SERVING THE ELECTRICAL DISTRIBUTOR CHANNEL ACROSS CANADA

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MARKET FORECAST:
Not time to celebrate yet

PLUS!

- Contingency planning
- Deadly impact of counterfeits

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Editor
Anthony Capkun - acapkun@annexweb.com

Publisher
John MacPherson - jmacpherson@annexweb.com

Account Manager
Scott Hoy - shoy@annexweb.com

Associate Editor
Alyssa Dalton - adalton@annexweb.com

Art Director
Svetlana Avrutin - savrutin@annexweb.com

Production Manager
Kathryn Nyenhuis - knyenhuis@annexweb.com

Subscriber Customer Service Representative
Karen Thomson - kthomson@annexweb.com

President
Michael Fredericks - mfredericks@annexweb.com

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222 Edward Street, Aurora, Ontario L4G 1W6
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e-mail: kthomson@annexweb.com

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CIRCULATION: Karen Thomson
e-mail: kthomson@annexweb.com
Tel: 1-866-790-6070 • Fax: 1-877-624-1940
Mail: P.O. Box 530, Simcoe, ON N3Y 4N5

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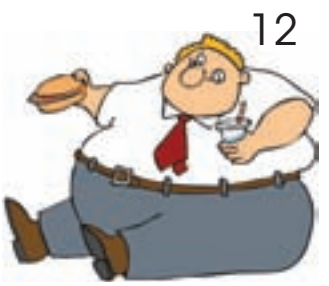

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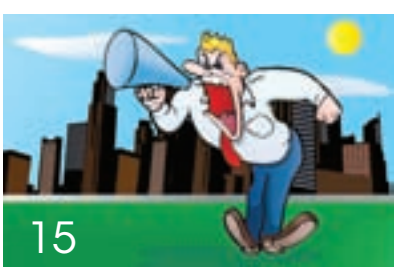

We are, after all, your community partner, and special occasions in our community are to be celebrated.

Our relationship is up to you!

Our team loves to get out intothe community to support and report on both supplier and distributor initiatives, events and special occasions. And, as you've seen with a few past editions of Electrical Business, welike to show off some of these events on our covers. But it doesn't stop there: we often have photos and videos, which are all uploaded to EBMag.com, and often sent out in our newsletters.

In just the last few months, we've covered: Nedco Keaton counter's grand re-opening; Electrical Safety Foundation International (ESFi) Canada's summit; Chatsworth Products Canadian sales office opening; Ontario Electrical League's Ottawa conference; Sonepar Canada's Energy Saving week; Manitoba Electrical League's Current Connections; Prairies Chapter meeting of the International Association of Electrical Inspectors; CSA's annual general meeting; GE Canadian Assembly Centre's 5th anniversary and Electric Odyssey Tour; Osso Electric's new Oshawa branch opening; GE Lighting Revolution Tour; Golf Tournament of the Electrical Contractors Association of Ontario and IBEW; Electro-Federation Canada's Federation Cup golf; and Siemens Canada's 100th anniversary and new headquarters unveiling.

That's quite a list, and they say the summer months are relaxing!

Unfortunately, not enough of you take advantage of this opportunity. I cannot tell you how many times I've chatted with one of you at a conference or tradeshow and learned that your company celebrated a milestone like, say, a 40th anniversary, or a new branch opening, etc... only I'd hear about it a year after the fact. You never thought to truly mark the occasion by *actually telling anyone* about it. You never considered that, "Hey, maybe we should tell the press about this special thing we're doing".

This is why our Go to Market columnist Caroline McGrath has been writing about communicating with the press and, in this issue, talks about writing News releases for the press. We want you to communicate with us. We want nothing more than to be there and report on your anniversary, your special tour, your golf tournament, etc. We are, after all, your community partner, and special occasions in our community are to be celebrated.

Just think of how happy you would feel to see your company featured in a video, or on a cover, or receiving a write-up in our magazines. The companies who foster strong relationships with the press are among the ones who enjoy the greatest brand recognition. But none of this can happen without your active involvement in your own self-promotion.

I encourage you to closely read Caroline's column, then consider how you can initiate a beneficial relationship with your electrical community press members. ■


DON'T TRY TO PASS THE BUCK OVER

BAD PRODUCT

Understanding your responsibilities under the Canada Consumer Products Safety Act

Jack Kuhner

HEALTH CANADA RECALLS IN RECENT MONTHS:

CORRECTION

In the Spring 2012 edition of Distribution & Supply, the article "Don't try to pass the buck over bad product" (page 22) incorrectly explained that among the initiatives for developing international safety standards was a "recently signed Memorandum of Understanding (MOU) between the ESA and the U.S. Consumer Product Safety Commission (CPSC)". In fact, the MoU is between Health Canada and the U.S. CPSC. We apologize for the error.

Let's not forget what makes us stronger

As the electrical industry returned from its annual conference in Whistler, the marketplace chose not to reward it with any meaningful growth. Early indications of an increase seemed to be a misfire (just like in 2011), and the drums of consolidation and change just kept beating.

While as an industry we seem to take one step forward, we should not forget that commodity prices are the real drivers, and a sustained and predictable horizon is as elusive as ever since 2008. Undaunted, many firms, agents, manufacturers and wholesalers have made the necessary changes to their business models, and are driving costs out of their businesses as best they can, hoping the pending upswing will drive increased margins.

But some have adopted another strategy to weather this storm, as evidenced by the recent acquisitions in both the manufacturing and wholesale segments. Three years ago, could we have imagined that Cooper Industries would be bought by Eaton; that ABB would acquire Thomas & Betts or that Liteco would sell to Rexel while Wesco bought up Brews and others beyond the traditional electrical market? Not to be outdone, Franklin Empire expanded its footprint into Ontario with its purchase of Electra Supply. And the market's not done yet, as key regional distributors are rumoured to be in play and new players are crossing the 49th Parallel to get a piece of the action.

This drive for scale has its obvious foundation in a need to leverage scale across new technology systems, but it's also addressing the underlying issue of succession plans and gaining new talent this industry needs, or the ability for the smaller family owned enterprise to invest to compete. The good news for Canada, at least, is that industry is buying industry, and we have not fallen victim to any really serious venture capital plays that could shake thee foundation of the electrical industry itself; profits move to debt service, reps are slashed in favour of loading existing sales overhead, and every product becomes a commodity.

The consolidation we see still worries many here in Canada as the potential concentration may again skew our market shares even more favourably in the hands of the larger firms. Canada has one of the most controlled channels

in the world, and without the buying/marketing groups, it could have been ever larger.

But what's the other trend these consolidations have for Canada? Unless we are careful, the core associations that serve the Canadian industry could be at risk, with the roles they play in bringing us together on issues, codes and standards, education, statistics and research—and ever-important networking—they themselves could become a mere asterisk on a North American group down the road.

Truth be told, Canadian subsidiaries and entities are more often than not the most profitable; the ones that exude the best end user relationships and are better run than their counterparts. And the reason is simple: our scale here has forced many of us to look way ahead, and get nimble and quick, and look beyond traditional models to provide the necessary scale to compete.

Our nature has been to network and debate; and we learn from one another in ways that have allowed us to carve out our niches and build our businesses in ways that are uniquely Canadian. Nowhere else globally are relationships so critical to success. As a country, we adopted EDI early; we build those relationships; we adopted and nurtured agents; we built national account models and we spread our wings to newer and more adaptive business models. And where did this start? At our association meetings, where we learned the bigger picture from one another; from one generation to the next, and from competitor to competitor.

Canada is unique with its numerous market segments—from energy and manufacturing to processing and mining—and we must remember that being close to your customer is important. After all, it is people, not companies, who buy. ■

John Kerr

Canada is unique with its numerous market segments—from energy and manufacturing to processing and mining—and we must remember that being close to your customer is important.

John Kerr is president of Kerrwil Integrated Inc.

ELECTRICAL COUNCIL
ELECTRO·FEDERATION CANADA

Time for us to embrace the internet

Rick McCarten

So the tools for the industry are here, and the time is past right.

Let's take a look at some facts that should convince you the time is right to get your company—and the electrical industry—into online sales.

● **Europe, 2008:** I toured a large distributor warehouse in Amsterdam. All orders were shipped out each night to arrive next day at the local branch. When the order came in online by 5:30 pm, it was guaranteed next day by 10:30 am. Four years ago, their online business was 30% and climbing.

● **Industry Study, 2010:** Our study on electrical contractor buying habits in Canada shows almost all contractors used the internet in the process of purchasing, relying on the web to assist in the daily management of their businesses. At the same time, we asked members whether they th ought their customers were using the internet, and most felt their customers were not. Worst case scenario, perhaps both answers were right; customers are using the internet, but not with our members!

● **Retail, 2010:** Retail use of the internet continues to climb. According to StatsCan, 80% of people over 16 uses the internet, 74% of them use it to window shop, 51% use it to purchase. In 2010, that amounted to $15.3 billion in sales.

● **Customer, 2012:** At an HVAC tradeshow, I met an old electrical contractor friend of mine. He said he was at the show because one of his suppliers was selling controls at the event and he wanted to talk to them. You see, he had never met them. They build and sell electrical exclusively in Europe, but they do sell online.

● **Competition, 2012:** Grainger has long been in the industrial market selling online. In 2010, 25% of its sales were online, but others are getting in on the action: Amazon.com is expanding its system to sell everything to everybody. Their latest foray is into industrial supply, and it hopes to soon have 500,000 searchable SKUs. Take a look at some stats on Amazon (soon to be your new channel competitor):

- Its growth rate over the last seven years has been 10X faster than conventional retail.
- Its share of internet sales is 25%.
- It operates on a $0.02 per dollar operating profit.
- Its 500,000-SKU industrial supply will have the top of the line coverage in the industrial industry.
- It has a 360-day return policy.
- It has dedicated service and technical help over the phone.
- It offers free two-day shipping on orders over $50.
- It has a corporate credit line.

● **Parallel system, 2012:** At this year's June conference, Steve Bieszczat of EPICOR spoke about the need for companies to get online. He gave a shining example of an industry similar to ours that had done it, and done it collectively: the automotive aftermarket. Using set rules and established industry guidelines, manufacturers, distributors and reps came up with a workable system for the channel.

● **System ready to implement, 2012:** Good news! The work has been done for our industry. IDEA was formed by manufacturers and distributors in the States to do just that for our industry . They have consistent formatting and 'attribute' fields that allow manufacturers to describe their products, and allow key customers to search and find what they need.

The thing about selling online—or even of fering window shopping—is you cannot do it without robust search engine optimization. W ithout descriptive information on the p roduct, you will be missed by search engine searches.

So the tools for the industry are here, and the time is *past* right: our customers want it! The need for us to adapt is more than apparent, so let's do it. ■

Rick McCarten is vice-president, Electrical Council, Electro-Federation Canada. Visit www.electrofed.com.

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MAINTAINING COMPANY STABILITY: CONTINGENCY PLANNING

Dr. Rick Johnson

A contingency plan is developed for specific situations when things either could go wrong, or are going wrong. Contingency plans include specific strategies, initiatives and actions designed to deal with identified variances to assumptions. These variances usually result in a particular problem, emergency or state of affairs. The plan also includes a monitoring process and 'triggers' for initiating planned actions. The plan is required to help businesses recover from serious incidents or economic crises in the minimum amount of time with minimum cost and disruption.

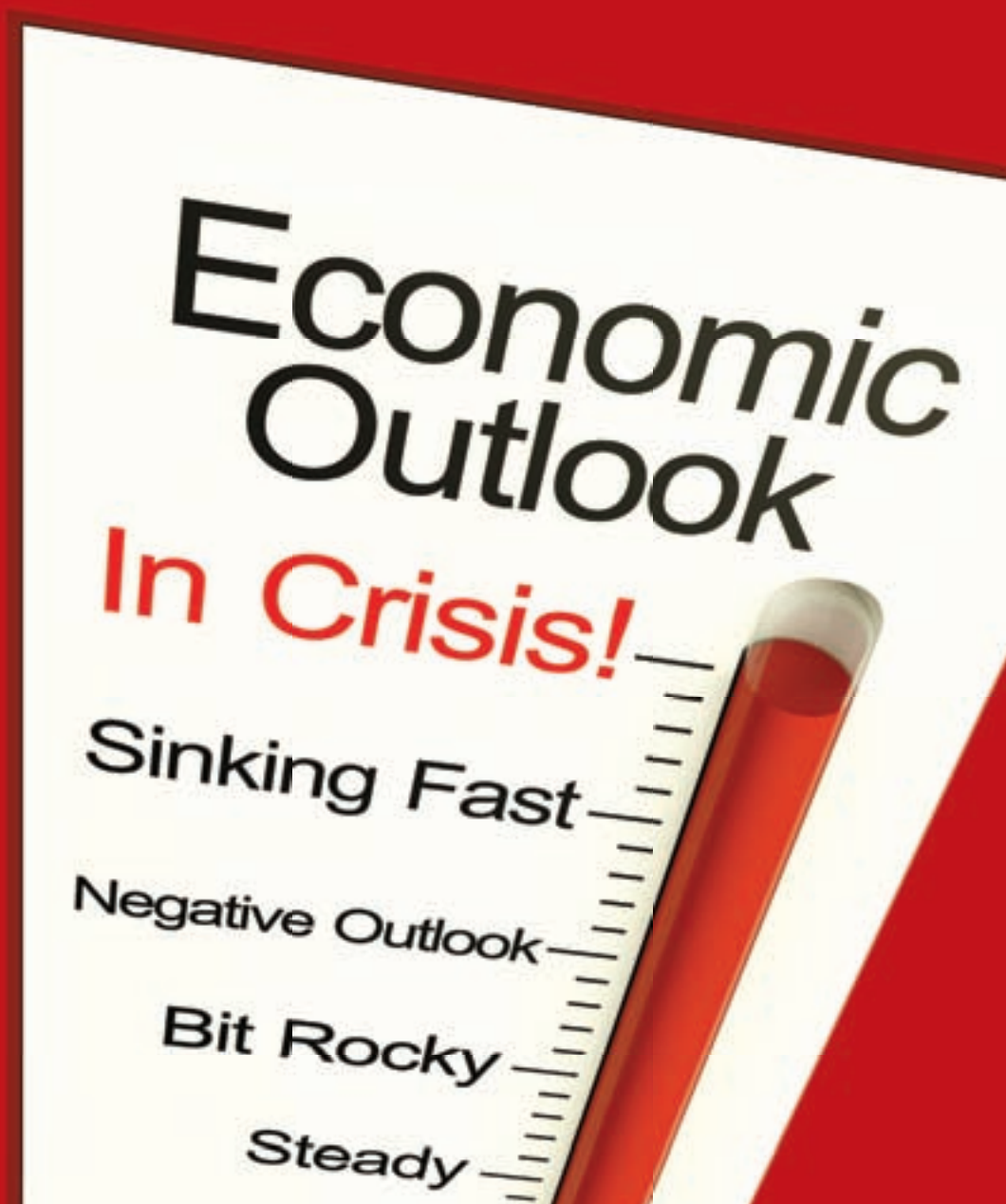
Contingency planning is a management process that identifies potential impacts that threaten an organization, and provides a framework for building resilience and the capability for an ef fective response and possible recovery. Once the initial contingency planning session is complete, ownership must decide exactly who will be part of the contingency planning team to execute the plan. An ef fective contingency plan must be fully integrated into the organization as an embedded management process.

Economic turbulence may demand contingency planning

Contingency planning is often essential and unavoidable during economic turbulence, but the creation of a sound plan is a complex undertaking, involving a number of stages and discrete activities. For example, initially it is necessary to understand the underlying risks and the potential impacts of market decline... this becomes the building block upon which a sensible business continuity plan must be built. Every aspect of the plan must be carefully managed to ensure it does not fall short of recovery and maintaining the company's stability.

Ownership must decide exactly who will be part of the contingency planning team to develop and execute the plan. Additionally, tactical questions and objectives include:

- How will meetings be run (e.g. pure upfront status-reporting)?
- Who will record the notes?
- Frequency and agenda for te am meetings.
- Operating principles while the plan is in effect (e.g. team approval of expenditures over $$$).
- How to address accountability and progress measurements?



Multiple-budget process

The platform for contingency planning due to a financial crisis is the multiple-budget process. This contingency budgeting process is survival action planning and should not be taken lightly or haphazardly Objectives include:

- Gross margin improvement
- Increased market share
- Decreased overhead
- Cost containment (death by a thousand cuts)
- Stable customer service
- Supply chain management
- Retrenchment (reduction in force if necessary)

So where do we start?

All budgets generally start with a sales forecast. Go back to the vice-president of sales and request a new, realistic forecast. By the way, sales management is intimately involved in this process. Chances are the new realistic forecast received from the salesforce is going to be highly optimistic. It is, by nature, difficult for any salesperson to forecast anything other than solid growth regardless of conditions. This is especially true when their incentive is based on revenue growth.

The chief financial officer (CFO) takes that forecast and, using historical percentages, creates a pro forma (a projected Profit & Loss [P&L] statement based on the forecast). Unless your sales force is unique and turned in a forecast showing no growth or a revenue decline, this forecast and pro forma become a basis for your Optimistic Forecast.

The next step is to take the current year's actual performance and extend it through year-end and determine the profitability or extent of loss expected. Additionally, take the prior year's actual P&L statement and post it openly in the 'war r oom'. I mention war room because you must have a convenient, confidential place for your contingency planning team to meet regularly and develop your plan. It's called a war room because a lot of blood may be shed (figuratively, of course) when the company faces substantial economic crisis.

Create a pro forma for a Realistic Forecast and a Catastrophic Forecast just as you did for the Optimistic Forecast. These three pro formas become the platforms from which you build three new budgets. When you are in the first half of the year, use last year's actual numbers as a basis for determining your three new budgets. When you are in the latter half of the current year—and can accurately predict year-end results without the impact of any of the changes discussed in your assessment process—then use that annualized pro forma as your basis point.

The three budgets you ultimately to prepare are called Catastrophic, Realistic and Optimistic.

Optimistic Budget calculation

In calculating the necessary expense reduction and margin improvement, the Optimistic Budget takes your platform year pro forma revenue as the forecast. You could even adjust it by a small percentage according to individual circumstances. The idea is to demonstrate credibility in recognition of the possibility that conditions can become much better than anticipated. In that event, you are prepared to execute according to plan.

Your budgeted revenue becomes a higher number utilizing historical data and percentages; you calculate your gross profit dollars. You then take your platform year's budgeted total expense (without any restructuring adjustment) and subtract that from the gross profit dollars. This shows your resulting pretax profit or loss.

Realistic Budget calculation

In calculating your necessary expense reduction and margin improvement, the Realistic Budget takes your platform year pro forma revenue and decreases it by 5% to 20%. This may vary according to individual circumstances. The idea is to demonstrate credibility in recognition of the possibility that conditions can become much worse than anticipated. In that event, you are prepared to execute according to plan.

Your budgeted revenue becomes a lower number recognizing economic turbulence; next you calculate your gross profit dollars. You then take your platform year's budgeted total expense (without any restructuring adjustment) and subtract that from the gross profit dollars. This shows your resulting pretax loss or profit.

Your objective in making a presentation to your bank should be to convince them

that you will end the next year with an achievement somewhere between the realistic budget and the optimistic budget. If your presentation is done well, backed up by facts with definitive initiatives and action plans, the bank will probably believe that you will end the next year somewhere between the realistic budget and the catastrophic budget. That' s okay because it means you have stopped the bleeding and will end the year a stronger company, in control of your destiny and able to turn next year into a very profitable one.

Catastrophic Budget calculation

In calculating your necessary expense reduction and margin improvement, the Catastrophic Budget takes your platform year pro forma revenue and reduces it according to your forecast (a 20% to 50% decline). Again, this may vary according to individual circumstances. The idea is to demonstrate credibility in recognition of the possibility that conditions can become exceptionally worse than anticipated. In that event, you are prepared to minimize your losses by initiating your Catastrophic Budget.

Your budgeted revenue becomes a reduced number from your platform year (based on economic predictions; this reduction could be substantial). Utilizing historical data and percentages, you calculate your gross profit dollars. You then take your platform year's budgeted total expense (without any restructuring adjustment) and subtract that from the gross profit dollars. This shows your resulting profit or most likely your resulting pretax loss.

Closing the gap

The three budgets indicate exa ctly how much cost reduction will be necessary to meet specific profit objectives established for each budget. The Catastrophic Budget

may actually acknowledge a forecasted loss or break-even at best. Now it's time to close the gap and create the actual contingency plan. This plan should list detailed strategic initiatives, action plans, critical constraints, milestones and key performance indicators (KPIs) to be used in the accountability process. All numbers and spreadsheets showing data-crunching must back-up the contingency plan. The basic methods used to close the gap include:

- Reduction in workforce
- Cost containment
  (death by a thousand cuts)

Gross profit improvements may not be realistic due to the market dynamics during economic turbulence. However, pricing and purchasing opportunities should be explored to determine whether changes in process, control or effectiveness can contribute to an increase in profit margins. Many times, closer management of the pricing system alone can produce an increase in profit margins without increasing prices. This could contribute to closing the gap. Each budget should be categorized to reflect how the gap (deficit) is to be closed.

I. Operational strategy

Red Light • Yellow Light • Green Light

Once the budgets are complete and the gap closures (cost-reduction initiatives) are identified, you must determine the timeline for execution and at what stage of economic crisis. How do you know when to initiate further cost reductions? When to relax and when to be on guard? In turbulent economic times, you must be able to act and react quickly. You will be observing numerous indicators, which is why interpreting and understanding these measurement tools is critical. These indicators may include:

Internal

- Cash-to-cash cycle
- Operating profit
- DSO-accounts receivable
- Payables aging-trend line
- Gross margin %
- Gross margin $
- Quote activity
- Backlog
- Book-to-ship ratios
- Head count
- Specific initiatives
- Budget analysis
- Book-to-quote ratios

External

- Interest rates
- Manufacturing backlog
- Purchasing manager's index
- Business publication reports
- Government statistical websites
- Association reports

The Red Light-Yellow Light-Green Light scenario establishes the mode in which you should be operating based on the key indicators you have established:

Red Light	-	Catastrophic Plan
Yellow Light	-	Realistic Plan
Green Light	-	Optimistic Plan

In a contingency situation, you automatically implement the realistic plan in a precautionary status. You are in Yellow Light mode. Then you determine whether you move to either Red Light or Green Light modes by tracking your indicators.

Window of opportunity

The state of the economy is what you believe it to be. Your beliefs have a major impact on your employees' attitudes. Beliefs that drive your sales behaviours are the keys to becoming successful in a down economy. When you believe an economic crisis can provide you with opportunities, then this optimistic attitude will drive the behaviour of your employees.

This is not the time to panic. Yes, there are economic problems, but there are also opportunities! Leadership during tough economic times is about not panicking, and that's exactly the message I want to get across: Don't panic! Panic causes knee-jerk reactions, which are rarely correct. Deliberate leadership, clear thinking and solid contingency planning strategies will lead to success and recovery. Panic leads to failure. As a leader, you need to be deliberate, thoughtful and take the actions necessary to stabilize the future of your business. ■

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 speaker and trainer. To learn more, visit www.ceostrategist.com.

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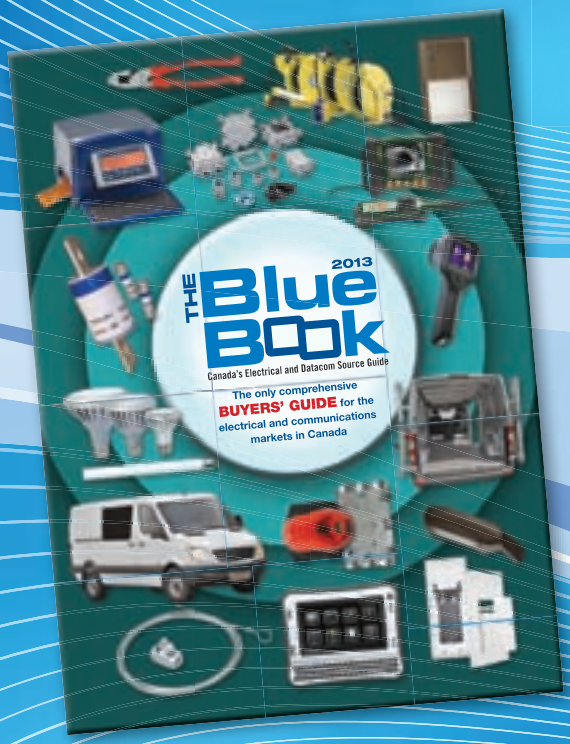

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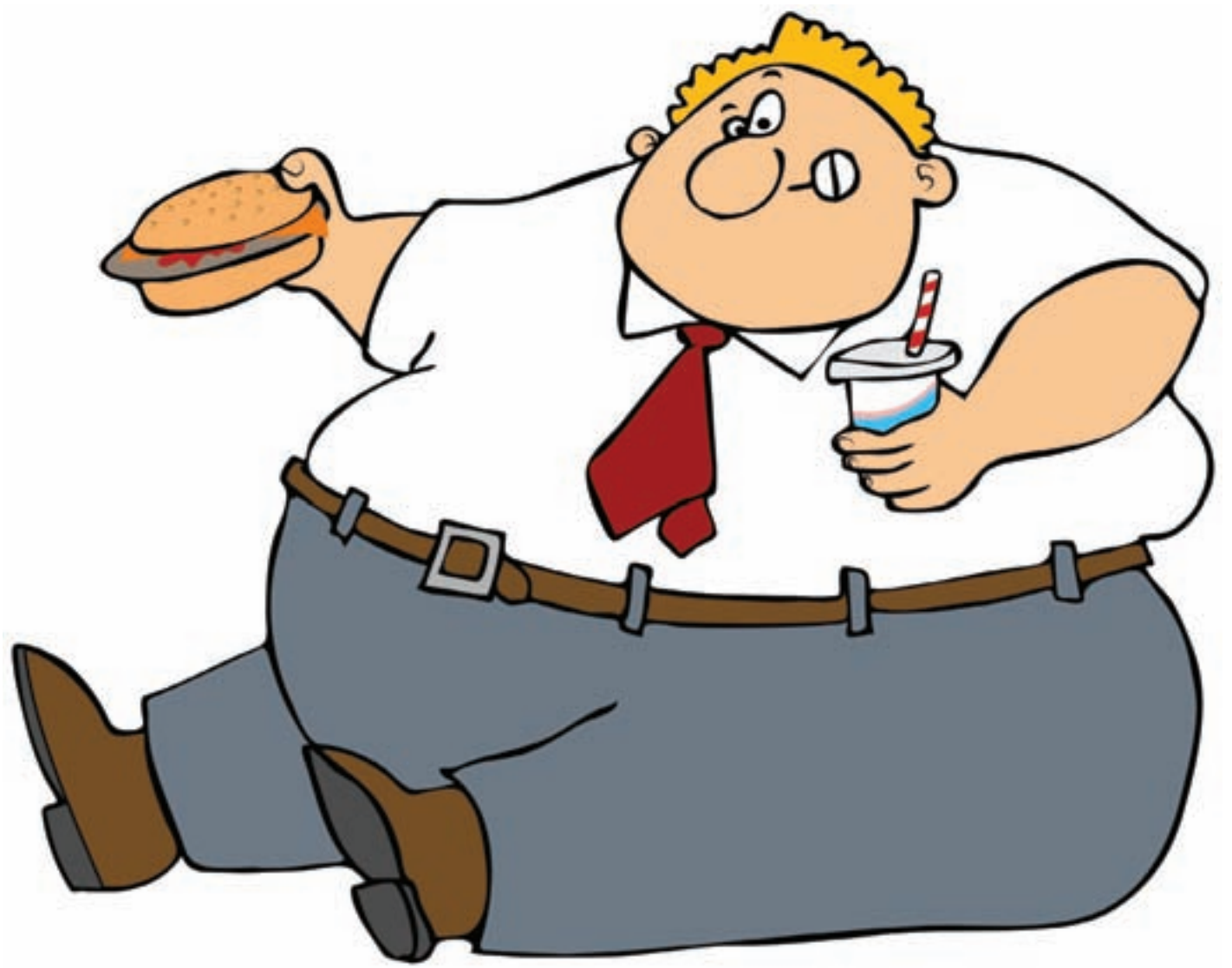
FAT, DUMB AND HAPPY IS A CHOICE!

David Nour



I recently had lunch with a colleague (let's call him Bob), and couldn't help but make some general observations—not to be judgmental, just the blatantly obvious: Bob had become fat, dumb and happy. You see, Bob came up with an interesting idea in the mid-1980s and became very engaged in consulting with global companies of varying sizes and industries. For the past two decades, he has milked every possible angle you can imagine on this simple (yet unique and powerful at its zenith) idea.

You cannot argue with success and, by all measures, Bob was quite successful. But a fundamental problem with success is the danger of becoming complacent, which is exactly what happened to Bob. He no longer felt he needed to innovate and, as such, his ideas are no longer relevant. When I enquired about his business during lunch, he replied with a dejected look on his face that it has flatlined.

Of course, he listed off a number of excuses related to the economy and comparatives to others he knew—none of whom I recognized as leaders in their respective fields.

I couldn't help but notice that Bob's jacket was too tight and that he was wearing his belt under—rather than around—his waist. My impression was that Bob is probably 50 lb overweight and badly out of shape; he began to breathe heavily as we walked just a couple of blocks to our restaurant.

It is evident he has lost his edge, not just in physical appearance (compared to the pictures I had seen of him at the height of his success), but also in content; thinking back to the audio sessions I had heard, or video clips I had seen of him as energetic, vibrant, poignant, practical, I could not help but think, "Wow, Bob was *it!*". Unfortunately, that was the Bob of 20 years ago.

Over lunch I gathered that Bob had also lost a great deal of his self-esteem/confidence, as evidenced by the work he is doing now; imagine someone who is used to working with senior executives at global companies (mahogany row) now working with completely obscure and miniscule/irrelevant organizations at a fraction of his fee.

When I offered some suggestions, he was polite enough to jot them down, but you could clearly see his newly developed (and rather refined) low tolerance for risk.

In all fairness, I only spent a couple of hours with Bob, and am certainly not privy to the bigger picture of what's going on in his life. And this article isn't really about Bob, but rather doing three things to stay relevant, sharp and on the edge of business success—to not only survive in this or any other economy, but to thrive!

Call to action

It has been said that adversity reveals genius while prosperity conceals it. This economy, this market, these difficult time through which many of us are going is the perfect time to reinvent your business model, revenue model, or portfolio of most strategic and valuable relationships.

Aim to implement the following three best practices:

1. Get into shape and stay in shape

Physically and mentally. There are far more credible sources than I that can validate the benefits of consistent physical exercise, such as increased oxygen flow to your heart and brain. When you get adequate sleep and are well rested, you function more effectively. When you eat healthier, you feel better. When you exercise your

brain, you reestablish synapses that help you think more clearly and remember information more readily.

When I hear someone say they are too busy to get into shape, it simply means that they are not willing to make it a priority; we always manage to make time for the things that are important.

2. Constantly innovate

Some of my colleagues in the professional speaking or consulting world are deadly afraid of sharing their content/intellectual property (IP) online. Meantime, I have several of my presentations on slideshare.net... feel free to view, copy and download them, and share them with everyone you know. On RENetworks—our private enterprise social networking site—I'm constantly adding new content you can download and implement in your relationship development or social networking efforts.

You see, I am not afraid to put my content out there for others to use, because the next time you see me, I will present entirely different content.

Professional speakers are also fairly aggressive in trademarking or copywriting IP. When I began speaking professionally I promised myself I would not become a 'pull-string' speaker (i.e. say the exact same thing time and again, just like a pull-string doll with a built-in phrase). In fact, what better way to research, rebuild and innovate your ideas than by sharing them with as many people as you can.

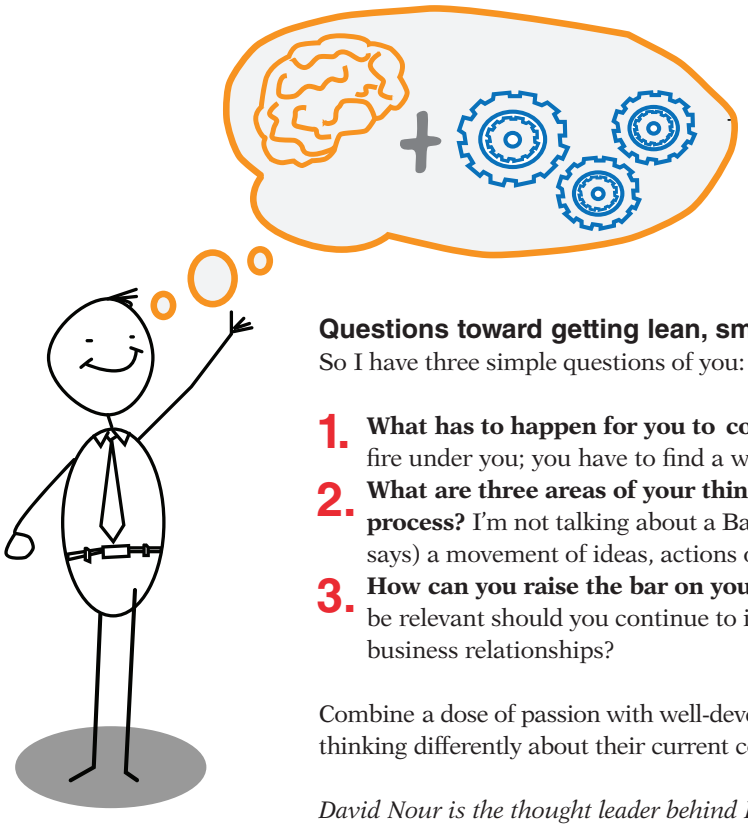
If you've heard my Adaptive Innovation keynote, I illustrate the 'S' curve of innovation, which simply shows that, before the height of your current idea, you're ideally working on the next evolution (if not revolution) of that idea.

This is why I love to read, write and present to very diverse groups; as I research each one, as I go wider and deeper on key areas of Relationship Economics or Social Networking Best Practices, I am humbled by what I can learn from, and share with, others. With this process, you find ways of doing things differently (true innovation) versus simply just better (incrementalism).

3. Become a life-long learner

How do you grow personally and professionally? What do you read consistently to push you to think differently about topics you find of interest or value? How do you try out new ideas?

One of my mentors insists "If you're not failing, you're not trying!", because every failure brings valuable lessons e.g. how we evaluate a situation, how we react to it, and whether we are able to achieve the results we desire. I value the humour that bombs in my presentations, because I'll go back and tweak it. I put on workshops I've never conducted before; present webinars on new and exciting topics;



collaborate with incredibly insightful thinkers I respect immensely; research a book that's near and dear to my heart about those who escape the current dictatorship in Iran—all of which push me to raise the bar on my personal and professional growth.

Questions toward getting lean, smart and energized

So I have three simple questions of you:

1. **What has to happen for you to commit to staying in physical and mental shape?** No one can light a fire under you; you have to find a way to light a fire within you.
2. **What are three areas of your thinking or living you can do dif ferently while innovating in the process?** I'm not talking about a Band-Aid solution, but a real commitment to create (as Seth Godin says) a movement of ideas, actions or a purpose?
3. **How can you raise the bar on your personal and professional growth?** In 20 years, will you still be relevant should you continue to ignore social networking trends that are reshaping basic tenets of business relationships?

Combine a dose of passion with well-developed competence and the ability to excite or disturb others; get them thinking differently about their current conditions, and your business will do far better than flatline. ■

David Nour is the thought leader behind Relationship Economics: the quantifiable value of business relationships. Nour has pioneered the phenomenon that relationships are the greatest of f-balance sheet asset any organizations possesses, large and small, public or private. He is the author of several books, including the best-selling "Relationship Economics" (Wiley). Visit www.relationshipeconomics.net.

The long and short of writing a newsworthy News Release

Caroline McGrath

Used correctly, it can be a valuable tool for building awareness for your company announcements and new product introductions.

If Public Relations is one of the most misunderstood of all marketing communications disciplines, then perhaps the News Release is one of its most misused tools. Although it remains one of the most widely used tactics in the PR toolkit, there are several important decisions that have to be made before sitting down to write a News Release.

First and foremost, a News Release should be about news that attributes value back to your organization. A good News Release will contain time-sensitive information announcing a new product, service or solution, a company milestone or a customer win. It begins with a short, compelling headline that succinctly summarizes the news and what it means to the intended audience. Sound simple? Not so fast. Today, headlines must be written with search engines in mind. Given that most search engines only index the first 75 characters, you should keep your headline somewhere around a dozen words and keyword-rich.

One mainstream Press Editor told me she receives upward of 1000 News Releases per week. What this means is that you have a very short window in which to tell—and sell—your news.

Sadly, most News Releases don't include the basics and, most importantly, do not follow the inverted pyramid rule i.e. placing the most important information first. The first couple of paragraphs are essential for covering the basics... the Five Ws:

- What... is being announced?
- Who... does this news impact?
- Why... should the intended audience care?
- When... does this news take effect?
- Where... does this news apply?

Writing a News Release in this format helps the Press quickly evaluate the relevance of your news for their readers without having to dig very far.

Many News Releases are simply too long. The best length for a news release is somewhere around 250 words. Anything much longer than that, and news portals may reject it or, worse, cut it off somewhere in the middle. You can use links to drive your audience back to your website's online newsroom for detailed fact sheets, backgrounders and deeper, richer content on the product or service you are announcing. You should also provide your social media handles so media can quickly link to your Twitter, Facebook and LinkedIn pages.

Today it's less about search and more about being found. News Releases can be great tools for building Search Engine Optimization (SEO) rankings. Embedding keywords or tags can help your News Release get picked up by crawlers from sites like Google, Yahoo! and other news aggregators. However, don't forget to keep the reader in mind as you write your News Release. And don't optimize it to the point where you've rendered it into a completely unreadable, meaningless string of keywords and phrases!

Because a News Release is essentially a strategic tool to help you tell a story, embedding video, images and multimedia content can make your news that much more compelling. Take the time to provide short, descriptive captions along with your videos and images. It is widely reported that press releases with multimedia content receive more pick up than those without.

Personalize the release with a short quote from a senior company executive or spokesperson that comments on the significance of the announcement, ideally from the customer standpoint. But keep the jargon, marketing hype and corporate speak to a minimum. Don't attribute over-used words and phrases such as innovative, world-class, award-winning, industry-leading to your spokesperson. Write about what your product or service will do for your customers. Keeping it conversational makes it more believable.

Finally provide contact information for reporters who may wish to follow up with questions or requests for interviews.

While the News Release has evolved to reflect the demands of today's evolving media ecosystem, it is still essentially a tool used to get your news out. Used correctly, it can be a valuable tool for building awareness for your company announcements and new product introductions, and driving customers to your website. ■

Caroline McGrath is principal of CMM Communications Group, a network-based public relations firm specialized in technology, telecom, CleanTech and sustainable industries. She can be reached at caroline@cmm-communications.com.

THE DEADLY IMPACT OF COUNTERFEIT PRODUCTS

Daniel Langlois, B.Sc., CET

PHOTO BY1000 WORDS / SHUTTERSTOCK.COM

Caveat emptor: buyer beware! That designer watch or handbag might not hurt you, but buy that discounted holiday light string or of f-brand electrical equipment and you may live to regret it. Or, worse yet, you may not.

Forget the notion of counterfeit products being cheaply made versions of designer bags, watches and sunglasses. Today's counterfeiters know the real money is in infiltrating the global supply chain with component products integral to manufacturers and end users; products most people wouldn't even consider to be attractive to counterfeiters.

From electrical power bars to holiday lights, circuit breakers to light bulbs, if it can be purchased legally at the manufacturer's suggested retail price, it can be counterfeited and sold to unsuspecting consumers at a fraction of the cost. Not surprisingly, that reduced price can come at the expense of important safety components.

Compounding the problem, counterfeiters even copy the proprietary certification marks of testing and certification organizations like CSA Group to give their products a greater appearance of legitimacy. Fooled consumers believe they are buying legitimate products with authentic certification marks, leading them to believe the items have been tested to the requirements of applicable safety standards.

To help combat this, CSA Group works with international peer organizations, law firms, manufacturers, governments and law enforcement around the globe to combat product counterfeiting and intellectual property crimes. CSA Group is a founding member of the Canadian Anti-Counterfeiting Network (CACN, www.cacn.ca) and a member of a number of like-minded organizations.

Dangerous and deadly

The consequences of product counterfeiting can be both dangerous and deadly. Counterfeit circuit breakers were found in use in the industrial electrical panel at one hospital. The circuit breakers were completely incapable of handling the required load.

CSA Group is currently investigating suspicious aftermarket electrical components that were found at a national hardware retailer in Canada, and recently worked with the RCMP investigating the seizure of counterfeit prescription pill bottles.

In the fall of 2011, CSA Group was anonymously notified that electric seasonal holiday decorations destined for a major retail chain in Ontario were missing proper certification

marks and were potentially counterfeit. CSA worked with law enforcement of ficials and the importer to have the container quarantined until the items could be inspected. Subsequent investigations proved the suspicions to be correct: the products bore counterfeit CSA registered trademarks, cautionary labelling and packaging. In the end, the products did not reach the consumer and were the subject of a CSA Safety Alert.

CSA also took an active lead in a Quebec investigation that resulted in the deliberate destruction of a large number of counterfeit electrical and conduit boxes bearing the CSA certification mark.

Protecting the supply chain

Many North American manufacturers have exported the production and assembly of their products to different parts of the world to maximize profits. Consequently, they grapple with long, complex supply chains that can often be difficult to audit. The products themselves are also becoming more complicated as manufacturers combine components and services from mu ltiple suppliers and multiple jurisdictions. As a result, products as a whole and their individual components are at risk of having counterfeiters breach the integrity of the supply chain.

Protecting supply chain integrity is of the utmost importance for manufacturers whose reputations are at stake. To effectively safeguard against counterfeiting, there are several steps manufacturers can take at each point in their production process.

To combat the proliferation of counterfeit products, members of the supply chain must collaborate to institute a better component tracking system. A rigorous internal quality standard—based on an inspection program of all incoming parts—can help to keep the supply chain clean.

It is important to document dates, lot codes and photograph all products to maximize traceability should a product be found to be counterfeit or sub-standard. Manufactur - ers should also perform due diligence when working with new component suppliers.

Establishing a system of checks and balances throughout the supply chain can help manufacturers detect counterfeit components. Frequent and random testing and retesting of product samples will aid in exposing counterfeit components. In addition, internal quality assurance inspectors should be encouraged to act as whistleblowers when they spot something suspicious.

Providing localized services

As manufacturing continues to grow abroad, many certification and product evaluation organizations such as CSA Group are establishing laboratories around the world to provide localized services. This global network approach shortens testing and certification times since products don't have to be verified in North America. It also helps to identify potential problems sooner, enabling certified products to be introduced to the market in a timely manner—a crucial consideration for manufacturers trying to get ahead of the competition.

The trend toward outsourced manufacturing by Western industries to Asia has enabled counterfeiters in those countries to quickly learn copy designs and advanced production techniques. Foreign regulators and enforcement agencies have often been overwhelmed in enforcing intellectual property statutes while corruption at the law enforcement level can be a problem in some regions.

Consumers, retailers and manufacturers need to be concerned with counterfeit items that enter the market, and also be aware of the widespread use of counterfeit certification marks. Counterfeiters know that to pass their products off as legitimate goods a certification mark is necessary to gain market entry.

"Counterfeiters can no longer be dismissed as con artists, or is olated street peddlers trying to earn a few dollars," said RJ Falconi, executive vice-president, general counsel and corporate secretary of CSA Group. "They are criminals, as surely as those who would steal your identity because they are stealing the identities and valuable brand names of responsible manufacturers, as well as the CSA certification mark."

Counterfeit marks undermine the entire global system of standards, testing and certification that have been put in place to protect the interest of retailers, regulators, product manufacturers and, most importantly, consumers. They also present a real danger to the public as counterfeiters often use substandard materials or bypass safety features to make a profit. When left unchecked, counterfeit certification marks can enable unsafe or deficient products to gain widespr ead access to the North American market—a direct safety risk to consumers.

"At CSA, we have a zero tolerance policy when it comes to the unauthorized use of our mark, which is ultimately our most valuable asset. If we find it on products that have not earned it, we will confiscate it and we will destroy it. It is that important to us."

Covert security features

Many legitimate certification marks use covert security features to help prevent unauthorized duplication, but raising awareness about the risk of counterfeit products and educating consumers about the processes needed to identify legitimate certification marks is also critical. Globally, manufacturers, retailers, law enforcement and regulators must work cooperatively to ensure messages are delivered and consumers protected.

The underground nature of product counterfeiting means we will likely never understand the true economic impact of counterfeiting on the economy. Investigative agencies including the U.S. Department of Homeland Security, the Federal Bureau of Investigation (FBI) and international police services such as Interpol estimate the impact to be hundreds of billions of dollars annually. In 2011 alone, U.S. Customs seized more than $10 million-worth of electrical products illegally bearing the CSA certification mark.

In addition, there are costs to the economy, including the loss of sales revenue, taxes and jobs due to declining sales of legitimate products. Counterfeit products also compromise brand integrity and consumer confidence, and increase the risk of legal action and unfavourable publicity to stakeholders.

At a 2008 summit at Interpol headquarters in Lyon, France, 11 of the world's leading certification peer organizations joined to form the Certification Industry Anti-Counterfeiting Coalition. The summit served as the corner - stone to launch Operation Overshock, an ongoing global operation that targets products bearing counterfeit certification marks. The operation includes an integrated task force consisting of relevant international police and customs agencies in partnership with certification bodies from around the world.

Valuable brand assets

Proprietary, trademarked certification marks are among the most valuable brand assets of CSA Group and other testing laboratories.

Every day, buyers, contractors, distributors and others make important decisions about

the products they will use. While factors such as new technology, a manufacturer's name and reputation, and technical support can play important roles in the selection process, the presence of a certification mark from a qualified laboratory can be a key prerequisite of product acceptance.

In recent years, the production of counterfeit products has been linked to organized crime and terrorist groups by Interpol, the U.S. Department of Homeland Security and Chamber of Commerce, the FBI, RCMP and other stakeholders around the world.

Product certification marks are the result of an independent, third-party testing and certification process. As such, they provide credible evidence that the products bearing them comply with applicable standards for safety and performance.

Certification marks—such as the CSA certification mark, the CSA Blue Star, or those from other reputable and accredited testing agencies—are found on a range of products, including commercial electrical and gas equipment, plumbing products, water purification units, heating and ventilating equipment and lighting products.

The marks appear on products and may be included on product packaging. They demonstrate that a product has undergone independent, third-party testing and certification, performed by an accredited/recognized testing and certification organization. The display of certification marks is not at the discretion of the product manufacturer. These marks may only be used on qualified products under license from the laboratory that tested the product and confirmed that it conforms to applicable national, international or other standards for safety and/or performance.

New laws on the books

In the fall of 2011, the Government of Canada enacted the Canada Consumer Product Safety Act of 2011 (CCPSA). The catalyst for the introduction of the CCPSA was the recognition that Canada had fallen behind peer nations in having the necessary tools to combat product counterfeiting and intellectual property crimes, and that needed to be rectified.

The CCPSA adopts modern tools and techniques that strengthen protection and bring Canada's consumer product safety system into line with key trading partners globally.

The act applies to a variety of consumer products, including household products, sporting goods and children's toys, but excludes products like motor vehicles and their integral parts, food, drugs (including natural health products) and animals, as these are regulated by other Canadian laws.

"We are delighted that this act is giving Canada some of the strongest consumer product safety legislation in the world," said Suzanne Kiraly, executive vice-president, Global Business Strategy & Government Relations for CSA Group. "CSA Group has been an active partner in raising awareness of unsafe, uncertified and counterfeit products in the Canadian and global marketplace."

Both domestically and internationally, CSA Group actively attempts to stem the flow of counterfeit products. In September 2011, CSA Group investigators attended Interpol's International IP Crime Conference in Spain. The three-day conference brought together more than 500 IP crime law specialists, investigators and prosecutors from 52 countries representing both the public and private sectors. The event was co-hosted by Interpol and Europol, in partnership with Underwriters Laboratories.

Key items on the conference agenda included the nature and extent of transnational organized intellectual property crime, extending integrated enforcement strategies on a global level, enhancing public-private partnerships, as well as training and capacity building.

CSA Group employs a team of subject matter experts who are dedicated to helping ensure only products authorized to do so bear the CSA certification mark. Terry Hunter, Manager of Anti-Counterfeiting and Global IP Enforcement, and Kathy Molnar, Intellectual Property Enforcement Investigations, regularly field calls from concerned consumers, retailers, manufacturers and importers who are on the lookout for suspicious products.

Checking legitimacy

Not sure whether a product is legitimate? Here are some tips to help you protect yourself against potentially unsafe counterfeit products:

Significantly lower pricing
If the price seems too good to be true, it probably is. Compare pricing of similar products, as well as warranty and certification marks.

Cheap production
Check and compare the 'look and feel' of goods. Fakes are often light and flimsy. Look for the mark: a system of standards has been put in place to test and certify products. Avoid electrical, mechanical, plumbing, gas or other standardized products when a certification mark from a recognized certification organization is missing. Take it upon yourself to ensure you purchase a certified product every time.

Poor spelling
Look for misspellings and unclear printing on packaging, products, labels or instructions. The packaging of counterfeit goods often has poor design, or shows only partial illustrations.

Missing items
Check for a discrepancy between the contents of the package and the item's description on the outside of the package, as well as for missing product information.

Know your retailer
When in doubt, buy only from reputable, well-known stores.

Give with a conscience
Before wrapping a gift for your special someone, make sure it displays any applicable certification marks. Also check for hazards such as loose parts or poor construction. ■

Daniel Langlois is the senior manager of the Global Mark Integrity Team at CSA Group, and is the secretary to the board of directors for the International Association of Electrical Inspectors (IAEI) Canada. *This article originally appeared in the March/April 2012 edition of IAEI News.*

IT'S NOT ALL DOOM AND GLOOM, but not time to celebrate either

2012-2013 Canadian market forecast

D&S Staff

To get a better sense of where our economy sits, and where we may be headed, D&S Staff turned to two expert sources: representatives from Canadian electrical distributors, and one of Canada's major banks—BMO.

Regarding the latter, we drew heavily upon news releases issued by the bank that provided perspectives and summaries from the Provincial Monitor report from BMO Economics (www.bmocm.com/economics). As for electrical distributors, we interviewed several with branches across the country—who shall remain anonymous—and asked how they felt they were performing this year in comparison to last, and how they felt they would perform for the remainder of 2012 and into 2013.

Canada summary

According to the July 2012 results of SME Business Outlook Survey, conducted by Canadian Federation of Independent Business (CFIB), optimism among Canada's small and mid-sized businesses sank a little deeper in July. CFIB's Business Barometer Index fell to 60.9, down 1.2 points from June and its fourth consecutive monthly decline. The index now stands at its lowest level since its 58.6 reading in July 2009. The major difference back then was that it was trending in the opposite direction. The index's current position against GDP puts it very close to the zero-growth mark, suggesting Canada's economy is nearing a standstill.

According to the latest edition of the Provincial Monitor report from BMO Economics, while the Canadian economy continues to grow at a moderate pace, there is a widening gap between commodity-rich Western provinces and the manufacturing-heavy provinces in Central and Atlantic Canada.

"The resource sector continues to fuel growth in Western Canada, with Alberta likely to lead the pack in 2012 after posting 5% real GDP growth last year," says Doug Porter, deputy chief economist, BMO Capital Markets. Meantime, notes Porter, Saskatchewan is also benefiting from rising oil production in the Bakken, and continues to see a very tight labour market and strong population flows. "Manitoba's diverse economy should see above-average growth in 2012."

"The West is still really strong, although a lot of projects are being held up because of the huge volatility in raw material/commodity prices globally," Distributor #3 points out. "They're holding back the release of a fair bit of business."

The BMO report notes that improved U.S. economic momentum since late last year is good news for exporters in Central Canada, but fiscal restraint continues to dampen the medium-term outlook in Ontario and Quebec. "Growth in the central provinces will likely run below 2% in 2012," says Porter."The auto sector is one bright spot, with sales in both Canada and the U.S. showing strong momentum, and production climbing back to pre-crisis levels." But, Porter warns, a rising tax burden will continue to weigh on growth in Quebec, and spending restraint will begin to "bite in Ontario as the province grapples with a near-$15 billion deficit".

"I don't think we're looking for a lot of change year-over-year. All of that can change, of course, if there are government incentive programs or efficiency programs—they drive a fair bit of demand in some areas," reveals Distributor #3.

"The commercial business is holdings its own... it's flat," notes Distributor #1. "There's been a real lack of government-initiated spending since March of last year, when most of the infrastructure money dried up. We don't see as much work on schools, medical centres, hospitals as we have in the past."

In Atlantic Canada, modest U.S. economic growth, a strong loonie and fading public-sector capital spending will mean lower growth in Atlantic Canada this year, with all provinces in the region at or below 2%. "While preparatory work for Nova Scotia's $25-billion federal shipbuilding contract is underway, growth likely won't get a significant boost until 2013," notes Porter. "Meantime, Newfoundland & Labrador—the region's recent growth leader—is likely to see offshore oil production drop in 2012 amid maintenance shutdowns and gradually falling output; broader domestic demand, however, should remain solid."

British Columbia

The B.C. economy has cooled, but should still grow 2.3% this year and rebound to 2.7% in 2013, according to BMO Economics.

"The B.C. economy has been affected by a number of headwinds, including a cooling housing market, weaker Asian export demand and still-moderate U.S. economic growth," says Robert Kavcic, economist, BMO Capital Markets.

Meantime, Kavcic explains, the condo market continues to lead new building activity, with units under construction up 32% year-over-year in Vancouver in February, and the number of newly completed and unoccupied units near the highest level in 12 years. At the same time, a cooling Chinese property market has "sapped some momentum from recently robust forestry exports" to that region.

"Despite the moderating effect of the global economic climate, our commercial customers remain optimistic about their business prospects," says Derral Moriyama, senior vice-president, commercial, Greater Vancouver District, BMO Bank of Montreal. "Manufacturers in particular who made the decision 12 to 18 months ago to upgrade their infrastructure and retool their processes are beginning to see a lift from those strategic investments."

Alberta

Alberta's economy significantly outperformed the national average in 2011, says BMO Economics, as rising oil production fuelled 5.2% real GDP growth. The province should remain atop the Canadian leaderboard this year, with growth running 1.5 percentage points above the national average at 3.4%.

"The energy sector continues to drive growth in the province, with oil production up 9.8% in 2011 despite some temporary disruptions," says Kavcic.

"With the private sector driving Alberta's impressive employment growth, Albertans

are demonstrating their confidence in the economy," says Bill Hogg, district vice-president, commercial, Alberta, BMO Bank of Montreal. "It's no surprise that we're seeing entrepreneurs continue to make strategic investments to grow their businesses and open up new markets."

Saskatchewan

Saskatchewan's economy remains among the top performers in Canada, boosted by a strong resource sector, healthy labour market and firm population growth, according to BMO Economics. Real GDP expanded 4.8% in 2011, and should continue to grow at a near-3% pace this year.

"Resource-sector activity is robust in the province," explains Kavcic. "Investment in the sector remains strong, with BHP Billiton's Jansen mine on track to begin production in 2015, and K+S moving forward on a $3.5-billion investment in its Legacy Project. Exploration activity in the oil & gas sector is also strong in the Bakken, and the province is expecting 13.3% growth in oil production in FY2012-2013."

Kavcic notes that potash production rose 14% last year after more than doubling in 2010, but production began to tail off late in the year as producers cut back output to combat a weaker price environment. "This is one factor that could cause growth to decelerate in 2012," Kavcic warns.

Strength in resources is spilling over into other sectors of the economy, including retail and construction. "Retail sales jumped 8.5% in 2011, the strongest pace in Canada, while capital spending rose more than 10%, and is estimated to grow a further 4.2% this year," states Kavcic.

"Saskatchewan continues to be a very attractive place to live, work and invest," says Mike Darling, district vice-president, Saskatchewan, BMO Bank of Montreal. "With a solid economic and fiscal foundation, we are seeing strong demand for labour, robust consumer confidence, and businesses that are investing and building for future growth—not just in the resources sector, but across the entire spectrum."

Manitoba

Manitoba's diverse economy should see growth of 2.6% this year—outpacing the national average—says BMO Economics. "Assuming the weather cooperates, the farm sector should bounce back in 2012 from depressed levels seen last year," says Kavcic. "Manufacturing continues to recover from the recession, with shipments of machinery and transportation equipment seeing solid growth in recent months."

"Manitoba is doing really well. They've never seen so many cranes in the air in [Winnipeg] before as they try to build the infrastructure to support what they haven't done in the last 5 or 6 years," says Distributor #2.

Energy and mining activity should maintain their momentum given still-high commodity prices. "Oil production has risen sharply in recent years, with output jumping more than 20% in 2011 to the highest level on record," says Kavcic, adding oil now accounts for about 45% of real mining output, up from 20% in 2004. "Energy exports were up nearly 30% year-over-year in the last three months."

"Persistent strength in construction and in the broad service sector have smoothed out overall labour market performance, and kept the jobless rate near the lowest in Canada, at 5.3% in March," Kavcic points out.

"Business optimism can be most clearly seen by the number of investments that are being made across all sectors of Manitoba's diverse economy," says Lynda Taylor, vice-president, Manitoba and Northwestern Ontario, BMO Bank of Montreal. "The manufacturing, construction, energy and mining sectors continue to attract new business investment and labour."

Ontario

Robust housing activity and momentum in the auto sector are providing support to the Ontario economy, notes BMO Economics, though growth is being held back by fiscal restraint, a strong loonie and somewhat sluggish U.S. demand. Real GDP grew 2.0% in 2011, and should end up just below 2% this year.

"Auto production ramped up sharply in late-2011/early-2012, providing solid momentum for the sector this year," says Kavcic. "Auto producers continue to invest in North America, and Ontario is no exception."

"For Ontario, I think it's going to be growth of 3-4% this year. For 2013, [distributors are] not seeing much better, although they're hoping that once the U.S. election is over, some of these OEMs and industrial plants will start to invest again. But for the Golden Horseshoe and the auto industry, no one is putting a dime into these things today," argues Distributor #2.

Housing also remains strong in the province, specifically in Toronto where average home prices continue to push record levels, up 10.5% year-over-year in March. "Supply remains relatively tight, especially for detached homes," notes Kavcic, saying condo construction is hot, with the number of units under construction at the highest level on record in February.

However, "Once you take the condo market out of the equation, you'll see the commercial side is flat... down, as a matter of fact. I would suspect that for the next 6 to 9 months it going to be a lot of the same" notes Distributor #1.

"Manufacturers, who have been traditionally dependent on the U.S. for their supply chains and markets for their products, have shown a strong adaptability over the past 12 to 18 months. While still facing some persistent economic headwinds, many of these businesses are in a much stronger growth position today as a result of the efforts they have made to enhance productivity and invest in their businesses," explains Susan Brown, senior vice-president, BMO Bank of Montreal. "Given the positive agricultural forecast for this growing season, a solid housing market, and new investments and production in the auto sector, Ontario businesses are moving forward with a greater degree of optimism than this time last year."

"The industrial business, we find, is very tough, as more industries are just putting band-aid solutions in place... they're not making the capital expenditures as we thought they would," says Distributor #1. "They're not upgrading their lighting programs; we thought the ERIP II or SaveOnEnergy programs would help with some of the larger industrial lighting applications... it's tough."

"From Thunder Bay, great news... all the mining companies that pulled out of there 20 years ago are up there drilling again. The local Toromont dealer up there can't keep up with demand right now," beams Distributor #2.

Quebec

While fiscal restraint and a strong Canadian dollar will continue to weigh on the Quebec economy, investment activity—particularly in the resource sector—should lend support, says BMO Economics. Real GDP is likely to grow 1.6% this year, down from a 1.7% pace in 2011.

"The Plan Nord will see more than $2 billion injected into infrastructure in the northern part of the province, which should help boost activity in the mining sector," explains Kavcic. "Investment intentions in mining point to 56% growth in 2012, to $5 billion."

The modest pace of U.S. growth will be

an ongoing headwind for manufacturing, especially with the loonie at or above parity. Manufacturing sales were up a decent 5.7% year-over-year in the latest three months, led by transportation equipment and clothing, but manufacturing employment remains depressed, down 3.4% year-over-year in the first quarter and accounting for little more than 12% of employment versus more than 18% a decade ago.

"Quebec businesses continue to demonstrate a cautious optimism, as they adapt to new market dynamics with investments in product development, production and in upgrading their operations by purchasing machinery and equipment," says Victor Pellegrino, vice-president, commercial banking, Metropolitan Montreal, BMO Bank of Montreal. "Managing risk, productivity improvements, and opening up new markets will continue to be the top priorities for most businesses this year."

Newfoundland & Labrador

The Rock is likely to see a more mixed economic picture this year, with capital spending growth offset by declining oil production, according to BMO Economics. Real GDP should grow 1.0% this year, down from 2.8% in 2011 and 5.8% in 2010, but domestic demand "should run quite a bit hotter".

"Construction and capital investment activity have been key economic drivers in the province in recent years, and early survey results suggest that growth will continue at a strong clip in 2012," notes Kavcic. "Total capital expenditures are expected to jump 27% this year, a similar pace to that seen in the prior two years, with resource industries leading the way. Major private-sector projects include the Vale nickel processing plant, development at Voisey's Bay, maintenance work at Terra Nova and further development of the Hebron offshore oil platform."

"Even with some expected slowing in oil production, capital investments, particularly in the resource and construction sectors this year, will continue to benefit our commercial customers," notes Jim Moores, commercial banking area manager, Newfoundland & Labrador, BMO Bank of Montreal.

Prince Edward Island

The Island's economy will grow slightly more in 2012 compared to last year, predicts BMO Economics. Real GDP is expected to rise 1.4% in 2012 compared to 1.1% in 2011.

"After a disappointing crop year in 2011, we are expecting to see a rebound in the agricultural sector," notes Kavcic. "Also, 2011 saw the strongest pace of population growth since 1962, with the Provincial Nominee Program being particularly successful in attracting international migrants."

"Businesses in the province continue to be cautiously optimistic and make targeted business investments to strengthen their productivity and future growth prospects," explains John Duff, commercial area manager, New Brunswick and PEI, BMO Bank of Montreal. "The U.S. economy and elevated loonie remain top concerns for many businesses, particularly those directly or indirectly tied to the tourism industry."

New Brunswick

Mining output in New Brunswick will get a boost with new potash production at Potash Corp's $1.7-billion Sussex mine development, according to BMO Economics. However, economic growth remains weak as a result of "labour market struggles, cooling investment activity and waning stimulus spending". Real GDP was little changed in 2011, and growth should remain sluggish at 1.5% in 2012.

"Some major private-sector capital projects are set to wind down later this year, including the Sussex mine development and the $1-billion Point Lepreau nuclear plant refurbishment," says Kavcic. With modest U.S. growth and the loonie near parity, exports and manufacturing should continue to face headwinds. "Exports jumped 17% in 2011, largely reflecting higher prices received for energy and mineral products," says Kavcic.

"While the new potash production is welcome news, the majority of businesses continue their efforts to adapt to the economic environment and make critical investments in their operations to improve productivity," says Duff.

Nova Scotia

BMO Economics believes growth in Nova Scotia is poised to pick up, as a federal shipbuilding contract will boost activity for years to come. Landed by Irving Shipbuilding, the contract to build combat ships for the Royal Canadian Navy is worth an estimated $25 billion through 2030. As a result, while real GDP will likely grow at a still-modest 1.8% pace this year, it will accelerate to 2.4% in 2013 when shipbuilding activity picks up.

"The Conference Board of Canada estimates that about 8000 new jobs—or more than 1% of total employment in the province—will be sustained over that period, and that real GDP will see a boost of about $800 million per year on average," says Kavcic.

"The widespread economic activity that will grow out of this shipbuilding contract will fundamentally transform the province over the next 20 years," says Laura Charlton, vice-president, Nova Scotia District, BMO Bank of Montreal. "With growth opportunities extending well beyond the direct employment of labour, trades and professionals, to the anticipated demands for increased business-related services, housing, commercial and industrial construction, retail development, and a vast spectrum of manufacturing, local entrepreneurs are optimistic... In many ways they see it as a challenge they can't wait to overcome."

Elsewhere, construction of Encana's $800-million Deep Panuke natural gas project is expected to boost total exports in 2012.

Conclusion

"Despite some clear regional differences, Canadian businesses are demonstrating their remarkable adaptability by diversifying their supply chains, opening up new markets for their products and services, and by making critical investments in their companies," concludes Cathy Pin, vice-president, BMO Commercial Banking. "This year we are also seeing many businesses beginning to look for opportunities to strengthen their financial underpinnings and competitive positioning, by taking greater advantage of available cash flow management tools and strategies."

Distributor #1 says several things need to happen to get things back on track: "One, the European situation has got to be straightened out, and we've got to get the U.S. election out of the way to bring some stability back to the marketplace. If oil and gas prices continue to go up, that will cause a dampening in the market as well."

"Overall, Canadian distributors are excited about the future, they see themselves expanding into different verticals like they have over the last 10 years (getting into solar, getting into wind), and opening their eyes to opportunity," notes Distributor #2. "The one thing they do well is support contractors; they support local industrials."

"Overall our guys feel fine the way it's running right now; just keep your head down, keep on going, keep on plugging away ," explains Distributor #3. "The bottom line is satisfying our customers. It's all that matters. As long as our customers are happy, and we're performing well, we'll be fine." ■

Market segmentation based on customer behaviour

Roger Partington

The strategy works well when it leads to some large-enough market segments that have unique needs and characteristics you can address.

Distributor sales and marketing people tend to look at their market in terms of customer size and industry type. Operations people focus on order size and order type: stock vs. direct ship vs. special order. When these two worlds come together, there are high-impact opportunities to increase profitable sales.

Order type and average order size have a big impact on the cost side of the business through inside sales, quotations, freight and warehousing. The purchase process the customer uses determines the sales resources required to win new business and service the account. Buyer segmentation is a tool that clusters your customers according to these buying processes and purchase patterns so you can optimize your service model to your most attractive segments.

For example, a distributor that focuses on customers requiring responsive shipping to numerous locations would build its service model differently than a project house. Both are focused on unique market segments, and both could build successful business models.

So how do you analyze and adapt a more diversified business to capture these opportunities? How do you make this gel with your business strengths and market conditions so you can build winning formulas for attractive target segments?

A strategy tool

You need analysis and insight to best direct your sales and service resources to attack one or two attractive markets where you can develop an advantage over your competitors. The tactics you would consider depend on your timeframe and commitment; they could range from simple staff training to bricks-and-mortar investment.

You should consider staffing and training in each of your sales and service functions. Do not overlook adjustments to sales coverage, supplier lines, pricing strategy, marketing communications, promotions, merchandising and customer events. To be successful, you must determine where you are headed, then make a full commitment to get there.

Customer behaviour: what to consider?

In general, there are two areas to consider: sourcing behaviour and purchase patterns.

Purchase patterns are pretty straightforward, and include order size, frequency, shipping and special handling requirements. Sourcing behaviour is what customers do to determine from whom they wish to buy, and it includes their attitudes toward supplier relationships. You might segment based on those with formal bid processes or go even deeper to categorize certain processes or contract types. Another sourcing segment may be customers that procure based on loyalty and relationships. Some buyers strive for cooperative two-way technical relationships while others are mostly priced focus.

Ultimately, you need to decide on the segmentation factors that will produce sizable clusters. You need to be able to code a large percentage of your sales according to these factors. Apply the 80/20 rule to remove your key accounts from the model since these will receive customized attention. Segmentation is designed to group medium to small customers with similar behaviour. The strategy works well when it leads to some large-enough market segments that have unique needs and characteristics you can address.

Where it will take you?

The analysis should help you answer questions such as: Is it worthwhile for us to focus an inside/outside team on a group of customers with annual bid processes? Do we have the right resources to win a larger share of the customers that value technical support? Do we have technical and sales people focused on the same segments? Answering these questions will help you align service costs to segment profit potential.

Creating a market segmentation model based on customer behaviour is more difficult than by industry type (where you can use SIC codes as a starting point). You need sales force buy-in to do it successfully, and you need to estimate the market size of the key segments to help guide your decision making. As you build your segments, the type of customer—contractor, industrial, government, etc.—is never far below the surface, but it is best not to let that drive the analysis.

As you start to identify the segments, you also need to look at your position vs. key competitors. Where are the best opportunities to offer differentiated services? Which competitors are struggling, and does that present an opportunity? What changes are necessary to compete at a higher level? ■

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.

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