



Turning Green Into Green

The electrical marketplace is changing. While economic conditions may be challenging some segments of the market as well as having significant impact within geographic areas many perceive that customer demands are changing.

These changes relate to an increased emphasis on price due to the commoditization of products and services; decreased commitment to brands; an interest in seeking solutions in the areas of productivity, product commodity conversions (i.e. copper to aluminum), arc flash, power quality and energy efficiency.

Over the past twelve months, interest in energy efficiency has accelerated. It is our opinion that this has been driven by a convergence of macro issues such as increased fuel costs, increased environmental concerns, a trend towards social responsibility, perceived corporate marketing & employment benefits and a desire for energy independence as an additional component of national security. These issues have been further amplified by the media.

This trend portends significant opportunities for the electrical industry as significant energy savings can be realized by adoption of products that electrical manufacturers and distributors sell. To date, efforts by the industry to capitalize upon this opportunity have been fragmented. Manufacturers develop product and attempt to individually market them, while recognizing that their products are dependent upon a "system" sell. Most distributors prefer to play the role of product aggregator and don't have the strategy, or sales organization, to affect demand creation. Contractors, who install product, historically have not been sales or solutions-oriented, hence are prone to be responsive to their customers' requests rather than proactive to recommend enhancements.

Based upon conversations with manufacturers & distributors, it became evident to CMG and ARA that many manufacturers & distributors were missing end-user/contractor input that could enable them to craft their company's strategy.

Our research showed that the needs within the contractor market should be differentiated based upon company size and sophistication level whereas the end-user market is more homogeneous. At the same time, specifiers recognize that energy efficiency is not a fad and that regulatory environments such as EPC Act 2005 and LEED, along with state and local initiatives, will continue to fuel the energy efficiency marketplace.

The energy efficiency market represents a broad based growth opportunity for all distributors and a significant group of manufacturers. Given recent macroeconomic issues, it is expected that the opportunity will continue for some time.

To better penetrate the market it is important to understand customer needs. Based upon the research that we conducted (we received over 1000 responses and conducted over 80 interviews), we identified that much of the contractor, end-user and specifier issues relate to information sharing.

Each audience has specific needs for information. To date the information that has been shared is compartmentalized and fragmented. By this we mean that manufacturers have focused on their product issues, rightly so, whereas most distributors have not aggregated the information to present to their customers.

Currently, product information is available in the marketplace, however, all audiences are seeking sales tools, calculators, specific case studies, product rating information and more. Unfortunately, these issues are compounded by the reality that they "need the information when they need it" and may not remember when they saw it. This requires consistency in marketing communications as well as well-trained sales organizations, or energy specialists.

Further, regulatory and financial information is continuously evolving, necessitating that "someone" keep abreast of the issues.

According to respondents, few distributors have been effective in supporting their efforts. A vast majority of distributors can service customer needs, albeit solely through product fulfillment. It



appears that few are investing in the resources desired to support customer needs and, in many instances, this support is dependent upon the energy efficiency knowledgebase of the customer's salesperson. To compensate, customers are seeking their own information sources, relegating distributors to compete based upon price.

Opportunities abound for distributors and manufacturers to differentiate themselves through energy initiatives. Throughout this report suggestions are made, where appropriate for distributors and manufacturers. The solutions that you may develop for your company will dependent upon the customer segments you pursue and your geographic marketplace. The products exist in the marketplace, the demand will not diminish and customer issues will be addressed by someone.

For more information about CMG & ARA's Green Survey, and to obtain a copy of the research report, contact the authors. The report covers product category potential, information/tools customers seek/need from distributors and manufacturers, their awareness of green / energy efficiency, the value that they see in this segment of the market (re: Energy Star, LEED, distributor specialists, etc), what drives their interest, new product opportunities and manufacturer insights

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