

■ *Field Sales: The Gorilla in the Room, part 2*

The Future of Relationship Selling

Are you a market-server or a market-maker?

The economics of relationship selling are changing, and that means distributors must change, as well. This article – part 2 in a series on the role of the distribution sales rep – examines that change and paints a picture of the future of field sales, including its role, function and purpose for the successful distributor.

Join Indian River Consulting Group and MDM for Sales GPS, a live event on the future of field sales. Learn more at SalesGPS2017.com.

By Mike Marks

Many of the tasks performed by distribution field sales reps today could be handled just as well, if not better, by another role in the company. But the legacy of self-directed field sales reps has created a gorilla in the room. It has become expensive and motivated by volume, which perpetuates the desire for self-direction and independence.

While it may have worked in the past, changes in the industry and in how customers buy have forced distributors' hands. There are far more options for where to make purchases, and the cost to change has significantly declined for many product lines. It is time to evolve the role of field sales to one that is more responsive to customers' needs.

Consider these two major factors when trying to understand the gorilla and the consequences of ignoring it: critical selling events and the changing economics of relationship selling.

Market-makers or market-servers?

Customers tend to be comfortable with their buying processes. If you keep meeting their expectations, they'll likely stick with you. In a research project we conducted for Heating, Air-conditioning and

Refrigeration Distributors International in 2014, we found that end users purchased 89 percent of their products from the same source they had in the previous year.

The research project was undertaken to determine if distributors created demand – and if so, how. Manufacturers held the prevailing view that distributors were actually market-servers rather than market-makers.

We asked end users about the length of their supplier relationships, purchase concentration and the circumstances in which they would choose to switch suppliers or products. Our findings disrupted some long-standing assumptions.

Many in the industry believed good distributors were market-makers, creating demand by getting their customers to switch products. But the results said otherwise. Of the 11 percent of purchase sources changed, only 2 percent were due to a sales rep providing a better solution. Nine percent were switched because of the incumbent supplier's failure in product or service. (Values are dollar-weighted.)

We termed a switch due to a supplier failure (the 9 percent) a critical selling event (CSE). A CSE is completely outside the control or influence of a sales rep. If the rep is one of the end user's existing suppliers and a competitor experiences a CSE, the rep can intercept the opportunity. But he or she isn't the disruptive force driving that change.

We also did a detailed activity-based costing analysis of multiple distributors to see how they allocated their resources. Distributor cost structures were generally aligned with how their customers chose to source products. We found that 40 percent of a distributor's costs were invested in customer-facing activities. When we

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PERSPECTIVE ■ Commentary by Thomas P. Gale**How to Fight the Noise**

Most companies are challenged not because they do the wrong thing, but because they do the right thing for too long. Every company has challenges and missteps, but successful companies have good and thoughtful managers who do the right thing consistently.

I didn't come up with this idea, but I've thought a lot about it lately as I think about all the change and disruption distribution sectors have experienced over the past 10 years – technological, economic, generational, cultural and now, of course, political. It's a lot to digest.

Many gaps have developed in competitive business strategy, and in many ways "the right thing" is no longer "the best thing." Disruptive technology has found ways to displace traditional business models in so many sectors, from travel agents to automobile ownership. How long before truck drivers are displaced by autonomous vehicles?

Most distribution sectors are fragmented, with a relatively low concentration of market share ownership. The same is true for market segments served. But while in the past economic cycles there were waves of consolidation, this time is different. There will still be consolidation, without a doubt, but market share loss by new competitors – whether purely digital or alternate product channel encroachment – will be a bigger part of the story going forward.

It's already happening. Our recent research

report by Real Results Marketing on customer buying and shopping preferences indicates how quickly buyers are changing habits. It is a clear indicator of how suppliers with strong digital platforms will take more share. The fight, in my view, is how to maintain a historical competitive advantage in local markets served while leveling the digital-savvy playing field to keep new competition in check.

There are a few entry-level questions that define this growing competitive gap at very basic levels. How well do you segment your customer or prospect lists? How well are you targeting vertical customer segments with specific offers, tailored to identify value points unique to that segment? How closely can you track customer and vertical segment trends by purchasing patterns and profitability? This is the type of intelligence digital competitors mine to continuously learn how to capture more share.

The right thing and best thing today is to leverage this powerful data to focus and fight the noise.

If my comments trigger thoughts about how to prepare your organization for these challenges, please join Mike Marks of Indian River Consulting Group and me March 1-2, 2017, for a conference on creating new direction and structure for your sales organization. Learn more at SalesGPS2017.com.

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Relationship selling

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mapped distributor sales activities to cost in a separate and parallel work flow, this 40 percent was divided into 27 percent protecting and servicing existing business, 10 percent intercepting service failures from competitors and only 3 percent disrupting a happy customer with a better solution.

That 3-percent slice is where all manufacturers compete for the distributor's attention.

Our expensive, aging generalist sales rep wins by taking care of customers so they never experience a CSE. And they wait on the bench for an opportunity to save the day when a competitor experiences a CSE that they can intercept. While most people still spend most of their time in joint sales calls and promotions with suppliers, the data indicate that effort really only moves the revenue in low single digits on an annual basis.

This certainly doesn't fit the stereotype of the hard-charging, objection-overcoming persuasive individual that aggressively converts customers from cold calls. But that doesn't stop distribution sales executives from ignoring the data, saying that their markets are different.

The strategic foundation of almost all distribution businesses is customer intimacy, not product or cost leadership. When this is deployed, the dominant style of selling is termed relationship selling, i.e., selling yourself first. The biggest cause of the gorilla in the room is the changing economics of this relationship selling.

Relationship disruption

In distribution, the field sales rep and the customer have different interests and asymmetric information. The sales rep, for example, likely has more information about products, competition or supply chains than the customer does. Because of this, the customer cannot directly ensure that the sales rep is always acting in the customer's best interest, particularly when activities, such as lower prices, may be costly to the rep.

In economics and political science, this is referred to as the principal-agent dilemma. While this might sound academic, it is the foundation of relationship selling in distribution. Each side had asymmetrical information, and there was economic parity. Given the high repurchase rate, the sales rep wouldn't make a recommendation to the customer that would jeopardize the ongoing economic value of the relationship.

Both sides knew this and, as a result, there was a strong economic basis for trust. The customer needed two things: a reliable source of supply and products that met quality requirements. The rep would move heaven and earth with heroic service if there was an issue with these two performance criteria.

Price was a distant third consideration – but it was a consideration. Because of the established trust, the preferred distributor would be the first call when a new product was required. The sales rep was at risk in the relationship if the customer found out that the provided pricing was not competitive or at market.

Several things are disrupting the stability of this economic relationship, including:

- **The ongoing race to the bottom on pricing**, which is putting significant pressure on the customer to find ways to lower cost.
- **Improvement in supply chain efficiency** over the past decade, reducing the need for personal heroic recoveries.
- **Continued industry consolidation** at the customer, distributor and supplier levels and the expanded influence of the internet, creating significant pressure for a transition to rules-based procurement and replacing the value of the personal trusting relationship.
- **The internet replacing the field sales rep** as the customer's source for new product or application information.

These forces of change are not going away. Rather, they are growing in magnitude. There is emerging evidence that relationship selling is being replaced by "rabbits and advantaged players." In other words, the incumbent rep is placed in a room with competitors and everyone is told that there is one shot to get the business. And ultimately it is all about price.

B2B distribution markets and channels continue to change. Does this mean that the field sales rep is going to go away? If firms fail to respond to these forces, the answer is yes. It will fade because it is costly and ineffective in the new market environment.

Small distributors that maintain the traditional model will lose their large customers because they won't be price competitive and the service they offer ceases to have differentiating value. Traditional distributors will find themselves with a shrinking available market, serving

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small customers as lifestyle businesses.

The sales rep of the future

The bottom line for the distributor field sales rep of the future is that they will continue to be critical to success and well paid, but the role will be very different from where it started. Fundamentally the transition is from being a self-directed generalist to a management-directed specialist.

Some firms are already well on their way, and many are not the publicly held billion-dollar firms. They are privately held regional distributors that are making the transition quietly.

Look for these behaviors or practices in these firms:

They are transitioning from generalist field sales reps to specialists and adding inside customer service reps, inbound and outbound telephone sales, product specialists and quotation departments that narrow the responsibility of the field sales rep. The role that remains is focused on new business development and demand creation.

They are adding real marketing functions that identify new business opportunities, creating clear value propositions that make customers sticky by increasing their switching costs and building a playbook of value-added service offerings. The responsibility of identifying growth opportunities shifts from the field sales rep to the marketing department.

The field sales reps are shifting away from servicing their existing book of business, as that business transitions to lower cost and higher efficiency alternatives.

The field sales rep is doing what the senior sales executives thought they were doing from the start: They are conducting needs analyses for customers, documenting real customer cost savings and disrupting the old-school traditional reps by taking their customers away.

They no longer are defined by a set of assigned customers that largely remain unchanged. They have customer-recognized experts in product selection and application, specific markets or specific business challenges.

Fear often holds distributors hostage to the old model. There may be significant risks when making this kind of change, but the risks of not changing may be larger. And not every company is prepared to succeed. It starts with acknowledging the gorilla in the room and taking steps to deal with it.

In a future article, we will discuss how to chart and transition to a new sales model without blowing up your existing business.

Join us for the first-ever Sales GPS event March 1-2, 2017, in Austin, TX, to learn how to apply these lessons to your own business and start the process of transforming your sales force. Learn more at SalesGPS2017.com.

Mike Marks is managing director of Indian River Consulting Group and specializes in helping distributors and manufacturers accurately diagnose problems and identify risk-bound alternatives so they can take their next steps confidently. Call IRCG at 321-956-8617 or visit ircg.com.

Distribution Training Ground

UNK ID program connects companies with next generation

While distributors often lament the growing talent gap, industrial distribution programs like the one at the University of Nebraska at Kearney are preparing students for a wide range of industry jobs. This story examines how UNK connects distributors looking to hire with students looking to work.

By Eric Smith

Historically significant for its role in America's westward expansion as a strategic locale along the Great Platte River Road, the south-central Nebraska town of Kearney now serves as a key stop for distributors looking to hire the next

generation of industry employees.

Twice a year, distributors and manufacturers from across the U.S. descend on the University of Nebraska at Kearney for career events that connect them with the school's Industrial Distribution degree students. Last month, 110 reps from 28 companies gathered at UNK to interview dozens of ID students for summer internships and full-time jobs.

Students in the UNK ID program take a wide range of courses – accounting, business, communication, sales, leadership, marketing and technology – that prepare them for a career in industrial distribution. They also have access

to a branch simulation lab (see sidebar) and real-world experience as interns.

But those aren't the only factors that make Kearney such an attractive destination for human resources and recruiting professionals. UNK students possess a strong work ethic that makes them coveted candidates, according to numerous recruiters attending the October event.

"They want to come in and make a difference, but they know they have work to do to accomplish that. That's what I absolutely love," says Erin Owen, manager of staffing and career development, Applied Industrial Technologies, Cleveland, OH. "You could teach the same courses to students in different parts of the country and you wouldn't get the same results as you do with these students."

The ideal distribution candidate

UNK's ID program has 130 students, with 40 seniors on track to graduate between December and July. The program boasts a 100-percent job placement rate among graduates who choose a career in distribution, which is about 90 to 95 percent of them, according to the faculty member Scott Jochum.

Though the ID program operates as an academic program within a state university, many companies view it as more of a training ground or learning lab for distribution professionals, according to Kevin Kampe, president, Womack Machine Supply Co., Farmers Branch, TX.

"The talent pool that UNK attracts – the farm boys that work on tractors and tear things down and get up at 4:30 a.m. and have a great work ethic and great core values – it just matches the Womack culture really well," Kampe says. "They're mechanically inclined, they've worked hard for a living, and they're eager to learn. That works perfectly for our industry and for Womack."

Company reps unanimously agree that students with an ID degree have a head start on students without one. The fact that many at UNK choose distribution as a sophomore or even a freshman means they committed to the industry at an early age.

"Companies are looking for go-getters," says Hayden McKelvey, a 2015 graduate of UNK and now a Louisville, KY-based sales engineer with manufacturer Eaton Corp. "That's what this program offers. Companies are looking for people with an entrepreneurial strain, people who have high critical thinking, people who can think outside of the box, solve customer problems and

just have a business sense. Combined with the technical aspects of our program, that's where we differentiate. That's what makes us unique."

Another differentiator: While a business major might lack the mechanical skills and an engineering major might lack the business acumen that a distributor covets, "The UNK and Texas A&M ID programs bring in the best of both worlds – someone that has the technical competency to sell our products and our solutions," Kampe says. "It works out great. It's the perfect marriage."

Womack tracks the ROI and gross profit production of its employees, and UNK students are among the highest performing, Kampe says. Womack has 30 to 40 graduates of ID programs (UNK and others), with many in leadership positions.

"They far and above have given back to the organization," Kampe says. "I don't know what we'd do without these programs. All in all, we're able to find great folks, and the ones from UNK have been spectacular."

Students as industry ambassadors

Students don't find UNK's Industrial Distribution program as much as it finds them. Many said they heard about it from a cousin or brother-in-law or sorority sister or friend. Once they looked into the program, they saw something they liked, whether it was the passionate faculty, the chance to combine business acumen with technical skills or the 100 percent job placement rate.

"There was nothing to argue about" when choosing ID, says Nate Evans, a 21-year-old senior at UNK who has already accepted a job with Cortland, a wholly owned subsidiary of Milwaukee, WI-based manufacturer Actuant Corp. "All those things were selling points to me."

Students who are sold on the ID program often turn their efforts to selling it to future students. One of the many duties of the Industrial Distribution Organization, the student-led group that promotes the department on and off campus and helps the UNK faculty organize and run career events, is going into high schools to tout the program and the industry.

"High schoolers aren't always thinking about (industrial distribution careers) at the time," says Dan Carlson, a junior serving on the IDO leadership team as vice president of recruitment. "The ones that are more industrial minded are drawn to it, but there are a lot of other things we preach, like relationship-build-

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ing for students who like interacting with people on a daily basis."

Another student, Blake Slizoski, a senior who graduates in May and has accepted a job with distributor Iowa Fluid Power, says this recruitment mindset will live on after graduation. As Slizoski prepares to enter the workforce, he already has his eye on coming back to let the next crop of students know about distribution.

"That would be awesome to be able to come back and have that opportunity," Slizoski says. "I hope to be the No. 1 recruiter."

Landing a job or internship isn't the only goal of ID students during the fall event. It also helps them dispel the stereotypes that some distributors – especially baby boomers – harbor about millennials. Dressed in business suits and well-versed in being professional, these students use career events to set themselves apart.

"I can't speak for all millennials, but the ID majors are so focused and driven and ready to succeed," says Harlie Brown, a sophomore and one of a growing number of women in the program. "We are loyal and like to network. I don't want to say we're the cream of the crop, but we are business professionals, and we've been training as business professionals, so we know what it takes to be successful. We work for what we want, and we're always told that you get out what you put in."

Importance of commitment

Wholesale distribution executives routinely bemoan the lack of qualified candidates to fill the industry's open jobs. Not enough job prospects have the needed technical or sales capabilities to sell abrasives or bearings or cutting tools, they often say.

The fall and spring career events allow distributors and manufacturers to identify recruits for a variety of positions. But company attendance tends to mirror economic conditions, and those numbers are down. "From 2006 on, the economy really hit our numbers," Jochum says. "2009, 2010, those were some slim years."

Savvy companies come to the events every year, even if they're not looking to hire, so they can build relationships with the college and the students, according to Jochum, who says it doesn't take long for a college kid to forget a company's name.

"If a company takes off a year, two years, three years, they're like a new company when they come back," Jochum says. "They're starting all over again. It's just like it is in the industry – companies have to also build relationships with

students. You just can't show up and have success immediately."

Staffing a college job fair booth isn't enough for distributors that hope to address the industry's growing talent gap. Partnering with a university program – specifically an ID program like UNK's – can yield innumerable benefits for the company, its recruits and the college it partners with, as well as the industry as a whole.

"You can really see the shortsightedness of some companies because they come when times are good and don't come when times are bad," says Matt Howe, a 2010 UNK ID graduate based in Omaha, NE, as a profit center manager for BgB Supply, a subsidiary of Consolidated Electrical Distributors Inc., Irving, TX. "We're committed to stay here regardless of the economy because we want the long-term relationships. Some of the students we talk to twice a year, every year, until they graduate."

Applied Industrial has been attending UNK career events for 20 years, which is also how long it has operated a sales and management training program. "UNK has partnered with us from the beginning," Owen says. "We've seen a lot of success come out of their program."

While Applied has consistently attended UNK career events, it had to skip 2009 to 2011 when its sales and management program was temporarily suspended, a common theme for the industry. Applied returned as the Great Recession subsided, but it had to re-establish itself with students.

"By missing out during that time frame, students didn't know us," Owen says. "We came back after the recession and students would ask, 'Is this your first year here?' That was a hard lesson to learn. We experienced the challenges that can occur when you step away from a school that's important to you. For schools with industrial distribution programs, it's so competitive to hire their students that you can't walk away.

"You've got to be here, you've got to be visible and you've got to do things other than just attend the career fairs. So we try, whenever we can, to be involved in other events."

'Nurture the younger generation'

One way UNK fosters relationships with distributors is through program partner sponsorship. Current program partners are Actuant, CED, Cummins Inc., IFP, The NMC Group, Winsupply Inc. and Womack Machine. Through a \$10,000 charitable donation, these companies are recognized on career event materials, have larger booth space to hold more interviews and make

presentations to ID students during a partner spotlight event.

“Being a program partner has put us first and foremost in students’ minds because they always recognize us,” Howe says. “If we go to any other career fair, nobody has any idea who CED is. We don’t have a centralized brand.”

For Womack, being a program partner is critical not only for the students that Womack might bring on for an internship or the grads it might hire, but also because it represents an investment in the industry.

“Something that companies overlook is only partnering with universities when they want to hire somebody,” Kampe says. “For us, you’ve got to make a commitment to these programs, and be a part of them and support them, because you may not need that talent in a particular year, but you’ll need that talent long-term. It’s not just about the talent that you want; it’s about the talent for the industry as a whole. Everybody needs great folks.”

Enrollment is down at UNK’s ID program, from a peak of around 215 in 1999-2000 to 130 today, but when more companies support an ID program, “you’re also giving to industrial distribution,” Jochum says. “You’re trying to help us continue to bring young people into the discipline.”

While attending career fairs can fulfill short-term needs such as internships and current job openings, the long game is even more important, according to Chris Young, OEM sales leader, Enerpac Americas, an Actuant subsidiary.

Having a presence on a college campus must be part of a bigger strategy that should come from the C-suite. Company leaders that don’t prioritize recruiting are likely to face dire consequences.

“If you don’t have a defined program, you’re losing out on the kids you need to be bringing in. If you’re not careful, all of your veteran sales talent is going to be gone, your business could be gone next, because they’re the lifeblood of this business,” Young says. “You’ve got to nurture the younger generation.”

‘Baptized by Hydraulic Fluid’

Before students in the University of Nebraska at Kearney Industrial Distribution program land their first job, they get unique insights into the life of a distribution sales professional by working in the program’s branch simulation lab.

Modeled after a distributor branch, the lab includes a storefront, inside sales office and warehouse replete with receiving area and conveyor belt that moves actual products – donated from program partners – between the mezzanine and the floor.

The lab also has stations for teaching students some of the technical skills needed to sell specific products, says Ben Brachle, who runs UNK’s branch simulation lab and branch operations classes.

“Students are baptized by hydraulic fluid,” Brachle says with a laugh.


Brachle serves as the lab’s “branch manager,” teaching students the daily and ongoing duties of working in a distribution operation. He creates real-world scenarios, such as an upset customer, where students must figure out how to respond accordingly.


Students learn everything from inventory management to operations, counter sales to cold calls. They learn the differences between a purchasing order and a packing slip, field sales and inside sales, all while using distribution-specific ERP software in the process.

Combined with internships and summer experience programs, these classes help prepare UNK students for the rigors of a distribution sales job, according to Brachle, who says the lab is yet another reason why ID students acclimate more quickly to distribution careers than students from non-ID programs.

“The experience of it sets them apart,” Brachle says. “With an ID program, you get a student that understands the industry – both operationally and strategically.”

- Eric Smith



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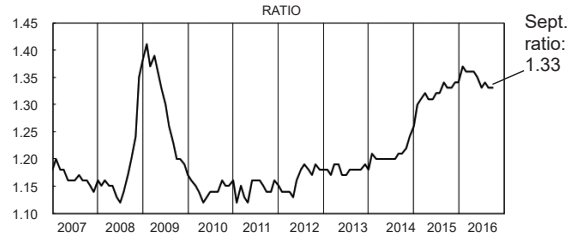
Monthly Wholesale Trade Data

Wholesale revenues in September were \$444.9 billion, up 0.4 percent from September 2015 and up 0.2 percent from August. September sales of durable goods were up 0.2 percent from last month and up 0.2 percent from a year ago. Sales of nondurable goods were up 0.1 percent from August and up 0.5 percent from last September.

Inventories. Inventories were \$590.2 billion at the end of September, up 0.1 percent from the revised August level. September inventories of durable goods were down 0.4 percent from last month and down 1.9 percent from a year ago. Inventories of nondurable goods were up 0.9 percent from August and up 2.7 percent from last September.

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 September inventories/sales ratio for merchant wholesalers was 1.33. The September 2015 ratio was 1.33.

Sales and Inventories Trends: September 2016

NAICS Code	Business Type	Sales \$Millions	Inventory \$Millions	Stock/Sales Ratio	Percent Change Sales 8/16-9/16	Percent Change Sales 9/15-9/16	Percent Change Inventory 8/16-9/16	Percent Change Inventory 9/15-9/16
42	U.S. Total	444,945	590,176	1.33	0.2	0.4	0.1	-0.1
423	Durable	213,667	354,860	1.66	0.2	0.2	-0.4	-1.9
4231	Automotive	36,438	64,021	1.76	1.4	-1.5	-1.7	-2.8
4232	Furniture & Home Furnishings	7,307	11,158	1.53	-0.4	6.9	0.5	1.2
4233	Lumber & Other Construction Materials	10,092	14,829	1.47	0.0	4.0	0.9	4.4
4234	Prof. & Commercial Equip. & Supplies	37,683	39,593	1.05	1.0	2.8	0.4	2.7
42343	Computer Equipment & Software	18,362	15,310	0.83	0.8	-4.3	1.2	-0.4
4235	Metals & Minerals	11,505	25,340	2.20	-0.6	-6.3	-1.4	-14.2
4236	Electrical Goods	47,635	46,039	0.97	1.5	1.4	-0.4	-4.3
4237	Hardware, Plumbing, & Heating Equipment	11,286	23,183	2.05	-2.4	1.4	1.0	2.7
4238	Machinery, Equipment & Supplies	33,945	104,463	3.08	-0.1	-1.9	-0.3	0.1
4239	Miscellaneous Durable	17,776	26,234	1.48	-3.8	-1.0	0.5	-4.3
424	Nondurable Goods	231,278	235,316	1.02	0.1	0.5	0.9	2.7
4241	Paper & Paper Products	8,121	8,351	1.03	-0.8	0.4	0.8	2.4
4242	Drugs	55,642	62,699	1.13	0.7	5.7	3.3	10.7
4243	Apparel, Piece Goods & Notions	13,835	29,421	2.13	-1.1	-2.6	-1.8	-4.8
4244	Groceries & Related Products	50,384	34,570	0.69	0.8	-1.9	-0.8	-0.2
4245	Farm-product Raw Materials	16,684	22,962	1.38	-12.0	-9.6	0.2	-3.6
4246	Chemicals & Allied Products	10,188	12,620	1.24	1.2	-0.2	-0.4	-1.1
4247	Petroleum & Petroleum Products	42,975	19,868	0.46	5.0	1.7	3.8	9.8
4248	Beer, Wine & Distilled Beverages	11,408	15,376	1.35	0.9	-0.6	-0.1	-1.0
4249	Miscellaneous Nondurable Goods	22,041	29,449	1.34	-1.2	2.9	0.0	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.

Atlas Copco Prioritizes Ethics, Innovation for Sustainable Profitable Growth

Sustainable profitable growth requires more than a focus on financials, according to Swedish manufacturer Atlas Copco. The company recently updated its nonfinancial goals as part of its mission to achieve that end.

"We develop and grow our business through strategically increasing our presence, innovation, service, operational excellence and investing in our people," the company said in a statement on its website.

"This means ensuring that we grow in a way that is ethical, even if that sometimes means saying no to sales. It means innovating with a long-term perspective when we expand into new markets or segments. It means making sure that our employees are safe and healthy and are able to contribute to operational excellence. And it means ensuring that we stay lean and efficient as we continue to grow."

The mission for sustainable profitable growth launched in 2015, with a list of five priorities: ethical behavior, health and safety, competent teams, resource efficiency and innovation.

The newly established goals for the first four priorities are common for all Atlas Copco Group companies and include such things as zero fatalities, 100 percent of managers signing compliance to Atlas Copco's Business Code of Practice and continued reduction of energy consumption from operations in relation to cost of sales.

The innovation key performance indicators and goals are set individually by each division to be relevant to their specific businesses.

According to Atlas Copco, the greatest potential to increase energy efficiency and reduce emissions is through innovation. However, the overall goal of innovation is to make life easier for the customer.

-Brooke Baum

Distributor News

Grainger, Chicago, IL, reported daily sales for October were flat compared to the same period a year ago. Results for the month included a 1 percentage point increase in volume offset by a 1 percent decline in price.

ABC Supply Co. Inc., Beloit, WI, acquired **Trumbull Vinyl Products Inc.**, Cortland, OH, a distributor of roofing, siding and other building products.

Avnet Inc., Phoenix, AZ, has acquired a majority interest in **Hackster Inc.**, San Francisco, CA. This is the first step of a two-part transaction in which Avnet will acquire the remainder of the company in January 2017.

Lawson Products Inc., Chicago, IL, has acquired distributor **Mattic Industries Ltd.**, Vancouver, British Columbia.

Lawson Products plans to close its distribution center in Fairfield, NJ, by March 2017.

SRS Distribution, McKinney, TX, a roofing distribution holding company, has acquired **Tri State Aluminum Products** of Wisconsin Inc., Belleville, WI, an independent distributor of residential roofing and accessories, siding, and windows.

Private equity firm **The Sterling Group**, Houston, TX, acquired **Brock White Company LLC** and **Border Construction Specialties LLC** as the anchors for its new construction supply platform.

DXP Enterprises Inc., Houston, TX, reported sales for the third quarter of \$230 million, a decrease of 24.1 percent compared to the same period a year ago. Profit was \$240,000, compared to a loss of \$52.5 million the prior year. For the first nine months, sales were \$739.8 million, a decrease of 23.6 percent compared to the same period a year ago. Profit was \$253,000, compared to a loss of \$35.7 million the prior year.

BMC Stock Holdings Inc., Atlanta, GA, reported sales for the third quarter of \$821.2 million, an increase of 97.2 percent compared to the previous year. Sales increased 6 percent compared to adjusted sales in the third quarter of 2015. Profit for the quarter was \$9.2 million, compared to a profit of \$4 million the same quarter a year ago. For the first nine months, the company reported sales of \$1.8 billion, an increase of 120 percent compared to the same period the previous year. Sales increased 13.2 percent compared to adjusted sales in the same period of 2015. Profit for the period was \$20.5 million, compared to a profit of \$2.6 million the same period a year ago.

Wesco Aircraft Holdings Inc., Valencia, CA, reported sales for the 2016 fiscal year of \$1.5 billion, a decrease of 1.4 percent compared to the same period a year ago. Profit was \$91.4 million, compared to a loss of \$154.7 million the prior year. For the fourth quarter, sales were \$365.6 million, a decrease of 1.1 percent year-over-year. Profit was \$23.3 million, compared to a loss of \$214 million the prior year.

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**MARKETS
UPDATE
SUPPLEMENT
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News Digest

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Veritiv Corp., Atlanta, GA, reported sales for the third quarter of \$2.1 billion, a 4.2 percent decrease from the same quarter a year ago. Profit decreased 61.4 percent to \$5.6 million. For the first nine months, sales were \$6.2 billion, down 4.8 percent year-over-year. Profit increased 1.2 percent to \$16.8 million.

BlueLinx Holdings Inc., Atlanta, GA, reported sales for the third quarter of \$476 million, a decrease of 8.1 percent year-over-year. The company reported a profit of \$15 million, up from a profit of \$0.6 million in the prior year quarter. For the first nine months, the company reported sales of \$1.5 billion, down 2 percent from the same period in 2015. BlueLinx reported a profit of \$5.7 million, up from a loss of \$5.5 million last year.

Building materials distributor **Huttig Building Products Inc.**, St. Louis, MO, has announced the formation of a new division to expand its private label construction fastener and specialty building products line. The HuttiGrip division will be led by David Fishbein, Robert Furio, Ken Fishbein and Mona Zinman. It will focus on expanding the private label product line nationally.

A. M. Castle & Co., Franklin Park, IL, a global distributor of specialty metal and plastic products, reported third quarter sales of \$124.9 million, down 17.1 percent year-over-year. The company reported a loss of \$20 million, compared to a loss of \$27.8 million for the same quarter last year. Year-to-date, sales were \$419.4 million, down 17 percent compared to the prior year. The company reported a loss of \$78.1 million, down from a loss of \$892 million the prior-year period.

The Home Depot, Atlanta, GA, reported sales for the third quarter of \$23.2 billion, a 6.1 percent increase over the same period a year ago. Profit increased 14.1 percent to \$2 billion. For the first nine months, sales were \$72.4 billion, up 7.2 percent year-over-year. Profit increased 12.2 percent to \$6.2 billion.

Park-Ohio Holdings Corp., Cleveland, OH, reported sales for the third quarter of \$312.7 million, a 14.2 percent decrease over the same period a year ago. Profit increased 2.3 percent to \$13.5 million. For the nine month period, sales were \$970.1 million, down 13.1 percent year-over-year. Profit decreased 30.8 percent to \$25.2 million.

Calculation of MDM Inflation Index for October 2016

	BLS Price Indices Oct '16	BLS Price Indices Sept '16	BLS Price Indices Oct '15	Weighted % Sales Weight	Weighted Indices Oct '16 (1)X(4)	% Change Oct '16 Sept '16	% Change Oct '16 Oct '15
1136 Abr. Prod.	585.4	591.0	576.8	19.1	111.81	-0.95	1.49
1135 Cutting Tools	508.7	509.2	506.5	18.9	96.14	-0.11	0.43
1145 Power Trans.	812.6	812.6	813.8	15.4	125.14	0.00	-0.15
1081 Fasteners	516.6	516.6	514.7	9.0	46.50	0.00	0.37
1149.01 Valves, etc.	963.1	960.5	963.4	7.6	73.19	0.27	-0.03
1132 Power Tools	379.1	379.1	371.1	6.5	24.64	0.00	2.15
1144 Mat. Handling	600.1	599.8	596.0	6.2	37.20	0.05	0.67
0713.03 Belting	832.4	833.0	836.3	6.1	50.78	-0.08	-0.46
1042 Hand Tools	786.0	784.6	779.8	8.1	63.66	0.17	0.79
108 Misc. Metal	469.3	468.7	473.8	3.1	14.55	0.12	-0.95

"New" October Index	336.3	October Inflation Index	643.61	-0.14	0.45
"New" September Index	336.7	September Inflation Index	644.48		
		October 2015 Inflation Index	640.71		

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

Houston Wire & Cable Co., Houston, TX, reported third quarter sales of \$65.2 million, down 16.7 percent year over year. The company reported a loss of \$1.4 million, down from a profit of \$0.7 million in the prior-year period. Sales for the first nine months were down 19.1 percent versus the prior year period to \$192.4 million. The company reported a loss of \$4.2 million, down from a profit of \$2.2 million in the prior-year period.

Retailer-owned hardware cooperative **Ace Hardware Corp.**, Oak Brook, IL, reported sales for the third quarter of \$1.2 billion, down 3.4 percent from the same quarter a year ago. Profit decreased 7.6 percent to \$50.2 million. For the first nine months, the company reported sales of \$3.7 billion, up 0.2 percent from 2015. Profit decreased 3.1 percent to \$139.7 million.

Builders FirstSource Inc., Dallas, TX, has named Peter Jackson as senior vice president and chief financial officer.

ISSA, Northbrook, IL, and the **Association of Residential Cleaning Services International** have agreed to merge. Effective Jan. 1, ARCSI will be officially known as ARCSI, A Division of ISSA.

Economic News

September **U.S. manufacturing technology orders** totaled \$497.3 million, according to AMT – The Association for Manufacturing Technology. This total, as reported by companies participating in the USMTO program, was up 56 percent from August and up 52 percent from September 2015. Year-to-date, total orders were \$2,914.4 million, down 6.4 percent compared to the same point in 2015.

September **U.S. cutting tool consumption** totaled \$171.1 million, according to the U.S. Cutting Tool Institute and AMT – the Association for Manufacturing Technology. This total, as reported by companies participating in the Cutting Tool Market Report collaboration, was down 2.3 percent from August and down 0.1 percent when compared with September 2015. With a year-to-date total of \$1.524 billion, 2016 is down 7.5 percent when compared with 2015.

The NFIB Small Business Optimism Index rose 0.8 points in October to 94.9. Small business owners are rattled by uncertainty and unable to

decide whether to expand, whether to hire, or whether to make other important decisions that might boost the economy, according to the NFIB Small Business Economic Trends Report.

Industrial production in the U.S. was unchanged in October after decreasing 0.2 percent in September, according to the Federal Reserve. **Capacity utilization** for the industrial sector edged down 0.1 percentage point in October to 75.3 percent, a rate that is 4.7 percentage points below its long-run (1972–2015) average.

The Producer Price Index for final demand was unchanged in October, seasonally adjusted, according to the U.S. Bureau of Labor Statistics. Final demand prices rose 0.3 in September and were unchanged in August. On an unadjusted basis, the final demand index increased 0.8 percent for the 12 months ended in October, the largest 12-month rise since advancing 0.9 percent in December 2014.

Privately owned housing starts in October were at a seasonally adjusted annual rate of 1,323,000. This is 25.5 percent above the revised September estimate of 1,054,000 and 23.3 percent above the October 2015 rate of 1,073,000.

The Canadian wholesale services price index rose 1.2 percent in the second quarter, with five of the eight subsectors posting margin gains, according to Statistics Canada. This was the third consecutive quarterly increase.

Municipalities issued C\$6.9 billion (US\$5.2 billion) worth of **building permits in Canada** in September, down 7 percent from August, according to Statistics Canada. Quebec, British Columbia and Ontario recorded the largest declines. The overall decrease was attributable to lower construction intentions for non-residential buildings, led by commercial structures.

Canadian manufacturing sales rose 0.3 percent to C\$51.5 billion (US\$38.3 billion) in September, according to Statistics Canada. The gain reflected higher sales in the transportation equipment and fabricated metal industries.

Compared with August, September **European seasonally adjusted production in the construction sector** was down 0.9 percent in the

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News Digest

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euro area (EA19) and 0.3 percent in the EU28, according to first estimates from Eurostat, the statistical office of the European Union. In September 2016 compared with September 2015, production in construction rose by 1.8 percent in the euro area, while it fell by 0.2 percent in the EU28.

European seasonally adjusted industrial

production fell by 0.8 percent in September in the euro area (EA19) and by 0.7 percent in the EU28, according to estimates from Eurostat, the statistical office of the European Union. In August, industrial production rose by 1.8 percent in the euro area and by 1.6 percent in the EU28. In September 2016 compared with September 2015, industrial production increased by 1.2 percent in both zones.

Heating, Air-conditioning and Refrigeration

Distributors International reported a 7.3 percent sales increase for September. The average annualized growth for the 12 months through September 2016 was 8.1 percent.

Manufacturer News

Rice Lake Weighing Systems, Rice Lake, WI, has acquired **Dini Argeo**, Modena, Italy, a manufacturer and distributor of weighing solutions.

Snap-on Inc., Kenosha, WI, has acquired **Sturtevant Richmond**, Carol Stream, IL.

Safety products manufacturer **Brady Corp.**, Milwaukee, WI, reported sales for first quarter of \$280.2 million, down 1 percent from the same quarter a year ago. Brady reported a profit of \$22.6 million, up 20.6 percent from a year ago.

Rockwell Automation Inc., Milwaukee, WI, reported sales for the fiscal year of \$5.9 billion, down 6.8 percent year-over-year. Organic sales decreased 3.9 percent. Profit decreased 11.8 percent to \$729.7 million. For the fourth quarter, sales were \$1.5 billion, down 4.3 percent year-over-year. Organic sales decreased 4 percent. Profit decreased 8 percent to \$185.2 million.

International Wire Group Holdings Inc., Camden, NY, reported sales for the third quarter of \$129.1 million, a decrease of 16.2 percent compared to the same period a year ago. The company reported a loss of \$3.9 million, down from a profit of \$0.6 million in the year-ago period. For the first nine months, sales were \$405.8 million, a decrease of 19.5 percent compared to the same period a year ago. The company reported a loss of \$1.5 million, down from a profit of \$7.8 million in the year-ago period.

Myers Industries Inc., Akron, OH, reported sales for the third quarter of \$132.7 million, down 6.3 percent from the prior-year period. Profit was \$0.4 million, up 24.3 percent from the prior year. For the first nine months, sales were \$428 million, down 7.4 percent from the prior-year period. Profit was \$2.5 million, down 85.2 percent from the same period in 2015.

Continental Building Products Inc., Herndon, VA, manufacturer of gypsum wallboard and finishing products, reported third quarter sales of \$114.6 million, an increase of 5.9 percent year-over-year. Profit increased 46.5 percent to \$6.2 million. Year-to-date sales were \$343.2 million, a 10.2 percent increase compared to the prior year period. Profit increased to \$31.4 million compared to \$6.1 million the prior year.

Actuant Corp., Milwaukee, WI, appointed Rick Dillon executive vice president and CFO.

Jason Industries Inc., Milwaukee, WI, parent company to a global family of manufacturers in the seating, finishing, automotive acoustics and components markets, has named Brian Kobylinski as president and chief executive officer.

NN Inc., Johnson City, TN, has promoted Thomas Burwell Jr. to senior vice president and chief financial officer.

American Flexible Products, St. Paul, MN, has named Carla Wing as president and CEO.