WHETHER WE LIKE IT OR NOT, and regardless of our individual technical expertise, we live in the hour of the BlackBerry, iPhone, the iPod, the Internet websites and apps and operating systems ad infinitum. Given this incredible range of technological communications possibilities, the question is, how will the historical day-to-day interaction between electrical contractor and distributor change?

Industry observers generally agree that any examination of this question has to consider four separate but interrelated issues:

- The expanding use of computer-based communications and business transactions between contractor and distributor.
- The ever-broadening range of high-tech products and systems sold by distributors for installation by contractors.
- Greater use of the Internet in particular as a vehicle for procurement by contractors, and potential problems related to direct manufacturer and questionable website sourcing.
- The need for expanding both contractor and distributor work forces to include significantly more employees that are “cyber-savvy.”
Closer computer communications ties

“I believe the distributor/contractor relationship will evolve into a closer partnership over the next few years,” said Chris Pace, Rexel USA’s East-Central division vice president. “The more sophisticated contractors will see the value that more professional distributors offer with advanced technical support services. This will include things like electronically interfacing the distributor’s pricing file with the contractors’ estimating program and helping them manage cash flow through punctual billing in time for draws. Cash management is especially important today, as there are a lot of contractors whose balance sheets have seen retained earnings diminishing due to the economy the last few years.”

Most distributors have not seen a noticeable demand from contractors for high-tech communication, but they say contractors will be able to count on them when the need arises.

“It’s a generational issue,” said Jack Henderson, executive vice president of Huntzicker Brothers. “As the present management retires and the new ‘techie’ generation of distributor and contractor management takes over, the electronic methods of doing business are obviously going to grow geometrically. It will be a question of a contractor putting together an order overnight via our website, sending it at midnight, and expecting to pick it up at 7 a.m.

“[The distributor should be] getting prepared to use these new technologies as avenues of communication so as not to be bypassed by contractors opting to go directly to the supplier or some other source over the Internet or cell phone or whatever. Today, Dad still comes in at 7 a.m. with his list of material and has coffee and a doughnut while we fill the order. This won’t go on much longer because his son will expect it ready at the dock at 7.”

Interestingly, a Czech distributor who recently visited some firms in the United States voiced very similar views of interaction with the contractor customer.

“I do not believe the role of the distributor in this age of the Internet and advanced technological equipment has been weakened,” said Petr Krsak, president of K+W Elektro, based in Prague. “The emphasis remains on our product and systems knowledge and our proven ability to service the contractor as quickly and efficiently as possible.”

Products and systems for installation

Contractors and distributors are equally focused on keeping up with information and training about the latest high-tech products available.

“The electrical industry is changing quite rapidly today with new technologies being introduced, like solid-state lighting and alternative sources of energy,” said Rexel’s Pace. “Some of this is due to economics and some to government regulations. The energy-efficiency issue will continue to be pushed.

Both sides will need to have technologically educated employees.

“The technological part of our businesses [is] becoming more and more important, and the distributor will have to remain the go-to person for keeping the contractors trained on new products and new labor efficiencies,” Pace said. “Now we have to offer the latest technological solutions ahead of the game in terms of both new products and systems, anticipate the contractor’s needs, and be proactively involved in his projects.

“These new technologies are being introduced from a broad spectrum of sources. Today’s market requires a solid understanding of current and future technologies and an objective standard to help contractors and end-users make the best use of their investment dollars.

“We are already adding more technical support people to our sales staff, as opportunities with green technology, renewable energy, and the smart grid are all coming very fast as the early-user acceptance period is over. The skill sets needed in our industry today are significantly different than they were 25 years ago for both distributors and contractors,” he said.

Internet procurement

Everything is done over the Internet nowadays, but observers make a few distinctions about the process as it pertains to the electrical industry.
FOCUS  CONTRACTOR/DISTRIBUTOR INTERACTION IN THE CYBER AGE

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— Chris Pace, Rexel USA

First of all, it’s obviously the contractor’s privilege and right to order from anyone he pleases. If he wants to order on the Internet directly from a supplier, that’s his choice. Or, he may choose to order from the website of a distributor he has dealt with for years.

But distributors warn contractors about buying from a website that might be unauthorized and—in a worst-case scenario—may be selling counterfeit products.

“The big concern regarding Internet procurement is contractors ordering unknowingly from unauthorized sources,” Henderson said. “There may be contractors out there buying on price over the Internet, but is it worth the risk to buy a potentially lethal counterfeit breaker or a panel or a wiring device from an unauthorized distributor, as has been widely reported on by the industry press?” (For more on this widespread problem, go to www.counterfeitscankill.com)

But there are other more practical time-and-money benefits why contractors should carefully weigh the advantages and disadvantages of dealing with people they know.

“Commodities can be sold over the Internet,” Pace said, “but the distributor’s focus is more and more on the specialized needs of the contractor on the job site, including things like overnight delivery service and secured areas for after-hour ‘will calls.’ The big risk: a contractor faces is an inefficient use of labor, and anything the distributor can do to help him with labor productivity makes him more competitive in a world of margin erosion.”

Rozak of K&V has similar views: “The major problem I foresee is contractors tending to buy goods directly from suppliers or doubtful website sources. They are forgetting that the distributor not only stocks the products they need but also considers it part of his job to take the time to personally discuss the specifics of the order and the job. The distributor not only knows the technical parameters of the latest products being introduced but also has a perspective vis-à-vis to what economical substitutions can be made that will help the contractor’s bottom line.”

There is nothing wrong with ordering online, but what kind of backup support do Internet sources provide?

“There will continue to be a significant expansion of electronic sourcing in our business—everything from online catalogs, to online order entry, to emailing invoices and statements, to online payments through our website, all of which will eliminate paper,” Henderson said. “We’ve been asked to provide inventory management systems to large contractors, since this is what the expertise of the distributor is.

“They would put their inventory on our system and do an auto-replenish process. This would eliminate the need for the contractor to bid a bill of material if he has an annual or six-month contract price agreement with us to fill his inventory and manage it.

“Those are the kinds of things we do that an unauthorized source on the Internet can’t provide, especially if the contractor is ordering from a low-price website source based in Florida and the job site is in Kansas.”

Cyber-savvy recruitment
On-the-job training is a tried-and-true method for advancement, but the evolutionary technological changes in the electrical industry during the last decade have demanded a revolutionary change in recruitment attitudes and practices.

“The people we are recruiting today for our sales team are a different breed than what was historically the norm in electrical distribution,” Pace said. “Going back not too many years ago, the typical distributor would hire an inexperienced associate to work in the warehouse, who would then go on to the counter, and maybe get into inside sales, and then outside sales. But they weren’t usually the most educated people.

“Today’s market will require degree people who are proficient in the use of new technologies and are able to share this information with the contractor customer. This is a transformation of what the traditional electrical distribution organization has been. This standard of distribution personnel will be what is needed to interact with the contractors who themselves are going on to the next level of professionalism,” he said.

And, as the contractor’s online proficiency grows, the electrical industry will continue to shift.

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