

New Market Data Program to be Introduced at National Meeting

**JUNE
2018
LAUNCH**

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BETTER DATA MEANS BETTER DECISIONS.

Accurate market data is the holy grail for CEOs, presidents, sales managers, and marketers. It's no secret that market, sales and customer data should guide our planning, strategy and decision-making, but finding that data is as difficult as finding an honest politician.

“Members have been telling us that they live and die by good market data, but it’s difficult to find. Many cobble together data from various third-party sources to help determine the size of the market and their market share,” explained NAED Director of Research & Development Erika TenEyck.

To respond to those concerns, NAED, driven by a member task force, has created a tool for electrical distributors to collect and manage the critical market data they need to make better business decisions.

In September 2016, the NAED board of directors approved funds for a new market data initiative, the NAED Market Data Program. The task force of distributors, led by Bethany Sullivan, has been working hard to create a tool that will benefit distributors

of every size. In November 2016, a diverse group from local, regional, and national companies created a wish list of what they wanted—timely, accurate, and consistent market information by customer segment, geography, and product category.

The committee reached out to more than a dozen companies, sent an RFP, then narrowed the list to seven finalists before selecting D+R International. Founded in 1985, D+R has introduced and supported similar initiatives for federal, state, and local governments, the retail supply chain, product manufacturers, utilities, and the building industry, including Heating Air-conditioning & Refrigeration Distributors International (HARDI).

What it will do for NAED members.

Since November 2017, committee members and D+R have been developing this tool, modeled after NAED’s PAR Report®. As with PAR, participating members will be able to generate and share reports through their own online portal to individually track their absolute and relative performance against the aggregate market.

Committee member Joanne Moss, director of marketing for Standard Electric Supply, learned about the program when Sullivan called her for input. “When I found out what she was doing, I told her I wanted to be a fly on the wall—to see what they were talking about, learn about the options, and hear how other companies were finding market data.”

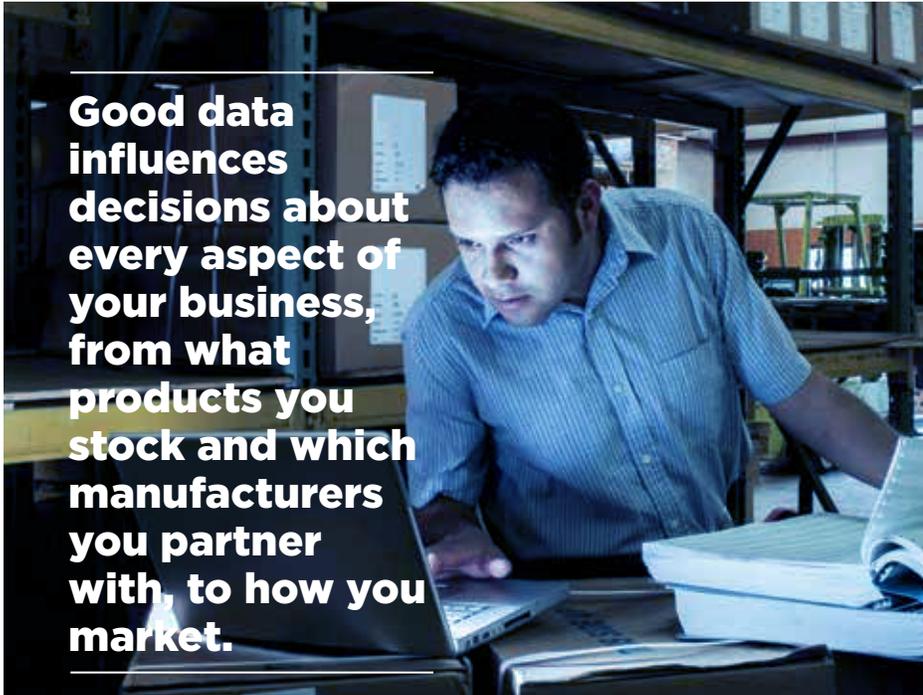
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Easy-to-use interface

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Good data influences decisions about every aspect of your business, from what products you stock and which manufacturers you partner with, to how you market.



Moss had been using another tool but wasn't getting the information she needed for their type of distributorship. "We're an industrial automation and controls distributor, working primarily with OEMs in the MRO market," shared Moss. "All of the data that was easily available was not meeting our needs; it was more contractor-focused. When we looked for market data information, even something

as simple as the average staff size or marketing budget, we kept running into difficulties." Continued Moss, "This tool will give us a feel for how much of the pie we have and help us identify growing sectors and trends based on geography and product. We'll be able to find out what customers are buying and from what manufacturer. This will help us with strategic planning, goal-setting, and

marketing planning—and in evaluating our own services. It's business intelligence that you couldn't find anywhere else."

Good data influences decisions about every aspect of your business, from what products you stock and which manufacturers you partner with, to how you market. Over time, we'll also be able to identify trends and forecast even further into the future. If PAR is for benchmarking inside your four walls, this market data tool is for benchmarking outside your four walls.

One of the specific problems this tool will address is how distributor customers are classified. "We constantly struggle with NAICS and SIC codes for customers. We know what industries our customers are in, but this tool will standardize those classifications to ensure that everyone is categorized correctly," explains Moss.

The NAED Market Data Program will use the NAICS classification system. For those who currently use SIC classifications, D+R is building a "crosswalk" to convert SIC classifications to



Reporting based off point of sales data

NAICS. Members who choose to participate will have access to their reclassified data.

But the biggest benefits are that this program allows NAED to better serve its members with actionable business intelligence, while providing individual members with the market information they need to achieve their goals — both of which are difficult to collect, confidentially and securely, and to process without violating antitrust laws.

How D+R ensures the integrity of data.

The tool will use participants' "ship-to" data to generate the most accurate information for each region based on data from participants' POS systems. That means sales data from distributors who ship to a certain geographic area will be reflected in reports, not just distributors who are located in that area. Reports can be generated for areas as specific as a county, city, or ZIP code, depending on how many members participate.

For example, to provide NAED members with data about how many LED lamps were sold in a

specific county, five distributors who sell to that county would need to participate.

To ensure the consistency and accuracy of data, each participant will be assigned a dedicated D+R account manager. This account manager will work with that member to help them effectively submit clean data. Because the account manager will be familiar with the distributor, they'll be able to identify and correct any blips or anomalies, and can even provide clean data back to participants.

Participating members can confidently use this data to guide strategic planning and day-to-day decisions. "We can utilize this to make future decisions about investing in specific stock items, choosing which manufacturers to partner with, and identifying growth trends so you can anticipate where your business might be growing in the future," shared Moss. "At the very least, we can be smarter about what we manage today and get a better feel for the competition in a secure, right way."

Submitting data will be easy...then get even easier.

Some ERP systems already have built-in upload tools that enable POS system data or sales data to be submitted to D+R through a portal. D+R is working with several ERP providers to assess their capabilities and to enable others to accommodate automatically uploading this data via FTP (file transfer protocol).

Down the road, participants will be able to directly and automatically upload their data to the online tool using an API (application programming interface) that D+R is currently developing. This API, which will be compatible with most major ERP systems, will enable members to push data into the NAED-owned system on a monthly basis.

"We want to make it as easy as possible for NAED members to participate in this program," explains Swope. "When that API is available, we will work closely with each ERP provider to adapt the tool for their customers, or a provider can take the submission template and build an automated FTP."

That's a lot of tech talk and acronyms, but the end result is easy and automatic transfer of data, which means less of a time investment for distributors. "Once a distributor is up and running, they will ideally spend only five to 10 minutes providing D+R their data," shares TenEyck.

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Members will control who can access data in their company.

Every participant will have access to a dashboard with options for managing permissions. The administrator for each distributor will be able to select and assign roles for employees who interact with the system. The two initial primary roles relate to data and reporting.

For example, the CEO may not want details, but more of an overview. In this case, the administrator can give them access only to reporting functions. On the other hand, vice presidents or managers in operations or sales may be responsible for uploading and analyzing data or the vice president or manager of sales may be responsible for uploading and analyzing data, but also want to generate reports.

Over time, as users get more familiar with the system, they may find they want more reports than what's available. Because NAED owns the program, we will be able to refine, expand, or change the suite of reports available based on member feedback and any new enhancements to the program in the future.

Anonymity, security and confidentiality are paramount.

While NAED owns the system, no one at NAED will ever see a member's individual data. "I want to underscore that members' company data is anonymous and very secure. No one outside of D+R will see a company's individual data. Only aggregated data will be reported, and that's



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only possible if it meets strict guidelines. In other words, it will not be possible for anyone at NAED, or any other organization, to determine which company submitted which specific data. Further, the program includes several 'safe harbor' guidelines to protect the anonymity and security of member data," shared Erika TenEyck.

The screenshot shows the NAED dashboard interface. At the top left is the NAED logo (National Association of Electrical Distributors). At the top right are navigation links for 'Dashboard' and 'Manage Data'. The main content is divided into two columns: 'Standard Reports' and 'Custom Reports'. Under 'Standard Reports', there is a section for 'POS Snapshot Reports' with a list of months from January 2018 to June 2018, each with a red 'x' icon. Under 'Custom Reports', there is a 'Custom Query Tool' button and a 'My Saved Reports' section containing a list of 'Report 1' through 'Report 4'.

Customizable reporting based off your company's specific needs

“Members will also be comforted to know that D+R’s servers are in the United States,” shared TenEyck.

From D+R’s perspective, all data submitted is protected by non-disclosure agreements and is never shared with any outside individual or group, including NAED. Also, D+R will not release any results or analysis if it would expose any individual participant’s information. As third-party administrator, their role is to collect and analyze the data to generate reports on the aggregate.

“As far as publishing results, we’re very conservative. We need at least five participants for any given piece of information,” explains Swope. “We also want to make sure that no one participant dominates a given market. It’s not

a hard and fast rule, but more of a judgment call. It depends on the situation. But with enough participants, it becomes less of an issue.”

“We understand that distributors are nervous. Their data is their lifeblood. But having good data is also essential for those who want a competitive advantage,” explains Swope.

D+R’s employees are hypersensitive about maintaining participants’ confidence and protecting their data. “Our staff are trained not to talk about participants or share information,” shared Swope. “Further, we don’t give any business advice. We only talk about what we see in the aggregate data, and only

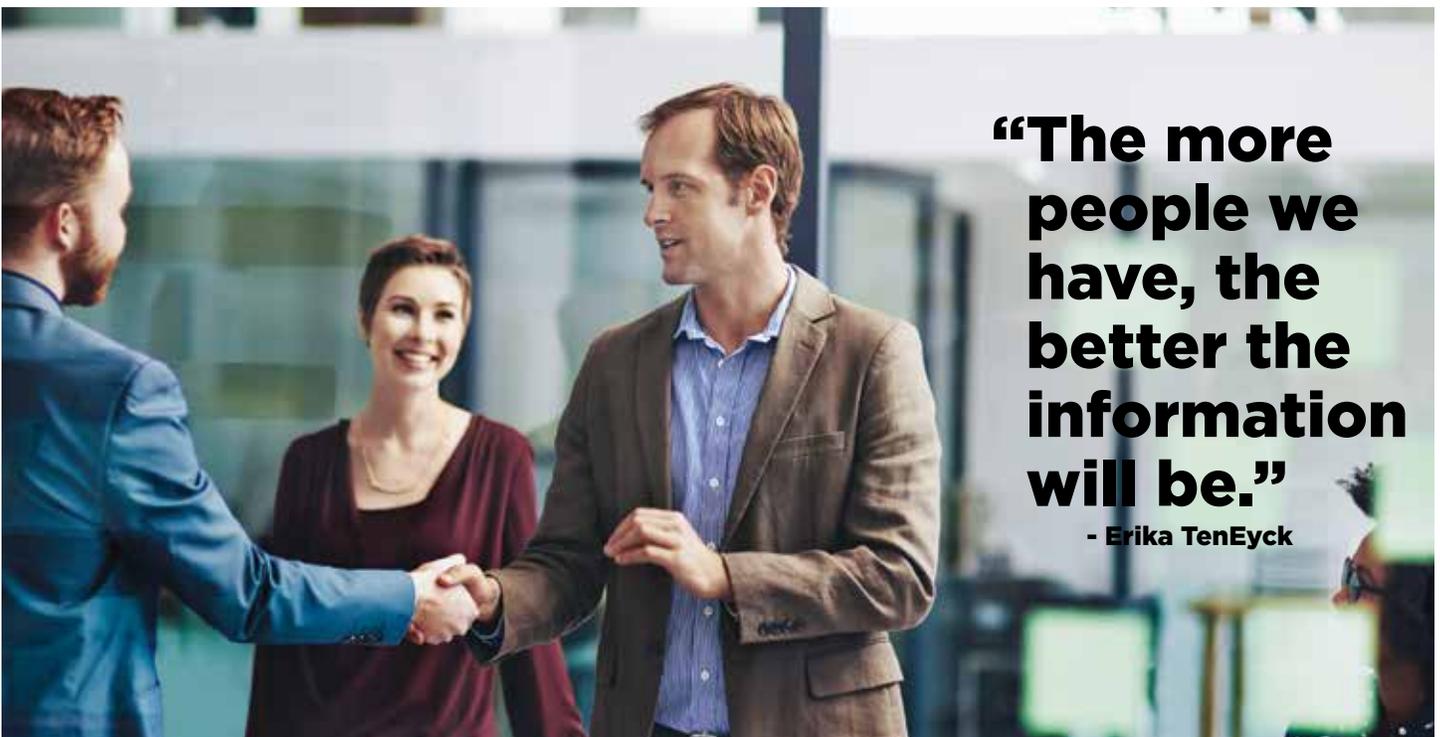
when we really can. We’re just very paranoid. We don’t talk about anything unless we’ve agreed to talk about it. In fact, only NAED and D+R will even know a member is participating, and NAED won’t have access to participants’ data.”

Member participation is key.

The information we can provide is only as valuable as the number of members who participate,” explained TenEyck. “The more people we have, the better the information will be.”

Like the NAED PAR Report, the key is member participation. “Hopefully we’ll get enough participants to eventually drill down to the ZIP code level. Initially, we will probably be able

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Reporting provides trend analysis so you can see where your company is headed

only to provide data by major metro cities, county, or state,” shared TenEyck. “But we’ll do the best we can, based on who participates and what information we get, without compromising confidentiality and security.”

The NAED Market Data Program will be a game-changer for electrical distribution and specifically for NAED members. C-Suite members will be able to plan and strategize based on real information. Branch managers will be able to make better decisions about what products and categories to stock. Sales managers will be able to better evaluate sales staff performance. Every distributor can find out how they’re performing compared to the overall market.



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“We’re not a national player, but a regional player; and many NAED members are smaller than us. If I were a smaller distributor and this tool was offered at the right price point, I’d be all over

it!” exclaims Moss. “We have some very savvy business owners in this industry, but they often manage through intuition. This gives them a tool to operate on the same playing field as the bigger guys.”

For more information, visit naed.org/MarketData

Case Study: HARDI and the HVAC Industry

In its work with the HVAC industry, D+R was able to provide HARDI with access to data at a level never seen before. Explains D+R Senior Director of Data and Information Systems Toby Swope, “HARDI members can now individually track their own absolute and relative performance against the aggregate market. Participants will also be able to download the aggregate data for internal analysis.” And depending on the level of participation by members, the tool also allows for sub-analysis by geographic region and product category. “Having this perspective has allowed HARDI to position themselves as the primary driver in the HVAC supply chain,” shared Swope.

Based on what D+R has observed in the HVAC industry, when distributors understand what’s happening in the market, they can react to upcoming changes in a more informed way. Instead of being wary of a developing trend, with hard data they can determine the actual impact on their business and industry. This enables them to see, in absolute terms, what will happen, instead of relying on anecdotal claims that may not be supported by accurate market information. Without concrete data, it’s difficult to assess the magnitude of the impact.

For example, when the U.S. Department of Energy Standards and state regulatory agencies such as the California Energy Commission introduce new standards, it directly affects product inventory for manufacturers, distributors, and installers. They want to know, in concrete terms, how changing to the newer, compliant product will impact them.

Manufacturers will have to change product lines. Distributors and retailers will have to sell through the non-compliant inventory—sometimes in a limited timeframe. And if they can’t sell it, they will have to

take it as a loss. If a standard is severe or immediate, distributors may have to work with contractors to educate them about the new products and new rules. Maybe installing the new product is not a big deal, but you have to wire it differently. So the changes also affect education and training programs.

Imagine if distributors could quantify and prepare for that impact in advance? They could start selling old inventory sooner, and only moderately adjust prices before having to take greater losses. Or, they could get a jump on competitors in developing education or training programs. These are decisions that directly improve the bottom line and company brand image.

In the case of the HVAC industry, most industry data was coming from the manufacturers. “It’s similar to NAED’s situation where within the supply chain, different actors may be mostly aligned, but ultimately approaching the system from their own perspective. Having their own aggregate data allows the distributors, and NAED, to better represent their interests,” explains Swope.

As an added benefit, the tool D+R developed for HARDI has improved how the industry looks at product categories. “The secondary benefit has been better harmonization within the industry about how products are categorized. Because all members get similar reporting, everyone is looking at products the same way,” shared Swope.

Having access to standardized sales data has enabled HARDI to better serve its market and members, and the individual members have gained access to market information that they need, but that can be difficult to collect. Working with a firm like D+R addresses not only both the logistics and processing of information, but also antitrust and confidentiality concerns. •

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