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■ *MDM Special Report: Private Label in Distribution, part 2*

Strategies for Private Label Success

Distributors should consider branding, skillsets & liability

Creating a successful private label strategy requires more than just putting the distributor's name on the products. This article looks at key elements of building a private label strategy and the decisions distributors need to make to successfully implement that strategy.

This is the second in a series of articles from MDM on private label in the wholesale distribution industry. Read the first article, The Drivers of Private Label in Distribution, in the Feb. 10, 2014, issue of MDM Premium.

By Jenel Stelton-Holtmeier

More distributors are either offering their own private brands or considering offering private brands. But doing private label well requires more than simply making a decision to do it.

"The first time we attempted it 15 years ago, it was a miserable experience because we didn't have all the right processes in place to ensure the quality and everything else," says Michael Flink, president of ADI, a security and low-voltage products distributor with more than 200 branch locations. "And we had to basically discontinue the whole brand. We stayed out of it for quite some time after that until we could put together the end-to-end quality-sales-support program."

Now ADI is seeing growth in its private label and planning for more going forward.

"Fundamentally, one of the main reasons why distributors get into private label is to improve margins over the branded products they sell," says Rob Tiberi, former brand manager for global lab supplies distributor VWR International who oversaw the distributor's private label portfolio. "… If you're trying to accomplish margin improvement, and that's your only starting point, then you may have to rethink your strategy.

"You have to ask: What do you want your products to represent? How do you want to position them in the marketplace? How do you communicate that? Getting those things clearly identified up front and clearly articulated throughout the organization is paramount to success."

To Brand or Not to Brand

For some distributors, having their name front and center on their private label products is a key part of the strategy because it creates that point of identification for customers. "If you're going to lead with a product, try to lead with your name first," says Ed Rossi, president of janitorial and sanitary supplies distributor DawnChem, Cleveland, OH.

That branding strategy is common, particularly among smaller or mid-sized distributors, because the brand name is tied to the brand identity built by the distributor, according to JB Steenkamp, author of *Private Label Strategy: How to Meet the Store Brand Challenge*. Steenkamp is also a professor of marketing at the University of North Carolina's Kenan-Flagler Business School.

"There's no reason to trust a brand if you have never heard of the brands," Steenkamp says. "Build equity, brand equity, for your distributor brand name."

But for larger distributors such as MSC Industrial Supply Co. or Grainger, separating the products from the distributor's brand is important. "We actually use the word Grainger only for the distribution brand. You don't actually see that on our private label brands," says Deb Oler, vice president and general manager of the Grainger Brand. "… We want our prod-

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INSIDE

PERSPECTIVE ■ Commentary by Thomas P. Gale

A Tribute to John Buckley

The wholesale distribution industry lost a champion two weeks ago, someone who had an impact not only on the specific industry association he served, but many distribution sectors, leaders and members throughout a career that spanned more than 30 years and countless relationships. John Buckley, executive vice president of the Industrial Supply Association, died suddenly of an apparent heart attack on Feb. 12 at the age of 66.

I count myself lucky – as did so many others – to work with him as a vendor and professional business colleague; to celebrate with him the simple, funny and fascinating things about life as a good friend; and to respect him for being a wonderful example of what a drive to serve, a generous spirit and a smile can accomplish.

John started working in association management for the National Paper Trade Association in the early 1980s. A natural networker long before the term existed, he served in member services roles that included retention and recruitment programs through research and economic benchmarking.

John was the very definition of a thirsty-for-knowledge lifelong learner as he continued to explore best ways to bring additional value and new market intelligence to the members he served.

He went on to become the association executive for NPTA and was one of the founders of the Paper and Plastics Education Research Foundation. He was also publisher of the award-winning magazine, Sales & Marketing News, published by NPTA. He deeply understood the power of education and communication, and he was a tireless promoter of how the combination of both can elevate companies and the careers of those who manage them.

John's breadth of industry connections and depth of involvement included an ongoing participation in the NAW Association Executives Council, a networking group sponsored by the National Association of Wholesaler-Distributors. He served on the Board of Directors of the NAW Distribution Research and Education Foundation, as well as the U.S. Chamber of Commerce Committee of 100. For many years he represented the U.S. at EUROPA and the Common Market Congress of the Paper Industry. He also served on the ISA Education Foundation Board of Trustees and the Advisory Board for the Industrial Careers Pathways organization.

John's hearty laugh, the twinkle in his eye and his gift to connect ideas, people and a deep love for his family and life will be with me for a long time to come. John left us far too soon, but he left so much to so many I am able to focus on the friendship and fullness of life that he cherished and shared with such generosity.

Thank you, John.

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Private Label
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uct brands to be about products." Grainger has more than 40,000 products that fall under its Exclusive Brands portfolio, which includes motors, hand tools, air compressors, cleaning supplies, safety products and more.

At MSC, the name MSC still shows up on some legacy products, but the company has been phasing out that particular private brand, according to Greg Polli, vice president of product management and global sourcing. MSC has built a strategic plan behind the positioning of eight private brands. An additional 15 or so, some of which came through acquisition and some of which are niche in particular product categories, are also in MSC's portfolio.

ADI also takes this approach. "They know it's our private label – but we don't put our name on it," Flink says. "We don't want to be in that level of competition with our branded suppliers."

"What does a brand mean to a consumer?" Steenkamp asks. "The moment when a strong brand can be defined, would my behavior and would my response to marketing activities of that brand be different?" And does it matter if the brand is tied closely to the company name?

"If I see the Kirkland brand," Steenkamp says, "I understand that is Costco's brand." But the company has invested in building that brand identity, he says.

Regardless of whether the brand name includes the distributor name, it "might fail if (the distributors) can't articulate the value behind their private label brand," says Beau Walter, sales and marketing manager for Athea Laboratories, which contract-manufactures more than 400 private label specialty chemicals and cleaning products for retailers and distributors.

Positioning

Historically, private label brands were often perceived as lower quality products at a lower price point, a common example being the black-and-white generic products found at grocery stores. But over the past 20 years, companies have been working to change that perception.

Much of that perception is based on the segment of the market targeted by the companies. ADI, for example, primarily has products at the "good" level in the good-better-best paradigm. They made that choice because for a lot of branded manufacturers "their least favorite place to be is the lower price point," Flink says.

MSC Industrial Supply's private brands often fall into the "good" to "better" range, according to Polli, with the focus being on how to meet customer needs that aren't already being met in the marketplace.

"We're really developing brand positions in the marketplace for value-add products, not just simply slapping a label on non-value-added product," he says.

Regardless of the quality of the product, distributors have to provide consistency if they plan to have success with their private label strategies, "delivering what you're promising you will deliver every time," Tiberi says. To do that, distributors must understand what it is they're trying to accomplish with their brands and position those products within their portfolios effectively.

"One of the things for distributors to appreciate is the added complexity that having a private label portfolio of products or even a handful of products brings into your business, because you know have to think more expansively about marketing and your value proposition and where those private label products fit in that value proposition," says Guy Blissett, author of the National Association of Wholesaler-Distributors' *Facing the Forces of Change: Reimagining Distribution in a Connected World*. "Basically, things like: How are they going to be positioned if a customer comes onto your e-commerce site and is searching in a particular category? Where do the private label products fit from a prioritizing perspective?"

"It really starts with the category strategy, and the category strategy starts with our value proposition to our customers," Polli says. "… It's really not a separate decision of what we do with private brands; it's a decision of how we can bring the best value to our customers within a category portfolio."

Because of their depth of knowledge about the market, distributors have the ability to clearly understand what their customers need and want. "At the end of the day, it's about what the consumer needs and shops for," says Shaun Young, vice president of consumer health at Cardinal Health, Dublin, OH. Cardinal is seeing two distinct segments emerge in the medical products market – one is brand-loyal, the other is price-conscious.

Balancing national brands and private brands can be challenging, says Ted Stark, president of janitorial and sanitary supplies distributor Dalco Enterprises, New Brighton, MN. "It

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really comes down to what's the best situation for the end-user," he says, and managing private brands as part of a complete portfolio.

Bridging Skill Gaps

"When you own the product it's a whole different ballgame," says Vince Phelan, director of trade marketing for United Stationers, a master distributor of office supplies. "And (distributors) don't always have those skillsets in house."

Distributors understand the products and the market, but they might not have the depth of knowledge about product development that manufacturers have developed over years. But it's critical to a successful private label strategy. "For private label products, a distributor must think like a manufacturer," Tiberi says.

MSC's Polli agrees: "In a nutshell, probably the biggest challenge when you think about private branding is you as the distributor are now taking on much of the role that the manufacturer had. … Many of those costs and those responsibilities now fall to the distributor."

The support function usually provided by manufacturers now becomes the responsibility of the distributor. "Our sales team will only sell product that they're supported with in the marketplace. And if there's not that good relationship and support base, these folks will become very hesitant of leading with these products," DawnChem's Rossi says.

The contract manufacturer that DawnChem works with to produce its line of private label products helps to provide that support, including product literature. Rossi recommends seeking out manufacturing partners that can add value to the production relationship.

And with a private label line, product quality issues become an even bigger concern for the distributor. If you're not attentive to the quality of your brand, "you could very quickly damage the perception of your brand," Flink says. It's your brand on the line if your name is on it, not the company actually manufacturing it.

At a minimum, distributors have to ensure that they're partnering with a reliable and established manufacturer. Some distributors take it a step further, making sure they have their own quality control team on the floor of the factory, yet another skill set that distributors may have to develop.

Control vs. Liability

The more involved a distributor is in the development of its private label products, the more they open themselves to legal risks associated with those products. It's a balancing act to determine how much product control to have versus that question of liability.

"It's not a decision to be taken lightly, and I think you really need to have a deep understanding going in as to what you're trying to do with these private label products," Blissett says.

"When the private label distributor has a lot of input and oversight on the manufacturing of that product, I would consider it a positive," says Daryle E. Stafford, president & CEO of Veracity Insurance Solutions, Pleasant Grove, UT. "It's probably going to help on the liability side for them, just from the fact that they're making sure that this plant is meeting certain specifications, that the product quality is meeting the specifications that they have set and obviously making sure that the final product meets the company's expectations for a quality product."

On the other hand, flaws in design or production could become your responsibility, he says. "It's not that distributors shouldn't get involved in the design; it's just that they will assume the liability. So they have to understand that once they start altering the design and putting input on that, they are starting to become the manufacturer."

If you source internationally, chances are that the liability will fall on your shoulders regardless of the level of input because of lack of jurisdiction, Stafford says.

Distributors should make sure the company manufacturing their private label products is a reputable company, and if they are domestic, make sure they have insurance and get named on the policy.

Never agree to a contract manufacturer who asks the distributor to name the manufacturer on the distributor's insurance policy, Stafford says. "If you run across a manufacturer that's asking for that, that's not normal and it shouldn't be acceptable." It would be like agreeing to hold an automobile manufacturer harmless for damages caused by a vehicle with defects.

"Liability is a real concern for many distributors, particularly for those who may have never done a private label before," Athea's Walter says. "We need to articulate that we're an established company and therefore the products are established. We want them to be comfortable that they're marketing a product that's proven in the marketplace, that we're not cutting corners.

"It's important for a customer to be comfortable with whom they're buying from."

■ *MDM Interview*

How to Stand in Your Employees' Shoes

Author on how managers can better engage a diverse workforce

As the face of the workforce shifts, managers need new skills to connect and effectively lead a more diverse employee base. A new book, Flex: The New Playbook for Managing Across Differences, *was written to address this need. MDM Editor Lindsay Konzak recently spoke with the book's co-author Jane Hyun, an executive coach and global leadership adviser to Fortune 500 firms.*

Hyun was inpired to write Flex *in part by her own experience. Born in South Korea and moving to the U.S. at a young age, she encountered challenges that sprung from both cultural and gender differences as she navigated her career. She writes in the introduction to the book: "People report to work every day having been raised with a specific code of behavior, cultural values and rules."*

However, she says, they could be assigned to work for managers and coworkers who have management principles that are at odds with that behavior. It's not that different styles are wrong, she says, but leaders can take steps to bridge the gaps.

MDM: Why did you write the book?

Jane Hyun: We talk often in our work about the importance of diverse employees and leadership, but we often don't give managers the tools for how to bridge those gaps in the workplace. *Flex* is about responding to the many voices we're hearing – that I wish my manager understood me better, or I hoped my manager would take the time to learn more about my background.

By the same token, most managers I knew had a hard time with this – had a hard time even knowing how to start these conversations.

MDM: The book is called *Flex*. Define what you mean by "flex."

Hyun: The way we define flex is the art of switching between leadership styles to work more effectively with others who are different from you. It's not fundamentally changing who you are. It's not transforming into someone different. But it's really about a stretching process. It's about understanding the gap that exists between you and others who are different and then flexing across that gap to achieve the results you're looking for. … It's definitely a two-way street. I think that's important, but I think someone has to start it.

If you're the manager or leader, the onus is on you to at least begin that conversation. Individual leaders, if they are willing to take that ownership to initiate these conversations, they're going to get results.

MDM: In the book, you call for leaders to close the "power gap."

Hyun: That's right. The way we defined it is it's a social distance that separates managers and employees across generations, across cultures and across the gender divide, as well.

To define it further, if you're more egalitarian in your power gap preference, you minimize that gap between yourself and people who are in authority. There's less emphasis on the title and status, it's OK to call the senior executive by his first name; you recognize he's a senior vice president, but you don't have to be so formal with him.

If you lean more towards being hierarchical, there's a bigger gap. The power gap is huge between yourself where you sit in the cubicle and the corner office of that senior vice president. So you might expect more direction from that person and maybe are less comfortable with pushing back and maybe even questioning his or her authority. Even if they say, hey listen, I've got an open door policy I want to hear your ideas, if you're more hierarchical you may feel less comfortable with that perspective.

MDM: You're not asking them to change, but some may read the book and say they are giving up some of their power by employing these ideas. What do you say to that?

Hyun: We don't believe flexing is giving away your respect or authority. We do believe that decreasing the power gap that exists between you and people who are different from you will allow you to get more engagement from them.

If you're a manager and you agree to meet your employee part way by decreasing the gap, it really has the opposite effect by creating that trust and communication where before there might have been mistrust or conflict or maybe

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just uncertainty because they don't know how to interact with you.

MDM: What's the cost of not doing this effectively?

Hyun: Companies are losing money due to employees that have one foot out the door because they're not fully engaged or don't feel understood. I think that's part of the cost. And the competitive advantage if you can get this right – the cost can be great but the advantage can be great if you can figure out a way to flex across the gap and make people feel like they are a part of the organization.

MDM: What's your take on multigenerational misunderstandings or differences in the workplace?

Hyun: Technology has just connected us all and given us access to each other no matter what their title or level is. If you're on LinkedIn or Twitter, you can follow the President of the United States, as well as your favorite baseball player. It's removed a lot of the hierarchical distance between us.

Many of the generations of people coming into the workforce have grown up with that. They can access any of those people. They probably lean toward a more egalitarian style where the power gap is less; they want to collaborate no matter what your title is. They are looking for different ways to work.

MDM: So how do you enter a productive dialogue with employees?

Hyun: When we talk about the actual engaging in the dialogue there are a couple of steps to that. First, you want to initiate dialogue, identifying a behavior that you don't understand or you see that's a little different and initiating a dialogue about it.

Then in a nonjudgmental way, without blaming the person, identify what you see. "Hey the last time we had this meeting this is what I saw. What's going on behind that? Help me understand." Explore the intentions and values underlying that. If they're not sharing a lot because it's a little uncomfortable at first, maybe disclose something about your own style or expectations. Perhaps saying: "You typically have a lot of ideas one-on-one, but in this meeting you didn't communicate the way I expected you would."

Disclose a little and dig a little deeper to understand where they are coming from. You want to work together to come up with the action steps. … You might suggest that in the next meeting this is what you'd like to see. Maybe ask the person: 'What do you think we can do to meet each other partway? How can I flex to you? How can we work together here to obtain results at our next meeting?'

MDM: How can leaders prepare for these conversations?

Hyun: Even before you open your mouth to have a conversation with your employees, there are questions to ask yourself, pre-engagement questions. What are they thinking? What could be behind the action? Could there be generational, gender or age differences that could be at play? Just asking yourself makes you more curious and more open to learning.

How should I connect? How can I break the ice with this person? How can I share my desire to reach out without judging?

Thirdly, how can I put myself in the other person's shoes? This is the hardest one. … When I speak and begin that dialogue how do I demonstrate positive intent? What can I do to show that positive intent? Could there be some other underlying barriers or previous negative experiences to take into account?

If you ask yourself these questions before you open your mouth you will be more thoughtful and careful – and you will come across as more concerned about the career success of the person you will talk to.

Too often we just kind of wing it, thinking our previous common sense experiences will work with the new generations of people and people who are different from us. But it's not working. They don't always think the way we do, or they don't always respond the way we do. The more we take these conversations seriously, we typically we get a better response from the other person sitting across the table.

MDM: What's the link between fluent leadership and innovation?

Hyun: I believe the fluent leader who knows how to flex is someone who can leverage that diverse thinking in their employees to get the best out of them. There's been a lot of research that shows that diverse multicultural thinking has a positive correlation with innovation. You're thinking differently about things. You're bringing in a new perspective, not the same way you've always looked at things.

Having a diverse workforce in your company is not enough either though. You might have a diverse group of women, younger people, a lot of culture. What you have to do as a manager is facilitate that openness and give them permission to speak up. You need to be a leader that gives voice for the differences to be seen by other people. If you're not flexing and you're not asking people to have a voice, you can actually squelch the process. You can be a bottleneck to the innovation that is happening.

Flex, by Jane Hyun and Audrey S. Lee, will be published in late March. To pre-order or learn more about the book, visit the book's website at www.flextheplaybook.com.

Behind Grainger's E-Commerce Strategy

Grainger VP Paul Miller: 'We're not looking to be cutting-edge'

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In 2013, Grainger surpassed $3 billion in sales from e-commerce channels, representing a third of total company sales. The company also transitioned to a new Web platform, launched a Spanish website and introduced more mobile solutions. Grainger announced in 2013 that it planned to add about 300 IT and e-commerce new hires in the next several years.

Paul Miller, vice president of global e-commerce for Grainger, spoke with Editor Lindsay Konzak at the 2014 Grainger Show, a trade show for Grainger's employees, customers and suppliers. Miller provided insight into Grainger's approach to e-commerce, his own experience in both B-to-C and B-to-B e-commerce environments and what's next for the $9.4 billion MRO distributor.

By Lindsay Konzak

Despite generally being considered a technology leader in the industrial distribution space, Grainger's goal is much broader than that, according to Paul Miller, Grainger's vice president of global e-commerce. Miller spoke with MDM at the recent 2014 Grainger Show, its annual event for employees, customers and suppliers.

"Grainger in general is not looking to be the cutting-edge company that is breaking new ground with every new piece of technology," Miller says. "We want to understand what our customers' needs are. How do they communicate with each other? How do they communicate with companies like us? And how can we put ourselves in the right position for that so that they can get the answers they need?"

E-commerce now accounts for a third of the MRO distributor's $9.4 billion in annual sales.

Miller, who led e-commerce efforts at Sears and food and cooking accessories retailer Williams-Sonoma before coming to work for Grainger, said that B-to-C trends have seeped into B-to-B markets. The customer experience is just as important, if not more important, than having products available online in the first place, he says. "It's not good enough to have a million products," he says. "You have to make it easy for customers to find those."

There are however some unique characteristics of B-to-B markets, Miller says. "These people are operating businesses," he says. "They need to make sure that that right product was selected to keep them running, that they get it at the right time so they can achieve that, and that they have the right visibility to that afterwards because they have to track it, they have to pay you and do all that other stuff. That's the juxtaposition between the two."

While there are similarities between the consumer and business spaces, the wrong product decision in a B-to-B environment will probably have much bigger consequences, Miller says. Buying the wrong book or sauce may only result in having lost $20.

"The danger of being wrong with our products that we sell is that person's facility may not be running because of the choice they made, they might not be able to produce what they want to produce …. That's where the level of expertise that we bring to the table is important," Miller says. "How do we bring that to bear whether on a mobile device, on the site, on the phone or any of the channels we come to our customers with?"

This approach has been front and center for Grainger as it looks to continue expansion in the U.S. and globally. In addition to e-commerce, the distributor is investing in sales force expansion, inventory management solutions including vending and distribution centers.

As part of its e-commerce investments, Grainger has also built mobile applications for tablets and phones.

Instead of "multiple channels," the distributor thinks "multichannel" – a matter of semantics, perhaps, but critical to its goal of a more integrated customer experience, Miller says. He says the distributor wants to ensure that when a customer starts a transaction on one platform, such as the grainger.com website, and then moves to a mobile device or even goes to a store, they are able to pick up where they left off. And they can do that with the support of a trained sales force and customer service team.

"That's the area where we're focusing and trying to innovate," Miller says. "How do we do things where we're linking up where our core abilities are?"

But while the distributor continues to launch new features, including its recent Live Chat with Photo application that allows customers to share product photos with customer service reps, "we're not trying to push a customer in any particular direction."

Grainger's e-commerce team works out of an office in downtown Chicago, a deliberate move by Grainger to attract top technology talent, as well as dedicate resources to a fast-growing piece of the business. Grainger's plans to add more than 300 people to that team, announced in mid-2013, is an indication that the distributor isn't letting up.

"It represents the fact that our customers are doing business in different ways now," Miller says.

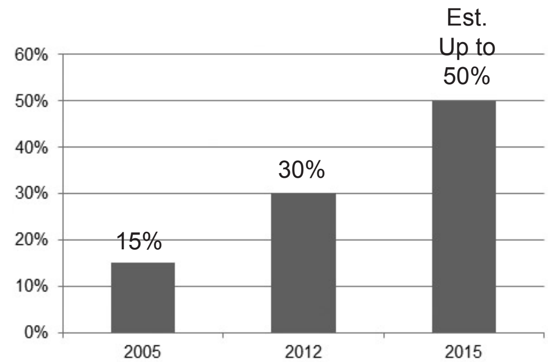
Grainger sees e-commerce as a "ripe opportunity," Miller says. "Our view was that there was going to be a long-term need to continue evolving these things," Miller says. "It's not like there's a one-time episode that you're going to launch a new site, and we're going to have 60 people working on this."

Grainger also plans to use its centralized e-commerce team to spread best practices throughout its global network. The central core will be supplemented by teams in Grainger's different markets, adding local flavor, Miller says.

Miller believes that all sectors of distribution, no matter the product, will be affected by e-commerce. "I don't think there's a single one you can point to and say it will never be influenced or be touched or have relevance created through online or digital," he says. "Some take a little longer than others. I don't think it's a question of if; I think it's a question of when."

E-Commerce as Percent of Sales

As a percent of sales, Grainger's revenue from its e-commerce channel continues to grow with an estimated 40% to 50% of revenue by 2015.



Source: Grainger 2013 Fact Book

The key, Miller says, is understanding what the customer needs to "pull the trigger" on a purchase. In some situations, for example, a customer may need more information to make a decision. If a customer is looking at an air conditioning unit online, Grainger knows that product typically requires more information and a higher level of engagement with the distributor than, for example, toilet paper.

Grainger's multichannel approach recognizes that many people now start their searches for suppliers or products online, even if they don't ultimately purchase there, and would then allow it to serve that customer beyond the online platform.

"It's not about an on or off kind of mode. You have to peel away a little bit," Miller says. "What are the things that people need to make that choice?"

Customer behavior has shifted, and Miller says that distributors need to be where their customers are. "… Anyone who is not investing at an accelerated rate right now in figuring it out, in being where their customers are – whether they are researching products, whether they are buying products, whether they are supporting products – if they're not there, they are missing the opportunity."

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Industrial & Construction Markets Update

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Lawson Products Sales Drop 1.4% in 2013

Chicago-based MRO products distributor Lawson Products Inc. reported sales for 2013 were $269.5 million, down 1.4 percent from 2012. Lawson Products reported a net loss of $5.1 million for the year.

Fourth-quarter sales were $65.7 million, up from $64.5 million in the prior-year period.

Average daily sales in the quarter were up 2 percent to $1.08 million. Sales rep headcount was up by 22 reps from the end of third quarter 2013 to the end of fourth quarter 2013.

Net loss for the fourth quarter was $2.9 million.

"The fourth-quarter results reflect our continued progress to improve our operations and add to our sales force," said Michael DeCata, president and CEO. "Our previous investments and focus on cost controls now provide a platform for future growth. During 2013, we expanded our territorial coverage by adding 49 direct sales representatives. It was the first year in eight years that we increased our direct sales rep count and the second consecutive quarter with a sales increase over the prior year."

In the fourth quarter, Lawson Products agreed to sublease a portion of the company's leased headquarters, which will result in a future net cash savings of $2.9 million through the life of the sublease term through March 2023. The distributor also settled a previous employment tax matter with the IRS for $0.8 million, less than the previously established reserve of $1.2 million.

Lawson also sold Automatic Screw Machine Products Company to Nelson Stud Welding Inc. for $12.5 million in cash, according to an SEC filing. Automatic Screw Machine Products Company, which was a subsidiary of Lawson Products, is based in Decatur, AL. It was purchased by Lawson Products in 1996.

John Buckley, executive vice president of the **Industrial Supply Association**, died suddenly on Feb. 12 of an apparent heart attack. Buckley was 66. Buckley served as executive vice president of ISA since the Industrial Distribution Association and the Industrial Supply Manufacturers Association approved merging to form ISA in 2004.

Distributor News

Industrial and construction products buying group **Affiliated Distributors**, Wayne, PA, reported sales in 2013 of $28 billion. AD's members across all divisions grew 4 percent in 2013.

Electrical distributor **Turtle & Hughes Integrated Supply**, Linden, NJ, named Michael DeVoney as its new president. DeVoney will be responsible for developing new business, operational excellence and applying integrated supply principles.

Electrical and datacomm distributor **Anixter International Inc.**, Glenview, IL, is working with Goldman Sachs Group to find a buyer for the business, according to a report from Bloomberg. The distributor recently reported sales for 2013 were $6.2 billion, roughly flat from the prior year.

Motion Industries, Birmingham, AL, reported sales for 2013 of $4.4 billion, a slight decrease from 2012. Operating profit decreased 8.9 percent to $320.7 million. For the fourth quarter, sales for Motion were $1.1 billion, an increase of 2.9 percent compared to the same period a year ago. Operating profit decreased 6.1 percent to $73.3 million.

Paris-based electrical distributor **Rexel** had sales of €13 billion (US$17.8 billion) in fiscal 2013, down 3.3 percent on a reported basis and down 2.7 percent on a same-day basis. Profit for the year was down 33.8 percent to €211 million (US$288 million). In the fourth quarter, Rexel's sales were €3.3 billion (US$4.5 billion), down 4.4 percent year-over-year on a reported basis and down 0.9 percent year-over-year on a constant and same-day basis.

Watsco Inc., Miami, FL, reported full-year sales for 2013 of $3.7 billion, an increase of 9 percent year-over-year. Profit increased 23.6 percent to $127.7 million. Fourth-quarter sales were $827 million, an 8 percent increase over the same period a year ago. Profit increased 17.4 percent to $17.3 million.

Grainger, Chicago, IL, reported sales for January increased 3 percent year-over-year. Results for the month included a 1 percent increase from acquisitions and a 2 percent decline from unfavorable foreign exchange.

UK-based **Wolseley** plc, distributor of plumbing, heating and building materials, has agreed to acquire **Puukeskus**, a Finnish building materials distributor with 23 branches. Puukeskus had revenues of £190 million (US$315 million) in 2013.

Ace Hardware Corp., Oak Brook, IL, a retailer-owned hardware cooperative, has acquired **Emery-Waterhouse**, a distributor of hardline products for independent lumber, paint, industrial and hardware outlets.

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News Digest

Continued from p. 1 of this section

Beacon Roofing Supply Inc., Herndon, VA, reported sales for the first quarter ended Dec. 31, 2013, of $552.1 million, up 7.5 percent from the previous year, with organic sales up 3.3 percent. Profit decreased 17.8 percent to $15 million.

Huttig Building Products Inc., St. Louis, MO, a distributor of millwork, building materials and wood products, reported sales for 2013 were $561.5 million, up 8 percent from 2012.

Gypsum Management and Supply Inc., Tucker, GA, distributor of wallboard, acoustical and other specialty building products in the U.S., has agreed to sell a majority equity stake to **AEA Investors LP**. GMS operates in 30 states through more than 140 branch locations.

Building products distributor **ABC Supply Co. Inc.,** Beloit, WI, opened a new branch in La Crosse, WI. The branch offers steep-slope and low-slope roofing products and systems, siding, gutter, windows, doors and related products and services.

ABC Supply Co. has named Todd Buehl as CFO and treasurer, effective April 1. Buehl succeeds Kendra Story, who is retiring as CFO and treasurer after nearly 32 years with the company.

Bossard Group, Zug, Switzerland, has taken a 19 percent stake in the British company **bigHead**, a provider of fastening solutions for lightweight composite materials. bigHead has sales of about CHF 4 million (US$4.5 million).

Dutch distributor **ERIKS** has agreed to acquire the **Maagtechnic Group** from **Datwyler**. The Maagtechnic Group, an industrial service provider serving OEM and MRO customers with operating companies in Switzerland, France, Germany and the Czech Republic, had sales of CHF 150 million (US$167.6 million) in 2013.

Wesco Aircraft Holdings Inc., Valencia, CA, reported sales for the first quarter ended Dec. 31, 2013, of $224.7 million, a 6.4 percent increase from the previous year. Profit increased 32.6 percent to $24.4 million.

Ingram Micro Inc., Santa Ana, CA, a wholesale technology distributor, reported sales for the fiscal year ended Dec. 28, 2013, were up 12 percent to $42.6 billion. Sales for the fourth quarter ended Dec. 28, 2013, were $11.8 billion, up 4 percent in U.S. dollars. Fourth-quarter profit was $112 million.

Reliance Steel & Aluminum Co., Los Angeles,

MDM Industrial Inflation Index for January 2014

		BLS Price Indices Jan. '14	BLS Price Indices Dec. '13	BLS Price Indices Jan. '13	% Sales Weight	Weighted Indices Jan. '14 (1)X(4)	% Change Jan. '14 Dec. '13	% Change Jan. '14 Jan. '13
1136	Abr. Prod.	573.5	561.9	551.6	19.1	109.54	2.06	3.98
1135	Cutting Tools	492.7	489.1	488.1	18.9	93.11	0.72	0.94
1145	Power Trans.	803.2	801.3	790.1	15.4	123.69	0.23	1.66
1081	Fasteners	510.4	503.9	498.5	9.0	45.94	1.29	2.38
1149.01	Valves, etc.	964.5	956.6	938.6	7.6	73.30	0.83	2.76
1132	Power Tools	359.1	358.7	349.6	6.5	23.34	0.12	2.72
1144	Mat. Handling	571.1	570.2	567.4	6.2	35.41	0.15	0.66
0713.03	Belting	836.9	832.7	874.9	6.1	51.05	0.50	-4.34
1042	Hand Tools	775.4	774.4	766.9	8.1	62.81	0.13	1.11
108	Misc. Metal	476.6	477.2	474.3	3.1	14.77	-0.12	0.48
	"New" January Index	330.7	January Inflation Index			632.98	0.76	1.51
	"New" December Index	328.2	December Inflation Index			628.22		
			January 2013 Inflation Index			623.56		

CA, reported sales for 2013 of $9.2 billion, up 9.3 percent from 2012. Profit decreased 20.3 percent to $321.6 million year-over-year. Fourth-quarter sales were $2.3 billion, an increase of 22.1 percent from the same period the previous year. Profit decreased 23.1 percent to $61.8 million.

Economic News

Revamped **wholesale prices** in the U.S. increased 0.2 percent in January, seasonally adjusted, the U.S. Bureau of Labor Statistics reported. The 0.2 percent advance in prices for final demand was primarily traced to the index for final demand goods, which rose 0.4 percent. Prices for final demand services inched up 0.1 percent.

Privately-owned housing starts in the U.S. in January were at a seasonally adjusted annual rate of 880,000. This is 16 percent below the revised December estimate of 1,048,000 and 2 percent below the January 2013 rate of 898,000. Single-family housing starts in January were at a rate of 573,000; this is 15.9 percent below the revised December figure of 681,000.

Industrial production decreased 0.3 percent in the U.S. in January after having risen 0.3 percent in December, according to the Federal Reserve. Manufacturing output fell 0.8 percent. Manufacturing production was lower than reported in the fourth quarter, now estimated to have advanced at an annual rate of 4.6 percent rather than 6.2 percent.

December U.S. cutting tool consumption was $138 million, according to the U.S. Cutting Tool Institute and the Association for Manufacturing Technology. This total was down 11.7 percent from November and down 3.9 percent from December 2012. Year-to-date shipments are $2 billion, down 3.9 percent from the same period in 2012.

The **Power Transmission Distributors Association Business Index** reading for the fourth quarter was 60, compared with a 52 reading for the third-quarter index. In the fourth-quarter survey conducted last month, participants anticipated 7 percent growth in 2014.

Small business optimism in January was slightly up from December at 94.1 but well below the pre-recession average of 100, according to the National Federation of Independent Business' latest index. Owners were more positive about their own sales and plan more hiring, with the strongest job creation plans since 2007.

December U.S. manufacturing technology orders totaled $491.9 million, according to the Association for Manufacturing Technology. This total was up 9.9 percent from November and up 11.8 percent when compared with December 2012. With a year-end total of $4.9 billion, 2013 was down 5.1 percent compared with 2012.

Nonfarm business sector labor productivity increased at a 3.2 percent annual rate during the fourth quarter of 2013, according to the U.S. Bureau of Labor Statistics. The increase in productivity reflects increases of 4.9 percent in output and 1.7 percent in hours worked.

Seasonally adjusted industrial production in Europe fell by 0.7 percent in December 2013 compared with November 2013 in both the euro area (EA17) and the EU28, according to estimates from Eurostat, the statistical office of the European Union.

Compared with November 2013, December 2013 seasonally adjusted **production in the construction sector** grew by 0.9 percent in the euro area (EA17) and by 1 percent in the EU28, according to Eurostat.

Economic activity in the Eurozone remains weak despite the fact that the region came out of a technical recession, according to the Manufacturers Alliance for Productivity and Innovation's European Industrial Outlook.

Manufacturer News

3M, St. Paul, MN, has agreed to acquire **Treo Solutions**, Troy, NY, a provider of data analytics and business intelligence to healthcare payers and providers.

Illinois Tool Works, Glenview, IL, has agreed to sell its industrial packaging segment to **The Carlyle Group** for $3.2 billion.

Regal Beloit Corp., Beloit, WI, has acquired **Hy-Bon Engineering Company Inc.**, a vapor recovery solutions company for oil and gas applications.

TimkenSteel Corp., the newly formed subsidiary of **The Timken Company**, Canton, OH, has filed an initial Form 10 Registration with the U.S. Securities and Exchange Commission.

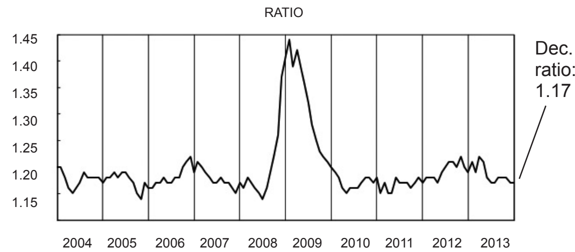
MARKETS UPDATE SUPPLEMENT P. 4

Monthly Wholesale Trade Data

Wholesale revenues in December were $442.4 billion, up 0.5 percent from November and up 5.8 percent from December 2012, according to the U.S. Census Bureau. December sales of durable goods were up 0.3 percent from November and up 5.6 percent from a year ago. Sales of lumber and other construction materials were up 2.3 percent from the prior month. Sales of nondurable goods were up 0.6 percent from November and up 6 percent from last December.

Inventories. Total inventories of merchant wholesalers were $517.9 billion at the end of December, up 0.3 percent from November and up 4 percent from December 2012. December inventories of durable goods were up 1.3 percent from November and were up 5.7 percent from a year ago. Inventories of nondurable goods were down 1.3 percent from November, but were up 1.3 percent from last December.

Monthly Inventories/Sales Ratios
of Merchant Wholesalers: 2004-2013
(Estimates adjusted for seasonal and trading-day differences, but not for price changes)



Source: U.S. Census Bureau

Inventories/Sales Ratio. The December inventories/sales ratio for merchant wholesalers was 1.17. The December 2012 ratio was 1.19.

Sales and Inventories Trends: December 2013

NAICS Code	Business Type	Sales $Millions	Inventory $Millions	Stock/ Sales Ratio	Percent Change Sales 11/13-12/13	Percent Change Sales 12/12-12/13	Percent Change Inventory 11/13-12/13	Percent Change Inventory 12/12-12/13
42	**U.S. Total**	**442,392**	**517,921**	**1.17**	**0.5**	**5.8**	**0.3**	**4.0**
423	**Durable**	**201,708**	**319,284**	**1.58**	**0.3**	**5.6**	**1.3**	**5.7**
4231	Automotive	34,581	49,691	1.44	-0.7	4.8	0.6	4.6
4232	Furniture & Home Furnishings	5,137	8,458	1.65	-0.5	10.8	-0.6	6.8
4233	Lumber & Other Construction Materials	10,813	15,624	1.44	2.3	9.7	1.6	10.2
4234	Prof. & Commercial Equip. & Supplies	41,324	38,818	0.94	1.0	5.2	1.9	6.0
42343	Computer Equipment & Software	23,791	17,351	0.73	0.4	3.4	5.3	8.4
4235	Metals & Minerals	13,639	26,069	1.91	-1.0	-2.1	0.9	-3.1
4236	Electrical Goods	32,062	38,356	1.20	1.6	4.1	1.3	2.8
4237	Hardware, Plumbing, & Heating Equipment	9,851	19,113	1.94	-0.4	6.8	-0.2	1.3
4238	Machinery, Equipment & Supplies	36,882	94,349	2.56	0.9	16.9	2.2	11.0
4239	Miscellaneous Durable	17,419	28,806	1.65	-2.1	-6.9	0.4	3.6
424	**Nondurable Goods**	**240,684**	**198,637**	**0.83**	**0.6**	**6.0**	**-1.3**	**1.3**
4241	Paper & Paper Products	7,709	7,336	0.95	2.8	6.1	0.5	-0.3
4242	Drugs	37,127	39,501	1.06	3.4	5.6	0.1	15.4
4243	Apparel, Piece Goods & Notions	12,933	23,296	1.80	-0.2	5.7	1.7	6.7
4244	Groceries &Related Products	49,723	34,080	0.69	-1.4	4.0	-0.4	4.3
4245	Farm-product Raw Materials	20,293	23,649	1.17	-2.3	-4.5	-5.2	-12.4
4246	Chemicals & Allied Products	10,683	12,783	1.20	0.0	3.6	4.6	6.5
4247	Petroleum & Petroleum Products	70,072	20,789	0.30	1.4	15.2	-5.1	-11.5
4248	Beer, Wine & Distilled Beverages	10,391	13,903	1.34	0.0	-0.6	-0.3	4.3
4249	Miscellaneous Nondurable Goods	21,753	23,300	1.07	0.9	-0.4	-4.0	-3.6

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.