



EDA **SECTOR SURVEY**
2019/2020



EDA Sector Survey

Introduction

The EDA is delighted to share the results of our latest survey, carried out in Q2 2019. This shows the responses of the three-step supply chain partners to the same key questions, enabling the reader to easily see and compare their differing perspectives. It makes for some very interesting reading.

The survey follows the same approach taken in our last major piece of industry research (carried out in Q2 2016) which focussed on the wholesaler and manufacturer audiences only. That survey showed that, in the main, wholesalers and manufacturers shared the same views on a variety of topics. They saw the growth of online sales as a major threat, particularly from unknown new entrants to the market and shared concerns about contractors' focus on lowest cost products and perceived lack of awareness of dealing with unregulated suppliers. Many respondents identified the opportunity to deliver significant added value to customers, via well-trained staff, with product knowledge and technical expertise. Other areas of opportunity identified included the introduction of new and innovative products such as renewable energy and battery storage. They also saw the IOT and increasing product and system complexity as potential areas of growth. [You can view the results of the 2016 survey - either the 8-page summary or the full 62-page presentation - in the Publications, Support and Resources section of the EDA website at \[www.eda.org.uk\]\(http://www.eda.org.uk\).](#)

For the 2019 survey we have partnered with Voltimum to extend the audience to include electrical contracting firms. We believe that this approach adds significant value to the results with the data and insights generated helping to focus on the challenges and opportunities across the supply chain as a whole.

With little change in macro-economic conditions (while political uncertainty has only increased since the Brexit referendum), and the continued growth of ecommerce, digitalisation and renewables, it is particularly interesting to see how views may have evolved over the past three years.

With the continued growth of digital channels, one area that we were especially keen to address in 2019 was the question as to where customers turn for electrotechnical education, information, insights and recommendations.

We hope you enjoy this commentary on the results of the survey and would welcome your feedback or any other related enquiries. Please contact the EDA on 020 3141 7350 or info@eda.org.uk

Research Methodology

The EDA commissioned Voltimum to manage and deliver this survey. Research was conducted via an online questionnaire. All fieldwork was carried out in May and June 2019. We achieved a total of 298 responses from 144 electrical contractors, 79 manufacturer representatives and 75 wholesale representatives.



Executive Summary

Biggest Business Concern

Contractor, and to a lesser extent manufacturer, respondents are most concerned about issues surrounding product availability, quality and price while our wholesale respondents are most concerned with the challenges of digitalisation and online competition.

The common ground across each step of the supply chain surrounds cash-flow, costs, margins, payment and pricing. These issues are directly related to the impacts of digitalisation, ecommerce and globalisation.

There are also significant concerns surrounding Brexit and prolonged political uncertainty on the economy. Such concerns are most pronounced among the larger businesses represented by manufacturing and wholesale respondents.

Product Quality and New Competitors

Digitalisation and globalisation have transformed the market with new brands and channels creating uncertainty for contractors and direct threats to manufacturers (brands) and wholesalers (channels) alike. This digital transformation, together with a flat economy, has only increased price pressures at every step in the supply chain.

Wholesalers are feeling particularly threatened by the explosion of online competition, with Amazon repeatedly referenced amid ever cheaper prices and rising costs, leaving some to question the future of the wholesale model.

Quality, Price and Validation

Wholesalers and manufacturers are both concerned that contractors are looking for the lowest priced product available, even if it is an unfamiliar brand. Yet our contractor respondents largely disagreed with that perspective, suggesting many are reluctantly working to price constraints imposed by their customers.

The challenge then is for manufacturers to invest in their brands to protect market share and pricing. For wholesalers to provide the best quality resources and information to support informed decisions. And for contractors to have the right tools to push back and advise clients as to the relationship between price and value in the electrotechnical market.

The top 3 sources of product validation identified by our respondents are trusting brands, trusting wholesalers, or trust their own judgement. What was most striking here however was the extent of resignation, with almost 1 in 3 contractors saying that you just can't be sure of product quality from unfamiliar brands (i.e. no matter what warranties, what brand assurances or what wholesale advice etc.).

Ecommerce Attitudes

Here we can see differences in attitude across the supply chain. While wholesalers regard the growth of ecommerce channels as an existential threat to their business, significant numbers of contractors and manufacturers are interested in the opportunities presented by new digital channels.

In practice almost 70% of wholesalers have ecommerce operations, including both B2B and direct to consumer models, while a significant number of manufacturers are also selling direct to end user customers.

Challenges of Digitalisation

The number one issue, identified by a majority of contractors, is the loss of personal contact arising from digitalisation, which may be related to the age profile of our contractor respondents but also speaks to the importance of the trade counter as an information channel.

For wholesalers and manufacturers the number one issue is the level of investment required to compete effectively across channels, supported by the need for faster order processing amid the growing importance of online procurement practices.

Information Channels

Fascinating here to see the different perspectives across the supply chain, but most importantly to see the spectrum of information channels used by contractors today. Thus we have traditional media (events and print) alongside websites, online platforms, word of mouth recommendations, and telephone helplines.

When asked to prioritise, we see these top 3 information channels for today's contractors – manufacturer websites, manufacturer technical helplines and wholesale trade counter staff. Therefore for many customers the wholesale trade counter remains a vital human touchpoint within the supply chain, with continued success requiring investment in training and education of frontline staff.

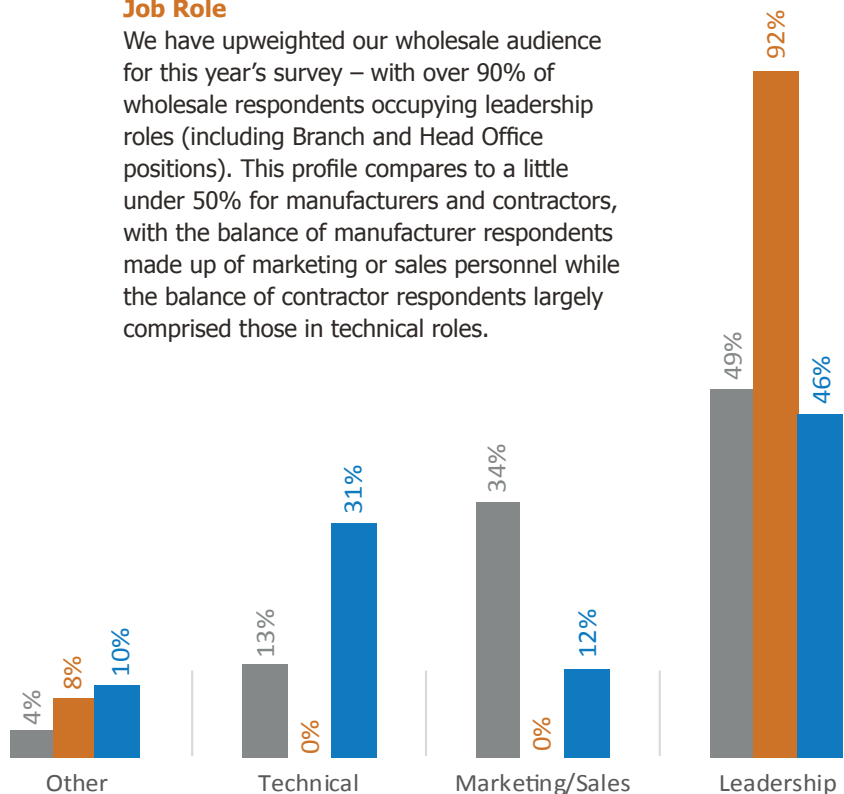
1. Audience profile

Job Role

We have upweighted our wholesale audience for this year's survey – with over 90% of wholesale respondents occupying leadership roles (including Branch and Head Office positions). This profile compares to a little under 50% for manufacturers and contractors, with the balance of manufacturer respondents made up of marketing or sales personnel while the balance of contractor respondents largely comprised those in technical roles.

Q. What is your job role?

- Manufacturers
- Wholesalers
- Contractors

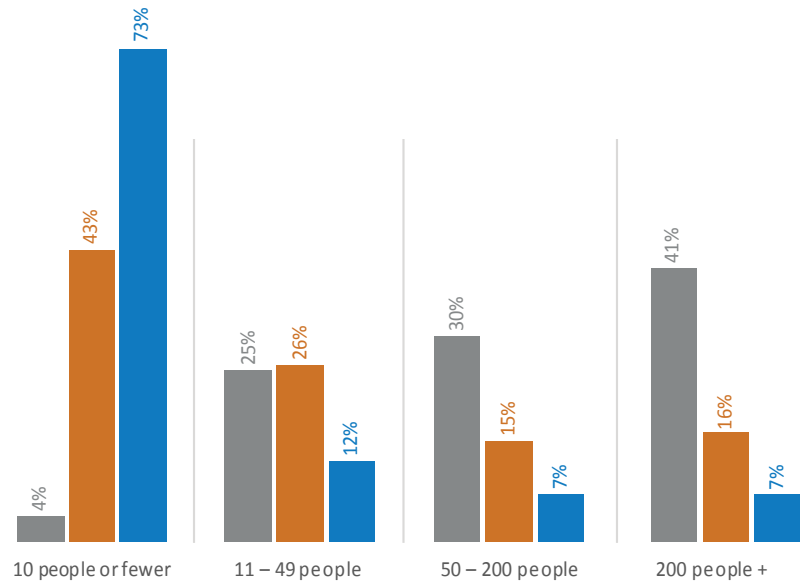


Size of Company

Reflecting the industry structure almost three-quarters of our contractor respondents came from micro-businesses employing fewer than ten people, while a similar proportion (71%) of manufacturer respondents came from businesses employing at least 50 people. Wholesale businesses are represented at every tier with almost 70% employing less than 50 people.

Q. What is your company size?

- Manufacturers
- Wholesalers
- Contractors



Age Profile

Here we can see that wholesalers benefit from a significantly younger age profile than their manufacturer and contractor peers – with only 23% of wholesale respondents aged over 55 compared to 54% of contractors and 38% of manufacturers.

It is worth noting that the wider electrical industry doesn't appear to suffer from the same age issues with the Annual Population Survey (2017) from National Statistics reporting that circa 40% of 'Electricians and Electrical Fitters' are aged under 35 today.

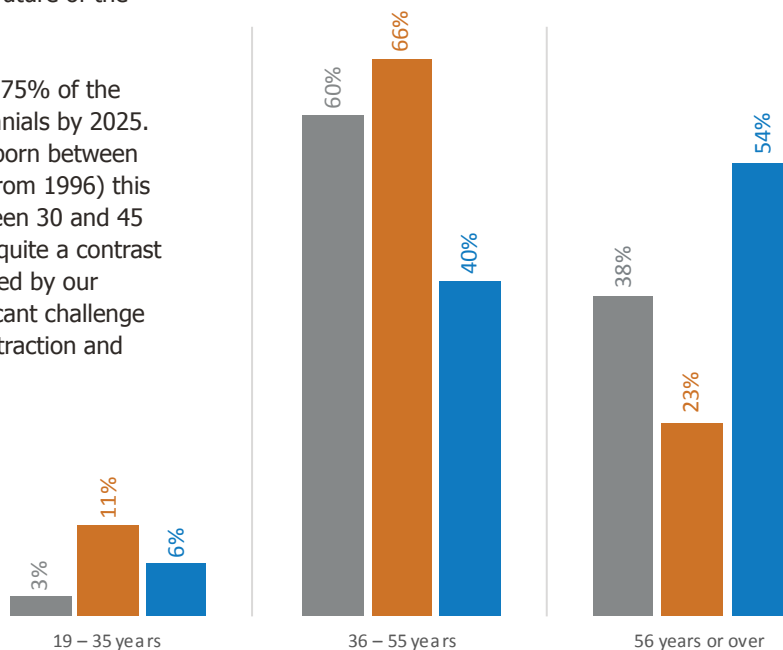
Overall 98% of manufacturer, 94% of contractor and 89% of wholesale respondents were aged over 35. This presents challenges in responding to the changing habits of younger generations with such a small number of respondents falling into the Millennial (Gen Y) let alone Gen Z cohorts who are defining the future of the digital economy.

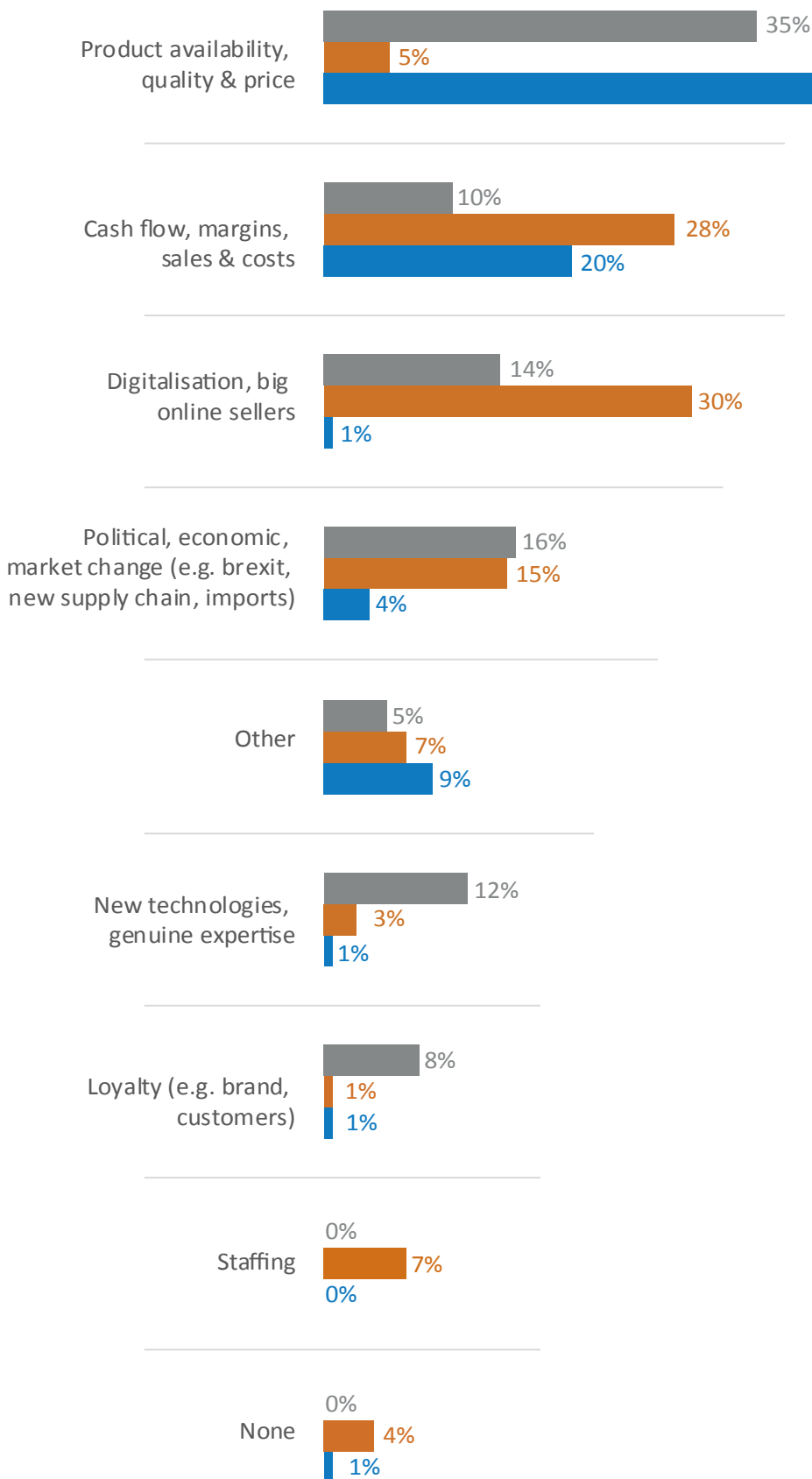
In the immediate future there is a surely an opportunity here for the wholesale channel to leverage its relative youth in order to provide enhanced digital support for contractors grappling with new market dynamics.

In fact forecasts suggest that 75% of the global workforce will be Millennials by 2025. With Gen Y defined as those born between 1981-1995 (and Gen Z born from 1996) this means that they will be between 30 and 45 years of age by 2025. This is quite a contrast with the age profile represented by our survey and therefore a significant challenge for the industry in terms of attraction and recruitment.

Q. What is your age?

- Manufacturers
- Wholesalers
- Contractors





2. Biggest Business Concern

As in 2016, we opened our survey with a free text question asking respondents to tell us, unprompted, their biggest business concern. We received 276 responses (93% of all respondents) and text analysis has enabled us to categorise these into a number of discrete categories as shown in the chart to the right.

Contractors are clearly most troubled by issues surrounding product availability, price and quality, with almost two-thirds of respondents citing concerns in this category.

Q. With regards to the issues facing your business, what is your greatest business concern?

- Manufacturers
- Wholesalers
- Contractors

Key message

Changing market dynamics and a tough economic climate creates uncertainty and presents new challenges. There needs to be greater transparency and knowledge sharing across the supply chain, to the benefit of all.

Product quality and availability ranked equally high as a concern for contractors with 40% of contractors citing either quality or availability as their greatest business concern. Comments included 'poor quality imported goods without approvals' and 'inferior products' and 'decline in quality'. In terms of pricing, consistency seemed to be the main issue for contractors while there were also questions for wholesalers and manufacturers as to stock levels and on-time delivery.

Availability, price and quality was also the number one category of concern for manufacturers, cited by over one-third of respondents, while it was mentioned by only 5% of wholesalers who are more troubled by the threat from online competitors and the challenges of digitalisation.

Directly related to all of the above issues are commercial pressures across the supply chain in terms of cash-flow, costs, margins and payment. These are particular concerns for wholesalers and contractors, who are typically smaller businesses than the manufacturers.

Given the economic and political climate in the UK over recent years it's notable that contractors appear relatively buoyant about any negative impacts on their business, with only one in twenty identifying such uncertainty as their biggest concern. The picture was different for manufacturers and wholesalers, which may reflect larger business sizes, greater international exposure and longer-term commitments.

For manufacturers there are distinctive concerns around the growth of new technologies and the need for related expertise, as well as around customer and brand loyalty. The latter reflecting the twin engines of (global) competition and ecommerce.

Greatest business concern feedback:

“ ” The sustainability of independent wholesale businesses in the face of a huge threat from Amazon et al
- **Wholesaler**

“ ” Amazon and online making it more and more difficult for branch-based wholesalers to compete
- **Contractor**

“ ” (Can) Distribution keep pace with all facets of digital?
- **Manufacturer**

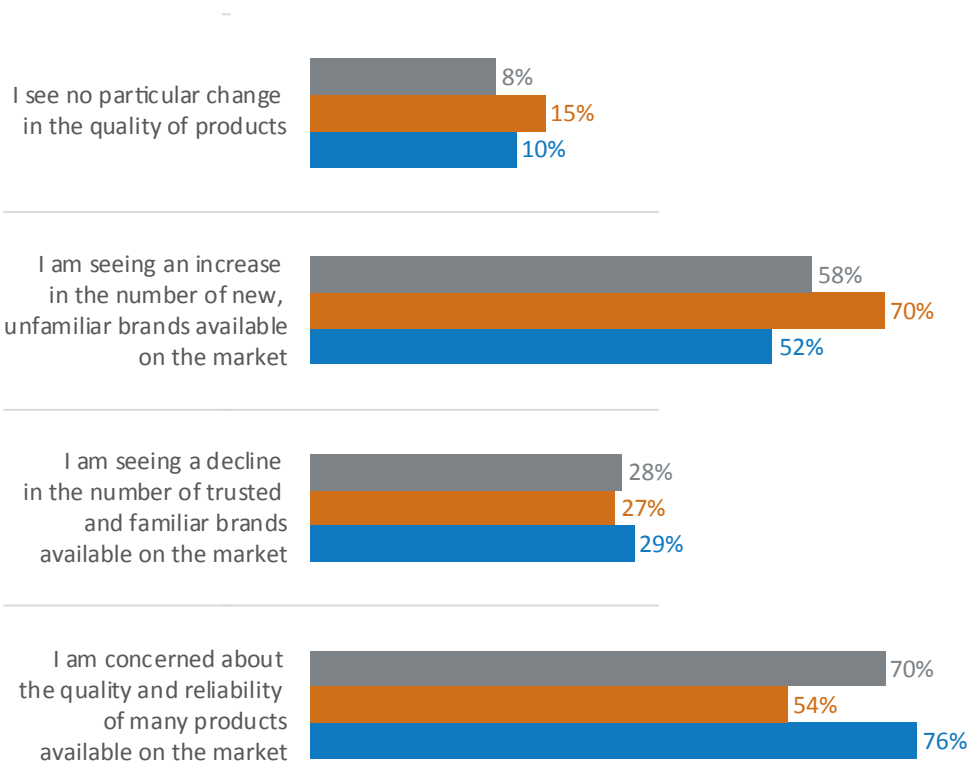
3. Product Quality and New Competitors

Consistent with the free text responses to our first question, three-quarters of contractors expressed their concern with regard to the quality and reliability of many products available on the market - with 52% also reporting an increase in unfamiliar brands - a view shared by 70% of wholesalers. Overall concerns as to product quality and reliability were shared by 70% of manufacturers and a little over 50% of wholesalers.

The free text responses from our opening question shed more light here with a range of references to poor quality foreign imports but also to wholesalers being complicit in stocking and promoting the cheapest products available without sufficient knowledge or information available for customers. One respondent even suggested that 'EDA distributors are not supporting EDA manufacturers'.

Q. In this question, we'd like to hear your views about the quality of products flowing through the marketplace

- Manufacturers
- Wholesalers
- Contractors



Key message

There is clear lack of information and insight available to contractors to support informed decision making in an increasingly fast moving market.

Sector insight

The challenge for contractors is, of course, that their customers - domestic and business - are demanding the lowest prices and are increasingly adept at using digital channels to identify and price products themselves. For wholesalers the challenge comes from online and direct competition, with wholesalers forced to compete with the prices available through ecommerce channels.

Overall, and with contractors unsettled by a fast changing, multi-channel, global market, including the decline of familiar names and the emergence of new brands and products, there is a clear opportunity for wholesalers to leverage their trusted intermediary status and to provide their customers (and suppliers) with expert insight into new brands and products. In doing so they will provide vital support to contractors in pushing back against customer demands and emphasising the vital importance of reliability and safety across all aspects of electrotechnical projects.

Steven K Davies, CEO, The Lighting Industry Association

"The LIA's market surveillance program over the last 2 years has shown that the combination of new entrants, poor quality, unsafe products as well as non-compliance with the WEEE regulations have created a 'minefield' when it comes to the selection of lighting products. However, despite a 'rush to the bottom' in terms of price, to their credit, LIA Members have stuck with the philosophy that quality comes at a price and compliance is not optional.

"The simple adage 'that you get what you pay for' has never been truer and the challenge we now face is how to 'educate' contractors, specifiers and wholesalers on what to look for when making purchasing decisions and perhaps more importantly, what is 'missing' from the cheaper ones."



Sector insight:

Dr Jeremy Hodge, Secretary General British Cables Association (BCA)

"There is remarkable consistency between the views of manufacturers, wholesalers and contractors on questions about Product Quality and New Competitors. Positively, only a quarter are seeing any decline in traditional brands, but around half are seeing a number of new, unfamiliar brands in the market.

"Concerns about the quality and reliability of products is high, with around three quarters of contractors and manufacturers concerned, while more than half of wholesalers share their concerns. Contractors want to be able to easily check specifications and quality. Manufacturers and wholesalers together can provide product information and assistance using a combination of online methods supported by traditional telephone and face-to-face approaches."



Sector insight

Dr Howard Porter, CEO, BEAMA

"That 70% of manufacturers are troubled about the quality and reliability of certain products on the market is, unfortunately, not a surprise to BEAMA. As the trade association representing manufacturers, product safety and compliance is an established pillar of our work with members.

"58% of manufacturers are also concerned about unfamiliar brands. Unfamiliar does not mean non-compliant, and in this fast-paced hi-tech sector, challenger brands are to be expected. However, post-Grenfell legislation is likely to focus on the electro-technical products and we must work together as a sector to ensure that safety is at the very top of our collective agendas.

"Wholesalers must be prepared to interrogate their suppliers and demand the proof that the products they buy meet the UK's standards. We all have a role to play in policing our supply chain."



4. Quality, Price and Validation

Here we can see a potentially significant disconnect between the contractor community and manufacturers, but also and especially, between contractors and wholesalers.

88% of wholesalers report that contractors ask for the lowest priced product available, even if the brand is unfamiliar. Over 60% of manufacturers believe that contractors are happy to buy unfamiliar brands if the price is right. Yet, **only 19% of contractors agree that they are happy to buy unfamiliar brands if the price is right.**

We would suggest that it's important for the other supply chain stakeholders to appreciate the pressures facing contractors in dealing with private and commercial customers. The contractor is in the front-line of the constraints and pressures across the UK economy. How can we all work to better equip them to communicate the downsides and risks associated with unproven products, and the lifetime value of quality branded products?

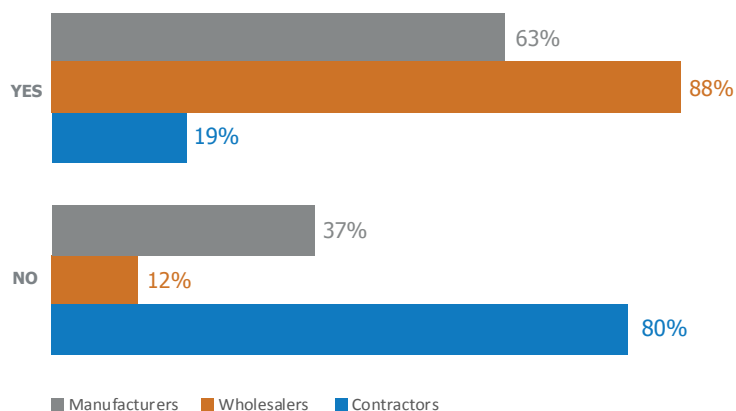
That said, a vital question in today's dynamic market is **how best to validate the quality, reliability and safety of unfamiliar brands and products?**

As can be seen in the chart, manufacturers emphasise warranties, third party tests and their own QA processes, while in typically pragmatic fashion, 30% of contractors reflected that you simply can't know in advance. This is an important point and one presumably borne of experience in the market. In the absence of any such certainty contractors have little choice but to trust brands and wholesalers.

Q. We asked manufacturers: Do you think contractors are happy buying brands they don't recognise, if the price is low?

Q. We asked wholesalers: Do your customers ask for the lowest price product even if the brand is unfamiliar?

Q. We asked contractors: Are you happy buying brands you don't recognise if the price is low?



Wholesalers were most likely to reference the strength of their supplier relationships and their trust in the brands that they stock. Whether this is sufficient to meet the needs of today's contractors is an open question in light of the responses received to our first business concern question and the lack of confidence expressed.

Despite such reservations, it is important to note that slightly more of our contractors reported that they relied on the advice of their wholesaler than on their own experience and expertise in validating unfamiliar products.

This is a key indicator of the required direction of travel for the wholesale channel - adding demonstrable customer value through enhanced market and product knowledge and insight.

Sector insight:

Steve Bratt, CEO, ECA

"EDA's survey findings generally highlight the importance of collaboration and communication among businesses in the supply chain. This particular finding shows an interesting fault line in these efforts; while suppliers (particularly wholesalers) assume that contractors are looking for low price materials, this is not necessarily the case. Contractors, including ECA members, in fact are often seeking long-lasting, high-quality products which will align with their own business values – notably to provide excellent service and capability to their own clients, who are themselves a core component of the supply chain. Quality is the name of the game, not a race to the bottom."

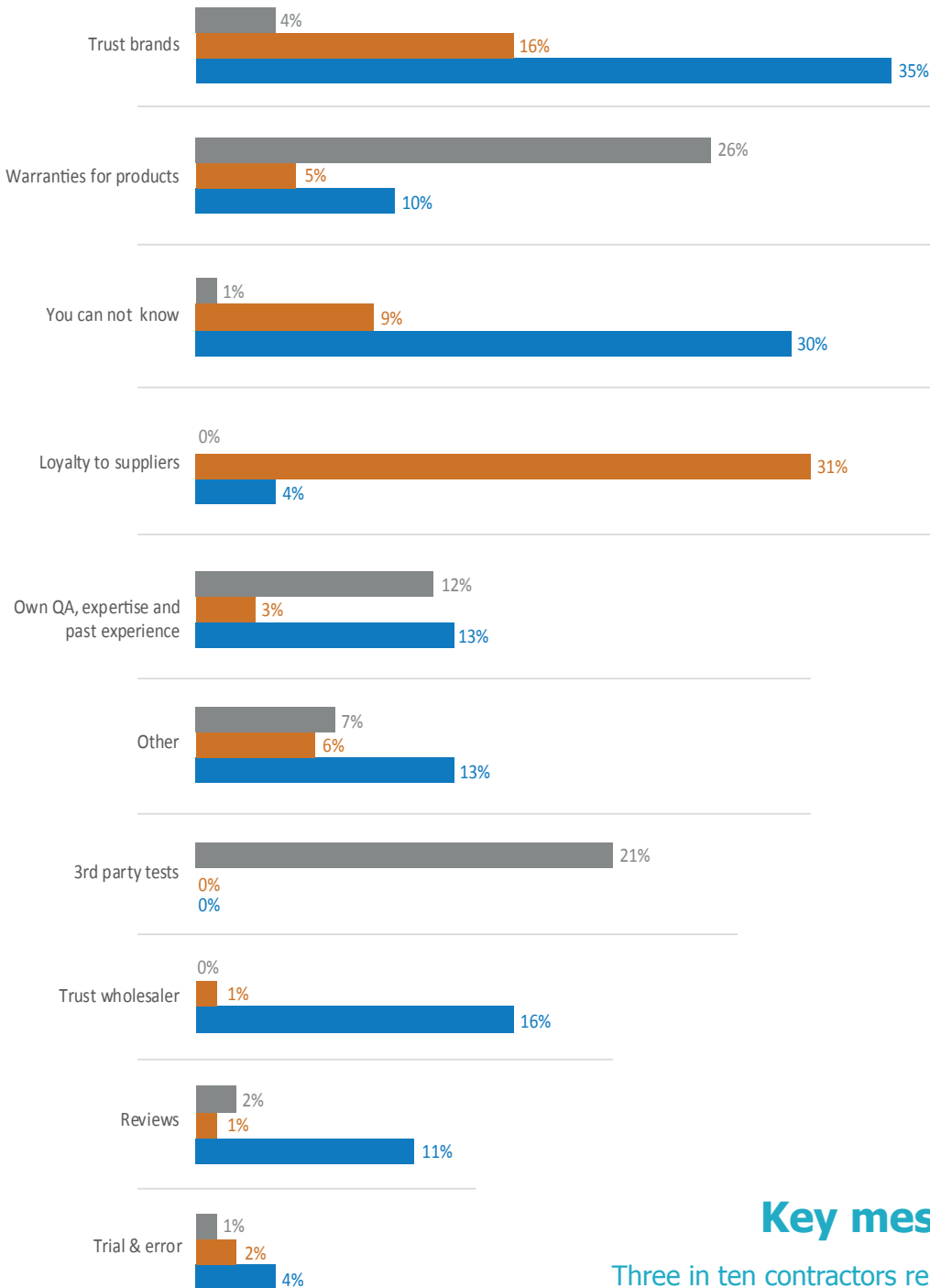


Q. We asked manufacturers: What proof do you provide that the products you supply are trustworthy and reliable?

Q. We asked wholesalers: How do you know that the products you purchase from your supplier are reliable and trustworthy?

Q. We asked contractors: How do you know that the products you buy from the wholesaler are trustworthy and reliable?

■ Manufacturers
 ■ Wholesalers
 ■ Contractors



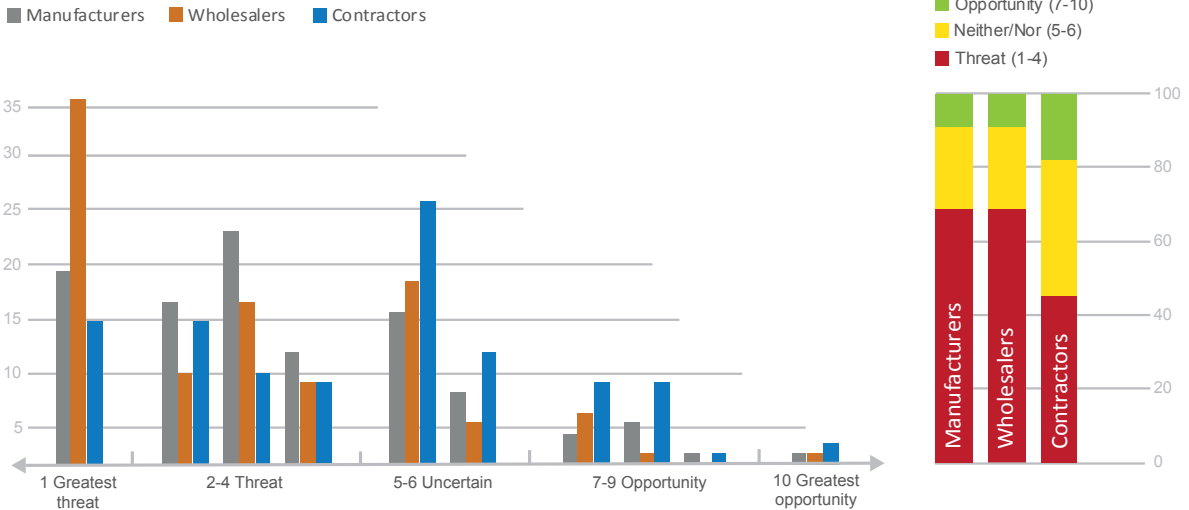
Key message

Three in ten contractors report that 'they can't know' in advance about the quality and reliability of unknown brands and products. Such uncertainty must be addressed as a matter of urgency.

5. Ecommerce Attitudes

While there is clear evidence of significant cross-industry concern about the proliferation of ecommerce channels and the availability of new and unfamiliar brands and products, this is considerably more nuanced from contractors and manufacturers than from wholesalers.

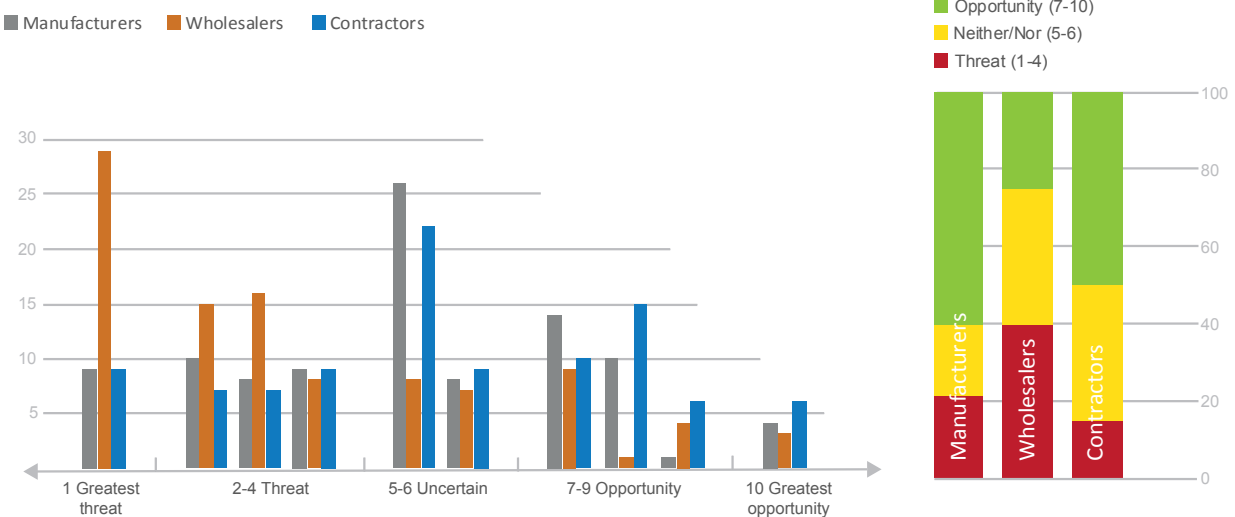
Q. We'd like your thoughts on the growth of online sales by unknown, new entrants to the market and the opportunities or threats it presents to your business.



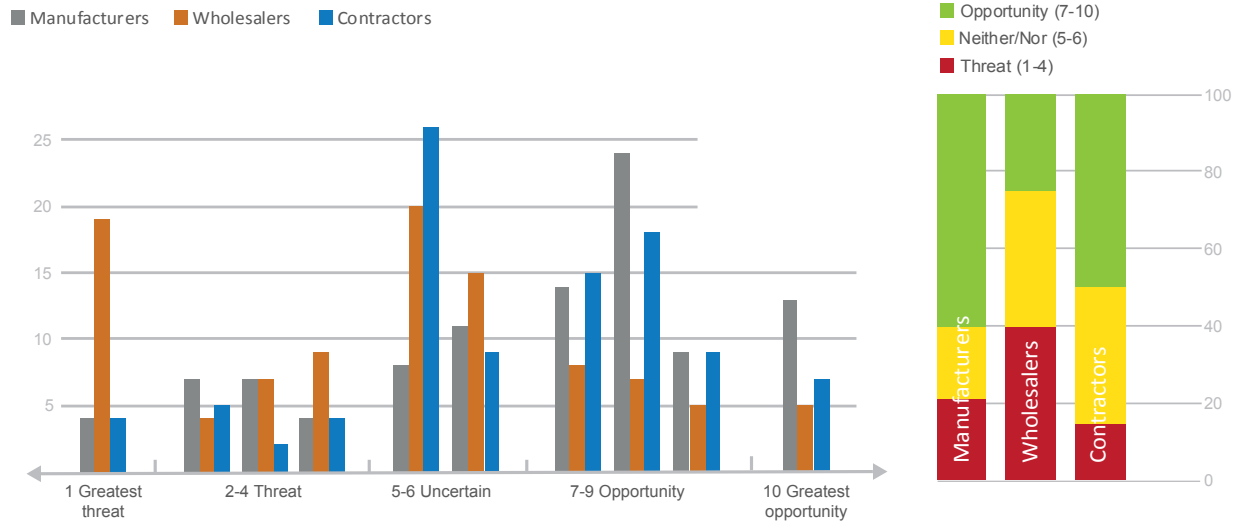
Contractors and manufacturers are both interested in new opportunities for their respective businesses. For contractors that might mean better stock availability and faster delivery as well as better prices. For manufacturers that might mean new and more effective routes to market.

As such, 60% of manufacturers and 49% of contractors identified the growth of wholesaler digital channels as an opportunity for their business, compared to figures of 29% (manufacturers) and 37% (contractors) for other branded channels (e.g. Amazon or Screwfix). In fact almost 1 in 5 contractors saw the growth of unknown ecommerce channels as an opportunity for their business (compared to almost 2 in 5 for branded channels).

Q. We'd like your thoughts on the growth of online sales by companies like Amazon and Screwfix and the opportunities or threats it presents for your business.



Q. We'd like your thoughts on the growth of online sales by the traditional wholesaler and the opportunities or threats it presents for your business.



While this last statistic may cause concern it can be constructively interpreted as a sign of dissatisfaction with existing channels and a reflection of the verbatim comments received at question 1 (Biggest Business Concern).

The reality for wholesalers is that online competition is here to stay and, as the next (Millennial) generation of contractors take on greater buying responsibilities, the challenges are only to get more intense.

In practice wholesalers know this, with 68% of our wholesale respondents reporting running ecommerce operations (both B2B and B2C orientated), while 27% of manufacturers also reported selling direct to end-user customers. As these businesses explore new online opportunities it is perhaps only reasonable to expect contractors to do the same.

Zooming into wholesaler attitudes now, we can see that 36% gave a score of one (the highest level of threat) to the growth

Sector insight:



Chris Gibson, EDA President, says:

"Wholesalers feel threatened, that's clear: 68% see the growth of online sales by companies like Amazon or Screwfix as a threat, 69% feel the same way about unknown or new entrants offering online sales, and 69% feel the threat from other wholesalers who are operating online.

"Let's be honest, no wholesaler has the resources to beat Amazon at e-commerce. But what we can do is add value where they can't. They cannot supplement their online presence with 1-2-1 professional expertise or advice, they cannot trouble-shoot or offer training, or tool repair and calibration days and so on. Warren Buffet talks about moats (the economic equivalent of medieval moats protecting a fortress) as the opportunity to maintain a competitive advantage. As a sector, we need to get creative with what sets us apart and do it better. Neglect the development of your staff at your peril, or fail to introduce new young talent who bring with them great ideas about how the next generation of electricians and contractors want to do business."

5. Ecommerce Attitudes (continues)

of unknown channels, 29% gave the same score to branded channels (e.g. Amazon or Screwfix), and 19% to other wholesaler's channels.

Faced with such an existential threat to their future it is essential that wholesalers continue to invest in their systems and technology; supporting multi-channel operations and competing on click and collect, but also to focus on availability and delivery performance.

Complementing such an approach has to be a focus on improving the wholesale customer experience including enhanced knowledge and information about new brands and products. Put simply, if we want customers to continue shopping in our stores then we have to add value to their experience in order to justify the time and effort involved relative to online purchasing.

Key message

36% of wholesalers gave unknown ecommerce channels a score of 1 - representing the very highest level of threat to the future of their business.

6. Challenges of Digitalisation

Naturally, digitalisation presents challenges for businesses of all sizes, demanding investment in people, systems and technology, but also accelerating the commoditisation of products and systems, empowering customers with price and specification information at their fingertips and driving an on-demand culture of heightened customer expectations. Our 2016 research highlighted the increasing importance and use of the smartphone by contractors in ecommerce.

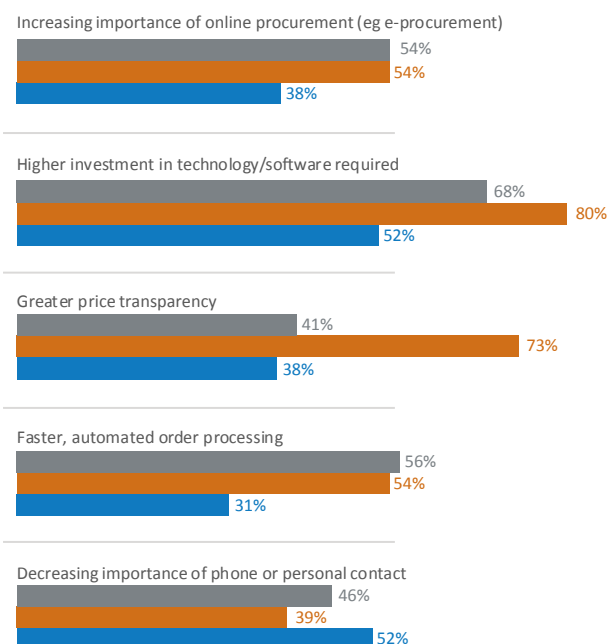
Reduced inter-personal contact and communication is an issue for over 50% of contractors but also a significant concern for manufacturers and wholesalers alike. Such contact enables influence, including up-selling. It is also a vital source of insight into customer expectations and requirements. Extending from this point, over 50% of both wholesaler and manufacturer respondents are concerned as to the growth of digital procurement processes.

Combining both dimensions sees wholesalers identify that their most important challenge (after the need for investment) as that of increased price transparency, with almost twice as many wholesalers highlighting this issue compared to contractors, but also significantly more than among manufacturers (73% v 41%).

While the need for investment can be challenging for businesses of all sizes it is clear from our survey research that there is a real need for wholesalers to combine brand and technology investments in order to build a clear value proposition for professional contractors. Tech investments might include, for example, mobile apps, enabling Live Chat on websites, AR enabled installation & operation support.

Q. What challenges does digitalisation bring for your business?

- Manufacturers
- Wholesalers
- Contractors



7. Information Channels

When it comes to the information channels used by contractors there are some striking differences between manufacturer and wholesaler views and those of contractors themselves.

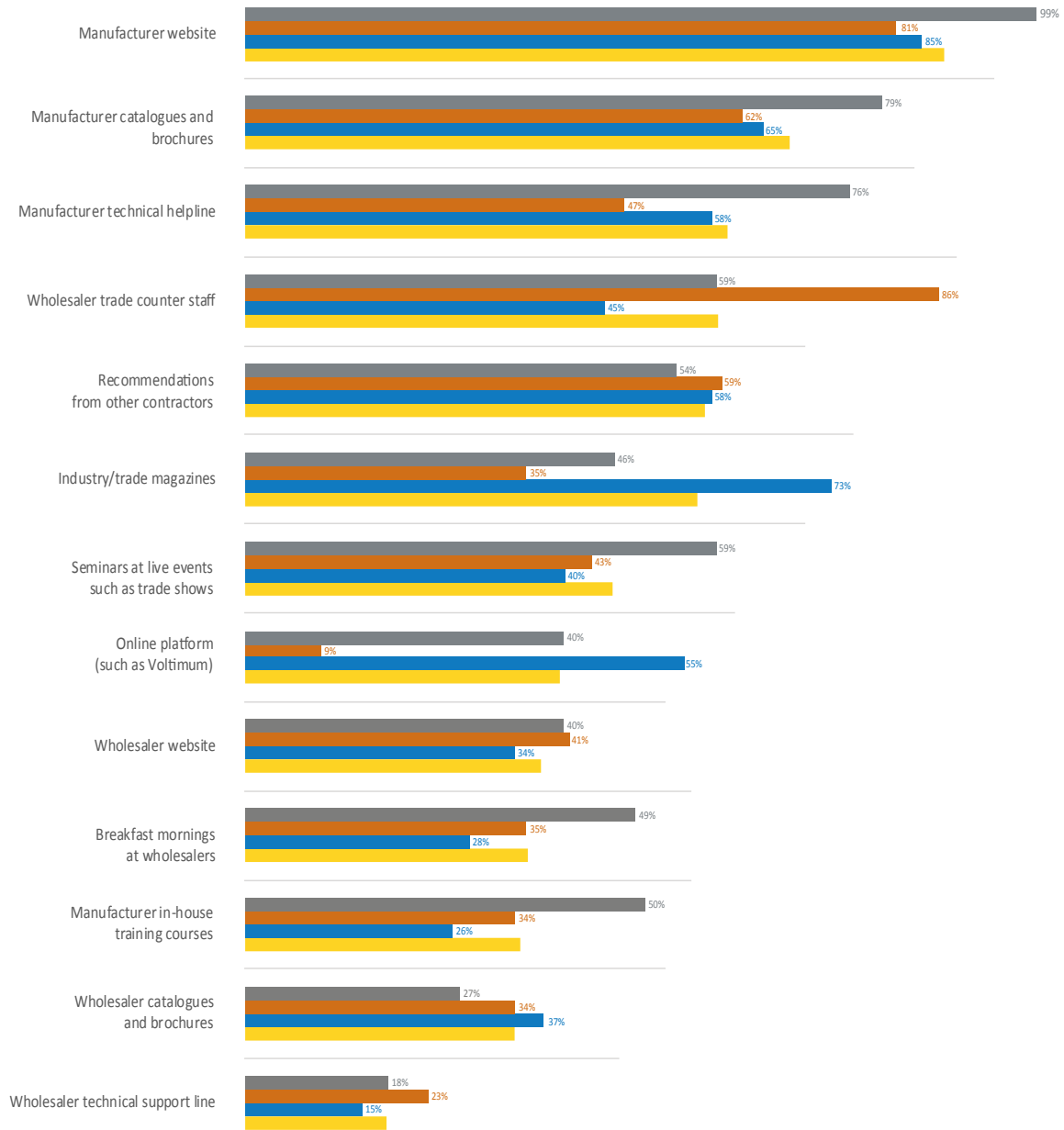
Wholesalers, for example, are almost twice as likely as contractors to highlight the role of trade counter staff (86% vs 45%), while contractors are more than twice as likely to highlight the role of trade media (73% vs 35%).

Wholesalers also appear to have a blind spot with regard to the value of industry platforms such as Voltimum – cited by 55% of contractors (and 40% of manufacturers) but only 9% of wholesalers.

When it comes to personal interactions 58% of contractors cite manufacturer helplines compared to 15% who refer to wholesaler technical helplines, while 40% refer to live seminars at trade shows, 28% wholesaler breakfast sessions and 25% manufacturer training courses.

Where all audiences are aligned is on the importance of word of mouth recommendations with 58% of contractors citing this channel along with 59% of wholesalers and 54% of manufacturers.

Overall the data makes it clear that contractors are significantly and consistently more likely to turn to manufacturer channels and resources rather than wholesale channels, whether that is websites, brochures and catalogues or helplines.



Q. We asked manufacturers:

What information channels do you think contractors/installers use to understand your products and their applications?

Q. We asked wholesalers:

What information channels do you think contractors/installers use to understand your products and their applications?

Q. We asked contractors:

What information channels do you use to find out about products and their applications?



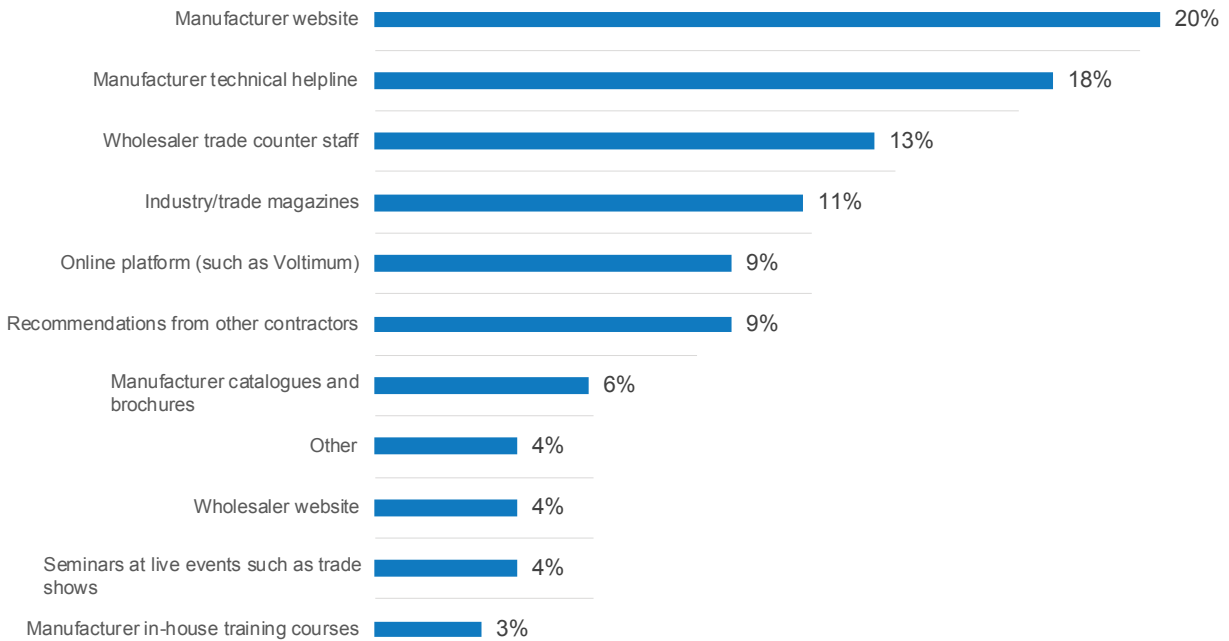
Key message

Other than agreeing that word of mouth is very important, there are major differences in what the supply-chain partners think are the most important information channels for contractors.

7.1 Most important information channel – Contractors

Q. Among the plethora of channels available to contractors we were particularly keen to identify the most important to them; which are the channels they might struggle to do their job without?

■ Contractors



Here we see a very clear top 3 information channels emerge, including manufacturer websites and technical helplines but also wholesale trade counter staff.

Therefore the wholesale counter provides the sole source of in-person information for today's contractors. We know that these in-person interactions are valued by them as they have already identified the loss of personal interaction as a key challenge of digitalisation. We are also aware that this may reflect today's contractor age profile and that the market can change quickly with an influx of new, younger, contractors.

But the opportunity is there for wholesalers; ensure that the trade counter experience is one that future generations of workers will continue to value.

It is also important to note that no other wholesale channels (including breakfast events, brochures and catalogues or helplines) made this critical contractor selection, therefore the trade counter experience is the key source of influence.

Beneath the top 3, the next tier of essential channels were comprised of intermediary or independent sources including sites like Voltimum, trade media and contractor word-of-mouth.

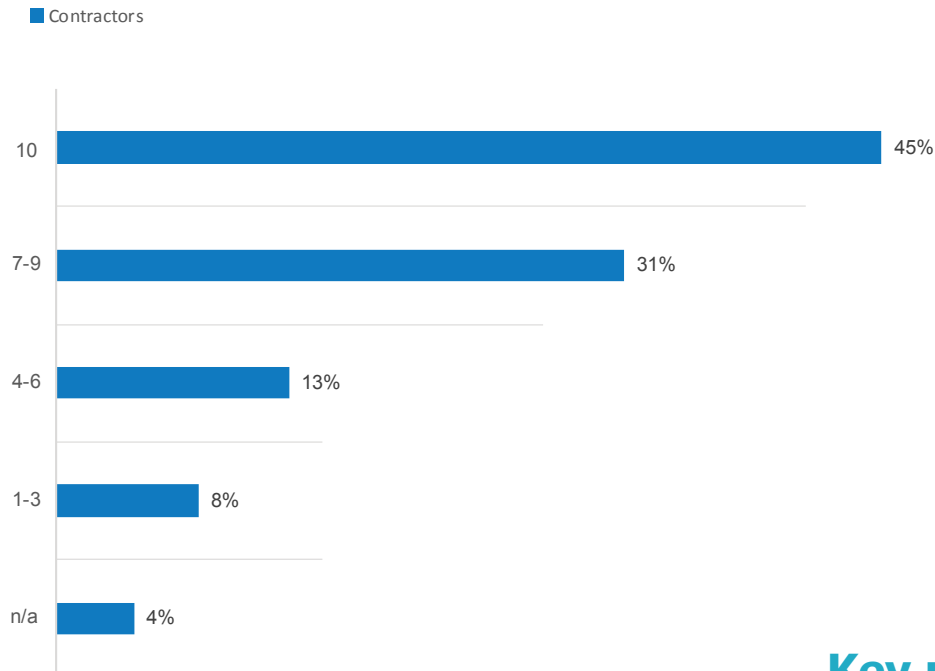
Key message

The wholesale trade counter is the most important source of in-person information and advice for today's contractors. It is therefore vital that wholesalers strive to meet contractor needs.

Closing thoughts

The final questions we asked of our contractor respondents sought to establish their satisfaction with the delivery service from their wholesalers - with delivery an increasingly important aspect of customer experience and expectation today.

Q. In your last 10 orders you placed with a wholesaler, how many were delivered on time?



We found 45% of contractors reporting that every one of their last 10 orders had arrived on time with further 31% reporting that at least seven out of ten orders had arrived on time. Therefore 75% of contractors reported that at least 70% of their most recent orders had arrived on time.

In the face of competition from the likes of Amazon and Screwfix with established distribution and delivery infrastructures, including one hour click and collect, live order tracking, site delivery and more, it is vital that wholesalers look to improve these figures.

Today's limited tolerance will not last long. As global consumer operations continue to raise the customer experience bar, they effectively raise all of our expectations of all of our suppliers.

Therefore imagine if 99% of contractors were receiving 99% of their orders on-time and as agreed, then add the availability of immediate online or telephone support for installation or operation, together with extensive knowledge of alternative brands, products and price points, and you start to see a winning formula for the wholesale customer experience.

Key message

Wholesalers must improve product availability and delivery performance if they are to compete effectively with ecommerce channels

This survey can be found in the Publications, Support and Resources section of www.eda.org.uk. With grateful thanks to Voltimum who carried out the survey on our behalf in Q2 2019. ©EDA.



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