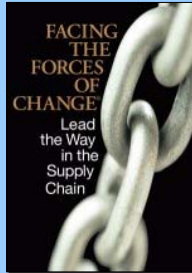


Facing the Forces of Change®: Lead the Way in the Supply Chain



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Facing the Force of Change®: 4 Trends

1. Private Label Products
2. Demand-Driven Channels
3. New Profit Models
4. Connected Customers

What does it mean for our customers and suppliers?

How can I generate new profitable growth for my business?



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Key Messages for Distributors

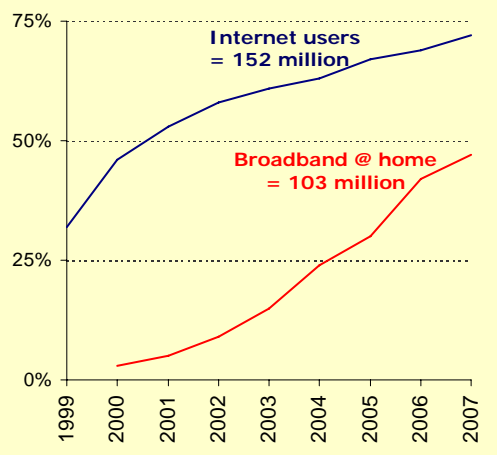
Technology is really about connecting with customers and suppliers, not about selling stuff.

The **information and services** wrapped around products are the sources of a distributor's real value in the supply chain – and the keys to getting paid for this value.

Innovation — the development and adoption of new services, new business practices, and new ways of adding value — is the key characteristic of higher-profit, faster-growth companies.

Connected Customers

Internet & Broadband Adoption Rates for Adults (18+)



What do we do online?

- Communicate
- Get information
- Join communities
- Comparison shop
- Share experiences
- Create content

...and

- Buy stuff

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Expectations of Online Interactions

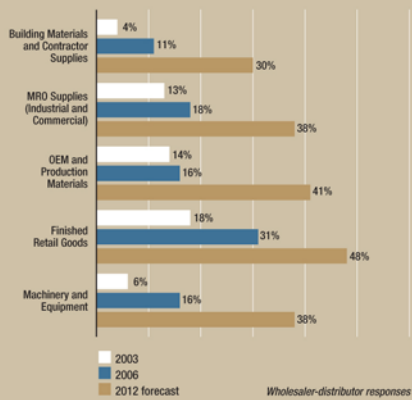
Online ordering will not replace traditional ordering approaches.

...but many interactions are migrating online.

- Product info and specs
- Prices and availability
- My purchasing history
- Technical support

Exhibit 4-1. Online orders will grow but remain a minority of sales.

Percent of a wholesaler-distributor's revenue received from online orders



Online Information

Customers will google to find new suppliers.

Is your marketing budget ready?

Customers will have access to more independent information.

Is your sales force ready?

Exhibit 4-3. Wholesaler-distributors' marketing budgets will move online.

Online methods used by wholesaler-distributors to generate new sales leads

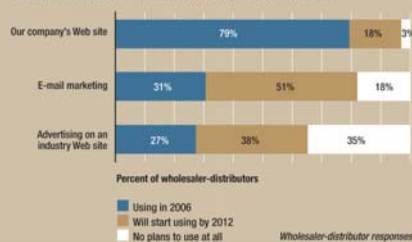
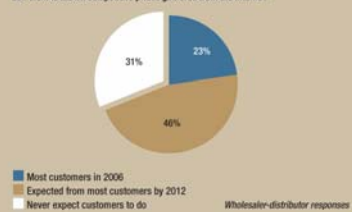


Exhibit 4-5. Customers will challenge their wholesaler-distributors with online prices.

Percent of wholesaler-distributors that say their customers ask them to match competitive prices gathered from the Internet



ContractorTalk.com

Threads **Posts**

Thread Title	Author	Date	Replies	Views
Window header 2x6 framing	by loudspeaker	Today 08:09 PM	1,455	17,100
Would you stick build using...	by ProWallGuy	Today 06:00 PM	931	8,593
Fast set	by lbc673	Today 05:21 PM	534	5,457
Who runs the Thermostat wire?	by MechanicalDVS	Today 10:36 AM	1,160	12,974
Rock slope remediation	by shompa	Today 08:01 PM	893	9,810
Hey guys heres some floor and...	by Chivright	Today 04:15 PM	930	8,262
Window seat venting	by John	Today 06:44 AM	687	3,771
12 v over solar	by Jacey	Today 04:50 PM	303	2,258
Someone settle an argument?	by jrolic	Today 12:06 PM	562	5,455
Turned my old Boss in	by Tom R	Today 08:18 PM	2,715	30,484
Gray water	by Patrick	Today 07:21 PM	787	6,237
Concrete Porch	by Chris Johnson	08-17-2007 12:22 AM	344	3,409
little advice please	by WarnerWithWood	Today 05:42 PM	807	10,073
New Construction Gable Returns	by Patrick	Today 06:27 PM	669	5,424

Sales force evolution

Premises

- Field sales is an expensive way to provide information
- Customers will go online search to gather data from suppliers, distributors, and other end-users
- Salespeople resist change

Implications

- Reps should focus on solving problems, not reading documents and managing price lists
- You will have to lead them
- They need to understand what's next

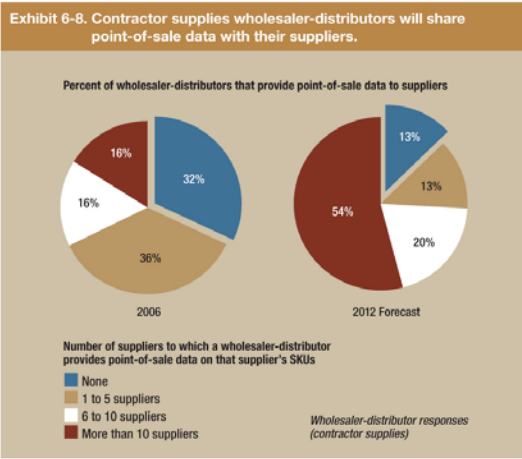
Sales Rep Homework Assignment: Imagine that you are a prospective buyer of electrical products. Go online and search for a supplier.

- Does a prospective customer find you – or your competitor?
- If a prospect finds you online, can they figure out what to do next?
- What other information is readily available?

How to connect with new customers



Data Sharing & Demand-Driven Channels



- Suppliers will get visibility into actual customer demand through the sharing of point-of-sale data.
- The EDI transaction set 867 (Product Transfer and Resale Report) is the foundation of point-of-sale data sharing in the channel.
- Limited risk from data sharing as long as customers prefer to purchase via distributors.

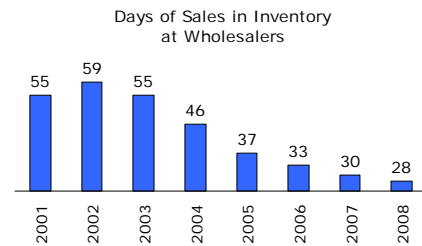
Lean Supply Chain Case Study: Pharmaceuticals

Problems

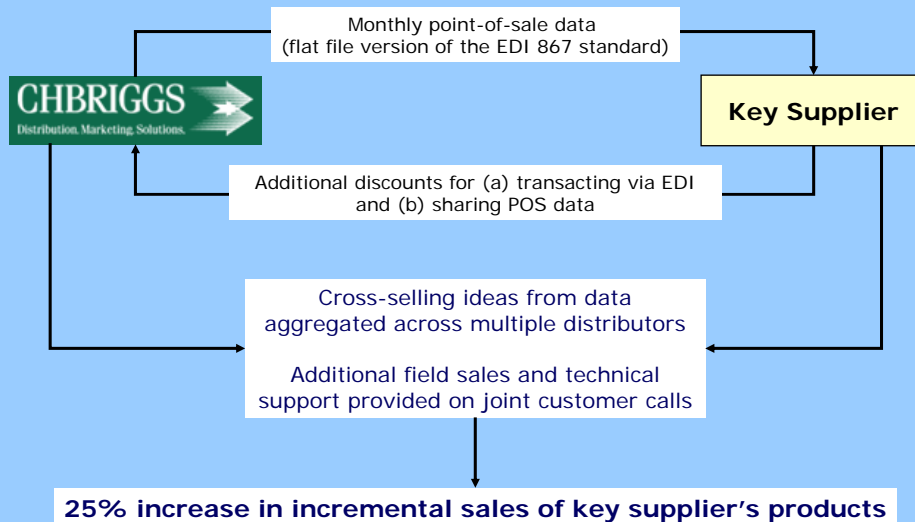
- Volume discounts encouraged distributors to place larger orders with suppliers
- Speculation around price increases put too much emphasis on purchasing
- Long lead times and/or poor service levels from suppliers forced distributors to build excess safety stock
- Suppliers only saw wholesaler orders and had little visibility into customers' actual demand

Lean Supply Chain Solution

- Data sharing from distributor to supplier
- New compensation models from supplier to distributor
- Distributor ROA up 50%



Collaborative Data Sharing Case Study: Hardware



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Wrap-Up

The future has already happened, but it's not equally distributed.

Success is about being smarter, not bigger.

How can electrical channel participants lead the way for your customers?

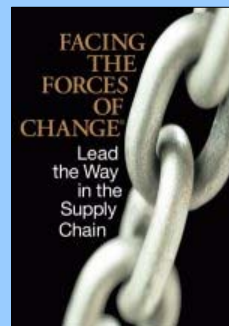
Additional Resources

*Facing the Forces of Change:
Lead the Way in the Supply Chain*

- Full report available at www.naw.org/ftf07
- Weekly blog at www.DistributionTrends.com

Many free articles and white papers at
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