

Channel Challenges & Opportunities in the Lighting Industry

presented by: 



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What We See....

Challenges

- Economy
- Consolidation
- ↓ Brand Preference
- ↑ Admin Cost / Order
- Pricing / Margin Erosion
- Alternative Sourcing
- Web 2.0
- Inventory Management
- We vs. They Mentality

Opportunities

- Niche, Niche, Re-Niche
- Consolidation
- Focused Marketing
- Technology
- Data Analytics to Drive Pricing
- Low Cost Producer / Value-Added
- POS/VMI/SPA/End-user Contact
- High GMROI Supplier
- VOC
- Energy, Efficiency, Environmental

But This Too Shall Pass



Today's Issues

- Paralyzing Credit Markets
- Energy Efficiency ... Waning Opportunity?
- Overcoming Customer Investment Issues
- Whom Manufacturers Partnering With?
- New Product = Confusion & Opportunity
- Manufacturer Brand Erosion

Challenges & Opportunities

- Distributor Survival
- Are There Growth Opportunities?
- Operational & Legacy Issues Inhibit “Partnering”
- Training
- New Products ...
- Price Competitiveness vs. Value



Growing the Business



Distributor Growth Initiatives

Growth Initiative	Rating
Pursue New Accounts	9.23
Penetrate Existing Accounts	8.48
Energy Efficiency	8.41
New Lighting Technologies / LEDs	7.89
Selling Manufacturer New Products	7.50
Offering New Services	7.19
Utility / State Rebates	7.13
Expand/New Product Categories	7.08
Additional Promotions	6.73
Increasing marketing activities	6.71
Hire New Salespeople	6.58
Pursue Strategic Accounts	6.23
Internet Sales	5.69
Representing New Manufacturers	5.10
Acquisition / New Locations	5.00
Offering Installation Services	4.81
Catalog Sales	4.26



Manufacturer Growth Strategies!

- Up-sell
- Niche segments / Diversification
- Focus on Select Distribution
- eBusiness
- Customer training
- Government market
- Improve counter merchandising
- Increase inventory
- New business development / niche segments
- Retrofit selling
- Solicit Manufacturer Support
- Support government efforts
- Utility Rebates / Incentives

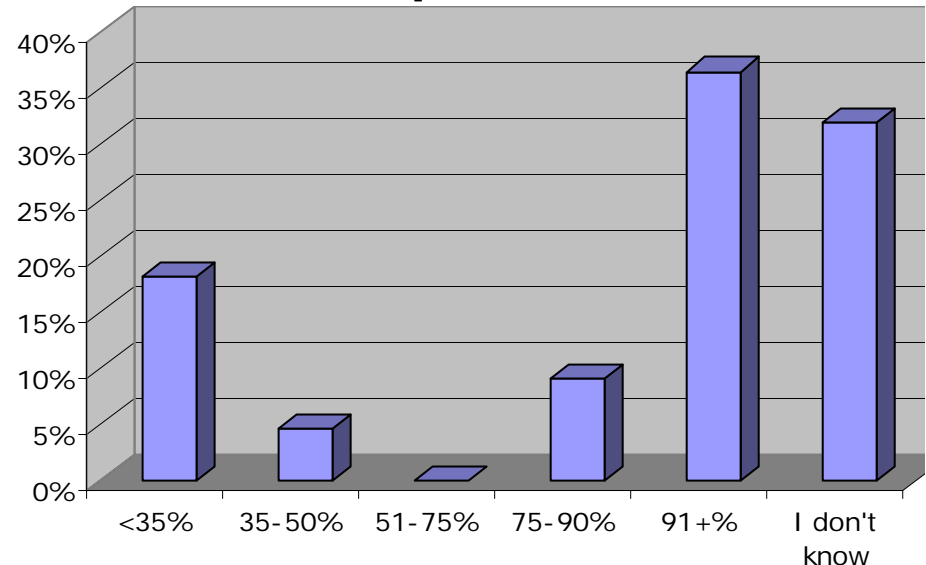
Requires:

- Training
- Market Knowledge
- Marketing
- Funding

Marketing Integral to Growth

Marketing Expenditures	Survey Response
down by more than 10%	13.6%
down between 5-10	9.1%
down between 0-5%	0.0%
flat	27.3%
increase by 0-5%	27.3%
increase by 5-10%	4.5%
increase by more than 10%	18.2%

Co-op Utilization



- 50% are investing in marketing!
- Small distributors historically use less of their co-op funds
- Marketing drives visibility and demand from customers as well as suppliers!

Marketing Energy Efficiency

Capitalizing on the American Recovery and Reinvestment Act

RECOVERY.GOV

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INVESTING IN PUBLIC SAFETY

Edward Byrne Memorial Justice Assistance Grant (JAG) Program*

ESTIMATED STATE VS. LOCAL GOVERNMENT DISTRIBUTION OF FUNDS

On Friday, March 6, 2009, President Obama and Attorney General Holder announced the allocation of \$2 billion in funds from the American Recovery and Reinvestment Act to control crime and improve the criminal justice systems.

State (80%)

Local (20%)

* The JAG Program allows states and local governments to support a broad range of activities to prevent and control crime and improve the criminal justice system. SOURCE: Department of Justice

Welcome to Recovery.gov

The American Recovery and Reinvestment Act is an unprecedented effort to jumpstart our economy, create or save millions of jobs, and put a down payment on addressing long-neglected challenges to our country can face in the 21st century. The Recovery and Reinvestment Act is an extraordinary response to a crisis unlike any since the Great Depression. With much at stake, the Act provides for unprecedented levels of transparency and accountability so that you will be able to know how, when, and where your tax dollars are being

Featured News

Monday, March 16, 2009
U.S. Department of Justice Makes Available \$1 Billion in Recovery Act Funds for COPS Program

Monday, March 16, 2009
New Law Extends Net Operating Loss Carryback for Small Businesses; IRS To Ensure Refunds Paid Timely

Friday, March 13, 2009
Vice President Biden, Railroad Administrator

Accountability and Transparency

This is your money. You have a right to know where it's going and how it's being spent. Learn what steps we're taking to ensure you can track our progress every step of the way.

Share your Recovery Story

Tell us how the Recovery Act is affecting you. What's working? What isn't? We want

www.recovery.gov

ONVIA The Business of Recovery™

BETA

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Where is Your Money Going?

Education: \$21B
Employment: \$40B
Family: \$15B
Healthcare: \$131B
State: \$119B
Total: \$205B

- View Spending by County
- View Job Effect by State
- View Spending by State and Program

[View More Graphs](#)

Welcome to Recovery.com and Onvia. This site is currently in BETA but will soon provide real-time data, maps, and graphs detailing the spending activity associated with the American Recovery and Reinvestment Act. Onvia tracks "every dime" of spending by Federal, State and Local government agencies, and Recovery.com will allow you to explore these activities in great detail by State, by Congressional District, and by Community.

Whether you are a business looking to secure projects funded by stimulus dollars or a taxpayer who wants to know how your government is spending your money in your community, Onvia will present you with the most comprehensive, real-time view of this information.

Resources

American Recovery and Reinvestment Act of 2009 - Wikipedia, the Stimulus Analysis - An economic and fiscal analysis of the American Recovery and Reinvestment Act, via U.S. Budget Watch.org, Stimulus101.com - A web that allows you to track the implementation of the Recovery Act, State

Government Spending

Higher education modernization: \$50B
Fuel grants: \$150B

Stimulus Funded Projects

Onvia is already tracking thousands of stimulus funded projects across the country worth billions of dollars. Below is a sample of recently funded stimulus projects.

Bridge Replacement and Optimal Pavement
Michigan Department of Transportation
Estimated Cost: \$7.5M - \$10M

I-80, Maxwell Interchange
Indiana Department of Roads
Estimated Cost: \$10M - \$15M

If you are looking for the Federal Government's Stimulus Website RECOVERY.GOV click here

For Businesses

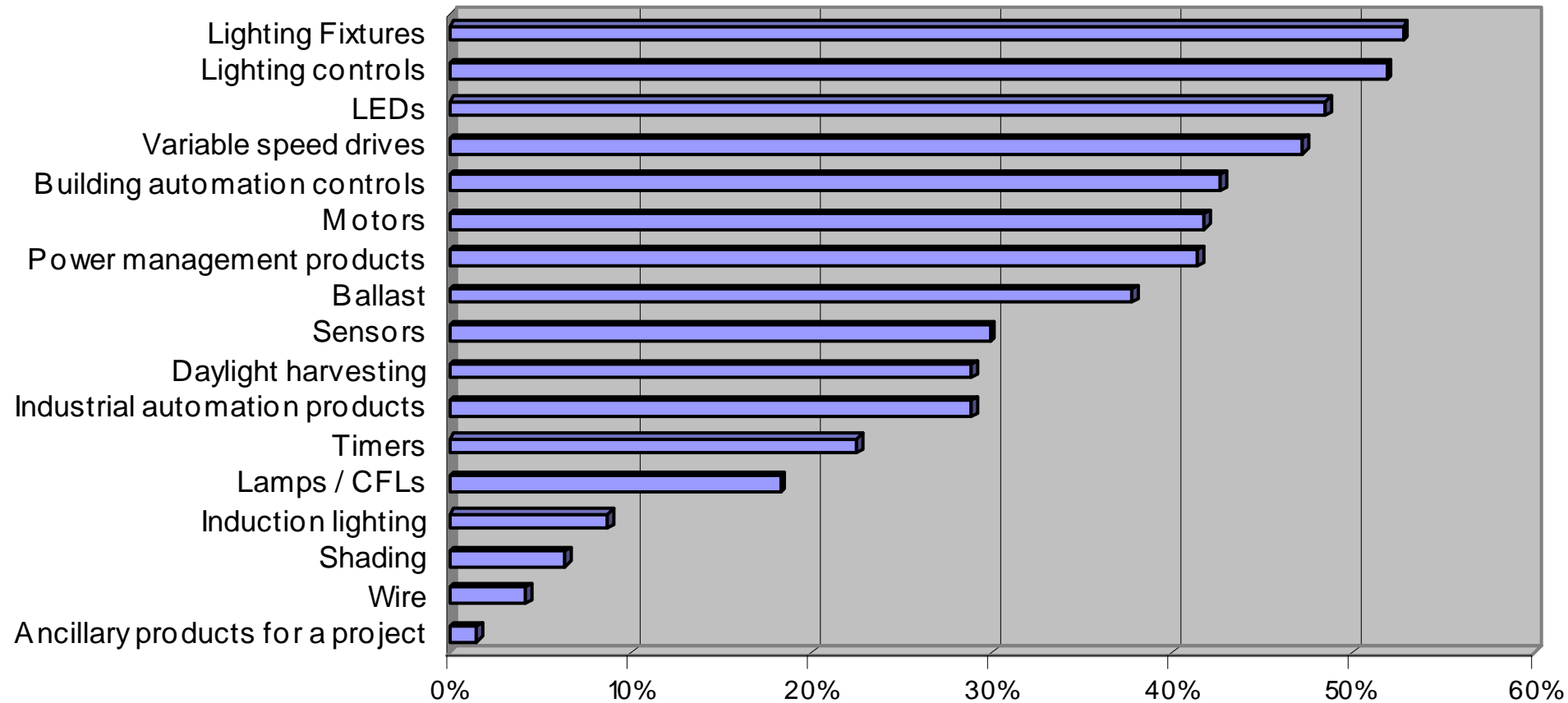
Register and get notified of upcoming economic stimulus projects by joining the Economic Stimulus Registry of State and Local Contractors

Learn more [Register](#)

www.recovery.com

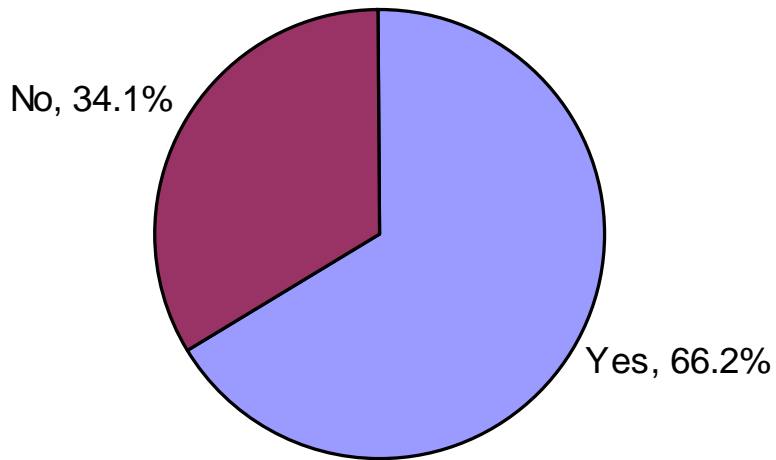
End-User - Product Potential

Greatest Growth Potential

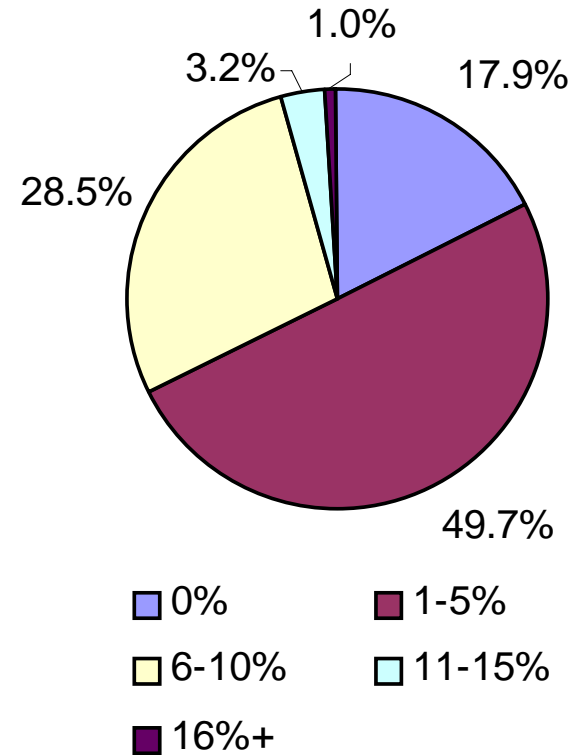


Influence of Energy Star

Affects Purchasing Decision



Purchase Price Premium



End-User Distributor Support

- End-users want distributors to be information disseminators
 - Product information
 - Application and trend information
 - Local, state and Federal rebate information
 - Case studies with payback analyses and operational savings
 - Payback calculators that they can create “what if” scenarios
 - Recycling programs
 - Product samples
- Additionally:
 - Replacement cost comparisons for retrofitting existing fixtures.
 - Specific cost savings / fixture (lamp) based on 8 hour usage
 - Long term maintenance costs vs. older products.
 - Information pertaining to available grants for going Green

End-User Manufacturer Support

- End-users want more information
 - Product & Application information
 - Payback analyses
 - Training
- More specific information to prove improved efficiency and savings
 - Manufacturers must present information that proves the efficiency of the product and produce the product that meets what it says it will do.
 - Comparisons to competitors products
 - Cost savings is important and comparison to existing products is necessary to help sell benefits and provide justification to spend money to save energy.
 - Provide case studies
- Plus:
 - A “well versed” person; not someone that just brings a brochure
 - Samples, video, hard numbers for savings, visits to see installed technology, web links, webinars
 - More comparison of types of bulbs, fixtures and ballast
 - Regulatory / utility rebate information for new installation and long term usage
 - Life cycle costs
 - Specifications that deal with life cycle, efficiency, and comparison numbers for replaced equipment

Lighting Distributor / Manufacturer Challenges

Distributor Challenges

Challenge	Rating
Maintain margins	8.79
Manage my cash flow	8.30
Manage receivables	8.27
Promote my company cost-effectively	7.71
Hire quality people	7.65
Reduce operational costs	7.56
Have access to quality LED lighting manufacturers	7.50
Manage my inventory	7.38
Educate my salesforce about energy efficiency	7.24
Expand into new market / product segments	7.24
Educate customers about energy efficiency	7.00
Redesign / manage price matrix	6.71
Competing with larger companies that expand into lighting	6.24
Build my brand	5.96
Determine suppliers to support	5.54

- **Cash Concerns**
- **Less Focus On Revenue Generation**

Manufacturer Challenges with Distributors

1. Loyalty

- Positive & Negative

2. Sales Force

- Ability to Spend Time
- Quantity & Quality of Sales Force

3. Training

- Allowing Time
- Dearth of Product Knowledge

4. Price

- Understanding the price / quality relationship
- We need profit also!

5. Sales

- Focus on product *line*
- Willingness to attempt to upsell

6. Inventory

- Willingness to Stock & Provide Shelf Space

Growth Challenges

- Being a "2nd tier" or alternate source “we” get lost in the sauce and commitments for products are not followed up on.
- Stuck with OLD habits and vendors, slow to change!
- Most take orders and they don't sell
- Don't make enough joint sales calls
- Don't use the Marketing support offered
- New product support
- Price Price Price

Operational Challenges

Issues

Account Receivables	operations
Backorders	operations
Deductions	operations
EDI	operations
Failure to be self-serviced via "e"	operations
Lack of IT sophistication	operations
Operational synchronization	operations
Pricing accuracy	operations
Small orders	operations
Tight inventory	operations
Earning stock business	sales
Communications to sales	sales
Customer database	sales
Support supporting manufacturers	sales