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Changing Role of Sales Managers

Younger sales teams looking for 'coaches,' not 'dictators'

Baby boomers are retiring, and sales managers are recognizing that their current management styles may not be quite as beneficial as they could be. Adopting a strong philosophy and vision for leading a sales team is the first important step to take when shifting a management culture.

By April Nowicki

The impending exit of baby boomer-age salespeople is forcing companies to change their sales management cultures.

There is a fundamental difference in sales team cultures based on the age of the salespeople, according to Jim Pancero, a sales and management training consultant.

Younger salespeople are not driven by the baby boomer-esque attitude of, "Get out of my way, I'll show you a better way of selling," Pancero says. Millennials grew up in a culture of coaches, teachers and guidance. Baby boomers did not. Instead of coaches leading the baseball team, the baby boomer generation fended for itself.

"If somebody had a bat and somebody had a ball, you had a game, and based on what ball they had was what game you played," Pancero says. "And you spent half your time fighting over the rules and who was going to be on what team. It was all independent."

Over the past 20 years or so, the role of the sales manager has evolved into a position that supports baby boomer-age salespeople, whose attitudes toward selling is also independent, Pancero says. Many of them have been selling for decades, and they know their customers, the products and the markets.

But that knowledge is eyeing the door. Baby boomers are retiring, and sales managers recognize that their current management styles may not be quite as beneficial – to individual salespeople and to the company overall – as they could be. Transitioning a sales team from a reactionary model to a more structured, guided model can be a huge challenge.

From Reactive to Proactive

"Even though a salesperson may be in some people's eyes a dinosaur, they may have relationships with other dinosaurs that are critical to your organization," says Barry Lawrence, program director of the industrial distribution program at Texas A&M University. "You just have to do the slow transition of winding down that salesperson's career, making sure that your younger sales force is prepared for the new environment, and then making sure that your middle-aged sales force is feeling the pressure to help lead the movement forward."

Pancero says that today's typical manager of baby boomer-age salespeople does five things:

1. Special pricing
2. Expediting things
3. Problem solving
4. Customer follow-up calls
5. Data and reporting

Because older salespeople don't want a lot of guidance, they ask for less from a manager. A manager is then, in theory, able to manage more salespeople. But the more people a manager is responsible for, the more the job becomes a reactive position, Pancero says.

"When the manager is managing more than 10 or 12 people, or if other departments become the responsibility of the manager, the manager will become reactive instead of proactive in how they do their job," he says. "There are so many fires going on when they come into work, all they can do is just keep fighting the fires. They

continued on p.3 of this section

INSIDE

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PERSPECTIVE ■ Commentary by Thomas P. Gale

The Trouble with Rebates

We are in an era of consolidation and dogfights for market share between competitors and alternate channels. One of the primary distinctions that the industrial distribution channel offers to vendors is the reach to niche markets, and the support mechanism for these markets. When that reach and/or support is not efficient, the market will eventually find the most efficient route.

I wrote the paragraph above 18 years ago. Ouch! I would not change a word today. I went on to write: Distribution by its nature demands flexibility to constantly changing needs. Manufacturers have to be part of that flexibility as a solution, not a rigid option based on past practices and market controls that used to work. Distributors have to be proactive today to offer solutions in partnership with their vendors for true efficiency. Double ouch!

The reason this came back to me was a conversation with a distributor about rebates, buying and marketing groups, and emperors with no clothes. Rebate structures are still driving dysfunctional behavior that makes distributors more vulnerable to emerging competitive threats, no matter the source – more so in certain sectors than others. So when I hear concerns about AmazonSupply or other alternate channels emerging, I have to wonder how much the world, markets and customers have to change before adapting to sustainable business models.

One of the traditional strengths of distribution – very responsive customer service – can also be one of its biggest weaknesses. It causes them to be reactive, not proactive in adapting to changing market conditions. The same could be said about manufacturers, but coming from a more rigid policy and channel management position.

There are examples where distributors and manufacturers have found innovative ways to meet in the middle to reward and support specific channel behavior in ways that protect and enhance value and profitability. Those channel partners that have addressed these issues are much better positioned to adapt.

We are in a very hot summer when it comes to consolidation. Competition between strategic and financial acquirers is intense from many reports we are hearing. There is a lot of dealmaking and shopping, and it is a seller's market at top-drawer EBITDA multiples for distributors with healthy balance sheets and business models that have adapted to the intense pressures of the long, slow recovery. Rebate structures held value in their time, but today make individual companies, and in most cases entire channels, more vulnerable in current market conditions.

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Sales Managers
Continued from page 1

have very little time to try to initiate anything."

Adopting a strong philosophy and vision for leading a sales team is the first important step to take, Pancero says. Senior management must support the plan, invest in sales tools and identify a distinct structure in order to gain competitive advantage.

"Sales reps can't follow a structure if one doesn't exist," Pancero says. "We need processes in place. What are the top three bullets we want every salesperson to sell on?"

But the younger salesforce doesn't want a "dictator," they want a coach, says Jeff Haggard, vice president of sales for Haggard & Stocking, Indianapolis, IN.

And they want to be involved in the process, says Gail Ludewig, president of TotalWorks, a catalog production firm.

Managers cannot be excluded from training if the shift is to be successful, Haggard says. "If my guys are going to be more tech savvy, I need to be as well," he says. "If I'm going to teach, I need to learn."

Managers must learn to analyze data, address business profitability and efficiency issues and communicate across fields both inside and outside the company.

"I think as a manager within an organization, you need to help [salespeople] get context between the other parts of the organization that impact them," Ludewig says. "You need to be the person that can help them understand the implication of inventory upon their work."

Cross-training should also be a portion of the training to help sales personnel work most efficiently across mobile devices with data software and analysis tools.

Turning to Technology & Data

Technology tools have increased the pace of change. Every company must accept technology-driven changes or risk being at a critical disadvantage in the marketplace. It's not about gaining an advantage, Pancero says. It's about competing in the current market.

"If you stop taking a bath, eventually it's going to hurt your sales," he says. "But just because you took a bath today isn't going to give you a competitive advantage."

Technology is a double-edged sword in some ways. Keeping the company up-to-date on current technology will only keep a level playing field, but some of those applications can increase risk of disintermediation.

"With the new technology coming on, there will be a natural temptation to start freezing the sales force – especially the outside sales force – out," Lawrence says. "The day that the outside sales force ceases to matter is the day that 90 percent of distributors will be wiped off the planet. The very survival of the distribution community must drive the success of the outside sales force."

Technology can also expand opportunities in sales.

"Sales forces can be armed with greatly enriched information, handled by people who are much more comfortable with information management," Lawrence says. "It will mean more transparency from the sales force and more transparency to others within the supply chain."

Customer information, and analysis of that information, is available in amounts and with details like never before, he says.

"Those sort of coaching activities have not always been with your current sales management teams, primarily because that information wasn't available," Lawrence says.

Harnessing the prospects of that data is something that younger generations may find inspiring instead of daunting, and so providing structure and training around technology tools is a good starting point for shifting an age-diversified sales team.

Data can also help managers manage the sales force better, says Steve Deist, a partner at Indian River Consulting Group, so they shouldn't be leery of diving in and analyzing sales territories or evaluating pipeline opportunities before they're passed on to the sales reps. "They're getting better," he says, "… but I think there's a lot more juice in that grapefruit to squeeze."

Sales managers have to be able to identify gaps in knowledge in their sales teams and to use the tools that they already have to fill those gaps.

"Other sales training skills that have been neglected – and should never have been neglected – are financials; understanding what makes your customer profitable and what makes your firm profitable, so that you make decisions and you make promises that will on the one hand benefit your customers, but on the other hand will be very beneficial to your own firm," Lawrence says. "If we can just get that one properly in the hands of salespeople, we will have made a major hit for the distribution industry."

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The sales management position is becoming the pinch point in the sales system, according to Pancero. If management is improved even slightly with more leadership and more strategy, the results tend to be significant.

■ *MDM Interview*

Operations as a 'Lever for Innovation'

Methods for business model innovation that embrace risk

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Too many companies do not consider operations to be a source for innovation, but this area is ripe for developing innovative strategies for distributors, according to Karan Girotra, co-author of The Risk-Driven Business Model *and professor of technology and operations management at the international business school INSEAD. Girotra recently spoke with Associate Editor April Nowicki about how to create a culture of questioning an existing business model, improving decision-making structure and empowering everyone to innovate.*

MDM: What compelled you and your co-author, Serguei Netessine, to write this book?

Karan Girotra: We started out as folks who were studying operations and distribution systems. One thing that bothered us was that operations is thought of as a tactical function or something to prevent mistakes, or something to get efficiency improvements. But in most organizations we were working with, the operations weren't positioned as a strategic innovation opportunity or thought of as a tool to differentiate from the competition.

Again and again, we'd meet people who wanted to really radically improve the systems in their companies. We interviewed top management at companies, CEOs at Fortune 500 companies, and almost everyone would say they wanted to innovate. But then we would dig a little deeper and ask: "What are you really doing for innovation?"

Outside of a few sectors such as technology and biotech, folks were calling it innovation, but in principle they were not doing much. Their versions of innovation were, at best, product improvement groups, R&D groups, but the claim of innovation being a strategic priority wasn't really being realized in how they were doing things.

Not every company is in an industry where there are massive technological changes or improvements, but every company is in an industry where you have a business model, a distribution system, some operational systems. An operational system is a lever for innovation. This is a game that everyone can play.

So, the book came about from two places: One, the lack of how supply chains were being viewed or inadequacy in how they were being thought of, and second, trying to create a template for innovation as a game that everyone could play, not just a few companies in technology and biology and those technology-intensive sectors.

MDM: For many distributors, risk is something to avoid, and as a result, they might be leery of a "risk-driven business model." How are you using this phrase in the book, and why should distributors consider it?

Girotra: Risk is usually thought of as a bad thing. It's something that you want to limit, something you want to reduce the consequences of.

We're viewing risk in a very different way. When we say the "risk-driven business model," we are talking of two kinds of inefficiency which come out of the unknown.

The first inefficiency that all distribution and supply chain managers are very well aware of is information uncertainty. We do not know exactly what the customer will want. We do not know what our suppliers will give us. We don't know what the production yield will be. We don't know what the lead times in a certain step will be. We don't know what the transportation times might be. That kind of information uncertainty exposes us to a risk.

The second kind of inefficiency is an alignment risk. While you might want to do something in your role in the supply chain, other parties might have different incentives and they might want to do different things. The incentives might not be aligned, and that exposes you to a risk of the actions of others.

The risk-driven business model is looking at these two sources of risk in your distribution supply chain and in your business model, using what we call a business model audit to identify these risks and then using a set of templates to limit the impact of those risks. And by limiting the impact, it doesn't always mean to reduce the risks. Sometimes the risk might increase a little bit in one dimension, but perhaps be better managed or be able to charge more for it.

Think of the apparel industry. Clothing has generally been made outside the main developed markets of the world, largely made in Asia. That was the model for a long time and from a supply chain or distribution point-of-view, the goal was always to get the costs low, which meant producing abroad and using cheap shipping methods, etc.

About 20 years back, a company called Zara completely changed the game in the apparel industry. The source of their change is a smart supply chain strategy. They like calling themselves "fashion followers," even though they're a fashion company, but "supply chain leaders."

Zara abandoned this low-cost methodology and instead tried to make it a highly responsive supply chain. Rather than producing in Asia, they were going to produce locally. At the time, this was a European company so they started producing in southern Europe, perhaps in North Africa, all places which were within a day or two of the stores. The big impact was that rather than taking six months from deciding what kind of clothes you want to sell to having them in the stores, this company could reduce the time between designing and selling to around two weeks.

That fundamentally changed the information risk. If you're making decisions two weeks before the clothes were to be sold, your exposure to not knowing what the market will want is smaller than if you're making decisions six months in advance.

That's a risk driven business model. You've reduced this information risk, and rather than thinking of this risk as just a bad thing, you're really thinking of it as an opportunity to innovate.

MDM: Industrial distributors are often looking to expand their product offerings. How can they evaluate risks to choose the right items?

Girotra: Offering more variety offers customers more choice, but from an operations point-of-view, it can come at a cost. In the book, we talk about two strategies, in particular this consequence of having too much variety exposing you to more risk.

The first strategy is one that many large companies have used, which is about creating the appearance of variety while operationally not changing what you make too much. Perhaps the most common place this strategy was used was the auto industry. They're not necessarily stocking that many different products, because they can make different variants from the same components.

Volkswagen was the company that pioneered this and now many other companies do it too, which is building platform products. You might buy an Audi TT, an Audi A3 or a Volkswagen vehicle. Very often, all these cars will share a lot of components amongst them.

Another variant of that is last-minute customization, where you have a common core and then you can tweak a little bit at the end of the production process to create the appearance of variety while not having significantly changed the base product offering. The exact implementation of that depends on the product design, sometimes it requires that you redesign the product or the system or the supply chain.

Another, somewhat different-sounding strategy, but one that has the same effect, is trying to become more focused. Say you're a company that sells both high-end and low-end products. Sometimes it is helpful to break that into two branches from both marketing and operational standpoints.

A powerful example of an industry where this focus is helping a lot is health care. There's a new trend of creating focused clinics that really only do one thing, and they do it very well. As a group at the corporate level, the hospital might still offer a lot of facilities, but delivery and operations are segregated into different, focused units.

MDM: In the book you talk about the "four W's" of a business model – what, when, who and why – and you propose changing them to eliminate efficiencies. Could you talk a little bit about this process? Is one of the W's more influential than the others?

Girotra: The process of trying to change a business model to have a radical impact on your business really starts by identifying the information and alignment risks by completing a business model audit.

Once you have those risks, we provide four different templates for programmatic changes that can be made to the business model which provide opportunities. If you made those changes, it could potentially be game-changing for your organization.

The first template changes what decisions are made in the organization. There are also templates for when those decisions are made, who makes those decisions and why those decisions are made as they are made.

The one that is perhaps the most accessible in the context of distribution and supply chain management is changing when the big decisions are made.

We talked about the example of Zara, which delayed when the decisions were made. Of course, this was enabled by the responsive supply chain, but fundamentally it was about changing when the decisions were made.

Another great example of changing when decisions are made is not just about firm-level decisions, but sometimes changing when consumers choose what they want to buy. A consumer might want to place an order and want the product delivered as soon as possible. Sometimes, we can improve on that.

Sometimes we can tell a certain group of customers that if they book well in advance, we'll give them a discount on the price. That will give us some advance information on what we need to manufacture or have in stock.

Another variant of this "when" strategy is the use of customer voting systems. These can be helpful on a demand-management side. Before you make something, sometimes even before you design a product, sometimes before you ship a product, sometimes before a product goes from the manufacturer to the distributor, you ask customers to vote on what they want you to do. Do they want X type of product or Y type of product?

The more interesting part is that by doing this, you obtain information from the customers on what they want to buy. You obtain this information in advance and you can use it to better manage your supply chain and organize your distribution processes. So that's an example of changing when decisions are made and the template that goes along with the "when" of business model decisions.

There are other templates, the "who," and "why" templates which along with the "when" and "what" templates – each one of them provides a programmatic way to challenge the way you're doing things and make you think about them differently and help you come up with innovation opportunities.

MDM: In some cases, people who have the power to make these changes are too close to their businesses' core values and operations to see where change needs to happen. Besides wanting to change, what's the most important thing to acknowledge or do in first steps?

Girotra: I think lots of business owners who have built their businesses, it becomes an extension of their personalities. Changing that is not always easy.

They need to have some kind of system for questioning how they do things. Even in relatively small, privately-held companies, one needs to create a culture of different levels of the organization questioning why they're doing things the way they're doing them. Ask, "Is this the best way to organize our business? Is it the best way to just wait for customers to tell us when they want things? Perhaps we can do better by being proactive and offering them discounts if they do it earlier."

But there's another part that plays into that. Culture is great, but even if they're motivated and incentivized and thinking about it, sometimes it doesn't play out unless you empower people with a system and tools to make change happen.

There is some value in educating yourself as a business owner and educating your employees and empowering them with systematic, programmatic tools to embrace change. What we see often in companies is folks are motivated to make it happen, but the process is too unstructured. Unless they provide more systematic guidelines, it's really hard and sometimes it ends up being, "Let's stare out in the blue sky and hope for a great idea to strike us."

That works once in a while but not always. What I think is important is systematic structure and tools to help people come up with ideas.

That's what we wanted to provide in the book. A toolkit which almost anyone with some knowledge of the business can apply, it doesn't require any mathematical expertise, any technological expertise. It's a game everyone can play, and business model innovation can be realized in more and more organizations.

The Risk-Driven Business Model is available for purchase on Amazon.com. Listen to Nowicki's interview with co-author Karan Girotra at mdm.com/executivebriefing.

U.S. Economy: Out of 'Surviving' and on to 'Thriving'

The U.S. economy is well positioned for growth, as many of the economic indicators have recovered what was lost during the recession and more people are re-entering the labor force with better prospects for employment than just a few months ago.

Confidence is high, on both the consumer and business sides, but there's still strong aversion to risk after this last recession, according to Dan Meckstroth, chief economist for the Manufacturers Alliance for Productivity and Innovation, in MAPI's quarterly U.S. Economic and Manufacturing Outlook webinar.

"Consumer spending is consistently growing," Meckstroth says, which is a good sign for the overall economy, as consumer spending is 70 percent of final demand in the U.S. But they're being cautious about spending because they don't want to return to the debt-based growth model seen prior to the Great Recession.

Business investment is also consistently growing, according to Meckstroth, both in structures and equipment. But, he says, there's a case to be made for increasing investment. "Conditions are ripe for a capital spending boom," he says, "but we haven't gotten a capital spending boom" because companies are also more risk-averse than they were in the past.

Capacity utilization in most industries is near or has exceeded the levels of December 2007. For motor vehicles and parts, current capacity utilization is at 89 percent, compared to 78 percent in December 2007. This is primarily a result of plants being shut down during the auto industry crisis, Meckstroth says, but there is already a need to expand manufacturing capacity in this area.

The one area that continues to lag is residential construction and housing activity. "Multifamily starts have basically recovered, but single family starts have lagged substantially," Meckstroth says. MAPI is forecasting 1 million starts – including both multi- and single family starts – for 2014, well below the peak of 2.2 million and below the "normal" level of 1.5 million to 1.7 million starts.

But that too will likely change in the next two years, with MAPI forecasting 1.3 million starts in 2015 and 1.5 million starts in 2016.

There are already positive signs from other indicators. Builder confidence in the market for newly built, single-family homes rose two points to 55 on the National Association of Home Builders/Wells Fargo Housing Market Index for August, the third consecutive monthly gain and the index's highest level since January.

"As the employment picture brightens, builders are seeing a noticeable increase in the number of serious buyers entering the market," said NAHB Chairman Kevin Kelly, a home builder and developer from Wilmington, DE. "However, builders still face a number of challenges, including tight credit conditions for borrowers and shortages of finished lots and labor."

Privately-owned housing starts in July were at a seasonally adjusted annual rate of 1,093,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development. This is 15.7 percent above the revised June estimate of 945,000 and 21.7 percent above the July 2013 rate of 898,000. Single-family housing starts in July were at a rate of 656,000; this is 8.3 percent above the revised June figure of 606,000.

The 2014 Third Quarter Nonresidential Construction Index, released by FMI, declined 3.3 percentage points from the second quarter, but is still above the same period in 2012. Cost of materials and labor had a negative impact on the index. Delays in government spending, particularly for highway projects, also has a negative impact on the overall index.

However, FMI says that the economy "has passed the 'survival' state and currently occupies the 'thriving' phase."

Real GDP in the U.S. grew 4 percent in the second quarter, according to the advance estimate released by the Bureau of Economic Analysis. The increase primarily reflected positive contributions from personal consumption expenditures, private inventory investment, exports, nonresidential fixed investment, state and local government spending and residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased.

-Jenel Stelton-Holtmeier

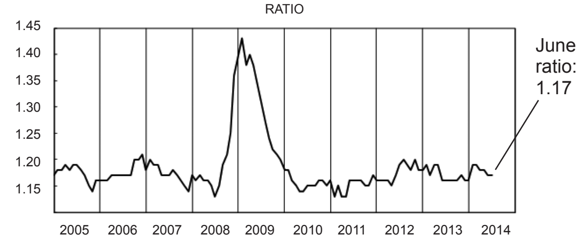
Monthly Wholesale Trade Data

Wholesale revenues in June were $454.4 billion, up 0.2 percent from the revised May level and up 6.5 percent from June 2013. June sales of durable goods were up 1.4 percent from last month and up 6.6 percent from a year ago. Sales of nondurable goods were down 0.7 percent from May, but up 6.5 percent from last June.

Inventories. Inventories were $533.5 billion at the end of June, up 0.3 percent from the revised May level and up 7.9 percent from June 2013. June inventories of durable goods were up 0.7 percent from last month and were up 8.8 percent from a year ago. Inventories of nondurable goods were down 0.2 percent from May, but were up 6.4 percent from last June.

Monthly Inventories/Sales Ratios of Merchant Wholesalers: 2005-2014

(Estimates adjusted for seasonal and trading-day differences, but not for price changes)



Source: U.S. Census Bureau

Inventories/Sales Ratio. The June inventories/sales ratio for merchant wholesalers was 1.17. The June 2013 ratio was 1.16.

Sales and Inventories Trends: June 2014

NAICS Code	Business Type	Sales $Millions	Inventory $Millions	Stock/ Sales Ratio	Percent Change Sales 5/14-6/14	Percent Change Sales 6/13-6/14	Percent Change Inventory 5/14-6/14	Percent Change Inventory 6/13-6/14
42	**U.S. Total**	**454,447**	**533,486**	**1.17**	**0.2**	**6.5**	**0.3**	**7.9**
423	**Durable**	**209,693**	**329,446**	**1.57**	**1.4**	**6.6**	**0.7**	**8.8**
4231	Automotive	35,308	54,165	1.53	2.1	6.4	-0.3	9.8
4232	Furniture & Home Furnishings	5,229	8,710	1.67	0.2	0.4	1.0	7.4
4233	Lumber & Other Construction Materials	10,414	15,278	1.47	1.5	10.4	0.9	9.2
4234	Prof. & Commercial Equip. & Supplies	40,022	41,061	1.03	1.8	6.9	0.3	6.0
42343	Computer Equipment & Software	22,561	18,398	0.82	0.5	3.8	1.8	6.5
4235	Metals & Minerals	13,889	29,437	2.12	1.1	12.4	3.2	11.4
4236	Electrical Goods	36,447	37,191	1.02	0.8	2.5	0.6	6.9
4237	Hardware, Plumbing, & Heating Equipment	9,985	19,605	1.96	-0.9	1.7	1.1	4.9
4238	Machinery, Equipment & Supplies	39,428	96,315	2.44	0.6	12.3	0.3	12.5
4239	Miscellaneous Durable	18,971	27,684	1.46	3.5	1.6	1.1	2.3
424	**Nondurable Goods**	**244,754**	**204,040**	**0.83**	**-0.7**	**6.5**	**-0.2**	**6.4**
4241	Paper & Paper Products	8,121	7,544	0.93	2.4	9.2	1.1	5.3
4242	Drugs	40,951	43,447	1.06	0.4	11.9	-0.2	19.3
4243	Apparel, Piece Goods & Notions	12,649	24,848	1.96	-0.2	9.2	0.3	7.7
4244	Groceries & Related Products	51,699	33,359	0.65	-0.8	5.5	0.7	3.3
4245	Farm-product Raw Materials	21,033	20,926	0.99	-8.1	-1.0	-5.3	-0.6
4246	Chemicals & Allied Products	11,051	12,823	1.16	-1.4	8.8	2.6	7.0
4247	Petroleum & Petroleum Products	66,983	21,570	0.32	1.0	6.6	1.7	0.2
4248	Beer, Wine & Distilled Beverages	10,837	14,716	1.36	-0.2	3.3	0.0	3.0
4249	Miscellaneous Nondurable Goods	21,430	24,807	1.16	-1.2	4.4	-1.0	3.9

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.

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Industrial & Construction Markets Update

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U.S. Manufacturing Technology Orders Up 12.6% in June

June U.S. manufacturing technology orders totaled $405.73 million, according to the Association For Manufacturing Technology. This total was up 12.6 percent from May but down 2.1 percent when compared with June 2013. With a year-to-date total of $2,349.4 million, 2014 is down 2.7 percent compared with 2013.

"Order gains in June were driven by two factors – the end of the quarter and continued strength in key customer industries, especially automotive, aerospace, medical and energy," said AMT President Douglas Woods. "What really warrants attention, however, is a rise in the average value of orders, as this suggests manufacturers are making investments in greater productivity as well as capacity. Our forecasts suggest continued moderate growth throughout the rest of the year and going into 2015."

The USMTO report, compiled by the trade association representing the production and distribution of manufacturing technology, provides regional and national U.S. orders data of domestic and imported machine tools and related equipment.

Northeast Region

June 2014 manufacturing technology orders in the Northeast Region totaled $57.7 million, 12.8 percent less than the $66.2 million for June 2013. Year-to-date orders stood at $362.8 million, off 7.9 percent when compared with 2013 at the same time.

Southeast Region

At $214.05 million, 2014 year-to-date manufacturing technology orders in the Southeast Region were down 0.8 percent when compared with the total for 2013 at the same time.

North Central-East Region

June manufacturing technology orders

continued on p.4 of this section

Distributor News

St. Louis, MO-based **Graybar** reported sales for the second quarter of $1.5 billion, a 3.4 percent increase over the same period a year ago. Profit increased 32.7 percent to $29 million. For the first six months of the year, sales were $2.8 billion, a 2.9 percent increase from the same period last year. Profit increased 35.3 percent to $40.4 million.

Graybar, St. Louis, MO, has opened a new location in Waco, TX.

Applied Industrial Technologies, Cleveland, OH, reported sales for the fiscal year 2014 were $2.5 billion, flat compared to the prior year. Profit was down 4.5 percent at $112.8 million. For the fiscal fourth quarter ended June 30, sales were $654.6 million, a 2.2 percent increase over the same period a year ago. Profit decreased 8 percent to $29.7 million.

Grainger, Chicago, IL, reported sales for July increased 6 percent over the same period a year ago. Results for the month included a 2 percent increase from acquisitions, net of dispositions, and a 1 percent decline from unfavorable foreign exchange.

Melville, NY-based **MSC Industrial Supply Co.** has appointed Kari Heerdt as the company's chief people officer. Heerdt will oversee the company's associate relations, community relations and human resources function.

Anixter International Inc., Glenview, IL, has agreed to acquire Tri-Ed, an independent distributor of security and low-voltage technology products from Audax Group for $420 million.

Avnet Inc., Phoenix, AZ, reported sales for the fiscal year ended June 28 of $27.5 billion, a year-over-year increase of 8 percent. Profit increased 21 percent to $545.6 million. For the fourth quarter, sales were $7 billion, up 6.9 percent over the same period one year ago. Profit increased 47.7 percent to $186.3 million.

TTI Inc., Fort Worth, TX, an indirect, wholly owned subsidiary of **Berkshire Hathaway**, has acquired **HuaTong Electronic Co. Ltd.**, an electronic components distributor headquartered in Dongguan Shilong.

GHX Industrial LLC, Houston, TX, and **McCarty Equipment Co.**, Abilene, TX, subsidiaries of the **United Distribution Group**, have opened three new locations and expanded one current location. The new McCarty operations include Oklahoma City, OK, and San Angelo, TX. The GHX roster includes a new location in Benicia, CA, and an expanded location in Texas City, TX.

Summit Electric Supply, Albuquerque, NM, will open a new service center in Houma, LA in September.

FCX Performance Inc., Columbus, OH, has acquired **Corrosion Fluid Products Corp.**, Farmington Hills, MI.

Kodiak Building Partners, Denver, CO, has acquired **AO Inc.**, Dallas, TX, a

continued on p.2 of this section

MARKETS UPDATE SUPPLEMENT P. 2

News Digest

Continued from p. 1 of this section

fabricator and distributor of doors, frames and hardware to commercial contractors for the office build-out market.

US LBM Holdings LLC, Green Bay, WI, has acquired **Samuel Feldman Lumber Co.**, Brooklyn, NY.

Builders FirstSource Inc., Dallas, TX, has acquired **Truss Rite LLC**, Sherman, TX.

ABC Supply Co. Inc., Beloit, WI, opened its first North Dakota location in Fargo.

BlueLinx Holdings Inc., Atlanta, GA, reported sales for the second quarter of $531.5 million, a decrease of 12 percent compared to the same period a year ago. Profit was $3.2 million, compared to a year-ago net loss of $22.3 million. For the first six months, sales were $975.4 million, down 11.9 percent from the same period a year ago. Net loss was $5.4 million, compared with a year-ago loss of $35 million.

Beacon Roofing Supply Inc., Peabody, MA, reported sales for the fiscal third quarter ended June 30 of $663.4 million, a 5.8 percent increase over the same period a year ago. Organic sales increased 1.5 percent. Profit decreased 1.3 percent to $26.8 million. For the first nine months, sales were $1.6 billion, up 2.7 percent over the same period a year ago. Profit was $29.6 million, down 34.4 percent year-over-year.

NOW Inc., Houston, TX, reported sales for the second quarter of $952 million, down 11 percent year-over-year. Profit decreased 18.2 percent to $27 million. Year-to-date sales were $2 billion, down 5.3 percent over the prior-year period. Profit decreased 8.1 percent to $68 million.

VWR Funding Inc., the parent company of laboratory supplies and equipment distributor **VWR International**, Radnor, PA, reported second-quarter sales of $1.1 billion, a year-over-year increase of 5 percent. Profit for the period was $16.6 million, compared to a year-ago loss of $3.6 million. For the first six months of 2014, sales were $2.2 billion, up 4 percent year-over-year. Profit grew 84 percent to $34 million.

Park-Ohio Holdings Corp., Cleveland, OH, reported sales for the second quarter of $343.3 million, an 11.7 percent increase over the same period a year ago. Profit increased 3 percent to $12.4 million. For the first six months, sales were $661.1 million, up 12 percent over the same period a year ago. Profit was $22.5 million, up

Calculation of MDM Inflation Index for July 2014

		BLS Price Indices July '14	BLS Price Indices June '14	BLS Price Indices July '13	% Sales Weight	Weighted Indices July '14 (1)X(4)	% Change July '14 June '14	% Change July '14 July '13
1136	Abr. Prod.	572.9	573.8	562.2	19.1	109.43	-0.16	1.90
1135	Cutting Tools	495.1	497.8	488.3	18.9	93.58	-0.54	1.39
1145	Power Trans.	804.1	802.0	800.7	15.4	123.84	0.27	0.43
1081	Fasteners	510.7	508.5	504.7	9.0	45.96	0.42	1.18
1149.01	Valves, etc.	962.9	962.4	933.8	7.6	73.18	0.05	3.12
1132	Power Tools	361.8	361.8	355.6	6.5	23.52	0.00	1.74
1144	Mat. Handling	582.0	582.0	567.1	6.2	36.08	0.00	2.63
0713.03	Belting	839.2	836.9	859.8	6.1	51.19	0.27	-2.40
1042	Hand Tools	778.8	777.5	777.5	8.1	63.08	0.18	0.18
108	Misc. Metal	480.0	478.3	476.6	3.1	14.88	0.35	0.71

"New" July Index	331.6	July Inflation Index	634.74	0.03	1.10
"New" June Index	331.5	June Inflation Index	634.55		
		July 2013 Inflation Index	627.85		

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

0.9 percent.

Machine Tools Supply, Costa Mesa, CA, has named Bryan Rigney as COO.

Sales for **AD affiliates** across all AD divisions grew 8 percent in the second quarter to $15 billion. AD industrial member sales grew 8 percent in the first half, and electrical member sales grew 6 percent. Plumbing/PVF member sales were up 9 percent; HVAC member sales increased 11 percent; and building materials member sales were up 18 percent.

Heating, Air-conditioning and Refrigeration Distributors International reported 10.1 percent sales growth for June 2014.

The Home Depot, Atlanta, GA, reported sales for the second quarter of $23.8 billion, a 5.7 percent increase over the same period a year ago. Profit increased 14.2 percent to $2.1 billion. For the first six months, sales were $43.5 billion, up 4.4 percent over the same period one year prior. Profit increased 13.5 percent to $3 billion.

Economic News

Privately-owned housing starts in July were at a seasonally adjusted annual rate of 1,093,000, according to the U.S. Census Bureau and the Department of Housing and Urban Development. This is 15.7 percent above the revised June estimate of 945,000 and 21.7 percent above the July 2013 rate of 898,000.

Wholesale prices rose 0.1 percent in July, seasonally adjusted, the U.S. Bureau of Labor Statistics reported. This increase followed a 0.4 percent advance in June and a 0.2 percent decline in May.

June **U.S. cutting tool consumption** was $181 million, according to the U.S. Cutting Tool Institute and the Association for Manufacturing Technology. This total, as reported by companies participating in the Cutting Tool Market Report collaboration, was up 7.3 percent from May and up 9.9 percent from June 2013.

Canadian wholesale sales rose 0.6 percent to C$53 billion (US$48.4 billion) in June. Gains in five subsectors, which together represented 69 percent of wholesale sales, more than offset a decline in the motor vehicle and parts subsector. Excluding this subsector, wholesale sales rose 1.2 percent.

Canadian manufacturing sales rose 0.6 percent in June to C$52 billion (US$47.6 billion), according to Statistics Canada. The gain stemmed from a 3 percent increase in non-durable goods sales, led by the chemical, petroleum and coal product as well as the food industries. Excluding the chemical industry, total sales edged down 0.1 percent in June.

Canadian building permits issued in June were worth C$8 billion (US$7.3 billion), up 13.5 percent from May. The June increase was mainly due to higher construction intentions for institutional and industrial buildings in Quebec and commercial buildings in Alberta.

Seasonally adjusted **industrial production in Europe** in May fell by 0.3 percent in the euro area (EA18) and by 0.1 percent in the EU28, compared with May 2013, according to estimates from Eurostat, the statistical office of the European Union.

The **ISA Manufacturer Index** rose from 61.5 percent in June to 61.8 percent in July. The **ISA Distributor Index** fell from 68.6 percent in June to 63.6 percent.

Manufacturer News

Ingersoll-Rand plc, Swords, Ireland, has agreed to acquire the assets of **Cameron International Corp.**'s centrifugal compression division for $850 million.

Apex Tool Group, Sparks, MD, has acquired specialty cutting tool manufacturer **Niagara Tools**, St. Catharines, Ontario, Canada.

Atlas Copco, Nacka, Sweden, has agreed to acquire self-pierce riveting specialist **Henrob** with main facilities in the U.S. and the U.K.

ABB, Zurich, Switzerland, a power and automation technology group, has agreed to divest the ABB full service business to **Nordic Capital**.

ParexGroup, parent company of building material manufacturer **Parex USA Inc.**, Anaheim, CA, has been purchased by **CVC Capital Partners** from **Materis**, a manufacturer of specialty chemicals for construction.

continued on p.4 of this section

USMTO

Continued from p. 1 of this section

in the North Central-East Region totaled $119.3 million, a rise of 48.4 percent from May's $80.4 million and 7.5 percent more than the $111 million figure for June a year ago. With a year-to-date total of $667.3 million, 2014 was 5.9 percent above the comparable figure a year ago.

North Central-West Region

June manufacturing technology orders in the North Central-West Region totaled $82.9 million, up 47.8 percent when compared with May's $56.1 million and 8.6 percent more than the June 2013 total of $76.4 million.

South Central Region

At $58.1 million, June manufacturing technology orders in the South Central Region were down 5.7 percent when compared with last June's $61.6 million. Year-to-date orders stood at $371.9 million, 0.2 percent less than the comparable figure for 2013.

News Digest

Continued from p. 3 of this section

Capital Safety, Bloomington, MN, has acquired **Fall Protection Group Inc.**, Calgary, Alberta.

Allied Motion Technologies Inc., Amherst, NY, reported sales for the second quarter of $62 million, a 145 percent increase over the same period a year ago. Profit increased 229 percent to $2.7 million. For the first six months, sales were $122.5 million, up 143 percent over the same period one year ago. Profit increased 172 percent to $4.8 million.

Wausau Paper, Mosinee, WI, reported sales from continuing operations for the second quarter of $89.2 million, a 1.8 percent increase over the same period a year ago. The company incurred a net loss from continuing operations of $3.7 million compared to a net loss of $14.6 million one year ago. For the first six months, sales from continuing operations were $166.7 million, up 0.5 percent year-over-year. Loss from continuing operations was $8.2 million, compared to a net loss of $18.3 million one year prior.

Rexnord Corp., Milwaukee, WI, reported sales for the fiscal first quarter of $509.8 million, a 0.2 percent increase over the same period a year ago. Profit decreased 11.8 percent to $12 million.

RBC Bearings Inc., Oxford, CT, reported sales for the fiscal first quarter of $113 million, a 10 percent increase over the same period a year ago. Profit increased 6 percent to $16 million.

Parker Hannifin Corp., Cleveland, OH, reported sales for the fiscal year 2014 ended June 30 of $13.2 billion, up 1.5 percent from 2013. Profit increased 9.7 percent to $1 billion. Sales for the fourth quarter were $3.5 billion, up 3 percent year-over-year. Profit increased 11.1 percent to $301.2 million.

Rockwood Holdings Inc., Princeton, NJ, reported sales for the second quarter of $362.3 million, a 4.1 percent increase over the same period a year ago. Profit increased 32.7 percent to $34.1 million. For the first six months, sales were $716.8 million, up 4 percent from the same period one year ago. Profit increased 43.6 percent to $77.7 million.

Carlos Cardoso, president and CEO of **Kennametal Inc.**, Latrobe, PA, will retire from the company, effective Dec. 31.

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