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What is your leadership model?

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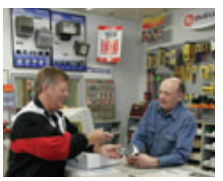
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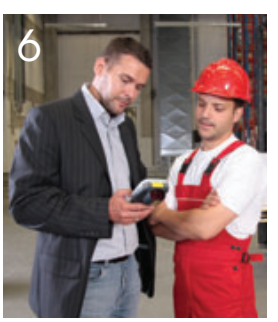

COLUMNS

You're a professional of Canada's electrical distribution channel, after all, and this is your magazine.

Welcome to your new magazine!

Welcome to the inaugural issue of Distribution & Supply Magazine, the long-awaited independent voice of Canada's electrical channel, brought to you by the folks at Electrical Business magazine—the authoritative voice of Canada's electrical industry.

D&S is, quite simply, designed to provide distribution personnel valuable information so they can do their jobs better and run their businesses more profitably. Owners, managers and purchasers need industry and economic information, while counter and sales staff need tools that help them do their jobs more efficiently and effectively.

Time always seems to be in short supply, but despite everything you have on your plate, there are a couple of reasons as to why we feel you should make D&S part of your reading regimen.

First of all, D&S is Canadian, a fact that in and of itself makes it special. There is no end to the amount of information coming from our neighbour to the south (don't get me wrong, a lot of it is very good), but it is always presented from a strictly American perspective. And while one can try to extrapolate U.S. facts and figures and statistics, and try to surmise how they reflect on the Canadian, things always have a way of getting "lost in translation", if you will.

Yes, we both run 110V service in our walls, but it's not enough—not by a long shot—to simply take whatever American metric crosses your desk and multiply by 10% to get the Canadian angle. While this formula may work for conversational generalizations, it should not form the basis for strategic business planning.

No, to do things right you want information about your market from people within your market—the experts who know and understand the landscape upon which you live and work. D&S strives to get Canadian information, and has Canadian electrical professionals disseminate that information for the success of your Canadian operation.

Secondly, D&S is not an association-based magazine, but an independent publication. Our goal is not to drive memberships; instead, we at D&S have the humble goal of simply being the voice for Canada's electrical distributors, with the intention of helping each and every one—from the lowest sales volume to the highest—become the strongest, best-run businesses they can be.

That said, after skimming through the pages of D&S, you'll quickly realize that we have not one but two columns from Rick McCarten. He's the vice-president of the S&D Council of Electro-Federation Canada (EFC) and president of CEMRA (Canadian Electrical Manufacturers Representatives Association). And when you come to this realization, you'll say to yourself: "Wait minute! This guy just told me D&S is not an association magazine... that it's independent. If so, what are the S&D Council and CEMRA doing in here?".

A valid question, with a similarly valid answer: these two organizations represent the *organized* voice of those who move products through the channel to our customers and end-users. They communicate and collaborate, meaning the information they present represents a collective, distinctly Canadian opinion that can be important in helping you know and understand your market, and make better business decisions.

Serving as publishing consultant and columnist on Distribution & Supply is John Kerr, who has been involved in the Canadian electrical market for over 25 years and has extensive knowledge of its distribution channel. He remains active in the electrical industry through his annual research, "Project Pathfinder", and through consulting to many leading electrical equipment manufacturers.

I look forward to your feedback about this inaugural edition of Distribution & Supply, and let me know about the things you would like to see covered in future editions. You're a professional of Canada's electrical distribution channel, after all, and this is your magazine. Happy reading! ■

Risk, relationships and trust: partnering revisited

Roger Partington

With four billion dollars-worth of electrical product purchases, contractors pretty much make the industry what it is. Distributors and manufacturers are in the game to make sure their contractor customers are healthy and satisfied.

To check the pulse on this important segment, I interviewed a cross-section of large electrical contractors across Canada, asking them questions like: How is the economy affecting your business? What does this mean to your relationship with—and expectations of—the distribution channel? What key trends are impacting your business?

Contractors talked openly about issues such as competition and job closing practices. The stakes on jobs can often be high and, in a tough economy, the financial risks can become the dominant factor. Choose the wrong job or partner, and you might not get paid. Bid on work outside of your core expertise, and you might be biting off more than you can chew.

So contractors place high value on a good relationship with their distributor; they need their distributor's support to succeed (and they also keenly understand that same support is frequently provided to their competitors). With so much at stake, how has the weakened economy affected relationships and expectations?

Economic impacts

Despite everything you read and hear right now about the global economic crisis, the construction industry—particularly in Canada—is not suffering to the same degree. And while you hear this a lot, it's true that just about every business is undergoing change. Granted, it may be individualized and, in most cases, is not driven by crisis but in response to shifting markets, changing competitive landscapes and industry trends.

There is more public tendering of jobs, and more bidders on those tenders. This includes private sector developers as well as public sector contracts. It has deep implications for the contractor's relationships with both his customer and distributor.

Whereas as recently as one year ago a developer or industrial may have worked with perhaps just two closely affiliated and experienced electrical contractors, there now are many incidences of this business opening to 15 or more bidders. The amount of negotiated work has decreased, and contractors are seeing both new competitors and new opportunities. The opportunities they see, however, are more competitive; they often come with increasingly onerous tender requirements, and involve greater shopping and comparison from the buyers.

While public tendering is more prevalent, decision-making by end-users has slowed dramatically. Several contractors complained about the number of jobs that might vanish, as well as the uncertainty of the next half of the year. They complained—albeit gently—that distributor salespeople are calling and following up on jobs where decision-making is completely stalled.

Just as contractors feel uncertain about their future business pipelines, the expanded bidders lists are providing opportunities to bid on new work and, in many cases, to move outside their comfort zone. This whole situation is also tempting for the distributor; he will see opportunities to build stronger alliances with select contractors that can open the door to new business.

It's not all upside, of course. When a surprise low-bidder emerges from a big pack, questions are raised over what may have been missed in the costing, or where they get their pricing support. This is compounded by the increased financial risk that comes with someone working outside his area of expertise. There is no room for error with tighter credit markets. Also, with less negotiated work, there may be little opportunity to make up shortfalls on the next job.

Expectations for distributors

Contractors feel distributors have a role to play in maintaining the sanity and integrity of the marketplace. They want distributors to support contractors in those areas where they specialize. They recognize that, for them to succeed in a big pack, they're going to need a close working relationship with the right distributor. They expect that distributor to know the business well enough to responsibly select their own partners; to ensure they're not backing someone who will create a new competitive threat for the contractor and bring increased financial risk to the distributor. They want distributors to strengthen their existing partnerships and support those already established for a certain market, rather than help introduce new competitors.

Contractors believe distributors with experience in the area of financial management can help them better understand the financial risks within the industry, and educate them on things like bid bonds and trends related to new forms of financial risk. This educational role is seen as a benefit to the whole industry, as a greater awareness should keep inappropriate competitive behaviour in check. If we learned anything from the sub-prime mortgage meltdown, it's that risk needs to be appropriately reflected in the price of an asset or the amount of a project bid.

Tendering and job closing

With very active tendering and higher risks on jobs, contractors want to improve their job closing process to ensure they submit competitive bids that will be profitable at the end. Many have recently invested in tools, information technology and process development to better predict job costs and so bid with increased confidence. A frequent frustration, however, are some industry practices within the job closing process, such as last-minute bids and large price drops, which create horrendous scrambles and bid revisions for contractors.

Of course, one of the reasons for last-minute price drops is that manufacturers and distributors are protecting themselves from price-shopping; if they could just trust contractors not to shop prices, then both camps would win.

Is the industry ready to accept more trust in the channel relationships? With an increase in public tendering and uncertainty about future business, this seems to be a bad time to limit your options by working with fewer partners. On the other hand, the heightened financial risk means you should choose your business partners carefully. Having a partner on which you can rely to help you in a jam can make an enormous difference (though it's a bold strategy).

Products and support

Contractors had a lot to say on the subject of distributor support, and it wasn't critical. In light of the current environment, there is a real willingness on their part to not just maintain, but improve that relationship. Pricing support to help them succeed in a more competitive environment is there, of course, but contractors are also considering other factors.

The last several years have seen unprecedented volatility in commodity prices, which created difficulties for some contractors. They want to be smarter should prices shoot up again. Contractors don't want to be the only ones holding the bag, and they know a close relationship with a well-stocked distributor is advantageous.

While 3P (private-public partnership) projects are getting a lot of attention right now, there are many ways in which contractors can assume more than the usual project risk. From design-build to performance clauses, the more risk the contractor can sensibly assume, the less competitive the environment. Capable contractors are branching into areas where good product and delivery support from a distributor can significantly impact project profitability. They know that managing the distributor relationship is part of the success plan. They count on distributors for guidance with new products and solutions that will help them manage labour costs better and meet client needs. Bringing key distributor partners closer is a good strategy for ensuring jobs run better.

Some contractors are concerned about the breadth of products on the market, particularly in lighting, and how this affects availability. Specifiers are encouraged by manufacturers to go with the latest product, but the channel is frequently challenged on its ability to stock the breadth of product industry demands. From the contractor's perspective, the supply side needs to be more involved to help ensure that what is sold is well supported at the distributor level.

LEED certification and sustainability

One of the reasons for the expansion in breadth of lighting products is that energy costs and sustainability are driving technological improvements. This also impacts other product areas, from distribution equipment to test and measurement. I asked contractors about this trend in light of the current economic climate. Will the slowing economy have an impact on LEED- (Leadership in Energy and Environmental Design) and Energy Star-rated projects?

There was a mix of opinions. In some markets—particularly commercial—some contractors see this trend slowing until the economy improves. Vacancy rates are on the rise; tenants are downsizing and looking to save on leasing costs. This can dissuade owners from looking at incremental first cost investments for green buildings. In contrast, LEED is definitely on the upswing in the public sector. In cities like Vancouver, progressive government and industry leadership have raised energy efficiency standards, meaning the economy cannot slow the trend.

Can distributors do it?

So contractors are looking to the channel to be part of the solution to their economic challenges. Distributors add value in the same ways they did in the good years, with new products, application/project support and a myriad of other services. In our current economic environment, new roles are emerging. Distributors are being asked to be more discriminating when selecting partnerships to mitigate financial risk, and to keep new competitive threats in check. There is a role for financial education. Tendering and job closing practices should be improved, and the supply chain needs to do a better job of aligning what is being specified with what is available.

While it looks good (and simple) on paper, it's actually a fairly tall order, and the pressure is on for results. A distributor putting faith in a smaller number of partners and/or carefully selecting business opportunities carries their own risks. Quite understandably, distributors want their actions to be rewarded; that the contractors they support will be successful and, in turn, reward them with continued/increased business.

Every good relationship is based on trust. Can we do it? ■

Roger Partington is a management consultant specializing in distribution channels, channel relationships, and sales and marketing strategy for manufacturers and distributors. He can be reached at roger@coherentb2b.com.

It's all about value, relationship, collaboration & communication

David H. Green

With all the noise, press and government attention being paid to bailouts and the restructuring of the financial services and automotive manufacturing sectors, it seems reasonable for you to wonder aloud: Where's the fair share of help for *my* industry, *my* company, *my* workers or job, *my* family, *my* retirement, etc.?

Look around you. There's no one standing nearby just waiting for the chance to bail you out. The question to dwell upon, then, is "What can *I* do about things?". Does this current fiscal 'blip' on the graph represent an opportunity to do something differently that will have a sustainable impact on your business? Maybe tough times are the proverbial kick in the backside we need to get us to do something.

The recession's impact on large parts of the manufacturing sector is well documented, but what about other industries and businesses? The ripple effects on others—such as construction (residential, commercial and industrial), contractor and technical service organizations, retail, hospitality and tourism, etc.—are just as much a concern for the people in those sectors, and that includes the associated supply chains.

Adding value

A recent article in *The Economist* questioned providing aid for other sectors, suggesting that manufacturing could be considered 'special' because the rest of the economy depends on it. It goes on to argue that the economy is more like a network in which everything is connected to everything else, and every producer is also a consumer; each depending on the other, and all being equally important. The key distinction, then, should not be between manufacturing and services, but rather between productive and unproductive jobs throughout the supply chain.

Productivity is all about throughput and adding value. These days it implies cost saving, efficiency and doing more with the same (or less). Your particular business or industry is irrelevant: the era of continuous improvement, eliminating waste, employee empowerment, being lean, "quality first" (and all the other tools derived from the Toyota manufacturing model) *can and will* be applied to most of our businesses, and this includes the distribution channel. These tools should work in all parts of our businesses in some form, be it production, operations, logistics, sales, marketing, accounting, etc.

As a member of the supply chain, ask yourself: How productive is my organization? What value do I add to the products that flow through my company? What value does the customer see in my services, and how is it measured?

The added value and differentiation debate in supply chains has gone on for years (and the ways one can measure these things is the subject of many a seminar and book), but it has become very important in recent years as customers perform

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'supplier rationalization', and look at ways of extracting the most value from the suppliers with which they choose to stay.

So what is 'value' to the customer? We have all seen the standard form letter from purchasing management in a company that 'asks' its suppliers to reduce their prices by such-and-such per cent or else...

Or else what? This doesn't benefit anyone in the long term; one would hope these purchasers are shopping for long-term relationships and not for the lowest bidder. If so, then maybe you don't want the business. If they succeed, granted, there will be a short-term price cut, but then you erode your margins, no real relationship gets built and everyone is left wondering how long it will last.

What can you, as a supplier, bring to the table?

The more progressive customer wants to work with you, so you can help them take cost out of their operations, collaboratively. That could still be price with special one-time buys, long-term contracts, relaxed specs on a component or using a different recommended product. These days, the price-performance ratio on many products can change dramatically, but there are other solutions, such as: energy efficiencies, maintenance practices, having the right tools, and looking at the operation more holistically with Total Cost of Ownership. (TCO simply considers all costs associated with a plant, system or facility, including acquisition, financing, operation, maintenance, labour, energy input, etc.

Where in these costs can you have an impact?

Impacting cost

Related cost-saving areas you should explore with the customer are: energy savings in power-consuming machinery; reliability and maintenance best practices on major equipment assets to minimize downtime and support the needed resources; upgrading inefficient or poorly controlled office and plant environmental systems; deploying new technology with lower operating costs and increased reliability.

One of the biggest expenses in any large industrial or commercial operation is energy consumption. Solutions that provide the ability to monitor that power—its quality and impact on sensitive equipment and systems—could be important. Also, effective use of automation and control can often extend the life of existing equipment, reduce energy costs by shutting down equipment or utilities, and reduce support resources needed to keep it running.

In this time of reduced headcount, increased productivity demands, doing more with less, reduced on-the-job training and the introduction of new technologies in the workplace, it is critical that you bring solutions to the customer that consider the workplace's users and their needs. A properly trained worker, who is comfortable with the equipment, the process and the technology, will be more productive... and that's what it's all about.

Therefore, a part of the value proposition could include training for the customer's staff. This value is often just given away; taken for granted. The introduction of a lot of new technology and best practices, an aging workforce that is either retiring or requires retraining, the hiring of new workers or cross-training of existing ones to provide redundancy all require that the customer's staff be able to install, operate and maintain the equipment and systems supplied. This can be part of a bundled proposal and solution and given a dollar value: and it's all part of TCO.

These all require products or services you could introduce to the customer, but you need to know your customer, understand his needs, pains, issues, expectations—individually, by department and across the company. That can only come by developing a relationship and taking the time to understand his industry, business dynamics, company, divisions, parent company relationships, and their customers (also part of that connected network of consumers).

Do your research

The reality is you cannot cover all the customers and industries in your area. Doing a little research is key in identifying target businesses and industries. Follow the money, as the saying goes and, these days, look for the infamous "infrastructure spend" and the politically correct "shovels in the ground". A vertical market approach is increasingly being adopted by many manufacturers, so working together as supply chain partners and hitting the right accounts together is timely.

Now is the time when "buddy calls" become really worthwhile; this may also involve working through a third-party contractor or service organization. You also need an industry-aware and informed sales force and marketing team to develop and deliver the right message to target customers. You need to be able to have a conversation with the customer in his terms, his language about his needs. Get that knowledge from your suppliers. To use a well worn but highly applicable phrase: knowledge is power.

To successfully communicate with that customer, you have to realize each customer is different and changing. The age of his workforce will dictate whether you wind up teaching old dogs new tricks, or find yourself trying to explain how to do it to a Gen-Y, who thinks he already knows everything, "IYKWIM" (*translation* = If You Know What I Mean).

New technology and industry practices will be a challenge, and they need to be communicated in language that is relevant and applicable to the customer and his situation. That might mean the same information delivered in a way specific to the audience. This customer-customized approach will extend to discussion around printed materials versus e-blasts, e-mail, web portals, etc. While the Internet is everywhere, does everyone have regular, constant access to it? Do they use it for work? Product research, information gathering?

Assume nothing. The era of collaborative media and social networking through Facebook, Twitter, YouTube, etc., is all about continuous dialogue, sharing and referrals. Will your customer take the word of your counterperson, or will he pose a question about a product (or your service) to the universe and get numerous opinions almost instantaneously. This is something over which you have no control; and while this is not yet necessarily the case in many commercial and industrial situations, it is nonetheless the direction in which the world is moving. Be aware, and be proactive.

The bottom line is this: know what value you bring to the table; know and understand the customer and his needs; know your products and services; be prepared to collaborate on solutions; and communicate in terms and language that the customer understands. ■

David H. Green, P.Eng., is a marketing professional specializing in B2B marketing and strategic planning in technology and industrial markets. He has spent over 30 years in sales and sales management, marketing, channel management and media relations. He also helps develop education partnerships between educational institutions and business, and works with WorldSkills International. He is formerly a marketing director with Fluke Corp. in Canada and the Americas/Pacific Region. Green can be contacted at (705) 443-8974 or david_hugh@rogers.com.

Dr. Rick Johnson

What is your LEADER

The most effective, high-impact leaders are driven by a model, even when they don't take the time to define. A 'model' is an intangible tool leaders rely upon to predict the outcomes of their decisions; a tool that not only enhances personal creativity but cultivates creativity in the minds of their employees.

An executive's model is built from the sum of his experiences, knowledge, deeds and mistakes. Best practice alone does not get the job done; effective, model-driven leadership *in conjunction with* best practice is the key. Leaders take different routes in creating their models, and while each is unique to the individual, the following examples explain the platforms upon which they are built.

The Competitive Desire Approach

Some leaders strongly shape their model by working in every aspect of the business, thereby learning the business from the ground up. They always possess a strong desire to compete and win. The leader's competitive instincts are generally tempered by personal humility and respect for the managers on their team. Listening skills and genuine interest in what is right for the business are key tools for achieving consensus.

Believing in their employees is a guiding principle in this leadership style. This same approach is used with both suppliers and customers to find the innovative 'win-win' solution. (Make no mistake: this approach is very different from typical negotiation approaches used by many wholesalers/distributors when dealing with suppliers and customers.) It becomes a discipline.

The other implication of this model is providing significant autonomy to the executive team, embracing empowerment as part of the corporate culture. The leader ensures the executive team has a detailed and shared vision of business objectives and goals. He believes his role as chief executive is to provide the shared vision, ensuring that it is clear, consistent and current.

The Elegant, Powerful, Innovative Win-Win, Creative Approach

A variation of the servant-style of leadership is the elegant, powerful, innovative win-win, creative approach. It starts with an open and clear balance between the various stakeholders, be they customers/owners, employees or suppliers. It is a true win-win model without the destructive negotiations experienced by many distributors.

Using this foundation and a long-established set of core corporate values and best practice, the leader consistently reminds each stakeholder group of key messages while continually focusing the organization on innovation and creativity. Innovation becomes a key strategic initiative for growth. It is exciting to see the accumulated economic power that can be developed by a constantly evolving innovative business model and effective leadership combined with best practice utilization. Open communication is a critical element to this approach.

The Strategic Shift Approach

A third example of leadership modelling revolves around managing a strategic shift from being a traditional box-moving wholesaler with limited growth prospects to a logistics powerhouse that provides significant value in the supply chain.

Strategy is said to be obvious once you've had it explained. It is also said that customers don't see strategy—only execution. This model, like the other examples, platforms a strong sense of curiosity about other companies and how to apply lessons learned in their own organizations. The answers needed for major change and organizational renewal lie outside the enterprise, and effective leaders using this model are able to take prior lessons learned and ongoing benchmarking to generate success.

What is a high-impact leader?

Regardless of their personal model, high-impact leaders demonstrate a curiosity that cannot be satisfied until they personally examine the causes behind any failure in meeting expectations. Non-performance is just unacceptable. Leadership is key in every instance for creating an attitude; for structuring an environment and developing employees as the very essence of success.

Although individual leadership models may differ in some specific approaches, the common thread linking each one is respect for individual employees, and both the ability *and willingness* to listen with an understanding that embellishes their own leadership contribution to the organization. Best practice is a part of every successful leadership model, but best practice alone does not create the level of success demonstrated by high-impact leaders.

Effective leaders create a culture where employees can express themselves and fight for what is right; employees become responsibly fanatical about aligning their resources to add value to the customer and the company. That's what high-impact leadership is all about.

Effective leaders don't have to know it all

Many executives make the mistake of believing they have to have all the answers. Good leaders surround themselves with a

Photo by Mark Hughes

SHIP MODEL?

Effective leaders go through a never-ending development process that includes education, self-study, training, coaching and mentoring from one or several individuals that have a very positive influence on their personal development.

solid executive team that, collectively, *does have* all the answers. Being president doesn't automatically grant anyone supreme knowledge. No one expects perfection, just leadership.

Servant-leadership encourages collaboration, trust, foresight, listening and the ethical use of power and empowerment. Warren Bennis, a leadership scholar, believes American corporations are over-managed and under-led. Great leaders get exceptional efforts from their employees simply because they recognize they don't have to have all the answers. Knowing this, they make a concerted effort to leverage the intelligence, creativity and innovation of their employees.

The ego factor

For this process to be successful, effective leaders have a vision that they communicate with crystal clarity. A visionary leader combines a clear sense of the future with the ability to turn visions into results. This cannot be accomplished when one allows ego to get in the way.

Stagnant growth, lost market share and panic-response management usually occur when strategic growth objectives are ego-driven rather than profit-driven (personal needs are placed ahead of business needs). This is a common symptom of a leadership vacuum in an organization.

A servant-leader makes the conscious decision to lead by first being a servant. He is sharply different from the person who is leader first (perhaps because of the need to assuage an unusual power drive, or the simple desire to acquire material possessions). Good managers get employees to respect them; effective leaders get employees to not only respect them, but to respect themselves.

What is your leadership model?

Many companies fail because of ineffective leadership, not because of the economy or competition. It is a failure to learn. Effective leaders overcome these obstacles, and look down the road at what needs to be done to expand with the current model. It may mean change is needed when the model is no longer 'grow-able'. Attention is paid to the lessons learned.

Effective leaders go through a never-ending development process that includes education, self-study, training, coaching and mentoring from one or several individuals that have a very positive influence on their personal development. Leadership is the ability to influence, inspire and motivate others to accomplish specific objectives. It includes creating a culture that helps direct the organization in a way that is cohesive and coherent, keeping short-term tactical goals and objectives in alignment with long-term strategic initiatives. The success of leadership in this process is directly influenced by a leader's beliefs, values, ethics, character, knowledge and skills.

To become an effective leader, there are specific skill sets you must understand and master. This does not come naturally; it takes dedication, passion and commitment to the process, which includes a tireless effort toward improving specific skills and developing a personal leadership model. Position and title may give you power, but power in itself does not make you an effective leader. ■

Dr. Rick Johnson is the founder of CEO Strategist LLC, an experienced-based firm specializing in leadership development, strategic planning and sales effectiveness focusing on the creation of competitive advantage in wholesale distribution. With over 30 years in the wholesale distribution business, Johnson is a highly sought-after speaker and trainer. Visit www.ceostrategist.com to learn more, and e-mail rick@ceostrategist.com if you'd like a copy of "The Lead Wolf" model of leadership.

Brand equity VERSUS the "three-month mindset"

Michael Lippincott

Try debating someone on the merits of spending for tomorrow even though they may not see a measureable result today, and you'll find it's a tough sell. Everyone wants the sale and *they want it now,* and they want a quantifiable ROI on every dollar spent. In times like these, short-term mindsets cast advertising aside (and its resulting benefits) in the interest of cutting costs. In many cases, advertising is sacrificed for direct marketing strategies that, on the surface, appear to provide a measureable ROI.

The reality, however, is that many successful distributors expanded their businesses on the backs of brands like Hubbell, Rockwell, Thomas & Betts, Sylvania, etc.; with those names on the shelves, contractors, commercial clients or plant engineers would come calling. These decisions were based on a strategic, longer-term view, not short-term fixes. Levering the brand was the essence of the plan.

But with recent economic challenges—and what I coin as the "three-month mindset"—dollars for developing and reinforcing these brands have been depleted, and corporate accountants easily sacrifice brand bucks for quantifiable forms of media (or no media at all, in many cases). The focus is on quick fixes rather than an overall plan for building share and sales over the longer term.

Have we forgotten that a brand actually does have value? Have we forgotten that a brand can depreciate just like any fixed asset? When a company buys equipment or builds a building, they do so with a long-term view, so why is this not the case with brand awareness? Numerous studies demonstrate the value of advertising and brand building, but the research falls on deaf ears when we lose sight of the long-term view.

Online activity and internet platforms are being perceived as the only ways of measuring results. And in these times when it's an operating mandate to account for every nickel of marketing expense, all promotion is executed with a direct-response metric in mind. But merely measuring hits and impressions on a website is a huge mistake—especially when you have no idea where they came from.

Despite all the hype out there regarding online activity, a long-term view must be adopted, and should include a brand development strategy. Brand development is a key component to building sales, defending or gaining market share, and lowering sales costs.

Sadly, brand building cannot be measured as simply as counting the number of hits on a website. It's a moving target, just like equipment productivity ratios or the efficiency of a local branch over time. Maintaining brand health requires an understanding of effectively integrating the myriad tools and platforms available. I won't debate the importance of direct mail, flyers, websites or even trade shows... the critical issue is finding the right balance. As we shake out of this economic funk, take stock of your marketing and promotional efforts, and don't sacrifice the long-term view for quick fixes and instant satisfaction.

In times when products may be perceived as being similar, if not the same, the only differentiation might be in the messaging. Companies that let their promotions slack off will lose share to those that do not. And just because contractors, end users, OEMs and commercial clients are not buying today like they did last August, it doesn't mean they're not thinking, studying, reading or formulating purchasing decisions for tomorrow. So the best reason to continue investing in your brand is not for the big payoff next month or next quarter, but next year and the years beyond. ■

The best reason to continue investing in your brand is not for the big payoff next month or next quarter, but next year and the years beyond.

Yet another acronym: GMROI

But this one crosses over product and market differences

D&S Staff

We have all heard the phrase, "If you can't measure it, you can't manage it". New methods for evaluating vendors in the electrical channel are top-of-mind today, as partners look for ways to map better strategies for success.

As an electrical distributor, for example, you cringe when you discover a key industrial customer needs a part that he can't get from you; it's evident that both you and your supplier face the reality that future business may be lost. This classic case often comes up in discussions of channel supply inefficiencies, as it shows the potential weakness in your vendor's offering.

When parts are not available, it is usually the result of ever-changing inventory and poor communication (whether on paper or in person). Today, the operating mandate of any distributor must include constant supplier evaluations as to performance, communication and commitment to support.

GMROI

Whether it is new product introduction or inventory management, our decisions need to be driven by strategic direction, competitive differentiation and customer need or satisfaction. So a balanced approach to metrics is required. Understanding our partner's goals is the first step toward mapping out areas of mutual opportunity and identifying areas for additional investment.

The key is to build a set of metrics than will actually guide you and not be diluted by a bunch of numbers and formulas that take time to create and, sometimes, even more time to translate. In electrical distribution, however, product availability is paramount.

Operational metrics focus on inventory management and the ROI of that inventory. We've all worked on these formulas, but here's a quick primer:

- *Inventory Turns* is the number of times a product will sell over one year.
- *Gross margin (GM)* is Sales minus Cost.
- *GM Rate/Earns* is measured GM divided by total Sales.
- Turns multiplied by Earns is a measurement of annual expected return.

For a partnership to be successful, suppliers have to understand that distributors have a limited amount of money for investing in your business and its products; they want to be sure their money is invested in products that will bring them profit. When the partnership only focuses on gross margin, a distributor may lose opportunities for greater profit.

Sometimes it's better to look at the contribution value; that is, look at the actual cash contribution to the business. Different vendors in the same product category can enhance a distributor's ability to turn inventory into cash above the cost of the inventory.

Average inventory is an important measure. The cost of carrying inventory is in the capital that's invested in that inventory. Having too much inventory can drain cash reserves. In some operations, the branch pays an excess inventory charge when the amount goes over a set acceptable level. This impacts their bottom line.

So a more accurate way of assessing the impact of all these measures is GMROI (Gross Margin Return on Inventory Investment). This is a measure for overall performance, as it takes many factors and rolls them into one metric. GMROI is calculated as:

Gross Profit/Average Inventory at Cost

In this case you are looking at margin as a percentage of inventory costs. GMROI can be a great tool, as it crosses over product and market differences, and is a positive step in metrics-based business management. However, it is not without its weaknesses. Although GMROI can help you evaluate like manufacturers and measure your business, it does not address areas like inventory carrying/handling costs. In addition, it does not consider the growth rate, nor future profitability, of a product line in its calculations. ■

A supplier's take on GMROI

To get a manufacturer's take on this new metric, we spoke with Steve Lennox of Panduit Canada.

"We sell our products and solutions 100% through authorized distributors. It's a proven model that has stood the test of time," he said. "Top-of-mind for me is the optimization of this model. Obviously, this means improving availability and service levels. I'm equally concerned about the 'right' availability and the opportunity to pull costs out of our supply chain, and this involves commitment from both manufacturer and their distributors."

He went on to say he marvels at the challenges distributors overcome in managing multiple lines, expanding product lines and product introductions. "I am convinced that we have a significant opportunity to collaborate more in this area," he said. "We absolutely need to improve visibility through the entire supply chain so we can make better decisions around inventory, velocity and vital initiatives such as new product introduction. Speed to market with innovation means opportunity for improved margin and new market position... it means competitive advantage." ■

A tool that shows you where your products went

By John Kerr

The term 'market mix' is not used to describe—as is commonly believed—product price, place or promotion, nor packaging, positioning or people. All of these are, in fact, tactical aspects of the 'marketing mix'. The key to understanding *market mix* lay in paying attention to maximizing customer value, and knowing how to access company resources and support right across the board to satisfy a specific need. It's about defining your end-user's needs first but, at its most fundamental core, market mix is about knowing where all that equipment you make or sell actually goes.

Distributors and manufacturers alike are challenging themselves to better understand the market mix in their trading areas so they can, possibly, gain access to new markets and increase sales and share. It can be tough sledding, though, especially when the needs and/or real potential aren't fully understood.

Understanding your market mix can quickly separate you from the competition; with your finger on the pulse of market drivers, you will be able to deftly react to changing customer needs. For example, there were 10 million square feet of auto plant production facilities under construction in Southwest Ontario in 1988—a market segment driver that was, without a doubt, obvious to observers, though poorly understood.

You see, it's much more important to know what your customers (customer mix) do with the products they buy or specify—the market mix. And successfully predicting where the future action may be is a talent anyone can develop with the right knowledge. After all, uses for electrical equipment are more varied than ever.

In Canada, residential, commercial and industrial construction own the dominant share of market mix, representing over 62% of sales for the typical full-line distributor. Understanding that the housing sector accounts for only 20% of your potential sales is critical to 'normalizing', if you will, the recent downturn in housing starts.

TABLE 1: Market mix: Canadian electrical distributor sales (2003 to 2008)

MARKET MIX Canada	2003	2008	Difference
New home construction (single family)	12.00%	11.50%	-0.50%
Residential renovation (single family)	3.80%	3.72%	-0.08%
Multi-unit residential new construction	2.00%	1.96%	-0.04%
Multi-unit residential maintenance & repair	1.50%	1.51%	0.01%
Multi-unit residential renovation	0.50%	0.50%	0.00%
Industrial maintenance & repair supplies	16.00%	15.33%	-0.67%
Industrial new construction	3.00%	2.97%	-0.03%
Industrial renovation/retrofit	3.00%	2.93%	-0.07%
Factory automation	4.00%	3.91%	-0.09%
Commercial/office new construction	11.30%	11.28%	-0.02%
Commercial/office maintenance supplies	4.10%	4.09%	-0.01%
Commercial/office renovation/retrofit	3.80%	3.79%	-0.01%
Other construction	4.70%	4.52%	-0.18%
Non building construction	2.60%	2.60%	0.00%
Original Equipment Manufacturers	9.10%	9.13%	0.03%
Government	3.10%	3.44%	0.34%
Power Utilities	3.60%	3.99%	0.39%
Datacom/Telecom	1.40%	1.58%	0.18%
Retailers (for resale)	1.20%	1.20%	0.00%
Export	1.60%	1.61%	0.01%
At retail	1.80%	1.92%	0.12%
Other wholesalers	1.90%	2.07%	0.17%
Other	4.00%	4.44%	0.44%

Source Pathfinder Canada research 2003 2008

Every distributor across Canada can say he has a varied market mix; some are dominated by machine tool and automotive, some process or construction, and so on, but this perspective is based solely on what is invoiced. Market mix presents an accurate breakdown by defining the end use of the products, and trending the value of installed/deployed electrical equipment.

Market mix is an important tool for understanding the customer base, as well how other factors can impact or control that base. The tool should be a part of your local sales strategies and planning, as it will guide you toward realistic goals and objectives.

Recent studies of the Canadian market reveal the market mix across typical electrical wholesaling customers, and the results are shown in Figures 1 and 2. Granted, these are just snapshots but, if nothing else, they should inspire you to try to better understand where your products are going.

There are really no surprises here: in the broadest sense, residential, new home construction, multi-residential and commercial/industrial construction have started dropping from the typical wholesaler's market mix. No doubt 2009 and 2010 will show further erosion in these sectors. So the challenge, then, is this: when you plan for next year, don't be afraid to ask "Where is this going?" alongside "Who is paying?". ■

John Kerr has been involved in the Canadian electrical market for over 25 years and has extensive knowledge of its distribution channel. He remains active in the electrical industry through his annual research, "Project Pathfinder", and through consulting to many leading electrical equipment manufacturers. You can reach him at jkerr@clbmedia.ca.

FIGURE 1: 2003 Market Mix

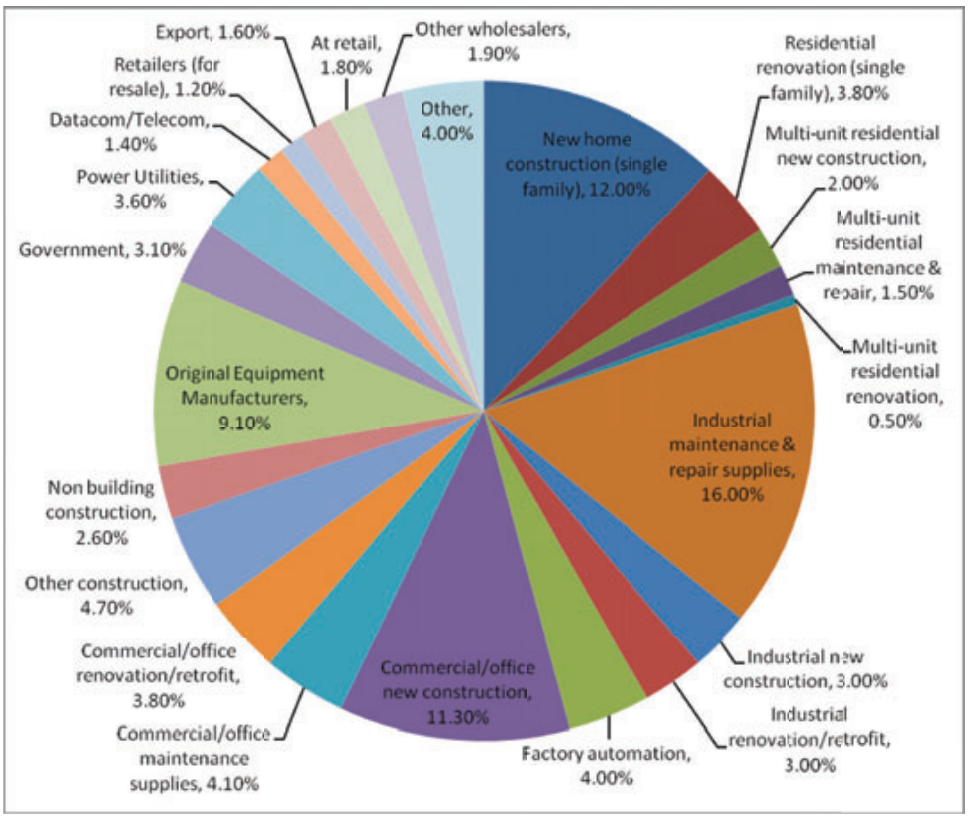
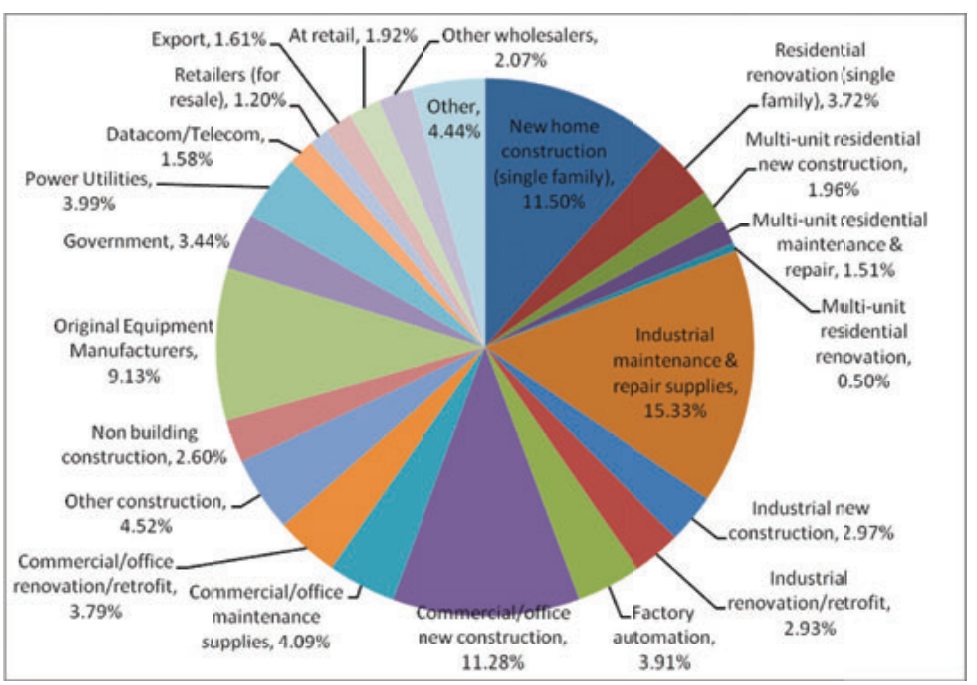


FIGURE 2: 2008 Market Mix



Is *flat* the new up?

A conversation with Canadian distributors on the pursuit of happiness

D&S Staff

In times like these, we cannot help but be curious about the thoughts that are pervading the minds of our allies and, especially, our competitors, with regard to things like business cycles, partnerships, shifting market and customers, etc. To that end, we interviewed a number of distributors across the country to get a sense of the current mindset of Canadian electrical distributors.

(You'll forgive us if we do not name the sources of the information/quotes presented below, as the promise of anonymity was required to "get the goods" in the first place.) Here, then, are some highlights from our conversations, which may give us all a better picture of where we sit on these disparate—yet related—topics.

Business cycle

"Flat is the new up" seems to best summarize the business attitude presently driving industry. All the key distributor staff with which we spoke saw some erosion in business but, somehow, have found ways to mitigate the lost sales. Shifting markets have been a tough education for some, as the new markets they sought were fraught with small margins, numerous new competitors and other channel options.

"No question we felt we needed to broaden our customer base, and were determined to bring our present basket of product forward," said one regional distributor. "All of a sudden, we were spinning our wheels sourcing new manufacturers, learning new product features and trying to get a better handle on how our new customers were buying... and then we looked at the margin. We were losing money and losing focus, and quietly increasing costs on all fronts. That experiment ended quickly!"

Seeking to gain new ground, some distributors have been acquiring others that already know and serve their markets well, and are so allowed to operate with existing line relationships. This is sound strategy, but finding these acquisition jewels is almost a full-time job. Levelling out the customer base and spreading the risk can be a good strategy.

Another well-known distributor noted, "We saw we were hitting some tough times in late October [2008]. It was right then we moved to tweak our inventory levels, and began close and consistent dialogue with our key suppliers and customers. Then we focused hard on how to increase customer service levels and response. And, more importantly, we adopted a longer-term view, rejecting the philosophy of reacting to every bit of bad news".

No matter what index is followed, all the discussions we've had—and all indications—confirm we are going to be at this level of business for a while. Pathfinder's preliminary first quarter research, for example, shows slowing and a decrease approaching 19%—blended nationally across many markets. This year we expect the industry to return to pre-2004 levels, dropping to the $6.1-billion mark from the $7.8-billion posted in 2008. A big difference, to be certain, but one to which many have yet to adjust; if they don't react soon, it may be too late.

Partnerships and continuity

There is a definitely a sense that partnerships as we once knew and defined them have changed. The partnership between the channel and end-users (and their direct customers) seems *on the money* across Canada; for years distributors have worked hard to bring more services and support to solidify that foundation, but there is a crack in the philosophy, and U.S.-based manufacturers may be particularly vulnerable.

"The value of a relationship today has been discounted to the point where it's forcing us to really review and determine who we want to do business with," offered a large regional house. "And, frankly, I am not prepared to spend the time trying to understand why Company X has decided to do what they are doing here when it's obvious they are either reacting or, worse, have not done their homework."

"It's hard," pointed out one distributor, "to figure out who is making the decisions sometimes, and what bugs me most is there is some guy who has never been here [Canada], does not understand our history, our markets, and who thinks just because it works down where ever he is it will work here. Just doesn't cut it for me."

Another opined: "I feel sorry for the local sales managers and agents who continually fight for attention and can't get answers when they need them. Its hurts all of us, and a revolving door and quick fix reactions are not conducive to the partnerships we must have. Especially today!".

These comments reflect an underlying feeling that the style and context of the manufacturer-distributor relationship is changing... going in a direction many don't like, and may not accept down the road.

"My concern being a regional player is that I will get less and less support because my market is not big enough to really engage my suppliers," admitted another distributor. "Come to think of it, engagement is the issue today; we rarely talk product features like we used to. It's all about booking orders and turns. We have a few partners we know well and are, sadly, losing others with this recent flurry of cutbacks. It will no doubt put more pressure on us to go South before they come North."

Branding

We heard numerous definitions for branding, but once we agreed upon its definition and role, there was a great divide as to its importance. Any business school professor will tell you that a brand defines a product or company, but it is not to be confused with Marketing.

"At the end of the day, it's important we all remember electrical distribution's role in influencing customer choice," said

"All of a sudden, we were spinning our wheels sourcing new manufacturers, learning new product features and trying to get a better handle on how our new customers were buying... and then we looked at the margin. We were losing money and losing focus, and quietly increasing costs on all fronts. That experiment ended quickly!"

one distributor, adding, "We need to do a better job in working tactically with our manufacturers in the regions we trade in, and we need to think more at that level. We are great with logistics and have quality lines but, come to think of it, are terrible at really understanding how to better leverage or define what we sell. I guess the trap we have fallen into is that everyone knows us, so we forget that we are not selling our name but *the products in our chain*, demonstrating what differentiates them from the rest."

A telling comment came from a smaller, regional player who said, "We have spent considerable time in understanding why our customers are using, and buying from, us. For our company and branch management team, we needed to see and understand the dynamics of the buying values of our customers. We learned quickly we needed to get beyond the caps, calendars and pens, and get more active with our manufacturers. And thank goodness we did this when business was good because, today, we might have not bothered to make the investment. We are growing this year because of this one simple step".

Training

With all the products on the market today, and new technologies advancing and opening new markets, you would think training programs are a top-of-mind concern, but the issue is clouded, especially when considering training's ROI.

Training has, by definition, been referred to as "the new value-added" but, by its very nature, is hard to conduct and present on a consistent basis. That said, numerous interviewees agreed with the importance of continued training, particularly when focused on specific products.

"We loved it when manufacturers would come by with a lunch-and-learn program (which averaged an hour-and-a-half or so per week, but we have found that the sporadic nature—and the differences in presentation style—were not giving us the return we really had hoped for," stated one manager.

"Our biggest challenge is scheduling," added a Western Canadian-based distributor. "We are in the solutions business, so when a customer calls, we are more likely to postpone the training to satisfy the customer."

Which may lead some to argue whether you can even afford to train. However, that argument is quickly countered by those who believe you cannot afford *not to* train. These challenges are what spawn the creation of numerous strategies for on-demand, easily accessible training modules.

Headquartered in Guelph, Ont., Hammond Power Solutions (HPS) recently launched HPS Academy to provide online training—not just on products, but also technology. Another company, Hubbell, provides formal seminar-type presentations over several days, while NAED has its Learning Center.

One large distributor remarked: "We capitalized a lot on the NAED program with its Counter Pro series, and we have used several others as well. It was so simple and well done... so easy for my staff to follow." He went on to say he was "glad the Internet-based programs are becoming more prevalent and affordable to build [because] its going to help us all".

Offering training alone, however, does not give one manufacturer the edge over another but, admits one distributor, "it does count as a check-mark in the Yes column in my assessment of a supplier".

Interesting times ahead

The economy will continue to be in a state of flux for some time yet, but there is light at the end of the tunnel: NEMA's Electroindustry Business Confidence Index (EBCI) for current North American conditions jumped 16 points in April to 42. Let's qualify, though: it is still falling below the key 50-point mark indicative of improvement in industry conditions for a 17th straight month. However, the index reached its highest level in nearly a year, and has rallied some 34 points over the last four months from December's near all-time low. That in itself is something to cheer about.

After all our conversations with a variety of distributors across Canada, two things became clear: no one knows exactly what the future will bring (or when), and no one is following the same recipe to achieve success. Ultimately, the ingenuity of our industry's members—along with their unflinching capacity to be able to work together—will build the 'next great model' that ensures our channel remains the best way to serve the market.

The most important thing we noticed across our conversations is that the customer is prioritized over all else, and this makes good business sense. Partnerships are being reevaluated, and the successful ones will likely be those that truly embrace the other's needs; in short, the pursuit of happiness will mean sharing the road with others. ■

The league of extraordinary gentlemen

Marc Laplante

CEMRA promotes the function of the independent manufacturer rep as the most effective way to market electrical products.

Back in the early 1980s, a group of six independent sales reps from Canada got word of an American organization called NEMRA (National Electrical Manufacturers Representatives Association) that was starting to make waves in the electrical industry as it promoted the independent rep function. Previously, independent sales reps were an unknown demographic most companies had never even heard of.

Not long thereafter, the six reps—Bruce Chamney, Pierre Dowd, Joe Greenwood, Ron Mackenzie, Norm Rutenberg and Ed Speight—met with NEMRA's president to discuss ways of promoting the independent rep function in Canada. Some great ideas came out of that meeting, including the founding of CEMRA: the Canadian Electrical Manufacturers Representatives Association.

Along with Don Mockford as executive secretary, these extraordinary gentlemen modelled CEMRA along the lines of its American counterpart. To this day, CEMRA remains in close association with NEMRA.

CEMRA's purpose is to offer its diverse representative membership and manufacturer affiliates the resources to deal with the dynamics of an ever-changing marketplace. It provides access to the best sales, marketing and management tools through programs, conferences, research, networking and educational opportunities.

Essentially, CEMRA promotes the function of the independent manufacturer rep as the most effective way to market electrical products, while increasing the rep's employees and sales staff's income by raising the firm's value. It helps reinforce positive and open communications between independent electrical reps and their manufacturing and marketing partners, and continues to develop an association with a diverse membership and programs that are designed to meet the challenges of a dynamic global industry.

One of the basic principles driving the six founding members was the creation of a code of ethics. They believed it would raise the bar for other independent electrical manufacturer reps and, in so doing, convince manufacturers and wholesalers that independent sales reps were true professionals who conducted business ethically.

The code of ethics calls for proper moral conduct—doing the right things for your company and employees, and in dealings with manufacturers and customers. This applies to everyone who calls on distributors and seeks their business; everyone who represents a manufacturer in a territory; everyone who calls himself a businessperson and who makes his living as an electrical manufacturers rep.

This is the code by which CEMRA members abide, day in and day out.

CEMRA is a truly national organization, with coast-to-coast representation. The following are its provincial representatives (and I encourage you to contact them to learn more):

British Columbia	John Baron, Elec-Tech Sales, (604) 278-3044.
	Kevin Smythe, Adanac Sales, (604) 540-0220.
Alberta	Ed Tuggle, D.A.D. Sales, (403) 335-3531.
Saskatchewan	Jim Modjeski, Titan Marketing Solutions, (306) 373-6337.
Manitoba	Garry Pestaluky, Hi-Tech Sales, (204) 694-0000.
Ontario	Bruce Craig, Northwinds, (416) 919-9800.
	Cindy Doherty, Intralec Electrical Products, (905) 670-0970.
Quebec	Marc Laplante, Laplante et Associés, (450) 670-8858.
	Denis Ricard, Contact Delage, (450) 449-9444.
Maritimes	Thomas J. Brockway, Brockway Enterprises, (902) 865-4192.

CEMRA is a strong and growing association. Our biggest "trading partner" is Electro-Federation Canada. In fact, the people at EFC have greatly helped CEMRA become a visible and vocal member of the community, and has helped us promote our views, ideas and worries to a varied member base.

EFC has always been known for its manufacturer and distributor membership, but it took a while for independent reps to be recognized as a integral part of the sales function. Now, thanks to the help of people like Rick McCarten—the S&D Council's vice-president—CEMRA has place on EFC's board—a position very well-served by Thomas J. Brockway.

CEMRA has come a long way since the day six guys decided it was time to raise the bar for independent manufacturer reps, and their vision persists to this day among CEMRA's members. ■

Marc Laplante is a partner at Laplante et Associés, an independent representative firm based in Quebec that's among Canada's oldest rep firms.

How to profit from green market opportunities

D&S Staff

The National Association of Electrical Distributors (NAED) recently made available the white paper, *Green Goes Mainstream: How to Profit from Green Market Opportunities*. The study details current trends in the energy efficiency market, and the closely related green building and renewable energy markets. When customers ask their electrical distributor, "What can you do to make my building green?", this study promises to provide cogent and convincing answers.

Green Goes Mainstream emphasizes that distributors must figure out how to become order makers *instead of* order takers to seize green market opportunities. Customers want solutions delivered by experts. As political, financial and economic forces line up to rapidly grow the green market, distributors and the electrical distribution industry as a whole must be able to fill this role.

"The emerging 'green' market offers electrical distributors unprecedented opportunities for profit and growth," said Tom Naber, NAED's president and CEO. "Energy is an issue of increasing importance and will dictate significant changes in market behaviour..."

Yudelson Associates conducted the research for the study, surveying 165 distributor and 63 manufacturer members. "Our research shows that energy efficiency, green building and renewable energy will provide a major growth market for sales of electrical products and systems over the next half-decade, as the energy issue comes front and center in the consciousness of building owners and managers," said Jerry Yudelson, principal.

"Distributors who make the effort to learn about this emerging market are likely to see growth in sales and profits as a result," he continued. Yudelson Associates also reviewed current market literature and interviewed more than 30 leaders throughout key market sectors.

Additionally, members of the study's task force held several teleconferences to determine and refine the study's scope and overall direction. Those members came from organizations such as: Advance Electrical Supply Co. Inc.; Legrand North America; Lithonia Lighting; Maurice Electrical Supply Co. Inc.; Schneider Electric Co.; Springfield Electric Supply Co.; and State Electric Supply Co.

The study's recommendations are presented in a convenient A-B-C outline representing distributors' various levels of commitment to green markets:

A: Feet Wet

Distributors who want to understand the market but who are not yet ready to fully commit to it should become more knowledgeable about local utility and state incentive programs, and focus on lighting upgrades and motor efficiency upgrades with variable-speed drives.

B: Up to the Waist

These distributors can begin training their existing sales force about green markets and technologies, and can seek to either develop or hire qualified sales staff dedicated to the lighting retrofit market.

C: Fully Immersed

Distributors with the resources and desire to fully commit to serving these markets can hire specialized sales staff and provide financing (directly or indirectly via partnerships) to lock in sales with key corporate and institutional customers.

For distributors who want to become more knowledgeable about energy markets, the appendix of the study offers a list of resources and glossary of some common terms used in the energy efficiency, green building and renewable energy markets.

NAED encourages distribution professionals to use this study as a resource manual to help them take advantage of new opportunities arising from the convergence energy supply shortfalls, dramatically increasing oil and energy prices, and an insistence on a measured response to climate change concerns. These forces represent not only a challenge to business, but a tremendous opportunity to electrical distributors.

Member companies can access an electronic version of the study for free from the NAED Learning Center. Printed versions of the study are also available for purchase by NAED members ($20) or non-members ($999). E-mail customerservice@naed.org for more information, or visit www.naed.org. NAED's membership operates in about 4400 locations internationally.

Funding for this project was provided by the NAED Education & Research Foundation through the Channel Advantage Partnership endowment. More than 46 electrical distributors and manufacturers have pledged more than $7.9 million since the endowment's creation in 2003. The NAED Foundation supports projects and programs that strengthen the electrical distribution channel. ■

Discovering new ways to communicate: *ChannelVision*

Rick McCarten

ChannelVision is a hit! The secret to its success, however, is that its polling is based on real enquiries from members.

The Supply & Distribution (S&D) Council recently implemented a new program for members called *ChannelVision,* which provides insight into what the channel—from an electrical industry standpoint in Canada—is doing and thinking about. In addition to providing relevant and timely information, we can now compile member feedback, which instantly allows us to identify trends and connections between topics, companies or products that may have otherwise been unapparent.

This information collection occurs biweekly via email to our members, and consists of a relational or casual question(s). Members only require a minute to view and respond; when they do, they can instantly see an average based on answers from the other respondents. Each poll is then added to the EFC website (www.electrofed.com) where members can refer to them.

While the program allows us to view the number of respondents, each respondent's anonymity remains intact. The question itself is targeted to a select audience of manufacturers, distributors and representatives in the electrical industry across Canada, which provides unique industry findings that are relevant to our members' business.

The biweekly question is not meant to replace in-depth research and analysis, as the poll is limited in its ability to differentiate between manufacturers and distributors, or compare answers by category. There is also no inference or analysis of the results.

Instead, *ChannelVision* is perhaps best likened to a question one might ask at a cocktail reception. Standing around at an industry event, one guest might ask another, "So how's business?". In fact, the person likely attended that reception to gather information or find the answer to a particular business question in the first place. He may receive five or six answers this way and, when those answers are consistent, they may influence a business decision.

ChannelVision typically gathers responses from about 70 to 100 members. We provide the answers immediately to them, and package them accordingly. The benefit behind all this information gathering is that it is done without anyone having to leave the office.

To date, *ChannelVision* is a hit! The secret to its success, however, is that its polling is based on *real enquiries from members*.

And even when a question is expected to elicit a predictable answer, there are still subtle indicators or factors that provide new and/or improved perspectives. One of the questions we have asked, "When are people going to retire?", provided valuable industry insight: 50% said before 2020, at a fairly steady pace. So while we may have known the industry is losing some baby boomers, we now know our members have a fairly good picture of the exact rate. Another question, "Is the industry willing to change partners?", provided a fascinating response: all respondents are willing to make channel partner changes in these economic times.

The federal government recently asked our association whether our industry has had difficulty finding credit; with *ChannelVision* information, we were able to confidently explain that while our credit resourcing is the same as last year, our end customers are the ones finding it more difficult to obtain credit. We were able to instruct the government to spend its efforts supporting *them,* because that is where it will make the biggest difference.

If you're interested in the dynamics of surveys, check out James Surowiecki's "The Wisdom of the Crowds"—an excellent book. He finds that diverse and self-interested individuals motivated by personal gain *collectively* have the most accurate predictions. The best example of this research can be found in sports betting where both experts and novices try to make the most accurate game predictions. Surowiecki found that, when you add novices' opinions to those of the experts, predictions *actually improve.* Again, people whose votes are based on self-interest and personal gain collectively make the best decisions.

So somewhere between a question at a cocktail reception and in-depth research sits *ChannelVision,* outperforming both in terms of immediacy and breadth of respondents (it reaches both allies and competitors). In addition, the aggregated industry information will serve as a godsend for employees entering leadership roles. And, when an answer becomes outdated, all we have to do is ask it again.

In a real way, *ChannelVision* is helping us learn more from each other and the industry in which we work, adding a new dimension to the way we operate. At its very least, this tool allows our members to relax at the next cocktail reception and enjoy the company; there's no need for guests to press others with 'timely questions' because they already have the answers. ■

Rick McCarten is vice-president of the S&D Council of Electro-Federation Canada (EFC) and president of CEMRA (Canadian Electrical Manufacturers Representatives Association). Visit www.electrofed.com.

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