

■ *Marketing Research Report, Part 2*

Optimize Your Marketing Vehicles

Research: Room to grow in catalog, in-store & search engine marketing

Editor's Note: In this article, survey results are frequently presented showing Market Leader response vs. other distributors. MDM's Market Leaders lists are available at mdm.com/marketleaders. The lists show the largest distributors in eight sectors.

Real Results Marketing in partnership with Modern Distribution Management conducted an online survey of more than 175 distributors to better understand their marketing practices. This article, the second in a two-part series analyzing the results, explores how distributors use different marketing vehicles such as email, the Web, catalogs and more. The first article looked at how marketing channels are used by different distributors.

**By Jonathan Bein, Ph.D.
and Rob Kelley, CFA**

Historically, distributors were limited to in-store marketing vehicles such as print flyers, catalogs, some telemarketing and tradeshows. Marketing vehicles that have become prevalent in the past five years include email, search engine marketing, increased telemarketing and social media.

Of course, the marketing vehicles are linked significantly to the marketing channels chosen by a company. As noted in Part 1 of this report, published in the May 10, 2011, issue of MDM, many companies have outside sales and inbound telephone sales channels. Fewer companies have a transactional website. Companies without e-commerce will make only token efforts in search engine marketing. In fact, some may avoid it altogether because they feel that the aesthetics or content on their websites are inadequate and so it may be counter-productive to draw attention to them.

In this article, we look at how MDM

Market Leaders (defined as the largest distributors in their sectors) and other distributors use direct response and in-store marketing vehicles as well as mass media and social media marketing vehicles.

The main differences between the leaders and other distributors lie in the use of print catalogs, search engine marketing and in-store events. The market leaders are more likely to use these marketing vehicles and to consider them important in their overall marketing efforts.

Direct Response Marketing Vehicles

As shown in Figures 1 and 2 on page 3 of this issue, the MDM-Real Results Marketing survey covered five direct response marketing vehicles including print catalog, print flyer, email, search engine marketing and telemarketing. With the exception of search engine marketing, MDM Market Leaders and other distributors have similar likelihoods of using a specific direct response marketing vehicle.

Catalog Marketing. Slightly over half of all respondents have catalog marketing programs. The main differences among respondents are size of catalog, frequency of distribution, and circulation. The MDM Market Leaders create larger annual catalogs but they also are effective with monthly mini-catalogs often customized to specific market segments. Distributors who are less focused on MRO sales are less apt to perform catalog marketing. Some vendors who either never had a catalog or ceased printing a catalog years ago are now moving directly to electronic catalogs. Yet, many distributors realize that their customers will first look in a print catalog and only then purchase online or over the phone. These distributors have not bought

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PERSPECTIVE ■ *Commentary by Jenel Stelton-Holtmeier***Use 'Social Technologies' to Sell Better**

Have you seen that commercial where a small business owner's daughter's boyfriend is looking for the company on the Web – and not finding it at all?

You often hear that the Internet is the future. Not to be argumentative, but the reality is the Internet is now. If you don't have a presence online, and if you aren't engaging your customers through the Web, you're missing out on some great opportunities.

So the question is: What is the future?

The future, according to author and business technology expert Scott Klososky, is in social technologies. Klososky spoke at the National Electrical Leadership Summit, sponsored by the National Association of Electrical Distributors, earlier this month.

"Never before in history could one person connect with 2 billion other people around the world unfiltered and in an instant," Klososky said. It's free, instant, global marketing. But it's also a tool that can help you manage your internal operations better.

Consumers and, in turn, business-to-consumer (B2C) companies have already embraced the opportunities available through social technologies – which include social media sites like Flickr and YouTube, social networking sites such as Facebook and LinkedIn and reputation-

measuring sites like Social Mention.

But it also works in the business-to-business (B2B) world, as well, Klososky says, through "socially facilitated selling." Socially enabled tasks allow for online recruitment – something distributor Anixter International already uses Twitter for – and customer relationship management.

Social technologies from smartphones to iPads can help keep your sales team and office support connected and provide answers to customer questions more quickly – leading to quicker sales closings.

Think posting your products online would be ineffective because it won't reach the right audience? A video for a self-cleaning commercial toilet that CWS-boco International, a European manufacturer, posted to YouTube has been viewed more than 2.75 million times. And while all 2.75 million of those viewers are probably not the target audience, chances are that many will be. As with other social technologies, that video on YouTube could be accessed by your salespeople in the field to use in face-to-face calls with your customers.

The Internet is now; the future, according to Klososky, is taking what we know of the technology and turning that knowledge into wisdom and innovation ... and business success. ■

MODERN DISTRIBUTION MANAGEMENT

*Founded in 1967
by J. Van Ness Philip*

Publisher
Thomas P. Gale
tom@mdm.com

Editor
Lindsay Konzak
lindsay@mdm.com

Associate Publisher
Craig Riley
craig@mdm.com

Associate Editor
Jenel Stelton-Holtmeier
jenel@mdm.com

Contact Information

Questions, comments, article proposals, address changes or subscription service to:

Gale Media, Inc.
3100 Arapahoe Avenue, Ste 500A, Boulder, CO 80303
Tel: 303-443-5060 Fax: 303-443-5059
Website: <http://www.mdm.com>

Subscription Rates

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Subscriptions are available by online delivery and/or first-class mail. Nine years of archives of MDM are available online to subscribers.

Published twice monthly; \$345/yr., \$365 U.S. funds other countries; \$169 each additional subscription to a company (\$189 other countries). Six-month and two-year terms are now available. For group subscription rates and site licenses, please contact Hadley Fable at 303-443-5060.

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ISSN 0544-6538

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Marketing Research, Part 2

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into the idea that “print is dead.” Instead, they are growing circulation of their print catalogs and show no sign of slowing down.

Email and Print Flyers. Almost 90 percent of survey respondents use print flyers and just over 75 percent use email marketing to reach customers. Larger distributors have daily or weekly operations focused on creating and delivering print-flyers or email whereas smaller distributors may do monthly or quarterly versions. One of the virtues of print-flyers and even more so with email is that it is easy to measure results because there is usually a specific offer associated

with each of these vehicles. In contrast to other direct marketing vehicles, print flyers and email are primary vehicles for smaller companies who typically have less mature capabilities in search marketing, catalog marketing or telemarketing.

Email marketing is easy to do, but hard to do well. Burt Schraga, CEO of Bell Electrical Supply, Santa Clara, CA, said: “We do not believe in email marketing because it is highly commoditized. Everybody has got Constant Contact. I think the way to reach out is to send print material.” Large companies employ email marketing specialists who can create more targeted offerings, which addresses these concerns.

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Figure 1 - Direct Response Marketing Vehicle Use

The numbers below indicate the percentage of survey respondents who use that particular marketing vehicle. Find a complete list of MDM Market Leaders at mdm.com/marketleaders.

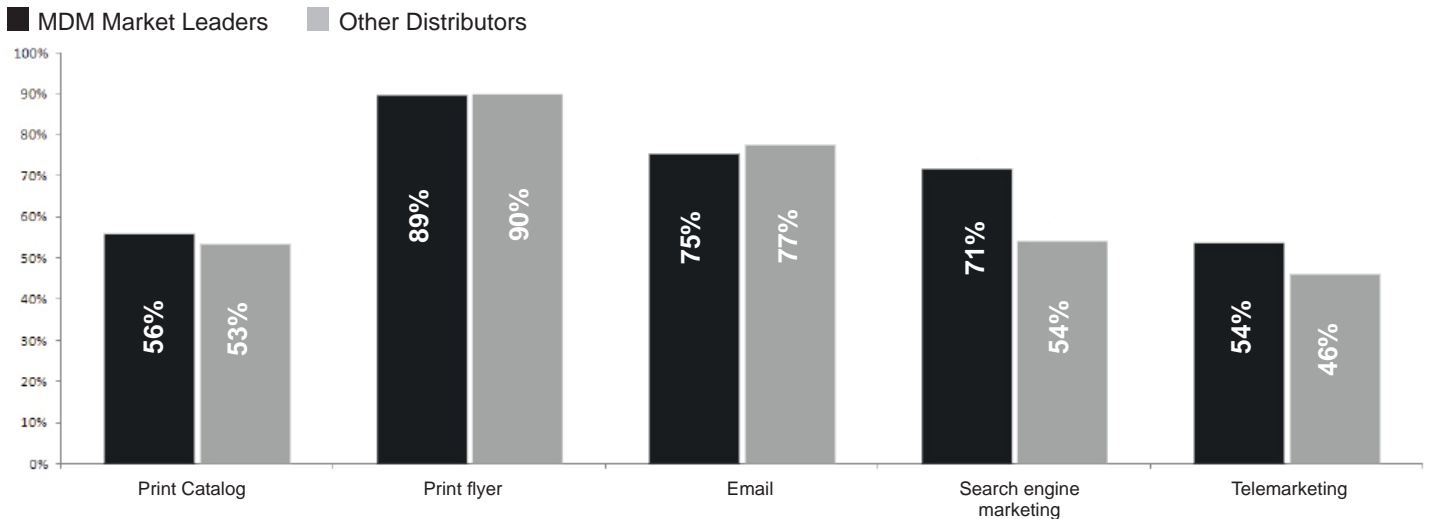
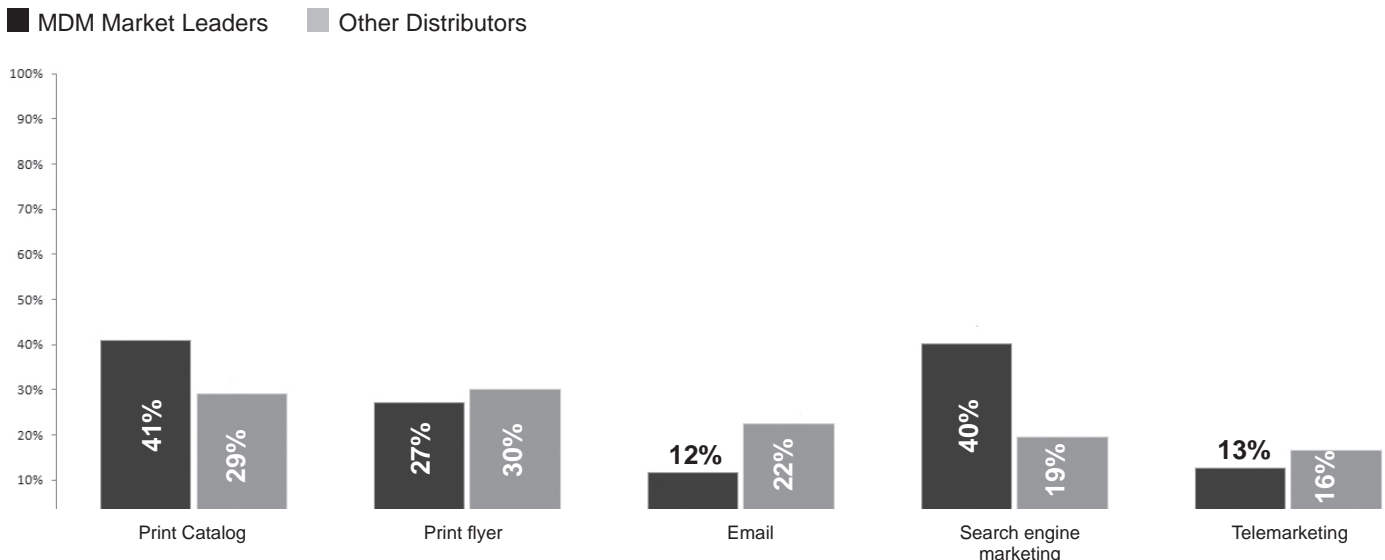


Figure 2 - Direct Response Marketing Vehicle Importance

The numbers below indicate the percentage of survey respondents who perceive that particular marketing vehicle as important to overall revenue growth. Find a complete list of MDM Market Leaders at mdm.com/marketleaders.



This research was conducted by Real Results Marketing in conjunction with Modern Distribution Management. The research performed included interviews with nearly 20 distributor senior executives and an online survey taken by 175 participants across a variety of distribution sectors.

These specialists can also leverage software tools such as Eloqua, Net Results Marketing or Silverpop that automate email responses based on what a customer viewed or how many times they visited a website, for example.

Search Engine Marketing. The use of search engine marketing is a clear point of differentiation between the practices of MDM Market Leaders and other distributors. Search engine marketing is a strategy focused on using free and paid tools online to optimize company visibility on Web search engines. More than 70 percent of the leaders use search engine marketing versus 54 percent of the other distributors. The increased usage by leaders is also reflective of their increased emphasis on the Web as a channel. Smaller distributors are less likely to have any e-commerce capability. As a result, 40 percent of the market leaders view this channel as important where only 19 percent of the other distributors do. Slightly more than half of the MDM Market Leaders do search engine marketing on a daily basis, often through dedicated in-house SEO/SEM experts. By contrast, smaller companies typically rely on third-party expertise.

Telemarketing. The presence of telemarketing was slightly higher for leaders at 54 percent versus 46 percent for other distributors. The main difference is the frequency with which the MDM Market Leaders do telemarketing: Half have daily, ongoing operations versus 31 percent for the other distributors. As noted in the first part of series, the outbound telephone sales channel is well utilized by about 20 percent of all distributors. Similarly, best practices for telemar-

keting such as target list hygiene and selection of agents with proper skills are not well disseminated or applied by most distributors.

In-Store/In-Person Marketing Vehicles

As shown in Figures 3 and 4, the survey covered three in-store/in-person marketing vehicles including branch/store events, display merchandising and trade shows. Although each of these vehicles is commonly used by distributors, the MDM Market Leaders attach less importance to these vehicles than to catalog marketing and search engine marketing. They also attach more importance to these than to email marketing and telemarketing.

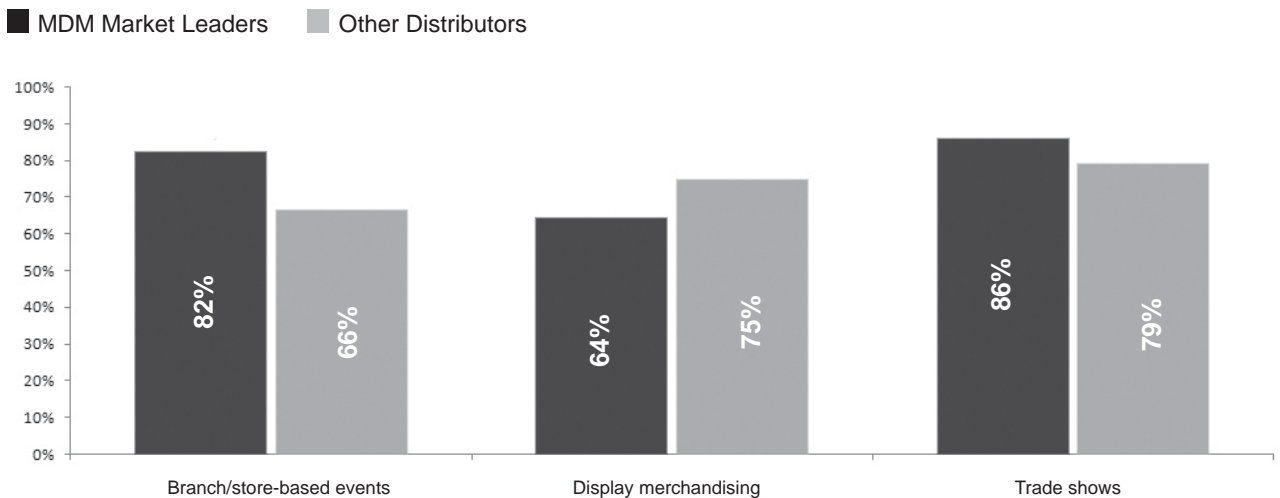
Trade shows. For many, a trade show is considered a necessary evil. On one hand, it is critical to have presence at certain trade shows. On the other hand, there are often minimal measurable results from the trade show. Larger distributors with professional marketing departments participate quarterly or even monthly whereas smaller companies only do annual trade shows.

Branch events. Over 80 percent of the market leaders use branch events versus 66 percent for the other distributors. The branch events can include training, sharing of best practices, and introduction of new suppliers. For distributors with more than \$100 million revenue, branch events are usually held monthly and coordinated with the corporate marketing department. For very small distributors the events are held quarterly or even annually.

Display merchandising. This marketing vehicle is used less by the MDM Market Lead-

Figure 3 - In-Store/In-Person Marketing Vehicle Usage

The numbers below indicate the percentage of survey respondents who use that particular marketing vehicle for in-person or in-store campaigns. Find a complete list of MDM Market Leaders at mdm.com/marketleaders.



ers than it is by the other distributors. This could be driven by distributors who do not operate branches and rely on catalogs and websites or distributors who focus on selling to OEMs. Many small distributors utilize display merchandising with daily or weekly adjustments to increase sales. The market leaders who do utilize display merchandising rate it as more important than do smaller distributors.

Mass Media Vehicles

In general, mass media is a less common and less effective means for reaching the “prosumer” audience of B2B distributors. Among the survey respondents 7 percent use TV ads, 11 percent use radio commercials, and 8 percent use outdoor advertising, such as a billboard. Within the seven respondents who use TV as a marketing vehicle, one distributor sells consumer products and three of those seven only employ TV ads quarterly or annually. Use of radio by distributors is similar to TV: Only 4 of the 12 respondents who use radio do it weekly or daily.

Grainger is a visible notable exception in its use of mass media, particularly television. The message of the MRO distributor’s ads is that Grainger has a wide selection of products. We wonder whether this is really the best message for them to convey through this expensive campaign given the incredibly high levels of existing awareness the company already enjoys about its brand and its huge assortment of products.

This campaign is in conjunction with the distributor’s strategy to grow the number of product categories, suppliers and products beginning in 2006. Still, as large as Grainger is, their TV media must be applied carefully to

reach a responsive target audience.

Social Media Vehicles

Most distributors’ efforts with social media are experimental and involve straightforward uses of LinkedIn, Facebook and Twitter. Of the 36 percent who currently have a social media initiative, nearly a quarter of them are involved on a daily or weekly basis. Less than half of those with a social media initiative consider it important. However, a number of distributors understand that its importance as a marketing vehicle will grow as younger people are hired into the workforce. Nevertheless, the workforce is aging at only 2 percent to 2.5 percent per year, so it will be several years before those who have grown up with social media form a significant portion of the workforce. We believe that mobile applications that support ordering in the field will evolve much more rapidly than social media which is primarily awareness-oriented.

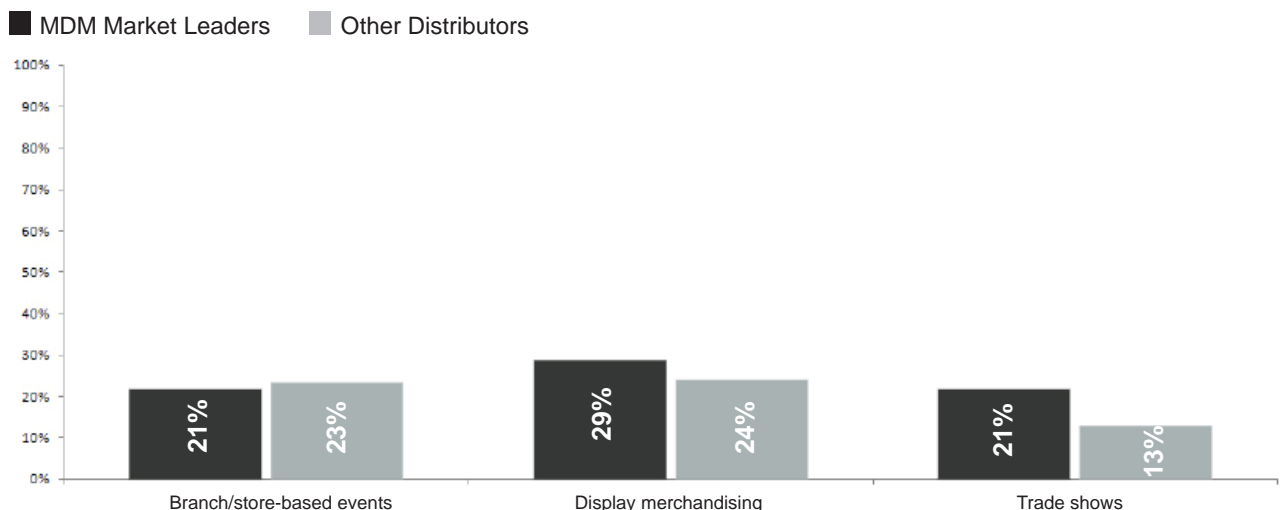
Conclusion

The choice of marketing vehicles depends heavily on distributors’ choice of marketing channels. In the previous article, we said that most distributors, whether they sell MRO products or to OEMs, have solid capabilities with outside sales and inbound telephone sales. However, capabilities for in-store marketing, outbound telephone sales and e-commerce vary widely. From the standpoint of marketing vehicles, the imperative for many distributors is to improve three marketing vehicles:

Catalog marketing – For some companies, this may mean initiating a new effort or resuscitating prior work to begin catalog marketing.

Figure 4 - In-Store/In-Person Marketing Vehicle Importance

The numbers below indicate the percentage of survey respondents who perceive that particular in-store/in-person marketing vehicle as important to overall revenue growth. Find a complete list of MDM Market Leaders at mdm.com/marketleaders.



The efforts with the catalog will spill over to the e-commerce site because once the product content is created, it can be used in print or electronically. For those companies who publish a catalog annually or every other year, there is a great opportunity to do smaller form editions that are monthly or quarterly.

Search engine marketing – Marketing returns on good search engine marketing can vastly exceed older methods of marketing or personal selling. A good e-commerce site is important but not a pre-requisite for SEO/SEM. Sites with good content and clear calls to action are also worthy of search engine marketing.

In-store events – We spoke to a number of companies who believe that there is limited return on in-store marketing because “decision-makers rarely visit our store anyhow.” To break this self-fulfilling prophecy, distributors should improve all aspects of planning, targeting, execution, and follow-up for in-store events.

Jonathan Bein, Ph.D. is a senior partner at Real Results Marketing and can be reached at jonathan@realresultsmarketing.com. Rob Kelley, CFA, is a partner at Real Results Marketing and can be reached at rob@realresultsmarketing.com.

ISM Semiannual Forecast: Growth Expected to Continue Throughout 2011

Economic growth is expected to continue in the U.S. throughout the remainder of 2011, say purchasing and supply executives in their spring 2011 Semiannual Economic Forecast.

Expectations for the remainder of 2011 have improved in both the manufacturing and non-manufacturing sectors.

These projections are part of the forecast issued by the Business Survey Committee of the Institute for Supply Management.

Manufacturing Sector Summary

Sixty-eight percent of respondents forecast revenues will be 13.2 percent greater in 2011, 12 percent expect a 13.2 percent decline, and 20 percent foresee no change. This yields significant expectations for growth in 2011, as manufacturers’ net revenues are expected to increase 7.5 percent.

This represents an improvement in expectations from December 2010 when the panel of supply management executives predicted a 5.6 percent increase in 2011 revenues compared to 2010.

Non-manufacturing Summary

Fifty percent of non-manufacturing purchasing and supply executives, which includes wholesale trade, expect their 2011 revenues to be greater by 9.3 percent than in 2010.

Overall, respondents currently expect a 2.1 percent net increase in overall revenues, which is lower than the 3.4 percent increase that was forecast in December 2010.

More details from the semiannual report: Operating Rate

Business Revenues: 2011 vs. 2010

The table below shows the percentage of manufacturing and non-manufacturing respondents to the ISM survey who predict higher, same or lower revenues for 2011 compared with 2010. The bottom row shows the average change expected.

	Manufacturing Forecast	Non-manufacturing Forecast
Higher	68%	50%
Same	20%	32%
Lower	12%	18%
Average Change	+7.5%	+2.1%

Manufacturing purchasing and supply managers report that their companies are currently operating at 83.2 percent of normal capacity, representing an increase from the 80.2 percent reported in December 2010 and the 72.8 percent reported in April 2010, and the highest since December 2006 when operating capacity was at 84.5 percent.

Production Capacity

Production capacity in manufacturing is expected to increase 8.1 percent in 2011. This increase is greater than the 5.2 percent increase predicted in December 2010 for 2011, and the 7.5 percent increase reported in December for 2010. This reflects the continuing strength in the sector as 45 percent of respondents expect an average capacity increase of 18.6 percent, 3 percent expect decreases averaging 10.3 percent, and 52 percent expect no change.

Capital Expenditures

Manufacturing survey respondents expect a 17.9 percent increase in capital expenditures in 2011 over 2010. This is greater than the December 2010 forecast when members predicted an increase of 14.5 percent for 2011.

Currently, 39 percent of respondents predict increased capital expenditures in 2011, with an average increase of 53.3 percent, while the 11 percent who said their capital spending would decrease expect an average decrease of 28.9 percent. Fifty percent say they will spend the same.

Prices

In the December 2010 forecast, manufacturing respondents predicted an increase of 2.7 percent in prices paid during the first four months of 2011; however, they now report prices have increased 6.1 percent for the period. The 85 percent who say their prices are higher now than at the end of 2010 report an average increase of 7.4 percent, while the 5 percent who report lower prices report an average decrease of 3.8 percent. The remaining 10 percent indicate no change.

When asked to predict 2011 price changes, 83 percent of respondents expect the prices they pay to increase by 9.1 percent compared to the end of 2010. Five percent expect decreases averaging 4.1 percent. Including the 12 percent who expect no change in prices, survey respondents expect net average prices to increase 7.4 percent for the entire year of 2011, indicating that prices are expected to rise an additional 1.3 percent for the remainder of the year.

Non-manufacturing respondents report that their purchases in the first four months of this year cost an average of 4.1 percent more than they cost at the end of 2010. Seventy-four percent of the non-manufacturing respondents report the prices they paid increased an average of 5.8 percent in the first part of 2011.

Employment

ISM's Manufacturing Business Survey respondents forecast that manufacturing employment will increase 2.9 percent during the balance of 2011, with 42 percent expecting employment to be 8.4 percent higher.

Business Revenues

Looking ahead, expectations by manufacturing respondents are for increased revenues in 2011 as purchasing and supply management executives indicate an overall net nominal increase of 7.5 percent in business revenues for 2011 over 2010. This is a greater increase than the 5.6 percent increase that was forecast in December 2010

Capital Expenditures: 2011 vs. 2010

The table below shows the percentage of manufacturing and non-manufacturing respondents to the recent ISM survey who predict higher, same or lower capital expenditures in 2011. The bottom row shows the average change expected in capital expenditures.

	Manufacturing Forecast	Non-manufacturing Forecast
Higher	39%	28%
Same	50%	47%
Lower	11%	25%
Average Change	+17.9%	+1.4%

Prices: Predicted Change 2011 vs. 2010

The table below shows the percentage of manufacturing and non-manufacturing respondents to the recent ISM survey who expect to pay higher, the same or lower prices by the end of 2011. The bottom row shows the average price change expected.

	Manufacturing Forecast	Non-manufacturing Forecast
Higher	83%	81%
Same	12%	12%
Lower	5%	7%
Average Change	+7.4%	+4.7%

Employment: Balance of 2011

The table below shows the percentage of manufacturing and non-manufacturing respondents to the recent ISM survey who predict higher, the same or smaller overall employment for the balance of 2011. The bottom row shows the average employment change expected for the balance of 2011.

	Manufacturing Forecast	Non-manufacturing Forecast
Higher	42%	26%
Same	50%	59%
Smaller	8%	15%
Average Change	+2.9%	+0.9%

for all of 2011, but not as much as the 7.9 percent increase reported for 2010. Sixty-eight percent of respondents say that nominal revenues (before adjusting for inflation) for 2011 will increase an average of 13.2 percent over 2010. Conversely, 12 percent say their nominal revenues will decrease an average of 13.2 percent, and the remaining 20 percent indicate no change.

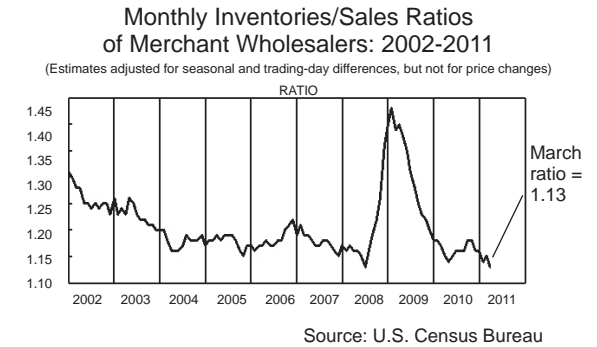
Monthly Wholesale Trade Data



Visit the MDM Databank at www.mdm.com/databank for updated economic releases monthly.

March 2011 sales of merchant wholesalers, except manufacturers' sales branches and offices, were \$392 billion, up 2.9 percent from February and up 15.4 percent from March 2010. March sales of durable goods were up 2.3 percent from last month and up 13.6 percent from a year ago. Sales of lumber and other construction materials were up 7.3 percent from last month. Sales of nondurable goods were up 3.4 percent from last month and up 16.8 percent from March 2010.

Inventories. Inventories of wholesalers were \$442.9 billion at the end of March, up 1.1 percent from February and up 13.3 percent from a year ago. End-of-month inventories of durable goods were up 0.4 percent from last month, and up 8.8 percent from last March. Inventories of machin-



ery, equipment and supplies were up 2.3 percent from last month. Inventories of nondurable goods were up 2 percent from February and 19.9 percent from last March.

Inventories/Sales Ratio. The March inventories/sales ratio was 1.13. The March 2010 ratio was 1.15.

Sales and Inventories Trends: March 2011

NAICS Code	Business Type	Sales \$Millions	Inventory \$Millions	Stock/Sales Ratio	Percent Change Sales 2/11-3/11	Percent Change Sales 3/10-3/11	Percent Change Inventory 2/11-3/11	Percent Change Inventory 3/10-3/11
42	U.S. Total	392,006	442,924	1.13	2.9	15.4	1.1	13.3
423	Durable	173,497	254,116	1.46	2.3	13.6	0.4	8.8
4231	Automotive	26,552	38,181	1.44	-1.4	11.0	-0.5	7.6
4232	Furniture & Home Furnishings	4,560	7,011	1.54	4.1	0.2	-0.9	11.3
4233	Lumber & Other Construction Materials	8,555	12,206	1.43	7.3	4.2	2.0	5.6
4234	Prof. & Commercial Equip. & Supplies	31,762	30,871	0.97	0.8	8.1	0.0	8.8
42343	Computer Equipment & Software	17,102	11,727	0.69	0.2	12.5	-3.9	10.2
4235	Metals & Minerals	12,749	23,549	1.85	6.7	28.0	0.9	15.3
4236	Electrical Goods	33,211	38,280	1.15	5.6	15.8	-0.5	11.8
4237	Hardware, Plumbing, & Heating Equipment	8,810	16,706	1.90	5.4	13.8	0.3	10.3
4238	Machinery, Equipment & Supplies	27,489	63,919	2.33	0.3	17.3	2.3	7.9
4239	Miscellaneous Durable	19,809	23,393	1.18	1.0	17.5	-1.4	2.6
424	Nondurable Goods	218,509	188,808	0.86	3.4	16.8	2.0	19.9
4241	Paper & Paper Products	7,051	7,354	1.04	2.8	3.3	0.3	10.1
4242	Drugs	33,473	31,730	0.95	1.4	5.9	3.0	5.5
4243	Apparel, Piece Goods & Notions	10,725	20,452	1.91	1.4	2.5	2.4	26.0
4244	Groceries & Related Products	47,231	31,080	0.66	2.3	11.3	2.3	14.8
4245	Farm-product Raw Materials	21,556	26,366	1.22	1.7	39.6	2.4	78.2
4246	Chemicals & Allied Products	9,624	10,662	1.11	6.3	15.0	2.7	15.4
4247	Petroleum & Petroleum Products	61,536	24,205	0.39	7.9	36.0	1.0	22.1
4248	Beer, Wine & Distilled Beverages	9,406	12,282	1.31	-1.1	1.8	1.1	8.7
4249	Miscellaneous Nondurable Goods	17,907	24,677	1.38	0.1	2.8	1.2	10.8

U.S. Bureau of the Census, Current Business Reports, Monthly Wholesale Trade, Sales and Inventories Series: MDM compilation and analysis. Adjusted for seasonal and trading day differences. Figures for sales and inventories are preliminary adjusted estimates.

First Quarter Machine Tool Consumption Up 118.6%

March U.S. manufacturing technology consumption totaled \$511.15 million according to the American Machine Tool Distributors' Association and the Association for Manufacturing Technology.

This total, as reported by companies participating in the USMTC program, was up 57.6 percent from February and up 99 percent when compared with the total of \$256.88 million reported for March 2010. With a year-to-date total of \$1,203.57 million, 2011 is up 118.6 percent compared with 2010.

These numbers and all data in this report are based on the totals of actual data reported by companies participating in the USMTC program.

"Machine tool sales exceeded expectations again in March and by a large margin; this is a great sign for the U.S. economy," said Peter Borden, president of AMTDA. "Not only are customers modernizing to become more efficient and to increase capacity as energy and commodity prices rise, but also supplier price increases and reduced inventories seem to be pulling orders sooner in order to use year end depreciation tax advantages."

The U.S. Manufacturing Technology Consumption (USMTC) report, jointly compiled by the two trade associations representing the production and distribution of manufacturing technology, provides regional and national U.S. consumption data of domestic and imported machine tools and related equipment. Analysis of manufacturing technology consumption provides a reliable leading economic indicator as manufacturing industries invest in capital metalworking equipment to increase capacity and improve productivity.

U.S. manufacturing technology consumption is also reported on a

continued on p.4 of this section

M&A

Radnor, PA-based **Airgas**, Inc. has acquired **Pain Enterprises**, Inc., a producer and distributor of dry ice and carbon dioxide throughout the Midwestern U.S. Airgas has integrated the Pain business into its Airgas Carbonic and Airgas Dry Ice operations.

Avnet, Inc., Phoenix, AZ, has agreed to acquire French IT distributor **Amosdec SAS**. Amosdec is in the field of virtualization and storage management solutions throughout France. During 2010, Amosdec generated revenue of US\$90 million.

Beacon Roofing Supply Inc., Peabody, MA, has acquired **Enercon Products**, a roofing distributor with six locations in Western Canada. Enercon, headquartered in its branch in Edmonton, also has branches in Calgary, Regina and Saskatoon and two branches in Vancouver and generated annual sales of \$45 million in 2010.

Funds advised by **Apax Partners**, private equity firm, have completed the acquisitions of **Epicor Software Corp.** and **Activant Solutions Inc.** Effective immediately, the combined company will be called Epicor Software Corp. The new Epicor has more than 33,000 customers in more than 150 countries and over \$800 million in annual revenues.

Gordon Brush Mfg. Co. Inc., Commerce, CA, has acquired **Brush Supply Company** of Glen Ellyn, IL. G. Geoff Shaw, vice president of Brush Supply has joined Gordon Brush as Regional Sales Manager. Gordon Brush is an industrial manufacturer of specialty and standard brushes.

Wajax Corp., Toronto, Canada, announced that its Wajax Power Systems division has acquired **Harper Power Products Inc.** for \$21.6 million. For the year ended Dec. 31, 2010, Harper had adjusted annual sales of about \$71 million.

Distributor News

Chicago-based **Grainger** reported daily sales for the month of April 2011 increased 14 percent from April 2010. Excluding acquisitions and foreign exchange, organic sales increased 12 percent, including 10 percentage points from volume and 2 percentage points from price.

St. Louis, MO-based **Graybar**, a distributor of electrical, communications and data networking products, reported first quarter sales of \$1.19 billion, an increase of 18.6 percent versus the same period a year ago. Profit increased 226.9 percent to \$11.5 million.

Rexel, Paris, France, reported sales for the first quarter were €3 billion (US\$4.3 billion), an increase of 11.4 percent in a year-over-year comparison. Organically, sales increased 7.3 percent. Profit increased 195.1 percent to €86.5 million (US\$123.2 million). The global electrical distributor announced two acquisitions during the quarter. The company acquired **Tegro**, a family-owned company based in Freudenberg, Germany, with one branch and €10 million in sales in 2010. Rexel also entered a joint

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MDM News Digest

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**MARKETS
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Online Resources

View company or sector news at mdm.com/company-news or www.mdm.com/sector-news.

View the top 40 industrial distributors and top distributors in seven other sectors at www.mdm.com/marketleaders.

venture agreement with **Beijing Zhongheng**, a Chinese privately-owned company based in Beijing

Beacon Roofing Supply Inc. reported sales for the fiscal 2011 second quarter were up 3.8 percent to \$296.3 million from the prior-year period. Organic sales were up 0.2 percent. The company reported a net loss for the quarter of \$6.2 million. Total sales for the first half 2011 increased 7.4 percent to \$701.1 million in 2011 from \$653.1 million in 2010, while organic sales increased 3.8 percent. Net income for the first half was \$3.9 million compared to \$1.4 million in the first half of 2010.

MRO distributor **Interline Brands, Inc.**, Jacksonville, FL, reported first quarter sales of \$297.4 million, an increase of 21.3 percent over the comparable 2010 period. Average organic daily sales increased 4.3 percent. Profit improved 23.2 percent to \$6.9 million.

Economic News

The **construction industry** added 5,000 jobs in April while the industry's unemployment rate declined slightly to 17.8 percent, nearly twice the national average, according to an analysis of new federal employment data released by the Associated General Contractors of America.

The strategic partnership between the United States and India is deepening, nourished principally by high growth in trade and investment, and the evolving relationship would be strengthened by a free trade agreement (FTA), according to **The Growing U.S. Interest in a Free Trade Agreement with India**, a new Manufacturers Alliance/MAPI report. Gross domestic product growth in India is projected at 8 percent to 10 percent, with trade growth in the 20 percent to 40 percent range.

Contractors were only able to partially pass on the costs of rising petroleum and metals prices in April, according to an analysis of producer price index figures released today by the **Associated General Contractors of America**. The association's chief economist noted that the producer price index for all materials increased by 1.4 percent in April and 7.1 percent over the past 12 months. Meanwhile, the price of finished buildings rose 1.1 percent or less in April and only 1.7 percent or less over the past year, depending on building type.

The **Producer Price Index** for finished goods rose 0.8 percent in April, seasonally adjusted, the U.S. Bureau of Labor Statistics reported. This advance followed increases of 0.7 percent in March and 1.6 percent in February.

Calculation of MDM Inflation Index for March 2011

	BLS Price Indices Mar. '11	BLS Price Indices Feb. '11	BLS Price Indices Mar. '10	% Sales Weight	Weighted Indices (1)X(4)	% Change Mar. '11 Feb. '11	% Change Mar. '11 Mar. '10
1136 Abr. Prod.	528.7	529.0	521.9	19.1	100.98	-0.06	1.31
1135 Cutting Tools	471.2	471.8	455.5	18.9	89.07	-0.11	3.45
1145 Power Trans.	744.8	743.2	719.2	15.4	114.70	0.21	3.56
1081 Fasteners	484.8	481.5	469.9	9.0	43.63	0.67	3.16
1149.01 Valves, etc.	872.8	859.9	866.0	7.6	66.33	1.50	0.78
1132 Power Tools	338.5	340.3	337.2	6.5	22.00	-0.52	0.39
1144 Mat. Handling	530.1	529.8	522.4	6.2	32.87	0.05	1.48
0713.03 Belting	694.0	675.3	629.0	6.1	42.33	2.76	10.34
1042 Hand Tools	736.6	732.8	730.8	8.1	59.66	0.51	0.79
108 Misc. Metal	461.9	459.7	453.4	3.1	14.32	0.49	1.87
<hr/>							
"New" March Index	306.1	March Inflation Index			585.89	0.48	2.69
"New" February Index	304.7	February Inflation Index			583.12		
		March 2010 Inflation Index			570.55		

New index reflects 1977=100 base other #: 1967 To convert multiply by .52247

Housing starts in the U.S. in April were at a seasonally adjusted annual rate of 523,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development. This is 10.6 percent below March and 23.9 percent below April 2010. Single-family housing starts in April were at a rate of 394,000, 5.1 percent below March. The April rate for units in buildings with five units or more was 114,000.

Canadian manufacturing sales increased 1.9 percent (+\$877 million) in March to \$47.5 billion, following a 1.8 percent decline in February, according to Statistics Canada. The transportation equipment industry (+6.3 percent) accounted for just over half of the gain. Sales also rose in the machinery and paper industries. Higher sales were reported in 15 of 21 industries, representing 80.0 percent of total manufacturing. Constant dollar manufacturing sales rose 1.9 percent in March.

Industrial production was unchanged in April after having increased 0.7 percent in March. In April, manufacturing production fell 0.4 percent after rising for nine consecutive months. The rate of capacity utilization for total industry edged down 0.1 percentage point to 76.9 percent, a rate 3.5 percentage points below its average from 1972 to 2010.

Manufacturer News

St. Paul, MN-based **3M** announced the appointment of Inge G. Thulin as executive vice president and COO, effective May 1, 2011. Thulin has been 3M's executive vice president of international operations since 2003.

Brady Corp., Milwaukee, WI, a manufacturer of identification solutions, reported sales for the third quarter ended April 30, 2011, were \$337.9 million, an increase of 4.9 percent over the same period a year ago. Organic sales growth was 1 percent. Profit increased 20.7 percent to \$28.6 million. Fiscal year to date, sales were \$996.5

million, up 6.4 percent in a year-over-year comparison. Organic sales increased 4.1 percent. Profit grew 31 percent to \$79.1 million.

Rexnord LLC, Milwaukee, WI, reported sales for the fiscal year ended March 31, 2011, were \$1.7 billion, an increase of 13 percent over fiscal year 2010. Core sales also grew 13 percent. The manufacturer recorded a full-year loss of \$36.4 million, compared to a year-ago loss of \$2.6 million. For the fourth quarter, sales were \$460 million, up 13 percent in a year-over-year comparison. Profit was \$16.3 million, compared to year-ago profit of \$5.1 million.

Allied Motion Technologies Inc., Denver, CO, reported sales for the first quarter were \$26.7 million, an increase of 53 percent compared to the same period a year ago. Profit increased 64 percent to \$1.2 million. Organic sales increased 22 percent.

Precision Castparts Corp., Portland, OR, reported sales for the fiscal year ended April 3, 2011, were \$6.2 billion, an increase of 12.7 percent over sales in fiscal year 2010. Profit increased 10 percent to \$1 billion. For the fourth quarter, sales were \$1.7 billion, an increase of 16.8 percent in a year-over-year comparison. Profit increased 12.4 percent to \$271 million.

Louisiana-Pacific Corp., Nashville, TN, reported first quarter sales of \$332 million, an increase of 12 percent over the first quarter of 2010. The manufacturer of engineered wood building materials recorded a loss of \$23 million for the period, versus a year-ago loss of \$22.5 million.

Atlanta-based **The Home Depot**, home improvement retailer, reported first quarter of fiscal 2011 sales of \$16.8 billion, a 0.2 percent decrease from the first quarter of fiscal 2010. Comparable store sales for the first quarter were down 0.6 percent, and comp sales for U.S. stores were down 0.7 percent. Profit was \$812 million.

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Machine Tool Consumption

Continued from p. 1 of this section regional basis for five geographic breakdowns of the United States.

Northeast Region

March manufacturing technology consumption in the Northeast Region totaled \$76.41 million, up 39.9 percent from February's \$54.63 million and up 112.6 percent when compared with the March 2010 total. With a year-to-date total of \$180.84 million, 2011 is up 104.3 percent when compared with 2010 at the same time.

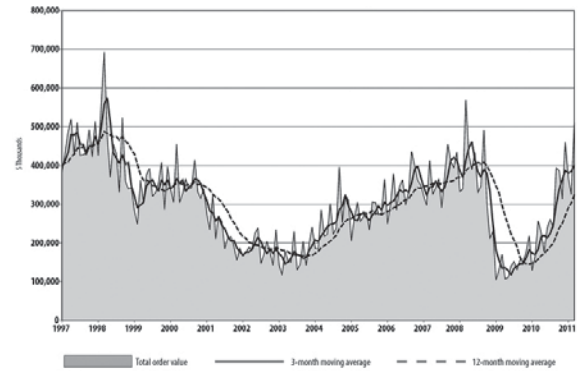
Southern Region

Southern Region manufacturing technology consumption in March stood at \$45.68 million, 33.0 percent higher than February's \$34.35 million and 3.1 percent higher than the total for the previous March. With a year-to-date total of \$133.62 million, 2011 is up 45.8 percent when compared with 2010.

Midwest Region

Manufacturing technology consumption in the Midwest Region in March rose to \$214.18 million, up 94.2 percent from February's \$110.29 million and up 174.8 percent when compared with the March 2010 figure. The \$436.75 million year-to-date total is 175.1 percent more than the total for the same period in 2010.

USMTC Total U.S. Manufacturing Technology Consumption
Through March 2011



Central Region

Central Region manufacturing technology consumption totaled \$126.18 million in March, 28.9 percent higher than February's \$97.88 million and up 99.7 percent when compared with the total for March 2010. At \$333.38 million, 2011 year-to-date is up 136.4 percent when compared with last year at the same time.

Western Region

At \$48.7 million, March manufacturing technology consumption in the Western Region was 79.3 percent higher than February's \$27.17 million and up 37.3 percent when compared with last March. The year-to-date total of \$118.97 million is 68.6 percent more than the comparable figure for 2010.

Plumbing, Heating, Cooling, Piping and Industrial PVF Product Sales Grow

American Supply Association members – distributors and manufacturers of plumbing, heating, cooling, piping and industrial PVF products – are reporting growth, showing a 7.8 percent improvement in per day work day revenues in

the month of April 2011 as compared with the same month in 2010.

Sales were up 7.3 percent as compared with 2009 and down 10.8 percent as compared with 2008.

The plumbing, heating and pipe, valve and fitting distributors are up 7.3 percent YTD and 5.9 percent on a rolling 12-month basis.

Gross profit margins were stronger as compared with last year. According to ASA, small distributors, with revenues under \$10 million, are still seeing declining revenues. Those in the mid-sized category of \$10 million to \$25 million are seeing the greatest growth.

The North Central region (Indiana, Michigan, Ohio, Western Pennsylvania and West Virginia) along with Texas and New York are leading the way with the largest increases in almost every measurement.

April marks the seventh consecutive month of inventory increases.

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ISSN 0544-6538

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