

# The Future of the Independently Owned Fire Equipment Distributor

By Ed Hugill

The March *Firewatch!* Director's Forum article written by Rod Getz included great ideas on how to diversify your business to make your company successful. In that same issue was a very relevant and timely article on consolidation in the fire protection industry and what it means for you, the independently owned fire equipment distributor (FED). If you missed reading either of these articles, I strongly suggest you go back and read them both. Following some or all of Rod's hints on diversification could be essential for your business to grow. Not reading or, even more important, understanding the article on consolidation in our industry and the impact it could have on your business could be detrimental!

## Industry Consolidation

This article is targeted toward owners (entrepreneurs) of independently owned fire equipment companies all across the country. I write this article drawing on thirty-one total years of experience in the distribution industry. The breakdown of this service includes ten years in the automotive aftermarket, eight years in the heavy-duty truck parts aftermarket, and the last thirteen years in the fire protection industry. My first nine years in fire protection were at the FED level and the last four with a national account management company.

The ten years I spent in the automotive industry and the eight years in heavy-duty truck parts mirrored the changes happening these last ten years in the fire protection industry. I saw firsthand the good and the bad of consolidation in those industries. In a similar manner, consolidation revolved around a few select major players in both of those industries. Mr.

Coleman's article, "Fire Protection Industry Consolidation," in the March *Firewatch!* introduced the four major players in this new consolidation era for fire protection. Mr. Coleman noted the following facts: Ten years ago (2000), most FEDs were independently owned. The consolidation movement started in 2001 with Tyco acquiring Simplex. In 2003, Cintas entered the industry and has grown rapidly since. In 2005, UTC Fire & Security was created and now has distributors across the U.S. The newest entrant is Minimax (a German fire protection company) who acquired Consolidated Fire Protection in 2007 and in 2009 purchased the Viking Group. Each of these four companies now have branch distribution locations operating in many parts of the country.

## How Does This Affect You and What Should You Do?

The first question that must be answered is: Do you have any interest in becoming a part of this consolidation? If the answer is no and your passion is to continue to operate and own a successful, independently owned FED, then I have two proven strategies to share with you to solidify that objective. These two strategies, based on my years of distribution experience, should allow independently owned (non-consolidated) distributors to survive the changes that will affect our industry. With consolidation comes the emergence of large corporate competitors, and their number-one goal will be to grow revenue and gain market share. Eventually one of these large competitors will affect your marketplace. The real question is, when that happens will you have made decisions regarding your business to compete successfully?

## How Can I Compete?

**Step One: Strategic Alignment with Associations.** Most of you, if you are reading this article, have started on step one. You must align yourself with local, state, and federal associations both within the fire protection industry and also general business groups. The industry consolidators will have advantages over your company in product-line costs and availability, industry-specific technical training, sales and management training, and all aspects of hiring (testing, benefit packages, etc.). There are only a handful of independently owned FEDs large enough to provide all of these same advantages to their business. The true cost of all the different types of training required in this industry is very difficult for the majority of smaller businesses to fully absorb! The only way for your company to compete from a training standpoint is to be actively involved in trade associations like NAFED. If you recently attended one of the three regional NAFED conferences, you had the opportunity to attend general meetings and breakout sessions on many training areas critical for you to stay competitive long-term.

The one area that the large competitors (consolidators) will have a "true competitive advantage" over many of your businesses is the area of actual product cost, or buying power. Even more important than cost is the advantage consolidators have of being big enough to obtain many of the premier product-line offerings. In the two previous industries where I experienced these same pressures, the answer for the independent was to take advantage of buying power through trade associations and to even consider the possibility of buying groups. As a first step I truly hope you

attended the vendor booth shows at the NAFED conferences and even more so really “worked” them. For many of you this is your only chance to address issues (pricing, manufacturer representation, training, etc.) face to face with senior management at your current suppliers. Even more importantly, it may be your only chance to solicit a product line you really need in your market. This is the face-to-face interview time in which you can sell yourself and your company as a potential “good-fit distributor” of their line. Keep in mind, the large consolidators will have many opportunities to have this same face-to-face time with vendors throughout the year.

**Step Two: Pursue National Account Work.** If you are not currently doing fire protection work for any national account status customers, you are missing the boat and soon will be at a competitive disadvantage. I am talking about customer types such as large regional or national restaurant chains, retail chains, hotels, or health care customers that you have no chance of selling on a local level. Most of these customer types are now looking to have their fire/life safety needs managed by some type of national program. The primary reasons behind this decision are mergers and acquisitions of local and regional companies, downsizing or elimination of facility departments (where fire/life safety was managed), and liability concerns of dealing with multiple fire protection companies versus one umbrella program.

The large industry consolidators discussed earlier in this article are already involved in the national account customer arena. If you are not aware, each of your businesses also has the opportunity to par-

ticipate in the national account marketplace by partnering with a national account management company. Just like selecting a vendor supplier partner, you should do your homework and research the different choices for partnering with a national account management company.

I had the opportunity to be one of the presenters for NAFED in 2008 for a breakout session on understanding national

account companies. Here is a portion of that presentation that may cause you to reconsider any negative experiences or preconceived ideas you had concerning national account work. The following are the top ten reasons why FEDs should be doing work with national account management companies:

- Consolidation of companies and services will grow.

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- FEDs can't get national account business locally.
- National and large regionals are replacing local businesses.
- Tags and stickers are great exposure in local markets.
- No upfront acquisition cost to gain accounts.
- No bad debt exposure.
- Volume builds routes, hires new techs, covers overhead costs.
- Single point of contact for work orders.
- Opportunity to consistently gain new customers.
- Multiple service customers, allows growth in variety of services.

If you have not performed work for any of the national account management companies, I strongly suggest you look at this opportunity to grow your revenue and customer base. For many of you this national scope customer base will give your company the image and reputation of being a much larger company than your actual size.

The fire protection industry has changed more in the last ten years than any previous time frame, and the changes are not over. I previously worked in two industries where the consolidation/merger time period made the overall industry better and stronger for those who properly managed their business. I have given you two ways to help make sure you secure your place in the long-term future of the independently owned FED in this changing and exciting industry. ♦

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