase frequency (49%) and increased total purchase volume (39%) is noteworthy. This gap suggests that while loyalty programs stimulate more frequent purchases, their impact on overall spending is less pronounced. Contractors may be more inclined to acknowledge increased purchase frequency without realizing there's a significant change in their total expenditure.

Rewards programs demonstrate a positive influence on the RFM (Recency, Frequency, Monetary) model:



RECENCY

Encourages more recent purchases



FREQUENCY

Stimulates more frequent buying (49% increase)



MONETARY

Boosts overall purchase volume (39% increase)

This multifaceted impact proves the effectiveness of rewards programs in driving customer engagement, sales growth and account profitability.

However, while loyalty programs clearly influence purchasing behavior, it's crucial to avoid attributing *all* incremental growth to them. Other factors, such as sales team efforts, new company initiatives and market conditions, play significant roles. To accurately assess the impact of loyalty programs, consider:

- > Isolating program participants' growth from overall company growth
- > Comparing growth rates of program participants to nonparticipants
- > Analyzing historical data to identify trends coinciding with program implementation

By employing these analytical approaches, a more precise estimation of the loyalty program's contribution to overall growth can be determined.

Strategic implications of an effective contractor loyalty program



Drive sales growth
by increasing purchase
frequency and volume



Enhance customer
loyalty through
consistent engagement
and incentivization



Optimize customer
lifetime value by
improving all aspects
of the RFM model

"The most successful programs combine growth requirements and loyalty rewards. Goals are essential for encouraging intentional behavior change from a contractor. Simply awarding points for doing business is an entitlement, which doesn't promote incremental growth."



—PAT PELISCHEK, ACCOUNT EXECUTIVE, ITA GROUP

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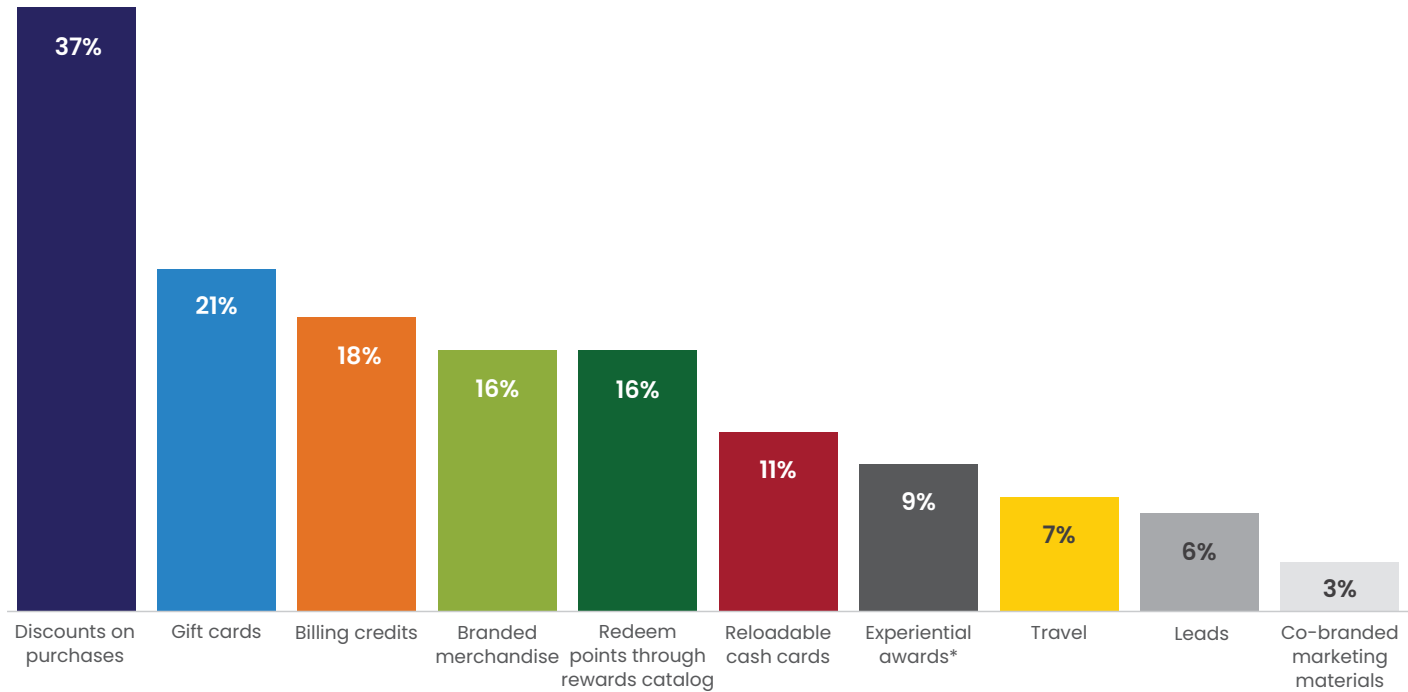
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Reward and incentive preferences

A loyalty or incentive program is only effective with the right rewards targeted to the right people at the right times. We asked contractors what rewards motivate them to buy more from a distributor or manufacturer. Many contractors prefer practical rewards (e.g., purchase discounts, gift cards and billing credits). Some rewards that we've seen historically do well in other industries (e.g., reloadable cash cards, experiential rewards and travel) are less popular among contractors.

What types of rewards are most likely to motivate you to buy more? (Select up to 3.)

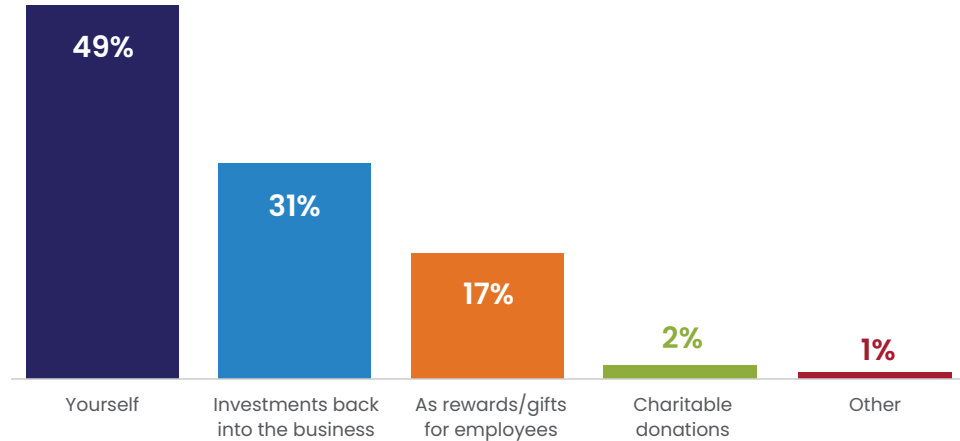


*i.e., Concerts, sporting events, wine tastings, spa experiences

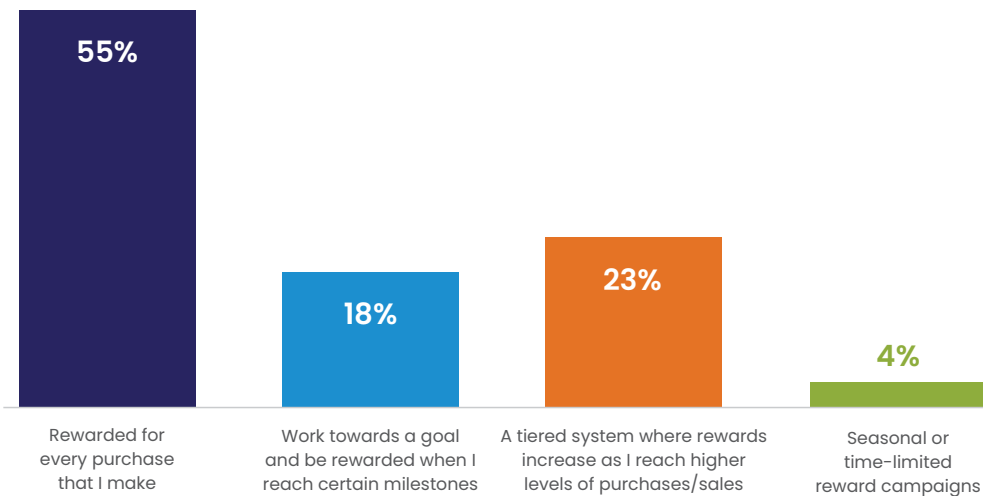
At times, the reward correlates to contractor type. Smaller contractors, whose rewards accrue to the owner, may desire discounts to improve profitability. Larger contractors may seek personal rewards or points. Offering options adds value to the program.

Most contractors value tangible rewards that benefit themselves or their business. A smaller number of contractors redeem for gifts for their employees, which could speak to the size of their business and how many team members they have to care for.

When you redeem for rewards, what do you primarily redeem them for?



How would you prefer to earn rewards? Please select the reward structure that is most motivating.



Contractors prefer a reward structure where they're rewarded for every purchase they make, but some are open to earning rewards for achieving certain tiers or milestones.

Recommendations

Analyze contractors' spending habits, profitability and growth potential

Segment contractors accordingly. This data lets you tailor rewards and promotions, ensuring relevance and effectiveness. For example, set personalized sales goals based on a contractor's sales in the previous year to cut how long it takes to accumulate enough points for a reward. This keeps them engaged and improves their experience with the program, while ensuring program and account-level profitability.

Customize reward options

Provide flexible reward options that appeal to both individual contractors and their teams. By using points that are earned by dollars sold, you give contractors in the loyalty program the ability to choose the reward they desire most—tapping into the power of choice to build positive brand associations and channel loyalty.

Nurture low and middle performers to act on their potential

Offer targeted incentives and support to help them increase their spending and become a higher performer. Tiered reward systems and personalized support programs encourage growth.

Focus on consistency for contractors who are already loyal

It's common to see programs reward contractors who are already loyal for their continued support. While it may seem logical to reinforce strong relationships, your efforts are better spent focusing elsewhere. We recommend that programs have contractors earn points for every sale with the distributor, but they don't get paid until they hit a preset threshold. This protects your margin and ensures the desired outcome.

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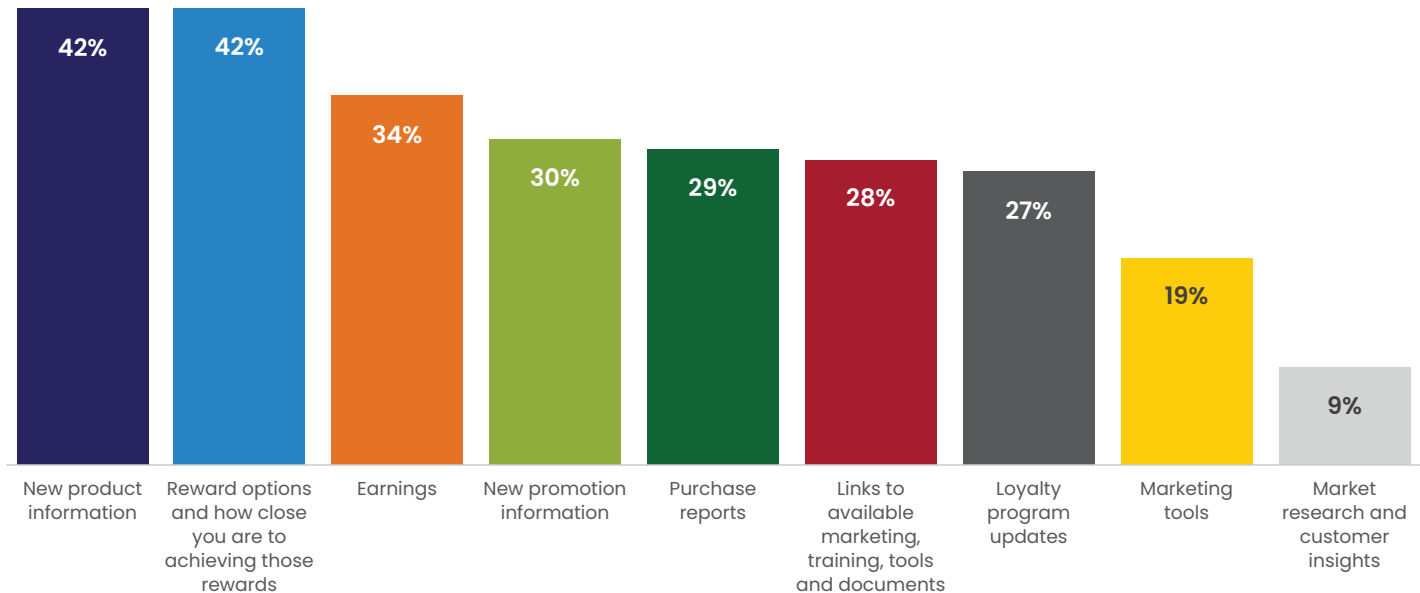
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Participant experience

Contractors engage with loyalty program portals for more than just status and earnings. They are consuming product information, responding to new sales promotion information and looking at reward options they might achieve.

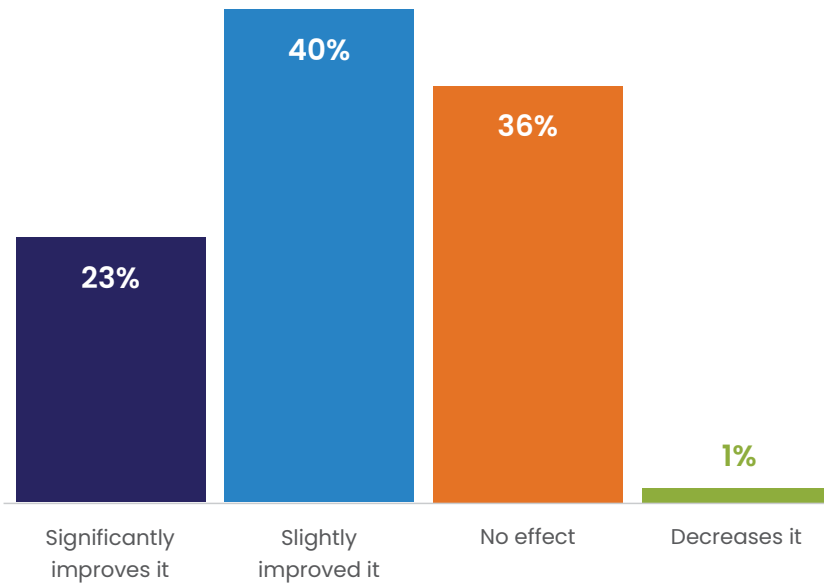
When visiting an online loyalty/incentive program portal, what types of information/data points would you find most valuable? (Select your top 3.)



The portal gives distributors and manufacturers an opportunity to drive:

- > **New product introductions (NPI):** NPIs are difficult to do well in construction and industrial channels. Portals place the info directly in front of contractors when they log in. While presenting the product, ask if they would like to get more information or setup a call. Consider offering bonus points on new items or new product training.
- > **Sales promotions:** Accelerate sales promotions with targeted communications in the portal to drive the desired purchase behaviors.

How does a loyalty program affect your perception of a manufacturer or distributor's overall value?



63% of contractors

said their perception of a manufacturer or distributor slightly or significantly improves if they have a loyalty program. This perceived value-add differentiates one distributor or manufacturer from another.

We often hear that distributors and manufacturers face a “sea of sameness” in the construction industry because there’s so much product and service similarity. **The participant experience in a loyalty program is something that can’t easily be replicated, helping your company stand out.**

Navigating program experience challenges

The survey included one open-ended question. We asked contractors to share their “biggest frustrations” as it relates to participation in a loyalty program. The feedback wasn’t surprising; these common pitfalls are areas that ITA Group, as an experienced full-service loyalty program provider, helps its clients avoid.

Contractor feedback fell into three categories.

1 Challenges understanding reward point status and tiers

“Difficulty in reporting/accumulating rewards”

“Knowing my current standing”

“Not really knowing how many reward points are in the account”

2 Challenges regarding reward tiers

“The amount of points to get rewards is too much”

“I’m frustrated with how long it takes to attain a reward”

“The rewards I earn add up to almost nothing”

“It’s frustrating that not all of my purchases always count toward the program”

3 Challenges keeping their team focused earning rewards

“It is difficult to keep all the members of my team on the program and making sure they use it”

“We have multiple people purchasing and getting everything on the loyalty program is hard”

Simplifying program mechanics and creating engaging structures can significantly improve contractor satisfaction and participation. If a loyalty program can make it easy to track earnings and tier progress, and if its rewards are valuable enough to motivate additional purchases, it keeps contractors and their teams focused on purchasing from you.

Recommendations



Design simple programs

Make sure goals are achievable enough to not frustrate the contractors who are working toward them.



Add progress-to-goal tools

Provide tools to help contractors, and their teams, check on their program goals in a seamless way so they stay motivated.



Nudge contractors to take advantage of the benefits of your loyalty program

Has it been 60 days since you've seen a purchase from your contractor? Send a text promotion to activate a personalized offer. Is a participant close to hitting their next threshold? Encourage them with a message that outlines the additional benefits and next steps needed to unlock the next level of your program.

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Improving contractor loyalty starts with your loyalty program. The contractors’ feedback underscores the transformative potential of a well-designed loyalty program. Driving contractor engagement. Increasing sales. Enhancing brand perception. A loyalty program is at the center of all these goals.

To capitalize on these opportunities, distributors and manufacturers should utilize a simplified program structure, offer appealing rewards and leverage data-driven insights for continuous improvement.

By implementing our recommendations, companies can differentiate themselves in a competitive market, foster stronger contractor relationships and achieve sustainable growth.

Keys to contractor loyalty success

Offer a contractor loyalty program (or, if you have one, refresh it based on the feedback).

Identify existing customers who could grow their business with you while considering how a program can be used to attract new customers.

Invest in and involve your entire sales and branch network.

Communicate frequently to succeed with customer marketing.

Ensure strong contractor sales performance with effective program dashboards.

Make sure your program offers appealing rewards tailored to your audience.

In the words of one distributor, “All products within a category are commodities. Why a customer buys comes down to the relationship, personal or through service(s), that we deliver. The customer can frequently purchase the brand from multiple distributors. I need to promote ‘why me.’”

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Survey details



Survey date

November
2024



Number of respondents

181 electrical and
HVAC contractors



Roles represented

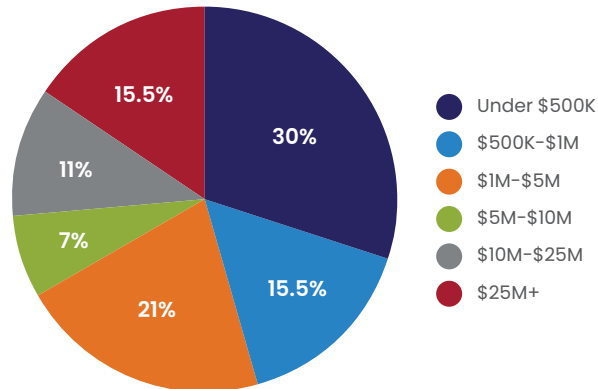
Respondents include owner/president,
project manager, sales management,
estimator, purchasing and other



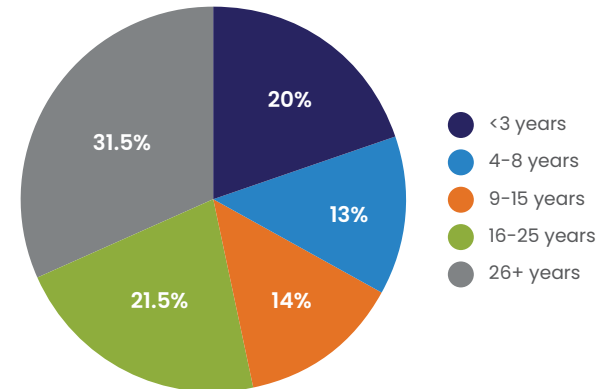
Diverse company representation

Respondents represented a variety of companies in terms of size, revenue and years in business. The diversity provided a good background for understanding contractor perspectives, especially in the construction trades.

What is the approximate annual revenue of your contracting business?



How many years has your company been in business?



Survey conductors



For more than 20 years, Channel Marketing Group's experts have worked to improve strategy and marketing for manufacturers, distributors and associations in the construction and industrial industries. Their work spans more than 60 industries and 150 companies, from \$10-million organizations to national and multinational chains.



As experts in behavior change for over 60 years, ITA Group uses events, incentives, recognition, loyalty, research and learning to build stronger connections between brands and their audiences. When partnering with us, our clients become confident decision-makers who turn their disengaged employees, channel partners and customers into long-term, loyal advocates, leading to increased sales, decreased costs and improved quality.

**Reach more contractors
with your loyalty program.**

Let's talk—itagroup.com

