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KEITH HESSEMER,
PRESIDENT AND OWNER
OF WILDCAT ELECTRIC

Breaking the cycle

LEDs present both challenges and opportunities for the distributor sales cycle. Here's how to navigate the change. by Susan Bloom

When CFLs started becoming commercially popular in the 1990s, they were met with both interest and concern. Consuming only a fraction of the energy of the incandescent and halogen technology they were designed to replace—while lasting as much as 10 to 13 times longer—CFLs held great promise for reducing the nation's energy consumption and costs. At the same time, this new technology spelled trouble to channel members that relied on the steady replacement sales associated with the previous, shorter-lived lighting solutions. Today, many analysts often compare the arrival of LEDs with that of CFLs 20 years ago, though evidence suggests that LEDs have debuted with a stronger value proposition and greater staying power.

"In so many ways, LEDs really came out of the gates running," said Leon Mowadia Jr., national accounts manager for the New Jersey arm of Texas-based Facility Solutions Group (FSG). "In addition to their high efficiency, LEDs offer high-quality coloring, don't flicker, and are fully dimmable. Add to this the 2011-2014 federal phaseout of many popular incandescent bulb wattages, and the case for LEDs as viable replacements is even more compelling.

The case is so strong, in fact, that industry sales of LEDs for general lighting—which amounted to just \$340 million in 2007 according to market research firm Strategies Unlimited—is projected to grow to \$7.3 billion by 2014.

But with their 25,000- to 50,000-hour life spans (theoretically as much as 20 to 30 years of operability depending on the application), what does this mean for electrical distributors in terms of repeat/replacement sales and the conventional sales cycle?

AN OPPORTUNITY, NOT A THREAT

"We see LEDs as a huge opportunity, not a concern or a threat," said Mowadia. "LEDs are not just a one-for-one counter sale; they're more of a project sale, so distributors need to be able to design and turnkey it for the customer

in order to be successful. We may lose some traditional and replacement business down the road as a result, but an LED sale offers a much more value-added proposition involving rebates and on-bill financing and helps solidify a relationship with the customer.

"The fact is," Mowadia continued, "distributors can't just rely on existing customers and replacement sales of traditional technologies to drive their business. They need to constantly drum up opportunities and sell more profitable items like LEDs to help improve the bottom line."

James Bracken, distribution manager for GE Lighting (gelighting.com), believes that current LED price levels may temper the issue of LEDs cannibalizing the sale of competing light sources, at least immediately.

"Like CFLs, LEDs represent a technology change," Bracken explained. "While their benefits are a very persuasive draw for consumers, initial out-of-pocket costs for residential LED lighting products will be significantly higher than traditional light bulbs and too expensive for the vast majority of households. Somewhat broader adoption is anticipated in the commercial markets, where more value is placed on maintenance and energy savings; even so, the solid-state age will not come overnight."

NAVIGATING THE CHANGE

The following tips can help distributors navigate and capitalize on the new sales cycle triggered by the presence of LED lighting:

- **Embrace the new model.** LEDs represent new business opportunities, which distributors need to uncover at every turn. "Your existing customer base will eventually be exhausted," Mowadia said, "so it's necessary to surface new opportunities to sell LEDs and understand that LEDs are an all-or-nothing upgrade. It's important to be familiar with the product and the design specs involved."

- **Be aware of upgrade opportunities.** LEDs are still evolving, so there is room for generational upgrades within this technology.

"Since coming on the scene for general lighting applications, we've found that LEDs have followed a trajectory similar to the computer industry, in that every few months LEDs have undergone material new product developments in terms of their specs and available features, functions, and benefits," said Mowadia. "Since LEDs are still in their infancy, distributors will likely find that there are valid upgrade and replacement sale opportunities to be had over time between older and newer generations of LEDs."

Bracken agreed and suggested that distributors take a modular approach, selling replaceable sockets for LED upgrades vs. the entire fixture. "With LED technology moving as quickly as consumer electronics, the modular portion of the socket may advance technologically before the LED expires," he explained. "Instead of waiting 20 years for the LED to reach end of life, distributors might benefit from upgrading LED modules as they become avail-

able." Bracken noted that this could help achieve better lighting without the cost of replacing the fixture, as is often done today with linear fluorescents.

• **Understand and make the most of the available offerings.** "There are a number of lighting technologies that are more energy efficient than traditional sources and should all be considered," noted Jim Brodrick, SSL portfolio manager for the DOE.

Bracken offered, for example, the variety of high-efficiency halogen PAR38 and PAR30 long-neck products currently available: "These deliver tremendous energy savings relative to

standard PARs and are great options for professional users—such as retailers and property managers—as well as consumers."

• **Get familiar with financial incentives.** "Between the 2009 DOE regulations and the utility rebates available, LEDs are becoming an increasingly attractive and economically justified upgrade option, even at their current price points," said Mowadia.

Brodrick agreed: "Even at this early stage, we've seen instances where the economics have swung in favor of purchasing LED products, despite their higher initial cost, especially for appli-

cations where maintenance costs are high."

"Instead of a \$7 halogen IR bulb, you'll sell a \$40 LED lamp—a sales challenge that must be overcome with an analysis of payback, energy savings, and maintenance savings over the life of the LED," Mowadia noted. "But there's a huge opportunity in this industry for sales force distributors that can do it effectively." ■

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LEDS LIGHT UP NEW YORK CITY

Sponsored by the Designers Lighting Forum of New York (DLFNY; dlfny.org), the LEDucation 5 conference, held recently in New York City, was the fifth annual gathering of people seeking the latest progress report on LED lighting products. Held on an entire floor of the Hotel Pennsylvania, LEDucation 5 was packed with more than 1,800 lighting professionals, architects, designers, consultants, distributors, reps, and engineers.

One of the most valuable roles played by the lighting design community is the critique of the new LED lighting products, which helps manufacturers improve product performance/reliability.

The DLFNY includes many lighting professional members who have been active in organizing the Next Generation Luminaires (NGL) SSL Design Competition. Now in its third year, the NGL is an LED lighting design competition supported by the Illuminating Engineering Society, the International Association of Lighting Designers, and the DOE.

Speaking at LEDucation 5, Barbara Horton of Horton Lees Brogden Lighting Design presented the 2010 NGL results. Three weeks were spent staging and installing the selected entries, which were grouped by application. Judges representing the architectural lighting design community compared the 138 finalists in blind evaluations after the products were installed at Underwriters Laboratories in Research Triangle Park, N.C.

According to Horton, LED manufacturers benefit from the NGL by having their products undergo an in-depth review and critique by recognized experts who provide constructive feedback. Meanwhile, the lighting industry can view the LED product evaluations and determine the progress being made by the manufacturers.

It's very worthwhile for distributors to take note of the continuous improvements in LED luminaires being documented by these efforts (see NGL results: NGLdc.org).

The competition evaluates color quality, reliability, lumen depreciation, and driver specs, as well as information supplied by the manufacturer covering dimming, installation, serviceability, and product warranty.

"Based on ANSI-manufacturer standards, color quality and color consistency of all LED products evaluated must fall within an acceptable range to qualify as a specific Kelvin rating," said Michael Myer, a presenter at the event and lighting engineer for Pacific Northwest Laboratory. Myer made it clear how product warranties for LEDs must be carefully scrutinized in order to fully understand the scope of protection the warranty represents.

Another important factor is to verify the reliability of the LED drivers used in a particular product. The manufacturer should include both electrical and environmental specs, including expected end-of-life time measurement.

Myer also noted that the reliability of dimming for LEDs needs to be evaluated using only the very specific dimming product model from the manufacturer as specified by the LED marketer.

The concerns regarding LED dimming was the subject of the presentation given by Eric Lind, director of commercial marketing for Lutron Electronics. "In order for LEDs to take the place of existing light sources, they need to be controllable," explained Lind, who also mentioned a dimming white paper that is currently going through NEMA's review process to become a standard.

The LEDucation 5 event—and especially the advanced products awarded by the NGL—provide undeniable proof of the incredible impact LED lighting is expected to have in the commercial market. ■

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