

Your First Choice  
In  
Electric Heat

WESTCAN & CHAUDAIR  
Valleyfield Brantford Brandon Vancouver

Circle Reader Service No.34

# CEDA CURRENT

Serving electrical distribution, construction and maintenance markets

## An Interview With Ceda Chairman Bob Shapiro

**Electrical Business:** What would you identify as the greatest challenges facing electrical distributors through to the end of this decade and into the next?

**Shapiro:** To remain a viable industry. To have a purpose for existence. If we're not going to add value on behalf of our suppliers on the one hand and contribute better value in the eyes of our customers on the other hand then we cease to have a raison d'être. You can look at the marketplace in different sections. The majority of electrical distributors in this country get a high percentage of their business from the contract trade. The raison d'être to serve them is slightly different from the raison d'être to serve the industrial marketplace. The industrial marketplace is complicated and getting more sophisticated. The needs of a General Motors or Ford or any other member of the automotive sector, for example, which a number of our members serve, are different from the small contractor. For the majority of small contractors in this country EDI (Electronic Data Interchange), for example, will never be an issue.

We're in a world market where our customers have to be more and more competitive. They have to do whatever they can to reduce their costs: acquisition costs and inventory costs primarily. We're also seeing the introduction of foreign entities into the distributor marketplace: mainly from Europe, but I see distributors coming from Japan or other parts of the Far East in the future. They're bringing new distribution concepts, so we can't afford to isolate ourselves in the belief that we're an island unto ourselves. We have to constantly search for things that make what we have to offer of value to everybody. To serve the industrial market we have to get more sophisticated in our business techniques. We can't just be middlemen, relying on our suppliers to provide all the technical support that our customers require. In that scenario our suppliers are going to question what role the distributors are playing.

**Electrical Business:** As you know, the School of Business Administration at Dalhousie University in Halifax was commissioned by CEDA to study the business strategies of Canadian electrical distributors. A report was published in time for the Association's Annual Conference in Halifax late in May. One of the more fascinating conclusions made by the authors of the report was that while many electrical distributors believe their cus-

**Early in June, Electrical Business travelled to Montreal to visit Bob Shapiro — newly-elected chairman of CEDA for 1987-1988 and president of Franklin Electrical Supplies (Canada) Ltd. We wanted to talk with Bob about his objectives, both as CEDA's chairman and as an electrical distributor, and about his general view of the status and outlook for electrical distribution in Canada. Interviewed by Electrical Business's Executive Editor Hugh McBride, we got a lot more than we had bargained for. Bob's extensive experience in electrical distribution, keen intelligence as well as candidness came together during their conversation to give fascinating insight into the state of Canadian electrical distribution.**

tomers loyalty is strong, interviews with customers revealed the opposite. Does customer service offer a poor return on investment?

**Shapiro:** I think the world is much too competitive to rely only on customer service in the long term. But again, we have to review the sophisticated industrial market separately from the sophisticated larger electrical contractor, and separate, again, from the unsophisticated smaller electrical contractor.

In my view, the small electrical contractor isn't looking beyond today. He's going to go where he can get the goods with a minimum waste of time and at the right price. The larger electrical contractor is interacting more with our supplier, the manufacturer, or traditionally he has been. A lot of the negotiations for projects are still being done by either our suppliers alone or by our suppliers together with us. The larger industrials, on the other hand, are under significant cost pressures and two things are happening: one is that levels of management are getting stripped out of some of our large customers. The people with whom we've traditionally dealt are being moved around or moved out at a much greater rate than before. As a result, some of the replacement players aren't encumbered by that long-term loyalty you mentioned: new buyer, new supplier.

**Electrical Business:** Is the typical customer in the industrial area less concerned with loyalty and more concerned with getting products at a good price, getting fast delivery and good after-sales service.

**Shapiro:** I think we have to understand the concept of total acquisition costs. What I, the distributor, have to offer is a fair price, but not necessarily the lowest. I have knowledgeable people for you to talk to, so I can solve your problems in less time. I either have the available stock or can process an order quickly enough to minimize the number of receivings you have to do and the amount of stock you have to carry. Each of those together have a cost component. If we understand

how they fit together and what's important to them, then we can offer our service with all of those things in mind.

**Electrical Business:** Another conclusion made in the Dalhousie report concerned the fact that the electrical distributors who were interviewed felt their bargaining power with suppliers would increase in the future because of supplier loyalty; that is, because of the strength of their rela-

tionship. In contrast, the authors of the report said that distributor bargaining power was likely to decrease for the very same reason — because of the mutual dependency of the parties.

**Shapiro:** In Canada, the purchasing power is in the hands of relatively few distributors. I think that the very large distributors and some of the larger groups command between 75 and 80 percent of the purchasing power. This situation dictates a certain way of functioning on the part of our suppliers. Having said that, I think that alignments are getting stronger. Suppliers are expecting distributors to deliver more to add value, to play a much more effective role in the marketing of product.

In the past, there was a tendency on the part of a lot of our suppliers to get the widest possible distribution on the



"If we're going to control our destiny...we've got to better understand marketing. By gearing ourselves up to be more effective marketers of product we're going to enhance our bargaining power."

greater incentive to go out and do some marketing. On the other hand, it also says that if that's the case the distributor has to be willing to limit the number of competitive products he carries on his shelf. I can't go to customer A with supplier X today and go back to customer A tomorrow with supplier Y of the same product. The customer will ask himself "who does he really represent?" The supplier, on the other hand, thinks I don't really care what I'm selling as long as I get the order. All things considered, I believe that suppliers need distributors to help them market their products more than ever before.

There should be a multiplier effect in selling. Suppliers have distributors both to keep product on the shelves and to penetrate the market. Because products develop so rapidly, life cycles are much shorter.

Selling to a large extent, in large volumes, has been controlled and/or done by suppliers or their agents. If we're going to control our destiny, therefore, we've got to better understand marketing. By gearing ourselves up to be more effective marketers of product we're going to enhance our bargaining power. Most of the control of the marketplace has been historically in the hands of the suppliers, particularly in the area of non-commodity items, and these are the kinds of products that we're going to sell more and more of in the future.

Plant automation is an excellent example of that. General Motors is going to tool up a line that is going to involve robotics and programmable controllers and a whole network. One, it's a significant investment and two, the risks if it doesn't work are enormous. So who's he going to do business with. He's going to do business with somebody he has confidence in, who knows what he's talking about.

**Electrical Business:** The authors of the Dalhousie report concluded that distributors are going to find it increasingly difficult to find and retain the technical personnel they need in order to sell high-technology products effectively. They said, also, that the price of that manpower will continue to go up. Any comments?

**Shapiro:** We have to define what our training needs are —

Continued on Page 23

### Mult-A-Cell II

COMPLETE  
CONNECTING  
AND  
DISCONNECTING  
FLEXIBILITY  
FOR DATA,  
COMMUNICATIONS,  
AND POWER

CSA APPROVED

Designed for easy installation in the access floor of your choice, to expand capacity in existing floors, or insure long-term flexibility in newly designed applications.

WRITE FOR COMPLETE DATA  
**DE** DOWNEY & LINDSAY ELECTRIC SALES COMPANY LTD.  
90 NOLAN COURT — UNIT 3, MARKHAM, ONTARIO L3R 4L9  
TELEPHONE: (416) 474-9400 — TELEFAX: 069-96326

# Defining the distributor strategy

Continued from Page 21

to find a way to recruit and to train once we do recruit. These people will likely be a different breed from the manager that hired them in the first place. Many managers, in fact, may not be in a position to give these people the guidance they need. Historically, most of the people in the industry started in the warehouse, went to the order department, got into sales and maybe into sales management. Maybe they got a university education, maybe they didn't. They may not be technically competent enough to judge this new species of employee. I can tell whether my guy in the warehouse is a good warehouse man. I can tell whether my guy in the order department is a good ordertaker. I may not be able to properly assess my technical sales staff.

**Electrical Business:** Would you, therefore, say that distributor management should have more than a passing knowledge of the high-technology systems and products that they're selling?

**Shapiro:** It would be helpful. I don't know if it's realistic to expect the long-term players to be able to do that. You can be an effective manager without knowing, but I think it's important to know what you don't know.

Recruiting is key for a number of reasons. First, mistakes can be costly, perhaps more costly than in the past. Where we recruit is going to become more of a factor. There are a number of distributors in the States who do all of their recruiting at the university level.

**Electrical Business:** The Canadian Electrical Distributors Association is clearly one of the most strongly supported, most active organizations in the electrical industry. What do you attribute this to?

**Shapiro:** The strength of the association is due, in large measure, to strong leadership, particularly from our current President, Stan Wild. Fundamental, as well, to the strength of the association is the existence of the Supplier Relations Committee and its sub-committee, the Supplier Liaison Committee. These committees are staffed by top people: individuals who are in a position to make decisions and consider suggestions.

On the Board of Directors we've got representation from across the country: large and small distributors. With a great deal of impetus from Stan Wild, we're trying to look ahead at matters that will be of concern to us. There's no question that we've searched out for an Electronic Data Interchange (EDI) issue much as we've searched out for a bar coding issue and a universal number code issue.

**Electrical Business:** What are your goals and objectives as CEDA chairman for the coming year?

**Shapiro:** What CEDA accomplishes for the coming year is very much based on what issues we're faced with. If a business transfer tax comes about then that will certainly be an agenda item. If free trade comes about in any way, shape or form, that too will be an agenda item. In the meantime, EDI is ongoing. And I think one of the things that we have to do as an industry is to encourage the development of a universal parts number system. It will make EDI more consistent. It will establish the framework for barcoding. EDI itself will allow us to satisfy some of

those industrial customers who see a great deal of value in it.

There's a risk inherent in Electronic Data Interchange. It makes it easy for our customers to go direct to our suppliers, particularly when we're talking about non-commodity products. If I don't stock the product, if I don't have the expertise to sell it, if I can't use EDI to make a connection, what reason does the customer have to come to me to buy the product? He may not. It all depends, too, on the supplier's product mix. If our supplier has a mix of 80 percent shelf goods and 20 per-

cent non shelf-goods, then the customer has much more to lose than gain by buying directly from the supplier. But what if the opposite is true, and only 20 percent of the supplier's product offering is shelf goods and 80 percent is the other? In that situation the end-user may say "hey, I'm not getting those service offerings from the distributor, I need EDI, I've got to do business in EDI". If the supplier is willing to do business in EDI and the distributor isn't, then I think the solution is obvious.

**Electrical Business:** Are you saying that EDI will benefit

the electrical distributors that are involved early on, but could actually be detrimental to the distributors that have not adopted EDI when it's in wide-spread use in our industry down the road?

**Shapiro:** If that's one of the service offerings that the customer is expecting, then you either have to be able to provide it or they're going to get it from somewhere else. I think it very much depends on to what extent we value that particular customer's business.

**Electrical Business:** And what market the electrical distributor is in?

**Shapiro:** That's correct: a distributor's particular product group on the one hand and customer mix on the other.

Electrical Distributors, to leave the EDI issue for a mo-

ment, are in the unique position of being exposed to all industries, some to a greater extent than others. So we have to be sensitive to their changes: changes in how they market, what they produce, and how they produce it. If we're not aware of these things, we run the risk of concentrating our energies on an industry or group of industries that tomorrow may not be in business.

I think one of the nice things that's happening is the growing differentiation between distributors. As a result, we can have a product offering that's different from the next guy's, we can have a service offering that's different from the next guy's. You have an opportunity to set yourself apart, and I think that, in itself, is very exciting.

PA 11



**sprecher+schuh**

**A BALANCED COMBINATION**

**QUALITY MOTOR CONTROLS AND WORLDWIDE ACCEPTANCE**

Mime artist "PANTALINO" demonstrates the art of balancing, using a Sprecher + Schuh motor starter in conjunction with a world globe. The analogy being: Sprecher + Schuh's complete motor control line is designed to IEC International Standards, built to the highest European quality and marketed throughout the world. Typical Swiss precision is manufactured into Sprecher + Schuh's total motor control products resulting in a durable, compact, and highly reliable line. Their latest state-of-the-art designs offer extras such as built-in sensors, phase loss protection, and ambient compensation. These features reduce the need to inventory add-on components and lessen problems through field error and downtime.

The Sprecher + Schuh motor control line encompasses:

**CONTACTORS:**  
Open or Enclosed, Up to 800 amp, 600V

**MOTOR STARTERS:**  
Combination, Reversing and Multi-speed, Open or Enclosed, Up to 750HP, 600V.

**MOTOR PROTECTION RELAYS:**  
Thermal, Electronic, Thermistor

At Sprecher + Schuh quality is a way of life, worldwide sales are an accepted fact, and the **BALANCE** between ourselves, our distributors and our customers is solid.

Sprecher + Schuh Inc.,  
3610 Nashua Drive,  
Mississauga, Ontario L4V 1L2  
(416) 677-7514  
FAX: (416) 677-7663

Tested and Trusted Worldwide