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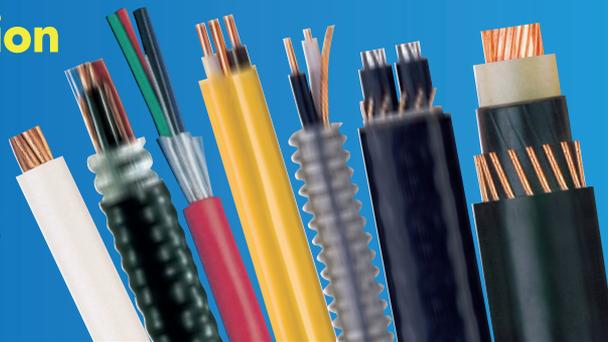
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Distribution & Supply magazine serves electrical distributors across Canada. It provides distribution personnel with the information they need to perform their jobs better and run their businesses more efficiently and profitably.

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I am no longer embarrassed

Several years ago, I had a conversation with a member of Electro-Federation Canada who wondered why some people and/or organizations griped about EFC and couldn't see the value of membership. I said to the member at the time (and I'm paraphrasing, as it was a few years ago), "If the value of membership is there and they're not seeing it then, clearly, EFC is not doing a good enough job of publicizing it".

We cannot and should not assume others automatically know what we are up to. When it comes time for the dreaded annual review, for example, we don't go into the meeting unprepared and empty-handed: we arm ourselves with information listing all the wonderful ways in which we have contributed to the organization.

So while in past years EFC may have been working on any number of excellent initiatives for its members and the industry-at-large, the organization did so in a vacuum (whether real or perceived is for you to judge... but we all know perception is everything, right?). Only a few years ago, it felt like pulling teeth trying to figure out who was doing what at EFC and, more importantly, why.

And, between the two of us, I always felt a little embarrassed to see NEMA regularly issue all kinds of news and information while simultaneously watching its Canadian counterpart skulk in the shadows.

Which is why I say kudos to EFC for its communications efforts over the last few years; these days, there is a continuous flow of information stemming from the group. I now know about EFC's involvement with a number of issues and activities, such as anti-counterfeiting, ESFi (Electrical Safety Foundation International) Canada, extended producer responsibility (EPR), standards harmonization and EPEC (Electrical Products Education Course) for Canadians.

While in Scottsdale a few months ago for EFC's Electrical Council's annual conference, for example, Chris Scott delivered an excellent overview of council's efforts toward developing a sustainable, cost-effective wire and cable reel program; in fact, the Wire & Cable Committee's ultimate objective is to reestablish the "once strong Wire & Cable Section" of the Electrical Council. Scott explained the who, the what and the why—and I was a smarter person for it.



Chris Scott discusses the EFC Electrical Council Wire & Cable Committee's work toward developing a sustainable, cost-effective wire and cable reel program.

Photo A. Capkun

I now get a feeling of increased transparency when dealing with EFC. In fact, I was very pleased to have been one of the six judges for the 2013 EFC Foundation Scholarship Program, a group I once concluded must be made up of a bunch of shadowy men from a shadowy planet. As it turns out, they're a wise, balanced group, and I am very pleased to have had this unique insight into yet another one of EFC's initiatives.

I think you'll agree a change of this magnitude requires a team effort e.g. the EFC board, its executives and staff, volunteers, etc., but, if I had to drill down to get to the source of this trend of openness, I would have to point my finger squarely at EFC's president and CEO of nearly three years, Jim Taggart. Granted, these changes may have been in the works long before Taggart's arrival, but the point is they are occurring now and being allowed to flourish on his watch. Good leaders also know when to stay out of the way and let talented people do what they do best.

I'm very pleased with what EFC and its Electrical Council have achieved, and their continuing efforts on important industry issues. They've come out of the shadows, and I am no longer embarrassed. ■

Adding new levels to our industry research

A number of new and revived programs are currently underway, or have recently been completed, for Electrical Council members that relate to providing improved dashboard technology. Among these programs are:

Canadian Electrical Industry Profile

At the spring conference this past May, members received our annual Canadian Electrical Industry Profile, which offers insight into our 13 industry sections, as well as a nationwide view of distribution and manufacturing in Canada. It is available to members in both print and electronic formats.

Compensation Studies

This summer, we completed two compensation studies for manufacturers and distributors, which offer a region-by-region overview of salaries, ranging from CEOs to warehouse personnel.

Distributor Sales Breakdown

A new annual survey by Anne Harrigan and our statistical department has been conducted, asking electrical distributors to break out their sales into four product categories and four market categories.

Profit Planning Report

After a short hiatus, we have brought back this report to distributors. This report continues to provide incredible insight for the inquisitive distributor. Let me offer some background before I dwell on some high-level findings from the report...

Distributors provide their income and expense statements, in confidence, to an independent statistical company. Once the data is collected, it is compared; high-profit distributors are isolated from the norm, and their spending habits are analyzed.

Distributor members who participate in this study, in turn, receive a copy of the report and are able to look at their spending in comparison to higher-returning distributors to get a feel for where they may want to improve.

For example, high-profit distributors outperformed their competitors by 6% this year (better ROI). They outperformed the typical distributor with a net profit, before taxes, of 90% improved return over their competitors. On average, high profits get close to \$70,000 or more per employee.

One way in which the performance was captured was through reduced spending. High-profit distributors had operating expenses at 75% of their gross margin (income after product expense), while typical operating expenses were 10% higher. Moreover, the EBIT (earnings before interest and taxes) was 80% better for high-profit distributors.

All of these are good numbers. What matters are that your expenses and sales figures are relative to the report's numbers. How they differ is how you can strategically build toward better returns. The key is not that high-profit distributors get better results, but how you can break the details down to improve your business' finances.

Here is another interesting fact: high-profit distributors have 30% more SKUs. They make the exact same amount of money per customer, the same sales per SKU, and the sales per order is the same. They also have the same average number of branches (five). Their mix of customers is about the same, but they have 30% more active customers. So more customers must mean more spending on staff? It turns out high-profit distributors' total payroll expense is a smaller percentage of sales than the typical distributors'.

So high-profit distributors must work longer hours and underpay their staff, right? Or, perhaps, the magic is in the extra inventory and the margins they can bring in. Perhaps, it comes down to a day-by-day focus, developing the expertise to handle a larger customer base.

The report gives you the comparisons—allowing the inquisitive distributor to speculate. If your company did not participate in the report survey, and this article has spiked your interest, here's the deal: we will do the report again next year (starting it earlier in the year) and, should you agree to participate and send in your details, you will receive the new report as well as this year's Profit Report.

Finally, we are proud to announce our new relationship with Kerrwil, and our joint publication of the 2014 Electrical Council Pathfinder report. Using our collected data, we are producing the most comprehensive compilation of industry data ever gathered for our industry. And this is just the beginning: our synergy will provide more in-depth research to members at a fraction of what it would cost to obtain the reports independently. ■

Rick McCarten

The key is not that high-profit distributors get better results, but how you can break the details down to improve your business' finances.



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

CEMRA embarks on new opportunities

Jean-Sébastien Bercier

EFC bylaws have evolved to recognize CEMRA members as full voting members in the Electrical Council.

The Canadian Electrical Manufacturers' Representatives Association (CEMRA) is a group of independent sales reps in the Canadian electrical industry. It is a council within Electro-Federation Canada's (EFC's) Electrical Council, and was organized to promote the continued growth of manufacturers through the strengthening of their sales, marketing and management.

CEMRA actively develops and maintains programs and activities that are designed to help independent sales reps conduct their businesses in an ethical, efficient and productive manner.

Over the past few months, CEMRA has led a number of key achievements under the guidance of the CEMRA executive committee, and the Electrical Council's Steering Committee. Included among them are:

- EFC bylaws have evolved to recognize CEMRA members as full voting members in the Electrical Council. This change is due to recent changes in Canadian not-for-profit legislation.
- Membership continues to grow; to-date this year, CEMRA has welcomed three new members.
- The CEMRA Manufacturers Group (CMG), chaired by Greg Guisso of Venture Lighting, wrapped up its inaugural year with an open meeting at the Electrical Council Conference in Scottsdale, Arizona, this past May. The meeting was attended by about 40 manufacturers and reps. This group provides a great opportunity for manufacturers and reps to work together to improve communications and discuss the management of issues.
- Each year at the Electrical Council Conference, CEMRA hosts a special dinner event that draws together manufacturers, reps, distributors and guests in a fun, informal setting. This year's event featured a fun-filled evening of dinner, live entertainment and networking for 250 members and guests in a Wild West, saloon-type atmosphere.

- This year's "CEMRA Person of the Year" award was presented to Cindy Doherty of Intralec Electrical Products Ltd. This award is given to an individual who has made a difference to CEMRA by demonstrating leadership, commitment and outstanding contribution. Cindy is actively involved in CEMRA; she sits on the CEMRA board and also serves on the board of the National Electrical Manufacturers Representatives Association (NEMRA) in the United States.



Cindy Doherty of Intralec Electrical Products Ltd. receives the CEMRA Person of the Year Award from CEMRA chair, Jean-Sébastien Bercier of Desdowd Inc. at the EFC Electrical Council's annual conference in Scottsdale, Arizona. Photo A. Capkun

In the coming weeks, CEMRA will be awarding its Academic Leadership Award; a \$2500 scholarship to a university or college student who has an affiliation to CEMRA. This scholarship has once again been made possible through the support and generosity of CEMRA members.

Finally, I have assumed the role of CEMRA chair for a two-year term. I look forward to working with the CEMRA executive committee and the Electrical Council's steering committee. I wish to thank past chair, Kevin Smythe (Adanac Sales Inc.) for his contributions to CEMRA over the last two years. ■

Jean-Sébastien Bercier, the current chair of CEMRA, is the vice president of sales & marketing with Desdowd Inc.

Border basics: the boundaries of standardization



Standards Council of Canada (SCC)

Even more unfortunate is the fact that meeting duplicative requirements translates into higher prices for consumers.

As new products and technologies emerge, they often face potential potholes—from inefficiencies to safety hazards—any of which can slow their progress to market. Products, like electric or natural gas vehicles that are destined to cross national borders, may encounter a series of issues that turn into seemingly unavoidable chasms. Any difference in the standards referenced in national regulations, for example—although put in place to help, not hinder, product use—may ultimately become an obstacle to market entry.

Unbeknownst to the average consumer, emerging products such as new vehicle technologies contain hundreds of individual components that must meet some kind of mandatory or voluntary, performance and safety standard. Similarly, in traditional product categories, adherence to a recognized level of quality and safety protects each of us as consumers and provides assurance that products will perform as they are designed to do without blowing up or falling apart.

Complications arise when 'Company America'

and 'Company Canada' decide to sell to each other or to their respective customers. Products that cross borders must meet the performance and safety requirements identified as adequate in the country of sale. Unfortunately, that often means producers have to meet duplicative requirements—sometimes equal but not always recognized as such—to reach the green grass on the other side.

Even more unfortunate is the fact that meeting duplicative requirements translates into higher prices for consumers. According to recent reports by the Canadian plumbing/heating and electrical sectors, an excess of \$3.2 billion is spent by manufacturers on duplicate testing and certification to meet the different standards that govern many of these products, at a cost of more than \$120 million to their customers.¹

"We found that there are quite a number of duplicative certification requirements, despite the fact that infrastructure, designs and products are often fundamentally similar," said Jim Taggart, CEO and president of Electro-Federation of Canada.

Making border-crossing easier

The Canada-USA Price Gap published by the Standing Senate Committee on National Finance acknowledges additional costs resulting from separate systems and recommends integration of “the safety standards between Canada and the United States with the intent to reduce the price discrepancies without compromising the safety needs of the two countries”.²

Two years ago, Canadian Prime Minister Stephen Harper and U.S. President Barack Obama launched an initiative that would, among other goals, address unnecessary red tape affecting cross-border trade. Recognizing that the flow of goods hinges on regulatory cooperation, the Regulatory Cooperation Council (RCC) was formed. The goal of RCC is to make regulations in a range of sectors more compatible and less burdensome for users in both countries. Prime Minister Harper said reviewing these rules “is an exceptional opportunity to break down regulatory barriers and prevent new ones from being introduced”.³

Government regulation, in its purest state, serves to protect the people it governs. To reduce related barriers yet still regulate for the protection of consumers, product requirements must align at the point of production. If production-related standards are agreed-upon and developed by balanced committees of affected stakeholders, safety and performance measures will be met, and a nation’s citizens will be protected.

As the champion of Canada’s national standardization network, the Standards Council of Canada (SCC) has been promoting the use of standardization to RCC, and working with federal stakeholders to explore alignment approaches and find solutions.

In manufacturing sectors such as plumbing and heating, there are a number of opportunities to reduce duplicative standards and certification requirements. In the electrical and other industries, there may be potential for development of bi-national standards. “SCC recognizes the importance of advancing the dialogue between industry and government in order to find a common ground and identify the next steps to reducing standards barriers,” said John Walter, SCC’s CEO.

Products that have long been entrenched in the market often present a greater cooperation challenge than those that are new and emerging. Changing a process, particularly where there are two countries with numerous standards per product to consider, can be more complicated than outlining a new one. To achieve alignment, standards need to be assessed, and any gaps identified and addressed, before that product can pass between nations. In addition, both governments must agree on the change, and stakeholders must be aware and engaged, from standards development organizations (SDOs) to producers.

“We recognize that tackling this issue is not a simple task,” said Ralph Suppa, president and general manager of Canadian Institute of Plumbing and Heating (CIPH). “It will require a lot of discussion from all sides to reduce these barriers. But we all seem to agree that unnecessary duplication exists and should be addressed, and that’s key to beginning this complicated process.”

The path becomes one-step clearer when dealing with newer technologies. As the technical standards are being set, there is an opportunity to align them at the ground level, as long as the dialogue is initiated and maintained.

Case-in-point: electric vehicles

In the Electric Vehicle Technology Roadmap for Canada, the need for codes, standards, regulations and infrastructure readiness is outlined. The report recommends the review of “national, provincial/territorial and municipal regulations that impact the manufacture and use of EVs in Canada; harmonize North American standards and practices concerning the integration of EV components, including charger interfaces; [and] develop harmonized standards for the conversion of used vehicles to electric traction”.⁴

Cooperative efforts like the agreement between Quebec and Vermont to establish electric vehicle charging terminals along a stretch of roads between Montreal and Burlington offer concrete evidence of progress being made in new areas. Standardized charging stations that service cars on both sides will make cross-border travel easier, leading to economic benefits for both communities. Working cooperatively at the federal level on such topics will only increase the associated benefits to consumers.

SCC will continue to work with relevant stakeholders to advance regulatory cooperation. “The immediate priority is to establish pilot product projects where aligned voluntary standards can be developed, and where common standards can be recognized between jurisdictions in North America,” said Walter. “We see this as a priority that will contribute to increased economic growth and improved competitiveness, while meeting public safety objectives.” ■

Notes

1. “A Value Proposition from the Canadian Institute of Plumbing & Heating to Facilitate the Harmonization of Market Entry Required Standards and Certification Schemes,” Kevin Wong & Ken Tomihiro, Canadian Institute of Plumbing & Heating, August 2012, p. i.
2. The Canada-USA Price Gap, Report of the Standing Senate Committee on National Finance, February 2013.
3. “PM and U.S. President Obama Announce Shared Vision for Perimeter Security and Economic Competitiveness Between Canada and the United States,” news release, February 4, 2011, www.actionplan.gc.ca.
4. Electric Vehicle Technology Roadmap for Canada: A strategic vision for highway capable battery-electric, plug-in and other hybrid-electric vehicles; p. 2.

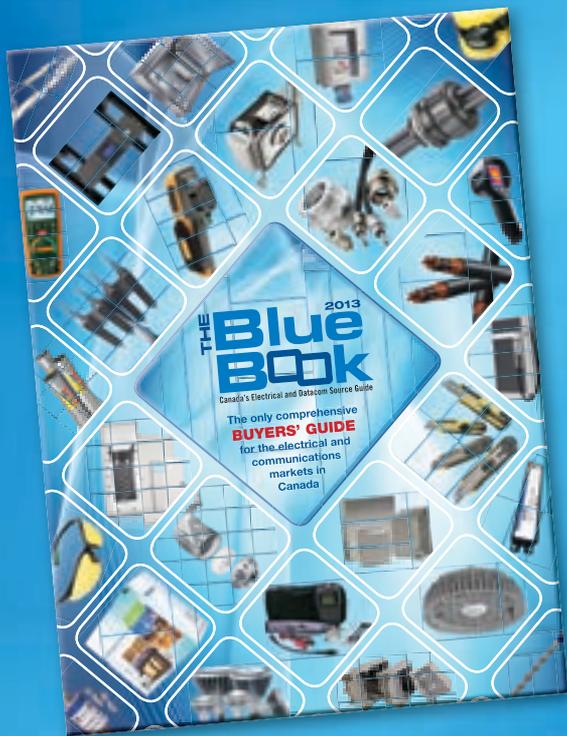
Article courtesy Standards Council of Canada (SCC), a Crown corporation within the Industry Canada portfolio. With the goal of enhancing Canada’s economic competitiveness and social well-being, SCC leads and facilitates the development and use of national and international standards. SCC coordinates the efforts of Canadians in the development and use of national and international standards. It provides accreditation services to approximately 500 customers, including various product certifiers and testing laboratories. SCC represents Canada at the International Organization for Standardization (ISO) and oversees the Canadian national committee to the International Electrotechnical Commission (IEC). For more information on SCC, visit www.scc.ca or email info@scc.ca.

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How many *decades* must pass before we master eCommerce?

Carol McGlogan

Truth is, the electrical industry is changing and, if you don't change along with it, you'll be left behind.

Carol McGlogan is the director of marketing for Philips Lighting, with past positions in sales, corporate marketing, and channel, product management and marketing management. She has also served as chair of Electro-Federation Canada (EFC) and chair of the Supply & Distribution Council (now Electrical Council).

How long does it take for the Canadian electrical industry to get on board and up to speed with data synchronization between manufacturers and distributors? Apparently, 10 years... and counting.

As chairs of Electro-Federation Canada's (EFC's) eCommerce Committee, Rexel's Pierre Charron (on the right) and I (on the left) were asked to deliver a presentation on overcoming barriers to digital marketing at the recent Electrical Council conference in Scottsdale, Az. While preparing our material, we realized our industry is still stuck at the basics when it comes to eCommerce.

Distributors are still having difficulty receiving accurate, clean data from manufacturers for populating basic product and pricing information, which is necessary for running their businesses. Too much time and effort are spent on various methods of information transfer, making us inefficient.

As such, Pierre and I decided we should start our presentation by addressing the issue of data transfer before attacking the subject of digital marketing. While developing this year's discourse, I referenced a 10-year-old presentation I delivered on the same subject—at the same hotel in Scottsdale, no less—during an EFC board meeting. The sad news is that 10-year-old presentation was still relevant a decade later in 2013... and it should not have been.

Our industry has been slow to move on the basics of data transfer, yet the world around us has advanced significantly in the realms of eCommerce and digital marketing.

What do I mean by 'the basics'?

As order-taking evolved from phone to fax to computer, a critical element we've lost is the human interaction that clarified details such as catalogue numbers, pricing, etc. For many products, the only thing connecting distributors to manufacturers with order transactions these days is a data line.

A common practice among distributors is to create their own unique interpretation of a manufacturer's catalogue numbers by adding prefixes. When communicating over a data line, a request for a product with a prefix does not match the manufacturer's number, resulting in a void transaction. Catalogue numbers were also found not to be unique; that is, many manufacturers have identical catalogue numbers to disparate products within the industry.

The answer to both problems was to use UPCs (universal product codes) as the mechanisms for facilitating order transactions between computers. With UPCs, the manufacturer and distributor talk the same language. They are in sync.

After synchronized catalogue numbers, distributors requested other data points for facilitating their businesses and systems (e.g. weights, descriptions, pricing), but a problem arose: each distributor requested data in a format unique to them. For manufacturers, sending data in several formats increased the possibility of error as well as the cost of maintenance.

How do we clean up this mess?

The National Electrical Manufacturers Association (NEMA) helped develop a standardized format for data transfer called the Product Descriptor Database (PDD), which addresses all products within the electrical industry and allows for over 120 fields of information. Following PDD's development, a subset called PIPE (Product Information and Pricing Exchange) was established for Canada (EZ View in the U.S.), which provides guidelines to manufacturers on a limited number of fields to facilitate basic transactions.

So there is, in fact, a way for us to standardize the way we communicate with one another over data lines. The PDD and PIPE standards are available for all to use. The synchronization of data via UPCs and



standardized information already provide many opportunities for productivity improvements.

The next challenges facing us are data transmission and updates. As manufacturers, you need to evaluate how many times your data changes annually, and how many distributors need to be updated accordingly. Depending on those parameters, you may choose to send the data directly to each distributor when updates are required, or you can transmit your data to IDW (Industry Data Warehouse).

IDW is a central hub where manufacturers transmit data on a regular basis that, in turn, can be retrieved by its authorized distributors. IDW serves as the single point of contact for data transmission and retrieval. There is, of course, a cost to belonging to IDW but, for the convenience and productivity gains it brings, it is well worth the investment.

This is why our 2013 eCommerce presentation was about synchronizing via UPCs, standardizing via PDD or PIPE, and saving via IDW or other direct means of transmission because our industry, sadly, is still having problems with these principles and best practices. Our discussion 10 years ago was about channel efficiency and cost savings; if we don't get these basics mastered, our ability to compete in the online world will be significantly compromised.

You're in, or you're out... really out

Canadians have embraced online activity over these last 10 years. We are ranked #1 globally in average monthly visits and pages per visitor, and #2 in average monthly hours per visitor. Over 50% of online participants are over 35. Smartphones now account for 62% of mobile phone users, and the likelihood of owning other connected devices (e.g. tablets and eReaders) increases with the use of smartphones.

Canadians are engaged with the internet, and our shopping habits have changed accordingly. We are used to seeing side-by-side comparisons of anything from cars to televisions to vacations. We are consumers by night, businesspeople by day; our nocturnal experiences naturally translate into higher expectations of the business-to-business environment. We welcome, if not demand, progress.

The convenience and glamour of these easy-to-use websites are driven by the very tedious activity of data creation and maintenance. The data outlined at the beginning of this article had to do with eCommerce and productivity. Enhanced data is what drives the interactive web and mobile experiences. We are talking about attributes, images, specification sheets and marketing descriptions. For the electrical industry, IDEA has standardized attributes to be used for all electrical products to facilitate robust online searches.

INDUSTRY DATA EXCHANGE ASSOCIATION INC.

IDEA (www.idea-esolutions.com) is the official technology service provider and eBusiness standards body of the electrical industry. Its applications help connect the supply chain and make business processes efficient. IDEA was founded in 1998 through a partnership rooted in the collective leadership of the National Electrical Manufacturers Association (NEMA) and the National Association of Electrical Distributors (NAED) members.

This is only the beginning: much more information can be added online (e.g. instructional videos) to increase both the value of a product, and the value it brings to manufacturers and distributors who make and sell it. As consumers, we are more likely to purchase a device during the online shopping process when we are provided with an instructional video showing how to assemble and use it rather than a device that only provides a poorly translated instruction sheet in the box.

Ultimately, you want customers to keep coming back to today's door to new business: your online door (e.g. website, portal). Just as you develop incentives to keep customers coming through your bricks-and-mortar doors, you must work at convincing online customers to not only visit, but to come back regularly. Your competition is literally one click away.

You may be thinking the electrical industry is different: that this information doesn't apply to you. Truth is, the electrical industry

is changing and, if you don't change along with it, you'll be left behind. Currently, 54% of North American electrical distributors have online purchasing capability, and 44% have online custom catalogue capability. Meantime, Google and AmazonSupply.com want a piece of the electrical industry's pie. If we do not become proficient in eCommerce, we'll be lucky to get their crumbs.

Research shows our distributors are going digital and may be populating their platforms with *homegrown* interpretations of manufacturer data. When manufacturers are not in control of their data, they are not in control of the new selling and marketing environment. Distributors, meantime, are in a race for digital mind share. We all have our favourite sites on the consumer side of our lives, and it's often those who innovate first who get the largest share.

Are you in or are you out? Let's capture the exciting opportunities that are before us now. We cannot afford to wait another 10 years. ■

IDW: INDUSTRY DATA WAREHOUSE

IDW (www.idea-esolutions.com) is an online application that enables you to securely share accurate and timely product and pricing data with distributors and other trading partners electronically in one place and format. Manufacturers representing over 1500 brands use IDW to differentiate their products, inform trading partners of new ones, and communicate updates throughout all stages of the product lifecycle.

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Julie Kee

Virtually every region across the country is facing the same problem: people are using more technology and have more gadgets, electronics and energy-consuming items, demanding more energy now than ever before. And to produce these devices and the everyday items people use requires the use of even more energy during manufacture. At the same time, numerous regions are struggling with outdated transmission and distribution systems, and wrestling with the placement and construction of new generation sources to power everyone's needs.

But the best way to avoid the multiple problems that come with trying to meet the demand for more energy is to not use it in the first place.

This, in a nutshell, is why government organizations and agencies are encouraging customers to use less energy; it is actually

less costly to pay some part of their customer's energy-efficiency improvements through incentives than for these jurisdictions to build new generation and transmission to meet expanding needs. It can cost between \$1000 to \$3500 per kW to build new generation facilities, while the Ontario Power Authority (OPA) saw a cost to consumers of just \$0.03/kWh in 2011 to see savings of \$4 billion in avoided costs for the same year.

By being more efficient in the way we use energy, we can effectively eliminate the need to build new generation which, in the end, minimizes costs for everyone. Effective and continuous energy-performance improvement is one of the best returns in which customers can invest with minimal risk—especially when utilizing provincial or utility incentive programming.

As an electrical professional, it is in your

best interest to keep abreast of current energy efficiency incentives in your jurisdiction. At the very least, it positions you as an expert source for incentives information; the best-case scenario, however, is having that expert status translate into increased sales of energy efficiency solutions and services.

● Incentives are good business

The types of incentives and organizations offering them are numerous. Across the country, available programs vary depending on provincial policy/current politics, types and typical sizes of industry and/or commercial businesses, amount and type of generation within that province or territory, and existing constraints, as well as how much funding different organizations have available for distribution. It ends up being a huge service to customers for distributors and contractors to be able to navigate this

ENERGY INCENTIVE programs and REBATES across Canada

Gillian Marsh

Across the country, both governments and electric utilities offer various energy efficiency programs and rebates for residential and commercial customers. Here are a few to get you thinking of business opportunities for your customers and, of course, yourself.

● NATIONAL

ecoENERGY Efficiency and Alternative Transportation Fuels

- Components for buildings, housing, equipment standards, industry and vehicles to improve energy efficiency in homes, workplaces and on the road.
- Visit www.nrcan.gc.ca

● PROVINCES ALBERTA

Housing Opportunities Program for Edmonton (HOPE)

- Helps homeowners reach the minimum standard of health & safety in regards to utilities such as heating, electrical and energy efficiency. A grant of up to a maximum of \$20,000 can be given to qualifying income homeowners in designated priority neighbourhoods.
- Visit www.edmonton.ca/for_residents/programs/hope-program.aspx

Genworth Energy-Efficient Housing Program (Edmonton)

- Those purchasing an energy-efficient home or refinancing an existing home to make energy-saving renovations with Genworth mortgages are eligible for a 10% premium refund.
- Visit www.genworth.ca/en/products/energy-efficient-housing.aspx

SunRidge BuiltGreen Homeowner Rebate (Lethbridge)

- Helps City of Lethbridge residents upgrade their new homes with green initiatives. Homes will be rated to a Gold, Silver or Bronze standard. Silver standard homes will receive a \$2500 rebate, while Gold will receive a \$3500 rebate.
- Visit www.sunridgelethbridge.ca

HAT Smart: Renewable Energy Installation Purchases (Medicine Hat)

often political landscape by knowing which incentives are available, to whom they apply, and how to apply for them.

● Energy audit investigation/feasibility studies

The first step most customers should take toward reducing their energy consumption is understanding where they are consuming energy, then determining the energy-saving measure they should explore. Knowing which equipment should be commissioned/re-commissioned, retrofitted or replaced is not always immediately evident.

For example, while some equipment may be older and appear to be less efficient due to its age, it may not be the largest concern; newer equipment that may be more energy efficient on paper may be oversized for the work it is actually doing, or in need of commissioning and, therefore, a larger priority for retrofit or replacement.

Energy audits are an extremely important step in identifying and prioritizing actions, approximate costs, as well as approximate ROI timeframes. Audits are a crucial first step in saving energy so long as businesses understand the recommendations in the report, get buy-in for the proposed measures, and follow through. Audits are of no use when they end up sitting on a shelf.

● Monitoring, reporting & targeting systems funding/upgrade programs

You cannot manage what you do not measure. Monitoring, reporting and targeting systems are another integral part of managing energy that is often overlooked. Energy management systems should start in the analysis of monthly utility billing data, followed by main service and submetering interval data.

Access to interval data on how energy is used in different business units within a facility—even different pieces of machinery—make people responsible for the equipment and allow them to take action quickly when a monitoring system shows something out of sorts. This also allows for individual pieces of equipment to be considered for potential repair; commissioning, retrofit or replacement based on their performance in relation to standards for that piece of equipment.

Systems for measuring this information are crucial for not only identifying problems, but also measuring the effectiveness of energy-saving measures once implemented.

● Equipment/lighting retrofits & incentives

Incentives that aim to fund any variety of equipment retrofits and/or replacements are likely the most common type of reimbursement that exists across the country, and nearly every jurisdiction in Canada has some form or other. Any variety of equipment replacements and/or





retrofits can be at least partially funded through incentives: lighting, chillers, boilers, HVAC, air compressors and variable-speed drives (VSDs) are targeted, for example, for payback in a variety of incentive programs in several provinces.

It is important to note that while incentives aimed at funding the upgrade or replacement of pieces of equipment that are considered to be heavy energy users are crucially important, having a complete audit will prioritize activity and maximize the effectiveness of the resulting activity.

● New & existing building upgrades and additions

Efficiencies can also be found outside of equipment alterations. Building envelopes can have a huge effect on how energy is used within. For that reason, incentives that focus on items such as insulation, windows and upgrades to a building's physical structure are available in many provinces. In British Columbia, for example, BC Hydro will pay up to 100% of a facility upgrade project that costs up to \$1 million, and up to 75% for a project that costs more than a million dollars; to qualify for this incentive, facilities need to use more than 1GWh of electricity per year, and save at least 300,000kWh through the project. As with most incentives, application then pre-approval is required before work commences.

● Energy performance-based contracting

There are some groups across the country that have come up with a way of offering incentives by using the anticipated savings to pay back the initial incentive over a certain period. The City of Edmonton, for example, has a \$30-million revolving fund that is available to city facilities: by borrowing from this fund, a city facility is able to make improvements and pay the fund back over a period of eight years from the original borrowing date, using the savings they are realizing from the actions they undertook. This type of incentive keeps funding available to other facilities for their own energy retrofits, building envelope upgrades, and the installation of new, energy-efficient equipment.

● Funding for an onsite/offsite energy manager

Most customers do not have internal processes to enable continuous improvement in managing energy because of a lack of resources or knowledge on what it may bring to the organization. Many of the savings an organization can reap have little to do with equipment at all, but in managing the people that use that equipment.

Many industrial facilities don't believe they can justify the cost of having an energy manager/champion, especially given that many people still view energy as a fixed cost they cannot do anything about.

- Incentives for the installation of renewable energy technologies for residential properties. Eligible projects will receive an incentive equal to 25% of the installed costs to a maximum of \$2500.
- Visit www.hatsmart.ca

HAT Smart: Renewable Energy Installations for Commercial Properties (Medicine Hat)

- Incentives for the installation of renewable energy technologies for commercial properties. Eligible projects will receive an incentive equal to 25% of the installed cost to a maximum of \$5000.
- Visit www.hatsmart.ca

● BRITISH COLUMBIA

LiveSmart BC Efficiency Incentive Program for Residential property

- Incentive for homeowners to make their homes more energy efficient. A certified energy advisor assessment must be conducted between April 1, 2013, and December 31, 2013. The energy efficiency improvements and follow-up assessment must be completed by March 31, 2014.
- Visit www.bchydro.com/powersmart/residential.html

Power Smart Project Incentives: Distribution for Industrial property

- If a facility uses more than 1GWh/year, this program can fund 75% (to a maximum of \$500,000) of energy efficiency upgrade projects.
- Visit www.bchydro.com/powersmart/business/industrial.html

Energy Conservation Assistance Program (ECAP)

- Provides homeowners a personalized home energy evaluation, installation of energy-saving products by a qualified contractor, and personalized energy efficiency advice (in partnership with BC Hydro Power Smart and FortisBC).
- Visit www.bchydro.com/powersmart/residential.html

Power Smart Strategic Energy Management Program

- Hire an industrial energy manager or have an energy management assessment and receive funding for doing so. Allows industrial organizations to develop an energy management program.
- Visit www.bchydro.com/powersmart/business/industrial.html

Power Smart Product Incentive Program

- Incentives for SMEs replacing inefficient technologies with energy-efficient (e.g. lighting) products.
- Visit www.bchydro.com/powersmart/business.html

Condo Energy Retrofit Pilot Program (Vancouver)

- Helps to organize and fund a building's retrofit. Incentives range between \$10,000 and \$60,000 for upgrades such as lighting and vehicle charging stations.

- Visit www.vancouver.ca/home-property-development.aspx
- FortisBC Home Improvement Program**
- Offers incentives for homeowners who choose energy-efficient (e.g. EnergyStar) products when renovating.
 - Visit www.fortisbc.com/Electricity/PowerSense

FortisBC Custom Business Efficiency Program

- Helps reduce energy costs through a retrofit project or new construction. FortisBC PowerSense will conduct a no-cost walk-through energy assessment to identify opportunities. Rebates are based on 10 cents per estimated annual kilowatt saved.
- Visit www.fortisbc.com/Rebates/EnergyRebateCentre

● **MANITOBA**

Power Smart Lower Income Energy Efficiency Program

- Helps qualifying lower-income homes upgrade basic items to more efficient models.
- Visit www.hydro.mb.ca/your_home/lieep

Power Smart Residential Loan

- Allows applicants to borrow up to \$7500 for household upgrades.
- Visit www.hydro.mb.ca/your_home/power_smart

Commercial Network Energy Management Program

- Aims to reduce unnecessary energy use through personal computers. Software shuts down computers when inactive. Rebate can cover 100% of the software and installation costs, and a maximum of \$15 per software licence.
- Visit www.hydro.mb.ca/your_business

Commercial Lighting Program

- Offers guidance and financial assistance to commercial, industrial, and agricultural customers who install energy efficient lighting through renovation or new construction projects. The maximum incentive is \$250,000 for all electrical measures included in the project.
- Visit www.hydro.mb.ca/your_business

● **NEW BRUNSWICK**

Energy Smart Commercial Buildings Retrofit Program

- Provides financial incentives for an evaluation to determine energy upgrades and retrofit projects. Incentives are a maximum \$3000 for an evaluation and \$75,000 for the retrofit.
- Visit www.energycynb.ca/commercial

Residential Energy Efficiency Programs

- Provide advice and financial incentives on energy efficiency projects. Involves an assessment, upgrades and post-assessment prior to receiving incentives. Amount depends on whether the project is an upgrade or new construction, and a home or apartment building.
- Visit www.energycynb.ca/residential

This is where the value of incentives that cover some or all of the cost of hiring an energy manager comes in.

But utilities and government agencies already know how effective an energy manager can be and offer incentives for their hiring. For BC Hydro, the Energy Manager Incentive program is one of its most popular; the province has 40 co-funded energy managers in its Strategic Energy Management Program. When an organization has funding that pays at least partially for that person from the outset, the opportunity presents itself for that person to prove his value to the organization instead of just having to take someone's word for it.

Having one person in a location (or even shared among a few locations) whose sole focus is on saving energy—and is a large part of the integration of energy management into that location's culture—can save a great deal more than was spent on that person's salary in the first place. BC Hydro has found that Energy Managers funded through its program also become instrumental in applying for energy study funding as well as funding for other projects.

Given the current economic climate, people are busier than ever at work, and the attitude that energy can be just one more thing on someone's plate can lead to failure. Although effective and sustained energy management activity absolutely requires the involvement of a team and should never rest solely on the shoulders of a one person, the focused efforts of one energy manager or champion in guiding the integration of energy management into the collective mindset within an organization can yield a great success.

● **Overcoming challenges**

Given that incentives depend on different agencies' access to funding (which can vary given political changes and economic conditions), on-again/off-again energy management incentive programming can create some malaise with customers, who often end up acting only when they receive incentives. There is often criticism regarding the need for incentives to be larger to motivate customers into pursuing energy management, although this is often not the largest problem that needs to be overcome.

"Customers need to understand the incentive calculation, the numerous process steps and reviews, and the overall process timelines, which may not align with their implementation and budget cycles," says Kevin Wallace from BC Hydro. Likewise, "the utility needs to understand the 18- to 36-month project life cycle and how it impacts on utility budgets, which are annually based".

To overcome these challenges, Wallace suggests there is a need not only for utilities to focus on aligning themselves better with the business cycles of different industrial customers, but to set the customer's expectations appropriately given payback calculations and timing.

Energy incentives often present difficult-to-understand timelines and payback calculations, so it's no wonder many customers end up not pursuing any. Between the groups offering incentives and the customers looking to understand and apply for those incentives is an opportunity for energy distributors/contractors. Knowing what incentives are available, the types of customers to which they apply and how to apply for them ends up being of enormous assistance, and can most definitely lead to an increase in business.

"Many times clients do not have the time or expertise to quantify projects as they concentrate on their day jobs," explains Kevin

Harrison of Efficiency Nova Scotia in talking about the Embedded Energy Manager program. The same can be said for electrical distributors, contractors and other companies with a focus on how energy is used; they have the knowledge and abilities the customers often do not have to devote to learning about and applying for appropriate incentives on behalf of customers. Often, this can make all the difference in the world in not only whether the customer utilizes an incentive, but also in whether the electrical distributor/contractor gets the work associated with it.

The good news is that, in speaking with utilities, and provincial and national agencies promoting energy management (e.g. energy efficiency, demand response, monitoring & targeting, and renewables) across the country, it appears there is a growing trend of provinces pursuing this activity and increasingly capturing load reduction. It is estimated that with around 75% uptake among large industrial customers, Efficiency Nova Scotia has been able to save around 50GWh through recent actions.

In British Columbia, around half of large industrial customers have taken advantage of the BC Hydro's Power Smart Industrial Incentives, for which the province has saved an estimated 238GWh over the past three years. In Ontario, OPA estimates 574GWh of energy was saved in 2011 alone through the participation of 400 facilities in demand-response programs, close to 3000 projects under retrofits and more than 150 projects under new construction. Since 2005, Ontario's load has been reduced by more than 1900MW.

These provinces' robust incentive programs have been instrumental in conserving a large amount of energy as well as saving customers a large amount of money through avoided costs. This

Net Metering Program

- Allows customers the option to connect their own "environmentally sustainable" generation unit to NB Power's distribution system to generate their own electricity while remaining connected to the utility. An agreement must be signed prior to the installation of the meter.
- Visit www.nbpower.com/html/en/save_energy/save_energy.html

Saint John Energy Advising or Loan Program

- Free basic energy advising services in 30- to 60-min sessions. Loans are available up to a maximum of \$3500 for electrical upgrades. Payment terms are 1 to 5 years with an interest rate of 6.50%.
- Visit www.sjenergy.com/cms/loan_program

NEWFOUNDLAND & LABRADOR

takeCharge Energy Savers Commercial Lighting Rebates

- Program offsets the cost to upgrade from old T8 systems to high-performance T8 lighting.
- Visit www.takechargenl.ca/rebate-programs

takeCharge Government Residential Energy Efficiency Program (REEP)

- Helps low-income households make energy-efficient retrofits to their homes. Eligible island homeowners can receive a grant of up to \$3000, and \$4000 for homeowners in

GET FACE-TO-FACE TIME WITH CUSTOMERS AND PROSPECTS



Partners in Training (PIT) is a new event program that we launched earlier this year. Consisting of a series of educational seminars held at strategic locations across Canada, PIT events provide suppliers and distributors with a unique opportunity to network with existing customers and meet new prospects.

Table-top exhibits and a range of sponsorship opportunities are available to enable you to engage with PIT event attendees – the decision makers who purchase electrical products and services!

For exhibitor and sponsorship information, please contact:

Scott Hoy
shoy@annexweb.com
 905-726-4664

John MacPherson
jmacpherson@annexweb.com
 905-713-4335

**PLEASE VISIT WWW.PARTNERSINTRAINING.CA
 FOR INFORMATION ON THESE EXCITING EVENT OPPORTUNITIES.**

Labrador. Funding is also provided for a pre- and post-energy inspection.

- Visit www.takechargenl.ca/rebate-programs

● NOVA SCOTIA

Efficiency Nova Scotia Product Rebates

- Involves both in-store and mail-in rebates on various energy-efficient products. Rebate amount depends on product being upgraded.
- Visit www.energycns.ca/product-rebates

Efficiency Nova Scotia Business Energy Solutions

- Efficiency Nova Scotia will upgrade a business with energy-efficient products and cover up to 60% of the costs. A free initial assessment is conducted and a project proposal is submitted for the business' approval; upon acceptance, the business' portion of the costs can be paid as an interest-free installment on its power bill.
- Visit www.energycns.ca/energy-solutions

Efficiency Nova Scotia Financing for Home Energy Solutions

- Offers zero percent financing for Home Energy Assessment upgrades. Financing is from \$2500 to \$15,000 for up to five years.
- Visit www.energycns.ca/energy-solutions

● ONTARIO

Enbridge Greenhouse Program

- Assists greenhouses in developing an energy management plan and program. Grants of up to \$5000 are given to finance energy audits, up to \$30,000 is given to help get projects started, and grants are given for condensing equipment with less than 90% efficiency.
- Visit www.enbridgegas.com/assets/docs/greenhouse_prog.pdf

Small Business Lighting Program: Power Saving Blitz

- Offers up to \$1000 in free energy-efficient retrofits and additional incentives for retrofits over \$1000 for the small commercial sector.
- Visit www.smallbusinesslighting.ca

Northern Energy Program

- Helps northern organizations capitalize on energy opportunities and pursue clean alternatives to reduce demand on external energy sources. Funding is a forgivable performance loan where the maximum contribution will not exceed 50% of project costs, or a maximum of \$250,000.
- Visit www.nohfc.ca/en/programs/northern-energy

Horizon Utilities saveONenergy Peaksaver PLUS program

- Distributes free devices to help manage your electricity bill at home or at a small business. The free devices include a programmable thermostat and a PowerCost Monitor.
- Visit www.saveonenergy.ca

degree of savings can be, and is, repeated in regions across the country with a focus on energy reduction and conservation. The consistent offering of incentive packages to customers by a variety of agencies—along with knowledgeable energy distributors and contractors who are familiar with these them, knowing to whom they apply and how to apply—can effectively result in substantial monetary savings and energy reduction for both the customer and the province. Promoting this service to customers looking to save money in markets where electricity continues to rise in cost is absolutely imperative to the continued utilization of incentives.

The bottom line is incentives offer a solution to a problem: with funding considered tighter than ever given the current economic climate, having funds made available for those parties who wish to cut their costs through reduced energy consumption helps the case for requesting capital funds for projects. Energy is still seen as an uncontrollable cost by many people, so it often takes a lot of convincing for people to take action. Incentives not only make it easier to justify projects that may seem somewhat 'iffy' to some decision-makers, but also gives energy management a chance to prove its value that it may not have had otherwise.

Energy is indeed a controllable cost and, like other materials and inputs required to produce any product, it has a unit price. The unit price of electricity has been on the rise in many jurisdictions across the country, and that's something over which consumers think they have little to no control.

One of the most obvious avenues to which customers will turn in trying to reduce the amount of energy they consume is to look at replacing old, inefficient equipment. The problem, however, is that some industrial equipment (e.g. air compressors, boilers, HVAC units, lighting) can be expensive to replace, and may involve long payback periods that owners, shareholders and parent companies find unpalatable.

Greater value can be realized through the installation of an energy management culture, where employees become knowledgeable and engaged in managing energy every single day. This culture can be kick-started by an energy manager or champion and/or employee engagement programs, for which incentives do exist.

This is precisely where distributors and contractors should, and do, come in. Familiarity with current incentive programs definitely helps customers better exploit incentive funds and, as a result, gives energy management the chance it deserves. ■

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- City of Edmonton. Energy Management Revolving Fund, July 2013.
- Efficiency Nova Scotia. Personal Correspondence with Kevin Harrison, July 2013.
- Natural Resources Canada. Financial Assistance (by province).
- OPA. Personal Correspondence with Mary Bernard, July 2013.
- OPA. 2011 Conservation Results, December 2012.

Hydro One saveONenergy Small Business Lighting Incentive

- Offers a no-obligation assessment and covers up to \$1500 in costs for energy-efficient lighting that is installed free of charge. Your business or farm must have an overall electricity demand of less than 50kW a year.
- Visit www.hydroone.com/MyBusiness

Ontario Power Authority Aboriginal Renewable Energy Fund

- Provides funding for First Nation and Metis communities to help them develop renewable energy generation facilities. The program covers a portion of the project costs up to a maximum of \$500,000 per project. There are three streams of project development, depending on project scope.
- Visit www.aboriginalenergy.ca

Toronto Hydro Retrofit Program

- Pays up to 50% of project costs in replacing existing equipment with high-efficiency alternatives (e.g. garage lighting, LEDs, occupancy controls, variable frequency drives).
- Visit www.torontohydro.com/sites/electricsystem

Toronto Hydro Small Business Lighting

- Offers small businesses up to \$1500 in energy-efficient lighting upgrades. Must have a general service account of less than 50 kW. A free assessment is conducted prior to retrofits.
- Visit www.torontohydro.com/sites/electricsystem

● PRINCE EDWARD ISLAND

Commercial Sector and Institutional Buildings Program for Energy Incentives (CSIPEI)

- Provides financial incentives up to \$2000 toward an assessment for energy efficiency upgrades, and a maximum of \$20,00 toward the retrofit.
- Visit www.gov.pe.ca/oe/csipei

Energy Efficiency Multi-Unit Residential Building Grant

- An energy efficiency incentive program for MURB property owners to help them with implementation.
- Visit www.gov.pe.ca/oe/murbpei

● QUEBEC

Energy Innovation Assistance Program (PAIE)

- Encourages development of new technologies or innovative processes on energy efficiency or emerging energy sources. These projects must be performed in Quebec within 36 months of application. Financial assistance can range anywhere from \$10,000 to \$1 million per project.
- Visit www.efficiteenergetique.mrnf.gouv.qc.ca/en/technological-innovations

Hydro Quebec Energy Efficiency Buildings Program

- Financial assistance in one of three components for commercial and institutional buildings to implement energy efficiency measures.
- Visit www.hydroquebec.com/business

● SASKATCHEWAN

SaskPower Commercial Lighting Incentive

- Provides non-residential customers with access to energy-efficient lighting and electrical equipment at discounted prices through an electrical contractor. Rebates are instant when your contractor purchases the discounted lighting through a participating distributor.
- Visit www.saskpower.com/efficiency-programs-and-tips

SaskPower Energy Performance Contracting

- Helps large business and institutional customers use money saved on energy to pay for building improvements. Assists in solutions for facility audits, project engineering and design, and overall project management.
- Visit www.saskpower.com/efficiency-programs-and-tips

SaskPower Industrial Energy Optimization Program

- Helps industrial facilities improve energy efficiency of process operations with financial incentives for identification, development, and implementation of energy management and capital projects.
- Visit www.saskpower.com/efficiency-programs-and-tips

● TERRITORIES

NORTHWEST TERRITORIES

Arctic Energy Alliance Commercial Energy Conservation and Efficiency Program

- Rebates available for upgrades of up to \$10,000 for businesses aiming to conserve energy and improve energy efficiency.
- Visit www.aea.nt.ca/programs

Alternative Energy Technologies Program (Renewable? Doable!)

- Promotes the use of renewable energy sources. There are three funding sections: Community Renewable Energy Fund (funds of up to one-half of project costs to a maximum of \$50,000); Medium (funds up to one-third of the energy system cost to a maximum of \$15,000); and Small (funds up to one-third the cost of energy systems to a maximum of \$5000).
- Visit www.enr.gov.nt.ca

● NUNAVUT

Nunavut Energy Retrofit Program

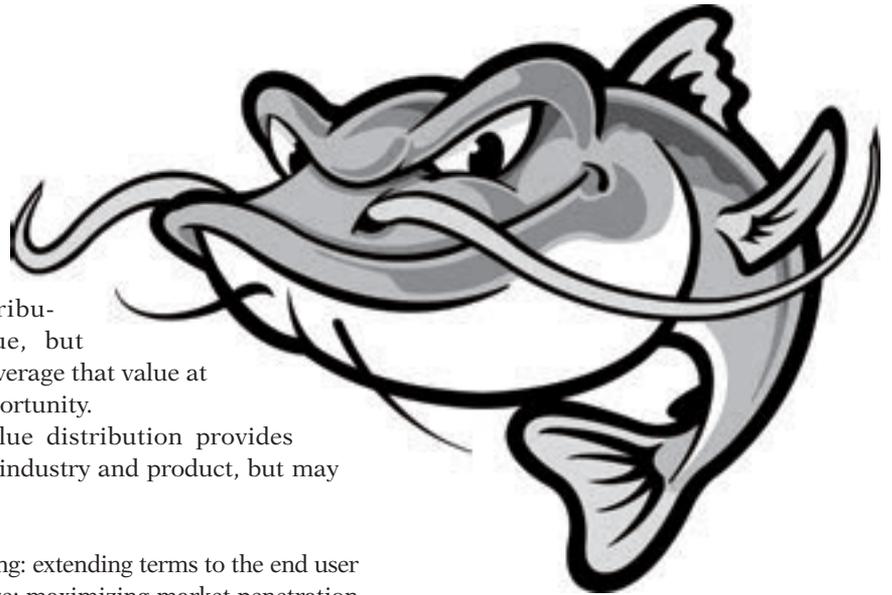
- Energy retrofit programming depends on the region (Baffin Region, Kivalliq Region, Kitikemot Region and the City of Iqaluit) in which you are located.
- Visit http://www.cgs.gov.nu.ca/en/gov_services_energy-nerp.aspx

● THE YUKON

Secondary Sales Program for Commercial and Wholesale

- Provides businesses with the option of using hydroelectric power to heat their facilities rather than diesel or propane. Incentive can save up to 10% or more on heating bills.
- Visit www.yukonenergy.ca/customer/commercial/secondary

DISTRIBUTORS *ARE* *NOT* BOTTOM-FEEDERS



Dr. Rick Johnson

As you may know, catfish are bottom-feeders, preferring to feed on algae and dead, stinky bait rather than better, live alternatives. They feed at night and can be predatory. Most are sleek and quick, but some have grown to over 50 lb.

Some manufacturers may think of their distributors in the same terms: slick and quick, and eager to feed on the almighty dollar.

They say distributors bottom-feed on rebates, discounts and special promotions, preferring lowered prices (dead, stinky bait) as opposed to the hard work of selling value. Manufacturers believe some distributors have grown large and lazy, like the 50-lb catfish.

After spending more than 35 years in the distribution business, I will admit to having run into a few distributors fitting this description, but they are the exception, not the rule.

Most distributors work very hard, and are honest and loyal to their manufacturers. They recognize they are only as good as the support they receive from their manufacturers, and understand the reciprocal nature of the relationship. The more support distributors give manufacturers through investments in market share growth, the more support they will receive from manufacturers.

Distributors are not catfish in the supply chain channel

Distributors provide tremendous value; most manufacturers understand this and will openly admit it, albeit sometimes begrudgingly. Manufacturers who operate in a true partnership not only acknowledge

the distribution value, but seek to leverage that value at every opportunity.

The value distribution provides varies by industry and product, but may include:

- Financing: extending terms to the end user
- Coverage: maximizing market penetration
- Consolidation of orders: handling many small accounts that would not be cost-effective for the manufacturer to handle
- Service: defined in numerous ways, from JIT (just-in-time) delivery, same/next day shipping, consignment to job-site trailers, and twigs based on market demands
- Training
- Repair services
- Demand creation
- Advertising

Some manufacturers don't acknowledge this value openly and endure a Love-Hate relationship with their distributors. They can't live with 'em and they can't live without 'em.

Again, some distributors deserve this negative opinion. There are those who have made fortunes simply because they had products with exceptional brand equity in exclusive or select territories that required nothing more than answering the phone to get rich. Some of these distributors have failed to reinvest in their businesses, putting personal needs first. Then, when the end of the product life cycle nears and cutting-edge distribution is required for new product introduction and support, the

distributor's commitment, desire and competence are often lacking.

I believe these scenarios are in the minority, so we need to work to change any negative generalizations.

Different perspectives

We should recognize there are different mindsets between distributors and manufacturers; by understanding the two perspectives better, each party can work toward an improved partnership.

The manufacturer prefers to have a contract with POS (point-of-sale) information. His contract would state: You will do This, and if you do not, These are the consequences and, by the way, our deal can be cancelled with a 30-day notice. The distributor, on the other hand, prefers a covenant that says: If you do This, we will do That and, together, we will grow market share.

Throughout much of my distribution career, I naively believed I was a customer of the manufacturer; after all, I bought his product and resold it. It wasn't until 1998 that I began to comprehend the concept of not being his customer.

Back then, I was two months on the job

as COO of Distributor X when I met the vice-president of sales of our major supplier for the first time. I had done my homework and knew our company was on their Top 10 account list, as we had purchased a lot of product from them the year prior. I made a comment to this vice-president about taking pride in the fact we were one of their Top 10 customers.

I expected at least a smile, kudos or just a grateful nod; instead, he just looked at me in disbelief and, with a rather firm, arrogant voice, said, "Rick, you are not a customer. You are a distributor!"

I was offended by his attitude at the time, but came to realize that, in the eyes of the manufacturer, distributors are not customers. They are simply a link in the supply chain. Ideally, they are channel partners. Manufacturers have huge capital demands to cover high fixed costs. Their call to continually increase market share is essential, yet distributors sometimes get frustrated with the volume-driven needs of their manufacturers.

Increasingly, manufacturers have little choice but to explore all opportunities for capturing market share, and distributors can become just one of many vehicles in the supply chain. Many manufacturers even seek out the opportunity to service some major customers directly. Transactional websites are playing an ever-increasing role in the supply chain. Add in manufacturers' reps, integrators and catalogue houses, and you begin to understand the confusion and noise that can exist. This can and often does frustrate distributors. They believe in themselves and prefer market exclusivity—a phenomenon that is dying off in many industries.

What keeps distributors up at night?

Distributor rationalization is becoming a hot topic in many manufacturer executive staff meetings across North America. Most believe they have too many distributors. Mass retail complicates this situation, and dealing with the service demands of the big box retailers is still a major headache for the manufacturer. Were a manufacturer to sit down today and redesign his distribution model from scratch, odds are very good he would not retain his existing channel structure. Distributors know this, and often feel threatened by it.

However, just as profit covers many sins, performance covers most frustrations. Manufacturers like big purchase orders, increased sales and market share growth. Distributors like exclusivity, rebates, co-op funding, technical support and innovative, creative manufacturing partners. When both partners get what they want, it's a match made in heaven... and matches like this do exist. However, many require constant nurturing, and both partners have to work at it.

Distributors and manufacturers often disagree on what is important to the customer. Distributors believe the manufacturer is out of touch, while the manufacturer believes the distributor is not providing adequate coverage nor developing market intelligence (and that the intelligence that is gathered is highly biased).

Manufacturers recognize that channel rationalization can be a good thing for their long-term relationships with distributors who are willing to be true partners and operate within the bounds of what is good for both. A garden cannot flourish without pulling the weeds. The trick is to catch the catfish in the rationalization process rather than the productive distributor partner.

Partnership reinvention

Distribution will always play a role in the channel; manufacturers simply cannot do what distribution does. However, distributors must recognize that change is upon them. They, too, must adjust to the evolution taking place in the supply chain. They have the opportunity to reinvent the relationship and create a model that is mutually beneficial. Both manufacturers and distributors should follow these five principles to reinvent that partnership:

1. Communicate

Perception becomes reality. When all the cards aren't on the table, people tend to envision circumstances that are much different from reality. This creates a feeling of mistrust. Be open about topics such as coverage. Are you in a growing or mature market? How much brand equity really exists? Competitive reality? Be honest with each other.

2. Customer satisfaction

This is the No. 1 priority. Unhappy customers, regardless of who is at fault, result in lost market share. Create a joint formal satisfaction review program. The longevity of your partnership depends on market share growth. You cannot grow market share when you are losing existing business. This process will also support your strategic sales initiatives. Create a formal review process that is built on trust, respect and mutual goals.

3. Strategic sales initiatives

Jointly develop a sales strategy by territory that uses basic sales effectiveness principles, including targeting, goal setting, action planning and a performance review process.

4. Competitive advantage

Collectively align your resources to create competitive advantage in your market. Look for the dysfunctional, low-hanging fruit on both fronts. Eliminating the stupid things both parties do will automatically improve performance.

5. Sales effectiveness

Identify and implement a true sales effectiveness process that is relevant to your market, customers and sales force, and supports your strategic sales initiatives.

No, distributors are really no more like catfish than manufacturers are like barracudas, but that doesn't mean that either side is perfect in managing their relationship with the other. A true partnership is one at which both parties work continuously. Base the partnership on the assumption you have determined the right partner; once that occurs, you must build the partnership on trust, honesty and integrity. ■

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Balancing online marketing and reputation management

Caroline McGrath

Acting in a way that reflects and reinforces your company values is critical in protecting your reputation.

Today's savvy business owners understand a negative online reputation can have a direct impact on their bottom line or, worse, their long-term business potential. At the same time, they recognize that social media is integral for online marketing, finding and engaging customers, influencing brand, product and service perceptions and, ultimately, building credibility and trust.

The content available online about your brand—the good, the bad and the ugly—not only shapes perceptions, but can make the difference in winning or losing a customer. At its core, the basic goal of corporate reputation management is to push down negative search results. By implementing a content marketing strategy that builds informative, interesting and search-engine optimized (SEO) web content, you increase the likelihood of your brand achieving higher-ranking, positive search engine results.

But what can you do about online content you don't control?

You cannot respond to what you do not see, so deploying some basic online monitoring tools is a critical first step in managing your online reputation. For example, you can set up news alerts to keep you posted in real-time whenever your brand (or competitor's brand, for that matter), spokespersons and products are mentioned online. You can use search and analytics tools to identify online influencers who are talking about your company and products; listen to what they are saying and determine how best to respond. You can follow trending topics and hashtags on major social media sites to help you target and engage the key influencers and communities of interest most relevant to your business objectives.

You can also monitor what your employees are doing online when it comes to your brand. Social media is on the rise within organizations, yet many companies don't have policies in place that provide employees with basic guidelines about what they can or cannot say about the brand or company online. Without a social media policy in place, an employee could inadvertently reveal confidential company information to the public, or engage inappropriately in online forums that could negatively impact your brand.

Positive customer reviews are powerful tools and

can create tremendous business value through their social reach and influence. On the other hand, a negative product review posted by a customer or reviewer presents a unique set of challenges, especially when it appears prominently in search engine results.

One way to help offset negative online reviews is to provide a form on your own website and encourage customers to use the form to post their reviews and log any complaints or questions about a product or service. This approach provides several advantages: first, it allows you to control the environment in which the complaint is being logged; second, it allows you to respond quickly to the customer, identify the source of the problem, and provide an excellent customer service experience.

When a bad review is posted prominently online, deal with it immediately—it won't go away if you ignore it. You need to get your brand or product—and the underlying issue causing the problem—out of the firing line as quickly as possible. Reach out directly to the person who posted the review and, as a first step, correct any misinformation that may have been published. Offer ways to help solve the problem and, when possible, try to take the dialogue offline using a courteous and professional approach. Once you are out of the public domain, you can delve into the issue in more detail and determine the best approach for resolving the situation.

Acting in a way that reflects and reinforces your company values is critical in protecting your reputation. The results of a negative online reputation may be as simple as the loss of a sale or a potential customer. However, if left unchecked, the damage could escalate to long-term loss of credibility and trust.

Corporate reputation management is a discipline that requires a proactive approach. This includes having a content marketing strategy in place so there is a steady stream of informative, up-to-date and interesting online content available to customers about your brand, products and services.

Striking a balance between online marketing and corporate reputation management is a sweet spot for today's brand managers and marketers. The payoff for savvy businesses that take the time to understand and manage this delicate balance is tremendous new business opportunity. ■



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