Modern
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Intelligence for Wholesale Distribution Professionals

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■ *Making Money with Small Customers*

Cost-Effective Channel Alignment

Use the right resources to serve small customers for big impact

There is often a perception in sales that the smallest accounts are not worth the time and effort to obtain the small amount of sales they provide. In this article, Jonathan Bein of Real Results Marketing provides an overview of how realigning sales channels can help distributors benefit from these small customers.

By Jonathan Bein

For most distributors, the top 10 percent of their customers represent 60 percent to 90 percent of that distributor's revenue. Those customers are well-served by field sales reps. The remaining 90 percent of the customers, often called house accounts, have 10 percent to 40 percent of the total revenue. They are usually passively served through phone calls to customer service reps, branch visits and e-commerce sites. However, there are two attributes of house accounts that make it worthwhile to actively cultivate them through the right sales and marketing channels:

Because house accounts are mostly managed passively, even minimally active efforts to grow wallet-share in these accounts yields 5 percent annual growth. Managed properly, these house accounts can grow 10 percent or more annually with a significant contribution to overall company growth.

In work we have done for distributors, house accounts often have three to six percentage points higher margin than assigned accounts. For distributors who have implemented a price improvement program, the difference in margin percentage between assigned and house accounts can be as high as 10 points.

The opportunity for growth of house accounts depends heavily on how concentrated the revenue is among assigned accounts. When it is more concentrated, even large growth in the house accounts will have minimal effect on the total company revenue. Table 1 below shows two dimensions:

- Annual growth rate in revenue of the house accounts on the vertical axis.
- The percent of all revenue that comes from house accounts on the horizontal axis.

Each cell shows the revenue growth for the entire company based on revenue growth in house accounts. At the lower left, a company with 10 percent of all revenue in house accounts that grows those accounts at 5 percent will only see a net half-percent increase in company revenue. In the upper right, a company that grows house accounts at 12.5 percent and has house accounts that total 40 percent of the revenue will see a net increase of 5 percent in company revenue.

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Table 1: Overall Company Growth Based on Growth in House Accounts

Growth rate of house accounts	House account percent of total revenue: 10%	20%	30%	40%
12.5%	1.25%	2.5%	3.75%	5%
10%	1%	2%	3%	4%
7.5%	0.75%	1.5%	2.25%	3%
5%	0.5%	1%	1.5%	2%

INSIDE

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PERSPECTIVE ■ Commentary by Jenel Stelton-Holtmeier

The Changing Role of the Distributor

Today's distribution industry is a different animal than a few decades ago. The basic idea is still the same: Make sure customers get the product they need when they need it. But customers are demanding more and less at the same time.

Customers want an efficient buying process and less of the hard sales pitch, because it's likely they've already done their homework on the products they need and want. They want the distributor to provide those products with no fuss.

But they also want more services from the distributor. They want inventory management, they want data they can use, they want training on how to use the products more effectively – but they want it on their timeframes, not when the distributor wants to give it.

Two articles in this issue examine the changing role of distribution. The first is how distributors can combat the threat of disintermediation. Technology has made direct communication between manufacturers and end users easier, and some manufacturers are looking more closely at the possibility of cutting out the "middle man" for better margins.

The perception underlying this is that the distributor is just a middle man, that there is little value added to the relationships on either side. The problem is that you and I both know that this isn't the case.

Customers are trying to do more with fewer resources, and are asking for distributors' help with everything from custom engineering work to placing bids to sourcing products. The challenge is: How can this value be communicated to the manufacturer and to the end user?

The second article looks at the changing role of the salesperson in this new environment. Gone are the days of what Jeff Haggard, vice president of sales for industrial distributor Haggard & Stocking, calls "the cigar-toting, backslapping sales guy." That type of salesperson just isn't enough anymore.

Relationships are still important in distribution, but the importance of a personal relationship – as opposed to a business relationship – has waned. It's nice when you ask about how Joe's kids are doing, but that's not going to get you the sale anymore.

Distributors have to adapt to the new market expectations, and that might require some investment of time and money. But the alternative is having nothing to invest in.

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Publisher
Thomas P. Gale
tom@mdm.com

Editor
Jenel Stelton-Holtmeier
jenel@mdm.com

Associate Publisher
Craig Riley
craig@mdm.com

Associate Editor
April Nowicki
april@mdm.com

Staff Writer
Scott Merrill
scott@mdm.com

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

Gale Media, Inc.
2569 Park Lane, Ste 200, Lafayette, CO 80026
Tel: 303-443-5060
Website: http://www.mdm.com

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Small Customers
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Also, since the gross margin percentage for house accounts is higher than assigned accounts, the company gross profit grows slightly more than the company revenue, as shown in Table 1.

Integrated Marketing

To cost-effectively grow house accounts from 5 percent to 12.5 percent per year requires proper channel alignment. This means that the most cost-effective channels are different for acquiring and serving large, mid-size and small customers. Figure 1 shows a sales and marketing map that works well for house accounts including mid-market accounts and small accounts. For the mid-market accounts, the primary channel is inside sales, supported by direct marketing and e-commerce. Small accounts are primarily handled through direct marketing and e-commerce.

The multichannel approach works for house accounts by keeping the distributor on top of its customers. The net result is increased order frequency and increased average order value that provides 5 percent to 15 percent annual growth. The channels work together to drive branch traffic, calls, e-commerce and email orders.

Inside Sales

True inside salespeople are skilled hunters. They are motivated by capturing new accounts and rewarded accordingly. This is in contrast to customer service people who are better at gathering.

When the proper structures are set up for proactive inside sales, distributors can cost effectively serve mid-market and smaller accounts in a manner that was previously infeasible. The economics of inside sales are shown in Table 2. They can reach 20 to 25 customers per day at a much smaller cost per contact than field sales. Typical inside sales accounts spend $2,500 to $15,000 or even $25,000 per year.

Our research finds that there is increasing preference for inside sales because it takes three to five minutes instead of an hour-long field sales visit. This is part of the larger trend toward more transactional channels and vehicles.

Inside sales programs can be initiated with only a couple of salespeople. Once the program is working well, it is easy to add new salespeople to the team. But keep in mind that a new inside salesperson will take several months to reach top efficiency.

E-Commerce

As noted in the 2014 MDM e-commerce survey, distributor e-commerce channels are maturing.

Figure 1: Sales and Marketing Channel Map

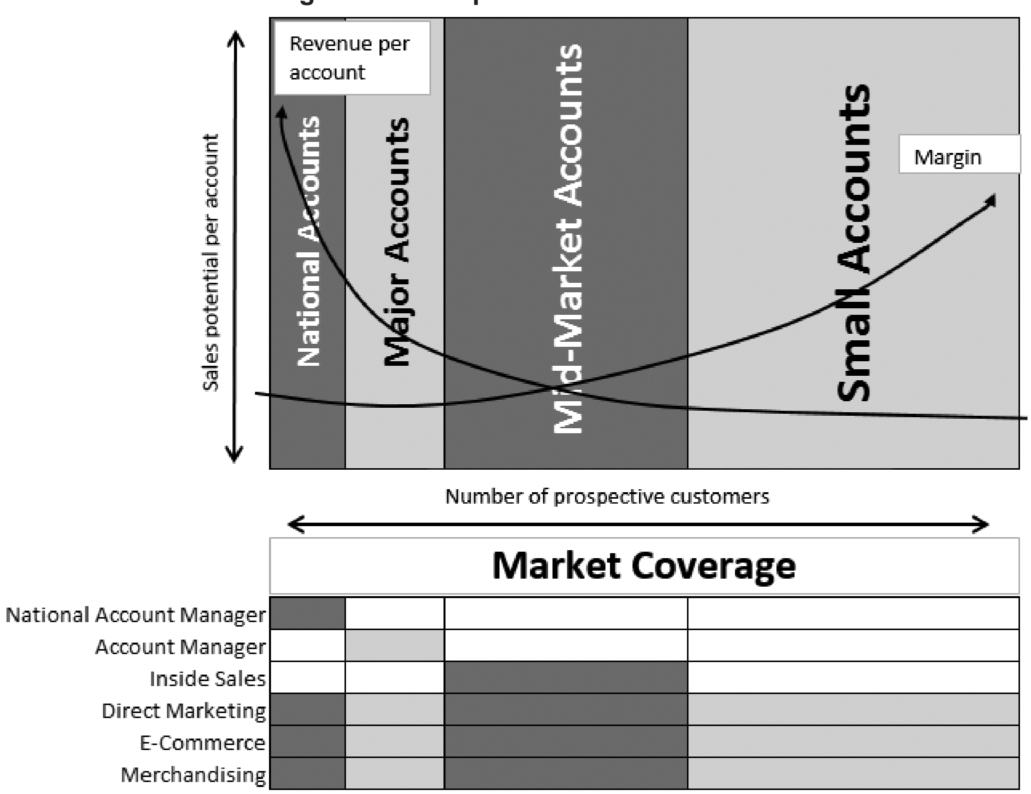

Table 2: Cost per Contact by Channel

	Contacts/day	Contacts/year	Average annual salary	Average cost/ contact
Field sales	3-4	750-1,000	$100K	$100-$133
Inside sales	20-25	5,000-6,250	$45K	$7-$9

The percentage of companies with at least 5 percent of total revenue going through the e-commerce channel is expected to grow by more than 25 percent in 2014. Distributors with at least 10 percent of total revenue from e-commerce are expected to see that number double in 2014.

Distributors who have successful e-commerce channels view it as a strategic opportunity rather than a tactical requirement dictated by their largest customers. They combine push and pull marketing techniques to get customers and prospects of all sizes to purchase from their e-commerce platforms.

E-commerce is a great venue for customers of all sizes, but is particularly well-suited to customers who purchase small amounts infrequently, totaling less than a few thousand dollars per year. The low cost of creating and fulfilling an order reduces the cost-to-serve of the customer to a level where it is profitable for a distributor.

Many distributors with more than $500 million in sales have achieved good levels of integration across the channel and have developed more sophisticated marketing effectiveness measurements. The imperative for distributors of all sizes is to create and continually refine multi-channel offerings.

Direct Marketing

Direct marketing includes both traditional print media such as catalogs, brochures and flyers, as well digital marketing through email and marketing automation tools. Direct response marketing will not only increase sales of items featured in offers, but it also increases sales of other products. The rising tide lifts all boats.

The cost of direct marketing is usually less than $1 per contact, perhaps even a few cents per contact. Key with direct marketing is the regularity of touching the customer. It is well understood that multiple touches per customer are usually required before they are compelled to action.

Like the inside sales, there is no need to begin a direct marketing program with the entire customer base. The program should be large enough that it can have a test group and a control group to see what is working. For example, a print and digital flyer program would be tested with a control group that gets no correspondence, one that get just digital, one that gets just print and one that receives both. This type of testing is powerful because many customer segments touch a variety of age groups who each have different communication preferences. Getting the right mix of digital and print will improve both effectiveness and efficiency of the campaign.

Aligning sales and marketing channels is one of the keys to making money with small customers. A company can grow 3 percent to 5 percent every year just by actively cultivating small and mid-market accounts. Over time, customers should be able to purchase from you how and when they want.

The sequencing of these programs is important. E-commerce will take about a year to launch and another year to have a smooth operation. Inside sales or direct marketing can be implemented more quickly, and as a result, may be a better place to begin.

Jonathan Bein, Ph.D., is managing partner at Real Results Marketing Inc. He can be reached at jonathan@realresultsmarketing.com or www.realresultsmarketing.com.

The Changing Role of Sales Personnel

Sales moving from order collectors to customer consolidation experts

With all the technology available to sales personnel, the nature of the sales position is changing drastically. This article examines some of the ways in which the role of the sales person is changing, as well as ways to prepare a salesforce for today's ever-changing environment.

By Scott Merrill

The role of the distribution salesperson is undergoing a change. Customers can use technology, such as the Internet or mobile apps, to access more information more easily than ever before –

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and they're already showing significant willingness to use it.

"Customers can find out basic information on the Internet, and I am rarely asked anymore for answers specifically tooling related," says Ron Eddinger, territory manager for Haggard & Stocking, Indianapolis, IN. "It is an asset having technical ability to understand machining and how our lines relate to the machining process, but I don't use that information on a daily basis like I used to."

As a result, salespeople have to change how they approach customers and how they view their own role in that sales relationship.

Customer-Driven Change

Since the customer can now often find information such as product price and availability online, providing this basic information now plays a smaller role for today's salesperson.

A study by the CEB of more than 1,400 business-to-business customers found that 57 percent of a typical purchase decision is already made before a customer even talks to a supplier. They have already collected a lot of the information they need through other channels, such as online. Access to information is helping drive the shift in the role of the sales person from that of an order collector to one of a consultant, a solutions-provider for that customer's business, says Barry Lawrence, program director of the industrial distribution program at Texas A&M University.

"[Sales has] to be about solving supply chain problems for customers; it has to be about seeing beyond the customer," Lawrence says.

Jeff Haggard, vice president of sales for Haggard & Stocking, sees the same shift. "I have to be more knowledgeable in the overall customer's process. I have to be more readily available – both in-person and electronically – and I have to be able to utilize the technology that's out there to interact between our customers and suppliers," he says.

Haggard says he tells his salespeople to "put on the hat" of their customers, to truly understand their business and provide them with the best solutions possible.

"While the salesperson still maintains the roles of the past, the successful salesman must step into a consulting role that demonstrates engagement with the customers' business and produces maximum value to the customers' business," says Ryan Torivo, territory manager for Haggard & Stocking.

One of the biggest challenges of a more informed customer base is that the customer thinks they already know everything they need to make a purchasing decision. If a distributor isn't able to move its customers out of this mindset, the salespeople could be missing out on opportunities to drive additional value to those customers, says Gail Ludewig, president of TotalWorks, a catalog production firm.

"In order to move [customers] away from the solution they have found themselves, you have to be able to effectively but politely move your clients away from thinking that they have the answer because they've done all the research," Ludewig says.

She recommends using store visits and face-to-face interactions to facilitate this, as it reinforces the idea that the salesperson is there to help the customer, rather than just process orders, and really drives home the idea that the sales rep is providing some unique value to the company.

"According to research, you have to be a little more aggressive, you have to challenge your clients or prospects in terms of their thinking, because you need to move them into what is your unique differentiator in terms of your product," Ludewig says.

Haggard says he sends his sales teams to their customers' locations to get a better feel for the solutions his company may be able to provide them. "My guys do need to work the shop floor, so they can understand [the customer's] processes and come up with those cost savings. It rounds-out the entire sales process," he says.

While it is still important to maintain face-time with the customer, the nature of that relationship has changed, Haggard says.

"It's not the personal relationship anymore – the game tickets, the restaurants – but it's more the business relationship, because now my company can make the customer more efficient through the use of our technology," he says. "The cigar-toting, back-slapping sales guy is not there anymore."

"Wining and dining has pretty much fallen by the way side," Bryan Prilliman, territory manager for Haggard & Stocking, says. "A salesman today is graded on how they bring value to the customer, not on whether or not they are a fun person to be around. Relationships are still very important; it is how a salesman goes about building those relationships that has changed. Learning what makes each customer profitable is critical."

Customers also have new expectations about how they do business. When they reach out to a sales rep, they expect an immediate, complete answer, Haggard says. "When the customer paged you, if you called back within three hours, they would be happy. Now, if they can't get you on the phone within thirty seconds, they're upset with you," he says.

Fast turnarounds don't apply to just answering questions; customers want business solutions provided to them faster, as well.

"In order to be competitive, distributors are going to find that they're going to have to be more real-time oriented with their customers," Lawrence says.

Greater access to information benefits everyone in the supply chain, as customers and suppliers alike have more complete information on which to base their decisions.

"There's going to be increased pressure to help manufacturers deal with their rapid need to differentiate their products, and the only way you can do that is if they can get richer market information faster," says Lawrence. "They have to know what the customer is going to want."

Sales Enablement-Driven Change

The shift in the role of the salesperson also has to do with sales-personnel enablement, as companies are looking to get more out of their sales teams, according to Lawrence.

"We're going to see greater and greater enablement of salespeople through better and better information technology support," says Lawrence. "The tools are going to become much better."

Many sales personnel now have immediate, online access to company product catalogs and also have access to more information on their customers. By leveraging tools such as LinkedIn and company websites, salespeople can get a more complete picture of a prospective client than ever before.

"You can find out everything about a prospect and their business," Ludewig says.

Salespeople can save a lot of time filling in information by doing some research beforehand, Ludewig says.

Available and accessible customer data helps with existing customers, as well. It can provide focus and direction with respect to expanding business with a core customer, Lawrence says. "Through customer stratification, we can start profiling the future core customers, and if a salesperson is dealing with an established core customer, we can give that sales team direction on how to increase the effectiveness of working with that customer, increase account penetration, introduce new products, expand into new market developments," he says.

It also provides opportunities for cross-selling and wallet-share expansion, Haggard says.

"With the advent of this technology, we are getting opportunities to sell different types of products within our customers. We're getting a lot of horizontal growth with our existing customers," he says.

Training/Development

According to Lawrence, 90 percent of sales personnel training is focused on product knowledge, while the remaining 10 percent is "relationship building" skills. In order to adapt to their changing roles, Lawrence recommends that sales personnel be trained on understanding financials, for both the company they work for, as well their customers' companies. This will help them provide more efficient, targeted solutions to help grow their customer's business, he says.

Implementing new sales personnel training can be difficult, because it requires the sales team to "buy in" to the new process.

"It's a generational challenge; teaching the Gen-X'ers how to think like the millennial is a challenge," he says. "It used to be 'Hey, Joe's going to be here every Thursday at 3, and I have this great relationship with Joe so I'm going to try to get what I can from him.'" Now it's: "Who has the best technology that can get me what I want the quickest?"

Lawrence says he also sees the generational gap as being a big driver of this shift in the nature of the sales relationship. "At the same time, we're going to see the nature of sales relationships change, as the millennials become the majority in the workforce," he says.

While this shift in the role of the sales has been recognized for some time, Lawrence warns that it is accelerating at a rapid pace.

"The confluence of better capabilities, combined with an even more competitive marketplace and even more pressure to differentiate oneself is going to cause these things to accelerate," he says.

Moving forward, it's all about demonstrating the value you provide to your customer, according to Steve Deist, partner at Indian River Consulting Group.

"If you're doing a lot of selling to buyers where you have to show them a concrete value proposition, and basically, your ability to help them show their boss how much money they're saving the company, that's the key thing that you need to do to be a successful salesperson," Deist says.

Differentiate to Combat Disintermediation

Distributors focus on customer satisfaction, transparency to prove value

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Fear of disintermediation, or manufacturers bypassing distributors to sell directly to end customers, has grown in recent years, with increased adoption of e-commerce making such a move appear more feasible than in the past. As a result, distributors are faced with an increased need to prove their value to both manufacturers and customers or risk being viewed as simply an added cost in the chain.

This article examines the role distributors play in the supply chain and how they can approach the challenge of proving value to fight the threat of disintermediation, including results from MDM's survey on disintermediation, conducted in partnership with Grant Thornton.

By April Nowicki

Online buying and e-commerce options make direct communication between manufacturers and end-users easier than ever before. As a result, many may be reconsidering the role that distributors play in the supply chain: What value does the distributor really add if the transaction itself can take place so easily online?

As the market adjusts to what initially looks like a more efficient transaction, distributors are searching for innovative ways to differentiate – and effectively communicate – what they have to offer.

In a recent MDM survey conducted in partnership with Grant Thornton, distributors find that to compete with a new player in today's market, they need individualized customer service and the ability to develop relationships with customers who often don't know what they want.

That new player is actually not a new player – it's no one. The distributor is being replaced by online, self-serve options, allowing them to skip over the job that distributors do entirely.

Most survey respondents (75 percent) said they are "concerned" or "very concerned" about disintermediation. Distributors understand the value they bring.

"I know value is added to a manufacturer only having to 'sell' the features and benefits to the distributor, rather than trying to inform unknown customers through other channels," one respondent noted.

But at the same time, they recognize the need to prove that value to the other players.

The Value of Distribution

Customers have their choice of suppliers, so offering the right type of service is essential for serving customer needs, according to Rod MacKenzie, owner of Green Building Resources, Atlanta, GA. For building and construction materials, different customers often need different products, on different timeframes and operate with different knowledge bases.

"They might not even know what they need on a job until they get there," MacKenzie says. "That's what I see with a lot of the contractors that I work with. Planning is not their strong suit. Most wait until the last minute, and then all of a sudden it's a crisis, and they come to me. And I probably have it on my shelf."

MacKenzie says that speed is one of the best places to compete with disintermediators, such as Amazon. Does Amazon provide the product? Yes. But Amazon is operating with a two-day shipping allowance, MacKenzie says. For the customer that needs a tight turnaround, a well-connected distributor is often the best, fastest answer to the problem. But, he says, it'll cost them.

"I can maximize my price based on speed," MacKenzie says. "If you want it right now, I can stop what I'm doing and get you what you want, but I'm going to make money on you."

But speed isn't the only value a distributor offers, and according to Bob House, CEO of BeyondTheory Logistics, it's not even the greatest value the distributor offers.

"It's not just product availability, it's about product knowledge, training and supply," House says. "Placing an order fast is not the value in a contract."

That juncture holds potential for distributors who are looking for ways to differentiate: the customer relationship. If a distributor can convince a customer to plan better, and to communicate that plan, the price points improve for everyone.

"For my best customer, the price comes down over time," MacKenzie says, "because I know how to prepare for you, and you're willing to share your order expectation with me."

Karan Girotra, co-author of *The Risk-Driven Business Model*, says that this might be the most accessible change in business operations for distributors.

Addressing when the customer is making

his buying decisions can affect the transaction on every level, he says. The distributor and manufacturer benefit when they can rely on an ongoing purchase order, and the customer benefits by getting the best price.

"Sometimes we can tell a certain group of customers, if you change when you buy, we'll give you a break on price," Girotra says.

But transparency and trust between the customer and the distributor is the most important component, and one of the hardest to develop.

The Transparent Relationship

House says that transparency ideally moves beyond just the customer and the distributor to include the manufacturer. A clear line of communication between all three players is what will create a lasting, significant return on investment for all.

"There's no conflict of interest, everybody signs a piece of paper saying there are no hidden rebates, trade allowances, etc." House says. "The manufacturer understands we're not holding them hostage. Nor are we threatening them with a lack of access to the end customer."

But for a distributor, convincing a customer that transparency is the best way to go might be just as difficult as figuring out exactly how to differentiate a business model.

"You have to make sure there are benefits for everyone," says Lalit Wadhwa, vice president of global supply chain solutions for electronics distributor Avnet Inc. "If there are benefits for everyone, it's far easier to achieve transparency."

If only some of the partners benefit, there's no reason for the other partners to invest in the necessary changes, he says.

Differentiation

While nearly all of respondents to the survey (85 percent) said they plan to adapt their product offerings to differentiate their businesses in the next year, half indicated that they would be deepening their product offerings in their current product categories, and half indicated they would be adding new categories.

One respondent wrote that adding new categories would help maximize operational costs and keep the company relevant to "ever-changing consumer tastes/choices."

"Adding new product categories that are also complementary with what we are already promoting will be an easy way to bring additional volume and tap other channels," the respondent wrote.

Adding new categories and offering more variety gives the customer more options, but it can come at a cost, according to Girotra. One way to get around this is to just make it look like there are more options, which of course depends on the product.

Girotra points to the auto industry as an example. "They're not necessarily having that many different products to stock, because they can make different variants from the same components," he says. "They're creating different products that have common components to create the appearance of variety."

Other respondents to the survey said that they plan to expand their current product categories to provide to niche markets. "Adding breadth on related segments adds convenience for customers," one respondent noted. "We may trim less profitable products with low demand to focus sales efforts."

Girotra supports this approach as the one with the least risk. He used the example of hospitals, noting that some large, corporate medical institutions have been branching out with specialized clinics. For a distributor that offers both high-end and low-end products, the offerings could be disconnected, focusing each branch and targeting different markets.

Most respondents (80 percent) also said they plan to adapt their service offerings in the next 12 months to differentiate themselves from the competition. Nearly half (46 percent) plan to expand current offerings, while 40 percent want to add new services.

Small businesses don't always have the resources for huge operational changes, but doing what larger companies are doing isn't always the answer anyway, one respondent said. "Nearest competition is a national company with much deeper pockets than our small, family-run business. We aren't going to win trying to do everything the same way they do."

With the prominence of e-commerce and the changing behaviors of buyers, the threat of disintermediation has grown for many distributors. The answer isn't just standing by and taking it, according to one survey respondent. "Customers and manufacturers take us for granted," one respondent said. "We need to remind them of the value we provide."

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Industrial & Construction Markets Update

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Rexel Names New North America CEO

Paris, France-based electrical distributor Rexel has appointed Brian McNally to the newly-created position of executive vice president and CEO of Rexel North America, effective Aug. 1, 2014.

In this role, McNally will be a member of Rexel's Executive Committee and be in charge of Rexel's operations in North America, encompassing both the U.S. and Canadian businesses, which represent about one-third of Rexel's total sales.

This leadership change comes in the wake of the previously announced decision by Chris Hartmann, executive vice president and CEO of Rexel Holdings USA, to leave the company, as well as Jeff Hall's recent decision to retire as senior vice president and CEO of Rexel Canada Electrical Inc.

McNally joins Rexel from Arrow Electronics Inc., a global provider of electronic products, services and solutions for industrial and commercial end-users of electronic components and enterprise computing solutions.

Rexel reported sales for the second quarter of €3.2 billion (US$4.3 billion), down 2.9 percent from the same period a year ago. On a constant, same-day basis, sales were up slightly. Profit for the period was €47.3 million (US$63.3 million), compared to €32 million (US$42.8 million) a year ago.

"2014 is going to be a transition year, with important leadership changes, as recently announced in North America, as well as structural investments in operational excellence and profitable growth, in order to support our medium-term ambitions," CEO Rudy Provoost said.

In Europe (56 percent of group sales), second-quarter sales were flat in a year-over-year comparison at €1.8 billion (US$2.4 billion). Sales declined in Germany (-1.2 percent) and the Netherlands (-9.4 percent), primarily due to

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Distributor News

Atlanta, GA-based HD Supply's **HD Supply Power Solutions** has opened a new facility in Anchorage, AK.

Acklands-Grainger, Toronto, ON, has agreed to acquire **WFS Enterprises Inc.**, a distributor of tools and supplies to industrial markets in southern Ontario and in some locations in the U.S.

The Fastenal Company, Winona, MN, reported sales for July of $323.7 million, an increase of 14.7 percent year-over-year. Daily sales increased 14.7 percent to an average of $14.7 million.

Kaman Corp., Bloomfield, CT, has appointed Tribby Warfield as senior vice president and general manager for the fluid power platform of **Kaman Distribution**, effective Aug. 15.

Kaman reported second-quarter sales of $459.1 million, up 6 percent over the same period a year ago. Profit decreased 7 percent to $16.6 million. **Distribution** sales grew 12.6 percent. For the first six months, sales were $873 million, up 6.5 percent year-over-year. Profit increased 12 percent to $28 million. Distribution segment sales increased 8 percent to $569.1 million.

Motion Industries reported sales for the second quarter of $1.2 billion, up 7 percent from the previous year. Operating profit increased 7.4 percent to $95 million. In the first six months, sales increased 5 percent to $2.4 billion.

Motion's parent company, **Genuine Parts Co.**, Atlanta, GA, reported second-quarter sales of $3.9 billion, up 6 percent year-over-year. Profit decreased 9 percent to $197.7 million. For the first six months of 2014, sales were $7.5 billion, up 10 percent over the prior year period. Profit fell 1.5 percent to $355.2 million.

Builders FirstSource Inc., Dallas, TX, has acquired **West Orange Lumber Company Inc.**, Groveland, FL. West Orange had sales of $15 million in fiscal 2013.

FCX Performance Inc., Columbus, OH, has acquired Texas-based **Pump Energy Inc.**

Hisco Inc., Houston, TX, has acquired **HMC Electronics**, Canton, MA.

Distribution International Inc., Houston, TX, has acquired **State Insulation Corp.**, **State Laminating Corp.**, **Allstate Insulation Corp.** and **Allstate LLC**, collectively The State/Allstate Companies, Perth Amboy, NJ.

RelaDyne, Cincinnati, OH, has acquired **Turbo Filtration Corp.**, Mobile, AL.

F.W. Webb opened a new showroom, called Frank Webb's Bath and Lighting Center, in Ballston Spa, NY.

ABC Supply Co. Inc., Beloit, WI, opened its first Montana branch in Billings.

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News Digest
Continued from p. 1 of this section

MARKETS UPDATE SUPPLEMENT P. 2

Charlottesville, VA-based **VEC Supply** has agreed to acquire **American Electronic Supply Company**, Birmingham, AL.

Pool Corp., Covington, LA, has acquired a majority interest in Brisbane, Australia-based **Pool Systems Pty. Ltd.** As part of the transaction, Pool Systems acquired **Niagara Pool Supplies**, a Sydney-based distributor of pool products.

WESCO International Inc., Pittsburgh, PA, reported second-quarter sales of $2 billion, up 5.9 percent year-over-year. Profit increased 5.5 percent to $68.9 million. Year-to-date sales were $3.8 billion, up 3.1 percent over the prior-year period, with organic sales up 3.9 percent. Profit decreased 19.2 percent to $120.7 million.

Lawson Products Inc., Chicago, IL, reported second-quarter sales of $72.1 million, up 5.5 percent from a year ago. Profit was $798,000, compared to $397,000 a year ago. For the first six months, sales were $141.3 million, up 4.2 percent year-over-year. Lawson reported a loss of $2.2 million for the half, compared to a year-ago loss of $2.8 million.

Airgas Inc., Radnor, PA, reported sales for the first quarter ended June 30 of $1.3 billion, a year-over-year increase of 2.6 percent. Organic sales increased 1 percent. Profit increased 4.9 percent to $88.9 million for the quarter.

Praxair Inc., Danbury, CT, reported second-quarter sales of $3.1 billion, a 5 percent increase over the same period a year ago. Profit increased 6 percent to $467 million. Sales for the first half of 2014 were $6.1 billion, up 4 percent year-over-year. Profit increased 9 percent to $915 million.

L&W Supply Corp., Chicago, IL, reported second-quarter sales of $344 million, up 7.8 percent year-over-year. Operating profit for the quarter was $4 million, compared to a profit of $1 million the prior-year quarter. Year-to-date sales were $644 million, up 7.3 percent. Operating profit was $5 million, compared to a loss of $1 million the prior-year period.

L&W's parent company, **USG Corp.**, reported sales for the second quarter of $948 million, a 3.5 percent increase year-over-year. Profit for the quarter was $57 million, compared to a profit of $25 million the prior-year quarter. Year-to-date sales were $1.8 billion, up 3.9 percent. Profit was $102 million, compared to $27 million a year

Calculation of MDM Inflation Index for June 2014

		BLS Price Indices June '14	BLS Price Indices May '14	BLS Price Indices June '13	% Sales Weight	Weighted Indices June '14 (1)X(4)	% Change June '14 May '14	% Change June '14 June '13
1136	Abr. Prod.	573.8	575.3	561.4	19.1	109.60	-0.26	2.22
1135	Cutting Tools	497.8	497.8	487.5	18.9	94.09	0.00	2.11
1145	Power Trans.	802.0	802.3	799.8	15.4	123.50	-0.04	0.27
1081	Fasteners	508.5	508.5	507.2	9.0	45.77	0.00	0.27
1149.01	Valves, etc.	962.4	961.4	930.5	7.6	73.14	0.10	3.42
1132	Power Tools	361.8	362.2	348.9	6.5	23.52	-0.12	3.68
1144	Mat. Handling	582.0	580.8	567.4	6.2	36.08	0.20	2.58
0713.03	Belting	836.9	838.8	855.6	6.1	51.05	-0.23	-2.18
1042	Hand Tools	777.5	784.6	771.3	8.1	62.97	-0.91	0.80
108	Misc. Metal	478.3	477.4	476.6	3.1	14.83	0.18	0.36

"New" June Index	331.5	June Inflation Index	634.55	-0.14	1.34
"New" May Index	332.0	May Inflation Index	635.44		
		June 2013 Inflation Index	626.19		

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

United Stationers Inc., Deerfield, IL, reported second-quarter sales of $1.3 billion, up 3.6 percent over the same period a year ago. Profit decreased 3.8 percent to $33.3 million. For the first six months, sales were $2.6 billion, up slightly from the same period in 2013. Profit grew 17 percent to $55.2 million.

Builders FirstSource Inc., Dallas, TX, reported sales for the second quarter of $426.5 million, a 7.1 percent increase year-over-year. The company reported a profit of $10.6 million, compared to a year-ago loss of $48.2 million. Year-to-date sales were $772.5 million, up 7.6 percent from the prior-year period. Profit was $7.2 million, compared to a loss of $60 million in the prior-year period.

Stock Building Supply Inc., Raleigh, NC, reported second-quarter sales of $344.6 million, a year-over-year increase of 9.5 percent. Profit increased to $5.6 million, compared to $2 million a year ago. For the first six months, sales were $624.6 million, up 10.9 percent. Profit was $2.3 million, compared to a year-ago loss of $3.6 million.

Arrow Electronics Inc., Englewood, CO, reported second-quarter sales of $5.7 billion, an increase of 7 percent year-over-year. Profit increased 42.3 percent to $127.9 million. Year-to-date sales were $10.8 billion, an increase of 5.9 percent. Profit increased 40 percent to $235 million.

Anixter International Inc., Glenview, IL, reported second-quarter sales of $1.6 billion, a 0.4 percent increase year-over-year. Profit increased 16.5 percent to $53.8 million. Year-to-date sales were $3.1 billion, up 1.3 percent over the prior-year period. Profit increased 14.2 percent to $101.2 million.

MRC Global Inc., Houston, TX, reported second-quarter sales of $1.5 billion, up 18 percent over the same period a year ago. Profit fell 10 percent to $39.3 million. For the first six months of 2014, sales were $2.8 billion, up 9 percent. Profit fell 30 percent to $62.8 million.

DXP Enterprises Inc., Houston, TX, reported second-quarter sales of $381.6 million, up 23.9 percent over the same period a year ago. Profit increased 13 percent to $15.5 million. For the six month period, sales were $730.1 million, up 22 percent from the prior-year period. Profit increased slightly to $27.2 million.

Wesco Aircraft Holdings Inc., Valencia, CA, reported sales for the third quarter ended June 30 of $395.6 million, a year-over-year increase of 72 percent. Profit increased 6.7 percent to $28.8 million. Sales for the first nine months of fiscal 2014 were $947.7 million, an increase of 42 percent compared to the prior year period. Profit increased 3.6 percent to $77.5 million.

Huttig Building Products Inc., St. Louis, MO, reported second-quarter sales of $168.7 million, up 13 percent over the same period a year ago. Profit increased 23 percent to $3.2 million. For the first six months, sales were $304 million, up 11 percent year-over-year. The distributor reported a net loss for the period of $800,000, compared with year-ago profit of $200,000.

York, PA-based **RG Group** has named Rich Freeh as its president and CEO. Freeh had been serving as COO of the motion control and fluid handling distributor.

Economic News

The **Chicago Fed National Activity Index** edged down to 0.12 in June from 0.16 in May. The index's three-month moving average, **CFNAI-MA3**, decreased to 0.13 in June from 0.28 in May.

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 4 percent in the second quarter of 2014, as compared to the first quarter, according to the advance estimate released by the Bureau of Economic Analysis.

The July **purchasing managers index** increased 1.8 percentage points to 57.1, according to supply executives in the latest Manufacturing ISM Report on Business. The new orders index registered 63.4 percent, an increase of 4.5 percentage points.

June 2014 construction spending was estimated at a seasonally adjusted annual rate of $950.2 billion, 1.8 percent below the revised May estimate, according to the U.S. Census Bureau. The June 2014 figure is 5.5 percent above the June 2013 estimate. During the first six months of the year, construction spending was $445.1 billion, 7.8 percent above the same period in 2013.

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MARKETS UPDATE SUPPLEMENT P. 4

News Digest
Continued from p. 3 of this section

Construction employment expanded in 215 metro areas, declined in 80 and was stagnant in 44 between June 2013 and June 2014, according to the Associated General Contractors of America.

New orders for manufactured goods, up four of the last five months, increased 1.1 percent in June to $503.2 billion, according to the U.S. Census Bureau. **New orders for manufactured durable goods** increased 1.7 percent to $242.4 billion. **New orders for manufactured nondurable goods** increased 0.6 percent to $260.9 billion.

The **Canadian Industrial Product Price Index** was down 0.1 percent in June, according to Statistics Canada. The **Raw Materials Price Index** rose 1.1 percent.

Manufacturer News

3M, St. Paul, MN, reported second-quarter sales of $8.1 billion, a 4.9 percent increase year-over-year. Profit increased 5.8 percent to $1.3 billion. Year-to-date sales were $16 billion, up 3.8 percent over the prior-year period. Profit increased 6.4 percent to $2.5 billion.

Pentair plc, Manchester, UK, reported second-quarter sales of $1.9 billion, a year-over-year decrease of 3 percent. Profit was $161.5 million, a year-over-year increase of 5 percent. For the first six months of 2014, sales were $3.6 billion, down 3 percent from the prior-year period. Profit grew 36 percent to $280.1 million.

The Timken Company, North Canton, OH, reported second-quarter sales of $789.2 million, down 0.3 percent year-over-year. Profit decreased 23 percent to $63.8 million. Year-to-date sales were $1.5 billion, down 1.8 percent over the prior-year period. Profit decreased 6.5 percent to $147.6 million.

TimkenSteel Corp., Canton, OH, reported sales for the second quarter of $442.2 million, up 24.9 percent year-over-year. Profit increased 13 percent to $28.6 million. Year-to-date sales were $831.7 million, up 18.7 percent over the prior-year period. Profit increased 34.6 percent to $62.3 million.

Kennametal Inc., Latrobe, PA, reported sales for the fiscal year 2014 of $2.8 billion, a 9.6 percent increase over fiscal 2013. Profit decreased 22.2 percent to $158.4 million. Fourth-quarter sales increased 15.1 percent year-over-year to $772.2 million. Profit decreased 25.3 percent to $45.5 million

Rexel
Continued from p. 1 of this section

a sharp decline in photovoltaic sales. Sales also declined 3.4 percent in France and 0.2 percent in Switzerland. Sales grew in the U.K. (1.8 percent), Scandinavia (6.1 percent), Belgium (0.2 percent), Austria (2.1 percent) and the Southern European countries (3.2 percent).

Second-quarter sales in North America (33 percent of group sales) increased 3 percent on a constant, same-day basis to €1.1 billion (US$1.5 billion). U.S. sales grew 2.8 percent, reflecting sustained activity in residential and industrial end-markets, while the nonresidential market continues to lag behind. Canadian sales grew 3.5 percent, reflecting gradual improvement in project activity.

Asia-Pacific (9 percent) sales declined 3.2 percent on a constant, same-day basis, with declines in Southeast Asia, Australia and New Zealand. Sales in China were stable in the quarter.

In Latin America (2 percent), second-quarter sales were down 6.4 percent.

For the first six months, total group sales were €6.3 billion (US$8.4 billion), down 2.8 percent from the same period a year ago. On a constant, same-day basis, sales were up 0.5 percent. Profit increased 26.6 percent to €90.5 million (US$121.1 million).

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