

Catapulting the Curve Podcast Part 1

Welcome to Catapulting the Curve, where electrical industry insiders candidly discuss how technology and automation can help you stay ahead of your competition.

You are listening to part 1 of a discussion with Larry Stern and Del Nickel. I'm Sonia Coleman, and I've had the pleasure of writing about the electrical industry for the past decade. I ask Del and Larry some tough questions... and I think you'll be interested in their answers.

This podcast segment focuses on the impact of technology trends on the electrical industry—as smart phones, tablets and social media revolutionize the world, some companies are running to catch up. Our discussion shares how distributors and manufacturers can use these trends to thrive despite this lean economy.

Thanks for spending a few minutes to listen with us.

Sonia: Today we are here to talk with Del Nickel and Larry Stern to talk about some issues in the industry regarding to technology and innovation as well with IDEA. Many distributors and manufacturers are investing impressive resources in technology and automation to achieve greater efficiency and help their businesses thrive in this lean economy. So we've asked Del and Larry to come on today and share their experiences and wisdom and also their insider view as an IDEA chair and discuss some of the challenges and solutions that are crucial to leaders in the electrical industry. So with that introduction aside, I'll let them introduce themselves and we can get going with this conversation.

Larry: Good morning Sonia, this is Larry Stern, I'm president of Standard Electric Supply Co and current chairman of IDEA.

Del: Good morning, this is Del Nickel. I'm past president of Pentair Technical Products, most known by brand Hoffman in the US and past chairman of IDEA and since Larry has taken over.

Sonia: Welcome both of you; we really appreciate your time and insight today. So we're just going to jump right in to talk about some of these hot issues that are on the table. Technology is the talk everywhere, from smart phones to social media. What impact do you see these trends having on the future of the electrical industry?

Larry: I'd be happy to jump in first. I first of all don't see our industry any different or unique than in general as the direction of society in everybody moving towards smart phones, getting more comfortable with purchasing online. We have a younger generation

that—smart phones are almost an extension of their hands now—and I just think that as an industry, all these new technologies that are going to be something that we have to better understand, appreciate, and incorporate into our business models in order to address the needs of those that are using them on a more frequent basis and getting more comfortable with them and are part of their day to day business requirements and needs.

Sonia: Great Point.

Del: This is Del Nickel and I share Larry's point of view. Young people today aren't going to use hard catalogs. They aren't going to store hard catalogs. They want to have mobile computing and want to be able to access information from any where, any time, any place and that includes even as the world moves on, that includes even global interactions, tablets that are soon going to be able to text with one another, all kinds of computing, and people will want to get their information timely, online, using computing devices or computers and the day of hard copy information is gone. Also from a manufacturing point of view, having been leading a manufacturing company keeping up data, the speed with which products and revisions to products, product changes and new information, marketing information, new pricing actions, all kinds of trends are best served today by interconnecting users by computing devices of any form and then now that includes social media. I don't think there's any question that this is where the trend is; and to Larry's point, that's where the world is today, and the electrical industry is really no different, so I think it's a trend that's here to stay and in fact will accelerate.

Larry: And really just to take it one step further as Del just pointed out: it's already here today. We have instances where you can point to customers that are demanding the ability to be able order online. They have the catalog capabilities for them. You have customers that are using their smart phones to place orders and research stuff. You have cloud computing where companies are already going out and obtaining all their software and ERP software capabilities through the cloud or putting their files out there. All this is happening today, and it's really a question of us recognizing this in our industry as its being requested and even demanded by customers just as in the past we've had to move to other technologies and tools to be able to do business with these customers; it's the same thing today already in a lot of cases.

Del: In fact, in my opinion, both manufacturers and distributors are really behind that curve. We're reacting to it instead of being ahead of it, and I think the IDEA platforms and the IDX and the IDW and the Data Management Platform as we talk about our useful tools now in accelerating both manufacturers and distributors getting ahead of the curve to be more progressive and offer faster data and more services, more quickly to more customers.

Sonia: How can technology and automation help distributors and manufacturers thrive in this lean economy?

Larry: I think, as a general rule, already in order to even survive and thrive as a distributor, without the utilization of as we were just talking about new technologies and automation, you are going to quickly if you are not already be behind the curve and not be able to serve the needs of your customers. And as a distributor, the demands of your supplier going forward without continuously looking at new technology, ways to automate processes, ways to become more efficient, as costs continue to go up, you have to look at ways to reduce the cost of doing business with the tools of technology.

For instance in our company's case, we've been a leader with regard to EDI and utilizing EDI transaction sets to automate processes in our business for years and I can point to areas in our business where it has made us more efficient, reduced our costs, in the processing of invoices from suppliers. We now essentially process 80% of our invoices electronically and with the need for technology in order to improve that process in order to be 100%, that is part of what IDEA is trying to drive in the industry, getting suppliers to get good attributed data, pricing data in the system, being able to match up invoices to POs, reduces costs a big area in accounting for us. Another area is receiving product. Again, we've utilized advanced shipment notices, and be able to via EDI match those up with the POs again, be able to automate that process, so we're not spending as much time in receiving as we have in the past.

Those are just a few examples, but the bottom line is I believe without utilizing new and better technology, speeding up the process, reducing the cost, a distributor is going to end up behind the curve with both customers and manufacturers.

Del: This is Del Nickel. I think that it's now the case that it is an expected offering, it's no longer a choice, I think that's true for even smaller suppliers and distributors that if they don't get on board with the technology even if they have to source it; they'll soon find themselves unable to compete, and it'll happen very quickly. And I think the huge benefit of having attributed data and accurate pricing information is the accuracy and the speed with which you can do transactions, to have very current marketing offerings in the marketplace, both in terms of pricing and price actions. In the electrical industry, pricing changes are a fairly cumbersome activity that take I would say days not moments. In the retail industry today, if you go to retail stores, they change prices in minutes and have various sales and they will change the whole pricing and then offer 30% off and tomorrow they'll drop the pricing and have a smaller sale, they can move their data almost instantaneously.

In today and tomorrow's world, the ability to make those changes and have confidence in the accuracy of the product data and pricing data that it's true on time will be critical, not the least of which is one of the biggest costs to distributors and manufacturers is the inaccuracy that has to be handled and cleaned up by administrative overhead and that's part of the cost of doing this accurate information in the IDW through the IDX and done regularly and consistently, aligning distributor and manufacturer goals is a real coming benefit and cost savings to both sides, and I think critical and I think IDEA offers that opportunity as we accelerate the data attribution in the IDW.

Larry: Good point.

Sonia: Another question that comes up is that some of those smaller companies say we totally agree that this is important, but finding the resources or manpower to accomplish it is sometimes something that seems to block them. Is there any thoughts you would have to share with smaller companies about how they should weight their investment or some key points of why they need to invest or not. What do you have to say to those companies who are out there contemplating these trends?

Larry: I think it goes back to our initial question you raised regarding the use of new technologies and what other people are doing. You have to look at it as basic as when the fax machine was first introduced. If your customers are utilizing these tools and want to utilize these tools, you just have to innovate with your business. And I understand that there's a cost to that; but there was a cost to the first fax machine, there was a cost to your first computers. That's just the way business works and you shouldn't be fearful of new technologies because you have no choice — whether it's technology or new process or whatever it might be — it's just the demands of your customers and you either have to step up to address those demands and bear the cost of doing that or recognize that you're just not going to be able to do that business with those customers and ultimately the question is are you going to be able to survive and thrive long-term with your business, that's what from my personal perspective it comes down to... and then you have to figure out how to, in a logical way, incorporate those new technologies and from a cost standpoint, how to pay for them.

Del: This is Del Nickel again. I would add, I think the trend of usage of mobile computing and computers and data through computers is undeniable and unavoidable even for the small guy. And I think the issue that the smaller guys wrestle with is if they are going to be a broad-based provider of product and services, they are going to have to find a partner that is small enough and at the right price point to make the investment, and there are small computer houses that do this kind of work for smaller fees, and it may be that they



have to align with another partner with some kind of arrangement, but I think there is no question that if they are going to be a broad-based product and service provider that they are going to have to gain the skills to be able to serve their customers who are clearly moving that direction. Or they make the choice that they are going to be a niche player and will not offer a choice of full products and full service offerings, and they'll serve a certain niche with a certain defined set of customers, based upon their immediate customer expectations.

But in the long run, talking a couple of years from now with the speed of technology and changes, they are eventually going to have to have the skills to compete through systems, so I think it is inevitable and as all entrepreneurial business owners, they're gonna have to make this investment to as Larry says, compete, because that's the form of competition. And they won't have the speed of information if they don't line up as well so they won't get the best prices or best products the fastest. So I don't think there is really much choice; I think they've got to line up.

Sonia: Great. Those are good points and very helpful, very clear.

We hope you've enjoyed this discussion and will join us for part 2, where Larry and Del tackle some more tough issues. They talk about leadership fears that hinder eCommerce, the increasing importance of global standards, and a candid update on the IDW, including responding to the concerns of skeptics.

To keep up with the latest technology trends in the industry, visit IDEA's website at www.idea-esolutions.com and navigate to the news and events page. Thanks again for listening.