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Special Double Issue

Industry 'Muddling Along' in 2016

Commodity pricing puts significant drag on growth

2016 Distribution Trends Report

With the forgettable first half of 2016 now behind them, distributors hope to bid farewell to a tepid sales climate that has stunted industry growth since late last year.

Weak commodity prices are primarily to blame for falling distributor revenues, which dipped 4.3 percent in 2015. After price adjustments, the industry grew 2.6 percent – 0.2 percentage points more than the overall U.S.

2016 has gotten off to a slow start, as well. Distributors averaged -0.1 percent revenue growth in the first quarter, marking the second consecutive quarter of negative growth, according to the most recent MDM-Baird Distribution Survey. However, ongoing strength in the building materials & construction sector and modest improvement across others sparked cautious optimism among distributors.

The industry is "muddling along," says Todd Washburn, vice president, supplier development, NetPlus Alliance. "I think it's a little bit positive with some things that we're seeing, especially in certain markets, but it's crazy. It is just an up-and-down, month-to-month variation with some suppliers, but it seems like overall, it's trending up. It's still down over first quarter last year, but it's better than third and fourth quarter last year."

One packaging distributor says the industry is following the general economy, with business "good, but not great. Nothing spectacular, but solid growth." Less-than-spectacular growth is positively rosy when compared to companies that rely heavily on oil and gas-related markets. But the devastating decline in crude oil prices appears to have bottomed, and the West Texas Intermediate price has seen a generally positive trajectory since April.

Average revenue growth for MDM's Top 40 Industrial Distributors was 0.1 percent in 2015. But as one industrial distributor told MDM, the industry is still in the "hangover phase" and has a long way to go to adjust to the new market standards.

As companies contend with the new realities of an economy that may improve this year, they are looking for ways to enhance the experience for their customers in hopes of keeping more of them. They are looking to harness new and existing technologies. And they are increasing their marketing efforts and seeking more creative ways to find and retain talent, all while keeping an eye on the cost of running a business.

All these trends, detailed in the pages of this issue, point to one undeniable fact, according to Mike Marks, Indian River Consulting Group. "The world continues to change at an accelerating rate, and we're dealing in new things," he says. "Success is going to be about doing new things, not doing the same old things better. That's where people are stuck."

Marks' says distributors' management teams must seek and implement new solutions, which will vary according to business size, vertical, end markets and geographies. Figure them out and adjust the sails to create a tailwind instead of a headwind.

"Everybody's going to wait for some crisis to react, and they're going to be way behind," Marks says. "The idea is to take a small amount of resource and be intentional rather than reactive."

INSIDE

Commentary:
Are You Really Customer-Centric?
Page 2

2016 Distribution Trends Report

Customer Engagment: Don't Be Amazon
Page 3

Growing Competitive Threat
Page 4

Reduce HR Cost Pressure
Page 5

Technology Trends
Page 7

Differentiate with Strategic Marketing
Page 9

MDM Market Movers
Action Health & Paramont EO
Page 11

MDM Market Leaders
SRS Distribution & Winsupply
Page 13

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PERSPECTIVE ■ Commentary by Thomas P. Gale

Are You Really Customer-Centric?

Much of our research and reporting this year has focused on the many ways traditional distribution models are in transition. The core areas where companies are investing to differentiate and extend competitive advantage center on two themes – talent and technology.

This annual MDM Market Leaders double issue underscores a larger trend that every sector is experiencing at different rates of change – the transition from product focus to customer experience. This isn't new. Going back to the 1990s, some industrial distributors pursued a growing customer segment with integrated supply services to create a fundamentally different business model than traditional distribution economic models.

The companies that successfully grew their integrated supply business either were standalone integrated suppliers or they definitively separated that part of the business from the core model. The new value proposition was about MRO cost savings, process improvement and total cost management. The service providers created their value as stewards of the customer MRO spend rather than as agents for product manufacturers that long defined supply chain relationships. The revenue model is based on customer experience, not product sales.

Most distributors today haven't escaped the product-centric mindset to spend some critical time in the shoes of their customers, although the 2016 Distribution Trends Special Issue highlights examples of companies that are doing this successfully.

Broader context can be seen in the trending of our annual Market Leaders list, updated every June, which includes the 40 largest industrial distributors, as well as the largest companies across 14 additional sectors. While a lot of cross-sector M&A continues, the newest shift may be in the growing impact nontraditional competitors are having in industrial distribution.

Big-box retailers and commercial distributors are investing in the attractive size and margin growth opportunity of these once hard-to-serve industrial customer segments. Examples include The Home Depot's purchase of Interline Brands, Staples' expansion of safety PPE and jan-san, as well as other commercial/office product vendors trying to find new revenue outside core product segments that have been heavily disrupted by digital markets.

Many distributors once defined their value position around how fast they could get products to customers. What does that competition look like today in your sector? The new definition of speed to customer is how fast your company can deepen your customer's experience with you, through transaction data analysis and old-fashioned market research, followed by how fast you can deliver that new model of customer value?

Customers are changing fast. Are you changing with them?

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Customer Engagement: Don't Be Amazon

'Run circles around your competition' by improving customer experience

Forget about the "Amazon experience." Not even the top executives at Amazon obsess over the ubiquitous term because "Amazon is just trying to do whatever's best for its customers," says Justin King, partner, B2X Partners. "You know, that happens to include some great Amazon best practices, but it's not everything."

The B2C shopping concept, in which people can get anything they need anytime they want it, is clearly influencing B2B buying. But a distributor's customer has certain needs – from superior product knowledge to service and sales reps available to answer phone calls – that the "Amazon experience" can't provide.

"It's a bad idea to go and duplicate what somebody else is doing versus looking at your own customers and saying, 'OK, how do I make their job easier?'" King says.

Looking at your own customers means asking them how they want to buy from you – not just figuring out how to sell them more stuff, says Mike Marks, Indian River Consulting Group. It involves asking them about the challenges they face with talent, technology, purchasing and any other pain point that could slow revenue growth and profitability.

"Nobody really cares about the customer and how they make money anymore," Marks says. "When distributors actually start looking at what the challenges are facing the customer, they go 'holy crap.' Every single time."

For example, pool & spa contractors' desire to order via mobile sparked Ed Flemmons, president and partner, Pool Contractors Supply, Memphis, TN, to improve the product access his salespeople have in the field and the ordering ease his customers have at a job site.

"I have to provide access without saying, 'Hey, I'll get back to you,'" Flemmons says. "The first guy is going to win the prize. If you can give them the price and ask for the order and close the sale, it beats the heck out of three phone calls and checking back. You can run circles around your competition if you're able to respond timely and get accurate information to them. It's the competitive environment we're in."

Every distributor should focus on proactively identifying customers' problems and finding solutions to match instead of waiting until they grow disgruntled and possibly leave, according to Randy Aardema, executive vice president, supply chain, US LBM Holdings LLC, Green Bay, WI.

"Customer demands are definitely changing, and I think we can drive things even faster than customers perceive them," he says. "We need to listen to what their concerns are, but they may not have a solution for their problem, and that's where we would come into provide solutions and ideas for them."

Customers are more likely than not to say they "want to be able to buy when they want to buy, but at the same time, they want to have control," says Ranga Bodla, industry lead, wholesale distribution, NetSuite. "If they want to buy on Sunday and they know exactly what they want, let them buy it. On the other hand, if they want to go and talk to somebody and be able to have a conversation, you want to have that, as well."

While technology is a critical component, the processes that a distributor has in place to support existing or new systems is equally important. "Delivering a better customer experience is about making sure that you have a unified strategy of "How am I going to make sure that I have a way for my customers to buy?'" Bodla says. "And these channels should not be competitive."

This concept works upstream as well. Meeting suppliers' needs can be a key differentiator when landing or retaining a product line, according to Chuck Fiorino, director of business development, F.W. Webb, Bedford, MA. "From an education standpoint we're getting more involved with our vendors during the planning phase," he says.

Doing things the old way and not meeting customers' demands will lead to an erosion of your customer base over time, says King. A distributor might lose one order to Amazon or a competitor whose e-commerce platform is superior. And then another. Finally, that customer decides to take all purchasing away because it's just easier with the other company. As more customers follow suit, market share will dwindle.

"It's so easy for distribution companies to think about product, product, product. That's the business, right?" says Rob Milstead, senior vice president, digital, Genuine Parts Company, Atlanta, GA. "The challenge is really customer, customer, customer."

Online Resources

Read about trends affecting specific sectors at mdm.com/marketleaders.

A Growing Competitive Threat

Technology, customer expectations shift market power

It used to be that the largest distributors were the biggest threats to small ones. Their ability to outspend other players in technology and growth allowed them to eat up market share across geographies, but new technology and customer expectations have changed the competitive landscape.

"As the world becomes a smaller place because of technology, you have a lot of, not necessarily larger, but more sophisticated distribution companies emerging," says Mike Bohannon, senior vice president of corporate strategic sourcing for Bunzl. "Distributors should evaluate their distribution strategy and how they are engaging with suppliers and redistributors to reach their markets. Technology enables a larger than normal geographic reach."

It's no longer just national distributors or online giants like Amazon that are threatening market share. "We're also just as worried about the small folks that are now able to compete much more rapidly," says Rob Milstead, senior vice president, digital for Genuine Parts Company, Atlanta, GA.

E-commerce enables smaller distributors to reach a broader audience, and using redistributors or creating collaborative partnerships, such as the one created though NETWORK, allows them to compete in markets they might not have been able to reach previously.

But the shift goes beyond geographic reach. Just as Uber disrupted the taxi industry or Netflix changed how consumers view video rental, new options for minimizing capital investments provide new opportunities for companies that may not have had the cash flow to grow their delivery fleets to meet increased demand.

"Supply chains in the future are likely no longer going to be supply chains; they're going to be much more of a digitally enabled network," says Guy Blissett, Specialist Leader for wholesale distribution at Deloitte Consulting LLP. "Will distributors need to own as many trucks, distribution centers and branches if you can source those resources as a service via a digital marketplace? Think of the potential to leverage the gig economy for storage capacity, delivery resources or construction equipment on an as-needed basis. We already see this happing with retail store deliveries and taxi service."

Less-than-truckload companies that can reduce overall freight costs already exist, but apps are making it easier to connect with delivery options on a smaller, more local level, as well.

Savvy distributors use these apps to find other companies' empty trucks for back-haul shipments or to offer their own trucks for others' deliveries, according to Mark Bray, supply chain director, ACR Supply, Durham, NC. This can save a company money, time and wear on equipment. "It's all a matter of being aware of what's out there," Bray says. "The golden rule: 'Never drive around with an empty truck.'"

This on-demand capital also allows these distributors to focus on what differentiates them from the existing competition rather than on maintaining a fleet of vehicles or providing logistics training.

Technology is not the only driver of expanded competition, however. The slow-growth economy has strategic distributors looking for ways to foster future growth.

"We're looking at general manufacturing customers because they are not going to stay slow forever. We're calling on them today, even though they are slow, to show them different opportunities so that as they get busy, they'll be able to take advantage of the services that we provide and the resources that we have," says Matt Cohen, president, Replenex, Eden Prairie, MN. "That means that we are bumping into people that we, historically, haven't bumped into. They've always been here, but we see them more because we put salespeople in the field to actually look at those customers more."

And large distributors may be providing opportunities by focusing in on large and midsize customers, says Mike DeCata, president and CEO, Lawson Products, McCook, IL. "They seem to be focusing on large customers and diminishing their service on the small customers," he says. "Which brings to mind the question: If you are giving up on the small customer and you are forcing the small customer to interact with the internet or a call center, does it open the door to people like Amazon?" Or does it also open the door to distributors willing to step in and continue to provide that local service?

Reduce HR Cost Pressure

'Runaway' cost of benefits, training threatens distributors

2016 Trends

In many critical ways, the next generation workforce is different than those that have come before. Pay is still important, but the benefits that come with a position – from health insurance to career development programs – are just as important for most millennials.

As a result of that and new or changing regulations, the cost of employment keeps rising. In our recent MDM Distribution Trends survey, respondents identified rising benefits costs as one of the top pain points.

"Changes in various laws related to labor and health insurance could put pressure on a lot of us from a cost perspective," says Pat Larmon, president and CEO, Bunzl. For example, a new overtime rule was announced in May that will double the minimum salary for employees to be exempt from overtime pay.

"Health insurance is a runaway cost that you don't know where it's headed, but you have to manage it," says Ed Flemmons, president of Pool Contractors Supply, Memphis, TN. "We try to absorb as much of that as we can without passing it on to the employee. You have to be competitive in the marketplace, so I make sure I have the best benefits out there."

There's a long-held belief that the cost can't be shared with employees, says Nancye Combs, president and CEO of HR Enterprise, a human resources consulting firm in Louisville, KY. That's a big mistake – and not just on the financial front. "We do not value what we do not have to pay for," she says. Don't make it too burdensome, but don't be afraid to share costs.

Small companies, such as Munro, a Grand Junction, CO-based manufacturer and distributor of pumps and related products, are exempt from the requirement to provide health insurance under the Affordable Care Act, but doing so could be detrimental to the employees.

"It's important to us to offer that. We see that as a huge benefit for employees," says Katie Powell, Munro's general manager, business strategy. But because of the rising costs, the company has changed how it provides the benefit. Instead of the company contributing a flat amount across the board, it now contributes a percentage of the total cost.

But if the conversation around benefits stops at health insurance, you may not be going far enough. Providing health insurance is the bare minimum for today's labor market. "Without that, you become the employer of absolute last resort," Combs says.

If you want top talent, paid time off must also be a part of the package. "Make sure you have modern benefits like PTO instead of vacation and sick time. Let them choose how they use their time off," she says. "That way it's cheaper anyway and it helps your turnover."

And consideration has to be given to nontraditional schedules. "We find ourselves looking at adjusting how we work to how they want to live," says Scott Shane, CEO of Mid-America Fittings, Overland Park, KS. As a manufacturer, that can be challenging to schedule people to keep the line running, but the company is exploring ways to adapt to this new environment.

"If there's consistency and follow-through, we can probably find a way to make it work," he says.

As the generational shift continues, investment in ongoing training should be included in the overall benefits. "Millennials want to learn," Combs says. And they will look for an environment that encourages this. This includes external programs, such as tuition assistance, and internal programs, such as management training.

"Organizations need to recognize and adapt to multigenerational workers," says Marisol Fernandez, vice president of category management, safety for Bunzl. "Depending on the age of the workforce, individual needs will vary. For example, the expectations of a younger workforce seem to be different than those of individuals who have worked longer. One trend emerging with the younger generation is that they seem to want some structured career path conversations. These individuals will require a different level of touch and, as such, they may need more development conversations throughout the year. "

Prudence Thompson, Egret Consulting, agrees. "Looking at younger people in the industry, there's got to be a different approach," she says. "There's got to be opportunities to challenge them within the company as opposed to 'You do your time and then you get promoted.' You have to cross-train them so they can move from operations to sales to finance to logistics, so you're offering those opportunities internally. That approach helps address millennials' itch for change."

Managing the costs of talent acquisition and retention is more challenging for the smaller companies that don't have the scale and resources of a national distributor that doesn't feel the same financial sting of a hiring mistake, according to David Gordon, Channel Marketing Group.

"The advantage that large companies have is that they have the resources to make investments for excess capacity in people," Gordon says. "If they want to hire entry level management trainees out of school at $50,000 a year apiece, they can afford to do that."

Smaller distributors have to decide how progressive they want to be – which could mean opening up the checkbook to pay for better training and finding other areas to reduce expenses.

5 Tips to Reduce the Cost of Employment

While increased costs related to employment may seem inevitable, you can take steps to mitigate the impact to your company's bottom line. Here are five tips from Nancye Combs, president and CEO of HR Enterprise, a human resources consulting firm in Louisville, KY, on how to manage the rising cost of employment.

Reduce turnover.
Too many distributors suffer from "warm body syndrome," says Nancye Combs, president and CEO of HR Enterprise, a human resources consulting firm in Louisville, KY. "They hire someone who's there, breathing and alive because we've got a vacant seat and we've got to fill it right now."

But often that person isn't a right fit for that job, and you end up spending even more money to fill it again later. "The minimum cost of replacing an employee, any employee, is $4,000," Combs says. If your turnover rate is 30 percent, that can add up quickly.

Focus on hiring the right people at the start to reduce that rate and reduce the amount you spend on hiring and onboarding.

Train your employees.
While training requires an upfront investment, it will reduce your costs in the long run, Combs says.

"Our young generation, our millennials, want to learn," she says. Providing employees – especially younger ones – the opportunity to learn and grow with your company will give them confidence and a sense of ownership in what they're doing. That, in turn, will help achieve lower turnover.

But the results may also be more concrete. "If your worker's compensation rate has spiked because you have not trained employees, you run your rate up," she says. "Instead of having 75 percent of your employees seeing a doctor for lacerations from using an X-Acto knife to open boxes, why wouldn't you train them to use an X-Acto knife to cut the tops off those boxes? Why?"

Having good management, good hiring practices and good training allows you to divert the money you were spending on hiring and injuries to the benefits packages you offer employees.

Tier your benefits package.
At a minimum, provide health insurance to employees to avoid becoming the "employer of last resort," Combs says. But when it comes to other benefits, such as paid time off, tuition assistance or disability coverage, you don't have to provide the same package to everyone.

"You can say all hourly employees receive these benefits and all exempt salaried people get these benefits," she says. That can help balance the cost of benefits across the company.

Share the cost of health insurance.
"You can't know the number of distributors that say to me, 'But we've paid all their health insurance for so many years, we can't stop,'" Combs says. But you can, and you should stop.

"We don't value what we don't pay for," she says. "We take for granted what we're just given."

And if that is what will make the difference between providing insurance and not, don't hesitate to share those costs with employees.

Review your benefits at least every two years.
Don't trust that your insurance provider has your best interests in mind, because first and foremost, he has his own interests in mind. Reviewing your benefits package on a regular basis can reveal gaps in coverage or different plans that may better fit your company's needs – potentially at a lower price.

And it makes your provider aware that you are open to his competitors, which may result in a more competitive offer from him or additional discounts.

Increase ROI from Existing Technology

Use your current systems to grow revenue, retain customers

Companies that don't have the right technology in place or don't optimize their current capabilities are leaving dollars on the table. But a renewed focus on getting the most out of existing systems can yield numerous benefits.

"You can improve profitability by putting on a new front end to an old system," says Bob Srdoch, owner, Laurel Consulting. "You can increase stickiness in terms of services for your customers because it will make it harder for them to leave."

For example, offering a Microsoft QuickBooks interface between your system and your customers' ordering and invoice processes allows a PO to be automatically generated in their accounting system when they place an order – without any additional work on their part.

Technology increases stickiness by enhancing customers' access to a distributor's offerings while also improving their ease of use, says Ranga Bodla, industry lead, wholesale distribution, NetSuite. But it also helps the sales team strengthen customer relationships by having product, pricing and delivery information at hand whenever a customer needs it.

"It's such a big difference when your salespeople can be in front of a customer and with a level of confidence be able to say, 'I can deliver that for you next week,' or 'I'm sorry, I'm not going to be able to deliver that to you at all, so you should go somewhere else,'" Bodla says. "Your salespeople are empowered to not overpromise and underdeliver, but to underpromise and overdeliver – and also to become a trusted adviser to your customers."

Analytics is another technological area where distributors can differentiate, where they find the "needles in the haystack – or the golden needles, I should call them," says Torrey Jaeckle, vice president, Jaeckle Distributors, Madison, WI.

"A lot of times these are things that can either increase your margin or increase your sales," Jaeckle says. "There's a lot of money to be found through digging through your data. Unfortunately, I think as distributors, we all have huge amount of data. It's a huge asset and if you're not using an analytics package to mine that data, it's an asset that's sitting there going unused, which is unfortunate."

Optimizing technology starts with processes, not systems, according to Brian Gardner of SalesProcess360, and author of *ROI from CRM*, who says, in his experience, 60 to 70 percent of distributors have a CRM system, but only 10 percent are getting the most out it.

Gardner recommends conducting a gap analysis for each department – inside sales and outside sales, service and marketing – where you "look at your current processes for each of those departments, be true to yourself and try to figure out where your gaps are," he says. "Where are your inefficiencies?"

Finding the inefficiencies at all the touch points in your company and then putting in place the processes and procedures, such as a CRM system, "can become the conduit to bridge all the gaps of all those departments and allows you to start sharing and leveraging knowledge across departments," Gardner says.

These steps require a culture change for many distributors. Upper management must drive the decision to commit to technology while also targeting the company's early adopters who can champion existing technological capabilities to others.

"Companies should leverage the early adopters in their business, in their company," Gardner says. "Make the other people in the company see the success that an early adopter is having with a system like this."

Technology shouldn't overwhelm your company's talent and resources. It shouldn't require months and months of expensive training for employees but should enable them to do their job of serving customers and helping grow the business.

"You want them to be spending their time learning your product catalog, learning your customers, learning what makes you different as a distributor," Bodla says. "What you're going to win on is you're going to win on service, you're going to win on availability, you're going to win on knowledge."

While distributors might be skeptical of the technology they have – because perhaps they were duped into installing a system way beyond their needs – they must commit to these capabilities if they hope to remain competitive in a world where the pace of change is accelerating.

"Technology should be an evolution, not a revolution," Srdoch says. "It should dovetail with the business development plan and there should be constant ongoing investment in the technology group. It may take a revolution (a new ERP system) to start the transition to evolution ... but evolution is where you want to be."

Taking "baby steps of evolution," Srdoch says, will reduce the chance of business disruption and "help to improve overall morale by showing constant progress." It also prepares distributors for a potential inflection point in the industry – an increasingly likely split between the companies that focus on optimizing technology and the ones who continue to do things the way they've always done them.

"The ones that do it right are the ones that are going to survive," Bodla says. "And the other ones, they're just going to fall to the wayside."

New Tech Disrupts Supply Chain

Mobility, internet of things change how distributors serve customers

2016 Trends

The proliferation of mobility and growth in the use of sensors is driving connectivity in the consumer and business worlds. By 2020, Gartner predicts that more than 20 billion "things" will be connected. The consulting firm expects connection to the internet of things will grow 30 percent in 2016 alone.

Distributors have increasingly embraced the role of mobile in purchasing, leading to more focus on creating mobile-friendly websites. But the practical role of these devices also continues to grow.

"Our digital experiences really need to support how customers want to engage with us," says Rob Milstead, senior vice president, digital for Genuine Parts Company, Atlanta, GA. "What are we doing to provide not just mobile access, but access specific to what their problems are when they're trying to solve?"

For example, a technician in a repair bay has a very different need, such as scanning a VIN for specific vehicle information, than someone shopping for accessories.

"Knowing that we weren't just enabling a mobile experience to conduct the purchase, but actually giving them the tools to actually help them get results back faster – those are some of the things we started to pay attention to more and more," he says.

And it applies internally, as well.

"A distributor surveying an end user's stockroom can use their smartphone to enter data, scan barcodes, basically do that survey and all the pertinent product information that's related to those products can be pulled into the database," says Todd Washburn, vice president, supplier development, NetPlus Alliance. "MSDS sheets, nomenclature, everything about the product is out there and when they scan it in the stock room, it captures all that information. It's pretty incredible stuff."

Connectivity and sensors have the potential to change how distributors and their partners – customers and suppliers – interact. Some sectors such as electronics are already starting to embrace the role of IoT, but significant opportunities for growth still abound.

Sensors can help prevent machine downtime by improving predictive maintenance, for example. Manufacturers are already installing them into many devices, says Karen Lynch, director of the wholesale business unit at SAP. So a distributor could use software to collect data from installed products, such as pumps, to monitor the health of that product and determine if it is running outside of normal parameters. If an alert is raised, the sensors and software can analyze the available data to pinpoint the likely cause. Distributors can then reach out to customers with options for repairing or replacing the failing part – information that can all be accessed through the same dashboard, Lynch says.

"I think as people can better monitor their machines, it sharpens their focus on downtime, which is very good for us because our whole value proposition is giving customers time, machine time, availability," says Mike DeCata, president and CEO, Lawson Products, McCook, IL. "As you have a better understanding of the imminent failure of a piece of equipment, you can anticipate the need and maintain it more quickly than you could have before."

IoT can allow distributors to become more embedded with their customers and play a critical role in keeping their operations functioning. But it also has the potential for increasing disintermediation, as it relies on manufacturers installing the sensors and connecting closely with distributors to keep the database for the dashboards up to date.

New technology will also change the

product mix distributors carry and the types of knowledge distributors need to have, says Erica Gallagher, CTO of electrical and decorative lighting distributor Paramont EO and Crest Lighting, Chicago, IL.

"Sensors are being built into LED lights. They're starting to put video cameras, occupancy sensors, all kinds of information sensors for use cases like building management," she says. "They're being used in HVAC systems to increase efficiency. These systems allow you to program your lighting so that if it senses another person just walked in the room, you might automatically have it turn down the HVAC a degree because the body heat is going to compensate."

Growth of the internet of things is primarily being driven by consumers right now, according to Gartner. But as was seen with mobile and e-commerce, adoption is starting to trickle into business usage, as well, and that use is expected to explode in the next four years.

Differentiate with Strategic Marketing

Investment in marketing builds competitive advantage

2016 Trends

Although marketing has grown in importance for distributors over the last year, most don't realize the crucial role it plays in gaining a competitive advantage.

"It's like the 80-20 rule, where about 20 percent are being more conscious of branding themselves in terms of getting their name (out) as a distributor," says John Garfinkel, executive vice president of corporate development, ISSA.

Strategic marketing is a huge undertaking, especially for distributors that are still resisting digitization and the generational shift in the workforce. A transition from being sales-driven to being marketing-driven is challenging because marketing has never been a priority in distribution, according to James Teat, president, Axcess Technology Source LLC, Carrollton, TX, who remembers a textbook in his college industrial course dedicating just two pages to the subject.

A widespread lack of marketing savvy across the industry provides an excellent opportunity to differentiate, as Axcess Technology has learned. The electronics master distributor uses a variety of marketing approaches and even helps its distributor customers with marketing tools and collateral.

"To stay ahead of the game, we've had to go a little bit above and beyond," Teat says.

For companies that want to stand out in an increasingly crowded market, investing in strategic marketing is key. Alan Beaulieu, an economist with ITR Economics, believes the chief marketing officer role is so important that he suggests companies rent one if they don't want to invest in a full-time position.

Jaeckle Distributors, Madison, WI, left its dedicated marketing position vacant for almost a year, during which time the packaging distributor realized how crucial that role is. "There's no one at the top right now that's saying, 'Here's the strategic direction we need to take. Here's some key ideas we could implement,' and then implement them," says Torrey Jaeckle, the company's vice president. "We have more tactical people right now on the marketing side, but we need that strategic person at the top."

Another important marketing investment is technology. With lower barriers to entry, more distributors are implementing e-commerce capabilities. However, distributors need to take an active role in making their sites generate demand instead of the more common and passive "build it and they will come mentality," say Jonathan Bein and Dean Mueller, Real Results Marketing.

"The requirement for good customer experience is growing each year because of the proliferation of sites and because of the experience in the B2C world," Bein says.

To stay competitive, continuous investment supported by a strategic marketing plan is key, and even enormous investments will fall flat if they are not backed by a well-devised strategy. According to Bein and Mueller, spending more time and effort creating an effective marketing plan and associated strategies would help to eliminate common marketing challenges – including lack of resources, inconsistent messaging, trouble developing leads and difficulty measuring results – while improving market share, customer wallet share and customer retention.

Some distributors, such as North American Breaker Co., Burbank, CA, have realized that a successful marketing strategy must be centered on educating existing and potential customers about the company's ability to meet their needs better than any competitor.

"I think a lot of where we've seen growth in the differentiation of marketing is really building upon our unique selling proposition," says Prescott Van Buskirk, the company's senior vice president of sales & marketing. "We still do the promos, we still do the free T-shirt offers to reach a particular segment of the market, but one place we've really been trying to work predominately on is information – how to use us, how to go to market, how to use us as a secret source for you, how can you maximize your revenue."

With distributors servicing many types of customers, segmentation is critical in order to provide a memorable experience. "Many distributors today still tend to service any and all customers, and the experience customers receive is pretty homogeneous. There's still a huge opportunity to better understand your customer segments and their unmet needs and to deliver differentiated experiences based on the insights of that segmentation," says Guy Blissett, specialist leader for wholesale distribution, Deloitte Consulting LLP.

"You really need to think long and hard all day, every day about who your customer segments should be and what value proposition you want to deliver against those," he says.

Email marketing also can nurture relationships by creating an ongoing, interactive dialogue with customers, says Bob DeStefano, online marketing strategist and professional marketing speaker, in his new book *Old Dog, New Clicks: Online Industrial & B2B Know-How for the 21st Century*. He suggests using content marketing – providing educational blogs, whitepapers, webinars, etc. – to establish your company and employees as experts in order to increase your value to customers and make them more likely to buy from you.

No matter how you choose to market your company, make sure it is measurable to ensure the greatest return on investment. DeStefano suggests using web and marketing analytics to know exactly which activities to cut and which to keep.

Other Trends to Watch

MDM identified a handful of other distribution trends to watch for the rest of 2016 and into next year. Look for stories on these and other topics relevant to the industry in future issues of MDM Premium and at mdm.com.

Mobile mania. As distributors try to innovate the customer experience, look for more to invest in their e-commerce capabilities, especially for mobile users. Distributors – especially those serving construction end markets – are hearing that customers need product information and ordering ability at a job site. A company risks losing customers to a competitor if they can't find what they need with their smartphone or tablet.

"To continue providing excellence through every sales channel, our IT department is designing mobile applications and rebuilding our e-commerce solution and CRM system to meet evolving demand," says Tom Santer, vice president of sales, F.W. Webb Co., Bedford, MA.

Cross training on the rise. Showing employees the different roles at a distributorship can fill a few different needs. It keeps the employee engaged and excited about learning new things, which is especially critical for younger workers. It helps both the employee and the employer find the right fit while potentially avoiding a bad hire. And an employee that succeeds across departments could be groomed for a management position.

"If they're well-rounded they can turn into a pretty good branch manager candidate," says Ed Flemmons, president and partner, Pool Contractors Supply, Memphis, TN.

IT emerging from the shadows. Technology often takes a back seat to sales and marketing at a distribution company, but as the speed of change accelerates and competitors use technology to disrupt traditional business models, companies must tear down the wall that often separates IT from other divisions and elevate its place at the leadership table.

"If you're still referring to your 'IT guy' then you are probably behind the curve on where you need to be in this area," says Torrey Jaeckle, vice president, Jaeckle Distributors, Madison, WI. "Any midsize distributor or larger needs a CIO or equivalent to help guide and set IT strategy, plus a number of staffers under him or her to help roll-out, manage and maintain all the necessary systems you have in place."

Tech Sparks Transformation of Action Health

New ERP leads to realignment, culture change for distributor

Bensenville, IL-based health care packaging distributor Action Health was selected as a 2016 MDM Market Mover for its innovative approach for adapting to the new low-margin reality of its market.

2016 MDM Market Movers

Distributor: Action Health
Headquarters: Bensenville, IL
Leadership: CEO Nancy Cwynar; CFO Phil Negri; President Sean Cwynar
Details: Health care packaging distributor's investment in technology drove cultural change and enabled the company to adapt to the new low-margin reality of the industry.

For Action Health, what started as a need to adapt to the changing health care market led to complete company realignment – including rebranding, cultural change and a focus on internal innovation. And the implementation of a new ERP system was the change agent that started it all.

Increased health care regulations and new players joining the market meant decreased reimbursement for hospitals, creating a lot of downward pressure on price, says Phil Negri, CFO of Action Health. When this low-margin reality began to set in a few years ago, the company "knew that we had to get out in front of that, and we had to be as efficient as some of those gigantic distributors," he says.

While many companies were resistant to the price-focused market pressure, Action Health saw an opportunity. But creating a more efficient company that could compete with larger distributors meant changes would have to be made.

One of the first steps toward a more efficient business was implementing a new ERP system, NetSuite ERP's cloud-based solution, which Negri points to as the "change agent" that propelled the company's realignment.

In 2014, when Negri and Sean Cwynar, president, joined what was then Action Bag Co., the company was serving two distinct markets – health care packaging and retail gift supplies, the latter of which generated only 20 percent of the company's revenue.

"Having the software involved in the more advanced financial reporting really opened our eyes to the potential and opportunity within the health care space and also opened our eyes to the amount of resources that we were tying up in the slower-growth retail market," Negri says.

This triggered the decision to sell the retail division to a strategic buyer and reinvest the proceeds into the health care packaging business, which showed a higher growth potential.

Reinvesting in the company and building it for greater scale and efficiencies was key for competing with much larger competitors while providing the lowest prices.

The sale of the retail division brought a new name – Action Health – and more importantly, a revitalized company culture centered on the mission "deliver savings to the supply chain."

Upgrading to more advanced technology also boosted confidence in attracting key talent. The new "enterprise-class" tools made the company feel comfortable pursuing A-players who could leverage those tools to produce great results. "Before that, we just didn't feel confident enough in the tools that we were providing," Negri says.

However, getting on the "leading edge" did not happen without challenges and sacrifices. "I don't think you can overstate the significance of changing an ERP system within a distribution company," he says. "It's a screen that people sit in front of hours a day and changing that is really changing someone's world. It was a huge, huge cultural transformation for us."

Although the transition was smoothed by proactive communication from the CEO, as well as a lot of preparation and support, some employees who were experts at the old system weren't as willing to adapt and had to be let go.

"In order to be out in front of some trends and some changes, you really have to make some sacrifices like that along the way," Negri says. "It's important for the company to grow, and unfortunately some of those things have to happen."

With sales up 18 percent compared to last year and a 40-percent gain in revenue per employee, Action Health's hard work, sacrifices and dedication to their customers is paying off.

Negri credits that success to investing in people and technology. "That investment in technology has really enabled our talent to do some really great things," he says. "On the flip side, our talent has also improved our technology as they recommend new features or find new ways to use the product. Those two things hand-in-hand have really been able to drive our success."

Paramont EO's Team-Building Redesign

Warehouse remodel becomes foundation for employee engagement program

In 2016, MDM is recognizing distributors that are innovative in their approach to their markets. Chicago, IL-based electrical and decorative lighting distributor Paramont EO recently reconfigured its warehouse to accommodate more products more efficiently. The company was selected as an MDM Market Mover for how it turned an operational efficiency exercise into a company-wide team-building strategy.

2016 MDM Market Movers

Distributor: Paramont EO & Crest Lighting
Headquarters: Chicago, IL
Leadership: CEO Ken Gallagher; CFO Patricia Cunningham; CTO Erica Gallagher
Details: How an electrical supplies and decorative lighting distributor's warehouse remodel became a company-wide training and team-building effort.

When a warehouse runs out of space, the choices are to look for more space or figure out how to work with what you already have. The former was not really an option for Paramont EO, Chicago, IL, which had only moved into its 80,000-square-foot facility in 2013. So the decision was made to reassess the company's existing and future needs and to reconfigure the warehouse layout.

But what started as a simple project to make an existing situation more workable took on a life of its own and resulted in a more cohesive team throughout the company.

"When we decided to build this new warehouse from scratch, I wanted to make sure my warehouse managers were there. It was more or less a community effort, kind of like paintball, but actually was something tangible at the end of the rainbow," says Kevin Reed, director of purchasing. "Everybody had their input. There was not one guy being a dictator and saying, 'This is what we're going to do and don't tell me why we shouldn't be doing it.' It was, 'What do you see every day?'"

Paramont EO brought in team members from across the company – including inside sales and office staff – to create the new warehouse, which also helped improve how employees viewed other roles.

"When somebody's in an office, he doesn't actually see someone that's busting his butt in the warehouse," Reed says. "It was a good chance for the warehouse guys to sit down with the inside sales team or the outside sales team and actually find some common ground. It broke down the barriers that you just sit in every day."

The unintended success of how reconfiguring the warehouse became a team-building event changed management's thoughts about training throughout the company, Reed says.

When the company moved its return area from branches into the centralized warehouse, salespeople were brought in to help set up the shelving and to spend a day experiencing the process. "They see all the steps involved. It's not just as easy as telling somebody over the phone, 'Yeah, I'll take that back," he says.

"It gives an appreciation of the people that often go unnoticed."

And it creates a sense of friendly competition, one that leads employees to wanting to learn more. "They want to be better than the guy next to them. It's a little bit of college camaraderie, a little bit of one-up-manship. This guy knows how to cut this wire, so now I want to know how to do it too," Reed says.

This philosophy has been extended across several functions in the company, which in addition to creating better understanding of the other roles, also helps identify growth opportunities for employees within the company. "Everybody's looking to move up the ladder. This kind of helps push that along," he says.

For example, a warehouse employee was given the opportunity to learn a computer for the software in one building and "was able to springboard that into a career in purchasing," Reed says. "It helps us spot talent that we might not have otherwise known existed."

As the company moves forward, sales growth and technology changes will eventually lead to Paramont EO outgrowing its space once again. "Products are changing," says Erica Gallagher, CTO. "So we're going to have to think differently about what we have on our warehouse shelves and how we store them."

But the team is already planning for that next stage, as well.

Sky's the Limit at SRS Distribution

8 years, 45 acquisitions, $1.4 billion

Formed in 2008 at the height of the Great Recession, roofing distributor SRS Distribution Inc., McKinney, TX, reached $1 billion in revenue within six years. Last year SRS grew revenue 32 percent and in the past three years it has seen sales, EBITDA and locations double. Associate Editor Eric Smith spoke with Dan Tinker, president and COO, about the company's origins, its ability to grow organically and through acquisition no matter the economic conditions and its commitment to a strong culture.

MDM: How is business going?

Dan Tinker: Business is going great in 2016. We are really hitting on all cylinders. Sales are up very nicely over last year. We continue to add greenfields, and acquisitions continue to grow, as well. The industry, as far as the roofing side goes, has certainly turned upward in the last six months. We benefited – like all other distributors – from the mild winter. Also, we don't have that much exposure to the oil field sector, per se, so we don't have the downturn pressure like most industrial distributors do.

MDM: SRS was formed in 2008, during the Great Recession. How did you navigate a very challenging economy at that time?

Tinker: One of the benefits we had is our entire management team led two predecessor companies that had broad building products exposure to dozens of product lines. We also had the benefit when we started the company to know that the housing market was collapsing upon itself. We strategically went after the one segment that we felt was the most recession-resilient, which was residential roofing.

Because we had the benefit of knowing what was in store, we built the business very focused on the product line we knew would fare well during the downturn and then we would be able to add other extensions or other building product categories once the market rebounded, although we stayed very core roofing.

We knew the market was down and it was a good time to pursue acquisitions because we had cash on the balance sheet. We took advantage of a few unique buying opportunities that helped set the stage for our national platform.

MDM: What are the core strengths of SRS Distribution?

2016 MDM Leader Profile

Distributor: SRS Distribution Inc.
Headquarters: McKinney, TX
2015 Revenue: $1.4 billion
Leadership: CEO Ronald Ross; President & COO Daniel Tinker; CFO Jeffrey Richard; EVP of Operations John Bradberry; CHRO Donald Moseley; Director of FP&A/Business Development Matthew McDermott

Tinker: One is our culture. We have a very fanatical culture. We have a broad equity ownership base for the employee group, so everybody thinks like an owner. It does align ourselves with our investor partners [Berkshire Partners] really well and everybody is focused on growth. Talent is good but engaged talent is what you really want. That comes back to culture.

As far as the business model itself, obviously a core strength is M&A. We are a very acquisitive company, and what we are most proud of is that we improve the businesses we acquire. We certainly don't consider ourselves a roll-up. We consider ourselves somebody that buys family businesses and helps build them to their full maximum potential by bringing them resources, capital and a growth mindset to really unleash their full potential while preserving their legacy. I think that is our calling card and what makes us standout versus other acquirers.

The other core tenant to the model is we try to play downstream to the customer with a very intimate customer experience and not feel like a big national company. We combine the sourcing side and the resources of a big company without bringing a cookie-cutter approach to service and losing that personal touch. I think we do a good job bifurcating that.

MDM: Is there anything you guys would have done differently over the past eight years, or perhaps as the company was growing, were there times you had to shift gears with your business model?

Tinker: The model has been solid and our growth strategy has been solid and our product focus has been solid. The two things that come to mind, looking back in hindsight, we would have invested even deeper in talent earlier on. We have a mantra of "win the talent war" and investing in our college recruiting program. We have been doing that since the beginning, but we probably should have been doubling up on the numbers we were doing four, five, six years ago. As our business has grown, the scale has gotten ahead of us, and we have had to really ramp that up.

The only other thing I can think of is we probably got a little bit ahead of ourselves with the e-commerce side. Our industry is just not ready for it, or at least we feel we are a little bit ahead of our customers' readiness for it. We have had to wait for that to catch up, but it's technology we will be able to utilize when the customer base is ready for it.

MDM: How have acquisitions played a role in the company's growth, and what's on the M&A front for SRS Distribution moving forward?

Tinker: Acquisitions are critical, one of our three legs to the growth platform. We have done 45 acquisitions. We continue to keep an active dialog with many strategic and opportunistic targets, and we are in constant dialog with the targets. The pipeline remains very full. There is still a lot of consolidation left to go in our industry and there are a lot of great family companies still looking for a succession plan. We are seeing less and less keep the business in the family with this generation switch.

There are a lot of people with the aging baby boomer generation looking to exit the business. A lot of them seek us out individually and don't run through a process because they look for a home that they can stay on as an owner and really enjoy still being an entrepreneur. (SRS allows owners to reinvest back into the company.) We have several unique attributes that allow us to get a stronger pipeline of family companies than some of the competing consolidators in our space.

MDM: What are some initiatives you are taking on to make sure you are getting the best talent and keeping them at SRS?

Tinker: I can list tons of different things. First of all, on attracting good salespeople and outside salespeople to the company, we have decided to follow Andy Berlin and Berlin Packaging's model. We are now mimicking his strategy of hiring great people from outside the industry that maybe have similar, other industrial distribution backgrounds that can come over. Maybe they are proven salespeople that are pretty young. They have proven in their first role, they may get stuck in a territory where they don't have a lot of growth room. They are high performers. It takes the risk out of the equation of hiring a college grad that has no job experience.

We use recruiters and LinkedIn and lots of other online resources to go find people who are absolutely gainfully employed and very productive in an industry like HVAC or plumbing or electrical distribution. They call on those kind of contractors as a wholesale distributor rep. They may have capped compensation, or a limited territory, or some other reason they are limited for their growth. With our structure, they can be a stockholder, they have uncapped commission, and they can really unleash their potential with us. And there is a lot less risk. Because our products that we are training them on are so easy to learn, you don't have to have a lot of industry experience to really learn the product knowledge on our side because it's a low-tech product.

On the management training side we are still investing huge in the college relationships with all the industrial distribution schools and their faculties. We do internships, we partner with the faculty, we do research projects. We get our executives to speak on campus to the students and really try to give back to the universities that feed us a lot of talent. We want to be a brand and a name on campus that the culture spreads to the underclassmen from all of the seniors who are talking about their SRS interview and job offers. We really work hard to develop that brand all the way down to the underclassmen at these industrial distribution schools around the country.

MDM: We are hearing a lot now about the growing importance of the customer experience. How big of a priority is that at SRS and what are some hallmarks of the customer experience that the company provides?

Tinker: We just recently added a full-time director of customer experience and director of customer training. Next, we will be rolling out Net Promoter Score to our customer base, and we are following Andy Berlin and Berlin Packaging's model on this initiative. We do believe in improving the customer journey through touch points. This is a new venture for us but we like the theory behind it and it feels like we can execute and continue to improve all of our individual touch points, but also the entire holistic journey of our business-to-business contractor base.

I think the hallmark to ours right now is a customized service platform. Every customer has a unique platform customized to their basic desires and what is important to them. The key is to have processes in place where you can deliver great service but you can customize it to each individual customer.

MDM: What are some of the challenges that your customers are experiencing?

Tinker: I think from a customer perspective, the biggest thing that comes to mind in our industry is labor shortage. There is truly a strong labor shortage in construction. After the Great Recession, a lot of labor left the housing and remodeling industry. It has been slow to come back. That is holding back how much work can be done out there. I think that is a big issue.

As distributors, the biggest challenge we worry about is the new overtime rules. We worry about the rising costs of medical care and how out of control it is.

The one other thing that is kind of a hidden tsunami is the cost of commercial real estate as we come out of the recession and into a stronger time. We lease all our buildings. So a lot of those warehouses and distribution centers are coming up for renewal. The market is stronger now, so the lease renewal rates and the market rates are higher than they were five or 10 years ago when we were renewing in the recession. Those are real costs that have to be passed onto the consumer and the customer downstream. Those are probably the three things that we are trying to figure out how to handle.

MDM: What sets SRS apart from your competitors?

Tinker: I think that we have the most engaged, talented people that are focused on a common goal. That is to make our customers wealthier, our suppliers wealthier and our own shareholders and employees wealthier. We feel like wealth creation is not a zero-sum game. If we do our job in the distribution channel, we make our suppliers more profitable, our customers more profitable and our company more profitable. As a result, our employees are more profitable. So that's our goal, that's our mantra and I think we are executing on that well so far. We are excited about it and very passionate, obviously, in what we do.

Winsupply's Winning Formula

Unified branding sets the stage for growth

Celebrating its 60th anniversary this year, Winsupply, Dayton, OH, is fresh off a name change (it was formerly WinWholesale) and poised to set another record for revenue. Associate Editor Eric Smith spoke with President and CFO Roland Gordon and CMO Steve Edwards about the company's past, present and future.

2016 MDM Leader Profile

Distributor: Winsupply
Headquarters: Dayton, OH
2015 Revenue: $2.7 billion
Leadership: CEO Jack Johnston; President & CFO Roland Gordon; COO Monte L. Salsman; CMO Steve Edwards

MDM: How is business going?

Roland Gordon: Our goal this year is to reach the $3 billion mark in sales and we're on pace to reach that. The first quarter was very, very encouraging. We're hoping to reach that goal. The previous year was our best year ever, so we're really excited about the future. We can't predict the last half of the year, but the first quarter went extremely well for us.

MDM: Winsupply operates in many different sectors with 60 percent of business being in HVAC and plumbing. Is that what's driving the growth this year?

Gordon: No segment that we're in has been blowing it out of the water. It's just been very consistent across the board.

Steve Edwards: Because we are so diversified geographically and our markets are so fragmented, it doesn't seem like any one industry really drives things as much as the people we have in each individual market. That helps drive performance. One of the emerging areas for us, though, that we started getting into last year was fire protection, and that is a growing business for us.

MDM: The company is celebrating its 60th anniversary this year, so congrats. What is Winsupply's legacy so far and what are you most proud of as you look back over the past 60 years?

Gordon: This whole company was based on free enterprise capitalism and so we're so proud of all our entrepreneurs and business owners we've created throughout the years. That will continue to be our legacy going forward. We believe in risk and reward and that you earn your success. We're very proud of that. Our company presidents love the model.

Edwards: We happen to be in wholesale distribution, but I would tell you that the real purpose of our company – and this was created by the founders of the company– is to provide hard working individuals the opportunity to own a business. It just happens to be that the business is wholesale distribution. To back up what Roland was saying, providing opportunity for those entrepreneurs to own a business and have earned success is a key part of the legacy.

MDM: How did WinWholesale – and later Winsupply – adapt to the changing marketplace over the past six decades? Anything you would have done differently or more quickly?

Gordon: Our customers' expectations are changing faster than technology. Their expectations are, "Hey I want something, and I need it now." We've got to make sure that we meet those expectations by having the product in the right place, at the right time.

Edwards: In the past, the standard expectation was great service between 7 and 5 Monday through Friday. That's what our customers have wanted or expected because those were the limitations. Now it's a 24/7 world. It's not practical to keep a location open 24 hours a day, but how can we, through technology, provide access to our products, to our service, to our people's expertise by leveraging technology? The beauty for us is that we've got these strong relationships, we've got this strong local presence through our model. Our foundation is really strong. Now, how do we take advantage of some of these new innovations to enhance that experience to meet or exceed the customer expectations?

MDM: What did you hope the rebranding campaign would achieve? Do you feel like it's been successful as you guys shifted from WinWholesale to Winsupply?

Edwards: It's gone well. We announced the change of the corporate name from WinWholesale to Winsupply last September so we're, what, eight months into it? We've had roughly 140 locations since that time decide to change their name to Winsupply and take advantage of a more national brand, in addition to the roughly 80 that were already in place. All new locations going forward will be named Winsupply, so it is growing and we'll slowly consolidate.

A brand is more than just your logo or your name. It's really the experience that we provide our customers and what they think about that experience. We continue making sure that we really hammer home the importance of having the product when and where our customers need it. Making sure our people are the go-to experts on the products that they sell so they can help solve any problems our customers have, and that our customers have the comfort of dealing with a local owner and decision-maker.

MDM: So even though the name changed the culture didn't, and the fundamentals of the business remain the same?

Edwards: It's hard in our industry – and it's getting more difficult – to find good people. It makes it even more difficult by creating a fragmented and confusing name or brand structure. We could introduce ourselves as somebody from WinWholesale, but that didn't have much cachet to someone in the market because WinWholesale didn't sell anything. Good candidates were much more familiar with Winnelson or Winair or Winlectric. It helps us with the awareness we create with a national brand to get our story out, and be more recognizable to potential people we're trying to recruit.

From an acquisition standpoint as the industry consolidates, we want to be more recognizable and create more awareness about our model and our story so that as wholesalers decide to get out of their business or maybe look for an exit strategy that we're top of mind. It helps us from that angle as well.

MDM: I'm glad you brought up talent. Are you seeing a talent gap, and what are you doing to attract and retain qualified employees?

Gordon: We do recognize that the workforce and their expectations are changing. One thing we've really beefed up has been our training program and making it more 24/7 online training. We do encourage all of our employees to take advantage of that. We have seen a huge uptick in the training because we provide everything from financial training to product training to leadership training, all online.

Plus, we do have different training programs that we do on a regional basis where we bring people into a classroom. That has been a big push, because we do want to invest in people and we want them to know that we will invest in them. It's the spirit of opportunity. We used to say, "We don't hire truck drivers, we hire future company presidents." We've got several examples of people that started out sweeping a warehouse or driving a truck and now they're running their own company.

Edwards: We have a great story to tell, but we have to find new ways to tell our story. We used to take kind of a cookie-cutter approach that we told our story one way and assumed it would resonate with everybody. We really have to find ways to talk about the opportunity that we provide, our history and our future in ways that resonate with younger people.

MDM: What are some of the biggest challenges facing your customers and the industry as a whole? What are you seeing as the biggest issues facing Winsupply in the next 60 years?

Gordon: For our customers, a lot of people aren't going into the trades and so they're feeling that shortage also of who's going to supply this demand of plumbers, electricians, and skilled tradespeople. For the industry, what we're trying to address are the changing customer expectations. Customers expect products when they want them, and you have to have it in stock or have easy access to it. We are working on those issues.

MDM: What sets Winsupply apart from your competitors?

Gordon: What sets us apart is that we believe in an owner under every roof. That's what we pride ourselves in. Most of their customers are entrepreneurs, so they can have an owner-to-owner conversation and they can solve problems. We give our local companies a lot of autonomy, especially in their market, to solve these problems.

Also, our reward system – we reward people who do well. We have uncapped profit sharing. We know that our presidents have made an investment and they've risked some of their capital, so we want to reward them for that.

Edwards: There are many different factors affecting our business and yet we stay true to our business model. In our model, balance is critical. How do we continue to hold true to those core fundamental beliefs we have, yet still be able to respond to the changing market place?

While we certainly want to honor and recognize the past 60 years and what has gotten us to this point, we are not resting on our laurels. It's appropriate to look back and say, "What an incredible history and thank you to all of those who have contributed to six decades of success," but it's imperative to look forward and work on creating the next 60 years of success for Winsupply.

2016 MDM Market Leaders: Annual Lists of the Top Distributors

For access to the top distributor lists for all 15 sectors, additional information on each company included in these lists and an overview of trends for each sector, visit **www.mdm.com/Market Leaders**.

Online Resources

Read about trends affecting specific sectors at mdm.com/ marketleaders.

Top 40 Industrial Distributors

1. W.W. Grainger: $10 billion
2. HD Supply: $7.4 billion
3. Airgas: $5.3 billion
4. Motion Industries: $4.6 billion
5. MRC Global Corp.: $4.5 billion
6. The Fastenal Company: $3.9 billion
7. NOW Inc. (DistributionNOW): $3 billion
8. MSC Industrial Direct: $2.9 billion
9. McMaster-Carr: N/A
10. Winsupply: $2.7 billion
11. Applied Industrial Technologies: $2.6 billion*
12. Edgen Murray: N/A
13. Interline Brands: N/A
14. Wurth - Americas: $1.7 billion
15. Sonepar Industrial: N/A
16. Wolseley Industrial Group: $1.4 billion
17. DXP Enterprises: $1.25 billion
18. Kaman Distribution Group: $1.2 billion
19. F.W. Webb: $960 million
20. ERIKS North America: $791 million
21. BDI: $750 million
22. The United Distribution Group: N/A
23. Global Industrial: $698 million
24. Turtle & Hughes: N/A
25. SunSource: N/A
26. Wajax: $529.5 million
27. BlackHawk Industrial: $430 million
28. SBP Holdings: $364 million
29. Gas And Supply Co.: N/A
30. DGI Supply: N/A
31. FCX Performance: $330.8 million
32. RS Hughes Co.: $319.9 million
33. AWC: $319.2 million
34. Lawson Products: $275.8 million
35. Hisco: $267.6 million
36. Ryan Herco Flow Solutions: N/A
37. Ohio Transmission Corp.: N/A
38. Kimball Midwest: $219 million
39. Hydradyne: N/A
40. Valin: $166.5 million

**Calendar year 2015*

For additional information on each company and an overview of trends for the industrial sector, go to mdm.com/2016-top-industrial-distributors.

Top 10 Building Materials Distributors

1. Builders FirstSource: $6.1 billion
2. ABC Supply: $5.9 billion
3. Allied Building Products: $2.52 billion
4. Beacon Roofing Supply: $2.51 billion
5. 84 Lumber: $2.5 billion
6. US LBM Holdings: N/A
7. BlueLinx Corp.: $1.9 billion
8. HD Supply White Cap: $1.7 billion
9. BMC Stock Holdings: $1.6 billion
10. (tie) L&W Supply: $1.4 billion
    SRS Distribution: $1.4 billion

Top 25 Electrical Distributors

1. Sonepar North America: $9.6 billion
2. WESCO International: $7.5 billion
3. Graybar: $6.1 billion
4. Rexel (North America): $5.6 billion
5. CED: N/A
6. Anixter International: $4.8 billion
7. Border States Electric: N/A
8. Crescent Electric Supply: $1.1 billion
9. City Electric Supply: N/A
10. W.W. Grainger (electrical): $997.3 million
11. Mayer Electric Supply: $811 million
12. EIS: $752 million
13. Elliot Electric Supply: $742 million
14. McNaughton-McKay Electric: N/A
15. The Reynolds Company: N/A
16. State Electric Supply: N/A
17. North Coast Electric: $475 million
18. Turtle & Hughes: N/A
19. Kendall Electric: N/A
20. Summit Electric Supply: $425.9 million
21. Wholesale Electric Supply Co. of Houston: N/A
22. Kirby Risk: N/A
23. Van Meter: N/A
24. Werner Electric Supply: N/A
25. Dakota Supply Group: N/A

Top 10 PT/Bearing Distributors

1. Motion Industries: $4.6 billion
2. Applied Industrial Technologies: $2.6 billion*
3. Kaman Distribution Group: $1.2 billion
4. BDI: $750 million
5. Wajax: $529.5 million
6. W.W. Grainger (PT/motors): $299.2 million
7. Ohio Transmission Corp.: N/A
8. DXP Enterprises (PT/bearing): $187.1 million
9. IBT Industrial Solutions: $161.6 million
10. CB: N/A

**Calendar year 2015*

Top 10 HVACR/Plumbing Distributors

1. Ferguson Enterprises: $13 billion
2. Watsco: $4.1 billion
3. Hajoca: N/A
4. Winsupply: $2.7 billion
5. Johnstone Supply: N/A
6. Interline Brands: N/A
7. W.W. Grainger (HVAC): $1.4 billion
8. MORSCO: N/A
9. Wolseley Canada: $1 billion
10. F.W. Webb: $960 million

View the complete lists for all 15 sectors, an overview of trends by sector and the 2016 Distribution Trends Report at **www.mdm.com/MarketLeaders**

Other Sectors Included Online:

- Electronics
- Fasteners
- Fluid Power
- Gases & Welding Equipment
- Jan-San
- Hose & Hose Accessories
- Industrial PVF
- Pharmaceuticals
- Plastics
- Safety

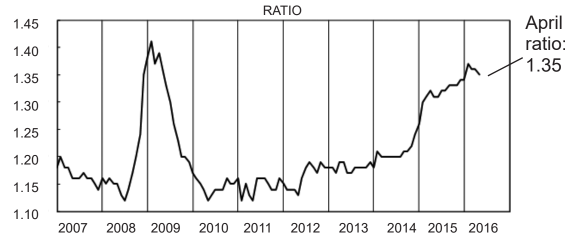
Monthly Wholesale Trade Data

Wholesale revenues in April were $434.2 billion, down 2.6 percent from April 2015 and up 1 percent from March. April sales of durable goods were up 0.4 percent from last month, but down 1.4 percent from a year ago. Sales of nondurable goods were up 1.5 percent from March, but down 3.8 percent from last April.

Inventories. Inventories were $587.9 billion at the end of April, up 0.6 percent from the revised March level and up 0.9 percent from the April 2015 level. April inventories of durable goods were up 0.2 percent from last month, but down 1.8 percent from a year ago. Inventories of nondurable goods were up 1.3 percent from March and up 5.5 percent from last April.

Monthly Inventories/Sales Ratios of Merchant Wholesalers: 2007-2016

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



Source: U.S. Census Bureau

Inventories/Sales Ratio. The April inventories/sales ratio for merchant wholesalers was 1.35. The April 2015 ratio was 1.31.

Sales and Inventories Trends: April 2016

NAICS Code	Business Type	Sales $Millions	Inventory $Millions	Stock/ Sales Ratio	Percent Change Sales 3/16-4/16	Percent Change Sales 4/15-4/16	Percent Change Inventory 3/16-4/16	Percent Change Inventory 4/15-4/16
42	**U.S. Total**	**434,170**	**587,901**	**1.35**	**1.0**	**-2.6**	**0.6**	**0.9**
423	**Durable Goods**	**211,082**	**355,036**	**1.68**	**0.4**	**-1.4**	**0.2**	**-1.8**
4231	Automotive	36,578	66,073	1.81	1.6	-2.1	-0.4	5.1
4232	Furniture & Home Furnishings	7,150	11,032	1.54	1.8	4.5	-0.5	4.1
4233	Lumber & Other Construction Materials	10,124	14,074	1.39	-1.1	8.2	1.3	1.0
4234	Prof. & Commercial Equip. & Supplies	36,951	37,808	1.02	0.4	2.2	-0.6	-3.3
42343	Computer Equipment & Software	18,133	14,418	0.80	-0.4	-4.3	-3.0	-7.5
4235	Metals & Minerals	11,520	25,767	2.24	0.6	-14.5	-0.3	-20.0
4236	Electrical Goods	44,862	46,037	1.03	-2.7	-4.8	0.6	-4.3
4237	Hardware, Plumbing, & Heating Equipment	10,959	22,853	2.09	-0.7	-0.3	0.4	3.2
4238	Machinery, Equipment & Supplies	34,640	104,341	3.01	1.5	0.4	0.7	-1.4
4239	Miscellaneous Durable	18,298	27,051	1.48	5.1	0.7	0.4	0.4
424	**Nondurable Goods**	**223,088**	**232,865**	**1.04**	**1.5**	**-3.8**	**1.3**	**5.5**
4241	Paper & Paper Products	8,304	8,404	1.01	1.1	3.7	0.6	1.8
4242	Drugs	53,651	61,903	1.15	0.7	6.8	2.2	12.7
4243	Apparel, Piece Goods & Notions	13,226	30,841	2.33	0.3	-4.0	1.1	7.7
4244	Groceries & Related Products	49,829	34,077	0.68	0.1	-1.9	-1.0	-0.2
4245	Farm-product Raw Materials	16,171	23,132	1.43	-2.5	-15.7	7.5	12.2
4246	Chemicals & Allied Products	9,945	12,544	1.26	-0.6	-4.1	0.6	2.6
4247	Petroleum & Petroleum Products	38,052	18,125	0.48	9.0	-18.6	0.4	-5.1
4248	Beer, Wine & Distilled Beverages	11,630	15,413	1.33	0.9	4.7	-0.2	0.5
4249	Miscellaneous Nondurable Goods	22,280	28,426	1.28	0.0	3.0	-0.4	3.5

U.S. Bureau of the Census, Current Business Reports, Monthly Wholesale Trade, Sales and Inventories Series: MDM compilation and analysis.
Adjusted for seasonal and trading day differences. Figures for sales and inventories are preliminary adjusted estimates.

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Industrial & Construction Markets Update

VOL. 46, NO. 11-12 | JUNE 10 & 25, 2016

Wolseley Sales Up 10.8% in 3Q

UK-based Wolseley plc reported third quarter sales of £3.7 billion (US$5.3 billion), up 10.8 percent. On a like-for-like basis, sales were up 2.8 percent.

Trading profit for the quarter was up 17.9 percent to £230 million (US$331.5 million).

Five bolt-on acquisitions were completed in the quarter with annualized sales of £23 million (US$33.1 million). The sale of building materials activities in France was also completed.

Fiscal year-to-date sales were £10.5 billion (US$9.8 billion), up 7.2 percent year-over-year. Trading profit increased 10 percent to £640 million (US$922.4 million).

U.S.

Third quarter sales for Ferguson, Wolseley's U.S. business, were up 14.1 percent from last year to £2.4 billion (US$3.5 billion), and 5 percent on a like-for-like basis. Acquisitions contributed 1.8 percent of additional sales growth. Two bolt-on acquisitions were completed in the quarter with total annualized sales of £9 million (US$13 million).

Canada

Sales in Canada were up 0.1 percent year-over year on a like-for-like basis. Two bolt-on acquisitions were completed in the quarter with total annualized revenue of £13 million (US$18.7 million).

UK

Sales in the UK were 0.4 percent lower than the prior year on a like-for-like basis with acquisitions contributing an additional 2.8 percent.

Nordics

Sales in the Nordics region were down 2.6 percent on a like-for-like basis, due in part to adverse weather conditions and the reduction of tax incentives.

Central Europe

Like-for-like sales in Central Europe decreased 0.2 percent.

Distributor News

Grainger, Chicago, IL, reported daily sales for May increased 1 percent compared to the same period a year ago. Results for the month included a 4 percentage point contribution from Cromwell Group (Holdings) Ltd, acquired Sept. 1. U.S. segment sales were down 3 percent year-over-year.

Plumbing distributor **Ferguson Enterprises Inc.**, Newport News, VA, has acquired **Bruce-Rogers Company**, Fort Smith, AR.

Airgas Inc., Radnor, PA, an **Air Liquide** company, has acquired **Monroe Welding Supply Inc.**, Monroe, LA, and **Clark Industrial Supply Inc.**, San Jose, CA.

France-based electrical distributor **Sonepar** has agreed to acquire Belgium-based electrical wholesaler **Cheyns NV**.

Applied Industrial Technologies, Cleveland, OH, has acquired Canada-based **Seals Unlimited**, a distributor of sealing, fastener and hose products.

U.S. LBM Holdings LLC, Green Bay, WI, has acquired **Raymond Building Supply**, North Fort Myers, FL.

ABC Supply Co. Inc., Beloit, WI, has acquired **GK Building Supply Corp.**, Port Chester, NY, a distributor of roofing, gutter and siding products.

Beacon Roofing Supply Inc., Herndon, VA, has acquired **Woodfeathers Inc.**, a Portland, OR-based distributor of primarily residential roofing and related products.

Border States Electric, Fargo, ND, has agreed to acquire **Shealy Electrical Wholesalers**, based in North and South Carolina.

Distribution International Inc., Houston, TX, has acquired certain assets of **Johnson Insulation LLC**, Spokane, WA.

RelaDyne, Cincinnati, OH, has acquired the lubricants division of **Hollingsworth Oil Company**.

Ritz Safety LLC, Dayton, Ohio, has acquired **Slate Rock Safety LLC**, Medina, OH, an e-commerce retailer and distributor of flame resistant work apparel and other personal protective equipment.

Fastenal Co., Winona, MN, reported sales for May of $333.7 million, a 6.2 percent increase year-over-year. Daily sales increased 1.1 percent to an average of $15.9 million.

HD Supply Holdings Inc., Atlanta, GA, reported sales for the fiscal first quarter ended May 1 of $1.8 billion, an increase of 7.3 percent year-over-year. The company reported a loss for the quarter of $14 million, compared to a profit of $242 million in the first quarter the previous year. First-quarter sales for facilities maintenance were up 6.6 percent year-over-year to $677 mil-

continued on p.2 of this section

MARKETS UPDATE SUPPLEMENT P. 2

News Digest
Continued from p. 1 of this section

lion, Waterworks sales were up 6.1 percent to $605 million and White Cap sales increased 9.8 percent to $477 million.

Irby Co., a Jackson, MS-based subsidiary of **Sonepar USA**, has named Mike Leech as president, following the announcement of Mike Wigton's retirement.

Economic News

April **U.S. manufacturing technology orders** totaled $284.1 million according to AMT – The Association for Manufacturing Technology. This total was down 25.5 percent from March and down 27.5 percent from April 2015. Year-to-date, total orders were $1,230.9 million, down 16.6 percent compared to the same point in 2015.

April **U.S. cutting tool consumption** totaled $173.6 million, according to the U.S. Cutting Tool Institute and AMT – the Association for Manufacturing Technology. This total was down 5.7 percent from March's total and down 15 percent from April 2015. With a year-to-date total of $689.8 million, 2016 was down 10.3 percent when compared with 2015.

The **Producer Price Index for final demand** increased 0.4 percent in May, seasonally adjusted, according to the U.S. Bureau of Labor Statistics.

The May **PMI** was 51.3 percent, an increase of 0.5 percentage point from the April reading, according to the latest ISM Manufacturing Report on Business. The **New Orders Index** registered 55.7 percent, a decrease of 0.1 percentage point from the April reading of 55.8 percent.

The **Conference Board Consumer Confidence Index** declined in May to 92.6, down from 94.7 in April.

Industrial production in the U.S. decreased 0.4 percent in May after increasing 0.6 percent in April, according to the Federal Reserve. **Capacity utilization** fell 0.4 percent to 74.9 percent.

The **NFIB Small Business Optimism Index** rose 0.2 points in May to 93.8. Four of the 10 Index components posted a gain, four declined and two were unchanged.

April **construction spending** was estimated at a seasonally adjusted annual rate of $1,133.9 billion, 1.8 percent below the revised March estimate of $1,155.1 billion, according to the U.S.

Calculation of MDM Inflation Index for May 2016

		BLS Price Indices May '16	BLS Price Indices Apr. '16	BLS Price Indices May '15	% Sales Weight	Weighted Indices May '16 (1)X(4)	% Change May '16 Apr. '16	% Change May '16 May '15
1136	Abr. Prod.	584.8	584.2	576.8	19.1	111.70	0.10	1.39
1135	Cutting Tools	508.7	508.4	507.3	18.9	96.14	0.05	0.27
1145	Power Trans.	811.0	811.0	810.1	15.4	124.90	0.00	0.12
1081	Fasteners	516.6	517.4	510.4	9.0	46.50	-0.16	1.22
1149.01	Valves, etc.	962.9	965.5	961.3	7.6	73.18	-0.27	0.17
1132	Power Tools	379.1	379.1	371.8	6.5	24.64	0.00	1.97
1144	Mat. Handling	599.8	599.8	594.0	6.2	37.19	0.00	0.97
0713.03	Belting	834.0	831.8	835.0	6.1	50.87	0.27	-0.12
1042	Hand Tools	784.3	782.2	779.8	8.1	63.53	0.26	0.57
108	Misc. Metal	470.1	469.8	478.3	3.1	14.57	0.06	-1.71

"New" May Index	336.1	May Inflation Index	643.21	0.03	0.55
"New" April Index	335.9	April Inflation Index	643.00		
		May 2015 Inflation Index	639.72		

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

Census Bureau. The April figure is 4.5 percent above the April 2015 estimate of $1,085 billion.

New orders for manufactured durable goods in April increased 3.4 percent to $235.9 billion, according to the U.S. Census Bureau. Excluding transportation, new orders increased 0.4 percent. Excluding defense, new orders increased 3.7 percent.

Total April **exports** were $182.8 billion and **imports** were $220.2 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 $37.4 billion, up $1.9 billion from March. April exports were up $2.6 billion from March, and April imports were up $4.5 billion.

Canadian residential construction investment totaled C$26.1 billion (US$20 billion) in the first quarter, up 2.1 percent from the same quarter in 2015. The increase came from all components, except acquisition costs related to new dwelling units and semi-detached dwellings. Higher investment in apartment and apartment-condominium building construction (up 21.2 percent) was responsible for much of the advance at the national level.

Canadian investment in new housing construction increased 8.4 percent to C$4.2 billion (US$3.3 billion) in April compared with the same month in 2015, according to Statistics Canada. Nationally, the increase was driven by higher investment in apartment and apartment-condominium buildings, which rose 20.8 percent.

Canadian manufacturing sales rose 1 percent to C$50.4 billion (US$39 billion) in April, mainly reflecting higher sales in the petroleum and coal product, transportation equipment, and primary metal industries, according to Statistics Canada. Sales increased in 10 of 21 industries, representing 55 percent of Canadian manufacturing sales.

The value of **Canadian building permits** issued by municipalities decreased 0.3 percent to C$6.9 billion (US$5.4 billion) in April, marking the second consecutive monthly decline, according to Statistics Canada. The decrease was largely the result of lower construction intentions in Ontario, Quebec and Nova Scotia.

Canada's industrial product price index declined 0.5 percent in April, according to Statistics Canada. The decline was led by lower prices for motorized and recreational vehicles, while higher prices for energy and petroleum products helped moderate the fall. The **Raw Materials Price Index** increased 0.7 percent, led by higher prices for crude energy products.

Canadian industries increased their production capacity by 0.5 percentage points in the first quarter to 81.4 percent, according to Statistics Canada. The mining, quarrying and oil and gas extraction industries were the main source of this increase.

In April 2016, compared with March 2016, **European industrial producer prices** fell by 0.3 percent in the euro area (EA19) and by 0.2 percent in the EU28, according to estimates from Eurostat, the statistical office of the European Union. In March 2016 prices rose by 0.3 percent in the euro area and by 0.4 percent in the EU28. In April 2016, compared with April 2015, industrial producer prices fell 4.4 percent in the euro area and by 4.2 percent in the EU28.

European seasonally adjusted industrial production rose by 1.1 percent in April in the euro area (EA19) and by 1.3 percent in the EU28, according to estimates from Eurostat, the statistical office of the European Union. In March 2016 industrial production fell by 0.7 percent in the euro area and by 0.5 percent in the EU28. In April 2016 compared with April 2015, industrial production increased by 2 percent in the euro area and by 2.5 percent in the EU28.

Heating, Air-conditioning and Refrigeration Distributors International reported a 2.9 percent sales increase for April. The annualized growth through April was 5.8 percent.

The Power Transmission Distributors Association Business Index reading for the first quarter was 50.8, up from the 4Q2015 reading of 35.7, indicating significant growth.

The **ISA Distributor Index** decreased to 66.9 in May from 57.5 in April, while the **Manufacturer Index** increased to 56.8 from 55.5, indicating accelerating activity for both groups..

Manufacturer News

H.B. Fuller Co., St. Paul, MN, has agreed to acquire **Cyberbond LLC**, Batavia, IL.

continued on p.4 of this section

MARKETS UPDATE SUPPLEMENT P. 4

News Digest

Continued from p. 3 of this section

Atlas Copco, Stockholm, Sweden, has agreed to acquire South Korea-based **CSK Inc.**

Atlas Copco has agreed to acquire **Bondtech**, a Swedish supplier of dispensing equipment for adhesives and sealants.

Atlas Copco has agreed to acquire Germany-based **Schneider Druckluft GmbH**.

Swedish bearing manufacturer **SKF** will consolidate its North American manufacturing facilities, closing sites in San Diego, CA, and Baltimore, MD.

SureWerx (formerly JET Group), Vancouver, Canada, has acquired **KP Industries**, Old Mission, MI.

Garlock, Palmyra, NY, has acquired **Rubber Fab Gasket & Molding Inc.**, Sparta, NJ, through its parent company **EnPro Industries**.

Carlisle Cos. Inc., Charlotte, NC, has acquired **Micro-Coax Inc.**, Pottstown, PA.

Belgian polymers manufacturer **HEXPOL** has acquired the **Berwin Group Ltd.**, a UK-based rubber compounder.

A subsidiary of **IES Holdings Inc.**, Houston, TX, has agreed to acquire **Technibus Inc.**, Canton, OH, for $45 million.

A subsidiary of **Universal Forest Products Inc.**, Grand Rapids, MI, has agreed to acquire **Idaho Western Inc.**, Nampa, ID.

Rochester Midland Corp., Rochester, NY, has agreed to sell its feminine care, toilet seat cover and food service paper business to **Impact Products.**

Cemtrex Inc., Farmingdale, NY, completed the previously announced acquisition of German electronics manufacturing company **Periscope**.

RBC Bearings Inc., Oxford, CT, reported sales for fiscal 2016 of $597.5 million, up 34.2 percent year-over-year. Profit increased 9.7 percent to $63.9 million. For the fourth quarter, sales were $162.3 million, an increase of 43.1 percent from the previous year. Profit for the quarter increased 26.8 percent to $18.9 million.

Columbus McKinnon Corp., Amherst, NY, reported sales for the fiscal year ended March 31 of $597.3 million, up 3 percent from the prior year. U.S. sales increased 11.4 percent. Profit decreased 28 percent to $19.6 million. For the fourth quarter, sales were $155.1 million, up 4.1 percent from the prior-year period. U.S. sales were up 17.1 percent. Profit increased 194.9 percent to $5.9 million.

Webco Industries Inc., Sand Springs, OK, reported sales for the fiscal third quarter of $78.5 million, a 23.8 percent decrease year-over-year. The company reported a loss of $0.2 million, down from a profit of $0.5 million the same period a year ago. Sales for the first nine months of the fiscal year were $246.3 million, a 21.8 percent decrease over the same period a year ago. The company reported a loss of $2.3 million for the period, compared to a loss of $0.2 million the prior year.

Switzerland-based power and automation company **ABB** has appointed Sami Atiya to president of the discrete automation and motion division, as well as to the executive committee.

ABB has appointed Doug Schuster as global leader of **Thomas & Betts**, Memphis, TN.

Schneider Packaging Equipment Co., Brewerton, NY, has promoted Bob Brotzki to chief operating officer.

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