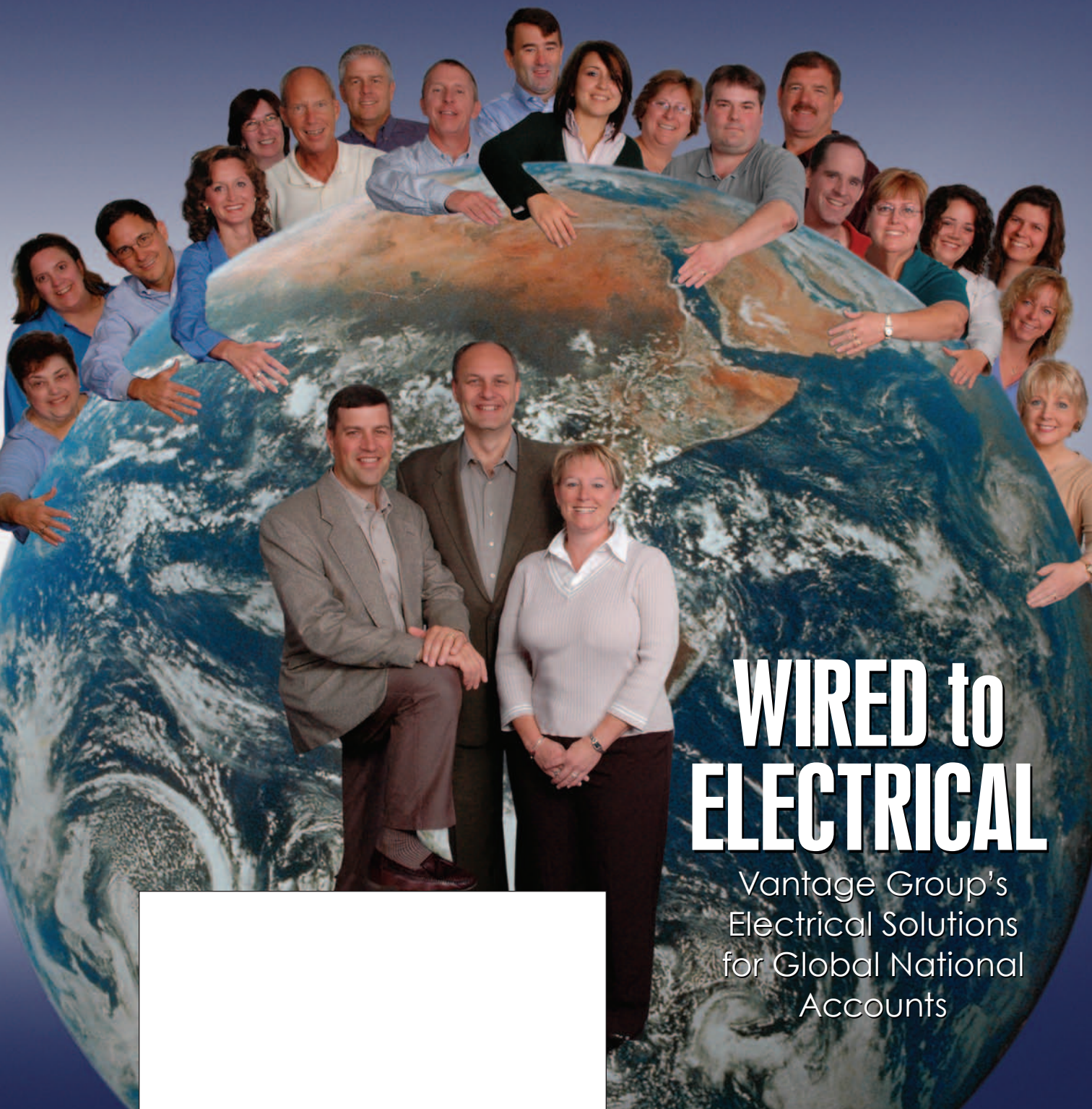


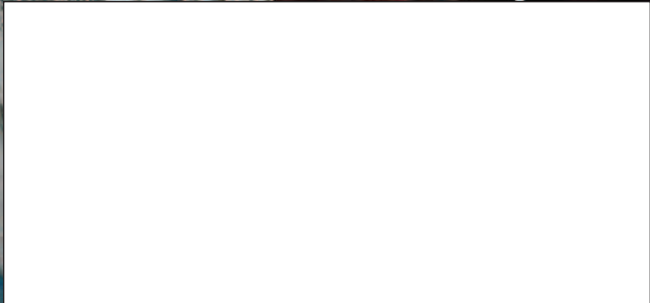
Electrical Wholesaling

The Independent Voice of Electrical Distribution[®]



WIRED to ELECTRICAL

Vantage Group's
Electrical Solutions
for Global National
Accounts



WIRED to ELECTRICAL

By avoiding the temptations of the dot-com era and some other popular but ultimately unsuccessful national account strategies, Vantage Group has kept true to its aim of providing end users with a single source of electrical supplies.



Photos by Jared Silver

Senior executives from Vantage Group's distributor-owners and Vantage senior managers. Back row left to right: Marty Burbridge, Crescent Electric Supply; Rob Riddle, Crescent Electric Supply; Ed Kozlow, Vantage Group; Larry Welch, Vantage Group; Wayne Donaldson, Rexel Canada; and Chris Contney, Rexel USA. Front row left to right: Dan Murphy, McNaughton-McKay; Rick Dahlstrom, McNaughton-McKay; Tony Zubizarreta, Rexel USA; and Sean Leahy, Vantage Group.

To hear Sean Leahy tell the story of the pivotal moments of the Vantage Group's formative years, one can imagine how differently things would have turned out for the group's founders if they had gone with the flow in the national-account arena. Vantage Group's founding distributors could have followed the lead of some deceased dot-coms and built a new-age business model for strategic national accounts that

customers weren't quite asking for. Perhaps they could have expanded their product offering and attempted to entice potential national-account customers with a full pallet of plumbing supplies, safety products, pipe, valves and fittings and other MRO products.

They didn't do it. The Vantage Group is all about a bunch of electrical distributors who wanted to provide a national-account solution for large industrial and commercial customers who wanted a single source for electrical supplies. Period.

Says Leahy, president of Vantage Group, "Many companies

By Jim Lucy, Chief Editor

had several hundred plants or even 1,000 hotels. They were still all buying locally, and weren't taking advantage of their national scope. None of their computers were linked. They didn't know what they were buying on a national basis. They saw the opportunity to get smarter and negotiate better. Also, 100 plants meant 100 purchasing people, each one of them negotiating their own deal with a distributor. They had a great opportunity to consolidate a lot of things."

Started 11 years ago by Crescent Electric Supply, East Dubuque, Ill.; Platt Electric Supply, Beaverton, Ore.; Branch Electric Supply, Canada's Westburne and All-Phase Electric Supply, Leahy says Vantage Group was founded to "leapfrog" its competition by providing a national account solution with the fewest number of distributors. Today, Crescent Electric Supply, Platt Electric Supply, Rexel (which bought Branch and Canada's Westburne and NEDCO), and McNaughton-McKay Electric Supply Co., Madison Heights, Mich., own Vantage Group. Together they operate 2,000 locations in a total of 27 countries — 800 locations in North America — have combined annual sales of \$13 billion, and are enjoying double-digit growth rates in the national-account arena.

In addition to the locations the distributor-owners operate, Vantage Group also works with 50 independent electrical distributors to cover customers' facilities in those markets where Crescent, Platt, Rexel and MacNaughton-McKay don't have a location. "It's part of the flexibility we bring customers," says Leahy. "Rather than try to service a customer location from 200 miles away, we will have a relationship with an independent in the area. It works out great for customers because they get coverage no matter where they are. It's certainly good for the distributor and it's good for us, too, because we aren't trying to serve somebody we can't serve. We have the process nailed down. We link them into our computer system and treat them like they are one of our own."



Vantage Group distributors recently enjoyed a group brainstorming session to set the course for the group's future (top to bottom): Tony Zubizarreta, Rexel USA; Rick Dahlstrom, McNaughton-McKay; and Wayne Donaldson, Rexel Canada.



Chris Contney, Rexel USA. Rexel's global reach helps Vantage Group provide its customers with distributor support in 27 countries.

"If a company has 100 plants and we can handle 97 of them, it's really good for us to have those three handled so we can provide a 100 percent solution for a customer," says Ed Kozlow, business development manager. "We want them to provide the same kind of service to our customers. We treat them as well as we do our owners."

Leahy is particularly proud of Vantage Group's global expansion (note the globe on the cover of this month's issue) and says Vantage is "really the only game in town that has an international key account solution." "Eleven years ago, people were looking at the United States," he says. "Eight years ago they started looking at North America, now they are looking for global suppliers. Not a day goes by that I am not speaking with our partners in Europe."

The company recently signed a contract in China with a Chinese battery manufacturer, and Owens Corning is now a global customer of Vantage with a five-year contract. Owens Corning had tried other national account solutions, but signed on with Vantage after those contracts did not work out.

Saint-Gobain, an international giant in the glass industry, operates hundreds of plants around the world. Its annual contract with Vantage Group is in the

millions. "It's all been based on the cost saving we provide them," says Leahy. "We probably have six different invoicing versions."

Says David Stockwell, MRO category manager for Saint-Gobain, "Saint-Gobain expanded our agreement with Vantage Group from 22 plants to 200 plants. Vantage Group has given us the flexibility and resources to consolidate

our electrical spend to further leverage our volume and have added great value to our strategic initiative."

A FOCUS ON SALES

Leahy emphasizes that Vantage does not buy any products for its distributor-owners and doesn't pretend to be a buying group. "Our distributors are very good at buying," he says. "We are on the selling end of the transaction. They are used to dealing with customers at the local plant level, and we give them instant access to the corporate office — the key players who can affect hundreds of plants. They don't have those relationships. We do."

To help build these relationships, Vantage Group puts together a unique annual event that brings together 15 manufacturers and 15 key customers in two-day meetings. Larry Welch, vice president of sales and marketing, says the two days are loaded with 45-minute meetings that focus on cost savings and allow manufacturers to present products and promotions that can make customers' facilities more efficient or operate more cost effectively.

"We are trying to plant the seeds at the customer's corporate level and then



Marty Burbridge, Crescent Electric Supply. Crescent Electric is one of Vantage Group's charter members.



Crescent Electric Supply's Rob Riddle.

hope the corporate folks will disseminate that information back to their local facilities and create a groundswell of need," he says. "That's when the manufacturers' local networks of rep agencies get involved. We tie those guys to our local salespeople at Vantage Group distributors. They go in and present that program to the customer's individual plant."

Leahy says these meetings are popular because manufacturers and customers get the opportunity to meet so many key people in such a short amount of time. "It's great for everyone involved, because for a manufacturer to set up 15 meetings with 15 key customers' corporate people would take them a year, flying all over the country to do it," he says. "They do it in two days through us. These are the top-level corporate people at manufacturers. We set up the manufacturers in nice suites with conference tables. People are actually worn out when it's over. The feedback is tremendous."

Leahy gives the credit for Vantage's formation to industry legend Chuck Steiner, who at that time was leading Branch Electric Supply on an aggressive acquisition march up and down the East Coast. Steiner made a few phone calls to industry friends about his idea for a cooperative venture for national accounts and got immediate buy-in from them. They had to stick to their plan, because back in the mid-1990s there was plenty of industry chatter about multi-product national account strategies and, a few years

later, the dot-com craze.

"When integrated supply was getting all of the press, our board said, 'We don't believe it. What we do is electrical commodity management,'" Leahy recalls. "There are two ways to reduce your vendor base. One is integrated supply and the other is reducing all of your suppliers down to one electrical supplier, one PVF, etc. Our board never believed integrated supply was the way to go. While everything was going the other direction, we stayed true to pure electrical. That is one of the brilliant decisions our board made.

"There were two others. One was when the whole dot-com craze came. Everyone was going dot-com and our board said, 'The math doesn't work. We don't believe it. We have to stay true to our core.' We did, and that really helped us."

The other brilliant decision was to focus on cost savings throughout the organization. Leahy is very proud of Vantage Group's modest office in Crystal Lake, Ill., and says he and the company's 23 employees "don't spend an extra nickel if we don't have to" in their efforts to support their distributors' national-account efforts. "Those are the three cornerstones that allowed us to be successful," he says. "We really act and feel like we are a distributor's strategic accounts department. We are totally integrated into their business systems. It really doesn't feel like we are a third party."

Adds Welch, "We have dealt with these distributors for so long that we really are in the back of their minds. If a purchasing manager says their corporate office is looking for a single-source electrical MRO solution, the distributors tend to get us involved early in the process because they realize their individual company won't be able to handle that."

VANTAGE'S UNIQUE SELLING PROPOSITION

When asked about Vantage Group's unique selling proposition, Leahy sums it up in two words: cost savings. "We dedicate ourselves to cost savings," he says. "We go after it aggressively and measure it very closely. Part of the compensation for our strategic account managers is based on the cost savings they provide to customers."

Vantage Group has to be very flexible, because customers' IT infrastructure and data reporting requirements vary. Leahy says no matter what computer system a customer runs, how many computers need to be tied together, or whether they want their invoices on paper or electronic, Vantage Group's computer system can adapt to the increasingly unique demands of its customers. "Flexibility is huge," he says.

Welch says the company's IT department "scrubs" customers' product files by taking bad data and turning it into good data and providing reports on purchases by site, manufacturer, average order size, product group, commodity codes and other parameters customers may require. "It's a direct result of us building what we really needed from scratch," he says. "There is no off-the-shelf, out-of-the-box software package that does what we do. As Vantage progressed and we



Dan Murphy, McNaughton-McKay (left) and Marty Burbridge, Crescent Electric Supply.

saw the need to track different aspects of the business, we built the system. It doesn't matter what computer system a customer is using — we adapt to it.”

“The invoicing all comes through us. It comes electronically through the distributor up. A high percentage of invoices go from us to the customer. The payments come electronically and we don't hold the money. We immediately transfer the funds back to the distributor. We do all the collection activities here. Our distributors can go online to check our collection activity and see what status an invoice is in. Our customers can do the same thing.”

Vantage Group has account managers assigned to the automotive, oil and gas, pulp and paper and food businesses industries and has accounts with many other types of customers, too. Leahy says customers' requests for proposals (RFPs) can be extraordinarily detailed. Some of the RFPs come in two-inch thick binders with hundreds of questions. “You have to have a unique skill set to be able to respond to it, and they may want it in two weeks,” he says. “Sometimes they give you 10,000 items that need to be priced. Then we go through the negotiations with a team of trained negotiators and a consultant who is also trained to beat your proposal to death. Fortunately, with our team, that's all

we do every minute of every day and we have become pretty darn good at it. We know what to do when we walk into a room of trained negotiators and consultants. We also know how to take that customer's 10,000 items and turn it into something. Most local distributors would do it manually and they will throw a couple of bodies at it for a few days.”

Vantage Group's national-account contracts ideally run for five years, but are no less than three years in duration. The implementation process necessary to set up a contract is massive and has 135 distinct steps. It includes details such as matching up local customer facilities to the nearest Vantage distributor locations, assigning an inside salesperson and field salesperson to each location, filling out tax-exemption certificates and loading all necessary customer data into the Vantage computer system.

Over the past 11 years, customers have become much more sophisticated in how they manage their data and the type of reports they require from Vantage Group. Welch says while customers have always talked about lowering transaction costs, they didn't have the technology to do it until the last few years. He says more customers are asking for “punch-out” catalogs, where Vantage Group hosts online product data in a

catalog format.

Ed Kozlow, business development manager, says new ERP computer systems have helped improve the product data, but that, in general, it could still be much better. “The new people coming up are used to computers and the Internet,” he says. “We are starting to see more online auctions and requests for punch-out capabilities.”

Says Leahy, “More companies are creating their purchasing portal within their own computer systems. It's all one common look whether they are, for example, buying toilet paper, a fuse or programmable logic controllers (PLCs). If they decide they want to buy something electrical, it punches out into our computer system, where we maintain all of the data. They take what they want, and it comes back around into their computer system.” The purchasing managers with whom Vantage Group works have varying degrees of familiarity with MRO-type electrical products. While all of Vantage Group's customers tend to be quite large, in some companies managing national account contracts isn't a full-time job for the purchasing managers. Depending on the size of the company, they may have a commodity sourcing manager and a strategic sourcing person in charge of one or two commodities. In smaller companies, purchasing managers may be responsible for up to five commodities.

Most customers are dependent on Vantage Group to teach them about managing their purchases of electrical commodities. Vantage Group recently spent several hours teaching purchasing personnel at one of their customers how to buy pipe and wire in an era of rising copper and steel prices. Says Welch, “Our customers spend a lot of time on trying to manage their direct material buy. If it directly impacts their finished-good product, then they can tell you to the 'nth' degree what is going on. But when it comes to indirect materials, which a lot of MRO falls into, they really don't know. That's where we come in. We can

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National Accounts

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slice and dice their data to tell them what they are purchasing, where they are purchasing it, and where they should be spending their time to consolidate and going after some savings.”

Ron Miller, now purchasing manager for Roseburg Forest Products, Dillard, Ore., has worked with Vantage Group as a customer since 1996, when he was with Willamette Industries Inc. at its Western Building Materials Group purchasing office. Willamette was a beta site for Vantage, and Miller says it was the second major company to align with Vantage. While he has studied the business models for other national account providers, he has always gone with Vantage.

“My understanding of the differences would center on Vantage’s ability to represent my company on a very personal level,” he says. “The interaction by the Vantage representation with plant personnel is key to Vantage understanding the company’s needs and requirements. Vantage Group’s software seems to be quite adaptable to individual customers’ data needs.

“I have seen savings from 10 percent to 40 percent depending on the particular commodity. For the last year (2002) of Willamette’s existence, the total savings for the Western Building Materials Group exceeded \$100,000 for the MRO spend on electrical.”

Along with providing customers savings on their product purchases, Vantage Group’s distributor-owners also teach companies about new products that can generate cost savings or are required by new National Electrical Code requirements. Arc-flash prevention has been a popular topic in recent years, as has the cost-saving benefits of relamping facilities.

“There’s a huge amount of interest in energy savings,” says Welch. “We have been pushing relamping hard and have had some pretty good successes with some of our bigger customers. Local distributor salespeople can do a lot to generate a lot of interest at a plant, but then it kind of gets out of their hands when it goes back to the corporate office.”

Leahy and his management team are confident Vantage Group’s approach to single-source, national account contracts for electrical materials will withstand the test of time. Kozlow says a few years back he noticed more RFPs that were looking for an integrator that could handle multiple product areas, but says those requests are now rare. “The customers that are sold on integrated supply will try to make it work,” he says. “But four years later they will come back to a vertical bid.”

“When you think about it, you have customers going from 1,000 MRO suppliers to one integrator, that’s pretty hard to do,” says Leahy. “If you are going from 1,000 suppliers to 12 suppliers (electrical, PVE, safety, etc.) that’s pretty darn good. That’s the way most people decided to go, and we are the electrical. It’s a niche, but it’s a real, big niche. We are talking about billions of dollars. We stay completely focused on our core competency — electrical strategic accounts. That’s what we do. The market is so big, and there is plenty to do here. We don’t need to divert our attention.” ■