

Securing Your Niche

Here's how distributors can achieve profitability at the planning stage of the project.



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The article in *Electrical Wholesaling's* March 2017 issue, "Commercial Market 101," brought out many details to help distributors of this equipment understand and penetrate the commercial marketplace. Tips ranging from understanding "going green" to becoming familiar with BIM (Building Information Modeling) help distributors differentiate themselves to gain business

By Jim Nowakowski

from competition.

A cutaway illustration called "A Look Inside the Commercial Market," accompanying that article showed a building with the various "opportunity points" for the products electrical distributors carry. But in an increasingly competitive world, distributors are lost if they simply wait for orders or process requests from contractors to quote projects for those areas. More and more, distributors must get engaged early, and that means understanding not only the projects, but

the process of specification.

One of the more common gaps in sales throughout any market happens when a sales force gets comfortable in a certain channel and never leaves it. The result leaves an opening in an adjacent channel for others to walk through. For example, a contractor calling on end users might be uncomfortable calling on an architect, thus avoiding the architectural channel. Or, a distributor comfortable dealing with contractors (even general contractors) might find it difficult to

call on an engineer or architect. Then there are the stages of a project. Many distributors like the bidding stage, but it's actually in the planning stage where the deal is often struck. Languages are also different, sales processes are not the same, and other variables often prevent the salesperson from selling in the right way in the right channel.

As confusing as this is, it's also full of opportunity. Because of the disruption going on, it's increasingly important to be able to learn to "channel jump" — to move into adjacent channels such as the security market and get the work. In fact, the distributor today stands to gain a huge advantage in being able to not only speak the language of the architect or engineer, but to call on them comfortably long before an order is placed.

Using the security market as an example, this article will show you how to close the gap on such products and, using the Commercial Market 101 article's illustration, will help a distributor understand the potential of getting in early. This article uses data from CMD's ConstructConnect database to help distributors understand where opportunities exist, and offers suggestions on how to become a true partner in entire process.

ConstructConnect (www.constructconnect.com) connects companies in the construction industry by bringing together information, technology solutions, and market relationships. It's a wholly owned subsidiary of Roper Technologies and includes BidClerk, Construction Data, CMD Group and the iSqFt network.

Security starts with specification.

There are 244 projects in the planning stage with "security system" or "security equipment" in the specifications as of this writing out of a total of 66,153 projects in the CMD database for the commercial market as defined by the Commercial Market 101 article. Does this mean the other 65,909 projects don't use security systems? Of course not. But, these 244 are projects with the specific specification term "security system" in them. Now, planning is only one stage, but that is the stage where the distributor is rarely involved. Planning is one

TABLE 1: TOP 15 MARKETS FOR SECURITY PROJECTS IN THE PLANNING STAGES

Rank	State	Percent of Projects	Percent of Project Valuations
1	Maryland	1%	17%
2	Florida	8%	12%
3	Georgia	5%	11%
4	California	7%	11%
5	Illinois	2%	9%
6	Virginia	5%	6%
7	North Carolina	5%	6%
8	Texas	13%	6%
9	Tennessee	2%	3%
10	Massachusetts	3%	2%
11	Washington, DC	1%	2%
12	Ontario	3%	2%
13	Connecticut	1%	2%
14	Kentucky	1%	2%
15	Indiana	2%	1%

of those adjacent channels mentioned earlier where the distributor should be involved. The distributor — and only the distributor — has insight into the types, number and functionality of the products being ordered for security into projects. This "aggregated data" gives the distributor a huge edge in helping drive the specification itself. Of course, there are 507 bidding projects or 11,521 post bid projects that can be pursued in this dataset. Rather than do what others are doing, why not tackle the planning stage projects with your knowledge of what's being ordered?

For example, the average project in this 244-project group was valued at \$14.7 million, while the total valuation of all these projects is over \$2.8 billion. The biggest project in this group is the "East Campus Building 2 – U.S. Army Corps of Engineers in Annapolis Junction, MD." Valued at \$636,971,000, the project includes site work, paving and new construction of a mixed-use development in Annapolis Junction, MD. Design plans call for the construction of an 826,114-square-foot military facility; 1,121,000-square-foot parking garage;

and 72,268-square-foot industrial development. As of Oct. 2016, this project has been awarded to a design builder. This project is expected to be in design for at least a year before construction begins.

Too rich for your blood? The average project we mentioned was \$14.7 million and there are many of them well within your reach. What's wrong with putting yourself into that mix and driving for that business? Actually, being in planning, there's a good chance manufacturers haven't been specified yet. Even if they have, the opportunity exists to swing the spec a different way. After all, you are the expert with what's been ordered in the past — aren't you?

3 TIPS TO REMEMBER

1. Focus on a few top prospects.

Even if you are a national distributor, you can't possibly go after 244 projects and do it effectively. Going after the military project discussed above might just be too large, even for a national distributor. But, eight states contain 50% of these projects (the big ones), so if you're not in those eight states, what should you do? Go after the other 50% distributed

into the other 42 states.

Take Alabama. This state has one project in the planning stage using security products — a \$4.4-million dollar one called Gulf State Park Learning Campus. Is that a top prospect? Well, that depends on your point of view, doesn't it? Consider the following about that project:

- Working plans call for the construction of a 6,000-square-foot fitness/recreation center; 7,000-square-foot educational facility; 3,800-square-foot restaurant; and 5,000-square-foot theater/auditorium. As of April 18, an award has not been made.

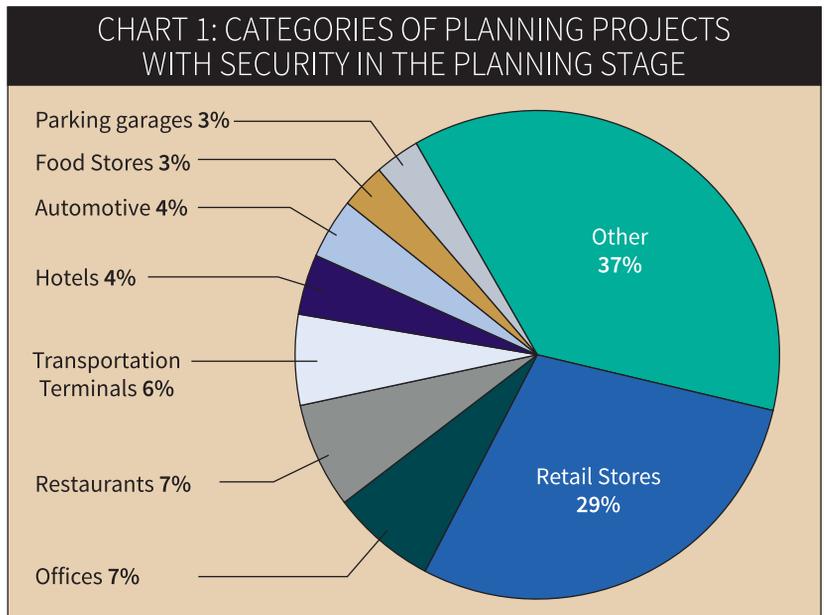
- The electrical engineer is out of Birmingham, and so is the architect and mechanical engineer. The owner? The State of Alabama. Do you have contacts with these companies? What's holding you back?

- Eight contracting companies are hovering around as prospective bidders. But nothing has been approved yet. Why not schedule a meeting to show that you have the expertise to help them with the access control because that's what you have been supplying to your customers and you know what works, and what doesn't?

- The work includes the installation of the access control system for a "student lodge," classrooms and meeting space buildings, and furnishing a complete access control system for a campus-wide application consisting of software, area controllers, door controllers, card readers, door position switches, associated power supplies and credentials.

Are you drooling yet? Who wouldn't want this project? All of this information is available to help you get in the door. The name of the game is focus on a few.

2. Use coaches to fully understand customer requirements. Here's a clue: every one of the people involved in a project is your potential coach. Should I repeat that? For example, in the above Alabama example, you can call the architect and talk to him about his specification for access control. What is his deepest concern about access? Is it the door control hardware? The card readers? What? And if you think he or she will not



talk to you, think again: There's nothing an architect likes better than talking about the specification he or she wrote.

Or, call the engineer and get his take. And then call the owner, the state, and find out their requirements from the horse's mouth. The result? You can shape a proposal virtually guaranteed to get you considered. The question is, what are you waiting for? And before you say, "How do I get them to talk to me?" just call them up and ask for their help. You would be amazed how many of these true professionals will take some time to help you understand the project they are working on.

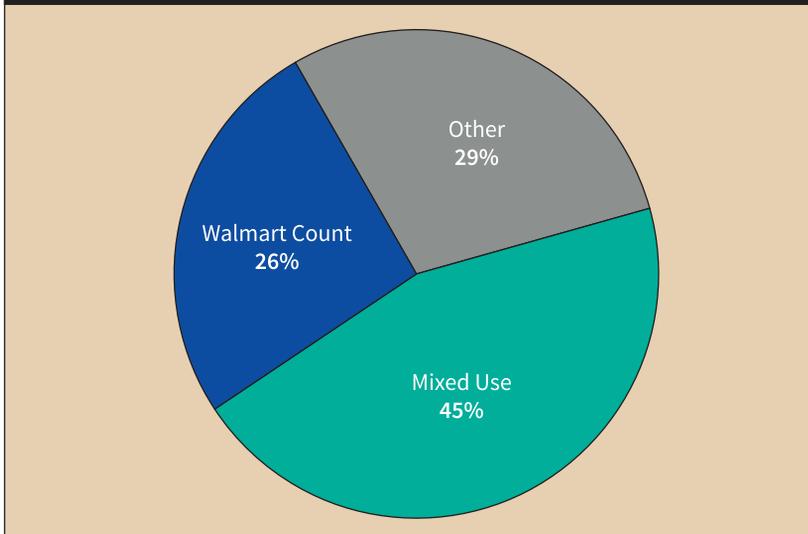
3. Research the prospects not just the project. It's easy to do business with people you know, and as Tony Soprano once said to his nephew, "It's hard to do business outside the family." But if you are going to grow, you must go outside your comfort zone. The good news is tools exist that were not available before. LinkedIn is of enormous benefit to scope out prospects around projects. Detailed information about your targets can be quickly and neatly gathered for your study before you pick up the phone or shape your proposal. The result? A profile of the target that helps you make your pitch completely effective!

Conclusions and some data to

consume. Of course, it's not as easy as it sounds, or as this article might be trying to make it. However, the point is that you will not get going unless you get out of your comfort zone into the adjacent channels and stages of a project. The good news is, there's plenty of help and tools to help you do just that. Here is some data to gobble up to get you started with security planning projects.

Table 1 on page 19 shows you the top 15 markets where you can start your drive toward security planning projects and profitability based on the CMD dataset used for this article. For example, Maryland has only 1% of the projects, but those projects are worth 17% of the \$4,126,305,773 valuations in the dataset of planning projects with "security products" in our sights. One of the two projects there is the East Campus Building 2 – U.S. Army Corps of Engineers project discussed in the article. Should you pursue? That's up to your strategy and how many resources you want to devote to it. By the way, the other project in Maryland is the University of Maryland Medical System – Ambulatory Care Center, valued at \$50 million. Compare these two to what's in Texas, for example, where there are 13% of the projects available in the planning stages with security products

CHART 2: TYPES OF CONSTRUCTION OF RETAIL PROJECTS IN THE PLANNING STAGE



in the specs. While these projects only have 6% of the total valuation, and an average project valuation of \$3.3-million, there's perhaps much more to choose from. However, whether large or small, a lot or a few, what's important is to get into the mix and to start moving forward toward profitability. Learn all you can about your markets.

Chart 1 shows the types of projects being planned with "security products" in the specs. This is interesting because it differs from the reality we are hearing about retail. For example, a good resource for you if you are attacking the retail market is the National Retail Federation website (www.nrf.com), which also offers a list of the top 100 retailers and other important information to shape your strategy. According to a recent article, Amazon and other online retailers are forcing stores to close at record rates. So, how can retail hold the largest market segment in the data? The next chart shows us a clue, and helps us understand that sometimes, what we see and hear may not be what is happening around us. Using the data, it's always better to see for yourself. What did the great man say, "Trust but verify?"

Chart 2 on this page breaks out the data into the types of construction as classified in the database for retail.

Mixed-use projects bring combinations of projects and construction such as residential, commercial, cultural, institutional or industrial and, yes, retail. Thus, retail becomes functionally integrated into an apartment complex for example.

The Boynton Beach Town Square Re-development project in Boynton Beach, FL, is one of these. This project includes the construction of a retail development, a 120-room hospitality development and residential apartments. A final contract is expected to be approved in June 2017 and the project is valued at \$300 million. This project is so early in the construction that only terms like "security concerns" are used in the documentation rather than specifics. It's ripe for picking.

Also, as you examine the chart and see that Walmart is such a dominant player in constructing facilities, being the largest retailer in the world, note that in the "other" part of the pie you'll find retailers like the following:

■ Royal Farms, a privately owned chain of convenience stores headquartered in Baltimore, MD. As of March 2015, the company operated 163 stores throughout Delaware, Maryland, Pennsylvania and Virginia.

■ Shoppers Drug Mart Corp., a Canadian retail pharmacy chain based in Toronto, Ontario. It has more than

1,253 stores operating under the names Shoppers Drug Mart in nine provinces and two territories and Pharmaprix in Quebec.

■ Sportsman's Warehouse, an outdoor sporting goods retailer operating in 18 states across the United States including Alaska.

■ Tractor Supply Co. with 1,448 stores is an American retail chain of stores that offers products for home improvement, agriculture, lawn and garden maintenance, and livestock, equine and pet care.

■ The Buckle Inc., a United States fashion retailer selling clothing, footwear and accessories for men and women. The company operates 465 stores in 44 U.S. states.

You may have heard of these or you may not. The point is that retail construction isn't the doom and gloom you may be reading about. In fact, Accenture, the consulting company, has a 16-page overview for retailers and what they need to adapt to changing times if you're interested. Called "Retail Customers are Shouting – Are You Adapting," it contains a lot of information you can use in your pitch to get the security business for these projects. This link will take you to the brochure: <https://goo.gl/GKOrHY>.

And if you are interested in getting into the security market, on page 10 of that document is a section titled: "Security Concerns Remain Constant." They are talking about personal information security. Cyber security, besides physical security, is now your business. Finally, if you really want something to base your security proposal on, go to www.microsoft.com and download the document, "Security Trends in Retail Organizations: Key Findings and Recommendations." This 8-pager available at <https://goo.gl/sTHOLI> is an eye opener and a blueprint to help you shape your proposals. ■

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