



## Special Teams Can Win Your Game

While winning teams have powerful offenses and stingy defenses, frequently it is the special teams that delivery the winning edge. Be it a kick-off return that positions the offense for the winning touchdown or a kicking game that provides the defense with strong field position, it is the little things that win games.

This "third team" rounds out a team and provides another way to win.

As we enter 2008, a number of specialty areas represent opportunities for distributors. These niches involve applications that may be appropriate for your company as well as customer niches that may be worthy to explore.

While a strong offense (growth strategies) and a tough defense (operations) are critical, these niches represent opportunities to differentiate and diversify your company. Combining all three elements can provide you with a winning year and an opportunity to take market share.

### *Niche Applications*

#### **Code Year**

2008 is a Code year and you've probably already ordered NEC books. Some distributors have already scheduled NEC training sessions for their customers.

In the November issue of EC&M, Mike Holt highlighted some of the key Code changes:

1. Multiwire Branch Circuits
2. GFCI protection in Dwelling Units
3. Combination-type AFCI-protective devices in Dwelling Units
4. Grounded Systems
5. Tamper-Resistant Receptacles in Dwelling Units
6. Critical Operations Power Systems

Code years represent two opportunities.

1. Add value to customer relationships by conducting Code seminars, either product

specific through manufacturers, which could happen throughout the year, or via a Code Change Seminar, hosted by you. This can be a great way to strengthen relationships and generate sales ... and it can be co-sponsored with manufacturers.

2. Many Code changes represent product opportunities, either for new products; opportunities to upgrade product sales; or increased usage of a product. Consider promoting these items in newsletters, via message on hold, on your website or in a separate section of your counter.

Additionally there is an opportunity to become a greater resource to local inspectors by getting them involved in your Code initiatives.

The key is familiarity with the Code to position your organization to capture increased face time with your customers and increased sales opportunities.

### **Energy**

Whether you call it energy efficiency, green, conservation or energy management, it makes sense, can be a growth area for you and focuses on products that distributors sell daily.

Companies are looking for ways to reduce operational expenses, improve their work environment and increase productivity while at the same time make a public statement that they are being environmentally friendly and reducing their carbon footprint.

This initiative extends into the residential, commercial, industrial, institutional and government markets. According to the DOE, the industrial market represents 32% of energy usage, residential represents 22% and the commercial market another 18%.

Your product opportunities are extensive. While 29% of non-residential electrical usage is related to lighting, motors represent another 7% and installation of these products requires additional electrical material.

And, according to the Freedonia Group, the market for advanced lighting will grow 14%



annually through 2011, powered by CFLs and LEDs, with CFLs posting the fastest growth. According to the EPA, six major retailers sold almost 46 million CFLs in the first quarter of 2007 ... or a projected 300M for the year from only six companies.

There are two ways distributors can participate in this growing segment:

1. Passively. Essentially wait for someone to identify the need, develop the bill of materials and send out a bid. Then submit a bid and wait for the opportunity to deliver material.
2. Actively focus on end-users and influencers to generate demand. While this requires knowledge of product, EPAAct, LEED and an ability to identify and create a need, this approach positions you as a problem solver.

Many distributors view this as the role of the manufacturer (or rep), however, progressive distributors are recognizing an opportunity to "move up the food chain" and that by adding value they can be more influential in product selection while better positioning themselves for earning the business.

#### *What to do?*

In talking with manufacturers at the NAED Eastern, many expressed dismay that electrical distributors, and the industry, are not actively promoting their capabilities in this area. Some are questioning if they need to seek alternative channels to generate growth ... some of which could be going direct.

Some things to consider for yourself:

- Do you have a lighting department? How about an energy group?
- Are you contacting end-users, architects, engineers?
- Have you considered LEED certification and what its benefits could be? Have you joined the USGBC? Can you communicate the benefits of EPAAct?

- What are your customers, and their customers, looking for?
  - What manufacturer tools are available?
- Or should the industry launch a "Got Milk?" type of campaign?

According to manufacturers, chains have strategies but are weak on execution and some independents have been very aggressive, and successful. Conversely, distributors are challenged with coordinating multiple manufacturer field sales support efforts into a cohesive strategy. The question becomes ... who drives demand? Do you want to wait for the order or have the potential to control it?

#### **Arc Flash**

The National Fire Protection Association describes an arc flash as "a dangerous condition associated with the release of energy caused by an electric arc." Electrical safety, and specifically arc flash, is covered by NFPA 70E which covers safety related work practices, maintenance, special equipment requirements, and installation. It focuses on protecting people and identifies requirements that are considered necessary to provide a workplace that is free of electrical hazards. OSHA bases its electrical safety mandates on the information in NFPA 70E. The relationship between OSHA regulations and NFPA 70E can be described as OSHA is the "shall" and NFPA 70E the "how."

This represents opportunities for electrical distributors, that right now is being pursued primarily by national chains. Bob Simon, Director of Marketing, Bryant Electric, equates this to "this decade's lockout/tagout."

According to Joe Weigel, product manager for Square D Services, arc flash represents a significant opportunity for distributors as it affects the commercial, institutional, industrial and government markets. Significant opportunity is in the healthcare and educational markets states Eaton Electrical. In fact, any facility over 15 years old probably has an arc flash issue.

Product opportunities include switchgear equipment and motors, fuses, wiring devices, personal protection equipment (gloves and



clothing), tools, labeling and more. In fact, Square D has identified that every \$1 that a customer invests in analysis generates \$20 in switchgear and related equipment plus another \$10 in ancillary product needs.

To date, most of the demand has been driven by either the end-user, by manufacturers or by national chains. According to manufacturers, "independents don't seem to be grabbing it" and distributors report that most of their salespeople "can't handle this".

The opportunities for all appear to be plentiful. According to Weigel, distributors can benefit by introducing their customer to suppliers who can help solve their problems while profiting from supplier provided training, supplier conducted analyses, and incremental sales generated at an acceptable profit margin.

Melissa Martin, Director Commercial & Industrial Marketing, Leviton, remarked that customers gain compliance and have a safer work environment, hence potential insurance savings, productivity benefits, improved energy efficiency from newer equipment and decreased downtime. Suppliers win through increased, profitable, sales.

Developing an opportunity requires some sales and marketing focus.

	Compliance Seminars	On-Site Evaluations	Mini Trade Show	Fuse Inventory Evaluation	Label Compliance	Protective Clothing	One-List
Electrical Contractors	x	x	x	x	x	x	x
Commercial	x	x	x	x	x	x	x
Industrial	x	x	x	x	x	x	x
Institutional	x	x	x	x	x	x	x
Schools / Colleges	x	x	x	x	x	x	x
Hospital / Healthcare	x	x	x	x	x	x	x
Government	x	x	x	x	x	x	x
OEM	x	x	x	x	x	x	x
Utility	x		x		x	x	
Employees	x		x				

1. Gain some knowledge about arc flash and conduct seminars for your salespeople.
2. Identify opportunities. Get to know safety managers and ask "What are you doing about NFPA 70E compliance?"
3. Conduct an Arc Flash Hazard / NFPA 70E seminar to acquaint end-users and

contractors with the issue. Many suppliers offer programs such as Leviton's Safety Learning Lab; Littelfuse's Powr-Gard Services group offers eight courses; GE's Energy safety team offers three training programs; and Square D has a division devoted to arc flash. Others are available.

4. Offer analysis services. These may be conducted by a manufacturer but sold by the distributor (with a margin included).
5. Provide safety training, and charge for it.
6. Work with your suppliers to generate a bill of materials.

According to some distributors, there can be a salesperson debate about profit margins. Suppliers may quote the customer but the distributor, if he unbundles the order and substitutes products, may be able to improve their margin. According to one distributor, "While we want to work with our prime manufacturer, there are other combinations, in certain instances, where we can improve our profit by as much as 5%-8%. The main problem we run into is where a SPA has been developed for a customer and, if the unit price is exposed and it doesn't happen to match, we get called on it. What we do not appreciate is when a manufacturer tries to dictate our profit level, even by implication." Both parties should discuss margin parameters prior to providing price to the customer, and partnering should be discussed.

Since switchgear suppliers can realistically only actively supported a finite set of distributors focused on arc fault in each marketplace, the question becomes, "is this an opportunity for you?"

### Managed Accounts & Property Management

Managed accounts are comparable to national accounts, but on a regional or local basis.

For many years industrial distributors sought contracts to service customers in their trading areas. Distributors such as WESCO elevated the concept to national companies, thereby taking share from independent distributors who countered with self-developed alliances; Vantage Group; VNA and SupplyForce.



The same concepts have moved to the commercial and institutional markets with contracts for MRO replenishment for commercial developers and medical community purchasing groups.

While it is difficult for independents to compete in this arena, identifying local organizations to gain contracts geographically is feasible. The niche is service, availability and competitive price.

Distributors are identifying opportunities to service:

- Local franchisees, be they in the foodservice / fast food, hospitality, retail or comparable industries
- Local / regional chains, of which some locations you may need to drop ship to
- Commercial developers, be they privately owned or real estate investment trusts (REITs)
- Local medical communities which may consist of hospital networks, outlying clinics, labs, commercial buildings and doctor's office
- Apartment complexes
- Managed / retirement care facilities
- Local government contracts

From an electrical perspective, each has the need for:

- Product replenishment – MRO
- Energy Efficiency – Retrofit projects
- Capital projects – which will be typically bid through contractors

Product categories in demand include indoor and outdoor lighting, lamps, ballast, low voltage equipment, circuit breakers and ancillary products needed for installation.

Additionally, developers such as Trammel Crow typically sign national account agreements to standardize on products and streamline costs. Usually there is one price for the item across a large geography. Contracts range from 1000 electrical "prime items" to 5000+ items, which may include multiple product categories. Terms specify that they must buy "on contract" provided that material can be delivered within a specified

time. "Off contract" buying is allowed, but the price must be within 5% of the contract price. These agreements represent opportunities to:

- Cherry pick, hence becoming a tier 2 supplier
- Develop alliances to duplicate the breadth of offering but with local service, guaranteed
- Learn from others to become the electrical resource in your area

These types of accounts can be targeted with your key contractors. Frequently they have a relationship because of major project work that they may handle with the company but are not involved in replenishment as there may be in house electricians. This is an area where you can help their customer. Additionally, if you can bring ideas that generate work for your customer, everyone wins.

### **Customer Niches**

The industry frequently speaks in terms of industrial, commercial, and institutional markets in general terms. Sometimes it helps to take a deeper dive and look at specific market segments.

In some instances opportunities may be present for MRO materials, others could be OEM relationships and some represent instances where you could be a profitable secondary supplier due to relationship, product availability, delivery timeliness or price. While each customer niche may not be applicable to you, in a slowing market, it makes sense to consider all opportunities.

1. Petro-Chem, Mining, Ethanol, Wind energy or any energy conversion type of company including utility companies (their facility buildings), electric motor rewind shops, oilfield service truck inventories, drilling platforms, petro-refining, gas well converter stations, oil/drilling tool companies, service yards where gasoline is taken from pipelines and loaded onto trucks to go to retail stations. The back of



the energy market is where these niches are located.

MarketTrack, a product of DISC Corp., Orange, CT, [www.disccorp.com](http://www.disccorp.com), helps identify account potential by SIC. For the oil and gas extraction market, SIC 13, there are over 36,000 establishments throughout the country with an annual electrical spend per employee of \$1,850. MarketTrack also has the ability to identify 4 digit SIC by county to help identify niche potential.

2. Shipping companies: Whether they are long haul carriers, short haul or hot shot companies, shippers buy products for their vehicles and for their transfer and warehouses. If the company is a regional player, then they are probably buying from local companies.

Shipping is big business. According to MarketTrack, a segment of this niche, SIC 40, railroad transportation, contains over 7,500 establishments throughout the country with an average electrical spend, per employee, of \$1,475 per employee.

Marine shippers, both at inland ports and along the coast, purchase more electrical product than you may think. Most ships, while using some special electrical products, buy in fairly large quantities. While there are distributors that specialize in selling to the marine industry, being an alternate supplier can be profitable as the business is based upon availability and/or price.

3. Phone, internet, wireless, cellular companies: Most cellular companies build or lease their towers and these towers utilize electrical products; phone lines eventually run through switches that require sheet metal boxes and other electrical products. These towers are built and installed by contractors (not the phone company). While the design specification is developed by telecom

engineers, much material is bought locally.

Once the towers and networks are installed, most companies have a service group to maintain their facilities. Frequently the driver/installer makes decisions where to buy product from an approved list.

4. Crossover contractor markets: While many distributors do not venture into other verticals, opportunities exist with HVAC, low voltage, plumbing and mechanical contractors. Contactors, switches and boxes, not to mention wire are product groupings that can be sold to these contractors on a regular basis.

HVAC contractors generally run service trucks which carry some inventory.

Low voltage contractors, generally alarm systems, sound systems, fire protection, also have need for electrical materials.

Mechanical and plumbing contractors also may represent an opportunity.

These customers typically know what they need and need it on a timely basis, hence location and product availability are key.

5. Solar and wind: While currently a niche, significant growth is expected. You may not stock solar panels, however, other electrical equipment is needed for solar installations. If you are located in the southeast or southwest, you may want to consider residential retrofit solar products and or wind power needs. While this may not be a growth market today, the availability of tax credits, the appeal of reduced utility bills and the desire to "go green" will drive demand. Consider this an emerging market.
6. Small regional Mom and Pop stores: These can be anything from IGA grocery stores to 7-Eleven convenience stores that are independently-owned. This market is frequently served by catalog companies or DIY retailers. For years Grainger has



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serviced them through their catalog and online ordering. Distributors can service these accounts similarly and through monthly product flyers.

These customers understand private shipping companies and USPS. Grainger uses radio to advertise local store locations and their 800 number. Paper catalogs cost money and have a long lead time, but e-catalogs, websites and fliers can be easier to develop.

Opportunities abound.

Special teams, like special markets, can deliver the difference between winning and losing. Sometimes it is the extra edge that provides the boost to a strong offense and a stingy defense. Growing in today's marketplace requires an ability to deftly balance the needs of being focused while embracing diversity.

**Allen Ray** is principal of **Allen Ray Associates**, [www.allenray.com](http://www.allenray.com). Allen Ray Associates helps companies improve profitability through effective pricing strategies and streamlining business processes through effective eBusiness utilization. Allen can be reached at 817.704.0068 or [allen@allenray.com](mailto:allen@allenray.com).

**David Gordon** is a principal of **Channel Marketing Group**. Channel Marketing Group develops market share strategies for manufacturers and distributors. He can be reached at 919.488.8635 or [dgordon@channelmkt.com](mailto:dgordon@channelmkt.com).