



Gaining Intelligence to Grow Sales

Someone once said,

“Data is important. Once analyzed it becomes information. Information analyzed becomes knowledge, but knowledge, when utilized, is powerful.”

The benefit of data gathering from a business viewpoint is improved market intelligence to enable better decision. The more market information you have, the better the quality of your decision-making.

Everyone has experienced the benefits of improved marketplace intelligence. Think of the plethora of financial newsletters that espouse stock opinions; the websites that support fantasy baseball leagues; resources like ACNielsen, who pioneered the concept of POS analysis/market share in 1935, and J.D. Power & Associates satisfaction studies which are used to improve customer service and as a sales tool. Each is a piece of information that someone uses to determine “how to win”.

Within the electrical industry there are a number of customer and product data tools that distributors and manufacturers use to:

- o Determine what lines to carry
- o Identify growing product categories and product types
- o Understand the perception of their organization in the opinion of their customers and employees to assist in the development of growth strategies..
- o Identify markets to serve
- o Understand sales opportunities
- o Uncover underserved / undersold products
- o Understand stocking and pricing trends

The key to winning is knowing more about your market and your customers than your competition. To do that, you need data to convert into market intelligence.

Resources Available

Leading distributors and manufacturers typically use multiple intelligence gathering tools. They include:

- o Qualitative Resources
 - o Customer satisfaction and perception surveys
 - o Focus Groups and Advisory Councils
 - o Customer interviewing
- o Quantitative Resources
 - o Manufacturer information from NEMA, or from systems like Sylvania’s “The Source” or Leviton’s MKIS
 - o Electrical Wholesaling’s EWHotspots
 - o Products from DISC, such as DataSearch, MarketTrack, CountyLines
 - o Dodge reports
 - o Information from Dun & Bradstreet, local Chamber of Commerce’s and state or federal resources

Qualitative Resources

Customer satisfaction surveys: A number of distributors conduct annual customer satisfaction surveys, and some more frequently to determine satisfaction by transaction. Questions typically focus upon service attributes. Many are hardcopy with recent movement to e-surveys. The key to these surveys is development of the questions.

Customer Perception Surveys: These surveys can effectively identify your strengths and weaknesses versus your competition. Respondents are asked to rate their decision-making criteria in order of importance and then ask the customer to rate your performance as well as your competitors. Combined with open-ended questions, valuable, actionable, information can be elicited.

Focus Groups, Advisory Councils and Customer Interviewing: Depending upon the issue and the audience, focus groups, advisory councils and one-on-one interviews can provide a wealth of information, especially if the effort is conducted by a knowledgeable third-party. Why a third-party? The third-party enables an environment for an unbiased conversation,



provides anonymity and a more comfortable, non-sales, environment for the respondent.

Quantitative Resources

Manufacturer Resources: While many think that manufacturers have information tools that can be used at the local level, unfortunately most don't. While a number of manufacturers have access to NEMA information, this information is based upon shipments to distributors from participating manufacturers. Some manufacturers have created their own resources, a la Sylvania's "The Source" and Leviton's "MKIS," both of which are databases that these companies make available to their distributors to support local market research and lead generation efforts.

National Data Resources: Other popular resources which can provide local market information, potential, market segment sales projections, and product category projections are Electrical Wholesaling's EWHotspots; DISC's array of electrical industry specific data; and project-based resources like Dodge reports or residential housing starts.

Point of Sale Information

According to a fall 2005 survey conducted by Channel Marketing Group and Allen Ray Associates, only 33% of responding distributors provided POS information to more than 3 manufacturers, and only 50% were receiving some level of competitive information from their suppliers. Rockwell, Philips and Square D, were the only manufacturers frequently mentioned as providing information to their distributors.

The ability to gather, and benefit from, geographically-identified point-of-sale information has been lacking in the electrical industry. Being able to analyze item level POS information could enable manufacturers and distributors to make more informed sales, marketing, pricing and purchasing decisions.

This is especially true for distributors and manufacturers who currently mine their information but have nothing to compare it against. Most manufacturers who receive POS information from distributors utilize it primarily for sales compensation.

To date, distributors and manufacturers have not had a third-party resource which can provide geographically-based, non-customer specific, information to compare end user consumption versus the competitive landscape. This is changing with the advent of Vista Information Services, a division of Activant, which is receiving POS data from distributors. This new service brings the same type of item level POS analysis that is used in other industries.

Participating distributors are full-line electrical distributors, (many are NAED members), and represent a significant percentage of industry sales, providing accuracy to the system.

A POS-based Market Intelligence

Vista's tracks, and projects, monthly item level product sales based upon information gathered at the point-of-sale. Participating distributors and subscribing manufacturers receive information on sales, brand market share, marketplace potential, top selling SKUs, average pricing and more.

While distributors traditionally are reluctant to share customer-specific POS data due to security concerns and a perceived lack of actionable value to the distributor, Vista panelists commented that they participate because:

- "...what manufacturers come to us with, is not even remotely accurate. NEMA might be good for manufacturers, but it is not effective for our purposes."
- "We have not had accurate market potential information presented to us by manufacturers other than Rockwell. The information will help us gauge what we may not be selling that we should be selling."
- The value to us is that we will be able to see across a region what is being sold.

When distributors were asked in the survey what type of information they wanted to receive in exchange for submitting POS data, distributors responded:

- Total sales by product line



- Total sales for each SKU, by product line, by SIC
- The primary products are being sold in their market
- Benchmark pricing information
- Top SKU's per manufacturer, based upon units sold
- Product/product category sales potential
- Product, and manufacturer, share in a geographic area
- Local and regional product price points
- Top new product SKUs
- Product usage by SIC
- Regional, inventory turns by product

While no POS system can provide everything, Vista distributors will receive information that will enable them to better identify opportunities to improve their business.

Manufacturers who view this POS-based information see the potential to better understand distributor needs and market trends. According to one manufacturer, "POS information can significantly improve our sales and marketing planning with our partners. We could then provide product category guidance based upon better information. Key strategic information such as average unit price/SKU vs. competitive products, pricing trends by market segment, local growth rates, up-sell opportunities and more could be available".

While receiving POS data directly from distributors would be the "holy grail", according to another manufacturer, gaining predictively accurate information to guide decisions and benefits distributors would help improve distributor sales and profitability. More effective sales strategies could be developed, informed pricing decisions be made, and inventory better managed.

Increase Your Intelligence

The adage of "the more you read, the more you learn" holds true for market intelligence. The more data sources, both quantitative and qualitative, that you can access, the better the quality of your decisions and your ability to drive your business to improve sales and profits.

At the end of the day, it's all about how to get the right information into your hands to better partner within the channel. If manufacturers know what's selling and what's not, they can optimize their manufacturing to have the right product for the customer when the customer needs it. Additionally, with their finger on the pulse of the marketplace, manufacturers have an opportunity to share ideas and strategize with their distributors to help them improve sales.

As the distributor definition of marketing expands to incorporate market research, usage of cost-effective quantitative resources such as DISC, EWHotspots and Vista will become more critical to capturing market share.

Effective market intelligence can help you grow your sales.

Allen Ray is principal of **Allen Ray Associates**, www.allenray.com. Allen Ray Associates helps companies improve measurable profitability through effective pricing strategies and streamlining business processes through effective eBusiness utilization. Allen can be reached at 817.704.0068 or allen@allenray.com.

David Gordon is a principal of **Channel Marketing Group**. Channel Marketing Group develops strategic plans and marketing strategies for manufacturers and distributors. He can be reached at 919.488.8635 or dgordon@channelmkt.com. Register for monthly newsletter at www.channelmkt.com.