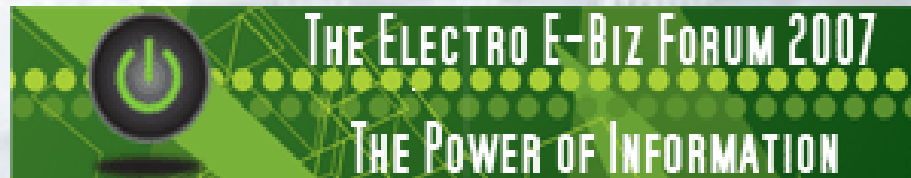


# The State of Private Labeled/No Name Products

Manufacturer, Distributor, End User and Sales Reps

September 18<sup>th</sup> 2007



# Disclaimer

---

- ARA-CMG does not advocate or oppose the development of private label initiatives by distributors nor the decision by manufacturers to provide private label manufacturing services to distributors.
- ARA-CMG 's objective is to research and report on industry activities
- ARA-CMG' s research is an indication of marketplace activities and should not be taken as an authoritative analysis of the marketplace, nor should the qualitative research that has been developed be considered stated corporate or policy of the applicable entity (manufacturer, distributor, rep or marketing group).



# Executive Overview of Private Labeling in the Electrical Industry

- Over the past year, interest in private labeling/no name products has increased significantly.
- ARA/CMG began research in fall 2006 upon manufacturer request. Research supported by:
- Manufacturers' desire to reduce production costs, coupled with inadequate marketing and R&D over the years, has globalized procurement.
- Contractors, especially residentially-oriented ones, are more focused on product acquisition price.
- Research shows national distributors and a number of independent distributors are either private labeling, or considering private labeling. Most also stock/represent no-name brands.
- Distributors are focused on marketing their brand vs. manufacturer brands.
- Contractors generally "trust" (accept) *their* distributor product recommendations and have increased interest in price.
- Quality is perceived as comparable amongst "manufacturers".

**Electrical**  
**Wholesaling**  
The Independent Voice of Electrical Distribution



# Research Process

- Manufacturers solicited CMG/ARA input at NAED Eastern
  - “What are we hearing from distributors?”
- And Hence the Journey
  1. We Asked Distributors In A Fall Survey
  2. Sought Input From Manufacturers For A Balanced Perspective
  3. Surveyed Your Customers This Spring
  4. Asked Those Who Do Business With All Parties ... The Sales Organization
- Additionally,
  - Identified a Need for a Common Language
    - What is Private Labeling, Counterfeiting, Imported Products
  - Significant Legal Ramifications ... Protect Thyself!!



# Definitions

---

## ■ Private Labeling

- Distributor sources product from a “manufacturer” and has his name or brand placed on it.
- Manufactured to an agreed upon specification.
- It may or may not be CSA or UL certified.

## ■ No-Name Product

- Product is sold without a brand name.
- May or may not be manufactured to local accepted standards which include CSA and UL (wiring devices/ground faults and etc.)

## ■ Generic Product

- Ordered and sold by description (such as wire/conduit).
- Generally has met a standards test.



# Key Distributor Findings

- 35% of respondents “interested”
- Customers more concerned about where they buy vs. what brand they buy
- Increased customer focus on price...plus market competition is more demanding
- Reasonable strategy to grow margins
  - Grainger GM% on Private Label is 50%+ Greater than Non-Private Label
- Could represent 25% of distributor sales!
- Distribution is a market share game... need price to compete.



# Key Distributor Findings

- Many feel that manufacturers “milk” old products
- Some voice opinions that product support and marketing is being abandoned by manufacturers
- Many manufacturers “source” overseas vs. manufacturer, so what is value of “middleman”
- Regional pricing drives down margins & complicates pricing strategies
  - Private labeling enables national pricing levels
- Product liability concerns
- “I can go overseas also, or order over the Internet.”



# Distributor Comments

---

- “Manufacturers are obviously upset over the topic, but the fact is that most are not manufacturing much of their own products either.”
- “Liability is, and should be, of primary concern.”
- “Private labeling should be used only on a very few product lines, and where brand names do not matter.”
- “Manufacturers need to stop milking the old products so hard and price more proactively and defensively.”
- “Name-brand manufacturers are producing products for national chains.”



# Manufacturer Input

- For Some, Reasonable Strategy to Improve Profits & Market Share
  - Increase Plant Utilization
  - Gain Share In A Distributor Where Do Not Have Volume
  - Defensive Move To Keep Out Competition
- Product categories are susceptible to private labeling if manufacturer can not differentiate their product or substantiate their price
- Some view Private Labeling Competition as No Different than Off-Shore Competition (typically spec lines)



# Manufacturer Input

- Outgrowth of Distributors Selling Based Upon Price vs. Promoting Manufacturer Brands and Product Features
- Question if can support distributor if they are being “cherry-picked”
- Some Name Brand Manufacturers Are Private Labeling for Distributors
  - Paying Reps Commission
- May Need to revise distribution policies and/or change how they support distributors (pricing, rebates, marketing funds, sales resources, training)



# Manufacturer Comments

---

- “Manufacturers have allowed brand equity to diminish.”
- An executive of a marketing group said, “I would say that only 10 percent to 15 percent of our manufacturers, and maybe 20 percent of industry manufacturers, are good marketers.”
- “We don’t like customers competing with us.”



# Key Customer Findings

- 20% know of at least 1 distributor who is private labeling
- Over 50% of the time customers use generic or distributor names to order product!
- Product quality less of a differentiator...price matters
- Distributor is key contact. "Trust" distributor information.
- Residential is committed to price first...especially "behind the wall"..."let it last a year"
- Commercial prefers brands but open to price as long as equal quality
- Industrial specs create no-name and private label opportunity ... "or equal"
- Few products are requested by the true end-customer



# Key Customer Findings

- Product quality, product certification and sales organization are most important manufacturer attributes to end-customers
- 22% of contractors say they are willing to try private labeled products...provided there is a discount of only 11-20%!
- Will not pay for “Made in the USA”
- Liability is concern ... 10% had distributors involved in liability lawsuits!



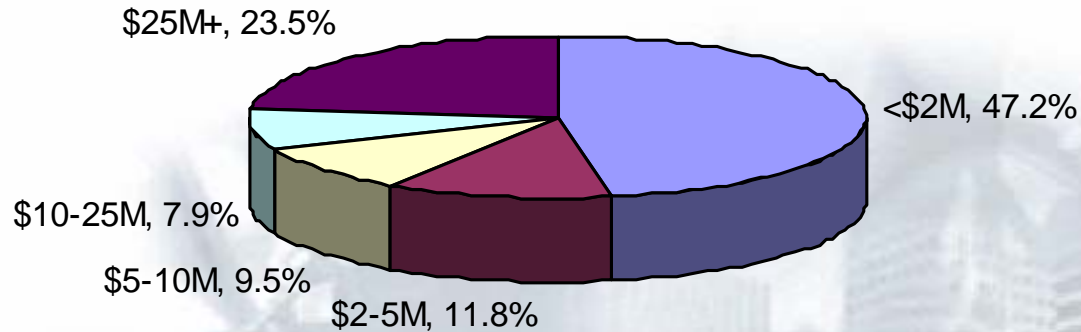
# Why Buy from A Distributor?

Attribute	Avg Rating
Price	3.76
Relationship with people at distributor	3.42
Product Availability	3.35
Need for Specific Manufacturer	3.08
Overall Distributor Service	3.06
Location	2.56
Have Contract with Distributor	1.77

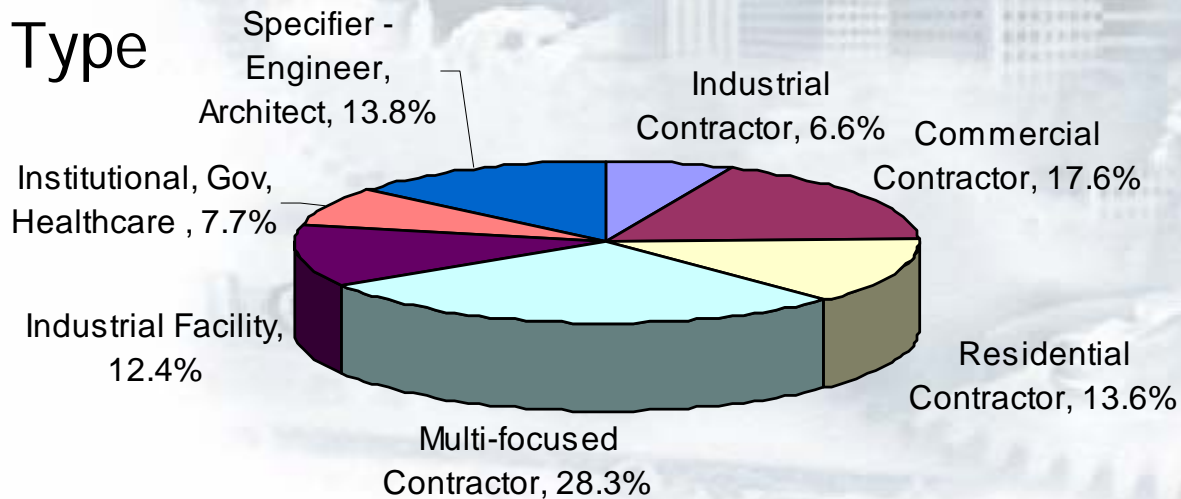


# Broad Response Type

## Business Size



## Business Type



# Whom Buy From?

	1-5%	6-10%	11-25%	26-50%	51-75%
Independent distributor	18.4%	13.4%	14.8%	15.7%	9.9%
National distributor	15.5%	13.5%	15.9%	16.0%	10.3%
Regional distributor	11.2%	12.5%	16.6%	15.5%	12.3%
Direct from manufacturer	32.2%	17.0%	6.9%	3.8%	2.0%
Direct from manufacturer rep	29.4%	8.6%	8.0%	2.4%	1.1%
Catalog	40.6%	14.9%	5.3%	3.3%	2.0%
Online non-distributor	35.0%	12.8%	4.6%	1.5%	0.4%
Retailer (i.e. Home Depot Lowe's)	35.1%	17.8%	11.2%	7.0%	4.0%

- Independent distributors are primary suppliers
  - Regionals and independents are non-chain entities
  - Represent 63% of market in 2006
- Market consolidation drives increased usage of regional and national distributors



# Brand Sensitivity for Selected Product Categories – All Respondents

	DON'T CARE about name	Willing to accept UNKNOWN	Request SPECIFIC BRAND	Willing to accept any mfg brand	Willing to accept dist brand	Brand Apathy	Brand Preference
Cable Ties	31.4%	12.6%	13.2%	26.4%	16.4%	60.4%	39.6%
Fasteners	22.3%	11.1%	18.6%	28.9%	19.1%	52.5%	47.5%
Chemicals & Lubricants	20.0%	8.1%	29.2%	26.6%	16.0%	44.2%	55.8%
Metal Fittings	18.9%	8.1%	19.9%	37.0%	16.1%	43.2%	56.8%
Boxes & Enclosures	16.6%	6.5%	28.8%	32.7%	15.3%	38.5%	61.5%
Lamps	16.0%	8.0%	30.4%	32.6%	12.9%	36.9%	63.1%
Tape	18.4%	8.1%	43.7%	20.1%	9.8%	36.2%	63.8%
Ballasts	19.1%	4.7%	30.9%	33.1%	12.2%	36.0%	64.0%
Electrician Supplies	13.9%	6.0%	41.6%	25.8%	12.7%	32.6%	67.4%
Weatherproof / Waterproof	11.7%	3.9%	38.0%	31.3%	15.1%	30.7%	69.3%
Connectors	11.7%	5.1%	43.6%	26.1%	13.5%	30.3%	69.7%
Recessed Cans	13.0%	5.3%	40.4%	30.1%	11.3%	29.5%	70.5%
Explosion Proof Products	9.7%	3.2%	50.2%	28.0%	9.0%	21.8%	78.2%
Wiring Devices	8.3%	2.1%	52.8%	26.3%	10.5%	20.9%	79.1%
Hand tools	7.3%	3.0%	69.1%	15.5%	5.2%	15.5%	84.5%
Controls / PLCs	7.3%	1.5%	64.7%	20.1%	6.4%	15.2%	84.8%
Switchgear	4.9%	0.9%	70.2%	19.2%	4.7%	10.6%	89.4%
Breakers	3.9%	0.2%	75.1%	16.7%	4.1%	8.2%	91.8%

- Brand apathy is defined as indifference to brand name, hence “don’t care, willing to accept unknown and willingness to accept distributor brand” are grouped together
- Product categories with greater than 30% are susceptible to earlier widespread private label efforts. Remaining categories may face SKU level private labeling



# Brand Sensitivity – Industrial Contractors

	DON'T CARE about mfg name	Willing to accept UNKNOWN PRODUCT	Request a SPECIFIC BRAND	Willing to accept any MFG brand	Willing to accept DIST brand	Brand Apathy	Brand Preference
Fasteners	34%	3%	20%	34%	9%	46%	54%
Boxes & Enclosures	29%	3%	23%	37%	9%	41%	60%
Cable Ties	23%	9%	31%	31%	6%	38%	62%
Metal Fittings	23%	3%	23%	40%	11%	37%	63%
Recessed Cans	20%	6%	31%	34%	9%	35%	65%
Ballasts	17%	6%	26%	43%	9%	32%	69%
Electrician Supplies	20%	3%	43%	26%	9%	32%	69%
Connectors	17%	3%	40%	31%	9%	29%	71%
Weatherproof / Waterproof	11%	3%	31%	46%	9%	23%	77%
Tape	12%	3%	53%	26%	6%	21%	79%
Chemicals & Lubricants	12%	3%	47%	35%	3%	18%	82%
Lamps	9%	0%	26%	57%	9%	18%	83%
Wiring Devices	12%	0%	47%	35%	6%	18%	82%
Explosion Proof	11%	0%	49%	34%	6%	17%	83%
Breakers	6%	0%	69%	20%	6%	12%	89%
Controls / PLCs	3%	0%	74%	14%	9%	12%	88%
Switchgear	3%	0%	74%	17%	6%	9%	91%
Hand tools	3%	0%	80%	14%	3%	6%	94%



# Brand Sensitivity – Commercial Contractors

	DON'T CARE about mfg name	Willing to accept UNKNOWN PRODUCT	Request a SPECIFIC BRAND	Willing to accept any MFG brand	Willing to accept DIST brand	Brand Apathy	Brand Preference
Cable Ties	31%	16%	7%	26%	20%	67%	33%
Fasteners	24%	15%	17%	<b>26%</b>	18%	57%	43%
Boxes & Enclosures	19%	8%	24%	<b>30%</b>	19%	46%	54%
Metal Fittings	19%	6%	17%	<b>37%</b>	21%	46%	54%
Lamps	20%	6%	26%	<b>32%</b>	17%	43%	58%
Chemicals & Lubricants	19%	9%	27%	<b>31%</b>	14%	42%	58%
Tape	22%	11%	<b>36%</b>	22%	9%	42%	58%
Electrician Supplies	18%	8%	<b>37%</b>	23%	14%	40%	60%
Ballasts	20%	5%	26%	<b>36%</b>	12%	37%	62%
Weatherproof / Waterproof	13%	2%	<b>34%</b>	28%	22%	37%	62%
Connectors	9%	8%	<b>36%</b>	33%	15%	32%	69%
Recessed Cans	15%	3%	<b>40%</b>	28%	13%	31%	68%
Explosion Proof Products	12%	3%	<b>43%</b>	30%	11%	26%	73%
Wiring Devices	8%	1%	<b>49%</b>	30%	13%	22%	79%
Controls / PLCs	11%	0%	<b>56%</b>	23%	10%	21%	79%
Breakers	8%	1%	<b>64%</b>	23%	4%	13%	87%
Switchgear	7%	1%	<b>61%</b>	27%	4%	12%	88%
Hand tools	7%	1%	<b>70%</b>	19%	3%	11%	89%



# Brand Sensitivity – Residential Contractors

	DON'T CARE about mfg name	Willing to accept UNKNOWN PRODUCT	Request a SPECIFIC BRAND	Willing to accept any MFG brand	Willing to accept DIST brand	Brand Apathy	Brand Preference
Cable Ties	<b>37%</b>	12%	9%	24%	17%	66%	33%
Chemicals & Lubricants	<b>27%</b>	13%	19%	21%	20%	60%	40%
Fasteners	25%	12%	17%	<b>27%</b>	19%	56%	44%
Lamps	<b>28%</b>	7%	24%	25%	16%	51%	49%
Ballasts	30%	5%	18%	<b>32%</b>	15%	50%	50%
Metal Fittings	25%	12%	15%	<b>36%</b>	12%	49%	51%
Tape	27%	11%	<b>44%</b>	9%	9%	47%	53%
Connectors	13%	5%	<b>48%</b>	20%	13%	31%	68%
Explosion Proof Products	15%	3%	<b>41%</b>	31%	11%	29%	72%
Boxes & Enclosures	8%	5%	<b>39%</b>	33%	15%	28%	72%
Controls / PLCs	12%	4%	<b>48%</b>	25%	11%	27%	73%
Weatherproof / Waterproof	13%	4%	<b>40%</b>	33%	9%	26%	73%
Electrician Supplies	7%	4%	<b>58%</b>	20%	11%	22%	78%
Switchgear	8%	1%	<b>65%</b>	19%	7%	16%	84%
Recessed Cans	7%	1%	<b>59%</b>	26%	7%	15%	85%
Wiring Devices	8%	3%	<b>56%</b>	29%	4%	15%	85%
Hand tools	7%	0%	<b>77%</b>	9%	7%	14%	86%
Breakers	3%	0%	<b>80%</b>	12%	5%	8%	92%



# Brand Sensitivity – Multi-Focused Contractors

	DON'T CARE about mfg name	Willing to accept UNKNOWN PRODUCT	Request a SPECIFIC BRAND	Willing to accept any MFG brand	Willing to accept DIST brand	Brand Apathy	Brand Preference
Cable Ties	<b>36%</b>	12%	10%	22%	19%	67%	32%
Fasteners	21%	11%	21%	<b>27%</b>	21%	53%	48%
Chemicals & Lubricants	23%	8%	23%	<b>25%</b>	21%	52%	48%
Boxes & Enclosures	18%	7%	<b>29%</b>	<b>29%</b>	18%	43%	58%
Metal Fittings	17%	6%	20%	<b>39%</b>	18%	41%	59%
Ballasts	15%	4%	28%	<b>36%</b>	17%	36%	64%
Lamps	13%	10%	29%	<b>37%</b>	10%	33%	66%
Connectors	11%	3%	<b>46%</b>	23%	18%	32%	69%
Weatherproof / Waterproof	10%	4%	33%	<b>35%</b>	18%	32%	68%
Electrician Supplies	12%	5%	<b>40%</b>	30%	14%	31%	70%
Tape	18%	5%	<b>48%</b>	22%	8%	31%	70%
Recessed Cans	9%	4%	<b>46%</b>	29%	12%	25%	75%
Explosion Proof Products	7%	3%	<b>47%</b>	31%	12%	22%	78%
Wiring Devices	7%	1%	<b>54%</b>	26%	12%	20%	80%
Controls / PLCs	8%	1%	<b>65%</b>	22%	3%	12%	87%
Breakers	4%	0%	<b>79%</b>	12%	5%	9%	91%
Switchgear	4%	1%	<b>69%</b>	22%	4%	9%	91%
Hand tools	2%	1%	<b>77%</b>	15%	5%	8%	92%

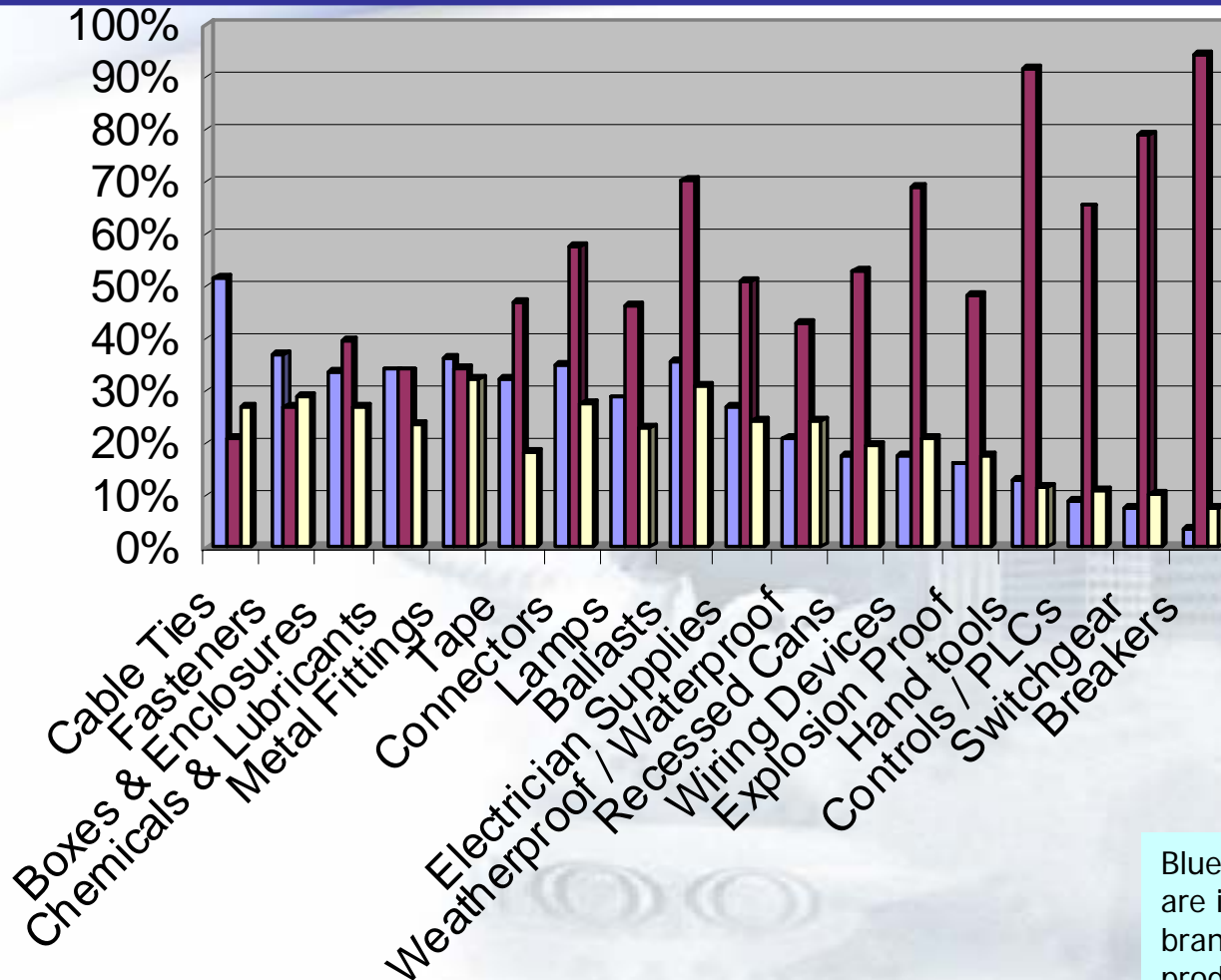


# Brand Sensitivity – Industrial Facility

	DON'T CARE about mfg name	Willing to accept UNKNOWN PRODUCT	Request a SPECIFIC BRAND	Willing to accept any MFG brand	Willing to accept DIST brand	Brand Apathy	Brand Preference
Fasteners	16%	13%	21%	24%	<b>27%</b>	56%	45%
Cable Ties	23%	11%	18%	<b>29%</b>	18%	52%	47%
Recessed Cans	17%	12%	22%	<b>33%</b>	16%	45%	55%
Lamps	8%	8%	<b>35%</b>	26%	23%	39%	61%
Metal Fittings	15%	8%	25%	<b>37%</b>	15%	38%	62%
Ballasts	17%	5%	<b>40%</b>	25%	14%	36%	65%
Chemicals & Lubricants	10%	5%	<b>46%</b>	24%	16%	31%	70%
Boxes & Enclosures	15%	3%	<b>35%</b>	34%	12%	30%	69%
Weatherproof / Waterproof	12%	3%	<b>48%</b>	22%	15%	30%	70%
Wiring Devices	6%	3%	<b>55%</b>	16%	20%	29%	71%
Electrician Supplies	6%	5%	<b>48%</b>	25%	17%	28%	73%
Tape	6%	8%	<b>64%</b>	9%	12%	26%	73%
Connectors	8%	5%	<b>55%</b>	20%	12%	25%	75%
Explosion Proof Products	9%	3%	<b>58%</b>	22%	8%	20%	80%
Hand tools	3%	5%	<b>69%</b>	18%	5%	13%	87%
Controls / PLCs	3%	0%	<b>83%</b>	8%	6%	9%	91%
Switchgear	3%	0%	<b>86%</b>	5%	6%	9%	91%
Breakers	3%	0%	<b>85%</b>	9%	3%	6%	94%



# How Purchased During Prior 6 Months

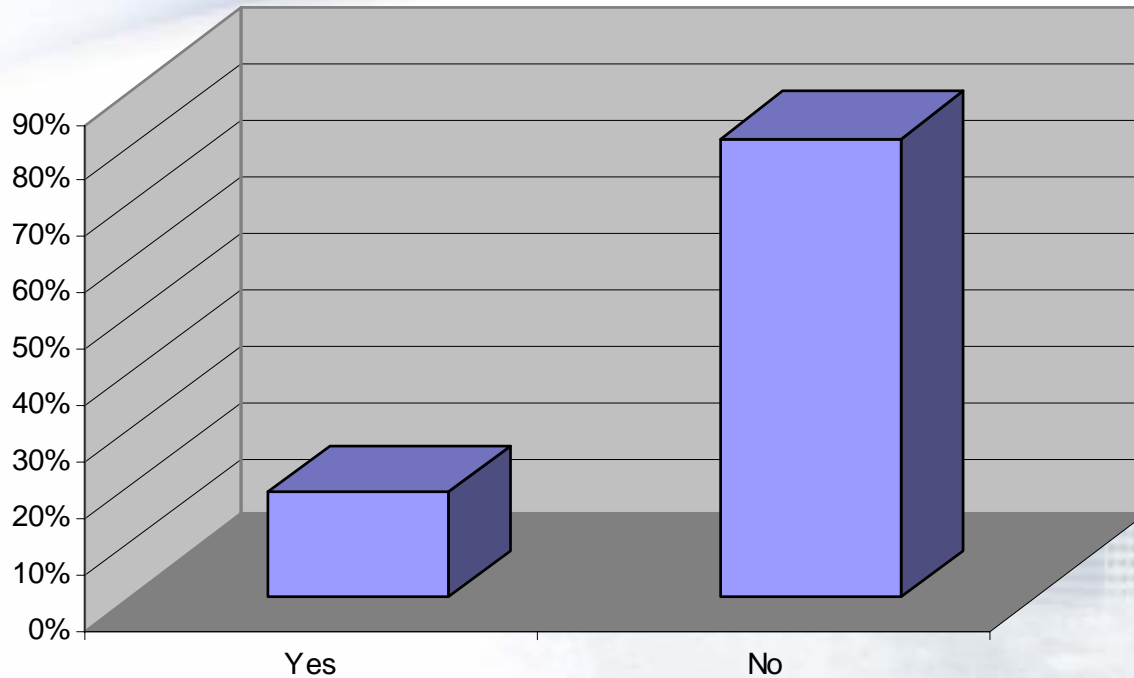


Blue and yellow (generic and distributor) are indicators of customer indifference to brands. Customers believe these products are "interchangeable" from a quality perspective

■ Generic 
 ■ Manufacturer 
 ■ Distributor



# Your Customers "Know" Distributors Who Offer Private Labeled Products



## Top 6 Distributors Mentioned

- Rexel 19.8%
- City Electric 12.1%
- Graybar 12.1%
- Grainger 5.5%
- HD Supply 4.4%
- Wesco 3.3%

- A number of independent distributors were also mentioned, although with not enough respondent frequency. A ARA/CMG distributor survey conducted in November 2006 research shows that 35.8% of distributor survey respondents offer private label products and 50% of respondents either offer or plan to offer private label products



# One Company's Response

## “No.”

(Graybar takes a public stand on private labeling.)

It has come to our attention that the distribution industry is, in some ways, having an identity crisis. It's started to dabble in the manufacturing business. Suppliers have noticed this development as well. As a distributor, we believe it's critical that we distribute our suppliers' products, not develop and market our own. So, we simply refuse to do it.



*Our name goes on the boxes we pack, not on the products inside.*

### The Chain of Trust

We trust our suppliers to build quality products, and they trust us to deliver the right products and solutions to our mutual customers. Together, our industries have formed a lasting relationship. When distribution starts promoting its own labels, the supply

chain is weakened. Trust may be quickly lost, right down to the customer. As we all know, that is in no one's best interest.

### The Wiser Way

Private labeling benefits just one company and breaks healthy alliances. It may even increase liability to the customer. Done the right way, distribution works to everyone's benefit, and quality products reach our mutual customers. Today, our industry needs

this reminder. It comes from an established company that can disregard fads. It comes from an employee-owned company, immune to the pressures of short-term thinking. If our 82 years have taught us anything, it's that distribution should work to your advantage.



Circle 103 on Direct Info Card

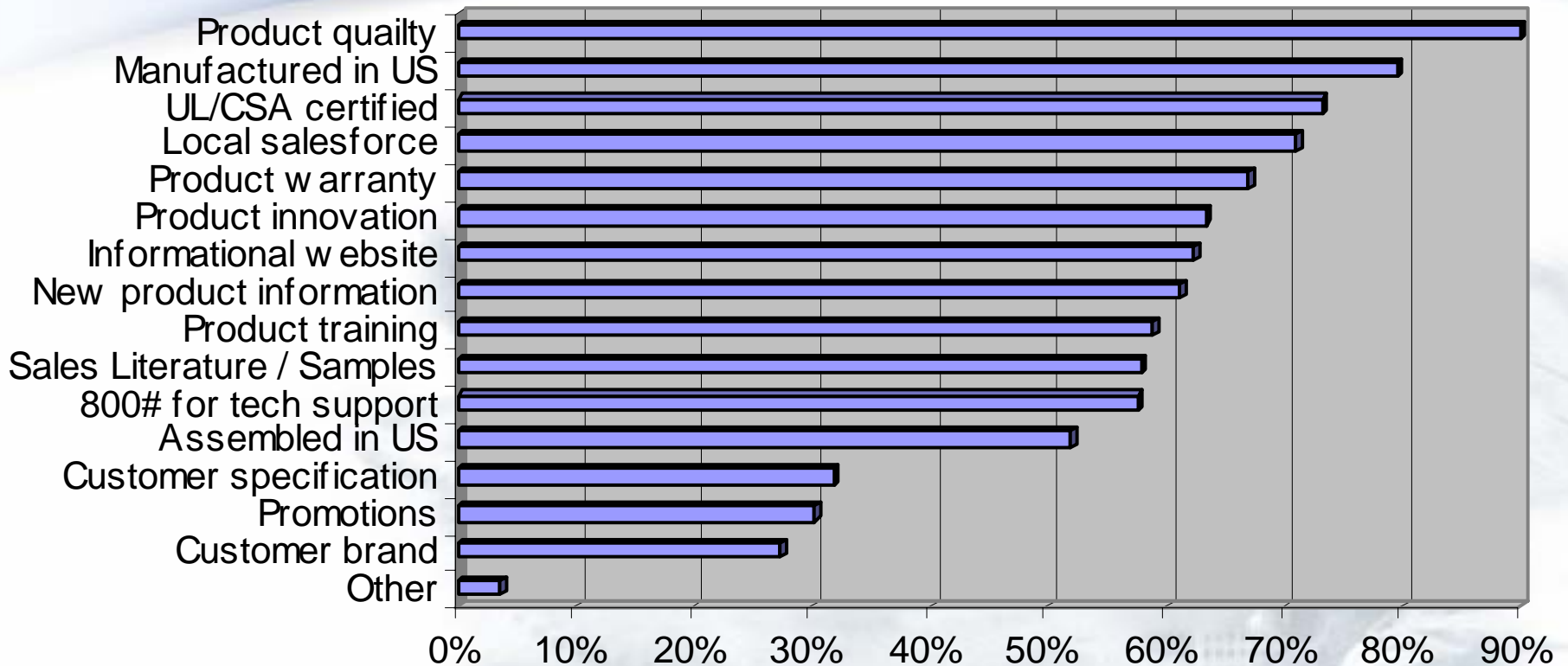


CHANNEL  
MARKETING GROUP



Allen Ray Associates  
Discover your true profit potential

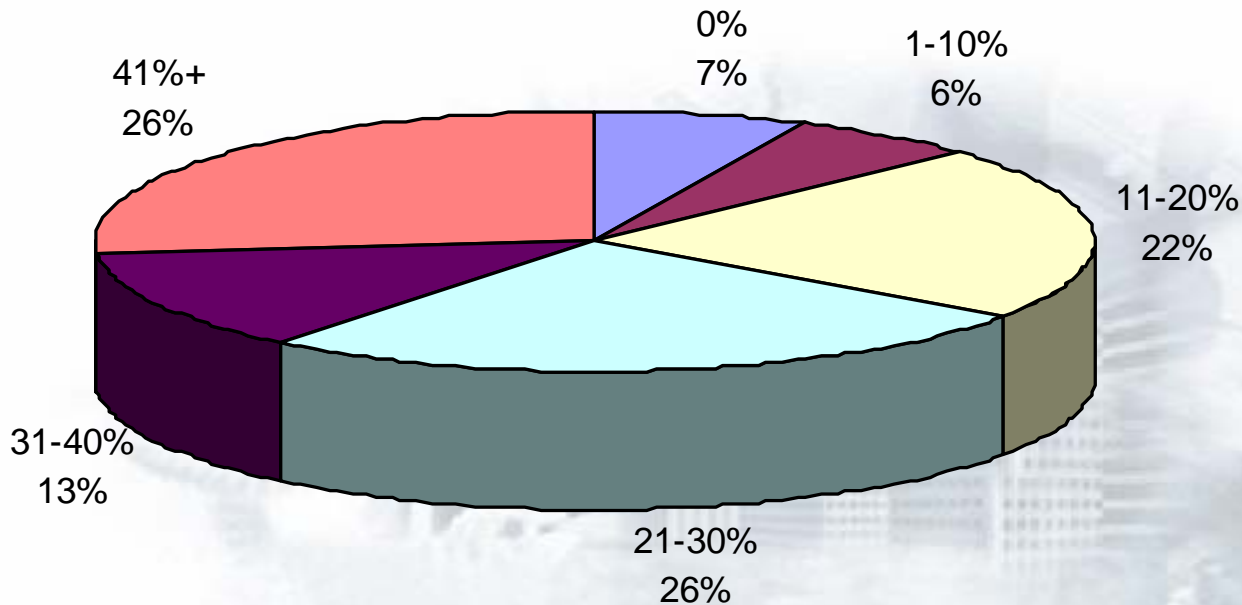
# Valued Manufacturer Services



- Quality is key
- Preference for "Made in U.S."
- Product support is important, possibly as a comfort level



# Discount Needed to Choose Non-Branded vs. Branded

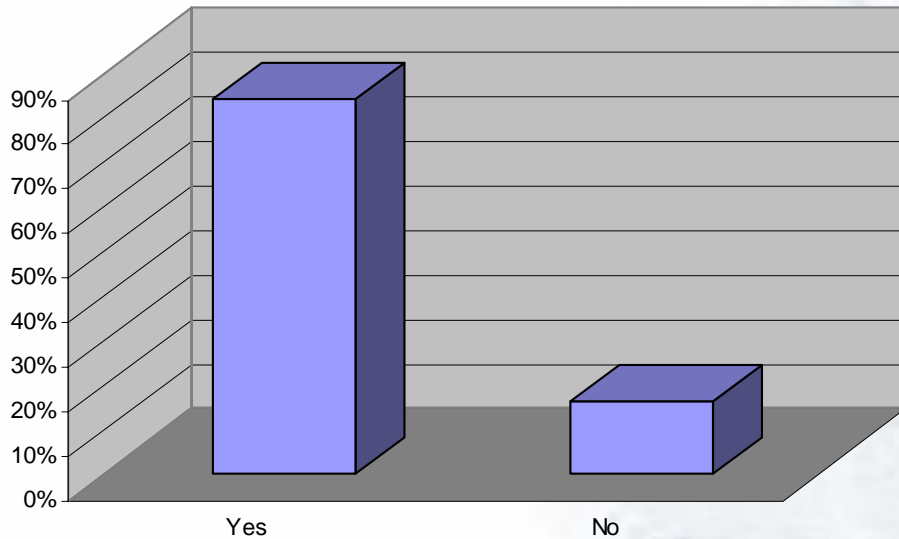


- 65% of respondents expect a 20%+ discount on a non-branded item!
- Key for distributors will be to price appropriately while not significantly lowering the market price and improving their gross margins to compensate for the decrease in selling price & GM\$

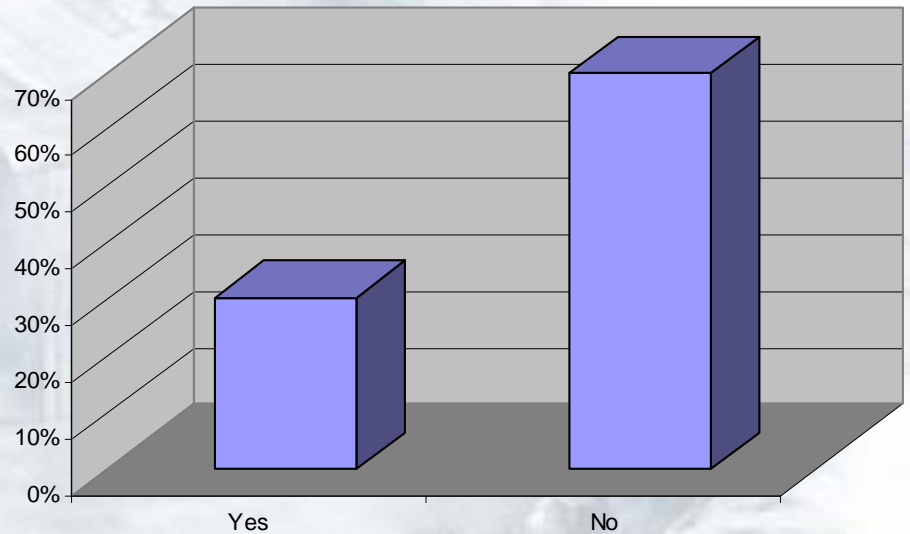


# Product Substitutions Not Unusual

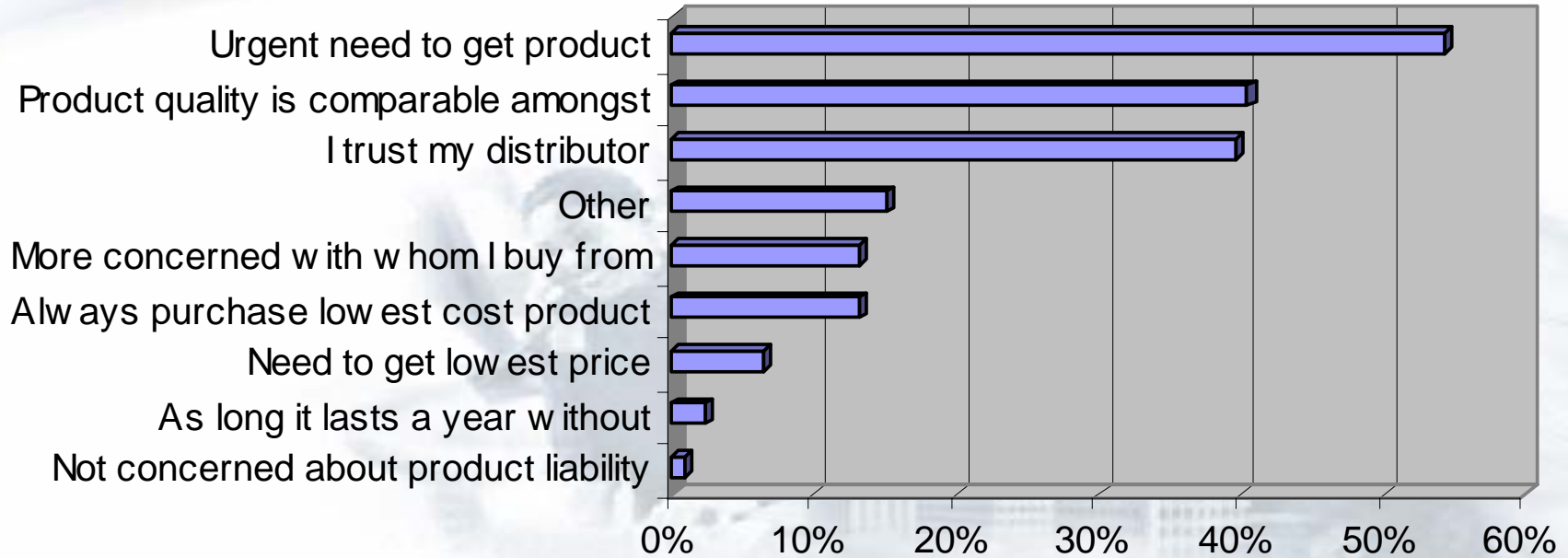
## Aware Distributors Make Substitutions



## Knowingly Allow Substitutions



# Why Allow Substitutions



- Completing the project is the most important objective.
- Strong belief that product quality is comparable amongst manufacturers.  
"Reputable" distributors sell "reputable" products.
- Distributor has strong influence on what customer purchases
- Trust is with distributor, not manufacturer
- "Other" response skewed by responses of "I don't", "Only with my approval", "Don't allow" or "Only on an individual basis"



# Why Buy From a Distributor

	Most Important	2nd Most	3rd Most	4th Most	5th Most	Least Important	Avg
Product Availability	9.8%	13.5%	10.0%	8.2%	19.5%	25.5%	2.99
Price	20.9%	17.7%	14.1%	12.7%	11.2%	11.2%	3.05
Relationship with people	14.3%	22.3%	24.1%	18.9%	10.0%	5.6%	3.11
Need for specific mfg	12.4%	11.6%	18.7%	21.3%	15.1%	6.2%	3.39
Overall dist service	7.0%	3.6%	5.6%	10.0%	15.5%	32.9%	3.45
Location	15.9%	13.7%	11.4%	16.5%	18.3%	10.4%	4.05
Company contract w/ dist	19.7%	17.5%	16.1%	12.2%	10.2%	7.8%	4.63

- Product availability, price and distributor relationship are keys to success
  - Important for manufacturer to determine whom in marketplace has relationships and is willing to stock inventory. Pricing benefits could be tied to inventory levels.
- Other distributor sponsored research shows relationship, product availability, price, overall service and location followed by need for specific manufacturer or brand



# Protecting Yourself

- If Off-Shore Manufacturer does not have U.S. location, may not be subject to lawsuit (so customer sues distributor!!)
- Private labeler frequently viewed as "*apparent manufacturer*" ... incurs liability
- To Reduce Risk
  - Have a contract with an enforceable indemnification & defense provision
  - Be listed as an Additional Insured on manufacturer's liability insurance (and verify regularly)
  - Carry Own Liability Insurance (How much is enough?)
  - Register Patents & Trademarks
- **Bottom Line** ... Private Labeling Increases Your Need for Supplier Due Diligence ... Company & Products
- Note: These comments should not be construed as legal advice. ARA & CMG recommend distributors contact legal counsel for comprehensive product liability advice.



# Rep Input

- 45% know of distributors who sell unbranded product
- 76% of Reps have noticed that distributors are more frequently carrying and or quoting off brand products
- 73% know distributors who are putting their name on products (Rexel, CES)
- Rep responses: will try and move business
- Strengthen relationships with none PL distributors
- Offer better pricing to non PL distributors
- Be less pro-active with marketing efforts
- But.....depends on distributor volume; if manufacturer is paying commission
- Or may began to rep other off shore brands (price line offering)
- If equal quality, customer will buy if price is right
- Rep needs to hold specifications
- Contractors more accepting than industrials



# Rep comments continued

- “Cost are driving many customers. We need to work aggressively at the specification level to educate engineers, architects etc... of the cost an potential risk of not dealing brand name manufacturers”
- “Contractors really don’t care. They are all about the dollar”
- “Contractors generally will not care unless there is a quality issue, or his specifier or customer demands a brand. MRO will most likely refuse a generic unless significant cost savings are demonstrated....and most distributor sales people will not do this. Architects and engineers will most likely refuse to accept generics, except in low end commercial projects, where a cost savings is desired, and then only on rough-in type products, not fixtures, breakers, and other safety devices. I suspect many rough-in products are already substituted without any engineering approvals”



# Observations

- Growing acceptance of non-branded products
- Brand protection at end-user requires
  - Increased sales resources, marketing support and product development – and communication of each!
  - Communicating product and brand differentiation
    - Services company provides – i.e. warranty, parts numbers, - activities that insure, support and help installers with cost-efficiencies
    - Important to start to communicate and measure total cost of doing business (with distributor and with contractor)
- Distributor private label objectives differ from contractor needs
  - How and whom to address?
  - Need to identify different levels of sales, marketing, pricing, product and service supports based upon commitment to manufacturer
    - At company level or by branch
    - Managing distribution portfolio is important
- **Reps**
  - End user focus is key to survival
  - Strategically identify which distributors to support....and actively support
- **Manufacturers** Is this an opportunity to reevaluate distribution policies
- Private labeling could be a growth area. The industry will need to learn how to adapt to capture inherent opportunities.



# Our Thoughts

- Private Labeling & No-Name Products Can Be Profitable, if ...
  - Want to act as your own manufacturer
    - Source, Quality Control, Supply Chain Issues, Training Issues, Customer Service, Technical Support, Defective Product
  - Aware of rep support issues and strategy to obtain non-private labeled SKUs in a category
  - Manage the incremental margins
  - Market your brand & your products
- Private Labeling & No-Name Products Can Be Beat if ...
  - Build your brand
  - Market your company
  - Strengthen relationships with your reps and manufacturers
  - Streamline all internal operations to maximize margin benefits
  - Focus your sales organization & ensure they “sell” vs. accept orders
  - Develop end-user value-added resources & services
  - Purchase & price effectively



# Key Issues for Distributors

---

- Sourcing Flattens the Pricing Playing Field
- Marketing, and Branding, Should be Differentiators
- Large Distributors Enjoy Economies of Scale
- Smaller Distributors Can Compete With & Against
- Purchasing is Becoming a Strategic Resource
- Industry Relationships Are Changing



# Key Issues for Manufacturers

- How to react when approached?
- Should “support” be re-evaluated?
- Is private labeling a viable business strategy?
- Are my sources “loyal” to me?
- Competing against private labeling and no-name products requires investments in
  - Product development
  - Brand development
  - End-user demand creation
  - Marketing
  - Sales Training
- Do my distributors understand my value? Do distributors understand manufacturer economics?



# What is the Future of PL/No Name Products?

---

- Expect to see more of it entering the channel.
- Electrical is about 5 years behind other construction verticals ... plumbing, building materials, HVAC
- Private Labeling is not for every distributor
- It is about the money
- There is significant liability attached to private labeling and also no name product offerings.



# Private Labeling is a Strategic Decision ...

Impacts Many  
Elements of the  
Business ( the reality is that  
someone will be taken off the  
board if you P/L)



# How Will You Increase Your Bottom Line?

