

■ Digital Innovator Award Winner

JIS Sees Expanding Growth with JIS Express Auto-Order Button

The IoT product is providing invaluable data while building customer loyalty

Jergens Industrial Supply's user-friendly order replenishing button is becoming increasingly popular with the Ohio distributor's customers who have installed the IoT devices. With more than 400 in operation, JIS is also gaining valuable insights from the growing number of transactions.

By Elizabeth Galentine

When MDM last checked in with Jergens Industrial Supply (JIS), a division of Jergens, Inc., the Cleveland-based distributor had five customers using its Wi-Fi enabled button-based ordering system, JIS Express. Now, roughly six months later, they're up to 11 customer sites utilizing more than 400 buttons — 10 times the amount in the field last fall. Sales from the buttons have also increased just over 30% in that time, says Steve Valentine, inventory management solutions manager.

JIS's rapid growth of its industry-leading IoT inventory management technology makes the company one of MDM's 2019 Digital Innovator Award winners. The inaugural awards recognize 10 distributors that have leveraged technology to advance their operational excellence.

It hasn't been difficult for JIS to manage such a fast pace of growth, thanks in large part to the ease of setup that's involved in installing them, Valentine adds. "The buttons are so user-friendly," he says. "For a lot of these customers, we're already visiting them on a weekly basis, so we're just planning into the schedule time to install the buttons for products that they want to add."

Taylor Kanocz is an inventory

management solutions representative at JIS who works with several customers who utilize the buttons in their businesses to process orders and keep the system running smoothly. Before a button is placed at a customer location, Kanocz and other inventory management solutions representatives work with the client to determine their usage trends, so that min/max ordering levels are automatically programmed into the button.

When a customer pushes a JIS Express button, the system registers one button push for the day (even if a customer presses it multiple times). Then, an email is sent to the customer where they will have the opportunity to add/remove/delete quantities of any item requested based on what they feel they truly need at that time. Next, they will approve their request. At that point, the information is sent to the inventory management solutions representative for processing. "It's almost managed by itself," Kanocz says, "so there really isn't a lot of back and forth between me and the customers when it comes to button orders."

Increasing Volume

While JIS has yet to bring in new customers based solely on its JIS Express button capability, Valentine says they've seen "a huge spike" in current customers expressing interest. Often, the process starts with the customer stating that they love the idea of the product but aren't yet prepared for it, then several months later, they'll reach back out to JIS and say that they're ready.

The delay in implementation stems from a desire to become comfortable with
continued on p. 3 of this section

INSIDE

Commentary:

How Strong Is Your 2020 Vision?

An increasing number of leading indicators are pointing to an economic slowdown in the second half.

Page 2

Digital Innovator
Award Winner:

Hill & Markes Boosts Online Revenue with Internal and External Engagement

The hard work began once the century-old company launched its new website.

Page 7

Monthly Wholesale Trade Data - April 2019

Page 3 of Markets
Update Supplement

PERSPECTIVE ■ Commentary by Thomas P. Gale**How Strong Is Your 2020 Vision?**

Halfway through 2019, an increasing number of leading indicators are pointing to an economic slowdown in the second half. Anecdotally we're hearing of "sluggishness" in the past two months across many sectors. While I am always cautious around qualitative inputs, pieces of a puzzle this industry has not seen in a while are starting to stack up. Add another layer of trade, tariff and global economic slowdown already in process and the probability chips get higher.

Of course, no one knows if, when or degree of any potential downturn. But every business cycle has its own characteristics and impacts. Beyond the core economic fluctuation and revenue reduction, each downturn provides opportunities that distributors can leverage to take and grow share based on the actions or reactions by competitors. Market intel helps.

Market dynamics in 2019 are more complex, and for that reason we have mapped out a strong research agenda for this second half to help our Premium subscribers plan more effectively for 2019 and 2020.

As a first step, I'd like to ask for your help by taking our 10-minute survey (www.surveymonkey.com/r/TrendsSurvey2019) to direct our research and industry coverage. The most important questions in the survey are the open-ended ones, where we solicit your response to the top pain points, technological challenges and recruitment issues for your business. Your input will increase the quality of output and value to your planning for the year ahead.

Second, plan to register for our July 11 webcast (live and on-demand) – it's our annual Mid-Year Economic Update that provides an

economic forecast for all distribution sectors (registration opens soon). New this year and highlighted in the webcast will be our quarterly economic forecasts going forward by distribution industry sector. We believe it couldn't be a more timely addition to our market intelligence portfolio. We'll also be unveiling this year's edition of the annual Economic Benchmarks for Wholesale Distribution, our financial chart book that provides key performance statistics for each of the 19 major sectors of wholesale distribution, which in 2018 was a \$5.9-trillion U.S. economy sector.

We're also excited about the case study profiles for our Premium members in our June issues of the 10 winners of our inaugural Digital Innovator Awards. And in late July we'll be publishing our quarterly joint Baird survey that I believe will be the first true barometer of market trending in the second quarter across some of the core distribution sectors.

In August, we'll be presenting our annual Top Distributors list, this year expanding it to include the largest distributors by revenue across 14 market sectors. Also in the third quarter, look for our 2020 Trends Report and 2020 Competitive Landscape report, which has been an important strategy and market planning tool for many distributors each year.

Our team at MDM is committed to strengthening the depth of our research to help our Premium members evaluate the best path forward. My perspective is that it's a critical time these next few months to stay as close to market trends as possible, and we will be providing a lot of quantitative and qualitative market intelligence to support your planning.

**MODERN
DISTRIBUTION
MANAGEMENT**

Founded in 1967
by J. Van Ness Philip

CEO
Thomas P. Gale
tom@mdm.com

President
Ian Heller
ian@mdm.com

Editor
Elizabeth Galentine
elizabeth@mdm.com

Managing Editor
Arya Roerig
arya@mdm.com

Gale Media, Inc.
6309 Monarch Park Place, Suite 203, Niwot, CO 80503
Tel: 303-443-5060
Website: <http://www.mdm.com>

Subscription Rates
To subscribe to Modern Distribution Management, please call 303-443-5060, email tish@mdm.com or <http://www.mdm.com/subscribe>.

Published twice monthly; \$395/yr., \$415 U.S. funds other countries. Six-month, one-year and two-year terms are available. For group subscription rates and site licenses, please contact Tish Marti at 303-443-5060 or visit www.mdm.com/corporate.

© 2019 by Gale Media, Inc. All rights reserved. Modern Distribution Management® and *mdm*® are registered trademarks of Gale Media, Inc. Material may not be reproduced in whole or in part in any form whatsoever without permission from the publisher. To request permission to copy, republish, or quote material, please call 303-443-5060.
ISSN 0544-6538

MDM Editorial Advisory Board

Mark Bray, Supply Chain Director, ACR Supply

Chester Collier, SVP, Walter Surface Technologies

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

Larry Davis, CEO, AgoNow

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

Doug Savage, President & CEO, Bearing Service Inc.

Burt Schraga, CEO, Bell Electrical Supply

Ted Stark, President, Dalco Enterprises

JIS

Continued from page 1

the technology first — particularly to address security and vulnerability concerns that come naturally when considering any IoT application, Valentine explains. “They’re web-enabled buttons and that’s always a concern in the IT world,” he says. “We coach them and let them know that there’s no safety issues with these buttons in terms of their network and their domain.”

Often, a customer will become familiar with the product by trying out one or two buttons for a period of time until they feel comfortable with it, realize the ease of use and security of the system, and then request more. “That’s when we start to see the growth within those customers,” Valentine says. “They start to add more buttons, different types of products.”

When JIS first introduced the buttons, the goal was to make it easier for customers to restock items that don’t typically lend themselves to vending machines. Installation involves an approximately five-minute setup and configuration process for the buttons, with the cost per item for JIS coming in at approximately \$20. Installing the buttons for clients started with customers wanting to use them for cleaning-related products (MRO), but over the last six months or so, has begun to migrate to other categories, such as coolants, metal-cutting blades and abrasives. “Those are the three big areas where we’ve seen gains inside our existing customer base,” says Neil Maniccia, general manager.

Stronger Connection

An overarching goal of the JIS Express button is to use the efficiency and streamlined process to emphasize the value JIS brings to its customers in order to expand the relationship with them, Maniccia adds. In an almost counterintuitive nature, because the buttons enable customers to interact with JIS less, they are becoming stickier clients. “That’s the direction that most companies in most industries are headed,” says Maniccia. “They’re looking to streamline their processes and improve cost efficiencies.”

But there’s also a certain level of comfort knowing that JIS is there, operating in the background any time they’re needed. “We’re offering a service that is not being offered by a lot of our local competitors in the area,” Maniccia adds.

Because JIS’s competitors are “just now scraping the surface of this technology,” JIS has the opportunity to expand its footprint for its

existing customer base in a way that “makes it difficult for them to look elsewhere. Because if you’re going somewhere else right now, you’re going backward,” he says. “There’re no other competitors offering this service and I don’t see a lot of companies that are looking to go backward these days. So, with us being at the forefront in it, we’re really cementing ourselves in these companies with our vendor-managed inventory services.”

Looking to the future, JIS would like to continue bringing more buttons into existing customer businesses while also expanding to new clients. “Our next steps are to further penetrate an existing account and help streamline their processes, and also to develop new relationships using these techniques,” says Maniccia.

Easily Updated

Each button has a green light that lights up when someone engages it by pressing on it, and lasts about 2,000 presses. As for the internal technology, the company works periodically on updates with MindHARBOR, the outside programming firm it partnered with to create the program over the course of eight to nine months in 2017. MindHARBOR has been around since 2000 and has worked with Epicor’s Prophet 21 ERP for distributors since 2007.

The buttons have a shelf life, and there are periodic product upgrades needed for their internal software, much like a Windows update, notes Valentine. “We work closely with MindHARBOR just to make sure that we have continued support, the product’s going to keep working,” he says.

As MindHARBOR’s Chief Operating Officer Mike Blasdell explained to MDM last fall, its application protocol interface (API) integrates with JIS’s ERP system. Whereas early versions could only order one product, it’s now open to including a growing variety of SKUs. “Early on, we figured out the best way for us to bring value in that community was to open the system up and find ways to help people get more out of P21 specifically,” Blasdell said. “We built an API so that we could open up software systems.”

While Amazon earlier this year retired its similar product for the consumer industry, the Dash button, the transformation to a virtual button Amazon is making is not likely to happen any time soon at JIS. The digitization “is a cool process but it doesn’t necessarily fit our business needs,” says Valentine. “Our customers inside of these facilities, they need a hard button to push. So, we’ve put our focus into improving

our internal reporting with MindHARBOR and becoming experts on these buttons.”

Although it sounds like a simple process and JIS markets it to customers as such, the technology behind the buttons involves a lot of coding that needs to be maintained. “The software that helps operate these, navigated through the Epicor system, is run off of [AWS] Lambda functions and that’s where MindHARBOR is really helpful for us,” Valentine adds. “They’ve got a lot of great engineers and coders, and then they work through that with them, Amazon Web Services (AWS), and we work together to make sure we’re doing our upgrades properly.”

Useful Information

JIS does not offer data reporting that is generated from the button usage to the end customer, but the information has been “extremely useful” internally, says Valentine. “It allows us to see what buttons are actually being pushed out in the field, which ones are working for us, which ones are not, so we can get centrally focused with our sales staff to go drive that business and improve it, or see if there’s maybe another product or item we could add in its place,” he says.

The data also show JIS where its biggest gains are, whether its MRO products, coolant, metal-cutting blades or any type of product that is growing in popularity. “It gives us a vision of, ‘OK, this is where we need to push, this is where

we’re seeing our most gains,’” Valentine says.

Having access to that real-time data is making JIS’s back-end inventory process more efficient, so that the company can stop carrying or reduce inventory of products that are moving slower, or order larger quantities of those that are flying off the shelves. Particularly for large purchases, where in the past they may not have hit certain purchasing order thresholds required for large purchases from manufacturers, now they can factor in buying quantities from small customers, that they couldn’t accurately track previously, and realize that they’ll be able to meet those purchasing thresholds in the future, Valentine explains. “It’s definitely helping our inventory and really giving us an idea on where we need to focus in the industry right now throughout our customer base, and then new customers that we’re seeking out,” he says.

“When we rolled these [buttons] out, we were excitedly curious. But now that we’re starting to get data back and we’ve grown to over 11 accounts and 400 buttons, it’s a lot of data we have available to look through,” Valentine adds. “So, you start seeing your increased buttons, your increased sales, and where those sales are going and what buttons are being pushed — which customers are searching to add more buttons. That allows us to zero-in on certain areas and product groups, and that’s helpful. And then, our sales staff is doing an amazing job out there in the field helping to grow that business.”

■ Digital Innovator Award Winner

How WebstaurantStore is Creating ‘an Unparalleled Experience’ for Its E-commerce Customers

Investing in high volumes of stock that are internally curated is one way the online restaurant supply company is moving ahead of the competition

With a nod to customer-pleasing practices implemented by leading B2C e-commerce companies, the Pennsylvania-based distributor is committed to continually improving the WebstaurantStore customer’s online experience through internal technology investments led by a strong talent recruitment strategy.

By Elizabeth Galentine

As 100% e-commerce businesses go, online restaurant supply company WebstaurantStore — turning 15 this summer — qualifies as an elder statesman. In the decade and a half since its 2004 founding as a division of traditional food service equipment and supply distributor Clark Associates, the Lititz, Pennsylvania-based company has been leading the way on digital innovation and excellence in e-commerce. Its

pace-setting practices earned WebstaurantStore a 2019 MDM Digital Innovator Award, presented to 10 companies in the industry that are leveraging technology to advance their operations.

WebstaurantStore maintains a fast pace of independent growth that shows no signs of slowing down. President Dave Groff joined the business shortly after its launch, when the company had four employees. Now, WebstaurantStore employs about 2,400 people and is on pace to bring in approximately \$1.4 billion this year.

Long past initial digital hurdles such as making basic technology investments, creating a marketing plan and other elements needed to launch an e-commerce business, WebstaurantStore is now moving into the next phase of being an online leader: "What we're really trying to do is create an unparalleled experience for our customers," says Groff.

One facet of getting there means stocking more product than anyone else and storing it at more locations throughout the country. A big part of the company's business model, says Groff, is to have all customers within a one- to two-day delivery window. There are six WebstaurantStore warehouses, located in Pennsylvania, Maryland, Georgia, Kentucky, Oklahoma and Nevada.

Another leadership initiative is ramping up the effort to convert customers who have made periodic purchases from sporadic to steady WebstaurantStore buyers. Last year, the company launched a membership program, WebstaurantPlus, for \$99 per month. Members receive free, unlimited shipping on eligible items, priority shipping that places their items at the top of the queue in the WebstaurantStore warehouses, and special discounts on any item that might not be eligible, such as furniture or heavy equipment. WebstaurantPlus members can also apply for credit terms.

"What we're trying to do with that is really take a lot of the customers that have ordered from us over the years, here and there as they've had spot-buy needs, and convert them into customers who are ordering from us as their primary source," says Groff. "That's been the driver of a lot of growth for us over the last year or so."

A Unique Experience

On the IT and marketing side of the business, Charlie Garber, WebstaurantStore's chief information officer who joined the company shortly after Groff, says their focus continues

to be on having the best, most unique content. For one, that means writing their own product descriptions from scratch — discarding vendor-provided ones — in order to incorporate WebstaurantStore's unique experience with the product. "We touch and feel every product. We take our own photographs. That allows us to be the one in the industry that everybody goes to," says Garber. "Our competitors are often on our website because we have better content than most of the vendors have about their own product. And a lot of times we have far better photography."

New this year is an augmented reality feature the company is working on that will allow WebstaurantStore visitors to 'see' the product inside their own space. Using a desktop PC, they can see a 3D model of items such as dinnerware, place settings, plastic cups, etc., and make comparisons between products. "You'll get a real feel for the actual size of it compared to the plate or the glassware," says Garber. "We're always trying to be one step ahead of our competitors."

The technology is live already for a select number of products, about 100 so far, with plans to reach 10 or 20 thousand by the end of the year. In addition to the desktop version, it can also be used on a mobile phone — Apple's iOS system supports it currently and Android recently announced it will support it soon.

This type of technology, as well as features such as one- and two-day shipping and a membership-based perks program will remind anyone who's shopped online of the business model run by e-commerce leaders in the consumer market, particularly Amazon with its Prime membership and recently announced drive toward single-day shipping. And that's not unintentional, says Groff. "We try to benchmark ourselves against really any e-commerce company. We might not directly compete with another e-commerce company, but we try to look and see what the leading companies are doing," he says. "Every industry, B2B and B2C, we try to see what might work for us. From a benchmarking standpoint, we look at everybody."

Noting Amazon's leadership with providing a great customer experience, Groff says he's tried to emulate that drive at WebstaurantStore as well by aiming to create a sense of instant gratification for its customers. Not only in the products they purchase through WebstaurantStore, but also how easily and quickly they get information and responses to inquiries. The company tracks everything from

email response times to average waits on the phone or online chat system, with management accountable for keeping the metrics to company standards. "It's something we definitely care a lot about," Groff says.

As far as competition in the restaurant supply industry specifically, Groff estimates only about 10% even offer online ordering today. That means, even though WebstaurantStore is 100% e-commerce, they're looking closely at that 90% of the market that are offline and trying to convert their customers to the web. "What we're trying to do through strategies like the [WebstaurantPlus] membership program is give customers a reason to take that business from offline to our channel," he says.

Lessons Learned

Over 15 years of building the e-commerce business, WebstaurantStore has learned some important operating practices specific to online selling. One of the first was the true speed at which e-commerce operates, especially high customer expectations of speedy shipping and delivery. Initially, they thought it would be enough to operate WebstaurantStore out of the back of a Lancaster, Pennsylvania, Restaurant Store (another division of Clark that serves the cash-and-carry channel).

"That was a good way to get started, but we found that the demand need justified a full distribution center," Groff explains. "And then as we grew, we decided to branch out and add regional distribution centers so that we could reach our customers in that one- to two-day timeframe. That was a big lesson learned as we expanded. We really saw an increase in conversion rates as we were able to lower shipping costs and get closer and closer to our customers."

Another operational need that quickly became apparent: Invest in highly skilled people. Even as an e-commerce-based platform, Groff didn't want a customer to call in, email or live chat about a technical question relating to a piece of equipment and not be able to get an in-depth answer from a knowledgeable person right away. WebstaurantStore now has about 175 Customer Solutions Specialists to meet that goal. "We really try to empower them to be industry experts and be in control of solving our customers' problems," says Groff.

On a near weekly basis, vendors will visit the WebstaurantStore headquarters, where the company has its own test kitchen, to do hands-on training that allows the WebstaurantStore team to develop and strengthen its product

knowledge. "That's something that I think is really important," Groff adds.

On the IT side, Garber has learned to limit the amount of third-party software the company uses. In fact, all of WebstaurantStore's current technology was developed in-house, from its chat software to routing software, warehouse picking, everything is custom-built. "That took years and years to develop. But the more we pushed in that direction, the more we've been able to integrate all of our systems to talk seamlessly to each other," Garber says.

When a customer reaches out for help, WebstaurantStore can draw from their full customer profile across all of the available forms of communication. For example, the WebstaurantStore live chat software will automatically pull up relevant order information that seamlessly ties into its warehouse and email system.

"Every time we've used a third-party resource to simplify something, it ended up complicating things more. And along the way, they all want their piece of your pie. If you give enough of those pieces out, you're not going to stay in business long," says Garber. "So that's why we've really focused on creating everything in-house, proprietary to us. It's not available for our competitors to just go out and replicate what we have because it's all our intellectual property that we've built."

An expensive lesson learned, he adds, is the need to be strategic with spending money on Google. "They will give you endless ways to spend it, but they're not all profitable," Garber says. "If you don't have a team in-house devoted toward fine-tuning and tweaking your profitability of your Google AdWords, you're not going to be competing in our space very long."

Future Leadership

Building all of those in-house capabilities requires the talent to do it. Distributors often feel challenged when working to build an in-house team, thinking they're in competition with snazzy Silicon Valley-type organizations. How do you recruit an up-and-coming technology pro to Pennsylvania Dutch Country? It's not as complicated as one might think, Garber says.

"It's a different type of person that wants to work for a Facebook or an Amazon or a Google than wants to work for Clark Associates. [We're looking for] that person that has the [mentality of], 'I can figure everything out. I want to own this piece. I don't want to work through endless bureaucracy to get a button color changed. I

want to be able to just do it.’

“We’ve been able to, from a tech standpoint, enable people from intern level to director level to have ideas that are — within days — executed on the site,” he explains. “And we keep a pretty flat structure in order to get those entrepreneurial elements, versus a team of 20 that works for six months to develop just a dropdown menu on Amazon. It’s a very different world in development from a tech standpoint here, than if you get bogged down in the politics of say, an Amazon or a Grainger.”

To increase WebstaurantStore’s recruiting reach, the company has a group of employees known as college ambassadors — all recent graduates within the last roughly five years — who visit several dozen colleges within about a two-hour radius of Lititz to talk about working at WebstaurantStore. The ambassadors will

speak to professors and classes. They’ll go to club meetings and traditional job fairs.

The company has also sponsored scholarship programs at a number of the colleges and universities — “a really big source of incoming talent for us,” Groff says — as well as invested in developing an internship program. Last summer, WebstaurantStore had roughly 70 interns working for the company in all departments. Many will return for full-time work, Groff predicts. Or at a minimum, go back to campus and talk about their positive experience. “That’s a good way of getting our name out there,” he adds.

“Being in distribution, we don’t have as much name recognition,” says Groff. “For us, it’s really important to tell our story, and talk about our culture here, some of the things that you can do in a company like ours.”

■ *Digital Innovator Award Winner*

Hill & Markes Boosts Online Revenue with Internal and External Engagement

The hard work began once the century-old company launched its new website

The distributor brought in more than \$250,000 in the last year from new website business after involving both its customer service team and loyal customers throughout its four-year website and e-commerce improvement project.

By Elizabeth Galentine

Four years ago, Jason Packer, third-generation owner and now CEO of New York-based food service disposables, janitorial supplies, office supplies and industrial packaging distributor Hill & Markes, made a decision to invest in the 113-year-old company’s digital future by bringing in an e-commerce manager. Mike Powers, director of e-commerce & marketing, was tasked with building the company’s online business with a more mobile-responsive website, enriched product data and punch-out enablement that allows customers to easily access their company’s specific product catalog.

It took about 14 months for Hill & Markes to build out the new site, which launched in January of 2017. Then, the real work began, says Powers. Sure, the site could now display

properly on a smartphone, table or desktop, was loaded with more than 50,000 SKUs worth of high-quality, richly detailed product descriptions and images, and offered individual customers company-specific landing pages, but Powers knew there would be no Field of Dreams, “build it and they will come” moment.

“That is definitely not the fact for the B2B buyer in distribution,” he says. “Once you build up your e-commerce capabilities, you have to engage with your customer base and your internal stakeholders — your sales people, your customer service teams. You need to make sure both internally and externally, people are comfortable with your website.”

With that in mind, Hill & Markes devoted all of 2017 and beyond to an e-commerce adoption strategy that embraced getting both its employees and customers completely engaged. The company’s commitment to a long-term digital strategy makes them one of 10 2019 MDM Digital Innovator Award Winners, presented to companies in the industry that are leveraging technology to advance their operational excellence.

Internal Strategy

The commitment to internal adoption and support for the e-commerce project started from the beginning. As Hill & Markes was building out its new website, the customer service team had the ability to log into the test website throughout the process to become familiar with — and provide critical feedback on — the new functionality, before it deployed.

Powers joined the customer service team's weekly meetings to make sure they could log into the test site and place dummy orders. Powers thought of the customer service team as "a first line of defense" in the website creation project, there to detect any bugs and look at the site from a customer's vantage point.

"It was very important that our customer service team was getting their hands dirty with this new website platform before it went live, because at the time, 50% of our company's revenue was coming through our customer service team," he says. "So, I needed to make sure that if we're going to be successful in getting the customer service team to migrate their orders [online], they were very comfortable with the website functionality."

Once the website was live, Hill & Markes created a sales performance incentive fund (SPIF) as a contest that would incentivize customer service reps to convert in-person on phone sales to online business. Registering a customer on the website and walking them through how to place an order would be a \$10 payout for the sales person, with the next two orders placed by that customer qualifying for \$5 payments to the customer service rep.

The SPIF lasted about two months, paying out approximately \$1,200 to the customer service team — and bringing in nearly \$100,000 in e-commerce revenue. "We were trying to create the habit of getting somebody to place an order online and then, from those accounts, place subsequent orders," says Powers. "That was a pretty cool thing to see."

As another element of their internal adoption strategy, Hill & Markes in the summer of 2017 hired an intern (the son of a sales rep) to work as the company's e-commerce customer onboarding specialist. "Some of our top sales reps are unbelievable, but they didn't feel comfortable talking about e-commerce. They'd rather talk about floor stripping," Powers says. It was the intern's job to be an asset to them and walk customers through the Hill & Markes website.

The intern — a digital native himself — had the idea to create a Hill & Markes YouTube

library where customer could access company-created how-to videos on how to register on the website, place an order, create a shopping list, etc. When he left at the end of that summer, Digital Content Specialist Katie Bruno stepped in, creating video content across the company's social media channels as well as the website. "She's done a fantastic job," says Powers.

External Strategy

To get and keep customers engaged with the e-commerce initiative, Powers held a webinar on how to use the site every week for a period of 12 weeks. "I thought it was probably one of the more powerful tools we used on getting people familiar and comfortable with our website," he says. We covered everything from registering for the first time, finding your frequently ordered list, how to create a shopping list, how to create a saved cart — all of the key functionalities of our website."

The webinars were just for customers, but Hill & Markes also began to leverage the new website to improve its inbound marketing to prospects. Folks who found the site through Google or any search engine would be directed to a landing page to fill out their contact information. And banner ads on the site promoted the company's sustainability effort with its products, its innovation summit, special products and more. "We want to make sure our prospects are also familiar with our website," Powers says. "That's been something that has been pretty powerful for us."

For years, social media sites were completely blocked at Hill & Markes, but the company changed its perspective and began to embrace the platforms — particularly LinkedIn — as another means of marking its newly strengthened e-commerce capabilities. The company's LinkedIn page hosts how-to videos and product demonstrations. Sales reps are encouraged to 'like' Hill & Markes content so that their connections will see it in their newsfeed. "They're connected with their customers and we're seeing leads and demo requests happening from LinkedIn," Powers explains.

Through all this effort, the company has reached 27% of revenue coming in from e-commerce. The near-term goal is to get to 30%. Powers credits Nick Seefeld, e-commerce merchandiser, for putting in much of the behind-the-scenes work to make it happen. "One of the reasons we're approaching 30% of total revenue is Nick is responsible for product data on the

Continued on p. 2 of the yellow section

Orders for Manufactured Technology Goods Decreased in April

Manufacturing technology orders totaled \$344.6 million in April 2019, the lowest April reading since 2016, when orders totaled \$293.2 million, according to the latest U.S. Manufacturing Technology Orders Report published by AMT – The Association For Manufacturing. April 2019 orders declined 16.5% from March 2019 and were down 17.6% from April 2018. Orders totaled \$1.48 billion in the first third of 2019, 11.6% short of this point in 2018.

“Competition in the manufacturing technology market for ‘standard’ products continues to grow in intensity relative to the positive growth seen in engineered solutions,” says AMT President Douglas K. Woods. “Our members are telling us that the ready availability of products has eliminated the urgency for customers to invest in capital equipment now, while trade issues raise grave concerns about the continued strength of the manufacturing sector in the near future.”

The general downward trend in orders was seen across most industries tracked, but there were several notable exceptions. The aerospace sector grew by modest single digits, while the auto industry grew by more than 30% over March levels. The strength of two of the largest manufacturing technology consuming industries was not enough to offset declines in both the contract machining sector and the engines and turbines industry. Orders from the agricultural implement manufacturing industry have been in decline since February 2019, which many analysts attribute to the current tariffs on agricultural goods.

The only region to show growth from March levels was North Central-West, where slight declines in orders for metal cutting equipment were offset by robust growth in forming and fabricating equipment orders.

Distributor

Mechanical insulation distributor **Distribution International, Inc.**, a portfolio company of private equity firm **Advent International**, on June 11 announced its acquisition of **Silvercote, LLC**, Greenville, South Carolina, and the assets of Silvercote’s Canadian operations from **Knauf Insulation, Inc.**, and **Knauf Insulation Ltd.**, respectively.

Motor City Industrial, Hazel Park, Michigan, acquired **Quality Fastener and Supply Co.**, Oxford, Michigan, a distributor of industrial consumables and ancillary products. Motor City Industrial is backed by Kian Capital Partners and Oakland Standard Co.

This is the third acquisition by Motor City Industrial and further expands product and service offerings available to customers from diversified sectors and geographies.

Janitorial supply distributor **Nichols**, Muskegon, Michigan, acquired **DawnChem**, Cleveland. DawnChem has been in business since 1977 as a family owned and operated cleaning supplies and equipment company. The acquisition significantly expands Nichols’s presence in the Northeast Ohio area.

Valin Corporation, a technical solutions provider located in San Jose, California, acquired **Pacific Technical Products**, Valencia, California. The acquisition strengthens Valin Corporation’s automation product portfolio.

Ohio Transmission Corporation, an industrial equipment service provider and distributor headquartered in Columbus, Ohio, has acquired **Furey Filter & Pump**, Milwaukee, and its subsidiary, **PSI Engineering**, Minneapolis.

HD Supply Holdings Inc., Atlanta, reported sales of \$1.5 billion for the first quarter of fiscal 2019 ended May 5, a 7.5% increase compared to the first quarter of fiscal 2018. Net income increased 20.2% to \$107 million for the first quarter, compared the year-ago period.

Construction and industrial sales increased 8.3% to \$55 million during the quarter. Organic sales for the unit grew 4.7%. Sales in the facilities maintenance unit increased 6.8% to \$772 million.

Fastenal Co., Winona, Minnesota, reported May sales of \$472.4 million, up 9.5% over the year-ago period. The company reported daily sales of \$21.5 million, up 9.5% versus a year ago. By region, U.S. sales grew 8.9% in May, while total North American sales grew 9.8%. By end market, manufacturing sales grew nearly 11.5% while non-residential construction grew nearly 9.9%, the company said.

WESCO International Inc., Pittsburgh, has entered into an alliance with **Plug and Play**, Sunnyvale, California, a global innovation and startup accelerator platform. WESCO joins as a founding

continued on p. 4 of this section

Hill & Markes

Continued from p. 8 of the white section

website,” he says. In Jan/San, it’s imperative you have related items mapped — you have to make sure you have appropriate lids linked to the appropriate cup. A towel dispenser needs related towels. Nick mapped almost 3,000 items on the website. It makes it very easy for us to grow the new revenue. On a daily basis, he’s optimizing and mapping product data on our website.”

Why make the online push in the first place? “If we’re able to leverage the e-commerce platform, the solutions that we’ve embraced, that’s going to shift orders from our sales reps, who can instead of focus on order taking, they can focus on new business acquisition,” says Powers. “They can focus on making sure that they’re going after the right target at the right time, instead of needing to take orders from customers who could be placing those orders online.”

Another advantage is the way it frees up customer service, he adds. “We can eliminate the order entry in customer service and really focus on customer service providing excellent customer service,” Powers says. “Being proactive. Maybe a bid is coming up for renewal.

A customer service rep can now find the time to reach out to key customers: ‘How is everything going? Are you happy with everything? How is your driver? Are we meeting your needs?’ So, the underlying benefit of our website is it saves time and increases operational efficiencies throughout the organization.”

Going Mobile

Powers is pumped about the next e-commerce venture for the company, a Hill & Markes mobile app. It will have a barcode scanner so that customers can go into their storage room, scan an item that needs replenishing, and get it automatically replaced through the app. “I’m really excited about having a mobile app that allows for them to open it up, click on Hill & Markes and place and order or scan their order on the fly,” he says, adding that the company is aiming for a Q4 or early 2020 launch.

While Hill & Markes does not disclose revenue numbers, Powers says the website accounted for close to \$250,000 in new revenue in the last year alone. “Customers are now starting to add new items to their cart because of our website. It’s easy to browse. It’s easy to use. So, the fact that we’ve increased revenue from new items on our website, I’m really proud of it,” he says.

Calculation of MDM Inflation Index for May 2019

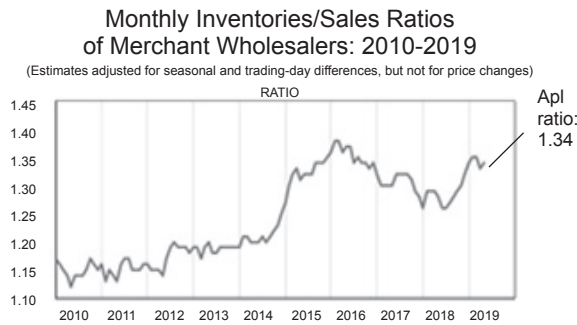
		BLS Price Indices May '19	BLS Price Indices Apr '19	BLS Price Indices May '19	% Sales Weight	Weighted % Indices May '19 (1)X(4)	% Change May '19 Apr '19	% Change May '19 May '18
1136	Abr. Prod.	620.7	621.3	612.4	19.1	118.56	-0.10	1.36
1135	Cutting Tools	533.6	533.1	517.6	18.9	100.85	0.10	3.09
1145	Power Trans.	868.5	867.6	844.8	15.4	133.75	0.11	2.81
1081	Fasteners	560.6	563.1	523.4	9.0	50.46	-0.43	7.12
1149.01	Valves, etc.	1061.9	1073.5	1022.6	7.6	80.70	-1.08	3.84
1132	Power Tools	395.2	395.2	390.2	6.5	25.69	0.00	1.31
1144	Mat. Handling	645.1	644.2	624.7	6.2	39.99	0.13	3.26
0713.03	Belting	953.1	927.7	927.0	6.1	58.14	2.74	2.81
1042	Hand Tools	832.0	825.8	801.6	8.1	67.39	0.74	3.78
108	Misc. Metal	506.2	506.2	486.5	3.1	15.69	0.00	4.06
	"New" May Index	361.1		May Inflation Index		691.23	0.16	3.11
	"New" April Index	360.6		April Inflation Index		690.10		
				May 2018 Inflation Index		670.37		

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

April 2019 | Monthly Wholesale Trade Data

Wholesale revenues in April were \$503.1 billion, up 2.7% from April 2018 and down 0.4% from March. April sales of durable goods were down 1.1% over last month and up 1.6% from a year ago. Sales of nondurable goods were up 0.2% over March and up 3.8% from last April.

Inventories were \$675.5 billion at the end of April, up 0.8% from the revised March level and up 7.6% from last year. April inventories of durable goods were up 1% from last month and up 11% from a year ago. Inventories of nondurable goods were up 0.5% from March and up 2.5% from last April.



Source: U.S. Census Bureau

Inventories/Sales Ratio. The April inventories/sales ratio for merchant wholesalers was 1.34. The April 2018 ratio was 1.28.

MARKETS UPDATE SUPPLEMENT P. 3

Sales and Inventories Trends: April 2019

NAICS Code	Business Type	Sales \$Millions	Inventory \$Millions	Stock/Sales Ratio	% Change Sales 3/19-4/19	% Change Sales 4/18-4/19	% Change Inventory 3/19-4/19	% Change Inventory 4/18-4/19
42	U.S. Total	503,115	675,538	1.34	-0.4	2.7	0.8	7.6
423	Durable	240,430	421,513	1.75	-1.1	1.6	1.0	11.0
4231	Automotive	39,565	71,104	1.80	0.5	3.1	3.8	13.1
4232	Furniture & Home Furnishings	7,708	13,938	1.81	-3.2	0.8	-1.2	7.3
4233	Lumber & Other Construction Materials	11,632	19,357	1.66	-0.4	-4.3	2.1	8.5
4234	Prof. & Commercial Equip. & Supplies	42,879	53,341	1.24	-1.8	2.4	0.1	8.9
42343	Computer Equipment & Software	22,165	20,524	0.93	-2.3	0.6	0.6	7.7
4235	Metals & Minerals	15,657	35,603	2.27	-0.8	-1.1	0.5	12.9
4236	Electrical Goods	50,199	59,936	1.19	-3.2	-0.2	0.4	9.6
4237	Hardware, Plumbing, & Heating Equipment	12,539	27,635	2.20	-0.5	5.8	0.1	9.4
4238	Machinery, Equipment & Supplies	40,791	109,579	2.69	2.0	7.9	0.6	14.2
4239	Miscellaneous Durable	19,460	31,020	1.59	-3.6	-6.5	0.7	4.4
424	Nondurable Goods	262,685	254,025	0.97	0.2	3.8	0.5	2.5
4241	Paper & Paper Products	7,861	9,416	1.20	-1.7	-5.5	-0.8	7.9
4242	Drugs	59,905	65,666	1.10	0.0	4.6	1.5	7.0
4243	Apparel, Piece Goods & Notions	14,018	30,462	2.17	2.5	4.0	-1.0	12.4
4244	Groceries & Related Products	55,842	39,716	0.71	0.9	4.9	0.9	2.0
4245	Farm-product Raw Materials	16,276	23,486	1.44	-4.1	-9.2	-1.9	-14.6
4246	Chemicals & Allied Products	11,328	13,035	1.15	2.3	0.6	0.2	6.4
4247	Petroleum & Petroleum Products	62,432	21,050	0.34	-0.1	8.0	1.6	-7.5
4248	Beer, Wine & Distilled Beverages	13,446	18,003	1.34	-0.6	5.7	0.8	6.8
4249	Miscellaneous Nondurable Goods	21,577	33,191	1.54	2.2	2.3	0.9	2.5

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.

News Digest

Continued from p. 1 of this section

anchor member in launching their newest accelerator, B2B Sales and Distribution, focused on industry-specific startups and their technologies.

Turtle & Hughes Inc., Linden, New Jersey, named Nicholas Marcello as operations manager of the company's Regional Distribution Center in Piscataway, New Jersey.

United Electric Supply Company, New Castle, Delaware, announced the retirement of Richard Freeberyas, vice president, vendor and new business development, after 35 years with the company.

In addition, the company named Anthony Buonocore as director, marketing and supplier advancement. Buonocore will assume oversight for all strategic supplier initiatives and plan implementation.

Switzerland-based power and automation company **ABB** named Maryrose Sylvester as country managing director and head of electrification for the United States. Sylvester succeeds Greg Scheu, who will retire at the end of October.

Economic

Industrial production rose 0.4% in May after falling 0.4% in April, according to the latest data from the Federal Reserve. At 109.6% of its 2012 average, total industrial production was 2% higher in May than it

was a year earlier. Capacity utilization for the industrial sector moved up 0.2% in May to 78.1%, a rate that is 1.7% below its long-run (1972–2018) average.

The goods and services deficit was \$50.8 billion in April, down \$1.1 billion from \$51.9 billion in March, revised, according to the U.S. Census Bureau and the U.S. Bureau of Economic Analysis. April exports were \$206.8 billion, \$4.6 billion less than March exports. April imports were \$257.6 billion, \$5.7 billion less than March imports.

Manufacturing employment showed little change in May, according to the U.S. Bureau of Labor Statistics. Total nonfarm payroll employment increased by 75,000 in May, and the unemployment rate remained at 3.6%. The number of unemployed persons showed little changed at 5.9 million.

The Producer Price Index for final demand rose 0.1% in May, seasonally adjusted, according to the U.S. Bureau of Labor Statistics. Final demand prices increased 0.2% in April and 0.6% in March. On an unadjusted basis, the final demand index increased 1.8% for the 12 months ended in May.

Manufacturer

Swedish manufacturer **Sandvik**, Stockholm, Sweden, has completed the previously announced acquisition of **Newtrax**, Montréal, Canada, a supplier of technology in wireless connectivity to monitor and provide insights on underground mining operations, including people, machines and the environment.

ParkOhio Holdings Corp., Cleveland, has completed the previously announced acquisition of **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.

Modern Distribution Management

Founded in 1967
by J. Van Ness Philip

Questions, comments, article proposals, address changes or subscription service to: Gale Media, Inc., 6309 Monarch Park Place, Suite 203, Niwot, CO 80503. Tel: 303-443-5060.
Website: <http://www.mdm.com>
ISSN 0544-6538

To subscribe to Modern Distribution Management, please call 888-742-5060, email tish@mdm.com or <http://www.mdm.com>.

Subscriptions are available by online delivery and/or first-class mail. Published twice monthly; \$395/yr., \$415 U.S. funds other countries.

© 2019 by Gale Media, Inc. All rights reserved. Modern Distribution Management® and mdm® are registered trademarks of Gale Media, Inc. Material may not be reproduced in whole or in part in any form whatsoever without permission from the publisher. To request permission to copy, republish or quote material, please call 303-443-5060.