Ludwig Meister: The Race for Digital Innovation

The distributor strengthened backend automation capabilities before turning to the sales side of the business

This Munich-based, third-generation distributor of bearings, power transmission, fluid power and tooling products took a non-traditional approach to transforming into a digital distribution business. It started by digitizing and strengthening the automation capabilities of its back-end systems — purchasing, inventory management, logistics — before focusing on the sales side of the business. And it accomplished this transformation by developing its internal technology and development expertise, thus being able to customize and enhance ERP and other critical platforms. One of MDM’s 2019 Digital Innovator Award winners, here’s Ludwig Meister’s story on how the distributor has built a culture of digital innovation.

By Thomas P. Gale

Ludwig Meister’s third-generation management team made a difficult decision in 2012. Instead of continuing to do business in ways that made it successful as a technical specialist in power transmission products over two generations, the team realized that the rise of e-commerce and Industry 4.0 was challenging its traditional business models.

“We had good relationships with our customers, a good technical service level and were well-respected in the market,” says CEO Max Meister. “So, when my sister Elisabeth and I decided we have to change fundamentally to get better for the future, it was at first difficult for our team to understand why we wanted to change.”

Their decision was even more challenging based on the fact that the company had, as an early adopter back then, continuously invested in a state-of-the-art IT environment and management since the early ’80s. Nonetheless, the leadership team mapped out the following strategic objectives to guide them:

- Be a strategic partner in digital transition for clients and suppliers
- Think and act for and with clients and suppliers
- Develop seamless processes
- Design unique additional services
- Speed up logistics

While these goals required strong digital capability, just as important was the company’s focus on becoming more analytically driven at the same time in order to measure, benchmark and keep improving. This approach guided their decision-making process for how to assemble the technology portfolio needed to achieve the company’s goals. The digital journey was a five-year project and an $8.5-million investment. And the company continues to raise its goals today.

Where many organizations focus on the front end of operations when they embark on their digital transformation journey, Ludwig Meister took a different approach. “We did it in Ludwig Meister-style,” Meister says, “which is to not start with a pretty e-commerce site, but rather to strengthen the digital backbone of the company first.”

The planning team focused on digitizing and automating purchasing, inventory and logistics first. When these projects were completed, the focus turned to e-commerce and CRM.

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3 Keys to Distribution Digital Success

Our lead article profiles the now seven-year journey of Ludwig Meister, a Munich, Germany-based industrial distributor that started a digital transformation process in 2012. I had the good fortune to meet the leaders of this successful company in 2014 when they were in the early stages of transitioning from planning to executing projects. I’ve seen the additive steps taken as the company has created a strong culture, not around digital per se, but more around innovation and continuous improvement.

I am delighted that Ludwig Meister is one of 10 distributors in our inaugural class of 2019 Digital Innovator Award winners. They were an early digital disruptor, not perhaps of their competitors at the time — though Amazon Business and other platforms are growing in European markets — as of their own model and formulas for creating value. It took a leap of faith for this third-generation family business to ask their 300 team members to take on this journey. It requires a special kind of leadership.

As I toured the company’s headquarters this spring, I kept coming back to the notion that digital for the sake of digital gets you nowhere — except frustrated and resource depleted. Of course, no one launches projects in that manner, but it is easy for digital initiatives to take on a life of their own. Many companies have been pushed by the shiny object of getting a transactional e-commerce website operational. And while important for specific markets and customer segments, there are often more fundamental ways of leveraging technology to create better value for both suppliers and customers — and bigger revenue impact.

Creating a culture of digital innovation is not magic. There is no “right” way, but there is a proven formula to apply that defines success. Technology expertise is critical, but unless there is a clear business plan — with clarity around digital strategy as a foundation — many digital transformation projects will be vulnerable to scope creep and buzzword-driven derailment.

Perhaps the most difficult element to creating a culture of digital innovation is driving the organizational change required to disrupt entrenched processes. This is what Amazon Business has so effectively fed on to build its success. If you find yourself stymied in efforts to improve your internal processes, ask yourself if you’re analyzing a wide enough set of criteria, or if there is technology tunnel vision at play.

MDM’s conferences are centered around three core capabilities in distribution: business strategy, digital transformation and organizational change. These are critical components to continuous improvement in disruptive markets. We’re fortunate to have Ludwig Meister CEO Max Meister present his story at our upcoming Digital Distributor Summit, June 18-20, in Denver. (find out more at digital.mdm.com)

We’ve brought together a unique program of distribution-specific best-practice sharing on digital innovation.

I hope you can join us or send some of your team members to build your future and advance your core capabilities — not just in pure technology best practice, but also the deeper insight required to combine business strategy, technology and organizational change to build long-lasting value into your successful distribution model.
Ludwig Meister
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Integrated Data Systems Are Foundational
One of the first calls in 2012 was to bring data from several different systems into a single database. The company customized an Oracle database platform, and at the same time began planning and building its inventory and logistics automation systems. Integrating purchasing, inventory, logistics, customer and other operational data created a capability to do real-time and deeper data analysis and visibility.

Just as important to Meister’s digital transformation was the decision to develop its technology and software capability internally to leverage the core database. With an IT team of 11 and management dedicated to tailor-made ERP development, the company has developed software internally for every part of its business, including ERP and CRM systems. That includes programming a made-to-measure interface to its robotic inventory management system and shipping stations.

From Logistics to Website to CRM
The company stores 97% of items in an AutoStore (autostoresystem.com) robotic grid inventory management system that it installed in 2013. While it maintains a traditional warehouse area for large or irregular-sized parts, the 24-level cubed system feeds shipping workstations, with an average bin pick time of 60 seconds. The self-training system leverages the Pareto principle (20% of the inventory accounts for 80% of the turnover volume) to continually increase its efficiency, with the most activity concentrated in the top four levels of the system.

Once the company completed its purchasing, warehouse and logistics digitalization projects, the next project was launching an e-commerce platform in 2015, followed by a CRM system in 2017. In keeping with its back-office automation priorities, Ludwig Meister’s earlier digitalization projects included managing incoming fax orders and automated handling of EDI and Open Catalog Interface (OCI) punchout orders. The management team intentionally made the buildout of its transactional e-commerce website a longer-term priority to focus on what it determined to be higher-value projects for its customers and to build stronger frictionless supply chain management capability.

A large focus has been to fully leverage the core database to build real-time metrics and create performance dashboards for management and the CRM for its sales team of 35 outside and 140 inside sales associates. In addition to giving the sales team deep visibility into stock and lead times, the integrated data systems from purchasing to sales have given management the ability to evaluate suppliers on quality and delivery performance. It has also allowed the company to analyze cost-to-serve data and net profitability for product lines, suppliers and customers.

But rather than focus on delivering reports to its teams in purchasing or sales, Ludwig Meister developed its own CRM and dashboard system with a focus on automated triggers and tasks. One team understands the data and analytics and then the purchasing or sales people are assigned specific tasks to complete based on the analytics. “You can make positively crazy reports. I personally love to use dashboards,” Meister says, “but in the end, if you don’t make it easy for your sales people to execute with the customers, you will have very little success.”

The triggers and tasks are built and refined based on the data model. For example, customer-specific costs are calculated and used to enable the salesperson to ask specific questions or follow a supportive script. Or a salesperson may be guided to suggest a contract for a customer based on quality arguments like lead-time data for specific products. Connecting the data — from supplier to customer behavior — led to a significant increase in customer service levels. The tasks are carefully monitored and provide both guidance and clear accountability. The tasks are also rated for relevance, and allow for deeper analysis into changes or loss of an account.

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Digital Development Methodology
Ludwig Meister’s future vision is one of continuous improvement: increasing the efficiencies it has realized across every part of its operations, thus steadily increasing tangible value to customers and suppliers. While the company has provided value-added services such as hose and fluid system assembly, power unit construction and inventory management services, it plans to develop more differentiated and advanced service capabilities to improve its value to customers. Internally, the company plans to leverage machine learning to improve its triggers and tasks for individual customers. It also plans to expand its digital marketing capabilities to enrich its data warehouse.

While the strategic objectives it set in 2012 have guided the company’s digital journey, Ludwig Meister has also refined the way that it launches projects to increase automation and efficiency. “Our approach to digitalization project management has been to try new things, and make our teams and projects as small as possible,” says Meister. “We try to create a solution internally if we can, and focus on data collection first; then the creative ideas will follow.”

Another key to building Ludwig Meister’s culture of digital innovation is to focus on data and analytics that its systems now can integrate into its data warehouse and that its developers can manage effectively.

Perhaps the final piece of the company’s digital transformation story has been not to focus on competitors, but rather on continuous improvement to keep increasing the Ludwig Meister’s value.

That strategy is summed up in a phrase Meister likes to use in presentations as part of the “Ludwig Meister Spirit”: “Compare yourself with the past, and beat yourself every week!”

Digital Innovator Award Winner

‘It’s Making Data Actionable That is the Real Payoff’

Hisco empowers employees to improve customer profitability through data-driven account analysis

About seven years ago, Hisco, a leading specialty distributor based in Houston, set out to better understand the company’s profit drivers through a data-based analysis. Developing a successful system has taken years of cultural change and realigning team members’ thought processes around what makes a profitable customer, but the real driver, says President & CEO Bob Dill, continues to be turning the data used to anchor the initiative into real action. Hisco's relentless pursuit of actionable data makes the nearly 50-year-old employee-owned institution one of MDM's 2019 Digital Innovator Award winners.

By Elizabeth Galentine

“The journey begins with data, but it’s making the data actionable that is the real payoff,” Dill says. “It’s about getting results, and leading change through the whole process.”

Hisco’s approximately 520 employees serve the electronic assembly, aerospace and defense, medical, electronics, and other industrial markets with 35 locations in North America and Mexico. In 2012, when Hisco first started working on its pricing and profitability strategy, the company was very decentralized, with highly autonomous branches and no formal pricing strategy in place.

Looking back, Dill identifies three phases in the company’s transformation journey.

Phase One: Building Accountability
Starting in 2012, Hisco began to build its bridge toward pricing efficiency by contracting with Evergreen Consulting Group and hiring a pricing analyst. They collected data on small and large customers, using a whale chart to rank them from most profitable to least profitable. They established a price book that everyone agreed was generally full of solid data and helpful information. But when it came down to making meaningful changes, there’s naturally some push back when you see some of your largest customers at the bottom of the pack. “Every customer had a story,” says Dill. “People look at the data, and there’s a thousand reasons why,
'That's good, but my customer is different,' or 'Every GP dollar is a good dollar.'”

Over the course of a couple of years following the initial data collection, Hisco didn’t invest much in taking action or delivering results on the data, Dill admits. The pricing analyst grew frustrated, and eventually moved on to another job. “We took the opportunity to reflect on why Hisco lost a really good person and realized we needed to adjust our strategy,” he says.

One lesson that came out of the experience was the realization that the company was “a little too top-down on the data,” Dill says. Because it was coming from corporate, it was easy to poke holes in it and there was a lack of accountability for what to actually do with the data.

Phase Two: Becoming Action-Oriented

From 2014 through 2017, Hisco went through a major restructuring, changing its business model from 22 individual branches to six zones — emphasizing a one-company philosophy in the process. “We really started to drive this mentality: Hisco was the ‘First Team.’ We had to ‘Play as One,’” Dill says.

The company also transitioned from an opportunistic approach to business to leading with a market-driven strategy. With the larger world market going through digital transformation, Hisco saw the need to build out a digital platform. The first major step of this journey was the acquisition of All Spec in January of 2014. All Spec, a direct marketing company in the electronic assembly space, brought a strong online presence and digital skillsets to complement Hisco’s tradition sales model. “Additionally, we created new roles to the company in the areas of Business Intelligence, Pricing Analytics and a VP of Customer Experience. We became much more process oriented and data driven,” Dill says.

Taking a lesson from the pitfalls of conducting the pricing analysis as a corporate-led initiative the first time around, Hisco now involved field sales more explicitly, including sales managers and salespeople. If someone didn’t trust data coming in on a commodity group with tight margins, for example, they’d join a working team on the issue and bring their input and perspective to the table. “The field input added a great deal of credibility to the process,” Dill says.

The company put a lot of discipline into breaking down its customers into A, B, C and D accounts. C and D accounts are the smallest, typically not handled by outside sales reps. D customers go straight to list price, there is “some elasticity” around Cs, and A and B are assigned to sales reps and negotiated with respect to market conditions.

Hisco applied its now categorized customers to its new digital ecosystem, built around an ERP, PIM, web platform, digital phone system and CRM. “Everything comes down to the cost to serve,” says Dill. For example, D business is driven toward the company’s automated services.

They started measuring the percent of orders that start outside of the company, promoting any action that will “take keystrokes out of the business,” such as automating purchase orders or improving automation through vending machines, Dill explains. “The idea of lights-out order processing, the percent of your orders you generate from a customer that go all the way through your system without any friction, nobody touches it, and it prints out in your warehouse and the product goes out the door. That’s a really profitable order,” he adds. “A lot of this digital ecostructure was really built with that in mind.”

Traditionally an outside sales-driven company, Hisco transitioned to a multi-channel approach. In addition to the company website, Hisco.com, inside sellers were tasked with outbound calls and the customer service team shifted to included dedicated specialists serving specific segments, such as an aerospace team.

The aim was to get full market coverage while aligning the cost to serve within each channel. A and B accounts received concierge service, while there were disciplines put in around C and D accounts as to what products were quoted, discounts used, etc.

In this phase, Hisco transitioned from Evergreen’s platform to its own internal cost to serve modeling — “Like Excel on steroids,” Dill says. Hisco did it with an internal team, keeping the whale charts and breaking them down by customer and locations.

It became standard practice for every business unit to deliver a quarterly profitability project measuring a chosen metric over the course of the year, such as VMI, extra labeling, extended terms, consigned inventory and more. The results were shared with everyone. “Here’s the path to improved profitability, these are the levers and the variables to improve.” explains Dill. “This ROI calculator was one of the best things we’ve put into play. It really made people think on the front end, ‘Am I providing services my customer is willing to pay for?’”

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Phase Three: Long-Term Commitment
With team members across the company on board, it was time to “take it to the next level” by 2018, Dill says. Hisco made customer profitability a company-wide strategic initiative and brought in business intelligence consultancy WayPoint Analytics.

“Being an employee-owned company with an employee stock ownership plan (ESOP), it’s easy to communicate the clear objective of the profitability plan and how everyone would benefit from the company’s bottom line rising,” Dill said.

They tied multi-year goals into the company’s five-year forecast, noting the direct correlation between hitting those goals and projected rise in the company’s stock value. “We tried to paint a very clear picture and get alignment on the front end,” Dill says.

Through its partnership with WayPoint, Hisco expanded its data analytics, spanning from individual transactional level to the customer level to entire sales territories to company-wide metrics. It’s allowed the business to move beyond profit and loss and measure profitability by segment, AB or CD customers, individual warehouses and more. “It’s like a cube where we can turn that a thousand different ways, and it can blow your mind,” Dill says.

It’s a ton of powerful data, he adds, but the real test came in making it actionable. That started with educating Hisco employees with a monthly town hall that all 520+ employees are invited to attend. Most do. Hisco’s CFO presents a financial literacy session, discussing things like the company’s cash conversion cycle, operating margin, and other operational elements that affect profitability.

The goal is to get employees familiar with the big-picture financial levers and then break them down into small teams to act on those items.

“You don’t want them to be over the corporate microscope. Our employees are smart and have a good sense for the business, they’ll get to the right place. The best ideas not only improve profitability for Hisco but also create savings for our customers,” says Dill.

In their small groups, employees are encouraged to test their whale chart data, poke holes in them and further explore areas they want to better understand. From there, they create their own profitability improvement project plan and an associated scoreboard to track it.

“You can’t boil the ocean. You can’t overwhelm people. This is not a one-time event,” Dill continues “Our goal is to integrate this into our culture. You get 500 people out there thinking about profitability every day and moving the company forward. That’s the goal.”

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Succession Planning, Part 1

Lay the Groundwork for a Transition
Make an honest assessment of your business from day one

Eighty-percent of business owners want to retire in the next 10 years, according to a Business Enterprise Institute survey. Unfortunately, most of those business owners have not actually created a concrete, written plan for their exit strategy.

The lack of an exit plan can be problematic. It takes much longer than many distribution owners may expect to prepare their company for a transition. Whether you are planning to sell the business to a third party, pass ownership to the next generation or explore other options, preparing for a transition can take between five and seven years.

By Steve Cosgrove

Most business owners underestimate the time and effort it will take to effectively transition a business to maximize its value and set the next owners up for long-term success.

Be Honest
A third of business owners in the BEI survey are considering passing ownership or operating responsibilities for their businesses to their children; they may also consider selling to management or their employees. About 60% said they would consider selling to a third party. If you want to sell, this is a good time to do it. There are hundreds of billions of dollars available for investment through private equity, strategic buyers and family investment funds. Multiples are higher than they have ever been. And a record number of owners are looking to get out, causing a flurry of M&A activity.

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The distribution industry has become an attractive target for these buyers, with the best distributors receiving the highest valuations.

Many distributors expect a high valuation; but most won’t actually achieve this. Whether you keep it in the family or sell to a third party, you want to maximize the business’s value and position it for ongoing success. That requires a forward-looking strategy. To better understand where the business is going, start with an honest assessment of where it is now, and what is really driving value.

When we work with a company, we methodically assess more than 20 key data points that shape and define the value of the business. These include ownership objectives, strategy and direction, competitive advantages, key business drivers and the existing financial framework of the company.

It is important to ask key questions to help identify areas for improvement and to make sure that those questions are answered candidly. The discussion may uncover whether business growth has been in line with established forecasts, and if not, why (specifically) the gap exists. For example, it is important to note that if the market you serve is experiencing population growth, your sales should reflect this change. Another example might be undefined margin erosion from key suppliers. These are a few examples of areas that we assess to ensure a business remains successful for the next generation of ownership.

Another area we look at is customer and supplier concentration. If a quarter of your sales, for example, are with one customer, that’s highly risky. On the supplier side, your company may struggle to survive if you lose an exclusive supplier relationship that makes up a similar percent of your sales. It is also important to evaluate supplier contracts to understand whether product lines or relationships will successfully transfer to new owners. A business should iron out issues like these before a transition is made.

Though this sounds like a lot of work, you may also uncover attractive opportunities for the next generation that the current or previous owners did not want to pursue.

Develop an honest assessment of the business, benchmark how you are performing and use facts to identify new opportunities to increase the performance of the business.

That said, it can be difficult for an individual to separate themselves from the business for an objective assessment. Typically, when someone is involved in the daily tasks and operations of a business, it’s hard to be unbiased. There may also be an emotional attachment. This is why many companies bring in a neutral third party.

A distributor’s next steps are based on this assessment, so make sure to test for inconsistencies. For example, if the company claims that the multi-family construction market is a target, but the sales team has no strategy to penetrate that market, and marketing hasn’t developed any materials to support them, it’s a red flag. Test for message continuity, strategic alignment and operational evidence across the organization.

An honest assessment will also help you identify transition gaps, or issues that might interfere with a transition. Customer or supplier concentration challenges are one example. Other examples: changes to the competitive landscape, balance sheet considerations and the timing of key managers who are nearing retirement.

Distributors need to work through these issues and develop a plan for addressing them early on — long before the owners leave the business. Because the transition takes five to seven years, there is plenty of time to make fixes before passing the business onto the next owners. That’s good for whoever takes over, whether it’s the next generation or a third party. It also makes the company easier for your management team to lead into the future.

Get the Right People in the Right Positions

In the end, measuring the success of a transition plan is all about what happens after the transaction. That tends to be financial and operational in nature, which requires having the right people in the right positions. After all, distribution is a labor-intensive industry, and if you don’t have people with the right skills who are committed to the organization, future results will suffer, driving down the valuation and setting up future leaders to fail.

Leadership transitions are a unique time in a company’s history; how a distributor manages that transition will likely determine whether they lose their best workers. We start by trying to understand who is engaged, and who isn’t within the organization. We also analyze the organizational chart, and review job descriptions. Do daily responsibilities truly align with job descriptions?

This is important because a business strategy shift often results from this process.

For example, a distributor’s management team may want to drive down the cost of captu
ing a new customer by putting resources into digital marketing. It is critical to ensure that the strategy is being led by someone capable of doing so and who is resourced appropriately. You want to choose someone in the organization who is future-minded enough to continue to execute the strategy even when the going gets tough.

It is important to bridge any strategy or execution gaps. Do you have the people to execute your plan? If not, that’s fine. But do you have a plan to get those people? Based on company needs, most distributors need a plan to acquire or develop the talent required to execute the strategy. That includes creating individual development plans for up-and-coming managers, as well as replacement plans for top managers. Distributors often don’t pay enough attention to building depth on the bench.

Most distributors need bench strength to ensure a sustainable organization long into the future. But they also need to make sure that the leaders who take over are up to the job. You should take a close look at the next generation to determine their capacity for leadership. When we work with family businesses, we put the next generation through job rotations, where they spend several months working in each department so they can truly understand that job, and gain a bigger picture of how the business operates. We evaluate them using competency models to give owners a true look at where the next generation excels and where they may need support.

It’s not a foregone conclusion that your kids will be ready and willing to take over the business. In fact, in our experience, many next-generation leaders struggle to succeed in their new roles without support and experiential training.

If the next generation isn’t ready, there are several approaches distributors can take. Owners can pursue training and development plans, appoint a strong board that understands family dynamics to oversee the business, or look at other options for transitioning the business, which may include selling to a third party or to employees. We’ll address this more in a future article in this series.

All of this points to the importance of making sure the next management team can function effectively to drive the organization into its next phase.

**Acting on Your Assessment**

The goal of this deep dive into an organization’s operations and talent is to develop an actionable plan to improve the company, and therefore its valuation and health for the next phase of its life. The execution, in our experience, begins by addressing any operational problems at the cross-functional levels of the organization.

The goal is to instigate behavioral and performance changes that enhance and more clearly define the value of a business. We’ll go deeper into this in future articles.

Transition planning takes time, and work. But careful preparation is crucial for a company to successfully move to the next phase of leadership and experience continued growth.

Steve Cosgrove is the founder of Cosgrove Partners, a management advisory firm specializing in leadership transitions and exit planning. Cosgrove has significant distribution industry experience, holding various senior leadership roles at Grainger, serving as president and CEO at Thrall Distribution and president and COO of Supply Force. For more information please visit cosgrovepartners.com or email scosgrove@cosgrovepartners.com.

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Expands in April

Economic activity in the manufacturing sector expanded in April, and the overall economy grew for the 120th consecutive month, say the nation’s supply executives in the latest Manufacturing ISM Report on Business.

The April PMI registered 52.8%, a decrease of 2.5% from the March reading of 55.3%, according to Timothy R. Fiore, CPSM, C.P.M., chair of the Institute for Supply Management Manufacturing Business Survey Committee.

The New Orders Index registered 51.7%, a decrease of 5.7% from the March reading, according to Fiore. The Production Index registered 52.3%, down 3.5% compared to the March reading. The Employment Index was 52.4%, down 5.1% from March. The Supplier Deliveries Index registered 54.6%, a 0.4% increase from the March reading of 54.2%. The Inventories Index registered 52.9%, an increase of 1.1% from the March reading of 51.8%.

“Exports orders contracts for the first time since February 2016. The PMI trade elements are in contraction territory. The PMI has been inching down since November 2018. The manufacturing sector is expanding, but at recent historic lows,” says Fiore.

Of the 18 manufacturing industries, 13 reported growth in April, in the following order: Textile Mills; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Printing & Related Support Activities; Chemical Products; Nonmetallic Mineral Products; Plastics & Rubber Products; Machinery; Furniture & Related Products; Food, Beverage & Tobacco Products; Computer & Electronic Products; Paper Products; and Fabricated Metal Products. The five industries reporting contraction in April are: Apparel, Leather & Allied Products; Primary Metals; Wood Products; Petroleum & Coal Products; and Transportation Equipment.

Ingersoll-Rand plc, Swords, Ireland, and Gardner Denver Holdings, Inc. have entered into a definitive agreement pursuant to which Ingersoll Rand will separate its Industrial segment by way of a spin-off to Ingersoll Rand’s shareholders and then combine it with Gardner Denver, creating a global leader in mission-critical flow creation and industrial technologies.

Second Phase, Boulder, Colorado, a software solution provider to B2B e-commerce, has been acquired by Billtrust, Lawrenceville, New Jersey.

Foundation Building Materials Inc., Tustin, California, has acquired Select Acoustics Supply Inc., Toronto, Ontario, an independent distributor of suspended ceiling systems serving the Greater Toronto Area.

Fortive Corp., Everett, Washington, reported sales for the first quarter ended March 29 of $1.6 billion, a 6.7% increase over the same period a year ago. Profit was $164.4 million, down from $261.2 million in the first quarter of 2018.

Avnet Inc., Phoenix, reported sales for the third quarter of $4.7 billion, down 2% over the same period a year ago. Profit was $88 million, compared to a loss of $320.1 million the previous year.

nVent Electric plc reported first quarter sales of $538 million, down slightly over first quarter 2018 earnings. Profit was $56.4 million, up 7.8% over the same period in 2018.

Building materials distributor Huttig Building Products Inc., St. Louis, reported sales of $197.4 million for the first quarter of 2019, a 6.7% increase over the same period a year ago. Profit for the quarter was $141 million.

Electronic components distributor Arrow Electronics Inc., Centennial, Colorado, reported first quarter sales of $7.2 billion, up 4.1% compared with the first quarter of 2018. First quarter net income was $141 million.

Industrial distributor Applied Industrial Technologies, Cleveland, reported fiscal third-quarter sales of $885.4 million, up 7% compared to the same period in 2018. Profit was $16.5 million compared to $36.6 million in the third quarter of 2018. For the nine months ended March 31, 2018, Applied’s sales were $2.6 billion, a 19% increase compared to the same period last year. Profit increased to $104.2 million.

Electrical, communications and data networking products distributor Graybar, St. Louis, reported 2019 first quarter sales of $1.8 billion, an 8.6% increase compared to the same period last year. Profit for the quarter was $34.4 million, up 62.2% from the same period in 2018.

WESCO International Inc., Pittsburgh, reported sales for the first quarter of 2019 of $2 billion, down 1.6% from 2018. Profit fell 2.1% to $42 million. Organic sales grew 1%.

Systemax Inc., Port Washington, New York, reported first quarter sales of

Continued on p. 2 of this section
$232.2 million, up 19.4% from the same period the previous year. The company reported profit of $9.7 million, down from $14.6 million in the first quarter of 2018.

**Kaman Corp.**, Bloomfield, Connecticut, reported first quarter sales of $457.4 million, down 1.3% over the same period a year ago. Profit was $14.1 million, up slightly over 2018.

**NOW Inc.**, Houston, reported first quarter sales of $785 million, up 3% compared with the first quarter of 2018. Profit was $18 million for the quarter, compared with $2 million a year ago, the company said.

**BMC Stock Holdings Inc.**, Raleigh, North Carolina, reported sales for the first quarter of $825.4 million, a decrease of 1.1% compared to the previous year. The company reported a profit for the quarter of $20.4 million, up 32.7% from the same quarter a year ago.

**Ingersoll-Rand plc**, Swords, Ireland, reported first-quarter sales of $3.6 billion, a 22.6% increase compared to the same period a year ago. The company reported a loss of $2.1 million, compared to a loss of $9.4 million the previous year.

**National Oilwell Varco Inc.**, Houston, reported first-quarter sales of $1.9 billion, up 8% compared to the first quarter of 2018. The company reported a loss of $75 million for the quarter compared to a loss of $66 million in 2018.

North American buying group **AD**, Wayne, Pennsylvania, reported a 7% increase in member sales, across 12 AD divisions, totaling $10.2 Billion. Purchases from AD suppliers grew by 8% in Q1.

**NAHAD**, the Association for Hose and Hose Accessories Distribution, has elected Sam Petillo, president of Singer Equities, Inc., as association president.

**Sonepar USA**, a subsidiary of the privately held France-based **Sonepar Group**, has announced that Dave Gabriel, Sonepar COO, has decided to retire, effective May 15.

The **Sonepar Group** has also reorganized at the regional level. Rob Taylor has been appointed president of Sonepar North America and will now be responsible for operations in Canada and Mexico, in addition to the US. Stefan Stegemann has been appointed president of Sonepar Central and Nordic Europe. Patrick Salvadori has been appointed president of Sonepar Western Europe and South America. Benoit Pedoussaut remains president of Sonepar France and Jérôme Malassigne has been appointed Chief Strategic Marketing and Sourcing Officer of Asia Pacific Operations.

**Economic**

Manufacturing sector labor productivity increased 1.7% in the first quarter of 2019, according to the U.S. Bureau of Labor Statistics. Output decreased 1% and hours worked decreased 2.6%. Productivity increased 1.4% in the durable manufacturing sector and 2.1% in the nondurable manufacturing sector in the first quarter of 2019.

The **National Association for Business Economics’** April survey of corporate economists predicts the economy will expand over the next year, although the pace of growth will decline. According to the survey, employers are facing pressure to raise wages, spend more on worker training and automate tasks because of the low unemployment rate.

**Manufacturer**

**ITT Inc.**, White Plains, New York, has completed the acquisition of **Rheinhütte Pumpen Group**, a market-leading designer and manufacturer of centrifugal and axial flow pumps, from Aliaxis Group S.A.

Swedish manufacturer **Atlas Copco**, Nacka, Sweden, reported first-quarter sales of SEK 24.2 billion (US$2.5 billion), a 10% increase over the first quarter of 2018. Organic growth was 4%. Profit was SEK 4.9 million (US$0.51 million), a 9% increase over the prior year.

**Neenah Paper Inc.**, Alpharetta, Georgia, reported sales for the first quarter of $239.7 million, a decrease of 10% compared to the same period a year ago. Profit decreased 27.2% to $11.8 million.

**TimkenSteel Corp.**, Canton, Ohio, reported first quarter sales of $371 million, down 2.6% compared to the prior-year period. The company reported a profit of $4.2 million for the quarter compared to a loss of $1.9 million during the first quarter of 2018.

**Continued on p. 4 of this section**
Saw Blades Market Demand in the U.S.

Market Snapshot

Market demand for Saw Blades in the U.S. was $1 billion in 2018, according to data from MDM Analytics. All estimates are 2018 end-user demand, in U.S. dollars, including distributor margin.

U.S. Total: $1 billion

U.S. End-User Market Demand for Saw Blades by Region, $ millions (2018 est.)

<table>
<thead>
<tr>
<th>Region</th>
<th>%</th>
<th>$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific Coast</td>
<td>14.4%</td>
<td>$146.4</td>
</tr>
<tr>
<td>Northwest Central</td>
<td>7.8%</td>
<td>$79.6</td>
</tr>
<tr>
<td>Northeast Central</td>
<td>15.9%</td>
<td>$161.5</td>
</tr>
<tr>
<td>Northeast Coastal</td>
<td>4.8%</td>
<td>$48.6</td>
</tr>
<tr>
<td>Mountain States</td>
<td>7.5%</td>
<td>$75.9</td>
</tr>
<tr>
<td>Southwest Central</td>
<td>12.4%</td>
<td>$126</td>
</tr>
<tr>
<td>Southeast Central</td>
<td>6.3%</td>
<td>$63.6</td>
</tr>
<tr>
<td>South Atlantic</td>
<td>20%</td>
<td>$202.7</td>
</tr>
<tr>
<td>Mid-Atlantic</td>
<td>11%</td>
<td>$111.1</td>
</tr>
</tbody>
</table>

U.S. End-User Market Demand for Saw Blades: Top 10 End Markets

Top 10 end markets in $ volume, by NAICS code, consuming Saw Blades (2018 est.)

<table>
<thead>
<tr>
<th>End User</th>
<th>Estimated Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>238220 Plumbing, Heating, and Air-Conditioning Contractors</td>
<td>$120,432,255</td>
</tr>
<tr>
<td>236220 Commercial and Institutional Building Construction</td>
<td>$66,288,199</td>
</tr>
<tr>
<td>444110 Home Centers</td>
<td>$37,445,613</td>
</tr>
<tr>
<td>238210 Electrical Contractors and Other Wiring Installation Contractors</td>
<td>$32,736,918</td>
</tr>
<tr>
<td>321918 Other Millwork (including Flooring)</td>
<td>$31,409,481</td>
</tr>
<tr>
<td>237310 Highway, Street, and Bridge Construction</td>
<td>$30,593,496</td>
</tr>
<tr>
<td>337110 Wood Kitchen Cabinet and Countertop Manufacturing</td>
<td>$28,566,322</td>
</tr>
<tr>
<td>238130 Framing Contractors</td>
<td>$27,116,454</td>
</tr>
<tr>
<td>238160 Roofing Contractors</td>
<td>$22,430,340</td>
</tr>
<tr>
<td>321911 Wood Window and Door Manufacturing</td>
<td>$20,286,513</td>
</tr>
</tbody>
</table>
News Digest  
Continued from p. 1 of this section

Jason Industries Inc., Milwaukee, parent company to a global family of manufacturers in the seating, finishing, automotive acoustics and components markets, reported sales for the first quarter of $142 million, down 15.1% year-over-year. The company reported a loss for the quarter of $5.3 million, compared with a loss of $0.8 million in the prior-year quarter.

Motion control manufacturer Allied Motion Technologies Inc., Amherst, New York, reported sales for the first quarter of $93.9 million, an increase of 22.6% over the same period a year ago. Profit increased 6.5% to $4.5 million.

AMETEK Inc., Berwyn, Pennsylvania, a global manufacturer of electronic instruments and electromechanical devices, reported sales for the first quarter of $1.3 billion, up 9.8% from the same period a year ago. Profit increased 12.7% to $204.3 million. Organic sales growth was 5%.

Diversified industrial manufacturer Eaton Corp., Dublin, reported sales for the first quarter of $5.3 billion, a 1% increase over the same period a year ago. Profit was $522 million up 7.2% over the same period in 2018.

Swedish bearing manufacturer SKF has named Niclas Rosenlew CFO. The company has also announced the immediate departure of its current CFO Christian Johansson.

Pump and compressor manufacturer Gardner Denver reported $620.1 million in revenues for the first quarter of 2019, up slightly from the same period in 2018. Net income was $47 million, up 11% over a year ago.

Simpson Manufacturing Co., Inc., Pleasanton, California, reported sales for the first quarter 2019 were $259.2 million, up 5.9% from first quarter 2018. Profit declined 11% to $22.7 million.

Barnes Group Inc., Bristol, Connecticut, an international industrial and aerospace manufacturer and service provider, reported sales for the first quarter of $377 million, a 3% increase year-over-year. Organic sales rose 3%. Profit for the quarter fell 12.4% year-over-year to $34 million.

Weyerhaeuser Co., Federal Way, Washington, reported first quarter sales of $1.6 billion, an 11.9% decrease year-over-year. The company reported a loss of $289 million, compared to a profit of $269 million during the first quarter of 2018.

The Timken Co., Canton, Ohio, reported first-quarter sales of $979.7 million, up 10.9% compared the first quarter of 2018. Profit was $91.9 million, compared to $80.2 million in same period a year ago.

Rockwell Automation, Inc., Milwaukee, reported sales for the second quarter of fiscal 2019 of $1.7 billion, up 0.3% from the same quarter a year ago. Profit was $346 million, compared to a profit of $327.4 million the previous year’s quarter. Sales over the first six months of fiscal 2019 were $3.3 billion, up 1.9% over the same period in 2018. Profit was $426.3 million, compared to loss of $9 million the previous year.

Packaging Corp. of America, Lake Forest, Illinois, reported first-quarter sales of $1.7 billion, up 2.5% compared with the 2018 first quarter. The company reported net income of $186.8 million for the quarter, a 33.3% increase over the prior-year period.

Manufacturer Regal Beloit Corp., Beloit, Wisconsin, reported first quarter sales of $853.8 million, a 2.8% increase compared to the first quarter of 2018. Profit was $86.8 million, up 46.4% compared to the same period the previous year. By segment, the company reported $380.3 million in commercial & industrial systems segment sales, an 8.2% decrease from the prior year; $263.3 million in climate solutions segment sales, a 1.3% increase; $210.2 in power transmission solutions segment sales, an increase of 2.6%.