

current

Find direction in a challenging environment.

Drive value in turbulent times

Tough times can be the best times to build market share. by Frank Hurtt

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Specialists are all about producing value. Salespeople sell, customer service folks enter orders, warehouse people ship product, and specialists are there to add that fairy dust called value. But what happens when the changing economic landscape alters the way customers perceive value? During times of economic expansion, the highest value is placed on ideas that drive growth, but as the marketplace trends downward, the highest value shifts from growth to cost reduction and avoidance—and aversion to risk takes a giant leap forward.

The real challenge for specialists is presenting the value of cost avoidance without cutting price. Here are four ideas that can help:

1. Suggest energy-saving products.

As the cost differential between standard and energy-saving products continues to drop, no replacement order should ever be placed without considering a conversion to the more energy-efficient model. Kilowatt savings applied to electricity costs should already be part of every sales presentation, as should savings in natural gas costs and the heavy oils used to operate industrial processes. In addition, steam or heated

water is sometimes sold as a utility and thought of as energy.

Let this be the differentiator. Distributors know the products with lower energy costs. Salespeople should also be well-schooled in the topic and have the capability to provide energy-efficient products.

Further, there are promotional activities that can be implemented to drive home this value:

- ✓ Energy-efficient lighting walk-throughs
- ✓ Energy-efficient motor surveys
- ✓ Energy-saving fans and air circulation evaluations

- ✓ Electronic drive evaluations

- ✓ Filter replacement scheduling

Provide recommendations and, more importantly, keep records of how much energy was saved, the cost per kilowatt hour, and the cost of any steam, diesel, or heavy oil saved.

2. Offer repair vs. replacement

evaluations. Customers routinely replace items that might just as easily be repaired. Electronic devices may be the first thing that comes to mind, but the list can also include other products where a specialist might make a difference by setting up a procedure for an evaluation to determine the proper action—including:

- ✓ Extension cords—are they repairable?

- ✓ Electronic boards of all kinds

- ✓ Solenoid valves—moving parts can be replaced

- ✓ Electrical motor starters—contacts and coils are easily replaced

- ✓ Lighting fixtures—is the ballast

bad? Is the whole unit being scrapped for that reason?

A company that positions itself as the watchdog for repairable items should also keep track of the savings—how much can be eliminated from the waste stream. Repairable items can represent a measurable savings not only in the repair vs. replace equation, but also in landfill charges. (Note: Certain electronic devices require special handling in their disposal.)

The repair vs. replace approach can help drive more sales in three ways: One, the margins for repair can be high; two, if the product is unrepairable, a sale is virtually guaranteed; and three, companies positioned in this manner will lock competitors out of future business.

3. Replace personnel costs. When times are tough, companies save money by scaling back on personnel. Specialists need to direct their sales teams to focus on products that might result in lower labor costs: If a product costs \$10,000 and replaces just one \$20/hour worker, that product pays for itself in three months. Managers should work with sales teams to find applications that eliminate the need for labor, allowing them to drive a customer's purchasing activities. Ideas include:

- ✓ Longer-lasting lighting eliminates the need for labor used in frequent replacement.
- ✓ Preassembled anything saves the customer labor on-site.
- ✓ Automated vision systems remove the need for inspectors.
- ✓ Quick connect limit switches mean hardly any maintenance time is required for changes.
- ✓ Kitting/preassembly saves labor by doing some of the work.

Reducing the number of labor hours with bundled products and services can also build an attractive case for buying all needed items at one time. Those calculating labor costs with a customer should include benefits and other associated expenses. This is often referred to as the "burdened labor cost."

4. Present safety as a cost avoidance. Customers are not only commit-

ted by law to maximizing worker safety, but many have also discovered that safety is good business. The dollarization of safety is not straightforward, but most companies understand that safety equals money—period.

For this reason, specialists responsible for products with safety applications should move these front and center in their promotional activities and work

with their salespeople to develop relationships with safety managers and HR professionals responsible for safety. ■

Hurte speaks, consults, and trains distributors and manufacturers on maximizing distribution channel efficiency at River Heights Consulting. Reach him at 563-514-1104 or via riverheightsconsulting.com.

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