Modern
DISTRIBUTION MANAGEMENT®
Intelligence for Wholesale Distribution Professionals

VOL. 45, NO. 21
NOVEMBER 10, 2015

■ *2015 State of Distributor Marketing*

Effective Strategy Solves Challenges

Survey: E-commerce also grows in importance as sales channel

A joint MDM-Real Results Marketing survey revealed that while many distributors do not view marketing planning and strategy as a challenge, a plan would eliminate a host of other marketing challenges they face. This article examines how distributors across sectors approach marketing and what they consider the most effective channels.

By Jim Tenzillo and Debbie Paul

Opportunities remain for distributors to improve marketing plans and measurement as a means to increase marketing effectiveness. The 2015 distributor marketing survey covered several areas of marketing, including biggest marketing challenge, vehicles, channels, measurement and pricing. While there was an increase in email marketing and annual social media marketing compared to 2014, many respondents noted that planning and strategy was not a significant marketing challenge. But without effective planning, the marketing function becomes tactical.

Marketing Challenge

When asked what they considered to be their biggest marketing challenge, distributors diverged on their responses (**Figure 1** on page 3). The largest number of responses, 18 percent, revolved around a "lack of budget, lack of resources and not enough time" theme. Thirteen percent of respondents identified consistent messaging and branding as the biggest marketing challenge. Segmentation and targeting was third with 10 percent of respondents. Measuring marketing programs and lead development tied at 8 percent. Seven percent of distributors said driving more customer activity to their website was the biggest challenge, while 5 percent of respondents cited marketing planning and strategy.

Although marketing planning and strategy received the fewest responses to distributors' biggest marketing challenge, it is perhaps the most critical. If distributors invested the time and effort in developing an effective marketing plan and associated strategies, the other marketing challenges would dissipate.

Companies would create budgets and allocate time and resources to develop brand awareness and messaging. They would identify, prioritize and effectively target customer segments. They would

continued on p.3 of this section

About This Survey

This research was conducted by Modern Distribution Management and Real Results Marketing. It included an online survey taken by 382 participants across a variety of distribution and manufacturing sectors. There was heavier participation from industrial, safety, oil and gas products, electrical, electronics, building materials, janitorial, HVACR/plumbing and hardware. Other participating sectors included pulp and paper, chemicals and plastics, grocery/foodservice and pharmaceutical.

Nearly 50 percent of respondents were small distributors with less than $50 million revenue, almost 40 percent of respondents had $50 million to $500 million in revenue, and the remainder were large with more than $500 million revenue.

More than half of the respondents have 10 or fewer branches, nearly a quarter have 10 to 100 branches, 10 percent have more than 100 branches, and 13 percent have no branch.

mdm.com®

Copying or reprinting all or parts of this newsletter without specific permission violates federal law!

PERSPECTIVE ■ Commentary by Thomas P. Gale

Separating True Signals from Noise

Just when you thought it couldn't get muddier than a political debate, the new CEO of Fastenal described an industrial environment in recession. That negative viewpoint usually doesn't emerge from Minnesotans until February each year – this from the perspective of someone who lived there for decades.

But Daniel Florness' comments were to provide context for Fastenal's third-quarter results. The company's sales increased 1.5 percent, outpacing many other industrial distributors. (The exception was those with stronger footprints into construction markets.)

It's not getting any easier to separate the true signals from the noise in the headlines and headwinds. Distributors may not be battening down the hatches, but they are trimming the sails. WESCO is cutting branches and staff, including management. Grainger is doing the same to align its cost structure, after reporting a 1.1-percent decline in third-quarter revenues.

And the third quarter seemed to put an exclamation point on just how deeply the oil and gas markets impacted so many supporting sectors beyond the primary equipment suppliers.

We're hearing consistent reports of delayed hiring and accelerated retirements, with some growth plans put on hold. At the same time, the current climate is fragmented. Certain geographies and customer segments are keeping distributors whole in these choppy waters. Automotive markets continue to be the best news, but aerospace is a strong second place in select markets.

It's not all doom and gloom. In fact, in the same Fastenal call, growth programs for 2016 were outlined. Overall, the macro forecasts pretty consistently predict slow growth overall for the year ahead, with skies clearing as we move into the second quarter of 2016.

What's the key takeaway from this? It feels a little like the early 2000s, where markets were coming out of the dot-com hangover. The difference today is the strength of consumer saving and spending is building the bridge to a brighter future. As a result, it is now construction's turn to do the heavy lifting, though it is by no means the workhorse it once was.

The other difference is the need to keep resetting the model to a leaner one in increasingly shorter cycles – what worked just a few years ago isn't as effective today. It requires much finer segmentation of market opportunity and resources to mine the data. That's a very different model than even five years ago.

The third-quarter recalibration in the industry is likely to be the norm for the continued slow-growth, fragmented markets that define the new U.S. economy.

MODERN DISTRIBUTION MANAGEMENT

Founded in 1967 by J. Van Ness Philip

Publisher
Thomas P. Gale
tom@mdm.com

Editor
Jenel Stelton-Holtmeier
jenel@mdm.com

Associate Publisher
Craig Riley
craig@mdm.com

Associate Editor
Eric Smith
eric@mdm.com

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

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

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.

Copyright © 2015 by Gale Media, Inc. All rights reserved. Modern Distribution Management® and mdm® are registered trademarks of Gale Media, Inc. Material may not be reproduced in whole or in part in any form whatsoever without permission from the publisher. To request permission to copy, republish, or quote material, please call 303-443-5060.

ISSN 0544-6538

MDM Editorial Advisory Board

Chester Collier, SVP & general manager, Bio-Circle North America, Walter Surface Technologies

Ted Cowie, Vice President Sales, Safety & Industrial Products, Motion Industries

Larry Davis, Chief Commercial Officer & EVP, Stellar Industrial Supply

Charley Hale, President, FCX Performance

Julia Klein, Chairwoman & CEO, C.H. Briggs Company

Doug Savage, President & CEO, Bearing Service Inc.

Burt Schraga, CEO, Bell Electrical Supply

Ted Stark, President, Dalco Enterprises

State of Distributor Marketing
Continued from page 1

uncover new leads from programs built into the marketing plan as well as from programs designed to drive more customers online.

Effective planning and strategy development would, in effect, resolve all other issues identified by respondents as their biggest marketing challenges. Considering the competitiveness of the market, distributors must create a marketing plan and execute strategies that will help them maximize market share, customer wallet share and customer retention.

Measurement

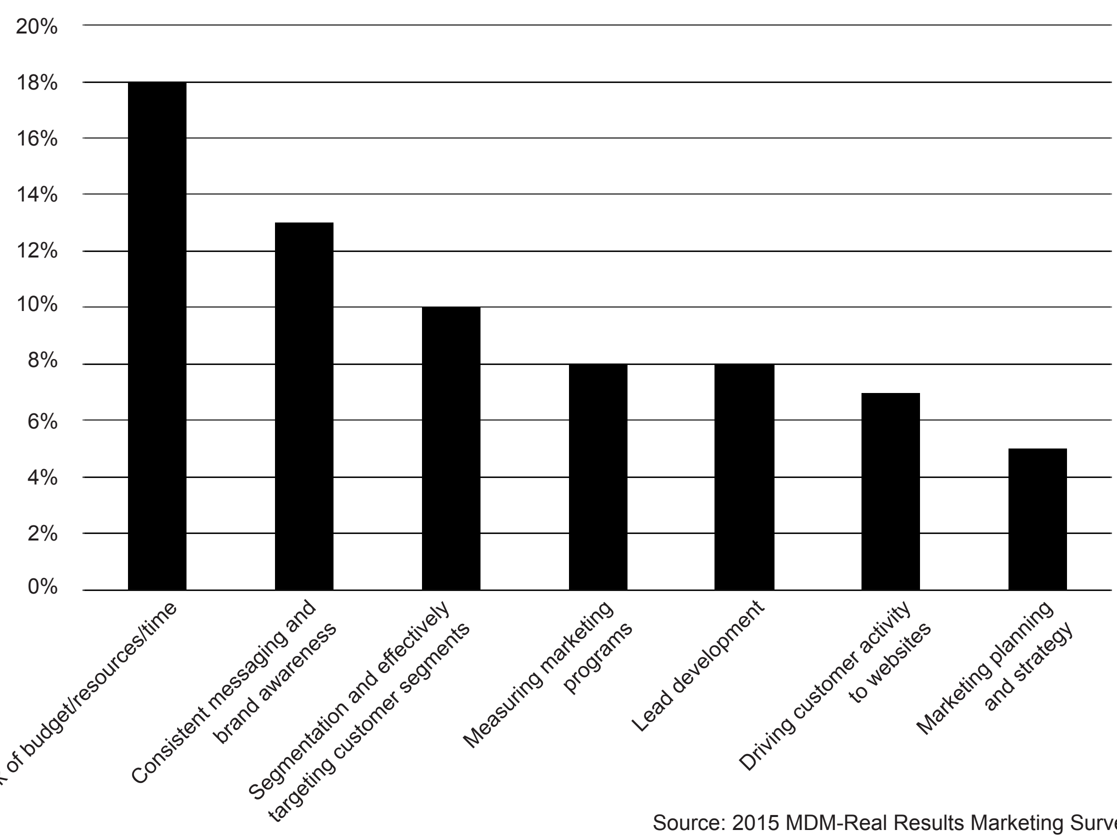
Distributors' attempts to measure their marketing programs is encouraging. When asked how they measure success of their marketing programs, 25 percent of respondents listed growth in sales as the key benchmark, with some distributors looking at overall sales growth and others measuring month-over-month or year-over-year. Fourteen percent said they didn't measure marketing programs or didn't know how to measure them. The next two highest responses centered on measurements of a specific program – 9 percent of distributors measured number of leads and 8 percent measured number of website visits. Five percent of respondents measure new customer sales and 5 percent measure the products featured in the campaign.

While measurement is important, distributors should develop a measurement plan before initiating a marketing program. This starts with determining an objective for every program before beginning any work on program development. Measurement strategies can be quantitative or qualitative, including before and after analysis, test and control, longitudinal analysis, modeling and interviewing. Measurements can be on results, activities and attitudes, to name a few.

Although measuring results provides the best measure for ROI analysis, distributors often measure activities that may affect results such as number of leads and website visitors. However, when measuring activities, it is important to understand how those activities correlate to results. For example, a distributor may know that every 10 leads converts to one customer. If they know the lifetime value of a customer, they can estimate their return.

To order reprints, reference article #4521-1. Learn more about reprint options at www.mdm.com/reprints.

Figure 1: Distributor Marketing Challenges



Source: 2015 MDM-Real Results Marketing Survey

Copying or reprinting all or parts of this newsletter without specific permission violates federal law!

Figure 2: Frequency of Use for Marketing Vehicles

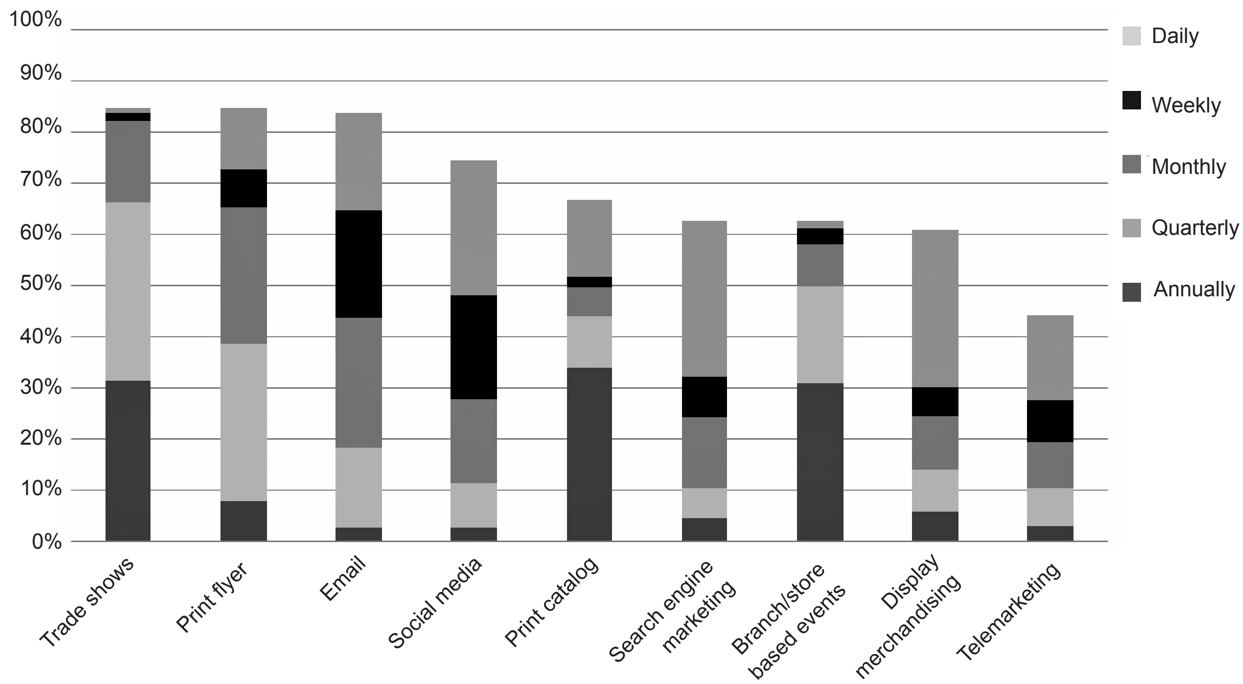
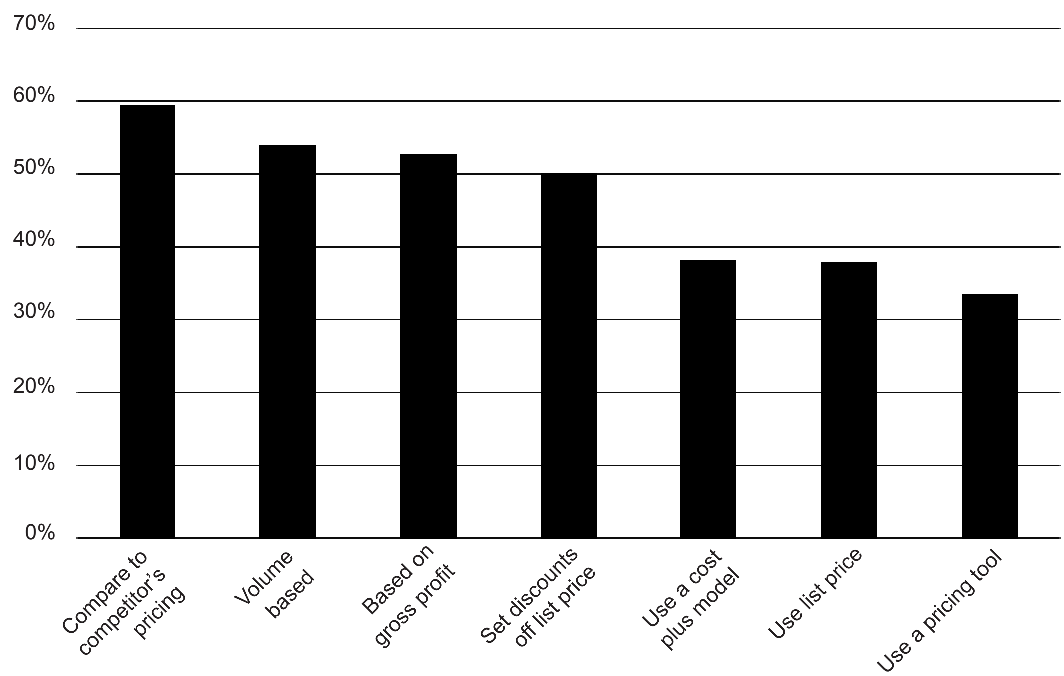


Figure 3: Strategies for Managing Product Pricing

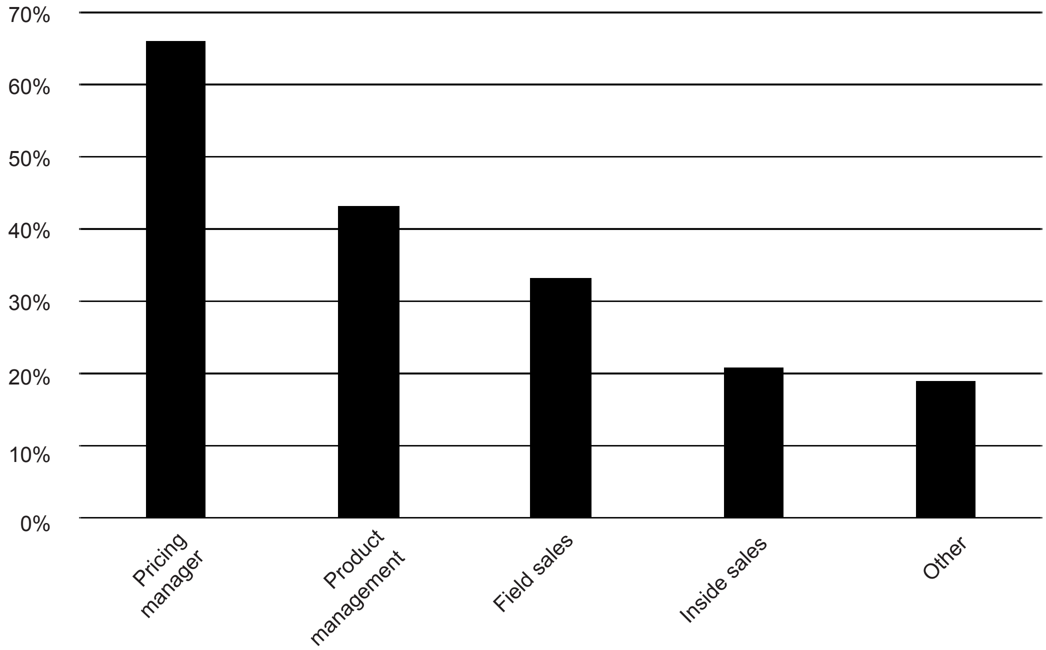


Marketing Vehicles and Channels

The responses about marketing vehicles and the frequency they are used (**Figure 2**) were mostly consistent with last year's results. Trade shows, print flyers and email remain the most commonly used marketing vehicles. However, for the first time, social media displaced catalog for the fourth most-used media overall, with most of that increase among those using social media on an annual basis.

The number of companies using email weekly increased 60 percent from 2014, indicating that companies are recognizing that their customers want communication on relevant topics and on a more frequent basis. The use of mass media (radio, TV, billboards) remained very low, as in 2014.

Figure 4: Who is Responsible for Setting and Updating Pricing



When asked about the level of importance these marketing vehicles represented to companies, the vehicles that were most important included email (42 percent), search engine (36 percent) and print catalog (30 percent). Search engine marketing increased slightly in importance over 2014, but distributors still don't use SEM as much as they should. This could be due to lack of staffing and focus in this area or simply a lack of expertise.

Outside sales remained the most important overall sales channel, but e-commerce increased from 54 percent who listed it as most important in 2014 to 62 percent in 2015. This indicates that e-commerce continues to surge as a viable sales channel for many companies.

Many companies are not making the connection between e-commerce and SEM as a way to increase traffic to their sites; SEO importance did not increase in importance at the same rate as e-commerce.

Pricing

Pricing is a critical element in a distributor's marketing mix, but how are distributors managing their pricing? When asked what strategies they use to manage product pricing (**Figure 3**), nearly 60 percent of distributors said that they take a "compare to competitor's price" approach.

Respondents to this question selected, on average, three different strategies in managing product pricing, which indicates they take a blended strategic approach rather than relying solely on one approach.

While one-third of distributor respondents said they use a pricing tool to manage product pricing, more than 52 percent indicated the pricing tool was their ERP system and another 35 percent use no tools at all. Less than 15 percent use a tool designed specifically to assist in strategically managing product pricing, including some homegrown tools.

When asked who is responsible for setting and maintaining pricing (**Figure 4**), 66 percent of distributors identified their pricing manager. About half of the respondents checked two options, indicating that the responsibility was shared, while the other half of respondents had only one person with that responsibility. Just over 4 percent of respondents commented that they have senior management involved in the process.

The prices a distributor charges must reflect the value they provide customers relative to competition. While two-thirds of survey respondents are looking at competitive pricing, it is unclear whether they are actually comparing the value provided to customers from competition to the value they are providing. This requires rigorous and objective research and analysis along with strategic tools to augment price setting. It is imperative that senior management has visibility and input into strategic pricing direction but not in setting actual prices.

PTDA Summit Inspires, Motivates, Leads

Education portion of conference delivers TED Talk-style presentations

To order reprints, reference article #4521-2. Learn more about reprint options at www.mdm.com/reprints.

The Power Transmission Distributors Association's 2015 Industry Summit featured three keynote speakers sharing their experiences around inspiration, motivation and leadership.

By Jenel Stelton-Holtmeier and Eric Smith

Guided by the event's theme, the 2015 Power Transmission Distributors Association Industry Summit included three keynotes modeled after the popular TED Talks to provide attendees with new ways to "Inspire. Motive. Lead." their teams.

Phil Hansen, Ryan Estis and Scott Klososky delivered cutting-edge presentations with innovative insights on each of the event's themes. Here are summaries of the three presentations.

Inspire

It's easy to view roadblocks as "the end," says Phil Hansen, during his keynote speech "Embrace the Shake." But limitations can provide great opportunities – if you're open to seeing a different path.

For Hansen, an artist focused on pointillism, the roadblock was nerve damage in his arms that prevented him from making the precise dots that made up his work. But the roadblock can be nearly anything – time, money, resources, tools.

"What if I didn't embrace the shake?" Hansen says. "Doing so wasn't just about art skills; it was about life and having life skills. … If we can change the way we think about limitations, it changes the way they affect us."

In order to change how we view limitations, we must first distinguish between true limitations and self-limiting beliefs, he says. Limitations are obstacles placed in the way from an external source; self-limiting beliefs are "things we put in our own way."

If a project wasn't funded at 100 percent, saying the project can't be done would be a self-limiting belief. Assessing how the project could be done with the available resources – asking the right questions, Hansen says – recognizes the limitation but doesn't allow it to become a roadblock.

"There are many ways of getting to where we want to go if we're willing to let go of the limiting beliefs that prevents us from imagining the possibilities," he says.

In good times, it is easy to fall into the pattern of throwing more money and resources at a problem, but in tough times, those resources may not be available. It's at those times that people need to really recognize that "we are the source that makes everything happen," Hansen says.

Recognize that something can be made from what others see as nothing. For example, the first item sold on eBay was a non-functioning laser pointer – a sale that launched a platform that reported $17.9 billion in revenue in 2014.

Instead of letting limitations stop you from growing, Hansen says, embrace the limitations and use them as a source of inspiration.

"Our greatest resources are our internal resources: imagination, creativity, adaptability, resilience."

Motivate

"It's easy to get stuck in the status quo of doing things," says Ryan Estis, in his keynote speech "Passion on Purpose." And that's a dangerous place for a distributor to be, especially in the "era of the customer," as Estis calls today's business climate.

Customers are empowered by the choices they have when it comes to providers – no matter if it's a B2C or B2B environment – and they will only default to price in the absence of value, he said.

Distributors must be mindful of this as they look to promote their value proposition to existing or potential customers. Estis outlined five actionable ideas that can help business leaders differentiate their companies:

1. **Embrace continuous reinvention**. The status quo is dead, Estis says, and you must disrupt your own business by inviting tension and "unhealthy discomfort" into the company culture. In other words, disrupt yourself before the marketplace does. His advice echoes that of Paul Raiche, president and CEO of ceramic tile distributor Ceratec, Quebec City, QC, who told MDM earlier this year that the secret to success for any great leader is be surrounded by a "team of troublemakers."
2. **Brand the customer experience.** The best companies have process discipline not only in the products or services they provide,

but in the way they treat their customers. Businesses must be able to replicate a brand experience consistently (think Starbucks or Apple) and by doing so, they will create brand evangelists – the people who market your product for you by word of mouth to potential new customers.

3. **Unleash human potential.** Estis says it's critical to put people in a position to succeed, and this means approaching your business with the 90/10 principle – spend 90 percent of your time preparing and only 10 percent on the task. "Decide how you show up – with passion and purpose and connect everyone," Estis said
4. **Be a culture champion.** Estis reminded the audience that "culture eats strategy for breakfast," a Peter Drucker quote that highlights the importance for a company to achieve alignment of a shared purpose. For example, the Mayo Clinic has a mantra of "The needs of the client come first," which is repeated – and believed – by every employee, from the surgeons to the security guards. Upholding core values will make it easier for every company executive to answer this critical question: "How will I be remembered by the people I work with today?"
5. **Take Action Now (TAN).** Have a TAN plan, Estis says, but be careful not to take on too much. As he reminded the audience by borrowing a quote from Jim Collins: "If you have more than three priorities, you have none."

Lead

Scott Klososky, in his presentation about becoming "A Technology Infused Leader," says one of the most important components in leadership, especially as it relates to technology, is asking the right questions.

"Tomorrow is a battleground you must not lose, and what I try to get leaders to understand is the battle for tomorrow is fought today," Klososky said during his deeper dive. "Too many leaders fight tomorrow's battle tomorrow, and it doesn't work that way. You win tomorrow by sitting down today and saying, 'Do I have good technologists around me? Do I have a really good strategy put in place? Do we have good technology governance? Do I have good cyber security? Do I know how to use data well?'

"There's a list of questions you have to be able to answer, and that creates an environment in which you'll do technology well. And then you win the future."

Another important question a leader must ask is if he or she is engaged in "high-beam" or "low-beam" leadership.

Low-beam leadership focuses on monthly results and execution, without regard for long-term trends or future investments. This type of leadership, which is needed for day-to-day operations and quarterly sales goals, is often carried out by an organization's management team.

High-beam leadership is the responsibility of owners or executives who should possess a five- to 10-year view of the company. This type of leadership entails both trend and predictive analysis along with a willingness to experiment and a focus on investment in the future.

"It is necessary to have some people who are high-beam and some people who are low-beam," Klososky says. "You should have a mix of people who are visionary and people who aren't. But everyone needs to have an accurate vision of where the future is. Even if you're executing on today, you need to know what the picture will look like."

Klososky says company leaders must ask themselves every day: "What kind of legacy do you want to leave at your organization? That you provided the vision for a technology augmented world? Or that you were the one that crippled the entity on the way out?"

Special Offer

Renew today for a special bonus!

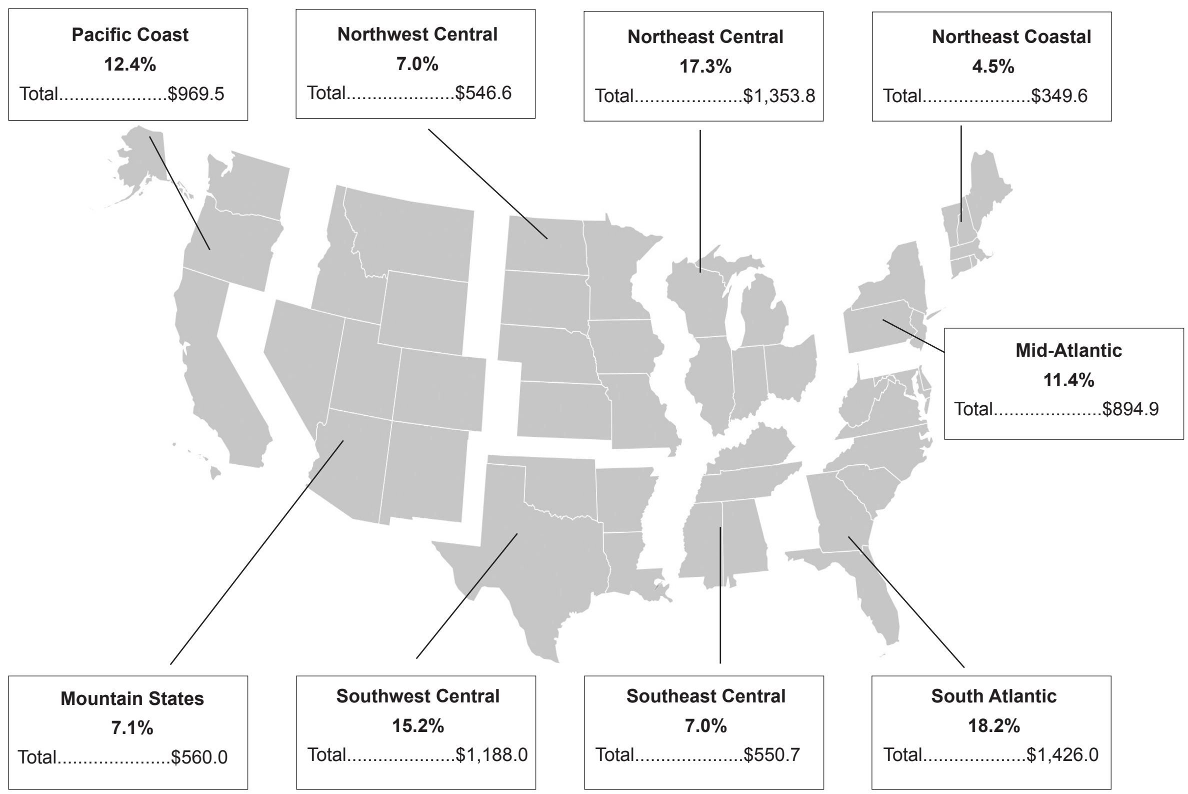
Renew by November 30 and we'll add a free BONUS issue to your subscription!

Visit www.mdm.com/renew to renew online or call 888-742-5060.

MARKET ANALYSIS: Safety Products Consumption in the United States

Consumption of Safety Products in the U.S. was $7.8 billion in 2014, according to data from MDM Analytics (formerly Industrial Market Information). All estimates are 2014 end user demand, in U.S. dollars, including distributor margin.

■ U.S. End-User consumption of Safety Products by region, in millions of $ (2014 estimates)



U.S. Total 100%: $7,839.2

■ U.S. End-User Consumption of Safety Products: Top 10 End-Markets

Top 10 end-markets in $ volume, by NAICS code, consuming Safety Products(2014 estimates)

End User		Estimated Consumption
236220	Commercial and Institutional Building Construction	$512.3 million
237310	Highway, Street, and Bridge Construction	$471.2 million
238110	Poured Concrete Foundation and Structure Contractors	$306.8 million
237110	Water and Sewer Line and Related Structures Construction	$268.0 million
238220	Plumbing, Heating, and Air-Conditioning Contractors	$231.4 million
325412	Pharmaceutical Preparation Manufacturing	$226.5 million
324110	Petroleum Refineries	$208.5 million
325211	Plastics Material and Resin Manufacturing	$202.7 million
238210	Electrical Contractors and Other Wiring Installation Contractors	$195.9 million
325180	Other Basic Inorganic Chemical Manufacturing	$187.5 million

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

mdm.com®

Industrial & Construction Markets Update

VOL. 45, NO. 21 | NOVEMBER 10, 2015

Rexel Sales Increase 3.7% in Third Quarter

Paris, France-based electrical distributor Rexel reported sales for the third quarter of €3.4 billion (US$3.8 billion), up 3.7 percent from the same period a year ago.

On a constant, same-day basis, sales were down 3.3 percent. Profit decreased 70.3 percent to €20 million (US$22.1 million).

In Europe (53 percent of group sales), third-quarter sales were up 1.6 percent and in North America (37 percent of group sales) sales increased 5.8 percent, with U.S. sales down 5.6 percent and Canadian sales down 12.7 percent. Asia-Pacific (10 percent of group sales) sales increased 8.4 percent.

"In an environment that became increasingly challenging during the summer, our performance in the third quarter turned out to be resilient," said Rudy Provoost, CEO. "In particular, profitability in the third quarter in North America was stable year-on-year, with a sequential improvement over the second quarter, notwithstanding a decrease in sales, largely due to further deterioration in the oil & gas market."

For the first nine months, total group sales were €10 billion (US$11.1 billion), up 6.4 percent from the same period a year ago. On a constant, same-day basis, sales were down 1.8 percent. Profit decreased 86.4 percent to €21.4 million (US$23.7 million).

Rexel also recently acquired Sofinther, a Nantes, France-based distributor that specializes in thermal, heating and control solutions. Terms were not disclosed.

In 2014, Sofinther posted sales of €106 million (US$ million). The company has 206 employees and 24 branches spread across the country.

The acquisition reinforces Rexel's "multi-energy expertise in France," the company said, and it will help Rexel grow its presence in thermal control and regulation, as well as in the connected devices markets.

Distributor News

St. Louis, MO-based **Graybar** reported sales for the third quarter of $1.6 billion, up 0.9 percent year-over-year. Profit decreased 6.6 percent to $28.3 million. For the first nine months, sales were $4.5 billion, up 3.5 percent year-over-year. Profit decreased 7 percent to $65.9 million.

Kaman Corp., Bloomfield, CT, has acquired **Timken Alcor Aerospace Technologies Inc**., Mesa, AZ, through its aerospace segment.

Kaman Corp., reported third-quarter sales of $433.7 million, down 4.9 percent over the same period a year ago. Profit increased 16.5 percent to $17.2 million. For the first nine months, Kaman Corp. sales were $1.3 billion, up 0.4 percent year-over-year. Profit increased 20.7 percent to $51.7 million.

Ferguson Fire & Fabrication, a division of **Ferguson Enterprises**, Newport News, VA, has acquired **Atlantic American Fire Equipment Company**, Warrington, PA.

WESCO International Inc., Pittsburgh, PA, has acquired electrical distributor **Needham Electric Supply**, Canton, MA.

WESCO reported sales for the third quarter of $1.9 million, down 7.4 percent compared to the same period the previous year. Profit decreased 21.4 percent to $63.5 million. For the first nine months, WESCO reported sales of $5.7 billion, down percent from the same period a year ago. Profit declined 19.5 percent to $162.3 million.

US LBM Holdings LLC, Green Bay, WI, has acquired **Building Supply Association Inc**., Powder Springs, GA.

BlackHawk Industrial, Broken Arrow, OK, has acquired metalworking distributor **Specialty Tool Inc**., Rock Hill, SC.

Univar Inc., Downers Grove, IL, through its wholly owned subsidiary, **Univar USA Inc**., has acquired **Arrow Chemical Inc**., Greenwich, CT.

Univar reported third-quarter sales of $2.2 billion, down 15.4 year-over-year. The company reported a profit of $12.1 million, down 73.6 percent compared to third quarter 2014. For the first nine months, sales were down 12.2 percent year-over-year to $7 billion. Profit decreased 69 percent to $19.4 million.

Purvis Industries, Dallas, TX, has acquired **Acadiana Bearing**, Lafayette, LA.

nexAir, Memphis, TN, has acquired helium distributor **National Balloon & Banner** (doing business as **HICO of Jackson**), Jackson, MS.

Acuity Brands Inc., Atlanta, GA, has agreed to acquire **Juno Lighting LLC**, a unit of **Schneider Electric**, for $385 million.

Airgas Inc., Radnor, PA, reported sales for the second quarter ended Sept. 30 of $1.4 billion, up 1 percent year-over-year. Profit decreased 0.3 percent to $98

continued on p. 2 of this section

MARKETS UPDATE SUPPLEMENT P. 2

News Digest
Continued from p. 1 of this section

million. For the first half of the fiscal year, sales were $2.7 billion, up 2 percent year-over-year. Profit decreased 0.5 percent to $186.3 million.

The Fastenal Company, Winona, MN, reported October sales of $338 million, a 5.1 percent decrease year-over-year. Daily sales also decreased 0.8 percent to an average of $15.4 million.

Essendant Inc., Deerfield, IL, reported sales for the third quarter of $1.4 billion, down 2 percent over the same period a year ago. Profit decreased 31.2 percent to $27.7 million. For the first nine months, sales were $4 billion, up 1.8 percent year-over-year. Profit decreased 42.8 percent to $51.5 million.

Applied Industrial Technologies, Cleveland, OH, reported sales for the first quarter ended Sept. 30 of $641.9 million, down 8.6 percent year-over-year. Profit fell 16.6 percent to $24.3 million.

Anixter International Inc., Glenview, IL, reported third-quarter sales of $1.5 billion, up 3.6 percent year-over-year. Profit declined 22 percent to $35.4 million. For the first nine months, sales were $4.4 billion, up 7.4 percent year-over-year. Profit increased 28.4 percent to $91.4 million.

Arrow Electronics Inc., Centennial, CO, reported sales for the third quarter of $5.7 billion, a year-over-year increase of 2 percent. Profit decreased 25.7 percent to $109.2 million. For the first nine months, sales were $16.5 billion, up 1 percent year-over-year. Profit decreased 11.1 percent to $339.2 million.

Avnet Inc., Phoenix, AZ, reported sales for the first quarter ended Oct. 3 of $7 billion, up 1.9 percent over the same period a year ago. Profit increased 1.8 percent to $130.3 million.

NOW Inc., Houston, TX, reported sales for the third quarter of $753 million, down 29.6 percent year-over-year. The company reported a loss of $224 million, compared to a profit of $32 million the prior year. Year-to-date sales were $2.4 billion, down 31 percent year-over-year. The company reported a loss of $253 million for the period, compared to a profit of $100 million the prior year.

MSC Industrial Supply Co., Melville, NY, reported sales for the fiscal year ended August 29 of $2.9 billion, up 4.4 percent from the previous year. Profit for the fiscal year decreased 2.1 percent to $231.3 million. Fourth-quarter sales were $727.4 million, flat compared to the same quarter a year ago. Profit fell 6.4 percent to $59 million.

Houston Wire & Cable Co., Houston, TX, reported third quarter sales of $78.3 million, down 19.1 percent year-over-year. Profit fell 81 percent to $0.7 million. Sales for the first nine months fell 20.9 percent to $237.8 million. Profit declined 80 percent to $2.2 million.

Huttig Building Products Inc., St. Louis, MO, reported third-quarter sales of $181.7 million, a year-over-year increase of 4 percent. Profit was $20.5 million, compared to $3.5 million the prior year. For the nine-month period, sales were $504.2 million, a year-over-year increase of 5.4 percent. Profit was $25.6 million, compared to $2.7 million the prior year period.

Stock Building Supply Inc., Raleigh, NC, reported sales for the third quarter of $358.5 million, a year-over-year increase of 1.3 percent. Profit increased 20 percent to $6 million. For the first nine months, sales were $1 billion, up 2.8 percent year-over-year. Profit increased 43 percent to $10.5 million.

L&W Supply reported sales of $378 million for the quarter, a year-over-year increase of 5.3 percent. L&W Supply sales for the first nine months grew 7.3 percent to $1.1 billion.

USG Corp., Chicago, IL, parent company of **L&W Supply**, reported sales for the third quarter of $972 million, flat compared to the same period a year ago. The company recorded a profit of $76 million, up from a net loss of $12 million a year ago. For the first nine months, sales for USG were $2.9 million, a year-over-year increase of 2.9 percent. Profit grew to $179 million.

DXP Enterprises Inc., Houston, TX, reported sales for the third quarter of $303.1 million, down 21.7 percent year-over-year. The company reported a loss of $52.5 million, compared to a profit of $17 million the prior year. For the first nine months, sales were $968.4 million, a year-over-year decrease of 13.3 percent. The company reported a loss of $35.7 million, compared to a profit of $42.8 million the prior year.

Praxair Inc., Danbury, CT, reported sales for the third quarter of $2.7 billion, down 14.6 percent year-over-year. Profit decreased 15.9 percent to $401 million. For the first nine months, sales were $8.2 billion, down 11.9 percent. Profit decreased 19.2 to $1.1 billion.

Air Products, Lehigh Valley, PA, has chosen **Versum Materials** as the name for the materials technologies business it plans to spin-off.

Air Products reported sales for fiscal 2015 of $9.9 billion, down 5 percent year-over-year. Profit increased 28.9 percent to $1.3 billion. Sales for the fourth quarter were $2.5 billion, down 9 percent year-over-year. Profit was $344.5 million, compared to $104 million in the prior-year quarter.

ParkOhio Holdings Corp., Cleveland, OH, reported sales for the third quarter of $364.4 million, a 5.7 percent increase over the same period a year ago. Profit increased 6.5 percent to $13.2 million. For the nine month period, sales were $1.1 billion, up 11 percent year-over-year. Profit increased 4.3 percent to $36.4 million.

Watsco Inc., Miami, FL, reported third-quarter sales of $1.2 billion, up 3.7 percent year-over-year. Profit increased 6.4 percent to $58 million. For the first nine months, sales were $3.2 billion, up 4.6 percent over the same period a year ago. Profit grew 15 percent to $146.4 million.

United Rentals Inc., Stamford, CT, reported third quarter sales of $1.6 billion, up 0.4 percent year-over-year. Profit increased 12 percent to $215 million. For the first nine months, sales were $4.3 billion, up 4.2 percent year-over-year. Profit grew 20.2 percent to $416 million.

Reliance Steel & Aluminum Co., Los Angeles, CA, reported sales for the third quarter of $2.3 billion, down 15.5 percent cyear-over-year. Profit for the quarter fell 46.2 percent to $51.4 million. Sales for the first nine months were $7.3 billion, down 7 percent year-over-year. Profit decreased 13 percent to $242.9 million.

A. M. Castle & Co., Franklin Park, IL, reported third quarter sales of $184.7 million, down 24.8 percent from third quarter 2014. The company posted a loss of $26.3 million, as compared to a loss of $7.3 million the same quarter last year.

Ingram Micro Inc., Santa Ana, CA, reported sales for the third quarter of $10.5 billion, down 6.4 percent from the prior-year quarter. The company reported a profit of $65 million, down 9.7 percent from third-quarter 2014. For the first nine months, the company reported sales of $31.7 billion, down 2.5 percent from the same period a year ago. Profit decreased 50 percent to $9 million.

IBT Industrial Solutions, Merriam, KS, has named Michael P. Flannery as president & CEO.

Economic News

The **Chicago Fed National Activity Index** ticked down to -0.37 in September from -0.39 in August. The index's three-month moving average, **CFNAI-MA3**, decreased to -0.09 in September from +0.01 in August.

The **October PMI** was 50.1 percent, a decrease of 0.1 percentage points from the September reading, in the latest ISM Manufacturing Report on Business. The **New Orders Index** registered 52.9 percent, an increase of 2.8 percentage points from the reading of 50.1 percent in September.

Real gross domestic product for the U.S. increased at an annual rate of 1.5 percent in the third quarter, according to the "advance" estimate released by the Bureau of Economic Analysis.

September **exports** were $187.9 billion and **imports** were $228.7 billion, according to the U.S. Census Bureau and the U.S. Bureau of Economic Analysis, through the Department of Commerce. September exports were up $3 billion from August, and September imports were down $4.2 billion.

New orders for manufactured durable goods in September decreased 1.2 percent to $231.1 billion, according to the U.S. Census Bureau.

The **Conference Board Leading Economic Index** for the U.S. declined 0.2 percent in September. The **coincident economic index** increased 0.2 percent and the **lagging economic index** increased 0.5 percent in September.

September **construction spending** was estimated at a seasonally adjusted annual rate of $1,094.2 billion, 0.6 percent above the revised August estimate, according to the U.S. Census Bureau of the Department of Commerce. The September figure is 14.1 percent above the September 2014 estimate of $959.2 billion.

continued on p. 4 of this section

Copying or reprinting all or parts of this newsletter without specific permission violates federal law!

MARKETS UPDATE SUPPLEMENT P. 4

News Digest

Continued from p. 3 of this section

The **Canadian Industrial Product Price Index** declined 0.3 percent in September, mainly as a result of lower prices for energy and petroleum products, according to Statistics Canada. The **Raw Materials Price Index** rose 3 percent, led by higher prices for crude energy products.

Compared with August, **European industrial producer prices** in September fell by 0.3 percent in both the euro area (EA19) and the EU28, according to estimates from Eurostat, the statistical office of the European Union. Compared with September 2014, industrial producer prices decreased by 3.1 percent in the euro area and by 3.8 percent in the EU28.

Heating, Air-conditioning and Refrigeration Distributors International reported a 4.3 percent sales increase for September. The annualized growth through August is 6.3 percent.

The North American Association of Floor Covering Distributors reported sales for its distributor members rose 5 percent during the second quarter. Sales slowed for manufacturer members, with growth up 6 percent.

Manufacturer News

St. Paul, MN-based **3M** reported sales for the third quarter of $7.7 billion, down 5.2 percent year-over-year. Profit decreased 0.5 percent to $1.3 billion. For the nine months ended Sept. 30, sales were $23 billion, down 4.7 percent year-over-year. Profit grew 0.5 percent to $3.8 billion.

Kennametal Inc., Latrobe, PA, has agreed to sell several of its non-core businesses related to certain castings, steel-plate fabrication and deburring for an aggregate price of $70 million. The combined annual revenue of the businesses is $220 million.

Kennametal reported sales for the fiscal first quarter ended Sept. 30 of $555 million, down 20 percent from the same period a year ago.

The Timken Company, North Canton, OH, reported sales for the third quarter of $707.4 million, down 10.2 percent year-over-year. Profit was $63.4 million, as compared to a net loss of $21.9 million last year. Year-to-date sales were $2.2 billion, down 6.7 percent over the prior-year period. The company reported a loss of $35.1 million, down from a profit of $124.3 million for the same period last year.

TimkenSteel Corp., Canton, OH, reported sales for the third quarter of $232.7 million, down 16.4 percent year-over-year. The company reported a loss of $30.8 million, compared to a profit of $25.7 million the prior year. Year-to-date sales were $899.6 million, down 28.9 percent compared to the prior-year period. The company reported a loss of $48.2 million, compared to a profit of $88 million the prior year.

TriMas Corp., Bloomfield Hills, MI, a diversified global manufacturer of engineered and applied products, has acquired **Parker Hannifin's** Tolleson, AZ, facility.

TriMas reported third-quarter sales of $222.2 million, a slight decrease from the previous year. Profit was $11.7 million, down 47.3 percent compared to last year. For the first nine months, sales were $671.2 million, up 1.1 percent over the same period a year ago. Profit was $27.4 million, down 59.1 percent from a year ago.

Emerson, St. Louis, MO, reported sales for the year ended Sept. 30 of $22.3 billion, a decrease of 9 percent year-over-year. Profit increased 26 percent to $2.7 billion. Fourth-quarter sales were $5.8 billion, down 15 percent compared to the same period a year ago. Profit for the quarter increased 58 percent to $648 million.

Generac Holdings Inc., Waukesha, WI, reported sales for the third quarter of $359.3 million, an increase of 2 percent year-over-year. Profit decreased 6.8 percent to $34 million. Year-to-date sales were $959.5 million, down 9.2 percent over the prior-year period. Profit decreased 45.2 percent to $68.6 million.

MODERN DISTRIBUTION MANAGEMENT

Founded in 1967 by J. Van Ness Philip

Questions, comments, article proposals, address changes or subscription service to: Gale Media, Inc., 2569 Park Lane, Ste 200, Lafayette, CO 80026. Tel: 303-443-5060.
Website: http://www.mdm.com

ISSN 0544-6538

To subscribe to Modern Distribution Management, please call 888-742-5060, email dillon@mdm.com or **http://www.mdm.com.** Subscriptions are available by online delivery and/or first-class mail. Published twice monthly; $395/yr., $415 U.S. funds other countries.

Copyright © 2015 by Gale Media, Inc. All rights reserved. Modern Distribution Management® and mdm® are registered trademarks of Gale Media, Inc. Material may not be reproduced in whole or in part in any form whatsoever without permission from the publisher. To request permission to copy, republish or quote material, please call 303-443-5060.