

Catapulting the Curve Podcast Part 4

Thanks for joining us for Catapulting the Curve, a candid discussion of how technology and automation can help you stay ahead of your competition.

You are listening to part 4, which will conclude our discussion with Larry Stern and Del Nickel. Larry is the president of Standard Electric Supply Co. and current chairman of IDEA. Del is past president of Pentair Technical Products, most known by brand Hoffman in the US, and past chairman of IDEA. I'm your moderator, Sonia Coleman, and I've written about the industry for the past decade.

In this podcast segment, Larry and Del discuss how to keep up with technology, ways to prepare for a global economy, and the challenges and competitive advantages of manufacturers controlling their product information.

We hope you enjoy the discussion.

If you could have one wish come true related to IDEA's mission of cutting costs out of the electrical channel, what would it be?

Larry: That's a great question, and I was thinking about that. When you say one wish, when you boil it down like that, it's a very difficult thing to do. But if I were going to have one wish, I think it would be to have the commitment of all major electrical equipment manufacturers as we were talking about before, #1 to understand the importance of maintaining the data that distributors need because of how it is going to reduce the cost of doing business but also push the industry forward in the direction that our customers are demanding when it comes to ecommerce. Understand the importance of that and then take the responsibility within their own organizations to make that happen because as an industry, it's going to make us that much more capable of surviving and thriving in the future.

Del: I would comment that my one hope would be that the stature of IDEA in the next 12-18 months as slow with a lot of industry skepticism as to whether or not they could get the job done of attributing the data and going along with Larry's line of getting the major manufacturers in the industry on board with their primary product data that is the biggest amount of sales through their distributors trading partners on a regular daily basis. We need to get them on board and overcome the skepticism and demonstrate to the industry that this organization, IDEA, by the industry for the industry, is contributing mightily to the competitiveness of the electrical industry in terms of keeping them current with the acceleration of the use

of technology by their customers and by providing the counseling support and services that the industry expects to keep them competitive— that would be my one wish, that IDEA's stature improves and that the skepticism diminishes based upon the strong attribution of manufacturer data and distributor -- manufacturer communication and coordination to remain competitive in the industry; and be a very viable force, and demonstrate accelerated revenue opportunities as a result of embracing the technology rather than diminished revenue, so I think that's the way I would answer that question.

Sonia: Wonderful. Those were great boiled down, excellent answers.

We just finished discussing your one wish and you are both talking about people embracing and moving forward with e-commerce. What can company leaders do to move the industry forward? Why should leaders care and what actions can they take?

Larry: From my perspective it's embodied in my wish I just described. It's beholden upon industry leaders in the distributors and manufacturers side to get educated and understand what Del and I have been talking about. Once they do, ask the right questions in their organization to figure out how to push that process forward and continue to make it priority within the organizations. From the distribution side, we can help that process by making sure that we clearly indicate to our trading partners the importance of this to us as an industry; and I think through that process, as we discussed earlier, we're going to see over the next 12-18 months significant progress. And I like Del's wish; I'd be thrilled to be able to be so proud of the industry and the organization that there are no more skeptics, and we recognize the importance and value that IDEA brings to the industry.

Del: I would add that this is critical for leadership in the industry. This industry has grown up a combination of employee-owned, large scale corporations, public and internationally-owned organizations, and then the majority of electrical distribution is still independent, entrepreneurial owners and organizations throughout the domestic US economy who are working every day to support employees, grow business, provide return, improve productivity, and if they are missing the fact that in today's world that you have to be ecommerce and B2B literate, they are missing a really critical competitive issue for them because there are highly capitalized worldwide players with names like Home Depot and Lowe's and others who have scale and capital and resources and the internal wherewithal

and I should mention Grainger in that package, to launch effective, B2B sites and ecommerce and they'll make those investments internally.

In this still critically important industry, that NAED represents, entrepreneurial businesses, in some cases employee owned, have a golden opportunity with IDEA to be able to have the resource skills and capabilities to utilize and learn from and keep up to date in the industry. I think the recognition is growing that this is a real opportunity for the industry, supported by board of NAED, to use IDEA and utilize their capabilities, and make certain that their individual entrepreneurial and privately-owned businesses grow and survive against far more highly-capitalized businesses who can provide those services; it's a way for them to compete cost effectively and keep up with the technology; what a wonderful deal, they get both and IDEA is keeping current and up to date. Actions they need to take: get educated. If you are not behind what's going on with your customers going to ecommerce and e-information, get with Bob Gaylord and his team at IDEA and get updated. And everybody should have a session so they understand what's going on, what offerings there are and how they can get involved and keep current to protect the competitive ability for them to survive and frankly grow and thrive in the future because that's where the game is going to get played.

Sonia: Those were great points. As we're talking about the competitive nature and how a better technologically-supported company can come in and sweep a market, we've seen that with smart phones; there were many, many phone companies that were leaders in the market and there's been just a few now that have brought in better technology and capabilities that people wanted and have dominated in market share. That's a different industry but something that all the electrical industry players should be aware of.

Do you have any other thoughts you wanted to share before we ended our conversation today?

Larry: Not for me. I think we've covered a wide variety of topics already.

Del: I share that input. I think we covered a lot. Leave with example of technology: daughter now lives in Singapore, here with us in FL for summer break, Michelle went out and bought an iPad 2 tablet yesterday; Apple coming out with texting to any tablet; that's how fast things move, and that's what's going to happen in the electrical industry. And the way to be able to communicate and compete is to work with IDEA, to learn about IDEA, understand what is available, and get behind

the process because your customers aren't going to wait for you— they're going to move on to people who give them that kind of information, website and ease of information, and communication flow and accuracy, and frankly, higher productivity, and eliminate some of the costs of redoing invoices and mistakes because of bad data.

So it's a real opportunity and I hope that in some way this conversation Larry and I are having and both our involvement in IDEA gets some impetus to overcome some of the skepticism and setting the record straight and energizing some people to get with Bob Gaylord and his team at IDEA and understand more about what they can do to help the industry.

Sonia: One more thing I wanted to point out before we wrapped up: Both of you are volunteers. You have dedicated your time...

Larry: You mean I'm not getting paid for this?

Del: We didn't know that.

Sonia: But I think it's important that people realize your passion for the industry and why you care enough to put your time and effort into helping the industry remain competitive. If you wanted to briefly share why you are investing your time and energy—this is not to benefit you, it's to benefit the industry—that's one of the reasons that you are involved. I wanted to give you an opportunity to comment on that if you would like to because IDEA is for the industry by the industry and that is a unique proposition.

Larry: Del very nicely stated this. We believe in this personally for our own businesses; it's something very important that helps drive our business and having that desire and passion to want to have industry promote it also; personally, you get back what you put in; I just enjoy being part of that process and seeing that movement in the industry, because I believe it is the right direction and the right thing to do.

Del: I would add; I got kind of a dual agenda in my case, since I'm recently retired from Pentair Technical Products. It's an opportunity for me to stay engaged in an industry that I've loved and I've gotten to know many people on both sides, both distributors and manufacturers, and I really believe this ecommerce B2B trend is accelerating, growing, globalizing, and in order to compete we're all going to have to learn, grow, work together, and get better at responding to our customer requests



because our customers are becoming very sophisticated and this represents one heck of an opportunity. Frankly, NEMA and NAED were very visionary 13 years ago; yes it's been slow, but I think the vision of creating this for an industry that is in many cases privately held and entrepreneurial is a real opportunity to consolidate skills and capabilities and have one common lower cost means to do it. So I've enjoyed continuing the associations, but I wouldn't do it if I didn't believe strongly in the work that's being done by the IDEA team and I'm convinced with a lot of board direction and support from NAED and NEMA, we are really on the right track now. Now it's a matter of everybody coming together to help fulfill the original promise of lowering the costs within the industry and providing the base of technology for a lot of people to have the opportunity to remain competitive and vibrant, thriving for themselves and their future generations.

Sonia: I appreciate your time and insights and wonderful explanations and clarity on what is going on with technology and commerce and how the industry can work together to become more competitive in the future. We appreciate your time.

Del: Thank you.

Larry: Thank you.

We hope you enjoyed listening to Catapulting the Curve with Del Nickel and Larry Stern. To learn more about technology and eCommerce trends—check out the news section of IDEA's website at www.idea-esolutions.com.

Thanks for working with us to drive costs out of the industry.