Modern
DISTRIBUTION
MANAGEMENT®
Intelligence for Wholesale Distribution Professionals

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■ *Emerging Technologies Series, Part 4*

Tools Provide Actionable Intelligence

Business intelligence technology more accessible to all company sizes

This is the fourth article in MDM's Emerging Technologies Series. This article examines trends in business intelligence and how distributors are using these tools to get smarter about sales, marketing and overall strategy.

By Lindsay Konzak

Distributors have questions, and many are looking to business intelligence technology tools to get the answers.

- Why are customers unprofitable?
- How can we work more closely with vendors to reduce costs?
- Why was margin off this quarter?
- Which salesperson is contributing most to Gross Profit? Least?

Data from the past is helping them gain a better understanding of trends to help improve the future.

"It's more than just pulling the data out and viewing it," says Kelly Squizzero, director of product management for Infor Distribution. "It's being able to take action from that data."

As with other tools we've examined in the MDM Emerging Technologies Series, business intelligence is growing in popularity in part due to the recession and subsequent economic uncertainty.

"I think it's accelerated the interest in tools where there is a very quick return on investment," says Tim Reynolds, president and owner of Tribute Inc., a software provider focused on the fluid power and hose and accessories sector.

But business intelligence tools still have a ways to go in distribution markets. In a recent MDM survey, about 35 percent of distributor and manufacturer respondents said they had implemented business intelligence software tools. A little less than 20 percent said they had plans to.

But technology providers say interest and demand for these tools is growing quickly. Gartner Inc. reports that business intelligence platform, analytic applications and performance management software revenue was up 13.4 percent worldwide in 2010.

"It's very important to our customers … Our customers are definitely looking for what I would consider role-based dashboards so that they can see the data in a meaningful view to their role in the organization," Squizzero says. "All distributors know they have a lot of data. It's getting access to it.

"That's what they are looking for tools to help them with."

Changing Market

Business intelligence at its core is getting access to data within business systems and using analytics and modeling to drive better decision-making and performance. Due to rapidly improving technology, how companies view business intelligence software is shifting.

"Maybe five or six years ago, business intelligence was viewed as a report system," says Roman Bukary, head of manufacturing and distribution industries at NetSuite, a Web-based business software provider.

"… The analogy that everyone in the business intelligence world used was it's like driving at highway speeds and trying to steer your vehicle while staring only in the rearview mirror. It's crazy, and it's no way to drive a business."

Technology has advanced to a point where it can quickly generate actionable intelligence based on data that already exists in a system. "Business intelligence today is real-time, it crosses departments,

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INSIDE

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PERSPECTIVE ■ Commentary by Thomas P. Gale

Stop Selling, Start Marketing

In terms of cost, the sales function in a typical distributor represents the largest expense. Yet it is arguably the area where the fewest analytics have been applied.

Pricing and profitability have garnered much of the attention in terms of process improvement, to good effect. Companies that have changed their pricing policies and analyzed profitability by product, vendor and customer have better weathered the dramatic market shifts of the past few years. Sales and marketing is the final frontier in wholesale distribution for process improvement.

Most distributors today are still selling products using the same model that worked in the "Age of Mass Markets," a term used by MDM contributing author Jonathan Byrnes to describe post-World War II markets up until a few years ago. For a long time, it worked fine for distributors to focus on products and sales revenue. But today's markets are much more specialized and fragmented. They require a deeper understanding of customer segments and market niches, and how to profitably mine them with limited sales resources.

In this post-recession period, distributors must transition to a more analytical approach for developing and growing sales. It starts with getting a deeper knowledge of local markets, customer segments and ultimately customer patterns. Many distributors already identify specific customer segments by SIC or NAICS code.

But even those that do aren't analyzing purchase trends by product across similar segments.

For example, the best customer in a segment may be buying a broad product array because of a high-level relationship. This class A customer can be used as a benchmark for measuring the potential of other customers within the segment by dividing sales by product by the number of employees, and then applying that ratio against other customers in the segment.

There may be some large untapped potential that simply was not visible to the outside salesperson calling on the account.

This is the core model MDM's sister company, Industrial Market Information, uses by applying government data on industrial product consumption to customer segments at account or territory levels.

The real power of this type of marketing analytics is that it can reveal what you can't see from traditional sales force-generated market intelligence.

It shifts the focus from purchase history to product consumption based on processes used. That's a difficult culture and process change, but a critical one to make.

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Business Intelligence
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and it allows you to get to the information that really matters," says Greg Dehnke, director of business development for Blue Horseshoe, a reseller and developer of business software with a focus on warehouse management.

"So many companies have gotten bogged down in Excel, and it's so cumbersome, it's not real-time, and it's error-prone," he says. "It's so important to be able to mine that data and to be able to use it, rather than just getting hung up on the financial data. There's so much more that's out there."

Analytics are now presented on an interface that can be used by anyone in the organization; before, an analyst would be required to crunch the numbers.

"Business intelligence was traditionally limited to a set of power-users," says Ranga Bodla, director of industry marketing at NetSuite. "You really needed to understand the technology, you had to be able to jump on one foot while putting your hand on your head."

But self-service is more the norm now, he says, which makes business intelligence tools increasingly a part of business processes, rather than an afterthought.

"That's a really big change," he says.

'Consumerization' of BI

According to Gartner, the "consumerization" of business intelligence tools is helping with adoption throughout organizations. Consumer expectations of quick and easy access to relevant data – in part thanks to Google – have increased expectations on the business side. Consumers have also come to expect user-friendly applications that are available on multiple platforms, including mobile.

"If you look at how you personally use the Web today, it's different than how you used it three years ago. Since your personal preferences have changed over time, then how products are being delivered is also changing," says Bob Conti, president of Sales Apex, a business intelligence tool for distributors.

Still, Gartner contends that across industries, fewer than 30 percent of potential users of business intelligence tools use the technology, due to difficult-to-use tools, slow response to data requests and content that is only marginally relevant to the task at hand.

These trends are driving software companies to improve upon what's out there. Large software companies still dominate the overall market, including SAP, Oracle and IBM, but smaller platforms for business intelligence tools have also emerged, providing simpler and more affordable tools that open up business intelligence tools to smaller and mid-sized distributors.

An example is Sales Apex, a platform developed with a focus on getting distributors up and running on the system in less than a month.

Sales Apex developers also focused on making the platform easy to update and access: Data is downloaded from a distributor's transaction files at the end of each month, and the resulting analytics are accessed by distributors over the Web.

In addition to the standard data around sales and gross profit, the platform integrates cost allocations, so that a distributor can get a more complete view of profitability by customer, vendor, product line and salesperson.

A Game Changer

WAXIE Sanitary Supply, San Diego, CA, a distributor of sanitary and related supplies in nine western states, adopted the tool earlier this year. For Bob Gattis, general manager of WAXIE's Arizona operations, it was a "game-changer."

"I'm in it daily," he says, "whether it's in relation to the things I can do to better wrap my arms around my larger customers and understand what's going on with them, or I'm addressing businesses that are less profitable."

Gattis says using business intelligence tools such as Sales Apex has helped him have more productive conversations with customers, vendors and salespeople.

One of Gattis' most-used parts of the system is what-if scenarios – a feature many platforms are starting to include. What-if scenarios allow Gattis to model what might happen to the profitability of a particular customer if order size were increased or fewer deliveries made, for example.

A big priority for distributors when using these tools is drilling down more deeply into their customer base. "Any information they can get on the performance of a customer is very important to them," says Infor's Squizzero. More and more, distributors are also using these tools to analyze the profitability and efficiencies of their suppliers.

Oftentimes, especially at the start, distributors are surprised by what they find.

Conti provided an example on order size. He says that many salespeople say they take

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small orders from customers to eventually get big orders. But a business intelligence tool can show visually, by customer, how many large orders were from that customer for a set period of time, and test the reality of these claims.

"You can see that 92 percent of the orders were up to $100 and the rest were around $300," he says as an example. "And that's why we're not making money."

That stimulates discussions with salespeople and customers. "That's what you're trying to do here," Conti says. "You can provide the information so that people can change their behaviors."

"When they have the data, it's hard to argue with it," Squizzero says.

Paralysis of Analysis?

There's always a danger when more users have more access to data in a distributor's system that they may not see the forest for the trees.

Gattis recognizes the risk of "paralysis of analysis" at WAXIE and says he tries to focus on the "big rocks." "I am concentrating on my largest accounts and my largest unprofitable pieces of business," he says. "If I make changes on either of those I'll have the most dramatic effect on my business."

To do this he limits the data he pulls from his system to small lists – even though he could pull the top 1,000 customers or more, he limits it to 10 to avoid overwhelming his salespeople.

"It's a fine line between having people use the tool as a tool versus people wasting all their time just looking at data," Conti says. "At the end of the day, I want the salespeople out there selling and just doing it in a much smarter fashion."

In addition to avoiding "paralysis of analysis," distributors also have to train employees to use these tools effectively. Guy Blissett, author of the 2010 Facing the Forces of Change book from the National Association of Wholesaler-Distributors, told MDM last year that employees should have a comfort level with basic statistics and analysis so that they don't follow the numbers blindly.

"Analytics is very data-driven and increasingly enabled by software to get that analysis done quickly and at a different level than before," he says. " … doing the analysis is one thing – but being able to use that analysis in your business requires some new skills and capabilities on the personnel side and new organizational considerations."

Executives' Top Concern in 2011: People

MDM interviews reveal what keeps distribution executives awake at night

Over the past year, MDM Editor Lindsay Konzak and Associate Editor Jenel Stelton-Holtmeier spoke with several distribution executives to find out what keeps them awake at night. The question was part of "7 Minutes With …" executive interviews, a regular feature on MDM's free monthly Executive Briefing webcast available at www.mdm.com/executivebriefing. The first year of programming is now available on DVD at www.mdm.com/ExecutiveBriefingDVD.

This article provides a summary of how distribution executives at large and small companies including HD Supply, MSC Industrial Supply, Airgas and Lawson Products answered.

Over the past year, the economy has dominated headlines, and uncertainty continues to be the main message. But for most of the 12 distribution executives who participated in MDM's 7 Minutes With… audio interview feature in the past year, the top issue wasn't the economy; it was people.

"First and foremost, I ask, do I have the right team on the field and are they focused and motivated?" says Joe DeAngelo, CEO of HD Supply, Atlanta, GA.

"The ultimate challenge for any leader of a business is to create an environment where their team can deliver great performance," Larry Davis, president of master distributor ORS Nasco, says. "And that includes focus on the culture and sustainability of the people in the business."

While "people" beat out the economy as a top concern, the two are no doubt related.

"You can't do this business by yourself," says Dave Griffith, president and CEO of industrial holding company Modern Group Ltd., Bristol, PA. "We're blessed that we're an employee-owned company. We're blessed that I have over 40 percent of my population that has been with me 20 years or more. But I worry about folks right now going through what we're going through."

On the other hand, for Womack Machine Supply CEO Mike Rowlett, strong demand is adding its own stresses for people. "My third biggest concern is keeping our people from burning out during this rapid growth period," he says. "…Because our folks are dedicated, they're going to do whatever it takes to take care of the customers and suppliers, even to the point of hurting themselves." Womack is an industrial distributor based in Farmers Branch, TX.

Executives from industrial distributor MSC Industrial Supply, Melville, NY; HVAC distributor Johnson Supply, Houston, TX; and industrial gases distributor Airgas, Radnor, PA, also included people among their top concerns.

Executives are also focused on customers and suppliers. "The customer is the boss, and it's one of our core beliefs," says David Sandler, CEO for MSC.

"Without customers, I have no reason to exist," Griffith says. "So I worry about their access to capital, their markets, the things that they're going through that drive their business to make sure they're surviving."

The economy continues to be top of mind for many. "Every month that goes by, we're seeing a strong recovery," says Harry Dochelli, COO of MRO distributor Lawson Products, Des Plaines, IL. "But I think in all of our minds we're asking 'Is that real? And is it going to continue?'"

"I haven't believed since probably the first quarter of (2009) that we were going to fall back into a double-dip recession, just based on what I was hearing from other customers," says Joe Gallagher, president of Gallagher Fluid Seals, Inc., King of Prussia, PA. But despite positive signs, there was enough uncertainty for Gallagher to keep the economy front of mind.

For others, including Hisco President Bob Dill, specific economic trends have moved to the top of the list. "Right now, the big thing is price increases… and the ability to pass those on," Dill says. "If you don't execute that well, then you're just going to have a lot of erosion on your gross profit, which certainly is not good news for anybody." Hisco is a distributor of electronic and industrial materials based in Houston, TX.

Other economy-related issues mentioned: gas prices, access to capital and increased lead times. But while current conditions drove many executives' answers, some emphasized issues that matter despite the economy.

"What really does keep me awake at night is making sure that in all the different touch points that our vendors have with us and all the different touch points that our customers have with us, we're delivering a consistent message," says Jeff Crane, CEO of industrial rubber distributor Lewis-Goetz and Co., Inc., Pittsburgh, PA.

"…. We recognize it as a vitally important

Online Resources

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"And so we spend a lot of time thinking about it, talking about it, and making sure that people understand what we should be saying and should not be saying to customers, vendors and internal associates about our strategies and how we're executing them."

"I think change – dealing with change and the ambiguity of surrounding change – is something that's really important, because customer's needs change all the time," says Peter McCausland, president and CEO of Airgas.

"And this is a perpetual thing because change is just continuous."

Listen to the complete interviews with industry executives at www.mdm.com/7Minutes.

Case Study

Womack's Priority: Company Culture

Fast growth drives distributor to make culture a more formal part of strategy

Womack Machine Supply's plans for rapid growth may mean the company's traditionally close culture will change over time. CEO Mike Rowlett decided he wanted to work to make sure Womack remained a positive place to work despite its growth. He appointed a Vice President of Culture and pushed forward initiatives to make culture a more formal part of the distributor's plans.

By Nissa LaPoint

Near his office sits one of CEO Mike Rowlett's most important pieces of office equipment: an ice cream machine, which he purchased when he bought Texas-based Womack Machine Supply in 2006.

The ice cream machine along with the ping pong table and basketball hoop are not for him, but rather for employees at the industrial distributor of supplies and components for hydraulic, pneumatic, and automation control systems.

"I've never seen anyone eating ice cream that wasn't smiling," Rowlett says.

Besides the in-house entertainment, the company holds celebrations for birthdays and achievements, frequent potlucks and provides monetary support for employees' volunteer efforts. It's all part of Rowlett's philosophy to maintain an enjoyable, respectful and giving culture.

"Other than sleep, people are spending the largest part of their life in work, and they need to enjoy being there," Rowlett says. "What our culture is about is looking for an opportunity to celebrate something and looking for an opportunity to help to people...We believe strongly that if a company takes care of people, then the employees will take care of the customer, supplier and business."

Company Profile

Company: Womack Machine Supply
Headquarters: Farmers Branch, TX
Leadership: CEO Mike Rowlett, President Art Kostaras
2010 Revenues: $134 million, up 7.2%
Details: Womack Machine Supply is an industrial distributor of supplies and components for hydraulic, pneumatic and automation control systems. It is No. 36 on MDM's list of the Top 40 Industrial Distributors.

This kind of culture is "a human resources professional's dream," says Kimberly Sudderth, vice president of human resources. The respect and care given to employees attracts other quality employees while reducing turnover, she says.

Womack's focus on its employees is fostered by its Vice President of Culture, Rodney Bryan, who spends most of his time meeting with every employee privately at least once a year to gather feedback.

The position was formed in 2008 as part of Womack's strategic plan to grow the business from $84 million in revenue at that time to $340 million in 2018, Rowlett says.

"In looking at that we realized we were going to have to add a lot of people and acquire lots of companies, and we wanted to make sure our company kept a close family culture," he says. "Rodney's job is to make sure everybody in the company feels that they're important and that their concerns and ideas are heard and acted on."

Maintaining the culture over distances between locations requires the participation of all employees, who are often screened before they are hired for compatible qualities and values. Management is also encouraged to follow the universal Golden Rule.

"You cannot be a leader or manage in this company unless you have selfless attitude," Rowlett says.

In November 2009, business dropped and the company laid-off 40 of its 300 employees, Rowlett says. Bryan conducted what he called "culture visits," at a time when many people were expressing fear and uncertainty about the future.

Yet employees were reporting confidence in the company, and – in perhaps the biggest indication of the culture Womack has built – a few employees who were laid-off still participated with the company in the annual Muscular Dystrophy Walk-a-thon, Bryan says. Several employees were later hired back once business improved, he says.

"We didn't put the Golden Rule in place and talk about it as a competitive advantage, but it turns out it is one because that type of culture improves employee morale, it reduces turnover, it helps us work better as a team and, you know what, work can be fun," Bryan says.

Bryan continues to conduct culture visits at the company's headquarters. He also travels to different company locations for three to five days and meets with employees to ask: "How are you doing? What do you like? What are you concerned about? Do you have any questions?"

From the overjoyed comments to the not-so-positive, Bryan takes notes during the 30- to 45-minute private interviews and puts the anonymous feedback into a report. Rowlett and the executive staff review the report and take steps to continue to emphasize the positive and correct the negative, he says.

In addition to his regular visits to existing locations, Bryan spends extra time at a company once Womack acquires it. "There has to be a face there and a smile," Rowlett says. "He's there to take care of the people and help them run through the growth."

It's an effort that requires consistent work to maintain and the buy-in of management and employees. And it's the kind of culture that Jimmy Vitulli, an outside salesman at the company's Texas location, finds rewarding.

"It feels good working for a company that you know is not just a selfish company, that serves a bigger purpose," Vitulli says. "No company is perfect, but when you know people have integrity, it makes work more enjoyable. I love the people I work with. They're friends, and they're people I look up to."

One of the company's most significant culture aspects is its spirit of giving, Rowlett says. Womack has supported a variety of employees' local and international non-profit and volunteer efforts, including giving additional funding for Vitulli's three trips with Living Water International, an organization that drills water wells in poor countries, and Africa New Life Ministries in Rwanda, which sponsors, educates and teaches the Bible to families.

Womack will match an employee's donation, usually between $100 to $1,000 per volunteer, for a cause they are actively involved in, Bryan says.

The company has also supported employee Tory Gundersen with the Wounded Warriors Project and Scott Van Otten with the Ride for Life event benefiting the Make-A-Wish Foundation.

All in all, it's a company culture that is sustaining and personally edifying, Vitulli says.

"It makes a difference when times are hard," Vitulli says. "I feel like I enjoy my job a lot more than my friends do."

Employer-Sponsored Health Insurance Premiums Rise 9% in 2011

Annual premiums for employer-sponsored family health coverage increased to $15,073 this year, up 9 percent from last year, according to the Kaiser Family Foundation/Health Research & Educational Trust 2011 Employer Health Benefits Survey. On average, workers pay $4,129, and employers pay $10,944 toward those annual premiums.

Premiums increased significantly faster than workers' wages (2.1 percent) and general inflation (3.2 percent). Since 2001, family premiums have increased 113 percent, compared with 34 percent for workers' wages and 27 percent for inflation.

The 13th annual Kaiser/HRET survey of small and large employers provides a detailed picture of trends in private health insurance costs and coverage. This year's survey also looked at employers' experiences with several already implemented provisions of the 2010 health reform law affecting employer coverage.

In particular, the survey estimates that employers added 2.3 million young adults to their parents' family health insurance policies as a result of the health reform provision that allows young adults up to age 26 without employer coverage on their own to be covered as dependents on their parents' plan. Young adults historically are more likely to be uninsured than any other age group.

"The law is helping millions of young adults to obtain health coverage. In the past, many of these young adults would have lost coverage when they left home or graduated college," said study lead author Gary Claxton, a Kaiser vice president and co-executive director of the Kaiser Initiative on Health Reform and Private Insurance.

The study also finds 31 percent of covered workers are in high-deductible health plans, facing deductibles for single coverage of at least $1,000, including 12 percent facing deductibles of at least $2,000. Covered workers in smaller firms (3-199 workers) are more likely to face such high deductibles, with half of workers in smaller firms facing deductibles of at least $1,000, including 28 percent facing deductibles of $2,000 or more.

These numbers in part reflect the rise of consumer-driven plans, which are high-deductible plans that include a tax-preferred savings options such as a Health Savings Account or Health Reimbursement Arrangement. Over the past two years, more firms have started to offer these plans, and the share of covered workers enrolled in this type of plan has doubled, from 8 percent in 2009 to 17 percent in 2011.

Other Findings Related to Health Reform

The survey finds that 56 percent of covered workers are in "grandfathered" plans as defined under health reform. Grandfathered plans are exempted from some health reform requirements, including covering preventive benefits with no cost sharing and having an external appeals process. To obtain this status, employers cannot make significant changes to their plans that reduce benefits or increase employee cost.

One in four covered workers (23 percent) are in plans that changed their cost-sharing requirements for preventive services as a result of a requirement of the health reform law that non-grandfathered plans provide certain preventive benefits without cost sharing. In addition, 31 percent of covered workers are in plans that changed the list of preventive services due to health reform.

Other Findings from the Study

Worker-only coverage. Premiums for worker-only health coverage increased 8 percent in 2011 to reach $5,429 annually. Workers on average pay $921 toward this coverage.

Offer rate. The share of firms offering health insurance to their workers is 60 percent this year, comparable to the levels in 2009 and earlier years. Last year's survey found an unexplained sharp increase in the share of the smallest firms (3-9 workers) offering coverage, boosting the overall offer rate; this year's results suggest that the one-year bump did not reflect a change in the long-term trend.

Cost-sharing for office visits and drugs. Covered workers facing copayments for in-network physician office visits on average pay $22 for primary care and $32 for specialty care. For covered workers with three- and four-tier drug plans, average copayments are $10 for generic drugs, $29 for preferred brand-name drugs, $49 for non-preferred brand-name drugs, and $91 for specialty drugs.

Retiree health benefits. Among large firms (200 or more workers), about 1 in 4 (26 percent) offer retiree health benefits in 2011, unchanged from last year and down significantly from 32 percent in 2007.

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Industrial & Construction Markets Update

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Wolseley Sales Up 3% in Fiscal Year 2011

Switzerland-based Wolseley plc reported sales for the fiscal year ended July 31, 2011, were £13.6 billion (US$21 billion), up 3 percent over sales in fiscal 2010. Like-for-like sales increased 5 percent. The company reported profit of £391 million (US$602.5 million), compared to a year-ago loss of £328 million (US$505.4 million).

Wolseley is the parent company of Ferguson/Wolseley Canada, No. 1 on MDM's list of top industrial distributors.

"We have delivered another decent set of results despite challenging economic conditions, with better customer service driving sales and strong trading profit growth," Chief Executive Ian Meakins said. "… Our disposal program is now substantially complete, enabling us to focus on our great businesses in attractive markets."

Brandon Hire (UK), Electric Center (UK) and Italy were sold in the year. The agreed-upon sales of Build Center (UK) and Brossette (France) are subject to clearance from relevant competition authorities. Encon (UK) is also for sale.

Sales in the U.S., which accounts for about 40 percent of group sales, were £5.5 billion (US$8.5 billion), up 6 percent over the same period a year ago. Like-for-like sales increased 9 percent. Trading profit improved 31 percent to £314 million (US$483.8 million).

In the first half of the year, Ferguson completed the acquisition of a small Waterworks acquisition in Alabama. Since year-end, two more acquisitions in the U.S. have been completed.

Sales in Canada – 6 percent of group sales – were £811 million (US$1.25 billion), up 6 percent over sales in fiscal 2010. Like-for-like sales increased 2 percent. Trading profit fell 5 percent to £39 million (US$60.1 million).

UK sales – 18 percent of group

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Distributor News

Master distributor **Bunzl** completed three acquisitions in Brazil and the Netherlands. The company acquired **Ideal Global Sistemas de Higiene** Ltda, São Paulo, Brazil; **D-Care** BV, Houten, Netherlands; and **Majestic Products** BV, Spijkenisse, Netherlands.

Ferguson Enterprises Inc., Newport News, VA, No. 1 on MDM's list of the top 40 industrial distributors, has acquired **SG Supply** Co. Inc. SG Supply is a supplier of plumbing products, water heaters, hydronic heating, and pipe, valves and fittings for plumbing and mechanical contractors.

Graybar, St. Louis, MO, No. 4 on MDM's list of top electrical distributors, opened a new facility in the Hawthorne, NY. The branch opened for business Oct. 3 and will serve Westchester, Dutchess, Ulster, Putnam, Orange, Rockland and Sullivan counties in New York.

WinWholesale, Dayton, OH, has opened **San Antonio Winnelson** Co. The location will serve plumbing contractors in San Antonio, TX, and the surrounding area.

Ironwood Management Partners Fund has invested in St. Paul, MN-based **Don Stevens**, LLC, a distributor of HVAC, foodservice and lodging equipment.

Shealy Electrical Wholesalers Inc. has agreed to acquire **Electrical Distributors Inc**. Shealy serves South Carolina, Eastern Georgia and Eastern North Carolina; EDI serves the greater Charlotte, NC, market.

Springfield Electric Supply Company, Springfield, IL, has purchased the assets of **Heintz Electric Company**, Quincy, IL.

Lighting distributor **Acuity Brands**, Inc., Atlanta, GA, reported sales for the fourth quarter ended Aug. 31, 2011, were $496.2 million, up 12 percent compared with the year-ago period. Profit increased 26 percent to $34.2 million. Fiscal 2011 sales were $1.8 billion, an increase of 12 percent over fiscal 2010. Profit increased 33 percent to $105.5 million.

Economic News

U.S. employers expect hiring to remain relatively stable in the fourth quarter, according to the latest **Manpower Employment Outlook Survey**, released by ManpowerGroup. The Net Employment Outlook for the fourth quarter 2011 is +7 percent, up from +6 percent during the same period last year and down from the +8 percent outlook during the third quarter.

Construction spending in August 2011 was estimated at a seasonally adjusted annual rate of $799.1 billion, 1.4 percent above July and 0.9 percent above August 2010, according to the U.S. Census Bureau of the Department of Commerce. During the first eight months of this year, construction spending amounted to $511.4 billion, 3 percent below the same period in 2010.

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MDM News Digest

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MARKETS UPDATE SUPPLEMENT P. 2

New orders for manufactured durable goods in August decreased 0.1 percent to $201.8 billion, according to an advance report from the U.S. Census Bureau. This decrease, down two of the last three months, followed a 4.1 percent July increase. Excluding transportation, new orders decreased 0.1 percent. Excluding defense, new orders decreased 0.1 percent.

The **Chicago Fed Midwest Manufacturing Index** (CFMMI) increased 0.6 percent in August, to a seasonally adjusted level of 85.0 (2007 = 100). The Federal Reserve **Board's industrial production index for manufacturing** (IPMFG) increased 0.4 percent in August. Regional output in August rose 7.6 percent from a year earlier, and national output increased 4.2 percent.

Led by declines in production- and employment-related indicators, the **Chicago Fed National Activity Index** decreased to -0.43 in August from +0.02 in July. Contributions from three of the four broad categories of indicators that make up the index declined from July, and three of the four were negative in August.

The **Conference Board Leading Economic Index** (LEI) for the U.S. increased 0.3 percent in August to 116.2, following a 0.6 percent increase in July and a 0.3 percent increase in June. The **Coincident Economic Index** (CEI) – a measure of current economic activity – increased 0.1 percent in August, while the **Lagging Economic Index** (LAG) increased 0.3 percent.

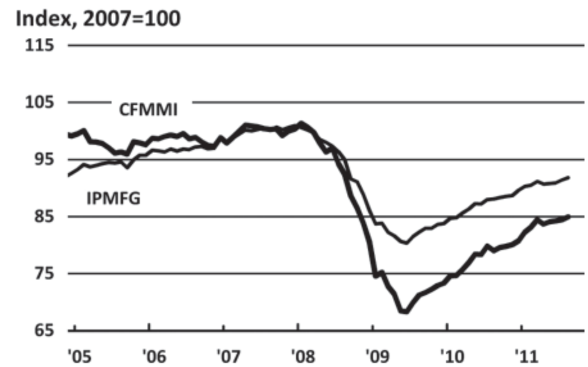
Real gross domestic product - the output of goods and services produced by labor and property located in the U.S. - increased at an annual rate of 1.3 percent in the second quarter of 2011, (that is, from the first quarter to the second quarter), according to the third estimate released by the Bureau of Economic Analysis.

Between July and August, the **Canadian Industrial Product Price Index** (IPPI) increased 0.5 percent, led by motor vehicles and chemical products, according to Statistics Canada. The **Raw Materials Price Index** (RMPI) fell 3.2 percent, largely as a result of lower prices for mineral fuels.

Chicago Fed Midwest Manufacturing Index

Manufacturing Activity: Summary Table

	Percentage Change			
	Monthly			Annual
	Jun 11	Jul 11	Aug 11	Aug 10 - Aug 11
CFMMI	0.2	0.3	0.6	7.6
CFMMI - Auto	-0.9	1.5	0.8	10.3
CFMMI - Steel	0.7	1.0	0.8	17.1
CFMMI - Machinery	1.6	-0.7	1.4	12.8
CFMMI - Resource	0.0	-0.2	-0.1	-0.8
IPMFG	0.1	0.6	0.4	4.2



Manufacturer News

Illinois Tool Works Inc, Glenview, IL, reported a total operating revenue increase of 16 percent for the three months ended Aug. 31, 2011, compared to the year-ago period. Organic or base revenues contributed 6 percent to total revenue growth in the three month period.

Actuant Corp., Milwaukee, WI, reported sales for the fiscal year ended Aug. 31, 2011, were $1.4 billion, up 25 percent over the prior year. Core sales increased 13 percent. Profit for the diversified industrial company increased 77 percent to $124.5 million.

Worthington Industries, Inc., Columbus, OH, reported sales of $602.4 million for the first quarter ended Aug. 31, 2011, a decline of 2.3 percent compared to the same period a year ago. Profit increased 14.7 percent to $25.7 million.

ISM Manufacturing Report on Business: Manufacturing Expands in September

The manufacturing sector expanded in September, according to the latest Manufacturing ISM Report on Business.

According to the Institute for Supply Management, the Purchasing Managers Index was 51.6 percent, an increase of 1 percentage point from August, indicating expansion in the manufacturing sector at a slightly higher rate.

The Production Index registered 51.2 percent, which is an increase of 2.6 percentage points when compared to the August reading of 48.6 percent, and a return to growth following one month of contraction. The New Orders Index remained unchanged from August at 49.6 percent, indicating contraction for the third consecutive month.

The Backlog of Orders Index decreased 4.5 percentage points to 41.5 percent, contracting for the fourth consecutive month and reaching its lowest level since April 2009, when it registered 40.5 percent.

ISM's Employment Index registered 53.8 percent in September, which is 2 percentage points higher than the 51.8 percent reported in August.

Comments from respondents generally reflect concern over the sluggish economy, political and policy uncertainty in Washington, and forecasts of ongoing high unemployment that will continue to put pressure on demand for manufactured products.

Of the 18 manufacturing industries, 12 are reporting growth in September, in the following order: Wood Products; Petroleum & Coal Products; Food, Beverage & Tobacco Products; Apparel, Leather & Allied Products; Nonmetallic Mineral Products; Machinery; Miscellaneous Manufacturing; Transportation Equipment; Plastics & Rubber Products; Printing & Related Support Activities; Chemical Products; and Computer & Electronic Products.

The six industries reporting contraction in September - listed in order - are: Primary Metals; Textile Mills; Furniture & Related Products; Fabricated Metal Products; Paper Products; and Electrical Equipment, Appliances & Components.

Manufacturing at a Glance

September 2011

Index	Series Index: Sept 2011	Series Index: Aug 2011	%-Point Change	Direction	Rate of Change	Trend* (Months)
PMI	51.6	50.6	1.0	Growing	Faster	26
New Orders	49.6	49.6	0.0	Contracting	Same	3
Production	51.2	48.6	2.6	Growing	From Contracting	1
Employment	53.8	51.8	2.0	Growing	Faster	24
Supplier Deliveries	51.4	50.6	0.8	Slowing	Faster	28
Inventories	52.0	52.3	-0.3	Growing	Slower	2
Customers' Inventories	49.0	46.5	2.5	Too Low	Slower	30
Prices	56.0	55.5	0.5	Increasing	Faster	27
Backlog of Orders	41.5	46.0	-4.5	Contracting	Faster	4
Exports	53.5	50.5	3.0	Growing	Faster	27
Imports	54.5	55.5	-1.0	Growing	Slower	25
			OVERALL ECONOMY	Growing	Faster	28
			Manufacturing Sector	Growing	Faster	26

*Number of months moving in the current direction
Source: Institute for Supply Management

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HARDI Report: All Regions Showed HVACR Sales Growth in August

Heating, Airconditioning and Refrigeration Distributors International (HARDI) announced North American HVACR average distributor sales for August 2011 up 7.9 percent from the same month last year, an improvement from last month's 4.9 percent growth, but not enough to stem a sixth-month decline in the annual distributor growth rate.

HARDI's Monthly Targeted and Regional Economic News for Distribution Strategies (TRENDS) Report showed growth in all eight North American regions, three of which experienced double-digit improvement compared to August 2010. U.S.-only distributor sales growth averaged of 8.1 percent for the month.

Despite concerns from manufacturers and others of inventory depletions within the channel, inventory levels were reported up in every North American region for the fourth consecutive month. Days Sales Outstanding (a measure of how quickly customers pay their bills) saw its best improvement of the year with a 6 percent decrease from the previous month. Distributor productivity reflected by sales per employee backtracked for the second consecutive month continuing to indicate that July and August failed to meet most distributor expectations.

"The economy is in a definitive Phase C (slower growth) trend and so is the average HARDI member, but not without some positives. Looking at the latest data release, the ongoing improvement from 2010 sales numbers is encouraging to see despite its slowing rate. Another promising trend that has developed over the past three months has been the drop in Days Sales Outstanding.

The Average Days Credit Sales in Accounts Receivable has fallen by an average of around 10 days since June (from 56 days to 46 days). Quicker payment turnaround leads to improved cash flow, something we can all appreciate and should be striving for in a Phase C economic environment," said HARDI Economist Andrew Duguay of the Institute for Trend Research (ITR).

"This might have been our Western region's best month in about two years in terms of growth rate, and all of North America exceeded my expectation for what I saw as a challenging August," said HARDI Executive Vice President and COO Talbot Gee. "But with impossible fourth quarter comparables to last year's record months in November and December during the tax credit bubble, August sales up just 7.9 percent should signal distributors and their suppliers to prepare for a potential negative year end growth rate."

Wolseley

Continued from p.1 of this section

sales – were £2.4 billion (US$3.7 billion), down 3 percent in a year-over-year comparison, due primarily to disposals and an earlier reported contract loss. On a like-for-like basis, sales increased 3 percent. Trading profit increased 20 percent to £109 million (US$167.9 million).

In the Nordic region – 16 percent of group sales – sales grew 6 percent to £2.1 billion (US$3.2 billion). On a like-for-like basis, sales grew 4 percent. Trading profit was up 12 percent to £113 million (US$174.1 million). Wolseley completed two small bolt-on acquisitions in Denmark during the year.

Sales in France – 14 percent of group sales – were £1.9 billion (US$2.9 billion), flat compared to fiscal 2010. On a like-for-like basis, sales increased 4 percent, primarily due to commodity price inflation. Trading profit climbed 77 percent to £53 million (US$81.7 million).

In Central Europe – 6 percent of group sales – sales declined 9 percent to £772 million (US$1.2 billion). Like-for-like sales declined 2 percent. Sales in Central Europe were impacted by the exit of unprofitable business in Holland and the disposal of the group's Italian business earlier in the year. Trading profit was £30 million (US$46.2 million), compared to a £9 million (US$13.9 million) a year ago.

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