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■ *MDM Interview*

Lawson Products' Revitalization

Distributor adds salespeople, embraces Lean Six Sigma to grow

For the last several years, Lawson Products has been focused on turning its sales trajectory back to the positive through streamlining the organization and focusing on the "legacy" that launched the company. President and CEO Michael DeCata recently spoke with MDM Editor Jenel Stelton-Holtmeier about the initiatives being undertaken by the distributor and the results of those efforts.

MDM: What's different about today's Lawson Products than when you came on as president and CEO in 2012?

Michael DeCata: What we're trying to do is to build on the best of what we have been. Lawson Products was founded in 1952, so we have a long legacy and a great culture. What attracted me to the company was the nature of our value proposition.

I think it's important to recognize that our value proposition is at its core a service proposition. More than 60 percent of our product is private label, and it tends to be highly engineered, premium performance product. It performs better than many of the branded competitors that are out there.

However, our primary value proposition is really not about product; it's predominantly about service. If we do our jobs well, we prevent the customer from having to call us for an emergency to get something to them, because when they go to the bins and cabinets – what we call the "brown wall" – the product is already there for the customer.

At the core, we're building on the legacy we started with, a value proposition which is really a service proposition on top of really outstanding private label products.

And now we're revitalizing the company with the addition of new sales reps, with the addition of new technology like SAP, a built-to-suit, state-of-the-art distribution center in McCook, IL, and a culture which is now revitalized and enthusiastic about our role in driving productivity for our customers.

MDM: Over the last several years, Lawson Products has faced declining sales. How is the company changing that trajectory now?

DeCata: We've streamlined the company over the past few years by divesting three non-core business units.

As well, beginning in 2009, we began to redefine the expectations of our sales reps. On Jan. 1, 2013, we completed that process and converted all of our U.S. independent sales agents to sales employees.

After that, we went through the process of re-engineering our operating process to deliver tremendous improvements in key operations metrics, things like back orders, line fill and order fill, and all of the key metrics that are important to most distributors. All of that work has enabled us to springboard into hiring sales reps and now this year delivering sales growth.

A lot has happened over the last several years to revitalize the company, and we feel very good about where we are today.

MDM: What were the benefits of moving those independent agents over to become employees, and why did the company rely on independent agents before that?

DeCata: I think they were agents before in part just because of the legacy of the company. This was common in our industry.

The benefits today that we see of hir-

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INSIDE

PERSPECTIVE ■ Commentary by Thomas P. Gale

Scotland, Baseball and Better Sales Models

What can baseball and Scotland possibly have to do with each other? More than you might think. They offer somewhat parallel lessons on analytics, assumptions and biases and how to think differently about selling more effectively and profitably.

The vote for independence in Scotland a few weeks ago supported the status quo – unity with England – with 55 percent against independence and 45 percent in favor. In the final few weeks leading up to the vote, many pollsters had it all wrong, predicting a very close outcome, and in some cases predicting the other side winning.

Because the polls were largely Web-based, rather than exit polls, there were a few different layers of bias and subjective filtering to the analysis. By contrast, the betting markets nailed it, with most odds-makers placing the likelihood of Scotland staying in the UK between 60 percent and 75 percent right before the vote.

Lesson 1: The data won; people put their money where their mouths weren't. People won't always tell you the truth for lots of reasons, especially in sensitive situations.

Lesson 2: If you are getting most of your intelligence about a customer account's potential only from the sales representative, you are getting subjective and filtered input. It can be good or not so good.

October means baseball playoffs, and another endless round of more statistics than 99.9 percent of the world cares about. But remember *Moneyball*? Key performance statistics were more reliable in determining the bottom-line metric – run production – than the subjective evaluation of scouts, who tend to be biased toward high-paid and flashy talent. Scout knowledge hasn't completely been abandoned, but it is now used to augment the available objective data.

Lesson 3: The data won … again.

Lesson 4: "Local" knowledge has a role in refining the data and improving results. The key is to find a data-oriented way to model, benchmark and measure account and market potential. Then add the critically important local knowledge held by the salesperson.

Successful sales organizations are doing the same thing. IBM was an early adopter more than 10 years ago in an effort to gain better understanding of account potential for their IT products. The result is a system sales can use to spend time more effectively to increase their high-potential opportunities, close rate and profitability per sale.

Lesson 5: Show me the money.

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Lawson Products Interview
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ing employees is that we can make more investments in the people, and that's something that's a cornerstone of our culture – investing in their development and their growth. There are also things that we can do at corporate headquarters, such as market segmentation and market analysis, that can be shared with the sales reps. There's also technology that we feel better about investing in knowing that people will use that technology.

Across the board, whether it's an investment in training or an investment in giving sales reps tools that we know they'll use, all of those things are easier when the people you're associated with are employees versus independent agents – and I want to emphasize that word independent. Now we're more interdependent, with the sales team and the headquarters all pulling in the same direction.

MDM: One of the initiatives you've been overseeing is the implementation of Lean Six Sigma. How were you able to get employee buy-in for the project, something many other companies have said can be challenging?

DeCata: We started in January of 2013 by presenting and bringing in a small team that I've worked with in the past (at General Electric). We brought in a team of people and provided a very broad exposure of what Lean Six Sigma is, how it's used and how it could benefit us or any company. It was a pretty generic, high-level overview.

There were approximately 40 people that went through the initial one-day training. And that one-day training got a lot of people excited.

Then we began the Lean Six Sigma process in earnest by taking those same people through several days of in-depth training. Out of that, we mapped the seven primary processes of our company and the related subprocesses. The team – all of the people involved – had the opportunity to understand the processes and subprocesses that were not working as well as we wanted them to or where we saw opportunity for process improvement. As a group, we multi-voted and picked five Wave 1 process areas that we wanted to focus on.

When we initially started, I'm sure everybody was thinking, "Oh I hope I don't get picked for a team because of the amount of time and effort that would go into it." But interestingly, the five Wave 1 project teams have produced tremendous results. They quantified the results as a part of the Lean Six Sigma process. The teams get the opportunity to present in front of their teammates quite regularly, and they're broadly supported across the company.

Three weeks ago we began the second wave of projects. We've identified five more projects, and this time people weren't wringing their hands about not wanting to be on a team. Everybody wanted to be on a team, or they wanted their sub-process selected for improvement. But, we could only pick five.

It's interesting how the world has changed for us. Everybody is excited about participating in this because they see the value to the company and they see the value to their processes.

One of the cornerstone benefits to this process improvement is that it has the effect of taking non-value-added work out of the system. What that means for the folks involved is a better quality of work life. They know that the work they're doing is value-added work, and it's important to them, the company and the customers.

MDM: How do you measure the success of these initiatives?

DeCata: Two of the ones that I think are more important are time and dollars, which are fairly generic but very important. By reducing defects, you have the opportunity to not have to repair something. Repairing, or rework or re- anything, is not value-added activity. Doing it right the first time has the effect of reducing the cycle time to complete an activity and it also reduces the cost.

Dollars and time are two primary metrics that anybody uses in measuring Lean Six Sigma. For example, one of the five Wave 1 projects that we focused on is in the area of talent acquisition. Since that's a cornerstone of activities that we're engaged in, bringing on a large number of sales reps, we reduced the time for one related process by 50 percent and another by roughly 30 percent.

MDM: You've mentioned the importance of having a data-driven culture for success in distribution. What changes have you made to become a more data-driven company?

DeCata: One of the benefits of SAP is the fact that you can aggregate all of your data into an

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The entire interview can be heard at mdm.com/stellar-interview.

enterprise-wide database. And as you finish that process, as you go through the go-live process, one of the benefits that comes out of it is that all of your data resides in one place.

We are beginning to timestamp the events that go through the process, and all of those are data elements that enable us to focus on efficiency, to focus on cycle time, to focus on the order-to-delivery cycle. All of those are key elements to quantitatively understanding our operational processes. It then points us to areas of improvement that allow us to streamline the process and better serve our customers.

Being a data-driven company is exactly where we're trying to go, and it does take a little discipline. First the data has to exist. Then after the data exists, people have to understand how better to use the data and glean insight out of a mountain of data. Then people have to evolve toward trusting the data and depending upon data to make decisions.

It's so easy to let the squeaky wheel dictate the show or the person who has the intense perspective to dominate a conversation. To the extent that a culture can evolve toward being data-driven, you let the data lead the way.

We're very pleased with the progress we've made and the data we're getting out of our SAP implementation. One of the benefits as you move from just mountains of raw data, if you attend to it, data can become a competitive advantage. And that's very much where we're trying to go with our data.

For example, we're hiring a great number of sales reps. We grew by approximately 50 sales reps last year, and it is our commitment to grow between 15 percent and 20 percent this year. One of the questions is, where do you put all those sales reps and what's the motivation for doing it in the first place? All of that comes out of data mining, understanding your market in the context of where you're already adequately serving customers versus territories that are relatively untapped or where customers aren't being serviced as well as they should be. We're figuring out where to put all these people by data mining through the data we've gotten through SAP.

MDM: Another big topic in the industry today is e-commerce. What are some of the trends that Lawson Products is seeing in the role of e-commerce in distribution?

DeCata: It is very important. We've invested a lot in our e-commerce platform, and we're very proud of our e-commerce platform. For us, the e-commerce platform is an extension of the sales rep.

As I mentioned earlier, our primary value proposition revolves around service, what we call Lawson Managed Inventory. Our e-commerce channel is there to provide additional depth in the event the customer has a question when the sales rep isn't in front of the customer. The customer can go online, and place an order. But ultimately it's our sales rep who is going to put the product away in the brown wall, do the informal inventory count looking at what's been consumed since the sales rep was there last, and then very often place the purchase order for the customer.

E-commerce is very critical to that, but it's critical in the context of delivering sales rep productivity and providing another access point to the customer. We don't even view it as a parallel access point; we see it as an extension of the sales rep.

Customers are using e-commerce more, and they're also using it more as a research tool. Because of the broad spectrum of products that we have available, very often a customer will want to look at a product, and our website is great for that. Customers also use it to find and print safety data sheets (formerly called MSDS).

MDM: One of the challenges I keep hearing with regard to e-commerce is getting good data onto the website to make it more functional for customers. How do you address the challenge of getting good, consistent data onto your e-commerce platform?

DeCata: That is an ongoing challenge for everyone. We have nicely integrated SAP, which is the cornerstone, as well as a product information database, Heiler, and all of that is tied together.

We work closely together with our broad base of suppliers; we depend on them to provide a lot of data. We bring it into Heiler and it filters up through SAP.

One of the benefits of having a state-of-the-art product information database combined with the state-of-the-art ERP is that it makes it a lot easier to integrate all of it. And you use the same product information database whether you're providing an e-commerce output or a flier or a printed catalog. You use the same data engine and the same central repository of data so it makes it easier to integrate all of that and keep it current.

MDM: What are some of the other trends you see driving change in distribution today?

DeCata: As customers are trying harder and harder to deliver productivity for themselves, distributors are being depended on for more. We can enable our customers to be more productive or enable the mechanic to be more productive or to reduce machine downtime – all of those are roles I think industrial distributors can play.

Every day we work to understand the needs of our customers and make sure the product is there before the customer needs it. When we succeed, there is no downtime whatsoever waiting for something to arrive, even tomorrow. That's what we strive for, and by doing that, we take that aspect of cycle time out of the process for the customer.

How Leaders Can Drive Company Culture

Ask questions, listen & communicate vision to build a culture that drives success

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The culture of a company is one key to its success, and changing leadership can create a challenge to developing that successful culture. Joel Trammell, author of "The CEO Tightrope," discusses how distribution company executives and leaders can influence company culture to obtain the most useful ideas and criticisms from their workforces.

By April Nowicki

Clearly defined responsibilities, goals and day-to-day tasks are helpful to have when starting a new job or taking on a new position. But the role of CEO and many other leadership roles often lack that definition. Balancing strategic business planning with human resources is one of the biggest challenges that leaders face.

"I always say that every CEO who takes over a new position is unqualified, because to be qualified fully for a job, you'd have to know all the people, know the industry, know everything, and the only way to get that way is having already done the job," says Joel Trammell, author of The CEO Tightrope. "It's one of those positions where you're always coming into it a little bit unprepared."

The initial step a new leader should take, he says, is to clearly define and communicate a vision for the company. Without a distinct direction, it's difficult to take actions for change. And defining that vision can take days, weeks or even months, depending on the complexity of the organization and how much a vision needs to change from previous leadership.

Trammell says that he will often ask CEOs and leaders of organizations what they believe success means for their companies. Then, he'll ask employees the same question. "If they don't all give me the same answer, that's a clear sign that people haven't taken the time to define where the organization is going," he says.

It happens often, Trammell says. It's typical for employees to focus on cutting costs or saving time, and lose sight of the bigger picture – or possibly not know what the bigger picture is in the first place.

Avoiding this disconnect between upper management and line-level employees requires employees to be taught a framework and method for making decisions, he says.

"A great example of a company doing this very well is Walmart," Trammell says. "Walmart's tagline and focus is 'always low prices.' If you go into a Walmart and walk up to a cashier and say, 'I saw this item for $5 down the street, and you're charging me $6,' the cashier will ring it up for $5. They don't call over a manager; they don't have to call Bentonville, AR, to do that. They do it because they've been trained that their key goal is low prices."

Ensuring that employees all have the same perception of company objectives requires significant training. But employees should be able to balance competing goals of customers and employees and shareholders.

"When there is uncertainty around values, everybody is scared to make a decision, and decisions take a long time to get made," Trammell says. "Decisions are kind of the oil that lubricates a company's engine. If you're not able to make rapid decisions, it's hard to make good progress in a company."

Progress is dependent on the culture, and the culture must help employees develop confidence for making decisions.

"Culture is fundamentally based upon what gets rewarded in the organization," Trammell says. "And typically, if you're a founder or a CEO, that really reflects your personality. You're going to reward what you value. You're the mom and the dad of the family. Kids are going to behave in the way that you value and reward."

Culture is what facilitates company growth and innovation, retains employees and attracts new ones, he says. And the CEO is the only one who can really drive that.

Trammell says that it's imperative that executives build relationships with people at all levels of the organization, because today's entry-level workers will be managers tomorrow and leaders down the road.

"Start by using the hiring process to begin to build that relationship there," Trammell says. "The employee will know you voted for them, that you voted to hire them. You'll always have a little bit of a connection there."

Over time, leaders should work to build up additional touch-points and relationships with these employees. In big organizations, the leaders won't be able to interview every person, but putting forth efforts to make connections will pay off.

"You'll find that some people are more open than others, so you spend a little bit more time with them," Trammell says. "But it's a continuous process. You can't just say, 'OK, now this month I'm going to go out to lunch with somebody and expect them to be open.' If you haven't built the relationship over time, they're going to be very guarded."

The point of connecting with employees is to learn about areas where the business is lacking. As leaders gain more responsibility, Trammell says the worst thing they can do is assume they know what employees are doing.

"In my experience, the best leaders are continuous learners," Trammell says. "Begin with asking questions such as 'What can I do better?' or "How can I help you do your job better?'"

But leaders need to be prepared to not get complete answers from every employee. For many people to give honest feedback about their workplaces, a leader must first establish trust.

"When you start out at a company and you're on the bottom level, everybody will tell you what you're not doing right," Trammell says. "But as you move up in a company, fewer and fewer people will be honest with you."

Another way to gain insights into unfamiliar company segments is to give people a forum for anonymous feedback. Often, companies don't provide their employees a place to submit anonymous feedback and all they hear are the positives, Trammell says.

"You see it a lot when a CEO leaves a company," he says. "All the employees will start saying, 'Oh yeah, he wasn't doing this right, he wasn't doing this right.' But you never heard that while he was still in the role. Why weren't people saying that before? Well, because he was in a position of leadership. They were scared to make those comments."

Leaders can use anonymous feedback to ask about specifics from employees, opening the door for them to offer their own experiences and opinions. Having a line of communication is critical to making big decisions, but there's another piece to decision-making that Trammell says many companies also overlook: post-mortem analysis.

Company leaders should always establish a time frame for assessing the outcome of decisions, to review how the decision was made, why and what the outcome was. Those factors can contribute to future decisions.

"Often, with things like acquisitions, people make decisions but then never re-examine," Trammell says. "Nobody goes back and says, "Where did we go wrong? What did we not see so that we can not do it again?"

The same strategy works for decisions that had positive outcomes. Trammell says in his own businesses, he likes to appoint one staff member to take the devil's advocate position during team discussions around big decisions.

"If we're looking at buying a company and everyone wants to go forward with it, I always grab one person on my staff and say, 'Your job in every meeting is to come up with all the reasons why we shouldn't do this.' If you don't set someone up to do that, you tend to get group thinking. Once people get the sense that the leader is headed in one direction or another, they often will kind of line up behind the leader."

Taking proactive steps will help ensure that all potential negatives are heard, which will also nurture confidence in employees that opinions are welcome.

Overcoming a Technology Deficit

How a "digital boot camp" can whip a company into shape

Distributors that lack a digital strategy can find themselves falling behind their competitors as e-commerce and other digital platforms become more important to customers. Linda Taddonio of InsiteCommerce discusses the need to develop a digital strategy and ways to jumpstart the development of that strategy in the recent MDM Webcast, Navigating the Digital Landscape for Distribution.

This article is an exclusive summary of the webcast, which is available on-demand and on DVD at mdm.com/digital-landscape.

By Eric Smith

Only the fittest companies survive, so distributors facing a technology deficit need to shape up or suffer the consequences. An effective, efficient way to assess any e-commerce deficiencies and remedy them is by executing a transformational "digital boot camp."

That's the message Linda Taddonio, co-founder and e-commerce strategy officer of InsiteCommerce, delivered during the MDM Webcast, Navigating the Digital Landscape for Distribution.

Because up to 90 percent of people do their product research online, Taddonio said, e-commerce is as crucial as supply chain management and pricing for any distributor that wants to remain relevant in today's marketplace.

"If you don't have the product content that would allow someone who comes to your website to get the information that they want and need about the products that you sell, you can probably bet they're going to go somewhere else until they get what they're looking for," Taddonio said. "This is a huge challenge for distributors."

"More than half of executives believe that digital technologies are a major driver of business strategy," said Taddonio "…Only one-third of executives believe that their (digital strategy) approach is correct, and just 21 percent believe that the right people are setting the strategy in the first place." In addition, she says that fewer than one in six executives believe their firms have the ability to execute the digital strategies they do have.

"It sounds like chaos," she said. "It sounds like we really don't have digital strategies leading the way."

Taddonio said current market conditions require a distributor to commit fully to technology or risk losing market share to competitors that have made a robust digital presence their top priority.

"Digital is now central to your business," Taddonio said. "It can't be executed on the side anymore. We're talking more and more in the marketplace about having a 'digital-first' mindset. That's where the opportunities are. If your organization is held hostage by old ways of thinking, it's really of the utmost importance to burst out of that."

But this approach, she noted, can be daunting. It requires everything from education, program execution and internal goal-setting, followed by top-down delivery from the board of directors through the executive ranks and throughout the entire organization.

Yet creating an effective digital strategy doesn't always require major business model shifts, large capital investments or countless man hours. Taddonio explains a more agile, quicker way to begin pursuing this goal – to begin the healing process before the technology deficit becomes a more serious malady.

Taddonio champions a digital boot camp spearheaded by a digital innovation team. She said this group can be composed of three or four stakeholders from inside the company, specifically from the technology, marketing, operations and finance departments. It also requires outside stakeholders – what she called "passionate experts" – in technology, marketing and operations.

The digital boot camp does exactly what it says: trains an organization to think about technology in a new way while preparing it for doing business in the right manner.

Taddonio lays out steps for executing a digital strategy boot camp:

- Draft a technology landscape – current and near future state.
- Draft an integration plan to core backend systems.
- Identify your personas and prioritize their digital enablement.
- Review marketing requirements/opportunities for the first phase.
- Review resource allocations/needs.
- Craft a plan to acquire and manage product content.

- Set goals and a timeframe in which to achieve them.
- Use outside experts.
- Revisit every four to six months to keep the evolution alive and increase speed.

Carried out with deliberation and dedication, the boot camp can transform a company's digital presence.

"The organizations that we work with who say 'Within this period of time, we are going to do X,' and they put the technology in place to do that, they put the marketing programs in place to do that, they align their operations to do that, most of them get there," Taddonio said. "And a lot of them exceed it."

The bottom line for distributors: Learn to navigate the ever-changing digital landscape now or get left behind when customers invariably find a competitor that will.

Access the MDM Webcast, Navigating the Digital Landscape for Distribution, on-demand at mdm.com/digital-landscape.

Confidence in Economy Growing among CEOs, CFOs

The outlook for 2015 is looking brighter, according to Deloitte. A recent poll from the research company found that most executives (87.8 percent) expect the U.S. economy to grow in 2015. And the 2014 Q3 CFO Signals survey from Deloitte showed confidence growing among CFOs that their companies would be able to make necessary adjustments to survive and thrive in the near and longer term.

In the executive poll, increased corporate capital investments are expected to have the biggest positive impact on the U.S. economy in 2015 (24 percent), and M&A activity is expected to increase (47.3 percent).

Worries about geopolitical disruptions continue to weigh on the results of both reports. Concerns around Europe's economic future rose again for CFOs, and worries about geopolitical disruptions increased sharply. For CEOs, Middle East turmoil (34.7 percent) is the biggest global challenge respondents say the U.S. economy will face in 2015.

"Shocks from outside the U.S. and internal fiscal policy mistakes are likely the biggest challenges to continued U.S. economic improvements in 2015," said Ira Kalish, chief global economist, Deloitte Touche Tohmatsu Limited. "Unless the situation in the Middle East worsens considerably, I don't expect it to be as big a challenge as stagnation in China or Europe would be in the new year. The Federal Reserve will have an interesting year ahead balancing concerns about inflation with concerns about employment."

CFO sales growth expectations reached their highest level in three years. Moreover, earnings expectations rose to their highest level in more than a year, and 90 percent of CFOs now expect year-over-year gains – the highest level in the survey's 17-quarter history.

Domestic hiring expectations are up substantially as well, hitting their second-highest level in the past four years. Nearly 60 percent of CFOs now expect gains.

Consistent with these strong expectations, this quarter's CFO sentiment about their companies' prospects extended an optimistic streak that has lasted since the first quarter of 2013. Net optimism lies at a very strong +32, and less than 12 percent of CFOs express declining optimism – the lowest proportion in the history of the CFO Signals survey.

This quarter, CFOs were asked about the factors most likely to disrupt their businesses, and government policy topped the list by a substantial margin. Nearly two-thirds said they expect at least moderate disruption, and nearly one-third expect high disruption. And in their list of worrisome risks, CFOs expressed particular concern that U.S. policymakers will struggle (and perhaps overreach) with a solution to "inversions."

CEOs also expressed concern about government action. When asked what the Federal Reserve will do in terms of tightening monetary policy in 2015, 18 percent of respondents said the Fed would tighten appropriately, 20.7 percent said the Fed would tighten too soon, and 36.7 percent said the Fed would tighten too late.

Full results from the Deloitte 2014 CFO Signals survey can be found at http://www.deloitte.com.

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Industrial & Construction Markets Update

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September 2014 Distribution M&A Roundup: Movement in Electrical, Jan-San Segments

September's biggest acquisition news in the distribution space, Sonepar's agreement to purchase IDG, contributed to a long lineup of distributor mergers and acquisitions. The acquisition offers a strong complement to Sonepar's industrial division, Hagemeyer North America, and expands the distributor's capability to offer more in the area of integrated supply. IDG is the largest privately owned industrial MRO distributor in the U.S.

Sonepar also acquired Routeco, an industrial control and automation distributor in the UK. This acquisition underlines the ongoing efforts of Sonepar to expand into new countries, as well as into the immense market of industrial automation.

Even as Sonepar moved to expand outside of its electrical core, other distributors moved to strengthen their presence in the sector. Hunzicker Brothers Inc. agreed to acquire SESCO Electric Supply Company, and Border States Electric agreed to purchase Western Extralite, an electrical wholesale supply company.

The jan-san sector also saw several shifts in September. ITW reorganized multiple units within the company to operate more efficiently under the ITW Pro Brands banner.

"The new structure makes doing business with us easier and more efficient," said ITW Pro Brands Vice President and General Manager Paul Taylor. "It also allows us to invest greater resources into our brands, driving end-user demand and deepening our commitment to new product innovation."

Brady Industries LLC, a janitorial supply distributor, acquired operations of Staheli Distributing located in St. George, UT. Penn Jersey Paper Company acquired Gelmarc Distributors, a distributor of foodservice supplies,

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Distributor News

The Fastenal Company, Winona, MN, has acquired certain assets of Av-Tech Industries, a wholesale distributor of aerospace fasteners, electronic components and miscellaneous aircraft parts.

French private equity firm **Eurazeo** has successfully completed the sale of the remaining 20.9 million shares of global electrical distributor **Rexel**. The sale by holding company Ray Investment represents a 7.1 percent stake in Rexel and is valued at €320 million (US$411.7 million) under an accelerated investment to institutional investors.

Airgas Inc., Radnor, PA, a supplier of industrial, medical and specialty gases, has named Jack Appolonia president of Airgas East region.

Safety and industrial supply distributor **Mallory Safety and Supply**, Portland, OR, has acquired **Interstate Safety and Supply**, Sparks, NC, an independent distributor of safety supplies.

Morrison Supply Co., Fort Worth, TX, has acquired El Paso, TX-based **Western Wholesale Co. Inc.** Western is a showroom and builder appliance business.

Beacon Roofing Supply Inc., Herndon, VA, has acquired **Applicators Sales & Service**, a Portland, ME, distributor of residential roofing, siding, windows and related accessories. Applicators has four branches in Maine, one in New Hampshire and annual sales of $48 million.

Building materials company **Builders FirstSource Inc.**, Dallas, TX, a supplier and manufacturer of structural and related building products for residential new construction in the U.S., has acquired **Trim Tech of Austin Inc.**

Building materials distributor **US LBM Holdings LLC**, Green Bay, WI, has acquired **Standard Companies Inc.**, Grand Rapids, MI.

PetroChoice, Riddlesburg, PA, a distributor of lubrication solutions, has acquired **Lubricorp**, a distributor of lubricants and specialty products headquartered in Knoxville, TN.

R3 Reliable Redistribution Resource, a division of **Bunzl plc**, has developed a new mobile application that makes it easier for customers to track their Go for the Gold progress. The annual Go for the Gold trip incentive program is exclusive to R3, a North American redistributor of disposable operating products and related services for distributors in foodservice and other industries.

Economic News

New orders for manufactured goods decreased $56.1 billion, or 10.1 percent, in August to $502 billion, according to the U.S. Census Bureau. This followed a 10.5 percent increase in July. Excluding transportation, new orders decreased 0.1 percent in August.

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MARKETS UPDATE SUPPLEMENT P. 2

News Digest

Continued from p. 1 of this section

The manufacturing sector expanded in September – albeit at a slower rate than the previous month – according to supply executives in the latest **Manufacturing ISM Report on Business**. The September PMI was 56.6 percent, 2.4 percentage points lower than August's 59 percent.

Construction employers added 16,000 jobs, and the sector's unemployment rate fell to 7 percent, the lowest rate for September in years, according to an analysis by the Associated General Contractors of America. Construction employment totaled 6,079,000 in September, the highest total since May 2009, with a 12-month gain of 230,000 jobs, or 3.9 percent.

Construction employment expanded in 220 metro areas, declined in 73 and was stagnant in 46 between August 2013 and August 2014, according to an analysis of federal employment data from the Associated General Contractors of America. Construction spending also increased year-over-year.

August 2014 **construction spending** was estimated at a seasonally adjusted annual rate of $961 billion, 0.8 percent below the revised July estimate of $968.8 billion, according to the U.S. Census Bureau of the Department of Commerce. The August figure is 5 percent above the August 2013 estimate of $915.3 billion. During the first eight months of this year, construction spending amounted to $623.1 billion, 6.8 percent above the same period in 2013.

Real gross domestic product for the U.S. increased at an annual rate of 4.6 percent in the second quarter, according to the third estimate released by the Bureau of Economic Analysis. In the first quarter, real GDP decreased 2.1 percent.

Wholesale revenues in July were $458.6 billion, up 0.7 percent from the revised June level and up 7.5 percent from the July 2013 level. **July sales of durable goods** were up 0.4 percent from last month and up 8 percent from a year ago. **Sales of nondurable goods** were up 1 percent from June and up 7.2 percent from last July.

Total **August exports** were $198.5 billion and imports were $238.6 billion, according to the U.S. Census Bureau and the U.S. Bureau of Economic Analysis, through the Department of Commerce. This resulted in a goods and services deficit of $40.1 billion, down from $40.3 billion in July. August exports were $0.4 billion more than July exports of $198 billion. **August imports** were $0.2 billion more than July imports of $283.3 billion.

Led by declines in production-related indicators, the **Chicago Fed National Activity Index** decreased to -0.21 in August from +0.26 in July. Two of the four broad categories of indicators that make up the index decreased from July, and two of the four categories made negative contributions to the index in August.

The **Canadian industrial product price index** increased 0.2 percent in August, mainly because of higher prices for motorized and recreational vehicles. The **Raw Materials Price Index** declined 2.2 percent, largely as a result of lower prices for crude energy products.

Compared with July 2014, **European industrial producer prices** in August fell by 0.1 percent in both the euro area (EA18) and the EU22, according to estimates from Eurostat, the statistical office of the European Union. In July prices decreased by 0.2 percent in both zones.

Manufacturer News

H.B. Fuller Co., St. Paul, MN, reported sales for the third quarter ended August 30 of $526.8 million, a 2.4 percent increase over the same period a year ago. Organic revenue grew by 1.3 percent year-over-year. Profit decreased 86 percent to $3.69 million. For the first nine months, sales were $1.6 billion, up 2.9 percent over the same period a year ago. Profit decreased 47.8 percent to $39 million.

Siemens AG, Munich, Bavaria, has agreed to acquire **Dresser-Rand Group Inc.**, Olean, NY, a global supplier of rotating equipment and aftermarket parts and services. The transaction is valued at approximately $7.6 billion, including the assumption of debt.

Dover, Downers Grove, IL, has acquired **Accelerated Cos. LLC**, a manufacturer of artificial lift and fluid handling products to oil and gas production markets, for $430 million.

Webco Industries Inc., Sand Springs, OK, reported sales for the fiscal year of $409.5 million, a 1 percent decrease over the same period a year ago. Profit decreased 16.8 percent to $27.7 million for the year.

MARKETS UPDATE SUPPLEMENT P. 3

NSi Industries, Huntersville, NC, a manufacturer of electrical connectors, wire management products and other electrical components, has promoted John Watson to regional vice president of sales for its central region; promoted Buddy Shah to vice president and general manager of TORK operations; added Allen Ustianowski to its application sales team; and hired Eric Zuehlke as vice president of information technology.

Actuant Corp., Milwaukee, WI, reported sales for the fiscal year ended August 31 of $1.4 billion, a 9.4 percent increase over the same period a year ago. Profit was $163.6 million, compared to $30 million a year ago. Core sales declined 1 percent while acquisitions, net of divestitures, added 7 percent, and foreign currency translation contributed 2 percent to total sales growth.

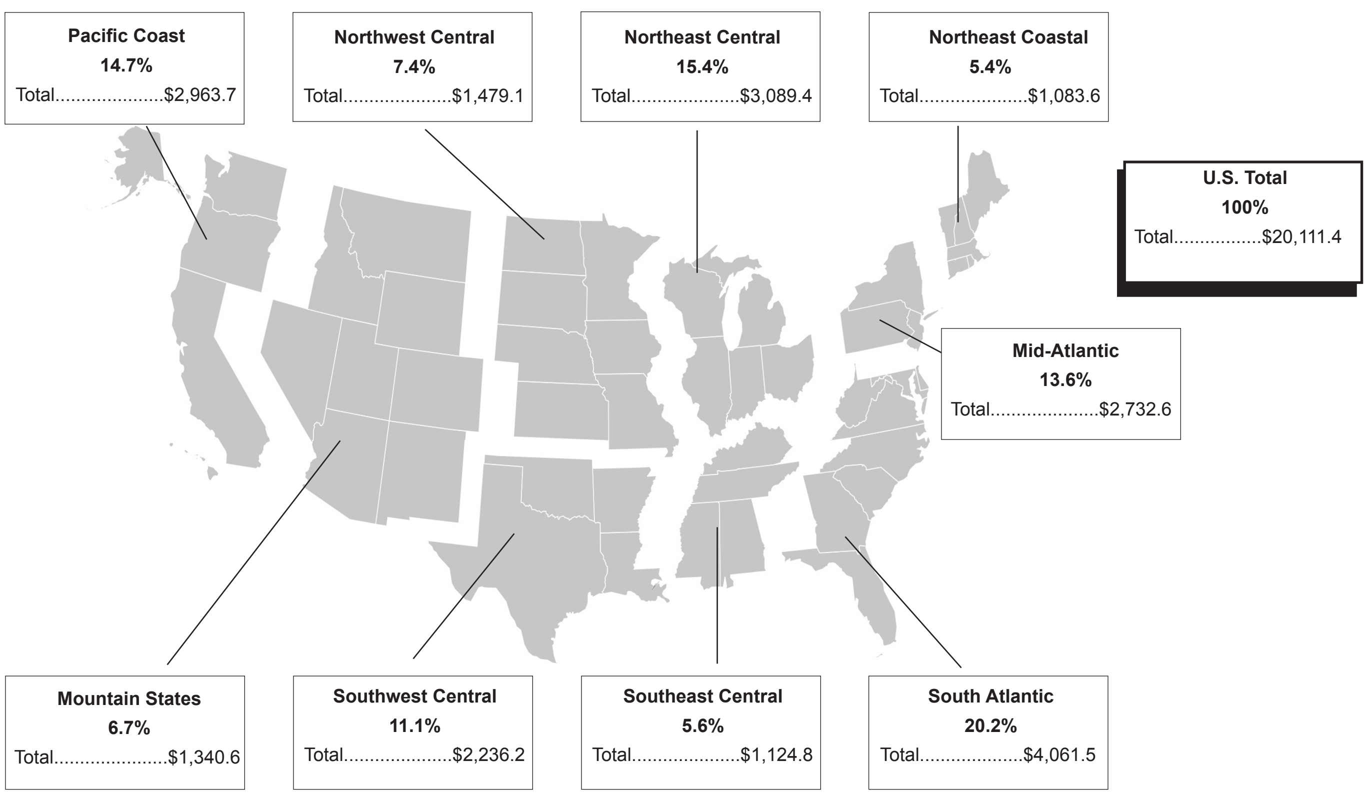
Channellock Inc., Meadville, PA, a plier and hand tool manufacturer, is naming Jonathan DeArment as its president and chief operating officer, effective October 1.

TriMas Corp., Bloomfield Hills, MI, a diversified global manufacturer of engineered and applied products, has agreed to acquire **Allfast Fastening Systems Inc.**, City of Industry, CA, for $360 million. Upon closure of the transaction, Allfast will become part of TriMas' aerospace segment.

MARKET ANALYSIS: Janitorial Supplies Consumption in the U.S.

Consumption of Janitorial Supplies in the U.S. was $20.1 billion in 2013, according to data from Industrial Market Information.

End-user consumption of Janitorial Supplies by region, in millions of $ (2013 estimates).



This market size estimate was compiled by Industrial Market Information, Lafayette, CO. Get more information on janitorial supplies consumption, including data for Canada, by signing up for the IMI newsletter at www.imidata.com.

MARKETS UPDATE SUPPLEMENT P. 4

Wolseley Grows E-Commerce Investment

Since AmazonSupply launched in 2012, many distributors have kept an eye on how the online business-to-consumer juggernaut would tackle the business-to-business market. While it continues to be front of mind for companies, such as UK-based Wolseley, the impact hasn't been significant for many of them.

"So far, we haven't seen any material penetration of AmazonSupply coming into our business," Wolseley Chief Executive Ian Meakins said in a call to discuss the distributor's fiscal year 2014 results.

Nearly 10 percent of Wolseley's business in the U.S. comes through its B2B e-commerce platform, Meakins said. Solid growth from e-commerce is being seen in Canada and the UK, as well, albeit from a very low base.

But the success of the platform is not just in sales, according to Meakins. Sales provide marginal improvement, but there are big benefits from the use of self-service options on the e-commerce platform, such as checking past orders or account status.

Self-service events in the U.S. exceed 7 million in fiscal 2014, reducing labor costs. And there's still a lot of opportunity to grow that number, Meakins said.

Wolseley invested around £3 million (US$4.9 million) in the e-commerce platform last fiscal year, with plans to double that investment going forward.

"(It's) absolutely essential for us to have the leading B2B e-commerce offerings in our business," he said.

The company is also focused on growing its B2B platform in the U.S., where it is currently No. 3 behind Home Depot and Lowe's. "We are gaining share in that overall category," Meakins said. "But Home Depot and Lowe's are as well. The bigger players are gaining share from the smaller B2C e-commerce players."

Wolseley plc reported full-year sales of £12.8 billion (US$20.8 billion), a 2.2 percent increase over the same period a year ago. Profit increased 51.7 percent to £698 million (US$1.1 billion).

Ferguson sales grew 10 percent to $11.6 billion. Sales grew 8 percent on a like-for-like basis. Trading profits increase 16 percent over last year. The RMI market continued to grow steadily while growth in the new residential market remained modest. The commercial segment was more positive. Waterworks grew strongly, and the HVAC, fire and fabrication and industrial PVF businesses generated good growth. Build.com and e-commerce channels accounted for 16 percent of total revenue. Four bolt-on acquisitions were made during the year with total sales of £184 million (US$298.5 million), and seven new branches were opened.

Canadian sales decreased 0.8 percent to £779 million (US$1.3 billion). Market conditions varied across the region, with continued growth in the West offsetting weakness in Quebec.

Sales in the UK were £1.8 billion (US$2.9 billion), an increase of 4.7 percent compared to the same period a year ago. Trading profit was flat at £96 million (US$155.8 million).

Sales in the Nordic region were £1.9 billion (US$3.1 billion), an increase of 1.3 percent compared to the same period a year ago. Trading profit decreased 10 percent to £80 million (US$129 million).

Sales in Central Europe and France were £1.2 billion (US$1.9 billion), a decrease of 2 percent compared to the same period a year ago. Trading profit decreased 26 percent to £34 million (US$55.2 million).

September M&A

Continued from p. 1 of this section

equipment, disposables and janitorial products.

Other acquisition news includes:

United Stationers, Deerfield, IL, expanded into the automotive aftermarket by agreeing to acquire MEDCO, a U.S. wholesaler of automotive aftermarket tools and supplies, and its affiliates including G2S Equipment de Fabrication et d'Entretien ULC, a Canadian wholesaler, for $130 million.

BlackHawk Industrial, Broken Arrow, OK, acquired Marshall Tool located in Salt Lake City, UT, broadening its geographical footprint and sales penetration in the Utah and Mountain Region markets.

-April Nowicki

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