

Customer Demands Push Distributors Beyond Products

Distributors are offering a wide range of services in response to customers' changing needs

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There's a shift happening in American business today as companies move in-house functions, such as accounting and IT infrastructure, to external organizations with specialized expertise in those areas. This enables corporations to focus more on their core competencies while reducing fixed costs.

The same trend is occurring in the industrial automation world as manufacturing facilities increasingly rely on their suppliers to assist with their automation and IT needs. Many companies must do more with fewer workers, and they need a business partner that can help provide support for their operations.

In the familiar business model, distributors aren't part of this trend as they just sell products, and provide little in the way of value-added services. However, a new paradigm is developing in which many distributors are offering technical assistance along with their products to create packaged solutions consisting of hardware, software and/or services. These distributors partner with their customers, from packaging products in custom cabinets to offering integration, repair and maintenance services.

The Benefits of Hiring Specialists

As a result of having to do more with less, companies are seeking outside firms to help manage some non-core areas of their operations. IT service providers are a good example of this trend. A company may not be able to afford someone to manage its computer communication systems, so it hires a company to implement and manage these networks. The right service provider can help the company take advantage of the latest technologies such as cloud computing and remote access to significantly increase efficiency.

Networks and other traditional IT functions are now part of many automation systems as processes that once were separate entities are now being assimilated into a single all-encompassing system. In order to accomplish this integration, engineers must be very experienced with different communication protocols as well as have a thorough understanding of the newest devices that facilitate integration.

For example, an oil company decides to tie a manually operated valve into the automation system. However, it can't afford the time for an engineer to get a manual to learn the latest techniques and technologies required to modify the valve, perform the installation, and program the associated automation system devices.

So, the oil company needs a firm that specializes in both valves and automation, one that will know the best method for installing and integrating an electric actuator on the valve. By using the right partner, often a distributor, the project can be completed quickly without unduly burdening internal resources.

A One Stop Shop

This type of outsourcing not only benefits technical departments, it also can streamline accounting procedures as only one invoice needs to be paid for procurement, installation and integration services. Locating providers and then maintaining contracts and billing cycles is time consuming and expensive, so today's customers want a single source to handle several needs, and this where a distributor can help.

[Promac](#) in Fenton, Mo., is an example of a distributor that provides services in addition to parts and equipment. The company has served the industrial market in the Midwest U.S. for over 40 years through its expertise in instrumentation, control and heat tracing.

Approximately 20 years ago the company noticed a growing demand for the specific skill sets required for successful implementations of the hardware sold to its customers. In response, Promac began offering an all-in-one solution consisting of hardware, design services, documentation, field support and training.

In addition to the ease of going to a one-stop shop, many end users find peace of mind in having one local and trusted provider with a long track record of service. If something goes wrong, they only need to make one phone call. If they need to integrate new equipment or expand their systems, they call the same company.

According to Mike Griese, president of Promac, the response to his company adding services to its offerings was so positive that the company started a new division, [Vidac Solutions](#), in 1999 to provide software integration, along with piping skids and injection systems.

Demand grew and so did Vidac, prompting it to become a certified developer of National Instruments LabView software, adding to its automation expertise. While still building custom, portable and battery-powered solutions around Yokogawa's instrumentation, Vidac has also expanded into a complete specialty engineering shop providing turn-key solutions for electrical and process test systems. (Figure 1)

Mike Griese sums up the company's success by saying, "Customers benefit by minimizing the number of calls they need to make. Whether they need something as basic as pre-configuration or adding connectors to a transmitter, or going all the way to a high voltage test system, the bottom line is value-added services help our customers reduce their overall costs and save time."

From Pre-sale to Post-sale

End users usually start their equipment procurement process by selecting a local distributor that is very experienced in their industry, often a long-term partner. Once they find the right distributor, industrial customers typically look to the distributor for pre-sales advice because of its expertise in various

manufacturers' product lines. Certified distributors are trained directly by the manufacturer and usually must participate in ongoing training to maintain certification requirements.

These two factors – industry experience and product knowledge – are why distributors are able to make the leap to services. On the distributor side, providing services is often a natural extension of their offerings, often prompted by customer demands.

Since 1991, [Classic Controls](#) has been representing industry-leading equipment manufacturers for their customer base in Florida. Over the years the company has grown to provide services such as training and technical support for the power generation, chemical and phosphate mining industries, among others. (Figure 2)

Classic Controls represents manufacturers whose lines are synergistic, making it feasible for them to add services and solutions to the products that they sell to their customers. “We sell control valves along with control systems and field instruments, so we also offer calibration, startup, valve and instrument repair services,” says Shawn Warren, the president of Classic Controls. “Along with these hardware-related services, we also do a lot of system integration, from simple engineering to complete automation projects.”

Services Help Growing Companies

Many distributors have customers who are turning to them for help with their rapidly expanding businesses. These customers must invest quickly in new equipment and systems to support sales growth. They don't have time to become thoroughly informed about all the possible benefits, so they turn to their distributor to help maximize their investment.

Warren explains, “As technology advances, it's becoming harder to be proficient in all the latest technologies. Our business is founded on providing expertise for the solutions we sell. Not only can we help our customers implement a new solution, we can also help them unlock its full potential.”

Some distributor customers may be looking for something as basic as PID control for a filtration system, while others may need more of a partner-type relationship to execute complex projects. Regardless of the size of the project, many end users are depending more on their distributors for advice and assistance, often to expand capacity and/or add to their product mix.

A Range of Services

Many times jobs begin with simply selling equipment or small value-added services, such as kitting a product with related parts. Sometimes the project stays small, but other times it grows from the original order. Being able to work with one supplier makes it much easier to scale a project upwards.

One distributor specializing in this area is [Northwest Instruments and Controls](#), a manufacturers' representative for process control equipment serving Colorado, Montana, Wyoming and northern New Mexico. For over 20 years the company has been helping customers in several industries: power, oil and gas(upstream and downstream), water and wastewater, pharmaceutical/biotech industries and more. In

addition to leading edge products and highly trained staff, the company's ability to provide complete engineered solutions has been a cornerstone of its success.

Dan Burton, the president of Northwest Instruments and Controls, says, "Many customers call with a single idea in mind such as installing a pressure transmitter on a tank. By taking the time to fully understand their system requirements and focus more on an overall solution we end up many times providing a complete turnkey package including HMI, PLC and all field devices. It really becomes a 'win-win' for everyone involved."

This phenomenon of customers wanting more services along with their equipment was the impetus for Northwest Instruments and Controls to expand its capabilities through Burton Automation to open a repair facility in Fort Collins, Colo. The facility employs factory trained technicians in the repair and automation of control valves and designs control automation solutions for the industrial market. (Figure 3)

The Next Step

The evolution from supplying products to providing integration and maintenance services is often closely aligned to the hardware a distributor offers, as certain products require much more in the way of services than others. Some distributors, however, are taking the next step in delivering expanded software and web services, independent of their specific hardware products.

For example, Northwest Instruments and Controls, Inc. also offers web hosting for its customers. Burton explains, "We provide SCADA systems, so we're obviously set up to host SCADA solutions. We realized our middle tier to small well site owners didn't have the sophisticated infrastructure required to support their own SCADA system, but we knew they could greatly benefit if we provided it as a service."

Northwest Instruments and Controls, Inc. through their system integration company Burton Automation, Inc. created a hosted SCADA solution that enables its customers to easily access advanced SCADA functionality from their computers. Customers access the password-protected website where they view their data in a user-friendly format to check how the well is operating and how their equipment is running.

They also get email notifications for alarms and events such as a tank approaching full, letting them know they need to send someone out to the site or schedule a pick up. In addition, customized reporting features help users by providing trending capabilities to determine where operations can be improved. They're billed monthly for the service, which is much more economical than purchasing and maintaining a SCADA system for a few well sites, particularly as no internal IT expertise is required to access the SCADA data.

How Manufacturers Are Assisting Distributors

Many manufacturers have recognized the growing demand for distributors that provide services and have created special certification and instruction programs in these areas. These certification programs

often require the distributor's personnel to spend several weeks at the manufacturer's facility as part of their training. Many certification programs are also customized for the services distributors will offer.

In many cases, the courses and instruction follow ISO 9000 standards in order to ensure quality management, and provide specific guidance and tools for ensuring products and services meet a customer's requirements. Training usually includes diagnostics and troubleshooting for each type of the manufacturer's products for which the distributor will provide services. The programs typically certify the person, not the company itself, so distributors often send several employees to the training courses.

Distributor or Systems Integrator?

At first glance it may seem like there's little difference between a distributor offering services and a system integrator. Certainly, the lines have become less clear, but the business model is very different. Systems integrators begin by offering a complete system design, then source products. An integrator must make a profit on its services, as in many cases their end customer will buy the products associated with the project from a distributor or directly from the manufacturer.

However, many times an end user simply wants one product that needs to be integrated into an existing system. Distributors who offer services address this demand because their sales approach usually starts with products, and only expands to services based on customer demands. When demand exists, service-oriented distributors can easily scale up to add integration and other services when requested.

Obviously, there will still be a need for system integrators and traditional distributors in the market, and in many cases these two types of firms will work together to provide the optimal mix of products and services for larger projects.

But there's also an increasing need for distributors who can provide services, particularly for smaller projects, and for projects that have substantial product content relative to required services. This demand will continue to grow as more end users seek external providers to supply integration solutions, maintenance and other services.

Questions to Ask Your Distributor

Many distributors are offering a range of services to assist their customers as detailed above and as listed in Table 1. But before an end user can take advantage of these services, certain facts need to be ascertained concerning the distributor's experience, capabilities and expertise.

The Table 2 checklist summarizes what you need to know about a distributor before engaging them on a project. First and foremost is product knowledge, which shouldn't be assumed just because the distributor has a particular vendor on their line card.

Most distributors represent a host of manufacturers, with varying levels of expertise for different product lines from each vendor. Certifications from the vendor are one way to gauge product knowledge, and simply asking pointed technical questions is another.

The distributor should have some experience with your plant and its processes, as this domain expertise will be required for project planning, execution and support. If the distributor has been a long-term partner with your company, this is a plus both in terms of domain expertise and staying power.

Unlike systems integrators and engineering firms, the primary business of distributors isn't providing personnel to projects, so make sure that the distributor knows how to run and staff a project. One way to ascertain this is to ask for project planning documents up front such as a schedule and an org chart.

If your project contains any onsite work, then make sure the distributor has the required licenses, and determine upfront who will obtain the necessary permits. The distributor should also be aware of site safety procedures. If all of the items on this checklist are satisfied, then a distributor can be the best partner for your project.

Many industrial manufacturers are focusing more on their core competencies, while contracting secondary needs to companies that specialize in those areas. By doing so, they allocate their resources to areas that provide maximum competitive advantage. Their need for skilled workers will still be there, but those workers may become part of a supporting company that specializes in certain systems or industries, ideally creating a win-win situation by increasing efficiency and productivity.

Table 1: Customer Advantages from Distributors Offering Services

1. Distributor expertise with the latest technologies allows full value to be extracted
2. Allows focus on core competencies
3. Single source for parts and services cuts procurement costs
4. More efficient execution of specific services and smaller projects
5. Partnering with a provider makes it easier to scale up a small project into a larger one
6. Ability to tap into the specialized services of distributors, such as web-hosted SCADA

Table 2: Distributor Checklist

1. Product knowledge
2. Experience with your plants and processes
3. Longevity
4. Project management capability
5. Personnel availability
6. Safety record
7. Required licenses

Figure 1: *A portable analyzer stand enables Vidac Solutions to offer testing along with other services, such as turn-key electrical systems*

Figure 2: *Classic Controls services range from simple integrations to developing a complete automation system.*

Figure 3: *In addition to providing hardware services, NIC's Burton Automation division also designs automation systems for its customers.*