



PRESS RELEASE

Industrial Workshop Building Technology: Paradigm shift in distribution

[27.06.2013] Frankfurt – Hardly any subject is being so controversially debated with growing intensity in the German HVAC and electrical installation sector as the “Distribution and Marketing forms of the future”. All market partners of the different value-creation stages are affected on equal basis as far as the typical distribution-relevant areas of conflict are concerned e.g. Wholesale trade reliability vs. Multichannel strategy, Product sale vs. Project/System transaction, Specialist line vs. Do-it-yourself or Customer care vs. Margin pressure. The "Acceleration impacts" of the Internet virtually compel every party involved in the process to engage in this subject intensively beyond the scope of daily transactions. It is against this backdrop that 85 management-level workforces debated on the “Who is who” of the HVAC and electrical installation sector on June 27, within the scope of the Industrial Workshop Building Technology, organized by Dr. Wieselhuber & Partner (W&P) at the Hessian Yard in Frankfurt.

Johannes Spannagl, Partner and management staff of Dr. Wieselhuber & Partner responsible for the sector, who has actively supported family-owned enterprises in the development of future-proof distribution strategies for profit-yielding businesses since over 25 years, presented the results of a recent W&P market survey in the HVAC and electrical installation sector and appealed directly to manufacturers to actively tackle the paradigm shift in distribution: *“In the medium term, the rigid market structures will increasingly witness disintegration in the market for building technology and each distribution channel will be in competition with every other one and will have to find its specific performance and differentiation characteristics.”* Moreover, concomitant with the management-level workforces that were interviewed, he spoke out in favor of higher technical qualification in distribution as well as new approaches



Dr. Wieselhuber & Partner GmbH
Unternehmensberatung

in marketing given the rising complexity of the products, system transaction and cross-trade networking.

Within the scope of the subsequent panel discussion immediately thereafter, moderator and sector specialist *Nikolaus Klein*, Editor-in-Chief RAS, debated with *Andreas Bettermann*, Managing Partner of OBO Bettermann, *Dr. Andreas Hahn* (*jurist*), Managing Director of kämpf + co. Innovative Haustechnik GmbH, *Karlheinz Reitze*, Managing Director of Stiebel Eltron GmbH & Co. KG, *Wilhelm Schuster*, Chairman of the Management Board of Richter+Frenzel GmbH + Co. KG and *Dr. Stefan Stegemann*, Management spokesman of Sonepar Deutschland GmbH on the central standards required of the distribution and marketing forms of the future of the sector:

Andreas Bettermann:

- "Today, our dealers offer the functionalities technical information, availability, logistics and financing. In case a potent online player is also able to offer these functionalities, this means relevant competition. As soon as the "Amazons" of this world also get into our sector, online competition becomes acutely dangerous to the classical 3-stage distribution. The answer in this case can only be stronger networking and efficiency in handling between industry and trade up until handicraft".
- "The manufacturer's brand will always beat the commercial brand on the short-term as well as on long-term basis. Danger however lurks when dealers attempt to substitute it with e.g. Asian products as commercial brands and insinuate quality with their own "brand name". The market UK has shown that no one will earn money any longer. Not even the dealers".

Dr. jur. Andreas Hahn:

- "Online trade embraces the credo *stinginess is cool*. The customer will soon realize somewhere down the line that it is also purchasing the shipment and is swapping its warranty entitlements derived from the service contract for the lesser benefit derived from the purchase agreement. And somewhere down the line, even the last fitting technician, who fails to increase its hourly rate by the



Dr. Wieselhuber & Partner GmbH
Unternehmensberatung

non-available material coverage will soon realize that this is subjecting its livelihood to immense risks. We definitely, do not install products that are purchased online. I also do not know any other professional operations of the guild that would do the same".

- "Manufacturers will henceforth have to pick the company that should perform assembly works for them in specific areas. This will makes sense if they seek to ensure that the company is also in a position to do so. This is for instance, already the case in the area of Block Heat and Power Plant. After all, the name of the product bears the brunt of negativity when the fitting technician is unable to assemble it properly. Basically, the non-availability of functionality will then presumably reflect badly on the product than on the fitting technician“.

Karlheinz Reitze:

- "In the future, the question of who has the proper craftsman at its side will be at the center of all issues. The long-term commitment of the qualified craftsman can be secured only with good products and services“.
- "Today, the sanitary and fitting industry already has a lot to do with online trading. The question then arises how online trading will be further developed. There will henceforth probably be consultancy platforms on which solutions will be achieved through mere clicks of the mouse and telephone services and professional assembly operations also get offered“.

Wilhelm Schuster:

- "Energy Turnaround and "House Turnaround“ are the industrial subjects of the future. The end-customer requires a solution for its given budget. Only the three-stage solution can offer this. Here too, there will be online solutions. The sector has however not yet come that far“.
- "The sector has the immense challenge of breeding a new generation of talents in the field of professionally trained fitting technicians. For instance, the preliminary lead time for the assembly of a heating system in South Germany is presently up to 4-6 months“.



Dr. Wieselhuber & Partner GmbH
Unternehmensberatung

- "The value enjoyed by industrial brands doesn't come from nowhere. All R+F Optiline products originate from conventional HVAC brand manufacturers. I do not see commercial brands as a mega trend".

Dr. Stefan Stegemann:

- "Routine processes for which the customer would not classically require intensive consultancy will be handled online – the active shaping of problem solutions for customers will however, not take place online".
- "From the point of view of wholesale trade, there are three risks endangering the tested three-stage solution for fitting technicians, wholesale dealers and manufacturers: 1. The build-up and upgrade of the multichannel option for the manufacturer. 2. The build-up of Internet business by the fitting technician itself – since this will actively facilitate a non-profitable price policy that is no longer controllable also by it. 3. The purchase of the fitting technician through the Internet by sidelining the wholesale dealer – the wholesale dealer will then no longer be able to successfully offer its complete services on a permanent basis".

In the final keynote address, the renowned trend researcher and futurologist Dr. Elke Wenzel analyzed the living and housing trend of the future cautioning the attendant representatives of the sector to adapt to the new housing forms and users markets in good time since the trend is clearly moving towards *"a new appraisal of housing as future investment, as a safe shelter in crisis-ridden economy and as a statement against single households and social atomization"*.

Further information on the event obtainable on demand.



Dr. Wieselhuber & Partner GmbH
Unternehmensberatung

About Dr. Wieselhuber & Partner

Dr. Wieselhuber & Partner (W&P) is an independent, cross-sector top management consultancy for family-owned businesses, as well as public institutions. This consistent orientation to particular target groups and the expertise resulting from it has led W&P in the past twenty years to become the leading management consultancy firm in Germany for family-owned businesses and the public sector. With offices in Munich, Düsseldorf and Hamburg, Dr. Wieselhuber & Partner affords its clients comprehensive expertise in business sectors and methods and stands out above all due to its competency in the area of conflicting priorities of family, management and business

Media contact:

Gustl F. Thum
Dr. Wieselhuber & Partner
Management Consultancy
Nymphenburger Strasse 21
80335 Munich, Germany
Tel: +49 (0) 89 28623-265
Fax: +49 (0) 89 28623-290
Email: thum@wieselhuber.de



Dr. Wieselhuber & Partner GmbH
Unternehmensberatung