



SELLING ENERGY EFFICIENCY

BREAKING AND ENTERING

Strategies for small- and medium-sized enterprises looking to expand into the rapidly-changing energy market. **by Jerry Yudelson**



A RECENT STUDY BY YUDELSON ASSOCIATES, “Green Goes Mainstream: How to Profit from Green Market Opportunities,” focuses on the ways distributors can take advantage of the rapidly growing opportunities in energy efficiency. Among the findings: Companies must learn how to make the green building business case differently from the traditional payback or total cost of ownership analysis (for more on this, see “Prepare a Green Business Case” at tedgreenroom.com; click on “News & Articles” then “Energy Efficiency”), sales staffs need to be up-to-date on incentives and regulations, and targets should be chosen carefully. The study also revealed several practical market entry strategies tailored for national, regional independent, and single-location distributors.

Because most contractors want to have some sort of green initiative, but many don't know where to start, they look to their suppliers for expertise and guidance—making training an essential first step for distributors looking to capitalize on opportunities in the energy market.

Success begins with a proactive program whereby the sales staff has access to the product training they need—be it in-house or delivered by manufacturers—in order to educate contractors about all of the options available.

In many cases, distributors will find the concepts aren't that new—they're just different. With photovoltaic systems, for example, while the electricity is coming from a different place, the rest is pretty much the same. The distributor's job is to educate contractors and bundle everything together so the customer doesn't have to make a second trip to get what he or she should have gotten in the first place.

Other cases—controls, for example—may require distributors to provide more education, depending on the project.

Regardless, it's important that the contractor understands why certain systems are being specified, what the equipment is going to cost, and how

labor-intensive it is to install. This information will allow them to draw up accurate bids—(information that most contractors are seeking whether they are “going green” or not).

Distributors should also be equipped to provide information on the less technical factors associated with energy conservation and management—including presenting the latest utility incentives, tax credits, and other factors that might affect decisions.

For this reason, salespeople need to be fully knowledgeable about *EPAAct*, LEED, etc., and how specific products and services will help attain these certifications. Places to find this information include:

- Trade magazines and trade associations are the primary sources of information for energy-efficiency technologies pertinent to electrical distribution.
- Manufacturer and in-house training, customer requests and responses, and consultants are also important sources of information.
- Energy-efficiency organizations are another good source of information. Some examples include the Consortium for Energy Efficiency (cee1.org), the American Council for an Energy-

Distributors doing it

Two companies talk about what it's taken to crack the green market.

by Carolyn Heinze

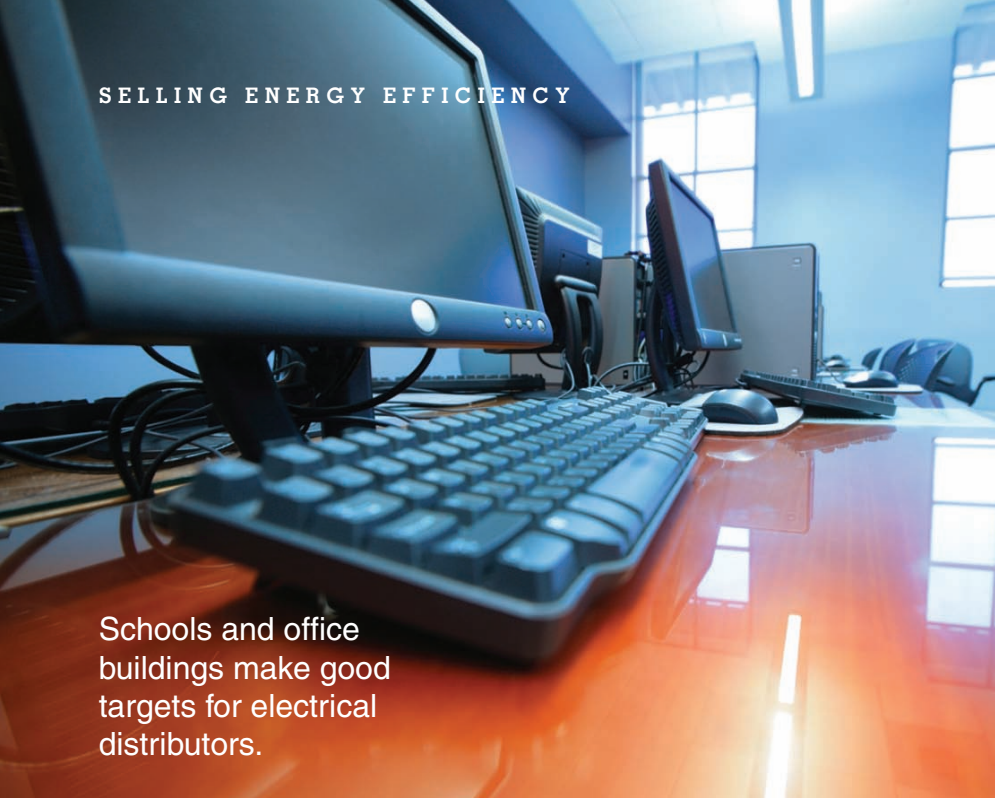
With an increased emphasis on the need for energy conservation and better management of consumption, it's the electrical supply houses that are on the front lines, guiding electrical contractors toward more effective technologies. But where to start?

The first step in implementing a green program may require a re-shaping of a distributorship's business model. “Distributors have been used to buying in bulk, breaking it down and selling it in pieces and offering some sort of credit,” said Allen Ray of Allen Ray Associates (allenray.com), a consulting service in Kennedale, Texas. “They are going to have to change their business model to be able to offer some type of technology support.”

One of the ways to do this, he added, is to partner with specific manufacturers to package items targeting various markets, such as new construction in the commercial market, or even high-end residential.

Distributors should also be equipped to provide information on the less technical factors associated with energy conservation and management—including the latest utility incentives, tax credits, and other factors that might affect decisions.

Eoff Electric Supply is a case in point. At this Portland, Oregon-based unit of Sonepar, the biggest product category affected by the green movement is lighting. The company has an internal resource dedicated to advis-



Schools and office buildings make good targets for electrical distributors.

Efficient Economy (aceee.org), and the Database of State Incentives for Renewables & Efficiency (dsireusa.org).

In addition to helping salespeople stay on top of developments in the energy-efficiency market, information from these sources can be used to produce fact sheets and newsletters for customers. Doing so may help motivate those customers to fund energy-efficiency projects—and in the future, they will continue to rely on those distribution companies that demonstrate they are a reliable source of solutions and information.

FOCUS THE EFFORT

Another essential aspect of entering the energy-efficiency market lies in knowing the kinds of buildings and people on which to focus efforts.

ESCOs tend to focus on large business owners and facility managers, but that leaves a tremendous number of medium-sized businesses and buildings ripe for the picking. Some of the market segments distributors should focus on are warehouse facilities, hospitals and healthcare facilities, K-12 schools, and independently managed office buildings.

In developing an approach, targeting, along with segmentation and positioning, are essential tasks distributors face.

Targeting means choosing specific

customer prospects within each segment the distributor can profitably serve. Positioning means securing a distinct and valuable place in the mind of the target. It is easier for most distributors to focus on the act of targeting. More sophisticated firms have a clearer sense of which segments they can best serve and use marketing tactics to accentuate their positioning in a value-added model (e.g., finding financing for retrofit projects).

TAILORED STRATEGIES

Three distinct market entry strategies tailored for national, regional independent, and single location distributors can be used to break into the energy market:

- **National distributors** should consider the mini-ESCO approach. Here, the distributor offers detailed proposals to potential clients outlining how various energy-efficiency solutions will save them money in the long run. The proposals cover relatively complex energy-efficiency projects and include everything from lighting to HVAC upgrades. Partnerships with contractors, investors, and lenders can offer customers larger, more flexible options when seeking energy-efficiency solutions.
- **Regional independent distributors** may consider offering comprehensive lighting system solutions as an energy-efficiency market strategy.

ing contractors on the choices that exist for more energy-efficient applications for industrial and commercial facilities—whether the focus is on the light itself (such as specifying T5 technology over old T12 ballasts) or lighting control.

Eoff works with the Energy Trust of Oregon to provide contractors with information on rebates and incentives for those facilities that install energy efficient systems. “It’s about coming up with solutions to use less energy: designing things to use less energy in new construction and retrofitting some older technologies with new technologies that help to save money and save energy,” explained Jerry Poe, director of sales.

Another example is North Coast Electric in Portland, Ore. The company developed an energy department to address green-related issues for customers working both in the retrofit and new construction markets. Energy Specialist Mike Larsen said that his role focuses on proposing cost-effective strategies that make a significant contribution to a facility’s environmental performance—and therefore, to the organization’s bottom line.

“We focus on providing energy savings, and then incorporate as many ‘green’ portions to those solutions,” he explained. The company also advises its clients on the various incentives that are available, such as those associated with the Energy Trust of Oregon, as well as the Business Energy Tax Credit. ▢

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Lighting controls and integrated daylighting are becoming more attractive as energy rates go up. Increasing product offerings to cover these areas and adding partnerships with contractors installing lighting systems offer potential customers a significant and “door to door” energy-efficiency solution. Lighting upgrades and retrofits are relatively straightforward approaches to the energy-efficiency market and are well suited to single-location distributors. Lighting represents roughly 25% to 40% of the total commercial building energy consumption in the United States (vs. 10% to 15% in residential), and therefore is a natural place to look for significant efficiency gains.

- **Smaller-sized distributors** must define value propositions and select target projects that will play to their strengths and not require the increased staffing and technological capabilities larger companies possess. This entails pursuing smaller projects than the larger

regional and national distributors. Fortunately, plenty of such projects exist. Just because a company is small doesn't mean it can't make a big commitment to this market and create a profitable niche. Distributors should think in terms of level of commitment, not just the size of their firm.

FACING THE CHALLENGES

Attacking this market does present challenges for small- and mid-sized distributors. For example, smaller distributors may have difficulty with more sophisticated energy-efficiency sales involving general contractors and architects, and distributors with a national reach will have structural advantages helping them capture the market.

One way to address this particular issue is for electrical distributors to team up with mechanical distributors and offer complete packages for the most common retrofit opportunities involving both electrical and mechanical compo-

nents. This collaboration could prevent loss of business to both manufacturers selling directly to larger customers as well as through the rise of distributors specializing in renewable energy and efficiency retrofits. n

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LEARN MORE

Through the Channel Advantage Partnership, NAED commissioned Yudelson Associates to conduct the research study, *Green Goes Mainstream: How to Profit from Green Market Opportunities*.

NAED members can access an electronic version of the study for free; printed versions of the study are available for purchase. Contact NAED Customer Service at 888-791-2512 or customerservice@naed.org.