
Providing Value-Add In A Commodity Market

by DON VOIGT, PE

The success of Wal-Mart's marketing and positioning of itself is a benchmark for all corporations. That includes those of us imbedded in industrial settings where the point of sale can be multiple levels removed and months or years away from concept to purchase order. We are all finding ourselves in a "commodity" market — perhaps dangerously insulated from the procurement decision makers.



Don Voigt (right), PE, president of Energenecs, Inc., Cedarburg, Wisconsin, discusses an artist's rendering of an Integral Value Vault lift station with Project Manager Jeff Schumacher (left).

At Wal-Mart, after all, the seller and buyer are intimately connected — with market trends available on a day-to-day basis. (For those interested in learning more about Wal-Mart's impact on selling, log on to www.fastcompany.com to read a compelling, archived article by Charles Fishman, entitled "The Wal-Mart You Don't Know," published in the December 2003 issue of *Fast Company*.)

Much of the success of Wal-Mart is tied to its declared market position — that of value price leader. And the corporation uses this position in discussions with suppliers, buyers and customers alike.

The Great Dichotomy

Those of us in our industry, whether we are in the industrial,

commercial or municipal business, find ourselves in a great dichotomy. We all have customers of one type/classification or another. Some are engineers/designers, some are contractors, and some are industries or municipalities. All of these customers have had the “Wal-Marting” exposure and most see it as good for their personal pocketbook — but, is it really? Personal service, based on repeat customer support that includes personnel with expertise beyond the location of where a product is on the shelf, is completely lost in the concept of lowest initial cost.

Dollarizing Value

In our offices, we spend the better part of our time providing technical support to customers/engineers based on decades of experience. From help in understanding “L/D” ratios in pump selections/design life for pumps to tracking down an obscure article on “the effects of air pockets in forcemains on pump capacity/performance,” our work days are full of challenges and time spent in supplying engineering solutions for which no one expects to be invoiced/billed. It’s “expected,” or it is part of our “value-added” services. Really? It’s difficult to see this on many bid forms.

Likewise, when you call a true manufacturer of products (hard to find these days), you might even find yourself speaking to a welder who had the original drawings for the pump base or bearing frame so that the part can be field repaired. How can you bill/invoice for this service/assistance? What value does the end user place on

it? At the time, it is invaluable — just ask the operator or mechanic in the field who had to contend with a piece of failed equipment.

Furthermore, what about that vast reservoir of crucial “white papers” written by factory and field engineers on application questions ranging from metering pump off-gassing to the effects of non-Newtonian viscosity on pump performance? Who can add a surcharge to their product or supply this type of priceless application information?

Believe me, this is a sinister problem gnawing at our country’s technical base.

It may come as no surprise that our Western European counterparts have a distinct disdain for the Wal-Mart model, and for the impersonal, unseasoned “expertise” found therein. They have a deep sense of appreciation for their technology base, even to the point that it is illegal to criticize (directly) another manufacturer in any advertising or literature. They believe in demonstrating value by working in teams with customers/engineers and leveraging their experience in these teaming relationships.

Answers

So, what is the answer for those of us here, back in the industrial, commercial and municipal real worlds in which we live and breathe every day?

For most of us, the answer is likely to evolve into new approaches to projects, including pre-selection of products/processes for projects and allowing consultants to bring deeper attributes to the attention of buyer/

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utilities. This is resulting in a measurable reduction in the “open book” arrangements of the past — such that enduring companies will be asking more questions of those seeking their input. Whether this evolution is good or bad, it is happening. It must. It’s a matter of survival.

Therefore, in your next procurement/specification decision, ask yourself the following questions: “When the chips are down and this product has been in the field for five or 10 years from now, how comfortable am I today that I will be able to get the answer(s) to a crucial maintenance issue, to an upgrade request, or to a simple technical question from the manufacturer that I have ‘bought into?’” □

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