



DIRECT

NAED News

The NAED Learning Center (NLC) now offers more than 100 free online manufacturer product training courses from 20 companies. This provides NAED members with a centralized location to assign, experience, and track manufacturer-specific product training. With the addition of these new courses, the NLC offers more than 350 courses in total.



The next installment of NAED's *Profit Talk 101* series is continuing with new monthly teleseminars. Upcoming topics: "Is My IT Obsolete?" (Dec. 14), "Benefit Plans to Attract and Retain Great People" (Jan. 18), "A Supplier's View of Partnering with Distributors" (Feb. 15), "Alternate Models of Sales Force Construction" (March 15), and "Preparing Your Business for Sale" (April 19.) For more information, contact NAED Customer Service at 888-791-2312.



TED Magazine was recently awarded three Regional Excellence Awards from the American Society of Business Publication Editors' Awards of Excellence Competition. The national contest receives more than 2,000 entries each year. Recognition was received in the following categories: Editorial Excellence, Regular Column; Editorial Excellence, Company Profile; and Design Excellence, Contents Page.

Research in Action:

The service challenge: Identifying profit opportunity

New NAED research report identifies distributor services valued most by customers.

BY JIM BRAIBISH

How do customers assess the basic services provided by electrical distributors? What value-added services would they like to see? For what services do costs threaten profitability?

Insight into these questions and more is available in a new NAED research report, *Value-Added: Assessing Service Offerings of Electrical Distributors*. The report was selected and funded by the NAED Education & Research Foundation's Channel Advantage Partnership (CAP) endowment council, which has made headlines over the past two years for committing more than \$7 million to the fund. The CAP endowment's mandate is to examine industry issues and commission research to improve profitability of the industry.

Researched by Scott Benfield of Benfield Consulting, the report is based on data gathered from more than 400 customers representing commercial contractors, new residential contractors, residential remodel contractors, manufacturers, and institutional MROs. The goal of the report is to help distributors design service profiles that generate the highest level of customer satisfaction and contribute to overall profitability.

The report covers three main areas:

1. How customers rate distributors' core services. The report assesses customer satisfaction of 16 services that are considered basic to the work of a distributor—such as inside and outside sales, order fill rates, and delivery timeliness. Customers also indicated the importance of each service.

Two areas that customers rated high in priority, but low in satisfaction, were those concerning order fill rates and timeliness of delivery. On the other hand, two high-priority



areas of which customers reported high marks for satisfaction were the product knowledge and problem-solving abilities of distributors' inside and outside sales forces.

Sales incentives generally were rated low in satisfaction; however, new construction residential contractors and institutional MROs rated this area a high priority.

2. Where cost savings can be achieved. Costs were analyzed on 55 metrics through sales efficiency, warehouse productivity, and pricing correctness. Three opportunities were identified for improving costs: reducing costs for outside sales, increasing the percentage of freight costs billed to customers, and setting appropriate prices for nonstock items.

3. What new services customers desire most. Customers rated their interest in 20 potential new and value-added services. Areas receiving the highest rankings involved faster



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delivery, bypassing the order counter, obtaining immediate credit on warranties and returns, and receiving information on new products.

On the other hand, there were potential services that ranked lower on the customer report. These services involved those in which the distributor provided functions now handled by the customer, or those that required that the customer make a single-supplier commitment. Examples include subassembly services, electric motor repair/rewind services, bin storage at the distributor's warehouse, and handheld devices for direct ordering from job sites.

For all types of services, the report cautioned that distributors should target services by market segment. In other words, what may be important to a com-

mercial contractor may be less important to an MRO.

"This research offers valuable insights into what our customers value and expect the most from distribution. The distributor cost benchmarking is valuable to measure performance against the industry, but it also should spark some ideas to improve profitability and focus improvement in the areas that matter most to customers," said Gary Miller, member of the NAED Foundation's CAP Council and president of Border States Electric Supply.

"The research will complement our customer feedback process and help us focus on what our customers value the most," Miller continued. "The areas of consistent pricing and closing the freight gap provide some immediate areas of focus for us."

The research report is available in electronic format free to employees of NAED member companies. Contact NAED Customer Service at 888-791-2512 or customerservice@naed.org. Additional printed copies may be purchased for the NAED member price of \$20 each or \$999 for nonmembers.

Be sure to keep an eye on the *Research in Action* section to learn more about this research report—which includes topics such as how customers rank current services provided by electrical distributors, new service opportunities, and improvement areas for service and profits. ■■■

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