



NATIONAL ASSOCIATION OF ELECTRICAL DISTRIBUTORS

# DIRECT

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SMART TOOLS FOR SMART DISTRIBUTION<sup>SM</sup>

## Manufacturer training

### A field day for manufacturers

*NAED program encourages manufacturer visits to electrical distributors.*

BY AMY ZIMMERMAN

As part of its manufacturer training initiatives, NAED is offering channel partners the opportunity to better understand one another by encouraging manufacturer and distributor field visits.

Designed to provide in-the-field training, the program was developed in cooperation with the NAED Manufacturers Council. Council Chairman Bob Bukowski, vice president of sales, Ideal Industries, hopes the visits will help manufacturers and distributors become more objective about each other's needs.

"Understanding the job that each person does is difficult. If we can work in tandem, everyone will profit," said Bukowski.

A group of back-office employees from Chicago-area manufacturer Schneider Electric/Square D made a field visit to neighboring distributor Steiner Electric in Elk Grove Village, Ill.

Prior to the visit, Richard Kerman, president and COO of Steiner Electric, along with his vice presidents, met with Nedra Jansen, Schneider Electric's coordinator for channel operations, to develop a comprehensive plan for touring the business.



*Steiner Electric's headquarters, Elk Grove Village, Ill.*



*Pictured from left: Schneider's Ed Gortigan, channel business developer; Nancy Anderson, distributor authorizations and policies coordinator; Randy Kostelnik, process improvement specialist; Nedra Jansen, coordinator for channel operations; and Tim Treger, manager of organizational development projects*

"It was important that we were able to create a template that would take into consideration all of the basic operating functions of a typical electrical distributorship," said Kerman. "We tried not to show-

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case how we do things at Steiner, wanting instead to focus on what is common among players in the electrical distribution industry as a whole."

Kerman felt that the program was worth the effort his team put into organizing the visit. "It was beneficial for everyone involved because few of our suppliers' employees have ever had first-hand exposure to the operation of a distributorship," he said. "This gives them a better perspective of who we are and what distributors do to bring their products to market."

Jansen worked with the Steiner team to plan the visit. "This was an extraordinary opportunity for the back-office employees of Schneider Electric to actually view the workings of an electrical distributor operation, so we had many areas of the company that we wanted to see," said Jansen. "Steiner did an exceptional job of including all of our requests in a two-day program. We were impressed with Steiner's willingness to share their company information, and the fact that their key people blocked

out two entire days to spend with us. They were very well prepared and the content of the tour was excellent. I can't think of a better preparation."

During the tour, Jansen was struck by the time and effort a distributor must spend on debt collection.

"They have entire groups of people dedicated to collection. Electrical distributors take on the risk associated with extending credit; that has an enormous value that I had never thought about before our tour," she said.

In a conference call following the visit, Nancy Anderson, distributor authorizations and policies coordinator for Schneider Electric, said she was impressed by the company's level of customer service. "We strive for the best quality of customer service in the industry as a manufacturer, and they do the same as a distributor," she said. "It's great to know that we're operating on the same high standards."

Randy Kostelnik, process improvement specialist for Schneider Electric, said he was struck by Steiner's efforts toward

value-added selling, such as identifying several components a customer could use and assembling them as one part rather than selling them separately.

"When you think distribution, you think from the manufacturer point of view that the product goes out on a truck and the distributor doesn't modify, change, or do anything to it," he said. "They are, of course, not modifying the product itself, but are adding value with multiple products."

Ed Gortigan, channel business developer for Schneider Electric, also felt that the comprehensive, detailed effort put forth by Steiner to help the manufacturers gain an understanding of how the business runs was outstanding.

"I was able to see the whole business aspect of the electrical distributorship," said Gortigan. "Having the nitty-gritty details of the industry explained to me made the experience that much better."

Jansen said that the visit has helped her to become more productive in her job. "Viewing the infrastructure gave me a better understanding of why we do things a certain way for the distributor, and what I can do to make the process smoother," she said.

NAED is using the template developed by the Steiner Electric team to assist other distributors and manufacturers in coordinating field visits. Kerman is confident others will find the same benefits his group did from the experience.

"I unquestionably recommend the field visits," Kerman said. "We developed this program, and we hope that other distributors will build upon what we have done to make it even better."

"It's a different world from when our parents founded the company," he added. "We have a whole new set of challenges—and we're more than ready to meet all of them head on."

For more information about participating in a field visit as a guest or host, please contact Jim Lowe, manufacturers membership services manager, at 888-791-2512 or [jlowe@naed.org](mailto:jlowe@naed.org). ■■■

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## **Seminar available to support manufacturer visits**

In conjunction with the field visits, NAED offers an on-site seminar on distributor operations. The three-hour seminar helps manufacturers develop stronger business relationships with their distributors. Led by Jim Lowe, NAED's manufacturers membership services manager, the seminar is held at the manufacturer's location and can accommodate a larger group than the field visit.

### **The seminar focuses on four key elements:**

1. Who does what and why distributors are needed
2. Money, products, and service
3. Economic realities of the distribution business
4. Change, conflict, and challenge: overcoming common problems

Participants are given the opportunity to share their experiences dealing with distributors, discuss how those dealings are typical or unique, and identify ways to improve the relationship. The seminar also includes a discussion of industry issues, such as offshore resources and consolidation.

While NAED recommends that the seminar be completed prior to making a field visit, the content can be presented on its own or following a visit.

For more information, visit [www.naed.org](http://www.naed.org) (click on "NAED Education & Research" and follow the "manufacturer training" link), or contact Jim Lowe, manufacturers membership services manager, at 888-791-2512 or [jlowe@naed.org](mailto:jlowe@naed.org).



## Research in action, part one

# Treacherous waters: NAED study examines liability for products sourced overseas

An interview with the study's author, Bernie Heinze.



BY JIM BRAIBISH AND ALEXIS MEAD

The NAED Education & Research Foundation's Channel Advantage Partnership released a research study, *Liability Exposure: How to Manage and Mitigate the Risks in Today's Global Market*, by Bernie Heinze, president and CEO of Sequent Insurance Group, Philadelphia.

A practicing trial lawyer since 1983, Heinze has represented numerous electrical distributors, utilities, and retailers on product liability.

In the following Q & A section, Heinze discusses how the new report impacts the distribution industry:

### Q What is the prevalence of sourcing private label products from overseas manufacturers?

According to a study by Adam Fein and Pembroke Consulting, an average of 43% of wholesale distributors (in various industries) market their private label products from an overseas plant. By 2012, Fein estimates that 81% of distributors will be sourcing overseas.

The data show that private label products are currently being sourced from China (38%), existing or incumbent manufacturers (26%), brokers (23%), other countries (7%), and India (6%).

Cheaper labor, cheaper parts, and cheaper logistical costs are making a number of distributors—and even domestic manufacturers—look overseas to evaluate the appropriateness of increasing

profit margins and lowering acquisition costs.

The study also highlights the growing trend of dealing in the sale of counterfeit products. While completely accurate figures are not available, global traffic in counterfeit goods is estimated to be \$500 billion, growing at a rate of 20% to 25% annually. Interviews conducted for the study indicate that virtually every electrical wholesaler, distributor, and manufacturer contacted is familiar with, or has had experience with, counterfeit electrical products.

### Q Why is this issue a concern for electrical distributors?

An annual survey by the Tillinghast Towers-Perrin organization estimates that lawsuit costs were \$297 billion across the nation in 2006—equaling \$845 for every person and about 2.24% of the U.S. GDP.

This litigious environment applies even more so to the

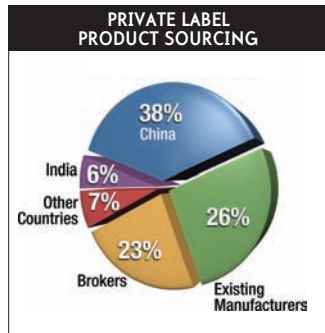
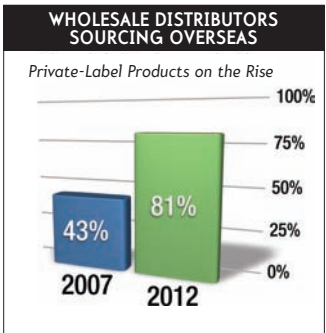
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### NAED's new research study

*Liability Exposure: How to Manage and Mitigate the Risks in Today's Global Market* provides insight on the risks of off-shore product sourcing. Topics include:

- Executive summary
- Status of the private label market
- Rise in electrical product liability exposures
- Development of a product's liability claim
- Product liability in foreign countries
- Increase in claims against U.S. electrical distributors
- Protection from counterfeit electrical products
- Insurance issues
- Observations, conclusions, and recommendations

To get more information on NAED's new research study, contact NAED Customer Service at 888-791-2512 or online at [customerservice@naed.org](mailto:customerservice@naed.org).





## NAED News

Help *TED* select the top "100 Faces That Changed the Industry" by submitting a nomination for its April 2008 Centennial issue. To participate, go to [www.naed100.org](http://www.naed100.org), and use the online form accessible in the *TED* commemorative issue section. The deadline for nominations is December 31.



NAED recently announced a new fleet discount program with ExxonMobil exclusively for NAED members. This program provides rebates for as much as \$.05 per gallon on fuel purchases, based on the combined purchases of all participating NAED members. The rebate covers both gasoline and diesel fuel, and there is no cap. Purchases may be made at any of the 14,000 ExxonMobil fuel stations across the United States. For more information or to enroll in the program, contact Jeff Benson of ExxonMobil at 608-834-9436 or go to [www.naed.org](http://www.naed.org).



Hunzicker Brothers, Oklahoma City, pledged \$50,000 to the NAED Education & Research Foundation's Channel Advantage Partnership endowment campaign in the memory of Walter Hunzicker Jr. The company joins more than 40 other distributors and manufacturers in supporting the endowment, which funds research and education to strengthen the electrical distribution channel.

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distribution industry, where the consequences of being injured or damaged as a result of a defective electrical product can be catastrophic.

The U.S. legal system relies on "joint and several liability," which allows an injured party to sue anyone engaged in bringing a particular product to market. Liability applies to the manufacturer, designer, shipper, distributor, or retailer. Distributors do not understand these consequences.

In today's global economy, Distributors defend products when offshore manufacturers are outside the scope and jurisdiction of U.S. courts, even though the distributor

had no role in designing or manufacturing the product.

### Q What are your recommendations?

Distributors should conduct independent analyses of contracts with manufacturers and perform background checks on business partners.

It is also essential that they understand what is covered and not covered by insurance: Performing independent analyses of insurance policies can uncover loopholes here.

### Q What will be done to educate distributors on these findings?

Regular updates of changes in the product liability laws of

individual states that could impact those within the channel will be provided, as well as Research in Action Webinars on product liability and presentations at the three NAED regional conferences.

*TED* will be publishing more articles on this study in upcoming issues. Be sure to look for articles on product liability exposures, the consequences of selling counterfeit electrical products, and the insurance protection that is currently available for electrical distributors. ■■■

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## Attract potential hires through NAED's new industry recruiting Web site

*Members are encouraged to sign up now to participate.*

**N**AED's new industry recruiting Web site, [www.powerupyourcareer.com](http://www.powerupyourcareer.com), is set to launch. This initiative, complemented by a marketing campaign, is designed to attract young adults, ages 17 to 34, to careers in electrical distribution. Development of the industry career recruiting campaign has been spearheaded by NAED's Western Region Council.

Sporting the theme, "Power Up Your Career," the campaign highlights advantages of electrical distribution employment, including competitive salary and benefits, growth opportunities, and positive working conditions. The site will also introduce viewers to the industry and describe careers in sales, warehouse operations, and the business office.

NAED member distributors can purchase a dedicated profile on the site and use it to attract potential hires. This profile will show basic information about the company profiled and will enable the company to generate responses from inquiring potential employees.

NAED will build awareness of the new site through Internet marketing and outreach to high schools, technical schools, and community colleges. Elements of the campaign will target parents and school counselors.

To enroll in NAED's industry recruiting Web site, go to [www.powerupyourcareer.com](http://www.powerupyourcareer.com). For more information, contact Erin Macauley, member services assistant, at 888-791-2512 or online at [powerup@naed.org](mailto:powerup@naed.org). ■■■

