Modern
DISTRIBUTION
MANAGEMENT®
Intelligence for Wholesale Distribution Professionals

VOL. 45, NO. 7
APRIL 10, 2015

■ *2015 State of E-Commerce in Distribution*

E-Commerce on Path to Maturity

Expectations remain high for distribution e-commerce in 2015

The fourth annual MDM distribution e-commerce survey conducted with Real Results Marketing revealed several key trends:

- *The percentage of companies with at least 10 percent of their total revenue from e-commerce grew 14 percent in 2014 from 2013.*
- *Barriers to entry for deploying an e-commerce site have dropped significantly, allowing many more mid-market and small distributors to sell online.*
- *The primary objectives among distributors for e-commerce remain acquiring new customers, enhancing their company brands and improving the user experience.*
- *Distributor satisfaction with mobile enablement on their e-commerce site and mobile applications increased in 2014 from 2013, while satisfaction with mobile optimized websites remained the same.*

This article examines the results of the 2015 State of E-Commerce in Distribution Survey and how the industry's e-commerce offerings are maturing. Part 2 will look at best practices for distributor-integrated marketing approaches to support electronic shopping and buying.

By Jonathan Bein, Ph.D., and Dean Mueller

E-commerce in distribution continues to expand. Results of the 2015 State of E-Commerce in Distribution survey indicated a 14 percent increase in number of respondents who have a mature e-commerce offering, i.e., where at least 10 percent of total revenue comes through the e-commerce channel. The percentage of respondents with 5 to 10 percent of total revenue from e-commerce remained at 20 percent. Companies with nascent e-commerce initiatives

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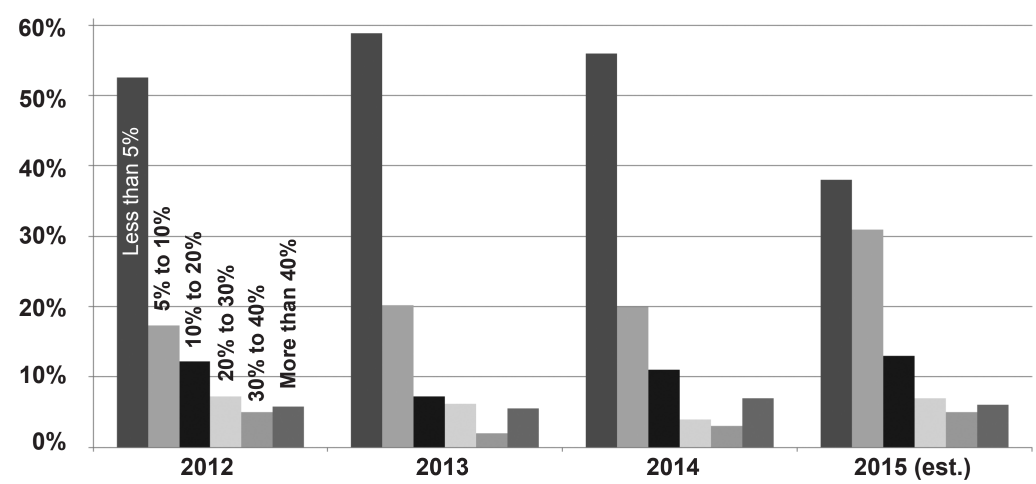
Figure 1: Percent of Total Revenue from E-Commerce

As distributors' e-commerce platforms mature, so does the percentage of revenue from e-commerce. The percentage of companies with 10 percent to 20 percent – the point at which the channel is considered mature – of revenue from e-commerce is expected to increase 50 percent in 2015.



INSIDE

PERSPECTIVE ■ Commentary by Thomas P. Gale

Digital Common Sense Versus Amazon

With very few exceptions, every sector of wholesale distribution is highly fragmented. The markets distributors serve are themselves fragmented with unique needs and characteristics. This is so much a part of the DNA of high-service distributors – particularly specialty distributors – that it is often taken for granted, and its value diminished. Balderdash!

By definition, suppliers leverage distribution channels because these fragmented end-markets are difficult to effectively serve through traditional direct sales channels. Some think this is why Amazon and other digital-based channels will disrupt the traditional value chain. It already has to a point, but as we continue to hear, the actual dollar impact on most distributors is small.

The most significant impact is in those areas that have become the most commoditized, the same channels that were under siege before the arrival of Amazon and its ilk.

This foundational aspect of how specific distribution markets are defined, served, nurtured and grown is key to understanding the best way to integrate digital platforms into traditionally relationship-driven businesses. This is far from a binary problem that can be solved with a few sound bites about the prowess of Amazon and adjectives like juggernaut.

Amazon mastered and defined what an optimal B2C experience feels like, setting high expectations for the B2B digital customer experience, as well. Now consumers universally expect one-click service and response, rapidly raising the bar even in the most lagging of B2B customer segments.

As our pages have emphasized often, the answer is not to throw all your e-eggs into the e-commerce basket. It's about crafting a plan around a multichannel or omnichannel strategy that leverages the strengths your company has that the alternate channels don't – technical and application expertise, the reliability of a phone call away, the voice of a trusted adviser. But you also need to serve your customers the way they will increasingly want to be served, and that's not some one-size-fits-all solution that may be more B2C than B2B friendly.

It's time to move beyond a defensive mindset for how to invest in a digital strategy. How can you strengthen and grow your traditional business, grow new markets and transform into a more competitive business via a more adaptable and customer-centric core? These are the common-sense questions that will define the winners from the survivors over the next few years.

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Founded in 1967 by J. Van Ness Philip

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Subscription Rates
To subscribe to Modern Distribution Management, please call 303-443-5060, email dillon@mdm.com or **http://www.mdm.com/subscribe.**

Published twice monthly; $395/yr., $415 U.S. funds other countries. Six-month and two-year terms are available. For group subscription rates and site licenses, please contact Dillon Calkins at 303-443-5060 or visit www.mdm.com/corporate.

ISSN 0544-6538

2015 State of E-Commerce
Continued from page 1

(revenue less than 5 percent) declined slightly.

Within the survey respondents and beyond, there are two trends shaping e-commerce. First, it is much easier and less expensive to launch an e-commerce initiative today in B2B than it was five or 10 years ago. In that sense, B2B e-commerce has followed the trend of B2C e-commerce in which early initiatives were often $500,000 to $1 million projects. After a few years, the entry price for retail e-commerce dropped significantly to a point where it was possible to enter for $50,000 to $200,000.

The same has happened in the B2B space. This has permitted mid-market and even small distributors to offer e-commerce to their end users. However, the enterprise class e-commerce platforms for larger distributors retain differentiating capabilities, particularly for merchandising, content management, search and personalization.

While it is easier to get into e-commerce, the second trend is that many distributors experience more time in the nascent stage of e-commerce maturity. Many distributors remain in the nascent stage for three to five years. Here is a typical breakdown of distributors' experience in the nascent stage:

- Development of the capability – six months to one year.
- Working out operational kinks after launch – one year.
- Getting to 5 percent of total revenue – two to three years.

Distributors often underestimate how long it will take to work out the operational processes for e-commerce, including inventory management, fulfillment, product content management and even Web technical support. Companies that stall after working out the operational issues usually do so because their e-marketing capabilities mature slowly.

All this is compounded by competition from the increased number of distributors that now have e-commerce.

This year's survey participants predict a significant shift from the nascent phase into the development and mature offerings in e-commerce, as shown in **Figure 1**. But predictions about future performance are known for being optimistic. Last year, 35 percent of respondents predicted they would reach maturity with their e-commerce offering, yet the numbers for 2014 show only 24 percent did so. In the 2015 survey, 31 percent of respondents predict that their offering will become mature this year.

E-Commerce Priorities

The top priorities for e-commerce, as shown in **Figure 2,** are:

- Increase new customers and orders from the website.
- Promote the company brand.
- Improve ease of use.

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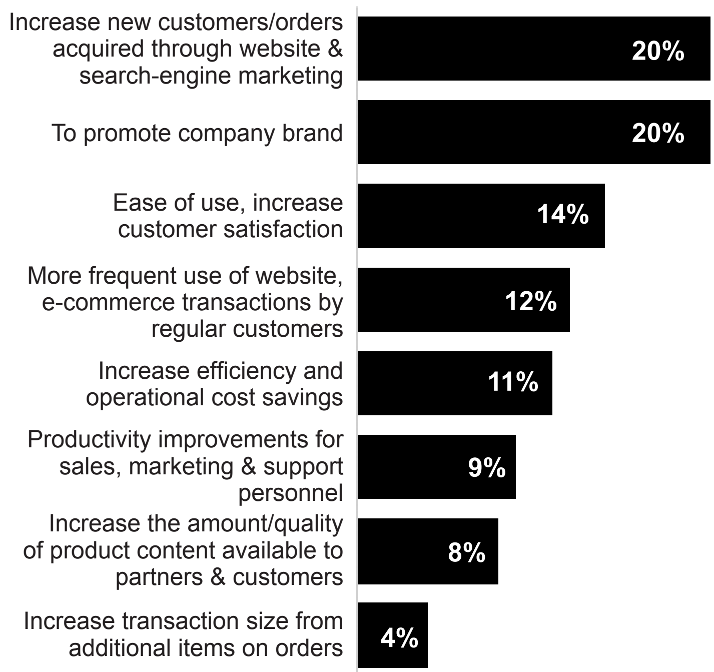
Figure 2: Top E-Commerce Priorities



While the highest priority in 2014 was to grow revenue from new customers, the next highest priority was to grow revenue with existing customers. Taken together, these three priorities reflect a partial shift from the nascent stage of maturity where the focus is more on existing customers. In the growth stage of e-commerce, the priority to get revenue from existing customers diminishes as the focus on new customers grows. Promoting the brand and the user experience both support reaching a new set of customers.

The percentage of respondents focused on increasing transaction size grew to 4 percent from 2 percent last year. This becomes a priority for distributors who have a mature e-commerce offering. As such, few mid-market and small distributors are focused on this.

E-Commerce Platform

This year's survey introduced a new topic to better understand trends in e-commerce platforms. It covers five categories of e-commerce platforms:

- Homegrown – These platforms are developed from scratch often with some third-party software components, e.g., a shopping cart.
- ERP-provided portal – The portal provides an e-commerce solution that is pre-integrated with the ERP system, typically with limited functionality and ability to customize.
- Hybrid – This approach could mix homegrown development with open source tools, e.g., Magento, and combine with one of the other platform types.
- Mid-market – These platforms have more functionality than the ERP-provided portal, but they are not bound to one ERP backend system. Generally, mid-market players appear in companies with revenues up to $750 million.
- Enterprise – The enterprise platforms are distinguished by their ease of content management, powerful search, support for multi-sites and support for complex, high-end integrations. The entry point of enterprise solutions is generally in organizations with a minimum of $500 million in revenue.

Large distributors can usually cost justify an enterprise platform even in the nascent stage of maturity. The incremental revenue derived from these platforms makes them worthwhile.

For mid-market distributors, it depends on the competition; if it is other mid-market distributors, then the mid-market platform or ERP provided portal can work.

Figure 3: Satisfaction with E-Commerce Platform

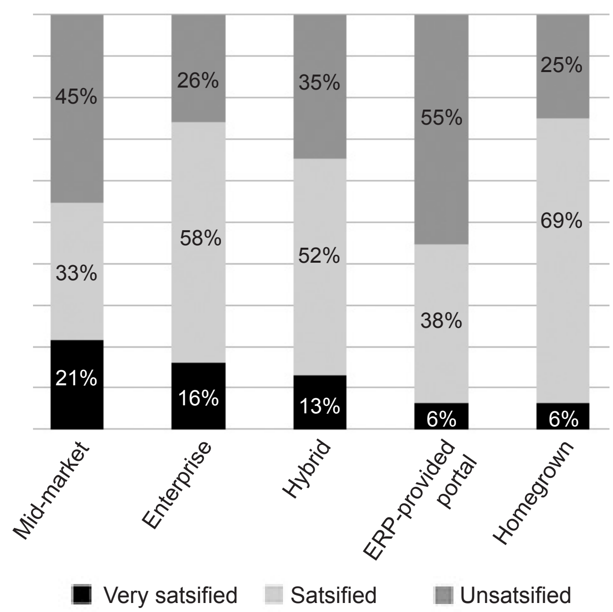
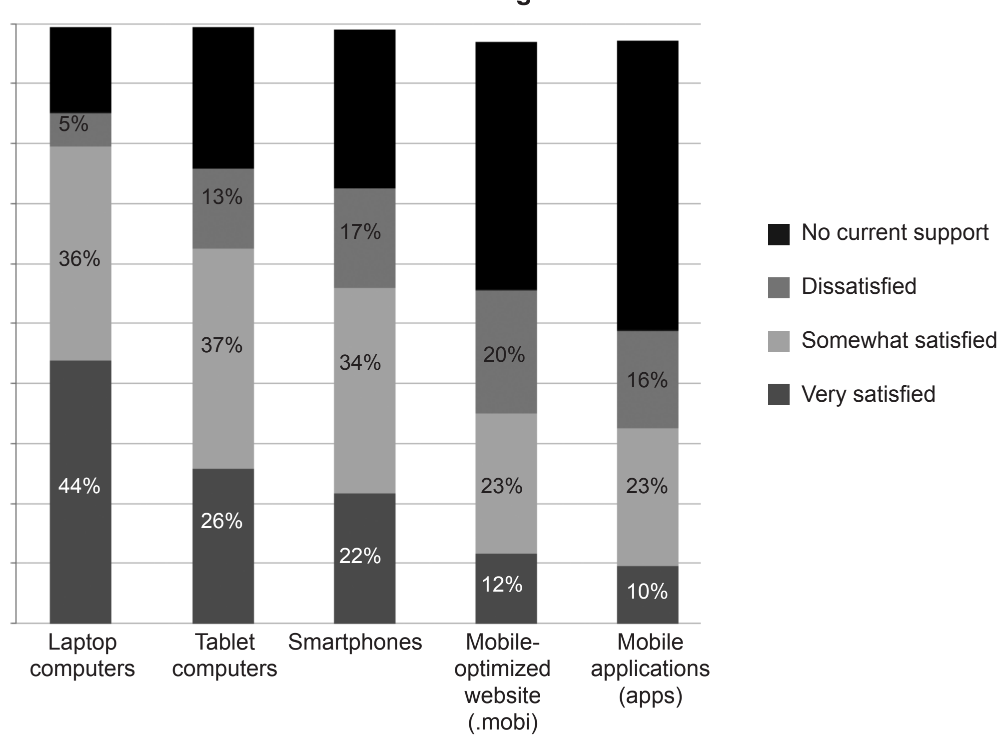


Figure 4: Satisfaction with Mobile Web Technologies



Since the nascent stage often takes longer than expected, there is almost always a good rationale for small distributors to use a mid-market platform or ERP-provided portal to get going. Switching to a more sophisticated platform can occur in the transition to the development stage.

As shown in **Figure 3**, there is comparable overall satisfaction between enterprise and homegrown platforms. But there are almost three times as many respondents who are very satisfied with the enterprise platform than the homegrown approach. As expected, satisfaction correlates well with e-commerce maturity.

The Mobile Trend

Last year, respondents reported mixed satisfaction with their companies' support for smartphones and very low satisfaction for .mobi implementations and mobile apps. One change from 2014 is that respondents expressed somewhat higher satisfaction with their mobile-enabled e-commerce sites. The biggest change from 2014 is 20 percent higher satisfaction with mobile apps that they offer.

While respondents were more satisfied with their company's mobile-enabled sites and mobile apps, the satisfaction with website optimization for tablet and smartphones remained about the same as 2014. The Real Results Marketing Shopping and Buying Survey indicates that 35 percent of distributors' customers consider optimization for tablet important within the next year. Forty-five percent consider optimization of the website for smartphones important within the next year. Some sectors of distribution are seeing 25 to 50 percent year-over-year increase in website visits and orders from a mobile platform.

Moving Forward

The increase in distributors that are approaching e-commerce maturity combined with the large number of small and mid-sized new entrants indicates that competition is heating up for distributor e-commerce. Many distributors are now in a second-generation e-commerce platform. There are two key implications for any distributor who has an e-commerce platform or is contemplating development:

1. The industry has moved past the point of it being sufficient merely to have an e-commerce offering. End users are expecting more and have more choice now.
2. It is important to really understand what end users expect. Qualitative and quantitative research should be employed to get a clear understanding.

While there is still plenty of opportunity for companies in the nascent stage, the approach to e-commerce should be strategic rather than tactical.

This survey was conducted and produced by MDM and Real Results Marketing and sponsored by hybris, an SAP Company.

About This Research

This research was conducted by Real Results Marketing with Modern Distribution Management. The research included an online survey taken by 415 participants across a variety of distribution sectors.

There was heavier participation from industrial, safety, electrical, electronics, building materials, janitorial, HVACR/plumbing and hardware. Other participating sectors include oil and gas products, pulp and paper, chemicals and plastics, grocery/foodservice and pharmaceutical.

Nearly 40 percent are small distributors with less than $50 million revenue, more than 30 percent are mid-market with $50 million to $500 million revenue, and 19 percent are large with more than $500 million revenue. Others did not disclose the revenue range.

About 30 percent are primarily focused on MRO, 12 percent are focused on OEM customers, 28 percent serve trades/contractors, 20 percent are an even blend of MRO and OEM, and 10 percent are in other categories.

Destination: Mexico

Distributors uncover opportunities south of the border

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Because of its manufacturing strength, proximity to the U.S. and increasing acceptance of the distribution channel, Mexico has become an attractive market for distributors looking to expand internationally. Despite these compelling reasons, companies must be strategic when they head south of the border.

By Eric Smith

The Mexican border town of Tijuana can evoke images of seedy bars and sky-high crime, but in the late 1990s, the largest city in Baja California represented a timely business opportunity for industrial distributor Hisco.

After selling to customers in Mexico for many years, Houston, TX-based Hisco figured it could better meet their needs with an office there, so in 1998 the company launched its Mexico division, HiscoMex, to service the CRT television industry. President and CEO Bob Dill says Hisco, like many other U.S.-based distributors, was initially drawn to Mexico because of rapid manufacturing growth and easier movement of goods between the nations thanks to the North American Free Trade Agreement, enacted in 1994.

Within two years of opening its Tijuana branch, HiscoMex expanded to six locales, and today it has 11 locations across the country that serve a broad range of sectors. The decision to set up shop in Mexico proved to be a wise one, as the company has seen its fortunes there expand along with its footprint.

"We regularly generate a better growth rate in Mexico than we do in the U.S.," Dill says. "We continue to expand our presence in Mexico and look for new areas to develop."

Land of Opportunity

"Mexico is a wealthy country, although we in the U.S. don't think of it that way," says Barry Lawrence, director of the industrial distribution program at Texas A&M University. "That's only going to continue to get better. Mexicans are very industrious, intelligence, creative, innovative. And they're going to continue to compete well in the world. Their economy is positioned for good things."

A few years ago, the Texas A&M program conducted the Texas-Mexico Trade Corridor Consortium with distributors to study opportunities in Mexico.

Lawrence points to Mexico's population of 122.3 million and its GDP of $1.3 trillion – the 15th highest in the world – as well as its proximity to the U.S., steady economic trajectories and clear industry verticals as compelling reasons for expanding abroad.

Mexico has established itself as Latin America's manufacturing leader and is in a "positive cycle," according to the Manufacturers Alliance for Productivity and Innovation.

Automotive manufacturing is at the heart of this surge, according to Fernando Sedano, a MAPI Foundation economic consultant who covers economic development in Latin America. Sedano says U.S. demand has fueled production of cars and car parts in Mexico, benefiting suppliers across a myriad of sectors and regions.

"When you have strong growth in the automotive industry, then you're going to see growth all over the place," he says. "Most intermediate industries supply automotive – basic metals, rubber and plastic, machinery and equipment, electronics."

Mexico's manufacturing output increased 3.4 percent during the first three quarters of 2014, led by the automotive sector's 11 percent growth in this period, according to MAPI. And the organization's most recent economic forecast predicts 3.5 percent and 3.9 percent manufacturing output growth for Mexico in 2015 and 2016, respectively, in part because more companies are nearshoring their manufacturing operations to Mexico from China to take advantage of shortened supply chains and competitive labor costs.

"Many U.S. manufacturing companies realize that not everything can be made in China because of the supply chain," Sedano says. "They have to find alternatives. There are not that many alternatives, and there is only one alternative where you have relatively attractive cost of production and relatively efficient supply chain – and that's Mexico."

Growing Demand

Mexico's manufacturing boom also means opportunity for distributors. Total demand in Mexico for industrial and construction products is estimated to be $90 billion or more, with three-quarters of that demand in manufacturing, according to MDM's market intelligence division MDM Analytics. Mexico's total estimated demand for MRO products is $58 billion.

Savvy distributors can tap into that market, says Lawrence, noting that Mexico "understands the value of distribution – if you're in the right channels." However, the country still suffers from what he called the "European disease," in which manufacturers work directly with buyers because of short geographical distances and dense population, something that plagued Europe for a long time before distributors "started winning the value proposition," Lawrence says.

"What we see when we look out across Mexico is still a general lack of distribution support," he says. "… If you take out the U.S. and Canada, most of the world doesn't view distribution as a value-add. It just hasn't matured enough; the value proposition hasn't developed enough."

Mexico, however, is progressing, and the value proposition for distributors there is improving, as evidenced by the nation's maturing manufacturing landscape.

"The complexity of manufacturing that's entering Mexico is at the highest level it's ever been," says HiscoMex Vice President William Bland. "They're replacing low-end manufacturing like textile plants – a lot of them have moved offshore – with aerospace and automotive component facilities."

Other companies are benefiting from that shift, as well. Houston, TX, distributor Victory Packaging – which, along with Hisco, was part of the Texas-Mexico Trade Corridor Consortium – entered Mexico in the early 2000s when Delphi Automotive asked Victory to open a branch near one of its car part plants.

"When we came here we had one customer, no suppliers and nobody really within the company with any experience in wholesale distribution or packaging," says Mike Holzwarth, the company's vice president of sales for Mexico. Holzwarth, who has worked many years in Mexico and the last 11 with Victory, says the distribution landscape has improved, and the company has grown to 16 locations.

"Little by little, the culture seems to be changing," he says. "That means growth for our industry, but it also means a hell of a lot more competitors."

Crossing the Border

The most important component of Mexico's distribution market is its fragmentation, says Matt Petersen, director, retail and distribution, US Dynamics Industry, Microsoft, who notes that an independent electrical wholesale distribution branch in Mexico might be 3,000 square feet with a walk-up window and the footprint of an ice cream shop. In addition to being fragmented, the line between wholesale and retail isn't as distinct as it is in the U.S. With these differences in mind, Petersen says it is crucial for any distributor with aspirations of expanding internationally to align itself with like-minded partners.

"I would look to partner with my customers who maybe are a step ahead of me – they just opened up their international branches and they're realizing the challenges," he says. "Like any business, if you're guaranteed a customer or two, you take a lot of the risk off the table."

Petersen says acquisition might be an effective method of entering Mexico because the fragmented market provides plenty of targets for purchase.

"By acquiring, you automatically get the employees, local knowledge, customer base and you get local language expertise," Petersen says. "You reduce the risk of hiring the wrong people, which you might do if you opened up a branch from scratch. Partner locally, acquire, leverage local knowledge."

Acquisition isn't the only means of entry. Grainger, Chicago, IL, expanded to Mexico in 1996, and Fernando Lopez, its general manager for Mexico, said the past two decades have been a "success story for Grainger" thanks to the company's commitment to investing in its "distribution network, inventory, new products, new sellers, new employees and new solutions."

Lopez says Grainger covers 94 percent of Mexico with next-day delivery through its four distribution centers and 18 branches. While acknowledging the fragmented market, especially in MRO, he says that provides numerous opportunities for a company like Grainger.

"A lot of customers that we have are looking for a company like us, a company that has the infrastructure to provide service around the country, that can provide the solutions for savings that they're looking for while managing the complexity of purchasing indirect material," Lopez says. "And they're also looking for partners that are financially solid and partners that understand multinational businesses that are in Mexico."

Barriers to Success

Lawrence advises distributors contemplating a Mexico entrance to complete extensive due diligence on a number of issues, stressing the need for "Mexican professionals, Mexican workforce and an understanding of the Mexican business model."

But while knowing Mexico's labor laws,

import-export procedures and tax policies are obvious for launching any international venture, Lawrence says the factor that "trumps everything else" is knowing how businesses there conduct the sales cycle.

"If you're going to be selling to local businesses, you may often find that you're in a situation where you have to develop a trust element," Lawrence says. "A local sales force will know that. And Americans often get highly frustrated with the local forces because they say, 'It's taking too long for you to close the sale.' What the local sales force will know is that, yes, it takes two, three, four, five times as long to get anything moving, but once it gets moving it's much easier to sustain and it can hit higher volume levels because trust is the all important factor in Mexico."

Hisco Director of Marketing Andy Behr says that the company experiences an extended sales cycle with its Mexico business, but that is changing as the U.S. and other nations continue to wield influence over Mexican business practices.

"Often, design, specification and purchasing decisions are driven by the parent company or OEM in the U.S. or Japan and there can be a significant time lag before the changes are implemented in Mexico," Behr says. "However, as engineering competencies improve at the manufacturing plants in Mexico, some decisions are being made at a local level and, as a result, we are seeing some improvement in cycle time."

Not only will the sales cycle differ in Mexico, but many buyers are loyal to Mexican products, says Grainger's Lopez, who points to a "strong preference in certain products and certain brands for the local ones. For a U.S. distributor, offering only brands from outside Mexico may be limiting."

Another consideration is pricing. This can be a challenge in a country that hasn't fully embraced the distribution model, and convincing customers to pay more for the value-add can be difficult, says Victory's Holzwarth.

"There is a mentality in Mexico that is price-driven. That is, 'How can I get the best price because that is the best deal?'" he says. "What happens is that's not always the best deal, getting the best price. You can buy a truckload and it will sit there for a year. But that mentality has been changing over time. People are figuring out that it's cheaper to buy with a little bit better service."

'Not for the Faint of Heart'

Invariably, any discussion of doing business south of the border involves security and safety concerns, according to the distributors that operate there and the consultants who advise them.

MAPI's Sedano warns of political turmoil and criminal activity – and sometimes the combination of the two, as when the mayor of Iguala, Guerrero, in Southern Mexico masterminded the abduction of teaching students and handed them over to a crime syndicate. High-profile kidnappings, cartel wars and cargo thefts have given Mexico a reputation for nefarious activity, but crime rates vary throughout Mexico, with most people agreeing that the northern states near the U.S. border have the most problems.

Distributors must consider "first and foremost, the safety of your people," Lawrence says. "You're probably going to have local management, but it's important to have American executives visit the operations, not just because they can gain intelligence that they can't get working strictly through a management team, but also because it's a statement. Top management needs to show up once in a while otherwise people feel like they're neglected."

Other challenges exist, lengthening the time needed to make a Mexico expansion work. While the companies that have made the necessary adjustments to operate successfully in Mexico present a blueprint of do's and don'ts, merely following a checklist won't be enough.

Hisco, for example, was able to flourish because of "long-term commitment and involvement, and deep understanding of how to conduct business in Mexico and across the border," Behr says. "It takes a long time to develop that competence and expertise. It's not for the faint of heart."

Despite a host of concerns and considerations surrounding an expansion into Mexico, the opportunity for distributors to succeed is closer than they might think.

"Mexico is our neighbor, our business partner, our friend and our family," Lawrence says. "We really believe in Mexico and I think distribution is going to find a good home there."

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Industrial & Construction Markets Update

VOL. 45, NO. 7 | APRIL 10, 2015

Wolseley Sales Up 10.3% in First Half of Fiscal 2015

UK-based Wolseley plc reported sales of £6.4 billion (US$9.5 billion) for its fiscal first half ended Jan. 31, up 10.3 percent. On a like-for-like basis, sales were up 7.8 percent. Trading profit for the half was £390 million (US$580 million).

E-commerce growth was responsible for 13 percent of sales in the first half of 2015.

Seven bolt-on acquisitions were completed in the period with annualized sales of £57 million (US$84.7 million). Five further acquisitions have been completed since the period end with annualized sales of £70 million (US$104 million).

The company is also close to concluding the disposal of the French wood businesses and has commenced the sales process for the remaining French building materials business.

Revenue for Wolseley's U.S. business, including Ferguson, (76 percent of ongoing trading profit) was up 11.7 percent to £3.9 billion (US$5.8 billion) from last year on a like-for-like basis. On an actual basis, revenue was up 13.3 percent from the prior-year period. Trading profit in the U.S. was up 21.9 percent.

Ferguson also closed six acquisitions in the first six months of the year, contributing 3 percent of additional revenue growth.

Canada sales (6 percent) were up 1.8 percent compared to last year on a like-for-like basis and acquisitions contributed an additional 1 percent.

Revenue in the UK (10 percent) was 1.9 percent ahead of the prior year on a like-for-like basis with acquisitions contributing 4.1 percent to revenue growth.

Ongoing revenue in the Nordics (5 percent) was up 3.3 percent on a like-for-like basis with acquisitions adding 7.9 percent revenue growth.

The Central Europe segment (3 percent) saw like-for-like revenue decline 1.5 percent.

Distributor News

HD Supply Holdings Inc., Atlanta, GA, reported sales for the fiscal year ended Feb. 1 of $8.8 billion, a 7.9 percent increase from fiscal 2013. Profit was $3 million, up from a net loss of $218 million in 2013. In the fourth quarter, sales were $2 billion, up 7.2 percent year-over-year. The company reported a loss of $93 million, compared to a net loss of $66 million a year ago.

HD Supply Waterworks, St. Louis, MO, promoted Tony Cammiso to vice president of the fire protection division.

Graybar, St. Louis, MO, a distributor of electrical, communications and data networking products and provider of related supply chain management and logistics services, has agreed to acquire **Advantage Industrial Automation**, Duluth, GA.

France-based electrical distributor **Sonepar** has agreed to acquire **Alfa Elektriciteit**, Lokeren, Belgium.

Building products distributor **ABC Supply Co. Inc.**, Beloit, WI, has acquired **Western Roofing Supply Company Inc.**, Minneapolis, MN.

ERIKS Seals and Plastics Inc., a division of Dutch distributor **ERIKS**, has acquired **Seals and Packings Inc.**, Dallas, TX.

PrimeSource Building Products Inc., Irving, TX, a subsidiary of Tokyo-based **Itochu Corp**., will be sold to **Platinum Equity**, a Los Angeles, CA-based global private equity firm.

Memphis, TN-based gases and welding supplies distributor **nexAir** has acquired **M&A Welding Supply Co**., a distributor of welding and safety supplies with locations in Calhoun, Cartersville, Douglasville and Jasper, GA.

Bearing and power transmission distributor **Purvis Industries**, Dallas, TX, has acquired **Animas Bearing and Oilfield Supply**, Farmington, NM.

DGI Supply, Wheeling, IL, a **DoALL Company**, has agreed to acquire **East Metro Supply**, Monroe, NC, a specialty tool and full line industrial distributor serving the Southeast.

Atlanta, GA-based **EIS Inc**., a wholly owned subsidiary of **Genuine Parts Company**, has acquired **Connect-Air International Inc.**, Seattle, WA, from **Wincove Capital**.

Fluid power distributor **Ryan Herco Flow Solutions**, Burbank, CA, has acquired **Engineered Machinery Inc.**, Tualatin, OR.

Triad Technologies LLC, Vandalia, OH, a distributor of fluid power and automation products, has acquired **Mega Fluidline Products Inc**., Akron, OH.

Rotunda Capital Partners has acquired a majority stake in HVAC distributor **Munch's Supply Co. Inc.,** which operates out of seven branches in Chicago

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MARKETS UPDATE SUPPLEMENT P. 2

News Digest

Continued from p. 1 of this section

and Northwest Indiana.

WinWholesale Inc., Dayton, OH, has opened **Miami Winsupply** to serve wholesale plumbing contractors in Miami-Dade and Broward counties in Florida.

Economic News

The March **PMI** was 51.5 percent in the latest Manufacturing ISM Report on Business, 1.4 percentage points lower than February. The **New Orders Index** registered 51.8 percent, a decrease of 0.7 percentage point.

February 2015 construction spending was estimated at a seasonally adjusted annual rate of $967.2 billion, 0.1 percent below the revised January estimate, according to the U.S. Census Bureau of the Department of Commerce. The February figure is 2.1 percent above the February 2014 estimate.

Construction firms added jobs in 45 states and the District of Columbia between February 2014 and February 2015 while construction employment increased in 33 states between January and February, according to an analysis of Labor Department data by the Associated General Contractors of America.

New orders for manufactured durable goods in February decreased 1.4 percent to $231.3 billion, according to the U.S. Census Bureau.

Total February exports were $186.2 billion and **imports** were $221.7 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 $35.4 billion, down $7.2 billion from $42.7 billion in January. February exports were down $3 billion from January, and February imports were down $10.2 billion from January.

Real gross domestic product for the U.S. increased at an annual rate of 2.2 percent in the fourth quarter of 2014, according to the third estimate released by the Bureau of Economic Analysis. Real GDP increased 2.4 percent in 2014, compared with an increase of 2.2 percent in 2013.

The **Canadian Industrial Product Price Index** increased 1.8 percent in February, largely as a result of higher prices for energy and petroleum products. The **Raw Materials Price Index** rose 6.1 percent in February, largely due to higher prices for crude energy products.

Manufacturer News

Apex Tool Group, Sparks, MD, has acquired China-based **Shanghai Yecen Auto Technology Ltd**., a solutions provider serving the Chinese automotive repair channel.

Bearings manufacturer **RBC Bearings Inc.**, Oxford, CT, has agreed to acquire **Sargent Aerospace & Defense**, a subsidiary of **Dover Corp**., for $500 million.

CRC Industries Inc., Burbank, CA, has acquired **ChemFree Corp.**, Norcross, GA, a subsidiary of **Intelligent Systems Corp.**

Jason Industries Inc., Milwaukee, WI, parent company to a global family of manufacturers in the seating, finishing, automotive acoustics and components markets, agreed to acquire Cleveland-based **Herold Partco Manufacturing Inc**., a manufacturer of industrial brushes.

H.B. Fuller Co., St. Paul, MN, reported sales for the first quarter ended Feb. 28 of $470.7 million, down 3.2 percent compared to the same period a year ago. Profit decreased 33.4 percent to $9.7 million.

Myers Industries Inc., Akron, OH, revised its financial results for 2014 and fourth quarter after completing its investigation of Brazilian operations, which the company said revealed improperly reconciled accounts. The adjusted loss reported by the company is $8.7 million for the year, compared to a profit of $26 million in 2013. For the fourth quarter, the adjusted loss is $12.4 million, compared to a profit of $3.3 million year-over-year.

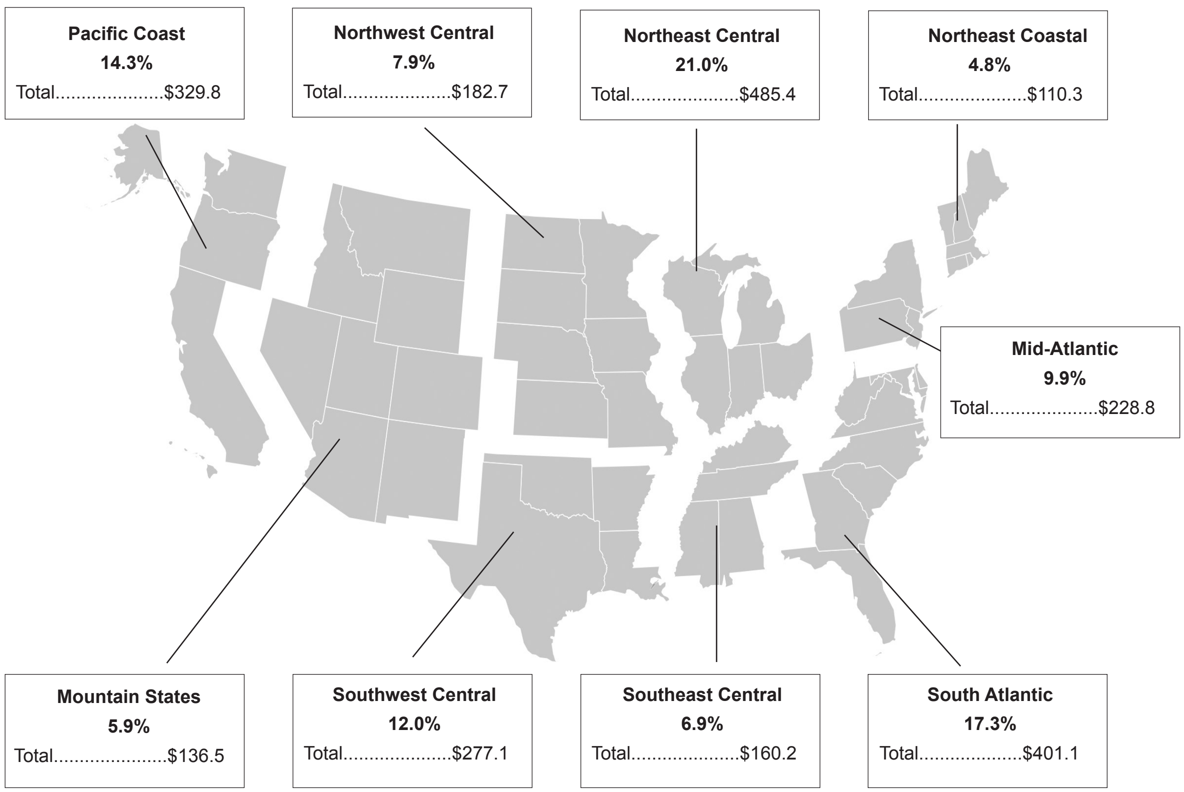
International Wire Group Holdings Inc., Camden, NY, reported sales for 2014 of $766.5 million, a 1 percent decrease from 2013. Profit decreased 4.8 percent to $15.9 million. Fourth quarter sales were $176.9 million, a 7.8 percent decrease from the same period the previous year. Profit for the quarter decreased 45.5 percent to $1.8 million.

Walter Surface Technologies, Montreal, Quebec, has appointed Michael Christodoulou president and COO.

MARKET ANALYSIS: Power Tools Consumption in North America

Consumption of Power Tools in the U.S. was $2.3 billion in 2013, according to data from MDM Analytics (formerly Industrial Market Information). In Canada, consumption of Power Tools was $257.1 million and in Mexico consumption was $265.1 million. All estimates are 2013 end user demand, in U.S. dollars, including distributor margin.

■ U.S. End-User consumption of Power Tools by region, in millions of $ (2013 estimates)



U.S. Total 100%: $2,311.9

■ U.S. End-User Consumption of Power Tools: Top 10 End-Markets

Top 10 end-markets in $ volume, by NAICS code, consuming Power Tools (2013 estimates)

End User		Estimated Consumption
238220	Plumbing, Heating, and Air-Conditioning Contractors	$129.1 million
238210	Electrical Contractors and Other Wiring Installation Contractors	$98.7 million
336390	Other Motor Vehicle Parts Manufacturing	$76.6 million
336411	Aircraft Manufacturing	$72.8 million
236220	Commercial and Institutional Building Construction	$64.6 million
336111	Automobile Manufacturing	$64.5 million
336412	Aircraft Engine and Engine Parts Manufacturing	$37.6 million
334310	Audio and Video Equipment Manufacturing	$35.8 million
238110	Poured Concrete Foundation and Structure Contractors	$29.8 million
333120	Construction Machinery Manufacturing	$28.9 million

End-User Consumption of Power Tools in Canada

■ End-Market Size by Province (U.S.$)

Provinces	Estimated Consumption
Ontario	$112.2 million
Quebec	$57.6 million
Alberta	$33.0 million
British Columbia	$27.0 million
Manitoba	$9.5 million
Saskatchewan	$6.1 million
New Brunswick	$4.6 million
Nova Scotia	$4.3 million
Newfoundland and Labrador	$2.0 million
Prince Edward Island	$0.6 million
Northwest Territory	$0.1 million
Yukon	$0.1 million
Nunavut Territory	$0.03 million

■ Top 5 End-Markets for Power Tools

End-markets in $ volume, by NAICS code (2013 estimates)

6-digit NAICS	Description	Estimated Consumption
238220	Plumbing, Heating and Air-Conditioning Contractors	$11.8 million
238210	Electrical Contractors and Other Wiring Installation Contractors	$9.9 million
336390	Other Motor Vehicle Parts Manufacturing	$8.2 million
336111	Automobile Manufacturing	$8.1 million
333132	Oil and Gas Field Machinery & Equipment Manufacturing	$7.3 million

Total Consumption in Canada: $257.1 million

End-User Consumption of Power Tools in Mexico

■ End-Market Size: Top 10 States (U.S.$)

States	Estimated Consumption
Distrito Federal	$34.8 million
Mexico	$34.8 million
Nuevo Leon	$29.1 million
Jalisco	$22.6 million
Chihuahua	$19.5 million
Coahuila De Zaragoza	$19.1 million
Baja California	$13.4 million
Tamaulipas	$13.2 million
Guanajuato	$12.2 million
Queretaro De Arteaga	$10.3 million

■ Top 5 End-Markets for Power Tools

End-markets in $ volume, by NAICS code (2013 estimates)

6-digit NAICS	Description	Estimated Consumption
336390	Other Motor Vehicle Parts Manufacturing	$39.2 million
236220	Commercial and Institutional Building Construction	$12.7 million
336111	Automobile Manufacturing	$10.0 million
313210	Broadwoven Fabric Mills	$8.0 million
334419	Other Electronic Component Mfg	$6.2 million

Total Consumption in Mexico: $265.1 million

This market size estimate was compiled by MDM Analytics, Lafayette, CO. Learn more about MDM Analytics at www.mdm.com/analytics.