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Adding Value Remains Key

Offer a fluid and adaptable menu of value-added services to help ensure repeat sales.

by **Bridget McCrea**

WHILE CUSTOMERS are focused on delivery times right now, next week, next month, or next year

it'll likely be something else. Because the world is constantly changing, the ability to create a fluid, adaptable menu of value-added offerings that helps them stand out in the marketplace is key for electrical distributors.

Supply chain shortages of the past two years have hit electrical contractors hard, and Kelso-Burnett in Chicago is no exception. For help securing the materials it needs in a manner that doesn't hold up job progress, the firm relies on its electrical distributors to provide value-added services that go above and beyond product sales.

"We're leaning on the distributors to educate us," said Jeff Weir, branch manager and vice president. Focused primarily on the tenant market, he manages a lot of commercial interior projects and office restacks (i.e., space consolidations, refreshes, and cosmetic upgrades), which became popular when the pandemic switched up the traditional workplace.

To get those projects completed in

a resource-constrained environment—both on the material and labor sides of the equation—Weir relies on electrical distributors to provide VMI services for his most used items and for the kitting and delivery of fixtures. "Our greatest need is always going to be VMI for dailies," said Weir.

Like many contractors right now, he's most concerned with the extended order lead times and how to hold bid prices in an environment where costs can escalate daily. "We have to be able to specify how long we can hold our pricing on every bid," he said. "This can create problems when we land a job and then wait a month for the bid to be reviewed, the owner to release the bid, and sign the contract. Thirty days later we'll get a call from the general contractor saying, 'Okay, here's your contract.'"

By that time, the pricing and availability quoted a month earlier may no longer align with what's happening in the market. In other words, prices have gone up and product may have become "less available" over the past month. But the general contractor (GC) won the job based on the number that Kelso-Burnett provided, which puts the electrical contractor in a tight spot. "It doesn't matter if we said the bid was good for 15 days or 30 days; that's the number the GC is on the hook for. We're locked in," Weir said.



At that point, neither the owner nor the GC wants to absorb the price increase. “Of course we don’t want to absorb it either,” Weir said. “Everyone’s just kind of left figuring out how to navigate significant price increases in a short amount of time.” While there’s no silver-bullet value-added service to solve this problem, Weir said he likes that distributors have been getting more proactive about sending out notices of potential price increases and availability issues in advance, rather than just springing them on him as those changes occur.

Weir said the notices get right to the point: “X company plans to have a 15% price increase on these products and on this date.” With this advance information in hand, he can more readily make price adjustments on bids that are going out the door and/or begin notifying his own customers about the increases.

As companies continue to work through the pandemic-driven supply chain shortages, Weir said distributors can continue to add value by holding their pricing for longer periods of time. He acknowledges that this isn’t always easy to do but pointed out that a two-week holding period doesn’t count for much in an environment where it can take a month or more for owners to review bids.

“We’re looking for manufacturers and for distributors to be able to hold pricing long enough for the bid cycle to go through and for the contracts to be awarded,” said Weir, whose other wish is for distributors to offer more mobile ordering options that allow field employees to not only quickly submit or change orders on the fly, but also tie into the distributor’s POS and/or accounting systems.

“One of the things we’re working on right now is more cloud-based ordering from the field, with the ultimate goal of reducing the amount of overhead related to clerical tasks,” said Weir. “Distributors can help us remove some of the manual elements from our work and allow us to focus on more important projects.”

Making the Case for Value-Added

Whether they’re kitting products, modifying equipment, assembling cables, training their customers on how to use the latest electrical products, or offering VMI services, electrical distributors have always offered value-added services as a way to stand out from product sellers. Even as online ordering became a mainstay and large e-tailers began playing in the electrical space, customers continued to rely on experienced distributors to think beyond the sale.

Using high-touch customer service, stronger inventory positions, digital communication options, jobsite material management, product training, and other value-adds, distributors can effectively entrench themselves as go-to sources for electrical equipment, products, and parts even if they’re being undercut by an online seller.

The pandemic proved this point. “One of the biggest

moves we made during this period of supply constraints is to bump our inventories up on certain products,” said Devin Ezop, president and CEO at Metro Wire & Cable in Sterling Heights, Mich. On fast-moving items, for example, the distributor increased its inventories by about 25% to cover about three months’ worth of orders. This not only ensures a more consistent source of supply, but also helps the distributor shield its own customers from frequent and unanticipated price increases.

“It’s an added cost to us, but the move has been well worth it during this period of uncertainty,” said Ezop. “We’re in an environment where having product available is more important to customers than price is.”

Ezop said Metro Wire & Cable is also getting in front of its customers sooner and coaching them on the market fluctuations, product availability, and supply chain constraints that have spread across most of the industrial sector over the past year or so. This educational stance helps customers understand that this is not the time to procrastinate, and if there’s a 16-week lead time for a specific part, they need to place their orders now. Those who wait until they need the part for the job could wind up



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with a 20-week (or longer) lead time.

“We’re helping them understand that the sooner they get something on order, the better,” said Ezop, who sees the extra investment in inventory and allocation of physical space as being “well worth it” in the current selling environment, where projects are plentiful and budgets are flush.

“The construction sector has been faring pretty well through this period, so we’re in a position to be able to be flexible on terms and accommodating when it comes to stocking inventory for them,” Ezop said. Where the distributor isn’t always able to help out is with firm pricing and ship dates, both of which are being dictated by the current commodity pricing fluctuations and supply chain disruptions.

“We can firm up pricing, but it generally means the contractor will have to pay more to make that happen,” he explained. “What we’re able to quote one morning based on our manufacturer’s pricing could be completely different that night.”

To offset some of his distributorship’s investment in value-added offerings, Ezop pays attention to what other companies are—or aren’t—charging for. He said most customers are willing to pay for the additional services up to a point and as long as those charges aren’t “too egregious.” For now, at least, the bigger focus is usually on getting the materials needed to finish a job in a timely manner. “If the project can’t get completed because we don’t have switchgear or the cable,” Ezop added, “then price is completely irrelevant.”

A Key Differentiation Point

Value-added services have always been a part of the independent distributor’s lexicon. Knowing this, Jason Bader, principal at the Distribution Team, an educational and advisory services firm, said now is a great time to dust off any existing value-added services plans and upgrade them to meet customers’ cur-

rent and future needs. While delivery and inventory may be the primary focus in today’s environment, for instance, there will be an inevitable pivot back to pricing or another focus in the future.

Bader sees takeoffs as a good addition to any distributor’s value-added approach. For those not already offering it, it involves taking a set of electrical plans and tallying up the number of fixtures, assemblies, or other electrical components needed to complete the job; adding any additional insights/input for the job; and then delivering a quote that the electrical contractor can use to bid on the job.

“This saves time and energy for the contractor, which is really what value-added is all about because contractors make money when they work quickly,” explained Bader. “If contractors can complete a job faster and move on to the next one, they’re often rewarded for that—and particularly on the commercial side.”

Bader also tells distributors to leverage technology as a value-added service enabler. For instance, he sees more companies using mobile apps to help streamline their customer interactions. “A contractor can use the app to snap a photo of an application, upload the photo, get advice via chat—plus use SMS technology to place orders and get alerts when

orders are ready for pickup,” he said.

To electrical distributors looking to ramp up their value-added offerings in 2022, Bader said the customer is the best starting point. “I’ve seen too many distributors come up with a really cool service that no one ends up using,” Bader said, “so don’t spend money and time developing services until you know that your customers actually want those options.”

To find out what’s in most demand, send out customer surveys, talk to them out in the field, and have sales reps ask questions like “What can we do to help you work smarter, better, and faster in this

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Kelso-Burnett

challenging environment?” Then, use those insights to review your current value-added lineup and add new services as needed.

“Doing the survey work and getting customer feedback is a heck of a lot cheaper than developing a service and changing your model without really knowing whether it’s going to be a hit or not,” said Bader. “Before you roll out your next whizzbang differentiator, determine whether the contractor’s actually going to appreciate it and pay for it.” ■

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