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CURRENT /
GROWTH
HOLDS
STEADY
page 9

BUSINESS /
CONNECT
YOUR
BUSINESS
page 28

SELLING /
ATTENTION-
GRABBING
COLD CALLS
page 31



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23
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26



+ALSO IN THIS ISSUE

4 Chair Column | 6 Digital Doings | 9 Research Review
16 Contractor Q&A | 20 Happenings | 23 HR Perspective
28 Business Matters | 32 Rep Roundup | 34 Best of the Best
Coverage | 48 People | 49 Ad Index

SEP. 22

COVER STORY

38 Meet the Challenge of Rising Costs

Left unattended, cost increases can erode profits. Avoiding this calls for a strategic balancing act.

CURRENT

14 Government Watch

An NIIT increase is among NAED member-related issues up for possible consideration in Congress.

18 Project Spotlight

LEDVANCE and Gexpro provide a leading South Florida-based floral distributor with a cool-running lighting system.

BUSINESS

26 Market Focus

As automation enters every realm of operations in every industry, the demand for cybersecurity expertise intensifies.

SELLING

31 Sales Spotlight

How to get—and keep—a potential customer's attention.

PRODUCT KNOWLEDGE

42 Lighting: The End of Incandescents

44 Product Watch: Lockouts & Tagouts

46 What's New

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LEAD WITH AN OPEN MIND

by John Cain



IT AIN'T WHAT YOU DON'T KNOW that gets you into trouble. It's what you know for sure that just ain't so." This quote, from Mark Twain, is one of my favorites because, as president of Wiseway Supply, I encourage investigation of things I know little about. It also reminds me of a similar quote from former Secretary of Defense Donald Rumsfeld: "There are known knowns; there are things we know that we know. There are known unknowns. That is to say, there are things that we now know we don't know. But there are also unknown unknowns. There are things we do not know we don't know."

The biggest difference between the two quotes is the certainty ("for sure") of what we know that is not true. As the formal top leader at Wiseway, I have to fight my own certainty of things I know—because they just might not be true.

Young leaders coming up through our organizations look to us senior leaders for guidance. We must encourage their inquisitiveness, not quash it. Surely, it's possible that something that didn't work 30-plus years ago might work today. Technology has changed; customers have changed; many things have changed.

In this industry, very seldom are we making life-or-death decisions.

Should we not encourage those following us, both literally and proverbially, to investigate even those things that did not work well before—and even those things that we are certain will not work, but do not really know? Really large companies (think Procter & Gamble) have R&D departments. I am not aware of any distributors that have a formal R&D program. Distributors will often try something through a leadership-driven initiative. Should we think about the young leaders coming up through our organizations as our R&D departments?

I realize that some of our decisions, while not life or death, are based on very real dollars. But inquisitiveness can lead to innovation, which can lead to a very real competitive advantage that puts those dollars on our bottom lines.

So be an open-minded leader. Understand that something that did not work years ago might work today. More importantly, be willing to let others try something you know "for sure" will not work. ■

Cain is president of Wiseway Supply in Florence, Ky. He can be reached at jcain@wisewaysupply.com.

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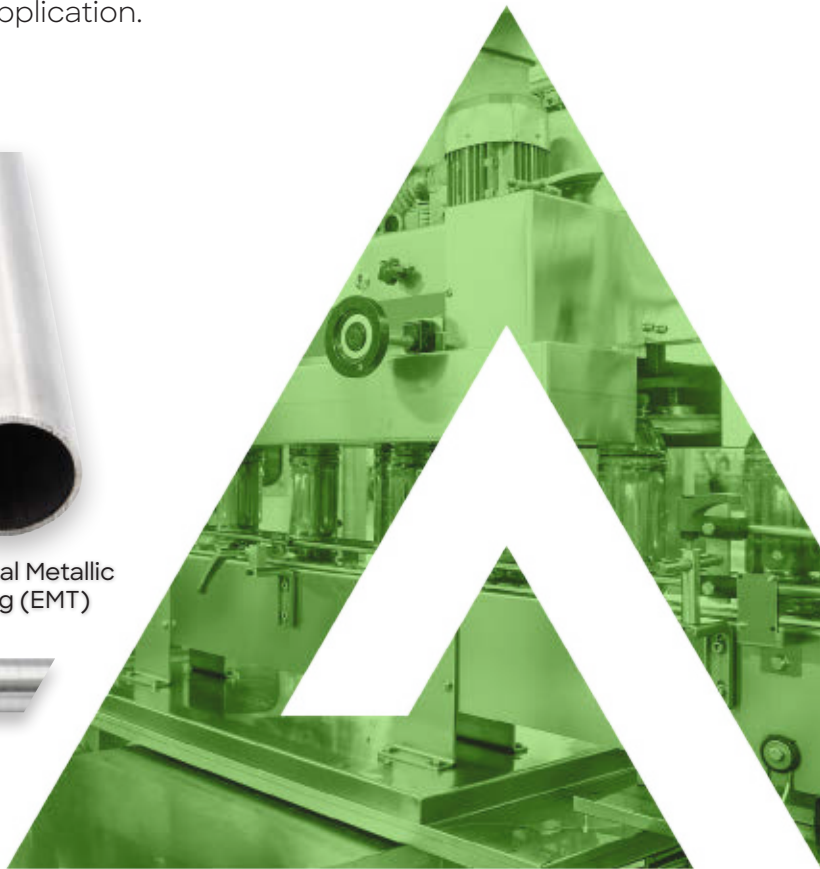
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GROWTH HOLDS STEADY

by Ken Simonson



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REVENUE GROWTH IN THE ELECTRICAL SECTOR was unusually consistent throughout the first half of 2022, while expectations for the remainder of the year remain bullish. Those rosy results and views are among the key takeaways from the latest quarterly survey that financial firm Robert W. Baird & Co. conducted in partnership with *tED*.

Electrical firms recorded year-over-year revenue growth averaging 13.5% in the second quarter of 2022, up from the 12.6% growth in the first quarter and 13.2% in the fourth quarter of 2021. Within the quarter, yearly growth averaged close to 13% each in April, May, and June.

Datacomm firms also averaged annual growth in revenues of 13.5% in the second quarter, nearly matching the 14% year-over-year growth in each of the two previous quarters. As with electrical firms, average growth varied little in each month of the quarter.

Both types of firms handily outpaced the 10.4% average posted by the 20 industrial sectors Baird surveys quarterly.

Both groups also outpaced the expectations they had held for the quarter three months earlier, when predictions for revenue growth in the second quarter averaged 12.6% for datacomm firms and 12% for electrical businesses.

There were differing views about the current state of one type of customer: utilities. “Utility business is very strong [but] will likely start to slow down a bit if housing continues to cool off,” stated one panelist. A second reported, “Utilities seem to be cutting back already, especially in safety tools. Whether they have enough or will look to rebuild instead of buy new in [the] future

seems a valid question.”

For the third quarter, respondents expect revenue growth to cool slightly to an 11.2% yearly pace for datacomm and 10.6% for electrical business. As Baird notes, “This compares favorably with the 8.2% expected across the broader distribution industry.”

Several respondents made remarks similar to one who said, “Activity has been strong, but [it’s] starting to show signs of slowing.” Another commented, “Revenue is tapering off and will be decreasing as we are seeing far fewer job quote requests.”

Pricing for both types of companies continued to trend upward in the second quarter and to outrun price increases for the other 18 sectors that Baird surveys. Specifically, the average year-over-year rise in pricing for electrical firms was 11.9%, up from 11.3% in the first quarter and the sixth consecutive rise in this metric. Datacomm firms raised prices an average of 11.2%, up from 10.6% in the first quarter. In contrast, the 20-sector average pickup in pricing was 8.9%.

“That said,” Baird cautioned, “recent de-

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SURVEY PARTICIPANTS

The Q2 2022 survey attracted 77 responses from companies with aggregate annual revenue of approximately \$22 billion. Three out of five firms (60%) are distributors, while about one-fourth (26%) are manufacturers. Other business types make up the remaining 14%. Electrical-only firms account for 78% of the participants; the rest—referred to in this article as datacomm firms—are either datacomm-only (3%) or mixed electrical/datacomm businesses (19%).



Participating firms cover a wide range of revenue sizes. About a quarter (26%) of the firms had less than \$10 million in revenue. Another quarter had revenues of \$10 million to \$50 million, while 31% had \$51 million to \$250 million in revenue, and 18% had revenues that exceeded \$250 million.

Participants serve every region in North America—and beyond. There is a close match in representation from the Midwest (23%), South (21%), Northeast (19%), and West (17%). The remainder are from Canada (10%) or international markets (10%). —K.S.

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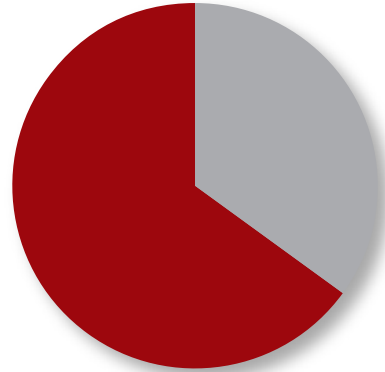
creases in copper/PVC/steel could lead to deceleration in pricing gains ahead.” Indeed, one respondent commented, “Raw material prices are beginning to moderate and with them, selling prices of finished goods.”

Despite those concerns, respondents raised their outlook for the full year, as they had done from the winter to the spring survey. In the latest survey, revenue growth expectations for the full year rose to 12.3% for electrical distributors (from 11.4% in the spring) and 12.2% for datacomm firms (up from 11.6%). Baird noted, “Growth is seen as similar throughout North America, with acute electrical strength internationally.” The expectations topped the all-sector average of 9.5%, which was slightly less up-beat than the 10% average expectation in the first-quarter survey.

At least two participants anticipate that “current backlog will enable us to continue growth through year end” or “some runway over the next three to six months.” But another respondent

BAIRD SURVEY ROTATING QUESTION

DOES YOUR COMPANY CURRENTLY HAVE A DATA ANALYTICS TEAM?



35% YES
65% NO

commented that “Capacity due to labor shortages and advanced ordering is our highest concern at present.” The most bullish comment cited by Baird was, “We’re optimistic that at least the next nine months will be good. After that, we don’t know what may happen.”

In summary, participants have enjoyed steady revenue growth through

the first half of 2022. They expect more of the same in the third and possibly fourth quarters, with only hints that the good times will be rolling more slowly in the near future. ■

Simonson is chief economist for the Associated General Contractors of America. He can be reached at solomon_simonson@gmail.com.

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RETURN TO THE HILL

As Congress returns, an *NIIT* increase is among NAED member-related issues up for possible consideration.

by Joe Nowlan

AS LABOR DAY WEEKEND CONCLUDED, CONGRESS WAS SCHEDULED to return to Capitol Hill for a crucial month. It is crucial for two reasons: Negotiations and deal-making on key legislation will occur, and the government's fiscal year ends on Sept. 30 so Congress must vote on funding measures to keep the government running.

Sept. 30 is also the deadline for using the reconciliation process. Reconciliation allows Congress to advance certain spending and tax bills on a simple majority vote.

The Inflation Reduction Act

One piece of legislation that has already been agreed to and signed into law is the *Inflation Reduction Act (IRA)*. In late July, Senate Democrats were able to pass the *IRA* on a 51-50 reconciliation vote, with Vice President Kamala Harris casting the deciding vote. The House approved it 220-207 in early August.

The *IRA* contains nearly \$370 billion aimed at energy and climate-change-related projects as well as \$60 billion in tax credits for manufacturers of solar and wind equipment and battery producers. It also includes a \$7,500 tax credit for low- and middle-income customers of electric and alternative fuel vehicles.

While NAED distributors dealing in wind and solar materials should be pleased at what the final *IRA* legislation can mean to future business, the timeline for beginning—let alone finishing—any energy-related projects is uncertain.

The availability of necessary supplies, coupled with supply chain delays and transportation difficulties, will obviously have an impact. In addition, hiring the necessary construction workers and technicians will be challenging.

Nevertheless, the legislation was welcome news to many. "It's going to make a lot more projects—and larger projects—viable in a lot more places," Tyler Reeder told the *Wall Street Journal*. Reeder is managing partner at ECP, a private-equity firm that invests in clean energy.

The *IRA* also allocates \$64 billion toward a three-year extension of *Affordable Care Act* subsidies. Among other things, the measure enables Medicare to negotiate the price of some prescription drugs with pharmaceutical companies.

As for the *IRA* actually lowering inflation, it is uncertain how long it will be before results are felt. But the Congressional Budget Office esti-

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mated that it could reduce the federal deficit by a little more than \$100 billion over the next decade.

The *IRA* traveled a politically rocky road and took on various legislative forms before becoming law. In mid-July, Sen. Joe Manchin (D-W.Va.) announced that he would not be supporting what was then viewed as predominantly climate change legislation. At that point, many thought that any such legislation would be dead in the Senate.

But eventually, Manchin and Senate Majority Leader Chuck Schumer (D-N.Y.) were able to come to an agreement. The eventual signing into law by President Biden marked the end of a long legislative journey.

Now, with midterms hovering over Capitol Hill, can any other pieces of legislation be completed and passed in time for the end of September? (Again, after Sept. 30, reconciliation will no longer be an option.)

Alex Ayers, executive director of the Family Business Coalition, emphasized the challenge confronting the Senate. "Right now, I think their biggest enemy is the calendar. The Senate comes back and then you actually have to fund the government before Sept. 30 and those reconciliation instructions expire with the end of the fiscal year," he said. "There's not a whole lot of scheduled time left. But if they get enough momentum, they might get something done."

In Washington, sometimes an impending deadline can, out of necessity, create some momentum, resulting in new legislation.

While as anxious as anyone to see more legislative progress, Ed Orlet, NAED senior vice president of government affairs and strategic projects, isn't optimistic. "My question is: What's different this time? Maybe that they're running out of time before the midterm elections?" he said. "I guess that's their logic now—that there's more of a sense of urgency."

During the talks that eventually



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Q+A



To better help electrical distributors respond to the needs of electrical contractors, “Contractor Q&A” features remarks from real contractors located nationwide. Responding is Christina Fernandez, director of HR at DP Electric in Tempe, Ariz. This month we asked:

WHAT KEY PRACTICES, PROCESSES, OR TECHNOLOGY HAS YOUR FIRM BEEN LEANING ON TO COVER THE LABOR SHORTAGE AND/OR INCREASE EFFICIENCY?

Fernandez: Qualified electricians have always been tough to find, but over the past year the labor market has been especially tight in Arizona because our market is booming right now. Fortunately, we haven’t been short on labor thanks to our amazing recruiting department and strong company culture, which help us attract great people.

That said, we do rely on certain practices and technology to help make the best and most productive use of our resources. For example, we’re constantly raising the standard on efficiencies in the field by investing time in preplanning jobs, utilizing virtual design construction, and engaging in prefab activities where possible, all of which allow our team to do more with less labor. We’ve additionally started a workforce development department that works with area high schools and colleges to help us recruit and retain up-and-coming electricians both in the trade and within our company. We’re also able to utilize our accredited in-house apprenticeship program to attract new talent to the electrical trade, and all of these efforts have been helping us to shore up our workforce.

We don’t necessarily see current labor shortages easing up anytime soon; activity is currently very competitive here and projections for our construction market are looking strong for years to come. But there are ways that we as contractors as well as other trade professionals can address labor shortages. In our area, for example, we recommend getting involved with such organizations as Build Your Future and the Arizona Builders Alliance, both of which are working to help change the reputation of craft professionals and bring more people into the trades. ■

Send your questions to “tED” Editor Misty Byers at mbyers@naed.org.

resulted in the *IRA*, several tax increases were proposed to help fund the legislation.

The NIIT Question

One tax modification that Ayers and the Family Business Coalition were lobbying against was ultimately dropped: an increase to the 3.8% *Net Investment Income Tax (NIIT)*, which impacts small to medium-sized businesses—such as those in NAED—made up of individual owners and families who are actively involved in those companies. “This [can] affect some small businesses. I’m really using ‘small businesses’ as another term for pass-through businesses... businesses that pass through their taxation to the individual person’s income tax,” Ayers explained.

The proposed *NIIT* adjustment might at first have looked like a fairly small increase. Ayers cautions otherwise. “Their intention was that it will only impact [those making more than] \$400,000 in income on an individual basis or \$500,000 per couple. That sounds like a lot. But we’re talking about actual business income, not what they’re paid in their paycheck. It’s not actually that much from a business perspective. But it’s the amount of business income that they’re paying taxes on but not passing it through to their own personal bank account,” Ayers explained.

During mid-summer negotiations, some proponents had presented the *NIIT* increase as a means to pay for Medicare, a notion that Ayers disputes. “That’s not how the *NIIT* works,” he explained. “The *NIIT* goes to the Treasury’s general fund and under reconciliation, every component has to have some impact on either expenditures or revenue.”

Orlet explained that NAED had signed on to a letter addressed to Senate and House leadership this past summer voicing their opposition to any *NIIT* increase. NAED joined other co-signers, including the American

Supply Association and the National Association of Home Builders.

The letter further clarified the mistaken notion that *NIIT* was attached to Medicare funding: “While expanding the *NIIT* is sometimes characterized as closing a tax loophole and that it would increase Medicare funding, neither of these claims are true. When the *NIIT* was created as part of the *Affordable Care Act*, it was meant to apply to investment income only. The business income of small individually and family-owned firms where the owners ran the business was specifically exempted. This exemption was intentional and in no way constitutes a loophole.”

The letter also highlighted the number of businesses that would be hit by a *NIIT* increase: “Based on Treasury data, we estimate up to 1 million small

and family-owned businesses, representing more than half of all pass-through business activity, would be at risk of having their rates increased under this policy. This small business tax hike would hurt the ability of businesses that survived the worst global pandemic in a century to remain viable in the coming months.”

So while many are grateful that any *NIIT* expansion or increase is off the table for now and for the foreseeable future, it is still something Ayers —among others—will be watching. (Let’s not forget the saying: “No bad idea ever completely goes away in



Right now, I think their biggest enemy is the calendar.... There’s not a whole lot of scheduled time left. But if they get enough momentum, they might get something done.

—ALEX AYERS,
The Family Business Coalition

Washington.”)

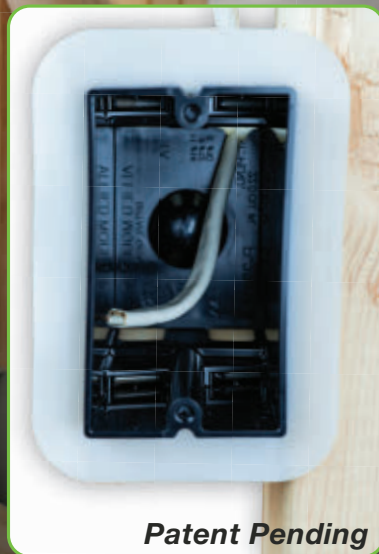
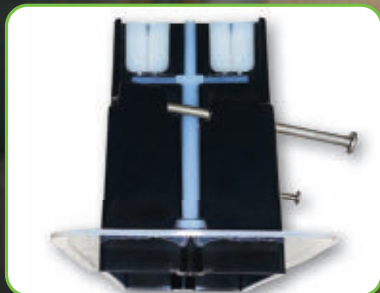
So as Congress reconvenes, will any additional legislation be passed before the end of this year, let alone before the elections? Orlet admits to being a bit pessimistic. “Congressional ineffectiveness plays to our advantage,” he said.

“We will be better off if they stick to the things that need to pass for the fundamental functioning of government prior to the midterm elections.” ■

Nowlan is a Boston-based freelance writer/editor and author. He can be reached at jcnolan@msn.com.

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The 70 vapor-tight fixtures provided to K&M Holdings's floral cooler withstand harsh conditions for an extended period of time, including humidity on the ceilings.

IMAGE COURTESY OF GEXPRO/K&M HOLDINGS

FLOWER POWER

LEDVANCE and Gexpro provide a leading South Florida-based floral distributor with a cool-running lighting system that will help optimize operations.

by Susan Bloom

VALUED AT AN ESTIMATED \$5 BILLION, THE U.S. floral industry is robust and the range of floral varieties and colors available to consumers is extensive. Much goes into ensuring that the flowers people routinely present to friends and loved ones on holidays, special occasions, and even just every day are housed in and distributed from a consistently cooled environment so that they remain fresh and vibrant prior to transport.

Following their recent construction of a brand-new floral cooler facility to further establish itself in this fast-paced industry, Doral, Florida-based floral distributor K&M Holdings was in need of a powerful lighting system that could deliver reliable, high-quality illumination within the challenges of a continuously cooled setting. Thanks to expert support from LEDVANCE and Gexpro, K&M Holdings's new distribution facility is now calm, cool, col-

lected, and fully ready to support high-performing, energy-efficient operations for years to come.

Cold Comfort

In January, team members from Shelton, Connecticut-based Gexpro and Miami-based electrical contracting firm Felipe Electric Services were brought in to determine the optimal lighting solution for the new two-story building's dedicated 10,000-square-foot floral storage space, which featured high ceilings and was cooled to a brisk 40°F.

"While there was no lighting yet in the space because it had just been built out, we knew that roses and other flowers would be stored there and that we'd need 80 to 100 footcandles of light at the floor," said Bob Layne, Rexel/Gexpro lighting and controls specialist covering Florida's southern region. "As South Florida is one of the largest rose

and flower hubs in America, our goal was to help ensure the installation of an effective lighting system in the floral cooler space in time for Valentine's Day so that the facility could participate in one of the biggest rose- and flower-related holidays of the year."

The team immediately turned to their partners at LEDVANCE, and after researching the product options and working closely with LEDVANCE product experts and Gexpro Outside Salesperson Edgar Portobanco, Layne and his colleagues opted to light the floral cooler space with SYLVANIA UltraLED Dual Selectable Wide Body Vapor Tight fixtures, which would not only be extremely energy-efficient, but also emit very little heat to offset the cooling.

"We needed a durable fixture that could withstand harsh conditions for an extended period of time, including humidity on the ceilings," Layne explained. "The fixture's 80+ CRI enables facility workers to see the bright colors of the flowers they're handling, while its energy-efficient design delivers up to 150lm/W and incorporates an internal motion sensor that automatically dims to 50% if the space is unoccupied and returns to full brightness when someone enters the space to pull flowers.

"South Florida weather is typically very warm," Layne continued. "And given how much energy is consumed by operating the HVAC systems 24/7 to keep the flowers fresh, we felt that any energy we could save the owners on their lighting would be beneficial."

Using LEDVANCE's online layout tool, "we selected product with an output of 22,500 lumens and a color temperature of 5000K to ensure optimal lighting of the space," Layne explained, "and the fixture's ability to operate within a temperature range of -4°F to 104°F helped ensure its reliable performance in the facility's cool floral storage area."

A Win-Win Result

"Between what we had in our own stock and a quick call to our contacts at LEDVANCE for additional product, we were able to quickly secure the 70 vapor-tight fixtures we needed for this project," said Portobanco of the project's successful outcome. "Installation took just around two weeks, enabling us to meet our Valentine's Day objective."

"The installation process was so easy that we were able to install each fixture using just one crew member instead of the usual two," added contractor Alejandro Vega, supervisor at Felipe Electric Services, of a benefit that came in particularly handy in an industry plagued by skilled labor shortages. As for the response by the owners of K&M Holdings, "The fixtures exceeded the client's expectations and they're extremely happy with them," Vega said.

"The color of the light is perfect, makes the space comfortable and inviting for employees to work in, and offers users a lot of choices," agreed Felipe Electric Owner Jorge Felipe, whose team has worked for the owners of K&M Holdings for over a decade. Overall, he said, "this was a great project and everyone was happy with the quality, performance, and price point of the fixtures."

"The facility's new lighting is bright and natural-looking and has a nice, uniform distribution that fully and evenly lights all parts of the space—including every corner—for optimal visibility," said Layne, who added that the project was so successful that his firm was invited to propose lighting solutions for other parts of the building. "Overall, the fixtures were great for this application and delivered a win-win for all parties involved." ■

Bloom is a freelance writer/consultant who has spent more than 25 years covering the lighting and electrical products industry. Reach her at susan.bloom.chester@gmail.com.



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CONTENT**



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The team at CES, Apex, N.C., celebrates raising more than \$6,000 for Make-A-Wish.

GIVING BACK

CES APEX Celebrates Make-A-Wish Donation

City Electric Supply (CES), Apex, N.C., recently raised more than \$6,000 for the Make-A-Wish Foundation. As a reward, CES held a celebration for raising the most funds by any CES location across the country.

“It’s an amazing feeling to be receiving this recognition for raising money for Make-A-Wish,” said Qwon Reid, branch manager. “My team here is the greatest: They are compassionate, and they love a challenge.”

MILESTONE

Cerrowire Observes 100th Anniversary in Scenic Style

Cerrowire took it to the top for its 100-year anniversary celebration in Utah with festivities featuring dinner,

AWARDS+HONORS

ALLOY LED HONORED WITH TWO AWARDS

Alloy LED has been named by *LEDs Magazine* as a 2022 BrightStar Awards honoree. The company’s AmpChamp RGB and RGBW Connectors and the PrimaPanel Flexible LED Sheet were recognized for their performance, reliability, efficiency, ease of integration/use, and innovation.

“We are truly honored that the judges have chosen our AmpChamp RGB and RGBW Connectors and PrimaPanel Flexible LED Sheet for their innovation, performance, and reliability,” said Joe Flynn, president, Alloy LED. “We congratulate our Alloy LED engineering team on their excellent performance, dedication, and hard work.”

LEGRAND HONORED BY NFPA FOR INVENTION

Legrand received special recognition from the National Fire Protection Association (NFPA) for providing electrical shock hazard protection by ground fault circuit interrupter (GFCI) protection. The invention of GFCI receptacles, originally developed and driven to widespread use by Legrand’s Pass & Seymour line, was honored in conjunction with all GFCI

technology as the winner of the 2022 Philip J. DiNenno Prize at the NFPA Conference & Expo in Boston in June.

“Legrand is elated that the NFPA chose to honor GFCI innovations, which have played an incredibly important role in improving the safety of homes for half a century,” said Scott Bausch, Legrand’s vice president and general manager for the Pass & Seymour product line.

SOUTHWIRE RECEIVES ENERGY MATTERS AWARD

In July, Southwire was presented with the inaugural Energy Matters Award for Best Sustainability by a Large Company by Tim Echols, vice chairman of the Georgia Public Service Commission.

“At Southwire, we continue to build on our commitment to environmental stewardship by supporting the well-being of our communities and environment, and this award is a testament to those efforts,” said Rich Stinson, president and CEO. “We’re honored to receive this recognition, and we are proud that our work continues to build a stronger and more sustainable Southwire.”

awards, recognitions, and family fun at 6,000’.

On July 16, the team from Ogden, Utah, gathered on scenic Mount Ogden with their families and co-workers at Snowbasin Resort to celebrate the milestone anniversary. Kids and adults played lawn games, competed in mini-golf, and posed for fun photo booth pics—all between gondola rides up the mountain to an 8,716’ elevation.

After dinner, presentations, and surprise giveaways, employees got in a bonus activity: As a reward for hitting a plant-wide challenge goal, Plant Manager Kory Longhurst and HR Manager Katie Malone took turns in the dunk tank, while 10 employees had a chance to put them in the drink.

EVENT


Students Participate in Greenlee “We Love STEM Day”

In July, Greenlee, part of Emerson’s professional tools portfolio, hosted its second “We Love STEM Day” for students in grades three through eight.

The event was designed to support local schools and engage students in science, technology, engineering, and mathematics (STEM). It also helped Greenlee demonstrate the role these vital subjects play in manufacturing.

Students participated in a variety of hands-on activities that strengthened their problem-solving skills, including Lego maze coding, building towers out of pasta, egg drop competitions, and hydraulic claw building.

“Our second annual ‘We Love STEM Day’ was a success in encouraging a love of learning STEM subjects in the next generation of creators, innovators, and inventors,” said Jennifer Hoang, event chair. “The excitement and energy students had for learning about STEM and the way it is used in the work we do was inspiring.” ■

 Got an event or news item to share in “tED”? Send it to mbyers@naed.org.



INDUSTRY NEWS

Around the Globe

» CES’s New Island Location

Dallas-headquartered Concord Electric Supply (part of City Electric Supply) recently opened its newest location on the island of Martha’s Vineyard, Mass.

» DSG Buys Brown Supply

Fargo, North Dakota-based Dakota Supply Group recently acquired Brown Supply, distributor of waterworks products such as water/sewer pipes, fire hydrants, marking flags, equipment, and supplies with four locations across Iowa.

» Schaedler Yesco Moves

Harrisburg, Pennsylvania-based Schaedler Yesco Distribution recently moved its Allentown, Pa., location to a larger (30,269-square-foot) facility.

» Winsupply Acquisition

Winsupply, Dayton, Ohio, has completed the purchase of First Source Electrical in Houston.

» AD Completes Merger

AD has completed the merger with Torbsa Limited, a building supplies buying group in Canada. The partnership creates AD Building Supplies—Canada, the fourth division in AD’s Canadian business unit.

» Atkore Acquires Two

Atkore has acquired the assets of Talon Products, which produces patented nonmetallic injection molded cable cleats under the

brand name Talon Cable Cleats. The company also acquired United Poly Systems, a manufacturer of high-density polyethylene pressure pipe and conduit, primarily serving energy, power and communications, renewables, and water infrastructure markets.

» Classic Wire Opens in CA

Classic Wire & Cable has opened a new warehouse, which measures more than 20,000 square feet, in Perris, Calif.

» Eaton’s New Design Center

Eaton recently opened an industry design center in the Dominican Republic’s capital city of Santo Domingo. The facility advances Eaton’s mission to help customers in the Americas accelerate a low-carbon energy future.

» NSI Industries Adds Remke

NSI Industries has acquired Remke Industries, a Vernon Hills, Illinois-based manufacturer and supplier of electrical connectors.

» MaxLite Relocates HQ

MaxLite is relocating its headquarters in the fall to a single office in Montville, N.J.

» Southwire News

Southwire celebrated the opening of its new office in Medford, N.Y. The opening comes as it has expanded its business with the acquisition of Topaz Lighting. Additionally, Southwire came in at No. 89 on Fast Company’s fourth annual Best Workplaces for Innovators list, which honors organizations and businesses that demonstrate a steadfast commitment to encouraging innovation at all levels. Southwire was named for its devotion to inspiring the lives that it touches by developing innovative systems and solutions.

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B U S I N E S S



/ HR PERSPECTIVE

THE PERKS OF SELF-MANAGED PTO

by Carolyn Heinze

IN AN EFFORT TO PROVIDE MORE FLEXIBILITY TO their employees, some companies are offering self-managed paid time off (PTO). Instead of restricting PTO to an allotted number of days or weeks—or basing it on an accrual model, whereby employees are entitled to an increasing amount of PTO the longer they re-

main at the organization—employers are encouraging people to take time when they need it. To some, this may seem too unstructured; to others, it serves to boost recruitment, retention, and engagement.

David Tozi, regional sales director, industrial and CIG, at Pittsburgh-headquartered WESCO, oversees a team of nearly 60. He explained that the company launched its self-managed PTO program this year. Under this new model, employees may take as much paid time off as they desire, provided they receive approval from management. (PTO requests are processed on a first-come, first-served basis.) The program applies to existing employees as well as new recruits and is limited to exempt employees only (those who are paid a salary, rather than on an hourly basis).

Tozi noted that so far, he has not had any of his staff members book excessive amounts of PTO; instead, they average between three and five weeks. He says that if someone starts abusing the system, it's probably indicative of another problem. "If somebody starts putting in for a week every month, there's probably a bigger issue there

that's not correlated to self-managed PTO," Tozi said. Instead, he has observed that self-managed PTO allows people to take time for things like children's birthdays, an extra day to gear up for work after a week's vacation, and even household renovations. "It's completely worth it for the health and well-being of the team," he noted

Jarryd Rutter, HR coach at HR outsourcing and consulting firm Paychex, said that in general, companies limit self-managed PTO to exempt employees. He conceded that this could create some friction between management and nonexempt employees who may feel that they are being treated unfairly. To decrease this disparity, he suggests offering them more PTO within the confines of a traditional model.

"People really, really value paid time off," Rutter said. "And in addition to valuing it, it's really important that employees have the opportunity to get things done outside of work that need to be done—whether it's doctor appointments or taking kids from point A to point B." He added that organizations may also offer nonexempt employees certain perks, like a free weekly house cleaning service or on-site oil changes. "Anything that can be done to try to give employees one less thing to worry about is another way to try to bridge that gap."

PTO Genius has developed an AI-powered HR software suite designed to help both employers and employees manage PTO, whether it's on an allotted, accrual, or self-

managed basis. The technology will identify the best periods for employees to take their PTO and make personalized suggestions on how they may spend their time off. (For example, if an individual is a horse lover, the system will provide listings of dude ranches that welcome tourists.)

PTO Genius also facilitates the process of converting extra PTO to finance vacation time, cover emergency expenses, pay down student loans, or contribute to retirement funds.

Ulises Orozco, co-founder of PTO Genius,



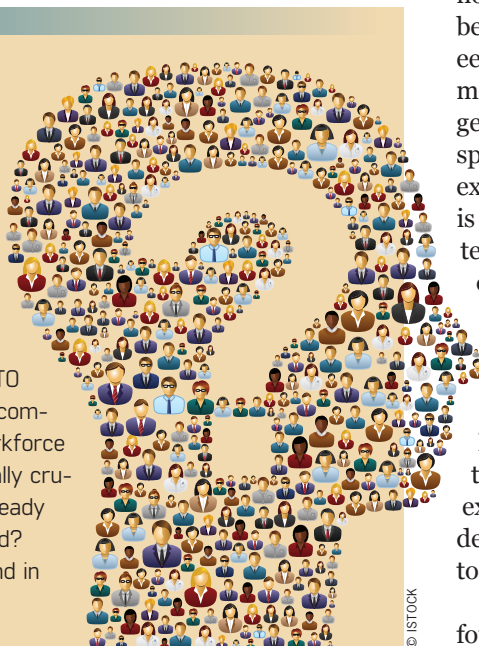
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NAED.org/market-data

MANAGING TENSION CAUSED BY PTO

Paychex's Jarryd Rutter warns employers that launching a self-managed PTO program may create tension among existing staff who waited for years to accrue a significant amount of paid time off.

"Often the assumption by employers is that it's going to be viewed as super-awesome by all employees, [and] that's not always the case," Rutter said. "Some people may have been with the company a really long time and have PTO built up, and suddenly people who are just coming into the company are getting the same benefit. Understanding your workforce and understanding how it is going to be implemented is really crucial. What's going to happen to the balances that people already have if you're moving from allotment or accrual to unlimited? Some states require it to be paid out; some states don't. And in the states that don't, what are you going to do?" —C.H.



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urges organizations to be thoughtful in how they structure their self-managed PTO programs. Requiring manager approval, for example, is something he advises against.

“If a manager has to approve [PTO], it becomes a huge gray area and you’re running into potential legal liability,” he said. Consider this scenario: Bob and Sarah perform the same function and answer to the same manager. That manager approves Bob’s PTO request but refuses Sarah’s. “Is it because Sarah is a woman? Is it because Sarah is a minority? Is it because Sarah is transgender?” Orozco challenged. “You create way too much liability that you’re putting on the shoulders of your managers.”

That’s not to say that organizations can’t instill some stipulations into their self-managed PTO policies, such

as requiring employees to give two weeks’ notice prior to taking PTO. At the same time, these policies should not be restrictive.

“You can say things like, ‘If there are more than X many people off in your department, we highly discourage you from taking time off,’ and that typically does the trick,” Orozco said, especially, he added, if companies explain their reasoning: Too many absences will result in interrupted workflow. “Employees typically get it—you just don’t want to fall into [making] restrictions,” he explained. “Once you start restricting, you’re in a gray area where the government is saying, ‘You’re trying to manage this like a traditional policy.’” If an organization’s culture is such that restrictions are deemed necessary, a traditional PTO program is probably best.

For Tozi, self-managed PTO programs enable employers to be more competitive in their recruiting efforts. He believes that younger workers will eventually come to expect some form of self-managed PTO and pointed out that it facilitates the recruitment of tenured professionals—many of whom have accrued considerable PTO at their existing organizations and who may be reluctant to take a position with a new company where they risk losing all of that time. “To be able to say, ‘From day one, you take what time you need, within the context of the health of the business’ is a huge recruiting advantage over the companies that are not doing that,” he said. ■

Heinze is a freelance writer and editor. Reach her at carolyn.e.heinze@gmail.com.



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SECURE A SPOT

As automation enters every realm of operations in every industry, the demand for cybersecurity expertise intensifies.

by Jan Niehaus

OF COURSE, IT, IOT, AND OT management operators knew (and know) their systems were (and are) not immune to cyberattacks, but not until 2017 did they sit up and take notice: The Not-Petya ransomware that entered the pharmaceutical Merck's OT network via unpatched Microsoft Windows-based systems cost the company \$870 million—in 2017 alone. “Earlier this year, the courts awarded Merck a \$1.4 billion insurance claim over the Not-Petya cyberattack,” reported Adrian Lupola, information software business development manager for OneSource Distributors, Oceanside, Calif.

In early 2021 hackers gained access to the control systems of a water treatment facility in Oldsmar, Fla., and adjusted the levels of sodium hydroxide in the water supply from 100 to 11,100 parts per million—a potentially fatal level. The hackers accessed the network using a password shared by multiple employees working remotely. Fortunately, an employee spotted the intrusion in progress and stopped it. A near miss.

Colonial Pipeline wasn't so fortunate, however. Just three months after Oldsmar, in response to a ransomware attack on its IT network, Colonial Pipeline shut down 5,500 miles of Texas-to-New Jersey gasoline and diesel pipelines for five days. Since Colonial Pipeline supplies almost half the fossil fuel consumed by the entire East Coast, the attack qualified as a national security threat. Using a leaked password, hackers accessed a Colonial VPN that was not in use but still active—and did not

require multifactor authentication.

Colonial Pipeline's OT systems were not directly impacted, but it took the company five offline days to identify and isolate the ransomware's impact and prevent movement into other parts of its networks. To restore its network, Colonial Pipeline paid a ransom of \$4.4 million.

Expertise Is in Great Demand

Lupola's deep IT experience—29 years total—led him toward the OT side when EtherNet/IP started to take hold in manufacturing, around 2016. He explained: “Initially, devices on the manufacturing floor were isolated. They weren't meant to be connected to a company's IT network or the Internet. But operators were grabbing all this fabulous data on their isolated, air-gapped devices, and when EtherNet/IP became the standardized communication protocol, they wanted to pull this valuable operational data into the IT side. While the IT side might issue security patches monthly, the OT side was rarely patched or up-



dated since OT was isolated. But by 2015-2016, EtherNet was showing up on a majority of OT devices, and we started seeing connections between devices on the manufacturing floor.”

The two networks, IT and OT, have very different priorities, according to Lupola: “On the IT side, the priorities are CIA: confidentiality, integrity, and availability of the network. On the OT side, it’s AIC: availability, then integrity, then confidentiality.”

On the IT side, if email delivery is interrupted or there’s crackle on the VOIP phone line, while inconvenient, it’s usually not life-threatening. Interruptions to the OT network, however, can be fatal. “OT devices need to respond in milliseconds. If the reaction to a [safety] light curtain is delayed, someone could die. With anything that’s automated, life could be on the line: water contamination, traffic lights, light curtains, and robots in a manufacturing facility,” Lupola said. OneSource’s customers include companies in life sciences, entertainment, and food and beverage industries.

“Our customers are all worried, always, every customer, but many just don’t know where to start on their OT cybersecurity journey,” Lupola said.

The most important thing, he explained, is to understand the critical differences between IT and OT networks: “The IT and OT networks use the same EtherNet protocol, but the priority of data packets is different. Ideally, you don’t want IT data packets to travel south of an Industrial Demilitarized Zone (IDMZ) to the OT network. Only authorized OT packets should travel north to the IT network, not the other way around.”

OneSource is an authorized distributor for Rockwell Automation and works also with Panduit and Cisco. According to Lupola, “The systems integrators, our customers, use our products, our knowledge, and our relationships with the manufacturers.” Together with its manufacturing and systems integration partners,

OneSource provides both IT and OT solutions to cover the entire attack continuum, identifying what can be done before, during, and after.

Lupola described the process and his role: “I deal with the networking side and analytical software. Based on ISA/IEC 62443 and the NIST 800-82 cybersecurity frame, we conduct a vulnerability and risk assessment, identifying all of the company’s critical assets and risks, and we establish the company’s baseline. We walk the plant, do interviews, get into the panels to look at what the end-of-life items are and what needs to be patched or replaced, and we analyze the network infrastructure that the PLCs and other IACS sit on. Then we complete a security posture survey, where I plug in and pull data from the customer’s OT network devices and send it to Rockwell, which puts it

through its analytics and gives the customer a report card based on the ISA/IEC and NIST standards. We then create a strategy based on the risks. If design assistance is needed, we can leverage either Rockwell’s Network Security & Services group or one of our systems integrator customers.”

But hardware and software alone do not ensure security. “The problem is that you can buy the Cisco, Panduit, and Rockwell technology, but if you don’t have a comprehensive security plan with the right internal policies and trained workforce to put it all together correctly, based on the established risk policy, you’re still vulnerable,” Lupola said. ■

Niehaus, LEED GA, is the president and founder of Communication by Design (communicationbydesign.net). Reach her at Jan@CommunicationByDesign.net.



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GET CONNECTED

The future of business is connected business—and NAED is offering a set of resources to help members get their companies where they need to be.

WHILE THE WORDS “CONNECTED BUSINESS” bring to mind digital capabilities, the cornerstone of any digital transformation plan is a company’s culture and the people who will help make the efforts a success. That is the idea behind a suite of products from NAED that fall under the “Building a Connected Business for the Future” umbrella—all designed to help distributors formulate a digital transformation road map. Included in the offerings are:

- **Building a Connected Business** sets the stage for the industry’s transition to using more digital capabilities to better meet customers’ expectations, create more efficiencies, and streamline communications. The road map and timeline generated discussions on new business models and adopting a more digital mindset. NAED will do more on this topic in the coming months, but this report is free to members now. Learn more at naed.org/building-a-connected-business.

- **Customer Purchasing Profiles with Market Data** provides a way for electrical distributors to submit their monthly point of sale data in an easy, secure, and anonymous way, and then view their re-

sults alongside aggregate data of the market. Contributors can identify growth area market trends, compare their product offering and position to the market, and track their true performance. Learn more at naed.org/market-data.

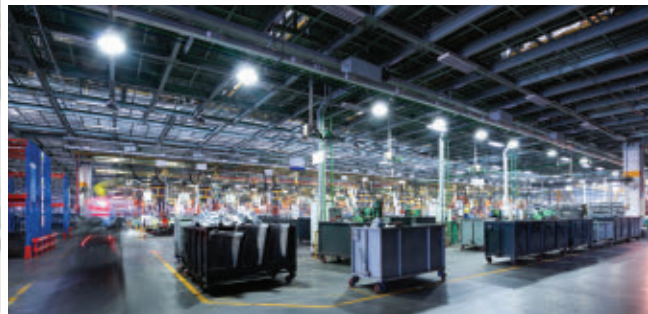
- **The Economic & Industry Sector Outlook:** NAED’s Business Intelligence Analyst Erin Prinster works with economic experts to create an outlook that consolidates all the information in one place. Sponsored by Hubbell and Schneider Electric, it is free to all NAED distributor members. Learn more at naed.org/outlook.

- **The 2022 Data Insights Conference**, to be held Oct. 25-27 in Dallas, is designed for decision-makers who want to use their existing data to answer more of their business questions with greater clarity and insights. This conference is an opportunity to learn how to make the most of organizational data with additional strategies and best practices for companies. Learn more at naed.org/data-insights-conference.

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/ SALES SPOTLIGHT

ATTENTION-GETTING SALES CALLS

by Kara Bowlin

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TODAY'S CUSTOMER DEALS WITH A LOT OF noise. Targeted ads show them products similar to the ones they recently Googled. Their inbox is filled with junk emails. Their phone rings and the callers appear as "Potential Spam." As a salesperson, it's hard to figure out a way to

stand apart from the clutter and get a prospective customer to listen to what you have to say. Today's salespeople need to be strategic and efficient and provide value to the customer.

"Research shows that organized, consistent, disciplined prospecting is the No. 1 key to sales success," said David Jacoby, managing director at Sales Readiness Group, which helps large B2B sales organizations improve sales performance. Jacoby is passionate about the importance of prospecting—and doing it correctly.

"Most sales professionals dread prospecting because they associate prospecting with cold calling," he explained. "But prospecting really means contacting any type of lead to find new business, both warm and cold leads, with the goal of setting an appointment."

Jacoby understands that cold calling can feel like a fruitless task and many companies do not provide sales teams with enough warm leads to keep pipelines full. But even as sales automation tools reign supreme, cold calling still plays an important role in the sales cycle. "One of the biggest challenges of prospecting is the low success rate associated with cold calling, and this is in part a function of the reality that you are catching the prospect by surprise," he said. "They didn't ask you to call them, and chances are, you're interrupting them. Even if they have an interest in your solution, the prospect may just want to get you off the phone."

Jacoby advises salespeople to get the prospect's instant, undivided attention within the first eight to 10 seconds of the call. He offers a formula that starts with a greeting.

"This step is obvious, but

you'd be surprised how many salespeople have a grumpy phone persona," he said with a laugh. He advises salespeople to hop on the phone with "a smile in their voice."

Next, Jacoby urges salespeople to craft an impact benefit statement. "You need to quickly gain the prospect's attention after the greeting. An impact benefit statement

must briefly address a problem that the prospect is facing and explain how you will solve the problem. Prospects will only pay attention to you if they immediately understand how they will benefit from speaking with you, so you must craft your statement to provide a major benefit, preferably one tailored to the prospect's business," he said.

Jacoby noted that effective impact benefit statements use benefit words such as increase, improve, gain, grow, maximize, enhance, and manage.

These words help to better communicate to the prospect how your solution is going to help them, he said, offering an example: "This is Sara Smith from ACME Technology. Our packaging system has been able to improve efficiencies by 15% in other shipping departments. I'd like to see if I might be able to help you also."

Aleasha Bahr, a sales and marketing strategist at aleashabahr.com, recommends salespeople take this advice a step further to customize their sales conversations. "A lot of people miss sales because they're having the same conversation with every person," she said. "But there's nothing that will increase your sales more than personalizing your pitch."

Bahr encourages salespeople to ask potential clients if they've tried the product or service they are selling or looked into that product or service before. "That information helps a salesperson understand a prospect's perspective and knowledge level and whether the pitch needs to be more educational about the product and service value or if there needs to be a discussion about the difference between purchasing a solution from his or her company rather than from a competitor's,"

INDUSTRY INFO

NAED's CEP Program trains all levels of sales roles by strengthening key sales competencies necessary for success.

NAED.org/cep

REP ROUNDUP



■ **Rocky Mountain Electrical Specifications** now reps Stahlin Enclosures in all of Colorado; Wyoming (with the exception of Fremont, Lincoln, Sublette, Sweetwater, Teton, and Uinta counties), and the Nebraska counties of Banner, Kimball,

Scotts Bluff, and Sioux. Additionally, **C&O Sales** was selected to rep Stahlin in all of Kansas and in more than a dozen counties in West Missouri, and **Electrical Products Company** was chosen as its rep in all of Iowa, all of Nebraska (excluding Banner, Kimball, Scotts Bluff, and Sioux counties), and Rock Island County in Illinois.

■ Nora Lighting has appointed **Diversified Group** as its rep in the Metro New York and Long Island, N.Y., markets.

she explained. “Then follow up with a question about what they liked about their experience with the product/service or what they like about what they’ve seen so far.”

She added that salespeople have only a finite amount of attention from a prospect and should spend it on what’s important to him or her and learn the customer’s end goal.

“Whatever their answer is, you want to bring that up repeatedly in the call—in their own words,” she explained. “After each feature/benefit is explained, tack ‘So you can [end goal]’ to the end of it.”

Assuming Control

Jacoby understands a salesperson may face resistance even with a smile in his or her voice and an effective impact statement. He explained that

resistance from a potential prospect can come from a request for more information (effectively shutting down the current conversation), an expression of disinterest, a statement that the prospect is too busy or this is not a good time, or a request for pricing.

“Salespeople should aim to stay in control of the conversation and work to understand the customer’s need,” he said, adding that pivoting to a topic such as next steps or a future meeting helps to keep the call from ending in a dead end.

He also recommended asking for an appointment as early into the con-



They didn’t ask you to call them, and chances are, you’re interrupting them. Even if they have an interest in your solution, the prospect may just want to get you off the phone.

—DAVID JACOBY,
Sales Readiness Group

versation as feels appropriate. “Make it easy for the customer to say yes to an appointment by offering a choice of dates and propose specific dates and times to meet,” he said, adding that by offering a choice and not asking a yes-or-no question, the customer feels com-

pelled to set a date. “Prospecting is never an easy task, but following this formula will help improve close rates and keep your sales pipeline full.” ■

Bowlin is a St. Louis-based freelance writer and publicist. She can be reached at karabowlin@gmail.com.



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WINNING WAYS

Five companies earned honors in 2022 for their entries in the Advertisement and Digital/Social Media categories.

THE ADVERTISEMENT CATEGORY of *tED* magazine's Best of the Best Marketing Competition honors companies with outstanding printed advertisements, while the Digital/Social Media category awards electronic campaigns that include two or more of the following: video, social media, email, digital newsletters, podcasts, blogs, wikis, and other digital media marketing efforts. In 2022, five submissions took home honors in the two categories.

Advertisement Category

Summit Electric Supply

New Service Center Postcards

In November 2021 Summit Electric Supply opened two new service centers—one in Richardson, Texas, and one in Glendale, Ariz.—within eight days of each other. Before each grand opening, Summit wanted to let its target audiences know about the new sites.

A series of three postcards was sent to more than 2,500 customers and prospects within a 20-mile radius of the new service centers. The postcards introduced Summit's "brand basics," including service guarantees, product selection, and overall convenience.

D&B information from MDM Analytics was used to perform a sweet-spot analysis and find more targeted

customers, and the marketing team focused on simplified but critical messages, clean creative, and straightforward calls to action.

"I like that this goes beyond simply saying, 'Hey we have a new location'—they created a real program out of it," said the judges.

Service Wire

Feeder MC Print Ad

Conduit was becoming increasingly more difficult to source at the beginning of 2021, and Service Wire saw an opportunity to gain market share by promoting its conduit-free Feeder MC cable. A full-page ad was placed in the contractor-centric *EC&M Product of the Year* magazine to promote this readily avail-

able alternative to traditional pipe and wire. The goal was to convert customers to this in-stock solution by advertising the product's unique features and benefits.

"I like that they led with a benefit, and it's a really strong headline," noted the judges. "Service Wire really gets it."

Digital/Social Media Category

United Electric Supply

Utility Instant Rebate

The Utility Lighting Rebates program launched in 2020 and United began heavily promoting the program in

2021 to create more awareness internally with employees and externally with customers.

The launch of this initiative in Q4 2021 started with creating a webpage that broke out each utility provider separately, using their logos so customers could easily identify from which provider they purchase electricity. A prominent link was then added from United's promotions page to increase page traffic for anyone visiting the page and interested in saving money on energy-efficient lighting.

Emails were deployed to target audiences based on customer zip code, using subject lines that called out the utility supplier for that region and highlighted specific products to help drive people to click on the call to action, which was a PDF of the specific rebates available to them from their utility. Also, social media posts were added to the company's pages to promote the utility rebate programs and drive people to the utility rebate landing page for more information.

"Customizing the message according to utility providers was smart," said the judges. "The messaging was well done too."

Summit Electric Supply

10x10 Service Center

Opening Events

Summit Electric Supply opened service centers in Richardson, Texas, and Glendale, Ariz., within eight days of each other in November 2021. To attract customers to the new locations, the company hosted "Ten Manufacturers in Ten Weeks" (aka "10x10"), wherein Summit worked with its top manufacturer partners to coordinate a 10-week schedule of events. Each manufacturer was given its own week.

Each week consisted of manufacturer events, tent sales, counter days, lunch 'n learns, and/or joint sales calls; a customer giveaway item; a

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manufacturer-specific promotion (either discount, BOGO, or promotional item); and a no-purchase-necessary weekly prize raffle.

Summit worked with each manufacturer to design welcome bag items for customers; develop a calendar of events for each supplier in both locations that promoted manufacturer activities, specials, and raffle items; and create targeted Facebook ads that described the customer offer and the weekly prize giveaway. An alternate entry form/survey card was created to capture weekly entries, physical cards were provided at each location, and a QR code was generated to allow contractors to enter online.

“I like the company’s goal to drive repeat business,” said the judges. “This was a well-done campaign that used social media in a clever and effective way.”

ABB Electrification

NECA Campaign Contractor Week
ABB exhibits and participates in the annual NECA Tradeshow and Conference and was eager to return to in-person events in 2021.

To complement its physical tradeshow booth, ABB deployed a wide collection of digital tactics (including some new test pilots) to encourage electrical contractors to visit its booth to engage in a series of informative and interactive resources designed specifically for the contractor market.

The digital campaign began in mid-August and ran through the end of October and included tactics to drive engagement preshow, postshow, and during the show. The social media campaign—which was deployed prior to the show and continued for five days after—included microsites, LinkedIn LIVE, a GeoTargeting Google display campaign, email, social media, video, digital e-news, blogs, and Instagram stories.

“ABB did it again: making the most of a tradeshow appearance,”

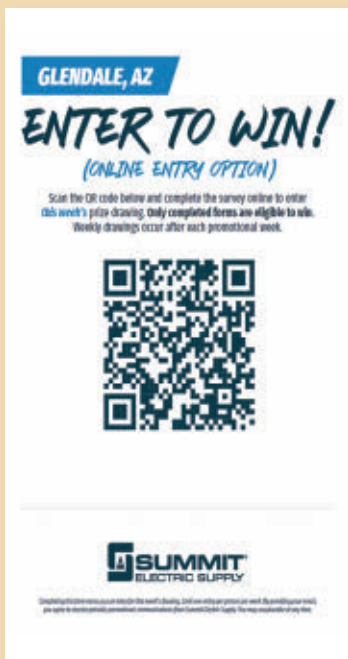
2022 WINNING ENTRIES / ADVERTISEMENT AND DIGITAL/SOCIAL MEDIA



United Electric Supply
(Digital/Social Media)



Summit Electric Supply (Advertisement)



Summit Electric Supply
(Digital/Social Media)



Service Wire (Advertisement)



ABB Electrification (Digital/Social Media)

said the judges. “Very good execution.”

Honorable Mentions

Three honorable mentions were also awarded to entrants in the Digital/Social Media categories:

- Springfield Electric Supply, *Productivity IQ 2021*
- Acuity Brands, *Heart of Holophane*
- Encore Wire, *GreenConnect — tED*



ECONOMIC & INDUSTRY SECTOR OUTLOOK

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Makers. This can be used as a learning tool for those just starting out in the industry OR for those that want to understand more about how the economy affects the electrical industry.

→ NAED Members Only Access to Community Hub where you can interact with NAED's Research and Data Analyst, Erin Prinster, ask questions, and join in conversations about the Outlook.



Research, Data and Analysis provided by

NAED's Research & Data Analyst, **Erin Prinster (B.S.)**

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— **WES SMITH**, *President, Mayer, Birmingham, AL*



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— **DAN DUNGAN**, *Executive Chairman, Springfield Electric*

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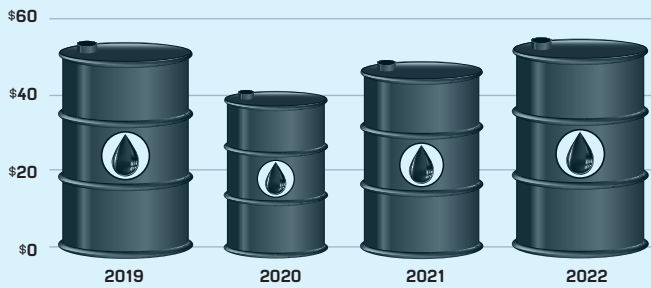


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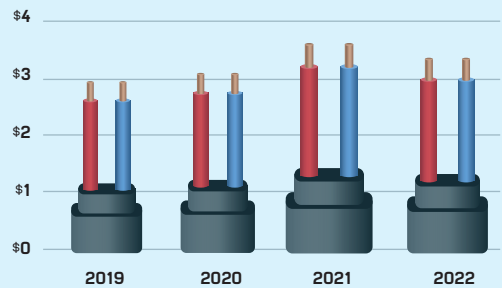
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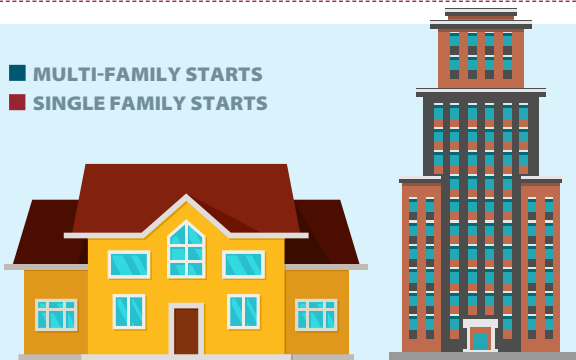
Total U.S. Oil Prices per Barrel (By Year & Forecast)



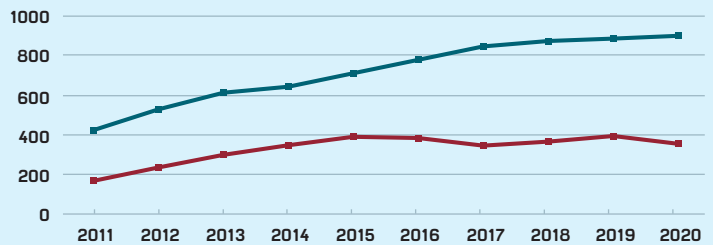
Average Price of Copper (By Year & Forecast)



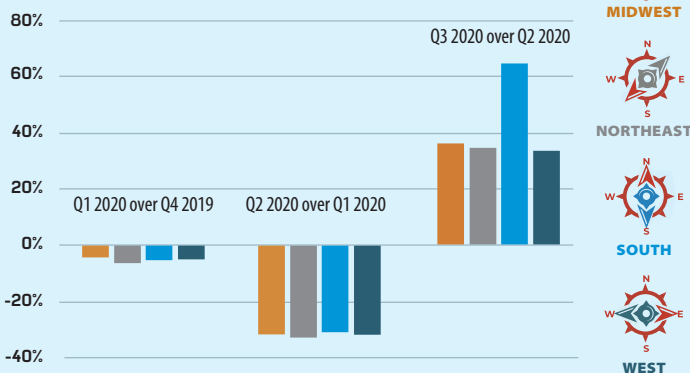
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Year-Over-Year Housing Starts



Average % Change in Real GDP By Region



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by Phillip Perry





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FOR THE FIRST TIME in decades, electrical distributors are facing the challenge of running their operations in an inflationary environment. Cost increases topped 8% this summer—the fastest pace in 40 years and a dramatic change from the recent 1.8% average.

Left unattended, cost increases can erode profits. “Inflation is certainly serious from a distributor’s viewpoint,” said Paul Perry, electrical product manager at Winsupply in Bangor, Maine. “We need to be very much aware when new pricing goes into effect, and we have to reflect that in our own sell prices. Otherwise, we lose margin because our expenses are going up just like everybody else’s.”

The tougher operating environment is arriving at a time when many business owners are too young to remember the world’s last bout with inflation. “Managers have become accustomed to an economic cycle in which cash flow has been reasonably healthy and delinquencies have been low,” said Anirban Basu, chairman and CEO of Sage Policy Group, an economic consulting company. “They’re out of practice dealing with cost increases.”

The possibility of an economic slowdown complicates decision-making, since an inflationary-savvy move may backfire in a recession. For example, companies may want to think twice before beefing up stock in anticipation of higher prices down the road. “You can’t be too exuberant about buying inventory thinking you are getting a good price, when months from today it could drop 25% and you’ll be upside down in every order until that inventory turns,” said Perry. “You need to keep on top of your assets to make sure you don’t get caught.”

It all calls for a kind of strategic balancing act. “We’re in a strange period now, where it’s still uncertain how the economy will go,” explained

Tom Palisin, executive director of the Manufacturers’ Association. “Companies are going to have to pay attention to their new orders area to spot early indications of a slowdown. They need to be prepared to utilize cost reduction strategies or rein in planned investments.”

Follow the Money

If the economy’s future path is unclear, distributors must still take steps to counteract the inflation that’s underway now. Experts say job No. 1 should be cash flow management. Too often the characteristics common to inflationary times—rising costs, slowing receipts, and burgeoning inventories—end up placing severe strains on the company treasury. “While managing cash flow is always important, it is especially critical in times of inflation,” said Basu. “There is so much more that is suppressing free cash flow that distributors must take extraordinary measures to preserve it.”

Raising prices, of course, is the most immediate way to adjust cash flow upward. Thanks to the elevated demands of a robust economy, customers in many industries have shown some willingness to absorb price hikes. Indeed, such increases are often more successful early in an inflationary cycle when customers are psychologically attuned to rising costs. “The whole idea is to stay on top of increases and not let things get to the point where your margins are getting cut 20% or 30% before you act,” said Z. Christopher Mercer, CEO of Mercer Capital, a business valuation and financial advisory firm. “Better to raise prices early, even if it’s unpleasant.”

Customer care in any price escalation scenario is crucial. “We need to communicate as best we can, so customers are never blindsided,” said Perry. “They need to have time to adjust their own pricing. Nobody wants to eat increases on their own.”

Close customer contacts can not only obviate hard feelings, but also provide early warning signs of an economic downturn, he added. “Things like slowdowns in requests for quotes or in projects coming out on the published lists can give an indication about what the future holds.”

It follows that proactive sales teams will reach out to current customers more often than in the past, with an eye toward monitoring market conditions and identifying early warning signs. “Make sure that you are in constant communication, especially with your biggest and best customers,” said Sam Brownell, founder of Stratus Wealth Advisors, a financial planning, investment management,

business continuity, succession planning, and business valuation firm.

“Many times you can pick up tidbits that you can’t get from reading the financial media or talking with someone who might be making economic forecasts.” It would be prudent to conduct a fresh round of account reviews, sorting customers into tiers of importance and targeting efforts toward the most valuable players.

Sluggish receipts can also be leading indicators of worsening times. “Recessions cause customers to slow payments or not pay at all,” said Basu. “We know from the experience of 2008 that when the economy weakens, delinquencies rise. And that’s another factor that should render

electrical distributors more cautious than usual.”

Escalations in accounts receivable can put special strains on smaller operations that often lack sufficient cash reserves to absorb delays in receipts. “Any time your receivables start to age beyond historical norms, you’d better be working on them hard because you can’t do anything with a sale, and you can’t do anything with a receivable. The only thing you can work with is cash,” said Mercer. “A review of the extent of receivable delays in previous economic slowdowns may provide useful insights into what may lie ahead and suggest prudent operational measures.”

While price increases are a sure way to generate more cash, they also have the potential of creating a false sense of security. Higher revenues are markers of company success only when they result from operational improvements rather than inflationary pressures. “It’s important to dig into revenue and break it out into volume vs. price,” said Brownell. “As an example, I’m working with a couple of very good businesses that have seen sales go from mid-\$20 million to more than \$40 million. But only about 15% to 25% of that increase was due to selling more as opposed to higher pricing. Every business should want to see revenue go up because they’re moving more volume.” Many times, revenue increases stemming from higher prices are not sustainable because they rely on underlying commodity costs.

The solution is to monitor the bottom line even more closely than usual. “Companies that don’t keep up with the differentiation between their costs and their sales will see their profitability decline,” said Palisin. “They must address cost increases through pricing or by reductions in other areas.”

Controlling Inventory

Customer resistance to higher prices will manifest first in sluggish receipts,

WORKING THE INFLATION TOOLBOX

Distributors have a powerful inflation-fighting tool in the form of historic sales data stored in their EMSs. “Today we can be much more sophisticated and strategic in our response to inflation than in the past,” said Oded Koenigsberg of the London Business School. Analysis of past transactions can uncover customer sensitivities in terms of prices, quantities, and qualities at the product level. Distributors can respond with

responsive offerings that encourage more sales. Examples of such activities follow:

- ◆ Bundle existing products to create new value propositions.

- ◆ Unbundle products to introduce lower price points.

- ◆ Modify price gaps among products to drive customers toward more profitable selections.

- ◆ Introduce less expensive product alternatives for less quality-sensitive customers.

- ◆ Introduce higher-end products that make existing lines appear more affordable.

- ◆ Reduce quantities for customers who are more price sensitive.

- ◆ Remove features of some products for which customers are more price sensitive.

- ◆ Raise prices for customers who are more quantity or quality sensitive.

- ◆ Introduce features at higher prices

for customers who are more quality sensitive.

- ◆ Reduce marketing expenditures and lower prices for overpriced products.

- ◆ Raise prices and increase marketing expenditures for underpriced products. —P.P.





HAVE YOU INFLATION-PROOFED YOUR COMPANY?

How well is your company prepared to resist the costly effects of inflation? Here's a quiz to find out. For each "yes" answer score 10 points. Then total your score using the ratings at the bottom.

HAVE YOU DONE THE FOLLOWING?

- ① Raised prices when appropriate
- ② Run periodic accounts receivable aging reports
- ③ Increased account collection activity
- ④ Sharpened inventory control practices
- ⑤ Established regular cash flow forecasts
- ⑥ Identified the most valuable customers
- ⑦ Increased contact frequency with customers
- ⑧ Scheduled more outreach to suppliers
- ⑨ Ensured compliance with bank loan covenants
- ⑩ Repackaged sales programs based on historical transactions data

WHAT'S YOUR SCORE? 80 or more: Congratulations. Your business is well positioned to resist the damages of inflation. Between 60 and 80: There's room for improving your financial management. Below 60: Your business might benefit from some of the suggestions in the accompanying story. —P.P.

and second in burgeoning levels of warehouse stock. "At some point swollen inventories will start to sit for longer periods, tying up a ton of cash," said Basu. He suggests monitoring shelf activity like a hawk. "If they observe the velocity of sales starting to decelerate, that's a signal to begin accumulating less product."

In a perfect world, businesses would return to the just-in-time inventory practices popularized during the Great Recession of 2008 and abandoned during the pandemic. The problem is that managers have become accustomed to just the opposite tactic, bolstering stock levels to cushion the effects of supply chain disruptions. "It's hard for our members to reduce inventory when customers are already upset because of delivery delays," said Palisin. Businesses can get a firmer handle on optimal ordering levels partly by maintaining closer contacts with vendors and seeking early warnings about anticipated shortages and price changes.

If an overburdened warehouse can look like a lesser evil than an upset customer, the fact remains that swollen inventories can end up straining bank lines. "If wire inventory goes up in price, it has to be financed somehow," noted Perry. "Not all companies can just pay cash for everything." But bank lines only go so far, and using up the available ones affects what else can be done with the money, which might be needed for capital improvements or unexpected expenses.

The trick is to know how far to trim. And that requires an understanding of the behavior of each item on the warehouse shelf. "The key is to acquire only those products for which there is significant demand so they will move quickly," said Basu.

Product Positioning

The good news is that today's distributors have access to decision tools that were lacking the last time inflation reared its head.

"In the past, the typical response to inflation was tactical," said Oded Koenigsberg, deputy dean at London Business School. "Companies would raise prices, cut costs (and thus quality), or allow margins to decline." Customers hated the first two; company owners hated the third.

In contrast, said Koenigsberg, today's manager has access to a new inflation-fighting tool: collections of historic transactions stored in computerized EMSs. Analysis of this data allows distributors to repackage product offerings into programs responsive to customer sensitivities to price, quantity, and quality.

Koenigsberg provides some examples. A distributor may reduce unit quantities rather than raise prices for a certain product when its sales history shows customers exhibiting high price sensitivity. The opposite approach can be taken with those products for which customers have exhibited high quantity sensitivity. Finally, when it comes to products for which customers have exhibited a high preference for quality, distributors may have more success raising prices than removing highly sought features. (The sidebar on page 40 offers a variety of similar strategies.)

A successful analysis of historical transactions can help offset the costly effects of inflation by driving revenues higher and increasing customer satisfaction. This approach can be a valuable part of a larger effort to balance aggressive business moves in an inflationary environment with prudent measures in anticipation of a recession. "You can't be too conservative because there's still a lot of opportunity out there in the marketplace," said Perry. "At the same time, you need to prepare for a possible downturn." ■

Perry is an award-winning journalist who has published widely in the fields of business management, workplace psychology, and employment law. He can be reached at phil@pmperry.com.

EXIT INCANDESCENTS

Stricter energy standards for lamps will more than likely result in the elimination of many from the market.

by Craig DiLouie

THE FINAL ACT IN 2007 ENERGY legislation targeting general-service incandescent lamp efficiency is playing out this year, as the DOE recently enacted two new rulemakings.

In short, the DOE revised definitions of general-service lamps to include some popular previous incandescent exemptions, while interpreting a backstop energy standard as applying to all general-service lamps.

By 2023, more lamps will be covered by stricter energy standards, with the likely result being the elimination of many lamps from the market, affecting not only the manufacture and import, but also sale of these lamps.

The Energy Act

In 2007, passage of the *Energy Independence and Security Act of 2007* defined and regulated common household lamps by requiring them to become some 30% more energy-efficient or face prohibition from manufacture and import.

These rules went into effect in 2012 for 100W lamps, 2013 for 75W, and 2014 for 40W and 60W, with a list of exemptions, some of them subject to regular review based on market behavior.

Finally, the *Energy Act* contained a backstop provision that appeared to require a new energy standard of 45lm/W taking effect in 2020 if the DOE failed to make a new energy standard generating equivalent energy savings of at least 45lm/W in a certain period of time. The backstop provision prohibited the sale of noncompliant general-service lamps.

Despite fears of the bulb being

banned by the *Energy Act*, consumers still had a choice, albeit a different one. Meanwhile, predictions that CFLs would take over the market proved similarly unfounded.



INDUSTRY
INFO

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NAED.org/epec-lighting

In Q2 2013, in the midst of the regulatory rollout, incandescent's share of consumer A-line lamp sales was about 65%, while CFL's share was 25%, according to NEMA and based on member shipments.

As popular wattages of incandescent lamps continued to be phased out, however, consumers went in an entirely different direction. Desiring lamps that provided equivalent performance at the lowest cost, they switched to halogen A-lamps that were compliant with the *Energy Act*. Then they switched to LED lamps as they matured to be performance- and cost-competitive.

The DOE's *Residential Energy Consumption Survey* provides a useful snapshot. In the 2015 survey, 4% of households reported using LEDs for most or all indoor lighting. By 2020, this increased to 47%. Only 15% still used incandescent/halogen and 12% used CFL for most or all indoor lighting in 2020.

NEMA member lamp shipments

tell an even more powerful story. By Q2 2022, LED A-line lamp shipments had climbed to a dominating 80% of the market, followed by halogens at 19%. CFL's market share had fallen to just .7%.

Looking at it from a purely policy point of view, it appeared to be mission accomplished.

A Political Battle

Despite the *Energy Act's* success in transforming the residential lamp market, however, it wasn't done yet.

In 2017, the DOE issued a *Final Rule* that eliminated previous exemptions for rough service lamps, shatter-resistant lamps, three-way incandescent lamps, vibration service lamps, reflector lamps, and decorative lamps (T-shape lamps of 40W or less or length of 10" or more and B, BA, CA, F, G16-1/2, G25, G30, S, and M-14 lamps of 40W or less). Other exemptions remained.

The incoming Trump administration, however, subsequently withdrew the new definition. In April 2022, the Biden administration reinstated it, producing a regulation that was to take effect 60 days after publication in the *Federal Register*.

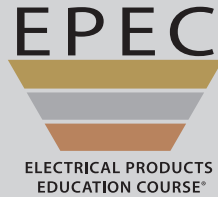
Meanwhile, because the DOE did not issue a new energy standard before 2020, the backstop provision was expected to take effect. The Trump administration interpreted the law differently, with a determination in 2019 saying it would not.

As a result, several states such as California went ahead with it anyway. Then in April 2022, Biden's DOE issued a new rule, effective 75 days after publication in the *Federal Register*, which stated it was codifying the "45lm/W backstop requirement for general service lamps (GSLs) that Congress prescribed in the *Energy Policy and Conservation Act*.... This final rule represents a departure from the DOE's previous determination published in 2019 that the backstop requirement was not triggered."

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Future Impact

For the residential lighting market, the result is that a large number of incandescent and halogen lamps are likely to face elimination, as it is generally understood that the higher level of energy efficiency is currently not cost-effectively achievable for the technology. Already dominating the residential lamp market, LED appears poised to virtually own it.

The DOE estimated the American public will save nearly \$3 billion in annual energy costs due to the new rules, while advancing President Biden’s climate goals by cutting 222 million tons in carbon emissions over 30 years. “The lighting industry is already embracing more energy-efficient products, and this measure will accelerate progress to deliver the best

products to American consumers and build a better and brighter future,” U.S. Secretary of Energy Jennifer Granholm stated in a press release.

Distributors and retailers should take note that the act’s language regarding the 45lm/W backstop is unusual in that it prohibits not just the manufacture and import, but also sale of noncompliant lamps.

The DOE announced its enforcement would be supportive of a managed transition across the distribution chain. This involves enforcement that transitions from lenient to progressively tougher.

The emphasis is on transitioning production (manufacture and import) first, culminating Jan. 1, 2023. For distributors and retailers, the DOE stated in its enforcement policy that

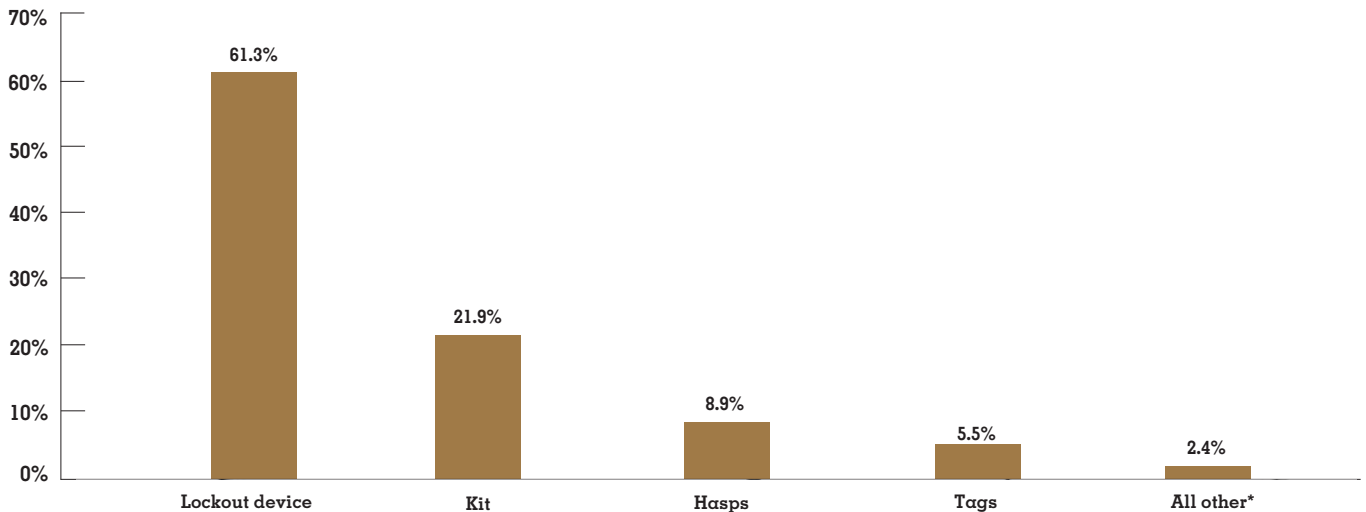
the department would begin with “warning notices in January 2023, progressing to reduced penalties two months later, and culminating in full enforcement in July 2023.” Additional flexibility may be available for “very small retailers” that contact the DOE. During the transition, the DOE may request information as part of an investigation.

Currently, the industry should be evaluating product lines, supply chains, and inventories to ensure compliance across all general-service lamps as defined by the DOE. Learn more about the DOE’s enforcement policy at bit.ly/3J4oYqb. ■

DiLouie, LC, is principal of Zing Communications (zinginc.com). Reach him at cdilouie@zinginc.com.

LOCKOUT/TAGOUT BY TYPE

12-MONTH DOLLAR SHARE ENDING JUNE 2022



**LOCKOUT/TAGOUT—SHARE CHANGE BY TYPE
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Kit	2.3
Hasps	-5
Tags	.3
All other*	-5.2

*Includes training materials, software, labels, and lockout signage. Epicor’s Industry Data Analytics tracking information is based on sales from a representative sample of full-line electrical distributors located throughout the United States. For more information, call 512-278-5800, email epicorindustryanalytics@epicor.com, or visit epicor.com/en-us/business-need/sales-and-marketing/vista-information-services/.

PRODUCT EXPERTS NEEDED

Contribute Your Product Expertise
for the Electrical Industry

Have you heard about the industry's Harmonized Data Model (HDM) initiative?

Here's an opportunity to get involved and be recognized by the industry for your efforts. IDEA is inviting the industry to participate in the Product Expert Task Force that will impact the future of the electrical distribution channel.

HDM is underway!

In the next 6 months, subject matter experts (SMEs) will be harmonizing the categorization for dozens of product categories.

LEARN MORE AND SIGN UP

idea4industry.com/sme



**HARMONIZED
DATA MODEL**



1. PVC-Coated Conduit

Atkore's PVC-coated galvanized rigid steel conduit has earned ETL Verification while also meeting Underwriters Laboratory (UL) 6 Safety Standards, validating the adhesion of the conduit's PVC coating and ensuring long-term system protection in the harshest environments. Learn more at calbond.com.



2. Kick-In Floor Brackets

Orbit's Kick Stand Flat Brackets are available in one-, three-, and four-box positions for mounting receptacles at a consistent 18" box center without measuring. Compatible with 4", 4 1/8", and 5" square boxes, the brackets' patented keyhole pattern allows the pairing of 4" rings with 5" boxes or use of a ring without a back-box for low-voltage applications. Learn more at orbitelectric.com.



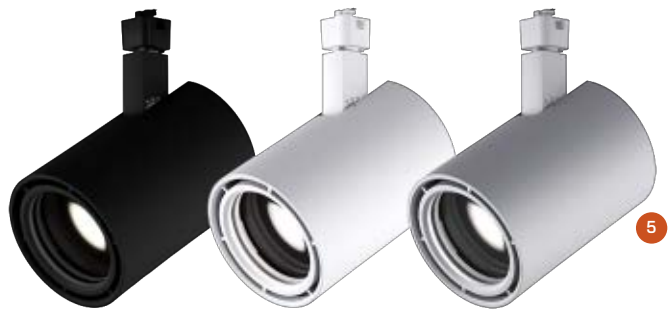
3. Adjustable Color Temperature Plug-In LED

Philips's MainsFit CorePro Adjustable Color Temperature Plug-in LED (UL Type-B) replacement lamp is available in a horizontal or vertical configuration and can switch between three color temperatures ranging from 3000K to 4000K. Learn more at signify.com.



4. Expanded LED Temporary Work Light Line

Emerson has added new models to its Appleton TL LED temporary work light family—all delivering highly mobile, affordable, and bright lighting. Choose from 60W (200W HID equivalent—7,200 lumens), 100W (400W HID equivalent—12,000 lumens), and 150W (600W HID equivalent—18,000 lumens) TL models. Learn more at emerson.com.



5. Gallery XL Luminaire

ConTech's Gallery XL Track Luminaire features a flat back cylinder form, an integral driver, vertical angle guides to allow pre-aiming, and a discreet locking screw to ensure adjustments will be maintained. An adjustable arm integrated seamlessly into the form of the fixture eliminates any visible wiring or adjustment hardware while still allowing 0° to 100° of vertical adjustment and 365° of horizontal adjustment. Learn more at contechlighting.com.

6. Hole Cover Kits in Larger Size

Arlington's nonmetallic Hole Cover Kits ensure compliance with OSHA standards on multistory building sites. Now in three sizes and rated for a 250 lb. load, the new HC3792, 10 1/2" diameter cover fits 3 3/4" to 9 1/4" openings. Retaining clips and reference scale allow for precise sizing of the cover to hole diameter. Learn more at aifittings.com.



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Distributor Doings



Hillary Doherty

Atlantic Coast Electric Supply, Summerville, S.C., hired **Hillary Doherty** as the new marketing manager. She began her career with Granite City Electric and brings more than 20 years of experience to the position.



Megan Bishop

Megan Bishop is vice president of HR at *Crawford Electric Supply* (a Sonepar Company), Houston. She comes from the oil and gas industry and brings with her more than 15 years of HR experience.

Manufacturer Moves



Randy Clos

At *Cerrowire*, **Randy Clos** joined as vice president of finance. He has led financial teams for more than 20 years, most recently as vice president of finance at Marmon Utility.



David Hawker

David Hawker was promoted to director of engineering at Cerrowire. He has more than 35 years of industry experience, most recently as plant manager. He previously served as vice president and general manager of Nexans Energy Division (North America).



Jamie Hendricks

Additionally, **Jamie Hendricks**, an 11-year veteran of manufacturing,

has stepped into the role of plant manager at Cerrowire. He most recently worked at Fontaine Trailer.



Elijah Anderson

Nora Lighting appointed **Elijah Anderson** as mid-west regional commercial sales manager. He is a lighting industry professional with more than 10 years of experience.



David Miller



Trish Weisberg

Service Wire hired **David Miller** as an inside sales rep in the Culloden, W.Va., office. He has more than 30 years of sales experience.

Also, **Trish Weisberg** is now director of HR. She has experience managing multiple operational and sales facets across the company.

WAGO named **Jonathan Gabel**



Jonathan Gabel

regional sales manager in northwest Texas and Oklahoma. He began his sales career at Ernie Graves Co. before moving to Vector Controls, where he rose to the role of district manager.



Jeffrey Govek

Also at WAGO, **Jeffrey Govek** is now senior sales and application engineer. He comes from the oil and gas and IoT industries and owned a consulting company.



A JOB WELL DONE



Stewart Smallwood

Cerrowire President **Stewart Smallwood** was named Hartselle, Ala., Area Chamber of Commerce chairman of the board for the 2022-23 year. He began his career in the electrical industry at Gexpro in 2004, and then joined Cerrowire in 2012.



Robb Perez

Robb Perez is WAGO's regional sales manager for the Chicago area. He served in sales at Schneider Electric before moving to Omron Automation as account manager.



Clayton Windsor

Clayton Windsor is regional sales manager for southeast Wisconsin. With WAGO for most of his career, he spent the past two years as North American product manager for Rail Mount Terminal Blocks.

Around the Industry



Jon Bridge

Jon Bridge recently joined *RivetMRO* as a project manager. He comes to the position from Crescent Electric, where he served as its 3M strategic accounts specialist. ■



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Leviton Manufacturing	leviton.com/distributor	29
NAED/CEP	naed.org/cep	19
NAED/Corporate Partnership	naed.org	BC
NAED/Data Insights Conference	naed.org/data-insights-conference	30
NAED/Eastern Region Conference	naed.org/easternregionconference	22
NAED/Economic & Industry Sector Outlook	naed.org/outlook	36, 37
NAED/EPEC + CEP	naed.org/epec ; naed.org/cep	43
NAED/Leadership Development Program	naed.org/leadership	8
NAED/Leveraging Data	naed.org/program-enrollments	33
Orbit Industries	orbitelectric.com	25
SATCO	satco.com	5
TCP	tcpi.com/high-lumen-filament-lamps	11
<i>tED</i> magazine/Simple	tEDmag.com/subscribe	47

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