

**NewsBriefs**

Recent acquisitions made by **US Electrical Services (USES)** include **Hampden/Zimmerman Electric Supply** in Massachusetts, and two Atlanta-area distributors, **Danlar Lighting & Distribution** and **Lade Electrical Supply**.

**Border States Electric (BSE)**, Fargo, N.D., purchased **Minnesota Electrical Supply**, based in Willmar, Minn. The addition brings BSE's statistics up to 1,200 employees, 51 locations, and operations in 11 states plus Mexico. In addition, the company was featured in the October 2006 issue of *US Business Review*, which noted that the company has aggressive plans for growth. The article quoted CEO Tammy Miller: "We plan to be a billion-dollar company within five years." Find more details at [www.usbusinessreview.com](http://www.usbusinessreview.com). Separately, the company announced the launch of a new management trainee program, which may take participants up to 24 months to complete, and includes on-the-job training, project assignments, textbook studies, and course/seminar attendance.

**Graybar** opened a 19,000-square-foot facility in Panama City, the company's 22nd location in Florida.

**The Hite Company** is opening a new 30,000-square-foot facility in Harrisburg, Pa. Set to come online in the first quarter, the new facility will serve customers as well as four other Hite locations as a regional distribution center. It's the company's 20th location.

In New Orleans, **Nu-Lite Electrical Wholesalers** worked to raise a goal of \$200,000 in funds between July and December 2006 for its Energize New Orleans program. Newly added beneficiaries to its efforts include the New Orleans Children's Hospital Fore!Kids Foundation's Katrina Fund Charities.

**FROM THE TOP** BY **JOE SALIMANDO**

# Sonepar's sales soar

If Tony Burr gets his wish, Sonepar will hit \$3 billion in U.S. sales this year—arriving there from zero in under a decade.

In a December 2006 meeting with representatives of roughly 100 vendors, Tony Burr, president of Sonepar U.S., challenged his company to reach a \$3 billion annual run rate during 2007. That would be nearly a 40% increase from the \$2.3 billion the company achieved in 2006; sales in 2005 were about \$1.5 billion.

How did Sonepar add roughly \$800 million in sales in one year? Of course, it made acquisitions (more specifically, six), but the company claimed it also tacked on \$400 million in sales via organic (internal) growth.

While the \$3 billion in 2007 isn't a sure thing, the company's stretch goal is to hit \$4 billion by 2010—or perhaps sooner. Dollars of sales aside, by 2010 the company plans to have at least 270 branches; it now has 190.

## What Irby has added

While Sonepar's growth isn't all about Stuart C. Irby, the company (acquired in 2005) is a part of it. Mike Wigton, Irby's president, surprised some listeners with his presentation, which included these points:

- ✓ Overall, Irby sees the world in three segments, more or less: commercial/contractor, industrial, and utility. Though many pigeonhole the company as a utility distributor, each segment brought in more than \$150 million in 2006 sales.

- ✓ Compared to 2005, contractor segment sales increased 45.6%; none of the gain came from acquired companies.

- ✓ Utility sales increased 53.6% in 2006; all three of Irby's acquisitions were in this area.

- ✓ Industrial sales rose by 14.6% over 2005.

- ✓ With 41% growth in 2006, Irby grew

from \$435 million in 2005 sales to \$605 million in 2006. Wigton's breakdown: 47% from acquisitions, 38% organic, and the balance (15%) attributable to inflation.



**BIG COMPANY HAPPENINGS**

- ✓ Irby grew—from 34 branches and 647 employees in 2005 to 848 employees at 53 branches in 2006.

Here are two zingers: First, Wigton projected 2007 sales of at least \$725 million—and added that he thinks that's "on the low end of legitimate expectations." Second, Jay Bricker, the company's senior vice president, noted that Irby's growth was real—"It's not

Katrina," he said.

## Strategic internal growth

Sonepar's organic gains grew from many approaches. While the company is run by local managers, it cultivates vendor relations nationally. An example: It promises not to sell private-label goods in the United States—avoiding competition with vendors.

One local concept that might be about to spread was piloted by Irby. In April 2005, the company began experimenting with the "Irby Express" store—sized at 2,500 to 3,000 square feet. The company now has six of these express stores, and things are about to become even more serious: The Sonepar unit plans on opening six of these small branches in the Nashville area within the year's first quarter.

Another growth approach is demonstrated by Sonepar's D.C./Maryland/Virginia operation, Capital Lighting & Supply. President John Hardy combined what were once six different electrical distributors. Hardy closed various branches, and opened new ones.

In the process, Capital's sales have

**Continued on page 16**

# Sonepar scorecard

- ✓ **Sales:** \$12.4 billion in 29 countries; United States, \$2.3 billion
- ✓ **Employees:** 22,600 worldwide; 3,600 in the United States
- ✓ **2006 growth:** Plus 23.4% (Sonepar estimates 8.8% of that is inflation)
- ✓ **Segment growth (over 2005):** Cable, up 63%; installation materials and lighting, each up 13%; communications/security, up 8.2%; other, up 12.9%
- ✓ **Rank:** No. 1 electrical distributor (ranked by sales) in France (its home country), Belgium, Finland, Germany, Italy, and the Netherlands; it is ranked No. 5 in the United States and believes it is the No. 2-ranked electrical distributor in the world
- ✓ **Segments:** Cable, 19.7% of sales; lighting, 15%; installation materials, 13%; communications and security, 4.2%; other, 17.4% (data for the first nine months of 2006)



**Frank Lakerveld,**  
COO, Sonepar

## The view from the top

As the self-ranked No. 2 electrical distributor in the world, Sonepar naturally has insights into the global market. These insights were shared at the December 2006 vendor meeting by Frank Lakerveld, COO:

- Global electrical distribution market: approximately \$275 billion
- North American market: \$118 billion to \$131 billion
- European market: \$78.5 billion to nearly \$92 billion
- The rest of the world: more than \$52 billion to nearly \$79 billion
- According to Lakerveld, the top 10 U.S. electrical distributors together have 2,950 branches and a 31% share of the U.S. market.—J.S.

### Continued from page 14

gone from \$50 million when Sonepar first bought it to \$250 million today. The plan is to open 16 to 20 additional branches (there are 20 now), taking sales to the \$400 million per year mark. Hardy told listeners that's the planned internal growth; any acquisitions made should push the operation over and above that \$400 million.

Several Sonepar speakers noted that the company isn't in a hurry, and feels it doesn't need to be. Its investors are family shareholders, not private equity types. There is no stock in public hands; thus, the management's daily concerns do not include stock market quotations.

That approach is reflected in Hardy's growth plans. Construction has begun of a

220,000-square-foot distribution center and headquarters in Forestville, Md. At maximum utilization, the facility will offer 180,000 square feet of warehousing; the company's current center is 85,000 square feet.

### Acquisition priorities

Obviously, to add \$1 billion in sales in a 12-month period Sonepar will be buying something—but what? The company's approach is to buy local operations, keep local brands in place, and let the local managers make decisions. "One size does not fit all," Burr said several times. He listed three yardsticks he uses in determining whether an acquisition fits:

1. Does the company's managers possess an entrepreneurial vision?

2. Does the company share the same values as Sonepar?

3. Is there a long-term vision?

As demonstrated to vendors by the Wigton and Hardy presentations, this last element is key. Sonepar will apparently put its money where its mouth is.

"We want to look at how [the acquired companies] develop their local market," Burr said. These steps can include future "bolt-on" acquisitions, he added.

While local distributor autonomy and expertise key the culture at Sonepar's U.S. operations, there are national mandates. Burr said the company will put more stress on e-business, more engineer support (to manufacturing customers), and integrated supply. ■■■

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### NOTEWORTHY

## A new home with help from Hein

Hein Electric, headquartered in Brookfield, Wis., provided all of the electrical materials for the Koepke home in Dundee, Wis., which was recently featured on ABC's *Extreme Makeover Home Edition*.

Hein's Waukesha Branch Manager Frank Zindars took charge of the project, donating a week of his vacation time. Virtually all of the electrical materials—about \$25,000 worth in all—were supplied, including Encore wire; Pass & Seymour receptacles, switches, plates, and boxes; Halo recessed lighting; Broan ventilation products; and Lutron dimmers.



**In seven days, a 3,200 square-foot home in Dundee, Wisc., was built for a local family in need, with \$25,000 in electrical materials provided by Hein and other distributors.**