



NATIONAL ASSOCIATION OF
ELECTRICAL DISTRIBUTORS

Smart Tools for Smart Distribution®

Going Green Outside: *Selling Energy Management Solutions Case Studies*

Overview

Demand for energy solutions will grow quickly given the surge of interest in clean energy, and especially due to American Recovery and Reinvestment Act (ARRA) spending.

Energy management and energy efficiency are major priorities in the United States. Clean energy is expected to create jobs, increase national security, and decrease greenhouse gas emissions.

This case study will offer best practices on:

- Creating and selling complete energy management packages vs. selling parts of the energy management solution
- Developing specialized energy efficiency sales staff
- Growing business through partnerships with contractors, utilities, ESCOs, and banks
- Suggestions for sales approaches

Distributor Best Practices in Energy Management

Case Analysis

Growing demand for energy management solutions will provide electrical distributors and manufacturers with an unprecedented opportunity to sell energy efficiency products and systems.

Electrical distributors are uniquely positioned to benefit from growth in this market, due to strong relationships with contractors and end-users that install energy efficient electrical products. Distributors also have a well-developed understanding of what energy products end-users currently have in their buildings and what it takes to make these buildings more energy efficient.

Knowing the best practices among distributors currently involved in this market can help other distributors expand their sales. In this case study, a number of electrical industry experts share their experience in developing the energy management market. They suggest important sales tips such as selling complete solutions, training sales staff and building partnerships.

Market Trends

In a 2009 survey of National Association of Electrical Distributors (NAED) members, 70% of respondents stated they were involved in selling energy management solutions. However, the highest percentage of distributors (33%) have only made a "knee-deep" commitment and ranked their involvement somewhere in the middle of providing every solution and no involvement at all.¹

Did you know?

- >> Over half (53%) of NAED survey respondents estimated that energy management market growth will range from 5% to 15% in 2009 and 2010.²
- >> 50% estimated the typical value of energy management projects they sold was less than \$50,000
- >> 53% said project margins are average

Selling Solutions

Offer Complete Packages

Hundreds of energy efficiency products are on the market, but only a limited number of businesses can offer end-users a complete energy management solution. These complete solution packages include energy audits, products, installation, and financing.

Blake Deal, Southwest Area Sales Director with Lutron in Los Angeles, CA, explained why distributors should consider offering complete energy management solutions.³ He said, “The challenge and opportunity is to figure out what part to play in this energy game. A big issue is offering complete solutions, not just pieces.”

Deal continued, “Distributors typically sell components, not systems and solutions. There’s a big difference between selling solutions and selling pieces. I realize that it’s different here in California, as projects tend to be at a higher level of sophistication when it comes to energy management.

These customers demand system-type solutions. Energy management technologies require a high level of knowledge. You have to know how the available incentives change the payback calculation.”

Know Incentives

Knowing local incentives and their impact on investment returns is an essential component of offering complete solutions.

Granite City Electric Supply operates throughout New England. Greg Smith, Vice President of Sales Development, shared his company’s approach, “We’re always looking to be ‘the total solution provider.’ In our conversations with customers, we ask a lot of questions designed to achieve that end. We show them how replacing high-bay lighting with T5s can pay for itself in two years, even in this economic climate.”⁴

“*The challenge and opportunity is to figure out what part to play in this energy game. A big issue is offering complete solutions and not just pieces.*”

—Blake Deal, Lutron

Help with Red Tape

Some end-users might be intimidated by the amount of paperwork associated with energy efficiency incentive programs. Filling out the paperwork for customers is a way to add value and make energy management investments easier for your customers.

“In the past, we would put proposals out, show customers how much they could save, but our success rate was pretty low. We found out that customers didn’t want to do this because of all the paperwork involved,” said Mike Lindner, Director of Lamps and Energy Management Sales with Eoff Electric Supply in Oregon and Washington.

He continued, “So we said, ‘Why don’t we do it?’ The State of Oregon Department of Revenue and the Energy Trust have the forms that need to be filled out to get the rebates. That led us to put the whole energy management package together, so the customer just has to sign on the dotted line.”⁵

Specialized Sales Staff

Energy Management Sales Staff

Less than half (42%) of NAED survey respondents stated they have a specialized approach to selling energy management solutions, such as an energy sales person or team.

“We have developed a Green Energy Solutions division at our company,” said Doug Borchers, Vice President of Sales & Engineering with Dickman Supply in midwest Ohio. “This is a separate marketing division that includes a division manager and three ‘green’ technical specialists. They focus on tax and utility incentives, facility lighting layouts, and retrofits.”

Borchers continued, “Our Green Energy team includes a former contractor, as a specialist in retrofit project issues. This division not only sells lighting products, but also motion sensors, monitoring equipment, energy-efficient motors, and controls. They aren’t in our general sales force—so they aren’t selling wire and breaker panels—just energy efficiency products. In the near future, we hope to get involved in renewables because we know that they’re coming next.”



ENERGY EFFICIENCY TRAINING

- >> Specialty training for sales staff is a common tool for developing energy management sales. Over half (54%) of respondents to the 2009 NAED survey stated that they provide staff training and education on energy management best practices.
- >> Respondents were also asked to rank the usefulness of various sales aids. Manufacturer literature and tools were ranked as most helpful, followed by incentive information, payback calculations, and life cycle cost analysis.⁶
- >> “Our entire sales staff is trained on energy management products,” said Greg Smith with Granite City Electric Supply. “Our sales force is constantly talking with contractors and customers, asking them what they need.”⁷

Partnerships Contractors and End Users

Partnering with contractors is one way to find more opportunities without investing in specialized sales staff people and training.

Mike Lindner with Eoff Electric Supply offered this advice on working with contractors on energy projects:

“We sat down and asked, ‘How can we get out in the marketplace more without hiring more people?’ We decided to utilize our relationships with contractors, and we expanded our base of contractor relationships. We train contractors to look for energy conservation opportunities and projects that we can go after. So these contractors now bring projects to us,” he said.

Lindner also shared, “We specifically choose manufacturers that offer products that last and are easy to install, since this cuts down on labor costs. We train and work with contractors on the benefits of looking for energy management opportunities. They benefit when we supply products that don’t require high labor investments. So the contractors are motivated to bring solutions to the property owners.”⁹

Energy Organizations, Utilities, ESCOs

Working with energy efficiency organizations is another way to offer customers energy solutions. Several energy organizations exist across the country, like Efficiency Vermont, the New York State Energy Research and Development Authority and the Energy Trust of Oregon.

Eoff Electric Supply has had great success with this strategy. Lindner explains, “We work closely with the Energy Trust of Oregon. They offer rebates for energy management projects, and the State of Oregon offers tax credits. We go to a customer and say, ‘This is what we recommend, this is what your savings will be, this is what your total cost will be given the rebates/tax credits available to you, and this is your return on the investment.’”

“The Energy Trust of Oregon provides many of the parameters for the proposals, such as the energy use for the lamps and fixtures.”

—Mike Lindner,
Eoff Electric Supply

Lindner continued, “We can get a contractor involved and work with them to get a labor estimate for the project proposal. The project proposal includes all the payback calculations. The Energy Trust of Oregon provides many of the parameters for the proposals, such as the energy use for the lamps and fixtures.”¹⁰

Utilities often sponsor energy management and efficiency programs. Not only can distributors partner with utilities to reach other commercial and institutional customers, but utilities themselves are also a key market.

Another important partnership opportunity is with Energy Service Companies (ESCOs). ESCOs represent the largest players in the energy management market; distributors can often bring their customer base and knowledge of what is in the end-users’ buildings to the partnership, while ESCOs can bring the whole solution directly to decision-makers. As a result, distributors can benefit by selling their products to ESCOs and expanding their potential customer base.

Did you know?

The American Recovery and Reinvestment Act (ARRA) allocated \$4.5 billion toward smart grid improvements. This provides a major opportunity for distributors to supply smart meters and related building controls to utilities and utility end users.

Banks and Credit Unions

Customers often require financing to pay for energy management projects, especially in the current economic climate. According to the 2009 NAED survey, approximately 30% of respondents offer financing options.

Doug Borchers with Dickman Supply describes the financing options they offer through a banking partnership:¹¹

“We offer that opportunity through a partner, a local bank, who has taken the time to understand this opportunity. If a potential customer has no budget for capital expenditures, then we put them on touch with the bank and they handle the financing details. They provide loans or an operating lease where the bank carries the product on their books and then releases it once the project financing has been paid back.”

For More Information

- >> Find ways to present the business case for energy management investments by referring to NAED’s [Green Goes Mainstream](#) white paper and [Selling to the Commercial Building Market](#) case study.
- >> Find out more about which level of energy management commitment best suits your company by checking out the interactive tool, [Going Green Investment IQ](#) on NAED’s TED Green Room website.
- >> Learn more about partnering with other organizations in NAED’s [Utility and ESCO Partnerships case study](#), a part of the [Selling Energy Management Solutions](#) series.
- >> Find out market trends and selling tactics for each energy management market, including commercial, institutional, utility, and government through the [Selling Energy Management Solutions](#) series on [TEDGreenRoom.com](#).

Conclusion

For distributors to expand energy management sales, electrical industry experts recommend offering complete energy management solutions, training sales staff, and building partnerships.

As distributors examine this opportunity, it’s important to understand each market’s needs, government incentives available from recent legislation, as well as reaching the key decision makers in leadership.

Distributor sales staff also need to become familiar with the business case for energy management projects, including calculating the payback time for projects.

Being aware of the best practices among distributors already active in this market can help you stay ahead.

Endnotes

- ¹ NAED Selling Energy Management Solutions Survey, administered between 12/29/2008 and 2/27/2009 by Yudelson Associates.
- ² NAED Selling Energy Management Solutions Survey, administered between 12/29/2008 and 2/27/2009 by Yudelson Associates.
- ³ Personal interview with Blake Deal, January 26, 2009.
- ⁴ Personal interview with Greg Smith, January 21, 2009.
- ⁵ Personal interview with Mike Lindner, January 13, 2009.
- ⁶ NAED Selling Energy Management Solutions Survey, administered between 12/29/2008 and 2/27/2009 by Yudelson Associates.
- ⁷ Personal interview with Greg Smith, January 21, 2009.
- ⁸ Personal interview with Doug Borchers, January 29, 2009.
- ⁹ Personal interview with Mike Lindner, January 13, 2009.
- ¹⁰ Personal interview with Mike Lindner, January 13, 2009.
- ¹¹ Personal interview with Doug Borchers, January 29, 2009.

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