

Behind Grainger's Safety Deep Dive

Plus a look at Grainger's focus on emergency preparedness

Bonus Article by Lindsay Konzak, Editor

Editor Lindsay Konzak recently attended the 2014 Grainger Show, Grainger's annual trade show and conference for its customers and suppliers. During the show, members of the media sat down for a roundtable discussion with Grainger CEO Jim Ryan. Ryan spent much of that time talking about Grainger's growing focus on safety. The distributor, with \$9.4 billion in 2013 sales, is increasingly putting competitive pressure on both safety specialists and distributors that have expanded into safety products as an ancillary product category in recent years.

Grainger continues to aggressively expand its safety products and services suite.

"There is not a customer that we talk to that doesn't have cost and safety on their mind," Grainger CEO Jim Ryan said during a recent media roundtable at the \$9.4 billion MRO distributor's annual Grainger Show.

At the 2014 Grainger Show, the distributor emphasized its growing focus on safety, including a new partnership with the National Safety Council called the Journey to Safety Excellence. Expect more in September 2014 on its plans, which include a website for companies to analyze their safety issues.

Grainger acquired Safety Solutions in December 2013, which will help it target the manufacturing sector with safety footwear, supplies and services. The acquired company offers an on-site safety footwear service and a benefit management program that tracks purchasing and compliance for customers.

"Quite frankly, we have for years under-marketed our safety capabilities," Ryan said during the roundtable. "... Part of it was taking advantage of a product line and the scale that we already had in that business. And the second is, roughly about five years ago, we began to get much more aggressive not only about marketing our product line, but building our service offering. While we've always had a very strong product offering, we haven't had the full set of services that customers require, and we were getting more and more demands from customers."

Ryan said that the distributor's emphasis on the safety category coincides with customer requests that were being driven by legislation, a growing focus from the government on OSHA compliance, and the desire to recognize the full cost "associated with running an unsafe environment."

There is definitely more demand for the services Grainger is looking to provide, Ryan said. "More and more customers are looking to push the training up the supply chain to their suppliers, which is great," he

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said. "That's a trend we embrace."

But with that opportunity come challenges for distributors, Ryan said. For example, different companies provide allowances for safety shoes, which requires tracking by employee, how much they used, when they used it and what kind of shoes they have and whether they are in good condition.

"That data tracking is really complicated and really hard to do, and you have to track it over long periods of time," Ryan said. "If you're an individual company, you've got all those employee records on your database, and it's easy enough for you to do. But now, when it comes on the supplier you've got to get all the data from your customers loaded onto the system, make sure you're protecting personal information, and now we have tracking responsibility and compliance responsibility on behalf of our customer. So that's very different."

Instead of trying to develop that capability itself, Grainger bought a company that already does it – Safety Solutions. "The challenge is keeping up with all the requirements that companies used to handle themselves and now taking the responsibility to handle it on their behalf."

Ryan believes Grainger can compete effectively with safety specialist distributors. "One of the reasons that we've been aggressively expanding our services offering is because historically we haven't been able to match the services of a lot of the safety specialist companies," he said. "Today we've got a much different story to tell."

Distributors have to make a decision, Ryan said, about how they will compete in the industry long-term. "This is a bit of an oversimplification," he said, "[but] the trend in this industry is customers are consolidating their supplier base, and they're doing that because it's a way to get more efficient and get cost out of your business. So all of us have to decide where we're going to play. Are we going to play more as a scale broadline supplier or as a specialist?"

But there is more pressure on specialists to be focused and good at what they do. And they must be strong in value-added services. "I think the specialists that are at risk are the ones that ultimately aren't focused and bleeding their product line and service offering closer to the broadline players," he said.

For distributors in the broadline arena, they have to build scale. "We also have to pick our spots for Grainger in safety," Ryan said. "We have to have categories where we show up with deep technical and service expertise. So the lines are blurring a bit between generalist and specialist, but I think regardless of the product category, there will always be room for both in this industry."

Grainger Gets Predictive with Emergency Response

As Grainger ramps up its safety offerings, the distributor has also refined its supply chain to support companies in their times of greatest need: emergencies.

"We have the products that businesses and communities need when natural disaster strikes," said CEO Jim Ryan during the media roundtable at the 2014 Grainger Show. Based on historic use, Grainger knows which products are in demand based on the disaster that strikes. Over the past eight years, Ryan said, Grainger has become more predictive.

"We're not storm chasers, but we track storms and load trailers in advance and put them on the road," Ryan said. "So we're not just reactive; we're not loading after a storm hits. We're loading trailers and putting them on the road and getting them close to where they're going to be needed."

The distributor has also integrated technology so that it can efficiently sell off the back of the trailers.

Ryan said that the frequency of disasters seems to have grown. "The way we predict, and the way we respond, works. It's tested, and it works really well, but it seems like we're having to do it a whole lot more often than we used to," he said.

Ryan said customers also seem to be more prepared than they used to be for emergency situations. Grainger's relationship with the American Red Cross includes a program called Ready When the Time Comes. "This is getting around to companies and training their employees in advance about how to set up emergency shelters and how to track misplaced people, and all the things you need to do when disaster strikes," he said.

"The ramp-up of that program has been pretty impressive, and the Red Cross has been doing an effective job with businesses and marketing the need to be prepared." The program includes training volunteers to respond when a disaster strikes. The program was launched in 2006 with a \$1 million donation from Grainger.

Learn more about Grainger's partnership with the American Red Cross at www.grainger.com/content/redcross.