



How to Make Your Company a Destination of Choice

For distributors, the recruitment process is a task that sometimes takes a back seat to other pressing day-to-day issues

There are several things distributors can do internally to improve recruitment efforts, including reexamining company branding and internal marketing, and incorporating the business's market stance into the interview and recruiting process.

By John Salvatore

For distributors, the recruitment process is a task that sometimes takes a back seat to other pressing day-to-day sales and operational issues. However, there are a number of things that a distributor can do to make recruitment a part of their every day activity. Some of these items, when done once, can repeat themselves over and over without consuming further time.

Let's start with organizational review. Most distributors are faced with the challenge of having an aging workforce and not enough strength on the bench as far as employees who are trained and ready to advance in the organization. Recruitment is a two-way street. At its heart is the fact that your organization has to be an attractive destination for candidates. It has to be more advantageous for them to work for you than for your competitor.

Building Your Bench

At GRN Coastal, we have studied the college recruitment process in depth, applying an activity-based costing model. The results are interesting. We believe that organizations need an influx of youth to bring new energy and ideas, balanced with experienced and seasoned mid- to senior-level talent that can drive results. Our study shows that the costs associated with

attending job fairs and taking core people out of their daily tasks to do so doesn't outweigh having a consistent resource working the college hire process for you.

Some distributors have begun to outsource this functionality. In an industry-wide, independently run survey we conducted last year in conjunction with The Channel Marketing Group out of Raleigh North Carolina, more than 60% of respondents said they would outsource their entire college hiring program for the right solution.

Now is the time for distribution to take college hiring seriously. This is a major area of opportunity to gain balance and build strength for the future. Right now, only 43% of respondents recruit on campus. Companies are typically represented by HR, young employees or branch managers. Many go for community/university relations, visibility and to collect resumes.

Only 23% have formal college training programs, while 47% have some form of an internship program. A potential indicator of "friends and family" internships: 57% of new hire programs are run by management or "in-the-field."

On the other hand, a different approach to reaching the college hire audience is depicted by a client of ours in the Northeast. The principal of the company is a board member of a technology-focused university. He gets the opportunity to address upcoming graduates on a career in electrical distribution yearly and his team is a visible participant in all of the institution's college fairs. By getting to know the university and being visible, his business has a fine track

Continued on p. 3

INSIDE

Commentary:

Fighting the Digital Disruption War: Protect the Last Mile

You can out-compete any type of competitor.

Page 2

Digital Innovator Award Winner:

Ohio Power Tool Optimizes its E-commerce and Online Presence

Effortless integration between digital and traditional purchases is the goal for this family-run business.

Page 4

Digital Innovator Award Winner:

Technology Yields Returns for Precision Medical Products

With a revamped e-commerce platform and a new ERP, the medical equipment distributor is lowering costs and raising profits.

Page 6

Market Snapshot:

Gearing MRO

Page 3 of Markets Update Supplement

PERSPECTIVE ■ Commentary by Thomas P. Gale

Fighting the Digital Disruption War: Protect the Last Mile

Remember the turbulent old days, back in the late 1990s, when Y2K was going to bring down your business overnight? And if you dodged that bullet, you were going to be disintermediated by a dot-com online storefront? Life is much simpler now, right? Ha!

From the nature of mergers-and-acquisitions activity to the way manufacturer-distributor-customer relationships are defined today, digital disruption has fundamentally changed the competitive dynamics of wholesale distribution. But after 30 years of observing this \$6 trillion industry, I think there's a critical perspective to keep top of mind.

None of the current distribution model disruptors, largely driven by digital, effectively attack the core value localized distribution has always brought to the market: the ability to meet the time-sensitive needs of customers in the selection and application of process-specific supplies. This is a highly customized value that ranges from low-tech, highly qualitative personal relationships to high-tech, just-in-time, location-specific supply systems that require deep knowledge of complex product, process and customer variables. Relationship and customer knowledge are tough to digitize or commoditize.

The real threat is that the traditional outside sales model — the foundation of every distribution sector — has not changed and has been disrupted by the shift in customer expectations and more price-competitive selling models. Distributors have historically been response-driven, and thus focused on buying more effectively to generate profit. But, multiyear, slow-growth economic conditions call for much stronger demand-creation skills.

Does your company have a more proactive,

lower-cost selling model to target new customers and markets, along with a changing mindset that no longer expects the old model to be the stable revenue stream of yesteryear? Competitive advantage in the future will be defined more by how distributors sell rather than how effectively they buy. That's a leap for many companies to make; it is creating EBITDA and defining success in 2019.

Regardless of your position in the channel, profitability is a more elusive target today and requires a more agile and lean omnichannel selling model, one that fully leverages customer relationships and an efficient approach to the new ways they want to interact. You can't apply a cookie-cutter approach to these new hybrid B2B distribution channels and cling to what used to work in B2B. Exhibit A is the thorny and often dysfunctional structure of rebate programs. That ship is springing leaks as all markets become increasingly more commoditized.

There's also the risk of getting too carried away with technology or competitors. Stray too far from the underlying business model and leaner cost structures necessary to compete in this digitally disruptive environment, and you can lose sight of the evolving needs of your customers. That's when you get to the point of winning certain battles but ultimately losing the deeper relationship war.

There's a meme bouncing around the internet that's attributed to a Walmart banner that hung at its headquarters many years ago. It read something like this: "You can't out-Amazon Amazon." Great advice! But if you build a strategy and leaner model from your core strengths, you can out-compete any type of competitor.

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Destination

Continued from p. 1

record of recruiting and retaining college talent.

Our industry has the opportunity to really examine new ideas and solutions to take advantage of securing top college talent. Seize it, as this is your foundation for future growth and stability and can make your company a destination of choice for all levels of talent.

Building Your Brand in the Recruitment Process

The opportunity to become a destination of choice means that your organization should begin to look at the recruitment process as a two-way street. Just as you are evaluating any candidate when they walk into your building, they are also trying to visualize if they will fit and find your organization attractive.

Just as many companies today give candidates an assessment test, how would your company score in areas of workforce environment, culture, advancement opportunity, pay and benefits?

We encourage our clients to sell themselves to top talent. Your recruiter can only sell the opportunity to an extent, the candidate will end up working with you, not us, thus your team has to sell the virtues of your organization as well.

Best practices we have seen include:

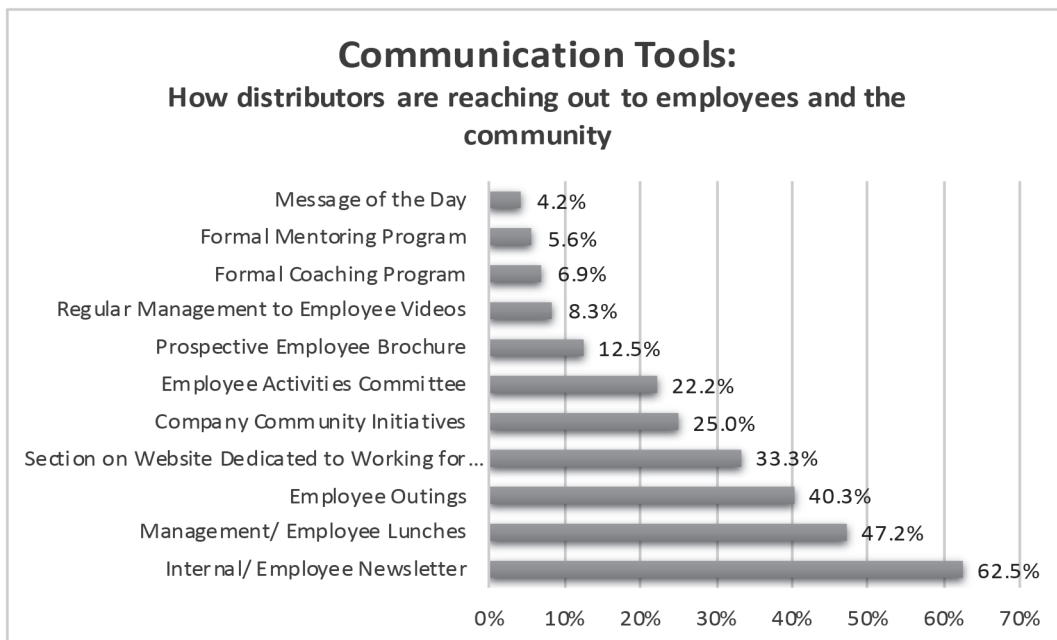
- Send a potential candidate a pre-interview company overview and welcome email upon receipt of resume;
- Show a candidate a company video upon entry, pre interview;
- Have a recruitment package that includes a job spec, company literature and benefits summary for all candidates;
- Give the candidate a tour of the facility, matching them up with someone from their potential department with a similar profile;
- If appropriate, match up candidates with employee(s) of similar career stage and function for a group lunch to discuss the company freely, this can be done in house;
- Send candidates a post-interview survey and thank you (remember they are leaving their job and taking time off to visit you);
- Quickly reply to every candidate follow-up email.

These best practices become the fabric of who you are. They leave a lasting impression on candidates and create an image that becomes your brand in the market. Just as you are trying to create a ‘great customer experience’ by delivering great service to your customers, create a great recruitment experience for each candidate.

Take a distributor client of ours in Texas:

Continued on next page

Figure 1



Source: GRN Coastal/ The Channel Marketing Group Survey 2018

They always have the candidate sit with their team to get to know each other during the interview. It is the candidate's opportunity to get to know the company culture and what it is truly like to work there without the hiring manager present.

This is done in a casual setting over coffee or lunch. This level of exposure takes the edge off the interview process and brings the company and opportunity to life. They are typically grouped with people with similar roles or same level of experience. Business contacts are always exchanged and post-interview questions encouraged.

Build Your Brand Internally

Building your brand internally also attracts top talent on its own, as your employees will become a marketing vehicle to help attract new hires. When an outsider asks your employee what it is like to work for your organization, what does the employee say? We see the best distributors really focusing on this.

Per our survey in Figure 1, we see internally focused activities and communication tools as a concrete effort to make employees feel appreciated, informed and wanted. These distributor activities make employees feel that

their organization care as about them and their future with the business.

Build Your Reputation

We find that clients who put in place these simple steps become known as a destination of choice. The ingredients of having a strong vendor portfolio and customer presence are important factors to attract top talent. No candidate will want to work for a company that they feel has inferior product and customer preference. At a minimum, top talent will not gravitate to you if this is the case. With these factors being equal, it comes down to how you handle the recruitment process and how you create a great recruitment experience for each candidate. Your recruitment process wins the battle for top talent and makes you the destination of choice.

Salvadore has been in the distribution industry for more than 30 years. He is the founder and managing partner of GRN Coastal, a full-service recruitment company that assists distributors and manufacturers in the electrical, automation, plumbing, PVE, HVAC and industrial supply sectors. Reach him at jsalvadore@grncoastal.com or through grncoastalrecruiters.com.

■ Digital Innovator Award Winner

Ohio Power Tool Optimizes its E-commerce and Online Presence

Effortless integration between digital and traditional purchases is the goal for this family-run business

By investing in and embracing an e-commerce strategy nearly 20 years ago, this Columbus, Ohio-based distributor brings in more than half of its sales from its website, with both web and local business growing about 20% each year for the last several years in a row.

By Leah Shepherd

Ohio Power Tool has a long history of robust sales growth, achieved through a continual focus on improving its e-commerce capabilities, online presence and search engine optimization. In fact, the family-run business with 35 employees based out of Columbus, Ohio, "has been at the forefront of digital development and e-commerce for almost the entirety of their

business operations," says Jennifer Murphy, president of NetPlus Alliance, an industrial supply buying group.

With its commitment to digital advancements, MDM chose Ohio Power Tool as a 2019 Digital Innovator Award winner. These awards honor 10 businesses that have leveraged technology to advance their operational excellence.

Founded in 1983, Ohio Power Tool provides tools, supplies, repair service and rentals. It's a factory-authorized service center for most major brands of air, electric and hydraulic equipment.

President Jay Amstutz took over from his parents, Jim and Suzanne Amstutz. Suzanne built the company's first website in 2000, when

Continued on next page

the internet was very new. After working in marketing and e-commerce for larger companies, Jay revamped the distributor's social media, blog and website, which helped to grow revenue. He joined the company full time in 2008.

Now, more than half of sales come through the website. "That has been pretty steady for the last five, six, seven years," Jay says. "In the last two or three years, both the web and local business have been growing pretty steadily, growing about 20% each year."

Improving E-commerce

Part of the company's strategy is to make everything effortless for the customer, whether the sale is online or at the store. Ohio Power Tool moved to a new location in downtown Columbus in 2013, with the larger space allowing them to stock a wider variety of products. The prices are the same in the store and online.

"We think of it all as one thing. If you are in Ohio, you can order online and pick up in store. Just working to show stock and availability helps the local customers and our own sales team," Jay says. "We are going to continue to invest and make it easier and easier to order online."

Jay regularly writes product reviews and other news for the company's blog. He also studies the content and features that other online sellers provide on their websites to engage customers.

In any industry, it's hard for smaller businesses to compete against the massive, global retailers that sell almost everything online and deliver within a couple of days. "It's trying to keep up with the Amazons and humungous online retailers, trying to keep up with features that they offer. We always feel like we are pretty far behind where we want to be and where some people are. We constantly keep working to keep putting the latest features in the practice. That's what we strive for," Jay says.

He wants to help customers find items faster. "The big thing we're working on now is product attributes to make things searchable,"

he says. "We still feel like people get to the site and can't find what they are looking for, based on categories. People just [label] things differently in different parts of the country. We've been working to put attributes on every single product to help people narrow their searches down," and see what items are available.

Interactive Attributes

The company produced a variety of videos with sales representatives discussing promotions and demonstrating specific tools. Other videos available on the website feature a store tour and a live Q&A session. The company has a few more video releases scheduled for the future. "Videos are going to be a big focus for us," Jay notes.

Jay and other writers contribute updates two or three times a week to the Ohio Power Tool blog. The company also posts regularly on Facebook, Instagram and Twitter. "Everyone seems to be on social media," Jay says. "We are starting to get better at it."

Ohio Power Tool has been collecting product reviews from customers and plans to publish those on the website. "It's one thing to see all the specs and another thing to have other professionals give their feedback," Jay says.

The blog, videos, product reviews and increased website traffic help to improve the company's search engine optimization, a crucial step to reaching more customers online. "We always trying to do the best SEO we can, just to stay above board and look at what people are searching for and trying to organize our site that way, based on what we're seeing people searching for," Jay says.

The effort has been worth it. The company's investment in technology upgrades has paid off with increased revenue.

In the next year or two, Ohio Power Tool plans to add more specs, owner's manuals and other product information to the online catalog. It also hopes to adopt new technology to schedule deliveries for certain customers. "We're always looking for a better way to do things," Jay says.

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■ *Digital Innovator Award Winner*

Technology Yields Returns for Precision Medical Products

With a revamped e-commerce platform and a new ERP, the medical equipment distributor is lowering costs and raising profits

Shedding outdated technology is not only improving productivity and efficiency for the California-based company, but also allows for controlled scale and growth, with improved data accuracy and elevated customer satisfaction levels.

By Leah Shepherd

Precision Medical Products is growing quickly — adopting cutting-edge technology along the way in order to lower operational costs and gain efficiencies. The Rocklin, California-based distributor of durable medical equipment overhauled its e-commerce website and installed new systems for warehouse management and data analytics.

The company is one of 10 MDM 2019 Digital Innovator Award winners, honoring businesses that have leveraged technology to advance their operational excellence.

Precision Medical Products launched a revamped online store and implemented a new enterprise resource planning system (ERP) in June 2017. Later, Precision Medical Products unified its e-commerce data with financials, customer relationship management (CRM) and order and inventory management. This move eliminated manual data entry for online orders.

Their previous e-commerce website “was outdated and required a lot of duplicate transactions,” says Bruce Capagli, chief operating officer. The new ERP is “a much better product for our customers, a modern look and feel and transactional flow for your everyday e-commerce that everybody is used to using.”

With the new online platform, the product “gets shipped to the patient direct or the rep’s location. It removed a lot of tension and created a lot of efficiency internally and in the field,” Capagli says. “Our internal customers like having a one-stop shop.”

The new e-commerce website performs better on mobile devices than the old one, which is important for sales reps who are often in the field, discussing products with medical providers.

In July 2018, the company implemented a warehouse management system with barcode scanning for its three warehouses. As a result, “productivity and efficiency have greatly increased,” Matt McGinley, chief information officer, says. “Inventory accuracy has increased, as we scan the movement of items through the lifecycle of receiving to shipping. The warehouse management system has also allowed us to enable a system-generated cycle count program, which increases inventory accuracy and reduced the quantity of full physical inventories needed per year.”

The warehouse management system “has been a lifesaver,” Capagli agrees.

Precision Medical Products did not hire more staff to implement or maintain all of the new technology. “We took a team of seven intake people for orders down to 4.5. We saved 2.5. We’ll reduce another 1.5 headcount when we automate our billing process,” Capagli says, with the half accounting for a part-time position. “It’s really done a lot for our business, the ability to scale and grow and allow our sales reps to do what they do best and not have to worry about that other stuff.”

For orders and billing to health insurers, manual entry was too time-consuming and sometimes prone to mistakes. Precision Medical Products built an algorithm to predict what an insurer will pay for a product after receiving a claim. Previously, employees had to comb through workbooks and manually enter what they expected an insurer to pay.

Getting more processes automated and digitized reduced the room for errors in orders, shipments and payments. McGinley says, “The automated system improves our data accuracy. Getting data ready for automation can be a challenge.”

The company uses Looker to track and share some of its business analytics with customizable dashboards. “Our doctors and our surgery centers, we can give them Looker accounts. We can say, ‘We’ll give you full transparency and

Continued on next page

visibility into what we are doing.' It's created a modern-day model of transparency to our customers," Capagli says.

Economic Payoffs

The technology upgrades have brought big financial gains to Precision Medical Products. Its annual revenue jumped from \$17.5 million in 2017 to \$28 million in 2018.

Along with increased revenue, there is a need to stay competitive in the industry. "If you don't have those next-generation tools and artificial intelligence for ordering, you will be left in the dust," Capagli says. "We wanted to not only catch up to the modern day; we wanted to get ahead."

For any organization, there's "always pain in implementing a new system, but the benefits have been amazing. We trained everybody and got them on board — with a little headache early on. There's resistance to change" at the beginning, Capagli recalls.

To address that, it's helpful to let employees brainstorm and feel some ownership in the process, so they feel they have done something good for the company, he advises. It's also wise to promote an internal champion who can convince colleagues that the technological

changes will be pretty easy, perhaps by convening an internal advocacy group, he adds.

The healthcare industry tends to change rapidly and constantly, prompting suppliers and distributors to turn to technology to keep up with customer demands and expectations. Capagli did not want to adopt new technology that would be hard to change or replace after a few years of use.

"The big lesson learned is to make sure when we are implementing that we are thinking about the future. I've been a part of companies where they're so stuck in the now or in the past that there's no thought of tomorrow," Capagli says.

Fast-Growing Startup

Founded in 2010, Precision Medical Products has grown to more 130 employees in 31 states. It sells durable medical equipment like braces, boots and crutches, as well as gloves for medical and industrial workers. It processes about 11,000 orders per month, handling prescriptions from doctors' offices and surgery centers.

Growth has come very fast for this fairly young West Coast business. "It's a completely different company in the last six months, and we're proud of it," Capagli says.

■ *Digital Innovator Award Winner*

FleetPride Excels in E-commerce

A commitment to digital leadership led the company to develop an industry-leading online catalogue

The Irving, Texas-based distributor is taking its e-commerce capabilities to the next level with an investment in master data management to overcome limitations of legacy systems, and continuing to invest heavily in technology and talent in order to provide customers with a best-in-class online experience.

By Leah Shepherd

FleetPride has developed a new set of e-commerce capabilities that remain unique in its industry, centered on aftermarket parts for heavy-duty trucks. The transformation has kept the Irving, Texas-based distributor competitive and modern.

With its technological advancements,

MDM selected FleetPride as a 2019 Digital Innovator Award winner. These awards honor 10 businesses that have leveraged technology to advance their operational excellence.

It's been a speedy transformation.

"A few years ago, we had no e-commerce capability. We had no product information management (PIM) capability, no content on our products, no images," says Robert Sammons, senior vice president of merchandising for FleetPride.

After implementing a PIM system, the next step was to build an e-commerce website with photos and spec sheets for all the products. FleetPride hired about 15 people to develop the content for the website — a huge undertaking,

Continued on next page

since the business sells more than 260,000 different truck and trailer parts.

"We began building rich content about all of our products. That kind of data is not readily available from manufacturers. The majority of it we literally created ourselves by setting up a photo studio," Sammons says. Now, it has an industry-leading online catalogue.

The next phase in the transition will be to migrate all the PIM data to a master data management system (MDM). FleetPride is working on that now.

"It will allow us to track contracts on the merchandizing side, tracking contracts for our national account business. It will hold all of our customer information. It brings a lot of data sources into one place and integrates those data sources," Sammons explains.

"We have some legacy systems that have limitations. They were built before e-commerce. They were built before omnichannel sales was even contemplated. The MDM will augment what our capabilities are today and let us go to the next level," he adds.

Search functionality is important in an industry where the products are very precise and not universal.

The company has built an electronic catalog that allows people to do detailed and specific searches, buy the parts online and get those parts delivered quickly, with the goal of creating a true e-commerce experience.

Pay Any Way

FleetPride also recently added technology to be able to send ACH payments to suppliers. ACH payments occur when a customer gives a company authorization to debit directly from the customer's checking or saving account to pay a bill.

"Whatever the payment mode is, we're capable of doing that today," says Amath Fall, chief financial officer at FleetPride. "Now, we can electronically work with any supplier out there and do any data exchange that's required on their side. We built this open platform that allows us to do business with anybody who has electronic capabilities."

The digital transition has brought financial benefits in several ways. "Electronic commerce will allow you to gain efficiencies, being more effective in how you sell," Fall explains.

With the PIM system and the e-commerce website, "you end up with better inventory management. You end up with an easier sales

process. That helps with profitability, too. It's been phenomenal since we launched it," Fall says.

Typically, younger customers are comfortable with e-commerce, but some others are not ready to fully adopt it.

"It's mostly reaching new customers. It's going to allow us to attract a new breed of customers who are more inclined to using electronic modes of business. It will take time for people to jump on it and embrace it," Fall says.

Tips for Starting Out

Before distributors build an e-commerce website, "it's really important to have a clear definition of what you want the outcome to be," Sammons advises.

Understand that the development process may not be fast and easy, and it may require more internal staff to implement and maintain the digital upgrades.

"This industry is not as well-developed in terms of e-commerce and electronic catalog," Sammons says. "It takes a while, because you really have to do it from the ground up."

Have a vision for the future of your company's digital presence, online sales and data management, Fall recommends.

"You have to think of it as an evolution. This was like 'phase one' of this journey. The next steps will take us to a far greater level than where we are today," he says.

Remember that the business ultimately comes down to serving customers and partners.

"As a distributor, you want your suppliers to be pleased with how you do business. You want to make it easy to do business with you. You also want your customers to find it's easy to do business with you," Fall says.

Growing Through Acquisitions

FleetPride is celebrating its 20th year in business. It has more than 271 branches, 45 service centers, and 150 FleetCare affiliate locations across the United States. The company employs more than 3,200 people.

American Securities, a New York-based private equity firm, acquired FleetPride in December 2018.

During the past two years, FleetPride acquired Patriot Truck & Trailer, B&A Friction Material, Long Island Truck Parts, Interstate Diesel Parts & Service, Ohio Diesel Fleet Supply, Hardy Brake & Electric, Truck Parts & Equipment, and Colton Truck Supply.

The Conference Board Consumer Confidence Index Increased in May

The Conference Board Consumer Confidence Index improved in May, following an increase in April. The Index now stands at 134.1, up from 129.2 in April. The Present Situation Index – based on consumers' assessment of current business and labor market conditions – increased from 169.0 to 175.2. The Expectations Index – based on consumers' short-term outlook for income, business and labor market conditions – increased from 102.7 last month to 106.6 this month.

Consumers' assessment of present-day conditions improved further in May. Those stating business conditions are "good" increased from 37.6% to 38.3%, while those saying business conditions are "bad" decreased from 11.3% to 10.2%. Consumers' assessment of the labor market was also more positive. The percentage of consumers stating jobs are "plentiful" increased from 46.5% to 47.2%, while those claiming jobs are "hard to get" declined from 13.3% to 10.9%.

Consumers expressed greater optimism about the short-term outlook in May. The percentage of consumers expecting business conditions will be better six months from now increased from 19.4% to 21.9%, while those expecting business conditions will worsen declined from 9% to 8.4%.

Consumers' outlook for the labor market was also more favorable. The proportion expecting more jobs in the months ahead increased from 16.7% to 19.2%, while those anticipating fewer jobs declined from 13.2% to 12.5%. Regarding their short-term income prospects, the percentage of consumers expecting an improvement increased from 21.5% to 22.6%, however, the proportion expecting a decrease rose from 6.8% to 8.2%.

Distributor

SRS Distribution has acquired **Presta Contractor Supply**, Erie, Pennsylvania, an independently owned distributor of roofing products & accessories, windows, doors, siding and other complementary products.

ParkOhio Holdings Corp., Cleveland, has acquired **EFCO, Inc. d/b/a Erie Press Systems**, Erie, Pennsylvania, a manufacturer of advanced forging presses, hydraulic and mechanical presses, and metal stretch-forming and carbon extrusion machines for several end markets, including aerospace and defense, primary metals and high-speed rail.

Genuine Parts Co., Atlanta, has agreed to acquire the remaining 65% stake of **Inenco Group**, Sydney, Australia. Terms of the transaction were not disclosed. Genuine Parts previously purchased a 35% stake in Inenco in 2017, and held the opportunity to acquire the remaining stake at a later date.

Private equity firm **High Road Capital Partners** has acquired **John Henry Foster Minnesota Inc.**, Eagan, Minnesota.

Motor City Industrial, Hazel Park, Michigan, has acquired **Quality Fastener and Supply Co.**, Oxford, Michigan, a distributor of industrial consumables and ancillary products.

Amazon.com, Inc., Seattle, is scheduled to open a packing and shipping center in Salem, Oregon. The facility is slated to open in August, bringing 1,000 jobs to the area.

Imperial Dade, Jersey City, New Jersey, a national distributor of disposable food service and janitorial supplies, has acquired **Strauss Paper Company**, Port Chester, New York.

Winsupply Inc., Dayton, Ohio, has opened Winsupply of North Portland, Maine, serving electrical contractors in the Greater Portland area including southern Maine and New Hampshire.

The Home Depot, Atlanta, reported first-quarter sales of \$26.4 billion, a 5.7% increase compared to the year-ago period. Profit rose to \$2.5 billion, compared to \$2.5 billion during the same period in 2018. Comparable sales for the first quarter of fiscal 2019 were up 2.5%, and comparable sales in the U.S. were up 3%.

Descartes Systems Group, Waterloo, Ontario, reported sales for the fiscal 2020 first quarter of \$78 million, up 16% from the first quarter of fiscal 2019. Profit increased 4% to \$7.3 million.

Fairmont Supply Co., Washington, Pennsylvania, distributor of industrial maintenance, repair and operation supplies, has named current CFO Anthony Dodds to the role of president, effective immediately.

Industrial distributor **MSC Industrial Direct Co. Inc.**, Melville, New York, has named Edward Martin as senior vice president of sales and customer success.

Ferguson Enterprises, Newport News, Virginia, has named Geoff Drabble

Continued on p. 4 of this section

The Distributor's Guide to Getting Started with E-commerce

It takes three main components for distributors to launch a successful online platform

By Jason Capshaw

Ready to offer your customers an e-commerce experience they love, but don't know where to start? Your customers are unique to your business. You'll have to work hard to understand how to best connect with them digitally. Fortunately, you are walking a road that has been traversed before. You can learn from my many mistakes.

There are three main components of a successful B2B, wholesale distribution e-commerce platform: customer-specific pricing, product availability and lead times.

1. Customer-Specific Pricing

A customer won't buy from your e-commerce platform unless they believe they are getting your best price, every time they login. This can be challenging if your pricing is geographical, or shifts based on commodities that change frequently.

Building a pricing integration is one of the toughest parts of launching an e-commerce platform. This becomes complicated further if you have a business model where your counter/phone sales often adjust prices down for customers during an interaction.

Many companies will show the highest possible price on their e-commerce platform. This guarantees your customers won't adopt it. Showing the customer their best possible price will help remove some of their barriers to adoption.

Keep in mind that even though you may have some lower margin product sales by showing the best possible price, you should be increasing the total average of each transaction with the right upselling and cross selling.

Even though you may not be a programmer, one of the best first steps you can take is to get a group of pricing and sales folks in a room and map out the logic for pricing. Even the exceptions. A good integrator will transform that into the code base you need. The hard part is getting the logic down, not the coding itself.

2. Product Availability

Customers want access to two main categories

of products:

- SKUs they order on a regular basis;
- Products that aren't a regular stock item, but are needed occasionally.

If you limit your customers' access to a small set of products, like in a microsite, you'll find some people at their company won't adopt. I've seen this play out a few times — especially with safety teams.

The safety team has selected safety products that meet the specifications of the jobs the crews are assigned to work. They want to control what is purchased for safety, so they set up a microsite with a vendor with all of the approved safety gear listed on it.

But the field associates don't like having to go to multiple sites or vendors for different types of products. Buying safety at one supplier and then buying bolts somewhere else is inefficient when they can get it all at one place.

The purchasing team doesn't like having the additional invoices that have added administrative costs. The best solution is to offer a customer-specific shopping experience where they can easily see their approved products but can also shop through the rest of your offering.

You want your customers to have access to all of your products. It's just good business. Try to stay away from very limited product offerings, even if your customer's executive team asks for it. Often, they don't know how the folks actually ordering will feel about adopting multiple systems. This could backfire when you roll out your solution.

3. Product Lead Times and Delivery Confirmations

When a customer calls one of your associates, do they ask for an estimated delivery date? If so, they will expect the same type of information on your e-commerce platform. Their experiences on consumer platforms like Amazon will drive this expectation as well.

The problem with lead times is it exposes other operational issues within your company — bad stock counts chief among them. You may have good people who make a Herculean

Continued on p. 4 of this section

Gearing MRO Market Demand in the U.S.

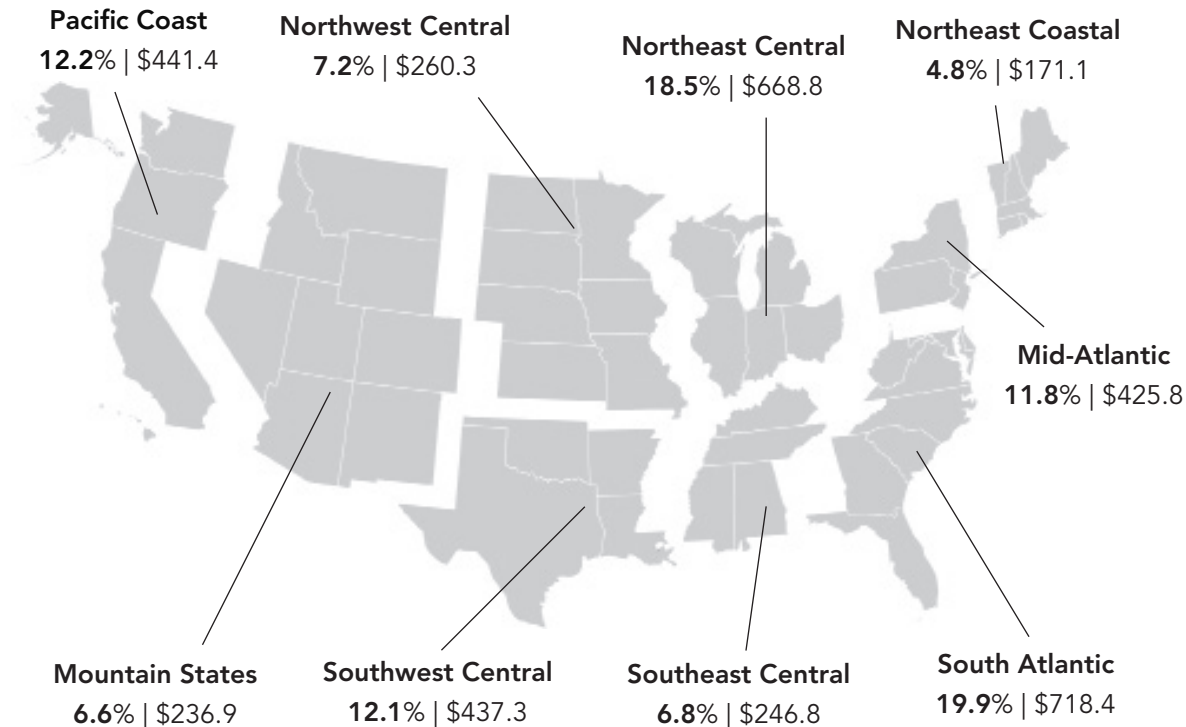
Market Snapshot

Market demand for Gearing MRO in the U.S. was \$3.6 billion in 2018, according to data from MDM Analytics. All estimates are 2018 end-user demand, in U.S. dollars, including distributor margin.

Markets Update
Supplement
p. 3

U.S. Total: \$3.6 billion

U.S. End-User Market Demand for Gearing MRO by Region, \$ millions (2018 est.)



U.S. End-User Market Demand for Gearing MRO: Top 10 End Markets

Top 10 end markets in \$ volume, by NAICS code, consuming Gearing MRO (2018 est.)

| End User | Estimated Consumption |
|--|-----------------------|
| 238210 Electrical Contractors and Other Wiring Installation Contractors | \$461,716,585 |
| 322121 Paper (except Newsprint) Mills | \$318,148,719 |
| 322130 Paperboard Mills | \$163,834,225 |
| 237310 Highway, Street, and Bridge Construction | \$143,251,109 |
| 238220 Plumbing, Heating, and Air-Conditioning Contractors | \$124,108,374 |
| 236220 Commercial and Institutional Building Construction | \$93,401,287 |
| 238110 Poured Concrete Foundation and Structure Contractors | \$88,588,377 |
| 322220 Paper Bag and Coated and Treated Paper Manufacturing | \$70,130,547 |
| 238910 Site Preparation Contractors | \$69,689,073 |
| 811310 Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance | \$62,925,974 |

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

Distributor's Guide*Continued from p. 2 of this section*

effort to care for a customer when there are stock issues. That's great, but it can cover up a broader problem.

To get started, sit down with your field, pull any data you have, and build a matrix to predict lead times. You'll want to take things like bulky, hazardous and UPS shippable into consideration. The goal isn't perfection, but to get a matrix that is right at least 80% of the time.

Take the matrix and do an analysis of orders that are coming in on a daily basis. See how well your matrix holds up to real world, offline transactions. Add some padding to your predictions. Better to under-promise and over-

deliver when it comes to lead times.

When you build lead times into your platform, instruct the integrators to collect lead time predictions and store them with each order. Then, pull back delivery information and compare to the prediction. Over time, you'll get a big enough data set that you can apply AI in real time to predict highly accurate lead times.

Looking for a digital action plan? Come to MDM's Digital Distributor Summit (<https://digital.mdm.com>) and attend our pre-conference session with Justin King (<http://digital.mdm.com/pre-conference-workshop/>), who has helped many distributors navigate the choppy waters of digital transformation.

News Digest*Continued from p. 1 of this section*

as non executive director and will succeed Gareth Davis as chairman after the 2019 annual general meeting, subject to shareholder approval. Davis will step down as a director in January 2020 to ensure an orderly handover of responsibilities.

Rexnord Corp., Milwaukee, has named Peggy Troy, president and CEO of Children's Hospital of Wisconsin, and Rose Schooler, corporate vice president, Global Data Center Sales for Intel Corporation, to the company's board of directors.

Sales for **HARDI distributor members** increased by 22.3% in April 2019, according to the monthly TRENDS report. The average annualized sales growth for the 12 months through April 2019 is 12.6%.

Economic

Real gross domestic product increased at an annual rate of 3.1% in the first quarter of 2019, according to the second estimate released by the Bureau of Economic Analysis. In the fourth quarter of 2018, real GDP increased 2.2%.

Economic activity in the manufacturing sector

expanded in May, and the overall economy grew for the 121st consecutive month, say the nation's supply executives in the latest Manufacturing ISM Report On Business.

The May PMI registered 52.1%, a decrease of 0.7% from the April reading of 52.8%, according to Timothy R. Fiore, CPSM, C.P.M., Chair of the Institute for Supply Management Manufacturing Business Survey Committee.

Manufacturer

RBC Bearings Inc., Oxford, Connecticut, reported sales for the 2019 fiscal fourth quarter of \$182.2 million, up 1.3% for the quarter. Sales rose 4% on an organic basis. Profit for the quarter totaled \$31.4 million, compared to \$26.7 million in the same quarter last year. For the full year, sales totaled \$702.5 million, an increase of 4.1% over the previous year. Profit for the year was \$105.2 million, compared to \$87.1 million in 2018.

Material handling products manufacturer **Columbus McKinnon Corp.**, Amherst, New York, reported sales for the fiscal year ended March 31 of \$876 million, up 4.4% from the prior year. Profit increased 93% to \$42.6 million.

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