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Seeing Green: The Business Case for Improving Sustainability

Sustainable business practices are helping distributors to save money and attract talent

Distributors that are on the path to sustainability are realizing a long list of benefits that come from operating as a good corporate citizen in their communities.

By Bridget McCrea

An overall lift in environmental awareness on the part of consumers is pushing organizations to think and act more sustainably. Whether they're utilizing energy-efficient fixtures in their warehouses, helping to eradicate empty transportation miles, or donating unused inventory to nonprofit organizations, distribution companies are in a prime position to lessen their carbon footprints.

Subject to individual interpretation, sustainability roughly represents the ability to sustain something at a certain level for as long as possible to not deplete the world's natural resources and effectively maintain ecological balance. For distributors, the concept can come down to a simple charge: thinking and acting like good corporate citizens.

As president of The Ashkin Group in Channel Islands Harbor, California, Stephen Ashkin helps organizations implement effective sustainability programs. He's worked with a number of distributors and says most are laggards on the sustainability curve. That's mainly because they're narrowly focused on serving their customers. "This creates a culture whereby customers make a demand and the distributor delivers," says Ashkin.

Because of this dynamic, sustainability initiatives can fall by the wayside in favor of more important, customer-centric projects. This opens the door for the distributor that puts time and effort into sustainability, and that joins the roughly 93% of S&P 500 firms that are making strides in this area (up from just 20% in 2016). "Those corporations understand that some of the environmental impacts are happening in their supply chains," says Ashkin. "Inevitably, they're going to start requiring more sustainability efforts on the part of their distributors; it's just going to happen."

Reducing Carbon Footprint, One Step at a Time

Like many other industrial companies, Curbell Plastics, Inc., a Western New York-based distributor and fabricator of performance plastics, used to send all of its operational waste to the landfill. According to Mark Shriver, director of safety and environmental affairs, the company was using processes it had relied on without really considering where the waste would wind up or what would happen to it.

That changed in 2006, when Curbell's owner and chairman set the company on a course toward becoming a sustainable business. As a second-generation owner, he wanted Curbell to be around for the long haul and recognized the value of sustainable best practices in supporting this effort.

Shriver says solid waste was of particular concern. The company's two largest facilities in Orchard Park, New York, were sending multiple 8-yard dumpsters of refuse per week to the landfill — as many as 10. "After our initial assessments, we identified what we were tossing out, found recyclers, and began to separate product on the production floor," he says. "We also found ways to repurpose some of our waste and started taking that remaining dumpster to a waste-to-energy incineration facility."

The results were lower costs, a monetary return for what once was garbage,

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INSIDE

PERSPECTIVE ▪ Commentary by Thomas P. Gale

Don't Let Turbulence Go to Waste in 2020

There's a quote about not letting a good crisis go to waste; it can provide an opportunity to leverage whatever disruption is in play to address other issues in addition to the main event. That's a great mindset to think about 2020. Too many salespeople and executives use the excuse of a market downturn to justify lack of performance. It happens in every business cycle.

My personal view is that the likelihood of a recession in 2020 is slim based on the latest wholesale market data we track (through August), despite what much of the media is likely to amplify around industrial production, especially heading into an historically contentious presidential election year. There is no question that a probable trough is forming up for the first part of the coming year, as the manufacturing sector has weakened in the last half of this year in response to tariffs, trade wars and a more developed global downturn. But the data today indicate a slowdown that is not a surprise. Beware the noise that interferes with sound business planning and use it to gain competitive advantage in 2020.

Market share is gained on the shoulders of the business cycle. There are many actions and strategies distributors and suppliers can take to position most effectively in 2020.

I'll touch on a few here, but you can get a more in-depth discussion in the free (and freewheeling) webcast that Mike Marks of Indian River Consulting Group and I are holding Thursday, Nov. 14. Register at https://reports.mdm.com/2020-preview/. You can watch that day or on-demand.

Our core theme is that 2020, for the reasons above, will offer plenty of noise and clutter that typically send many businesses into lockdown mode until the dust clears. But companies are innovating to gain advantage over competitors that are trying to avoid risk and incrementally refine their models. As in any downturn, those who proactively manage their cash conversion cycles can invest in defined-risk moves with high potential impacts. Mike and I outline what innovation looks like for 2020 and beyond. The moving target today is how digital and a rapidly changing workforce are reshaping the core business, sales and channel models in distribution that are under attack from all directions.

We're quickly moving to a more complex channel network where Amazon Business becomes less of a monolithic threat, as alternate digital platforms and marketplaces emerge for distributors and suppliers to reconfigure their unique market power. I'm not discounting the fundamental competitive threat Amazon continues to present, but I believe distributors in 2020 have more tools and opportunities to respond, defend and create deeper value.

There's opportunity in 2020 for those already disrupting their company's comfort zones to redefine the value proposition. Leaders are getting traction from digital, analytics and how they manage talent more effectively than their competitors. Embrace the discomfort that 2020 presents to innovate your model… before your competitors do it first. Please consider using the Nov. 14 webcast discussion and slides with your leadership team to review your current playbook for 2020; register at https://reports.mdm.com/2020-preview/.

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Seeing Green
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an improved brand image and "zero landfill" status. "We started donating soda cans to St. Mary's School for the Deaf, and we worked with Habitat for Humanity, Goodwill Industries, The Teacher's Desk and other groups to repurpose anything that we couldn't use anymore," says Shriver. "Everything gets repurposed."

The company also solicits employee suggestions that have helped Curbell reduce waste on several fronts, including the phasing out of individually-wrapped parts in plastic bags. Working with its supplier, the distributor removed bags from the process. The results were less waste, reduced labor (because employees no longer had to remove the part from the bag), and lower costs for its supplier. "We've since reduced by 10,000 the number of plastic bags used in our operations," says Shriver.

Within its four walls, Curbell utilizes 100% LED lighting, updated HVAC equipment, water-efficient fixtures and building management systems. Comprised of employees across all of its departments, Curbell's "Green Team" is charged with soliciting new ideas, coming up with its own ideas, and then testing out new initiatives that will move the sustainability needle.

These and other efforts have helped Curbell to develop facilities and operations across the country with award-winning programs that focus on the reduction of waste and costs, and diversion of waste to the landfill. "We absolutely do our best and often go beyond," says Shriver, who sees business sustainability as one of Curbell's core values.

Those roots run deep. The company's owner resides in one of the first LEED-certified homes in Western New York, drives an electric car and strives to make Curbell the go-to company for employees who want to work for a company that has a purpose.

This mission plays out well in today's labor market, where younger workers care about working for companies that are having a positive impact on their communities and the world. The mission also serves as a differentiator for Curbell during key account negotiations, where customers want to know that the companies they're working with have an eye on sustainability.

Being in the plastics industry, Curbell works to make sure those customers understand its strong commitment to good corporate citizenship, and the fact that its products aren't being unceremoniously thrown into the ocean.

"As a performance plastics company, we can differentiate ourselves from the single-use market," says Shriver, "because we look at our products from cradle-to-cradle."

"It all comes down to environmental responsibility and smart management of finite resources," Shriver adds. "Plus, we're all living, working and playing in these communities where we do business, so why pollute them? We want to be the best that we can be, not only for our business, but also for our employees and for the communities where we operate."

Creating a Sustainable Warehouse

A central hub for most distributors, the warehouse is a great place to start sowing the seeds of good corporate citizenship. President of the National Association for the Exchange of Industrial Resources (NAEIR) Gary C. Smith says an effective starting point is to look at sustainability as "doing well be doing good." For industrial companies, this could be as easy as donating excess, unused inventory of gloves to a local homeless shelter, instead of just letting them gather dust on the warehouse shelves.

In exchange, companies not only get to feel good for helping others, but they also get a tax write-off, a reputation for supporting the communities where they operate, and a higher profile for eco-minded workers who look beyond salary when selecting their employers.

"If the product is destined for the landfill, it's better to donate than dump," says Smith, whose organization has received donations of excess inventory from more than 8,000 U.S. corporations and redistributed more than $3 billion in products to more than 110,000 nonprofits.

Focused on in-kind giving, NAEIR helps companies offload overstocks, discontinued products and returns. "Every square foot of wasted warehouse space costs distributors money, every day," Smith points out. "And, the real cost of holding onto stale inventory exceeds its cost value. Each time they donate outdated stock, distributors free up valuable warehouse space for more profitable products."

Smith sees this is as a win-win for distributors that are trying to find a way to manage excess inventory while also making a positive impact on their communities. A distributor that winds up with extra cans of paint from a job that never happened can make an in-kind gift to Habitat for Humanity, for example, or offer it to a rescue mission that wants to spruce up its reception area.

To distributors that are tired of looking at, counting and making room for excess inventory that may never sell, Smith says the best first step is to start identifying the items and matching them up with groups that could use the goods, or with organizations like NAEIR. "You have to start somewhere," says Smith. "It's not just going to go away on its own."

Eradicating Empty Miles

An important part of any distributor's supply chain, transportation's carbon footprint is well documented. According to the EPA, greenhouse gas (GHG) emissions from transportation account for about 29% of total U.S. greenhouse gas emissions, making it the largest contributor of U.S. GHG emissions. The problem is mounting. Between 1990 and 2017, the EPA reports, GHG emissions in the transportation sector increased more in absolute terms than any other sector.

Credit the rise of e-commerce with helping to drive up those numbers. After all, smaller, more frequent orders require more packaging and more frequent deliveries, both of which increase the risk of waste. With the goal of helping to reduce the negative environmental impacts of transportation, CHEP's parent company Brambles this year launched Zero Waste World.

The initiative centers on cutting out inefficiencies in the supply chain, where CHEP, a pallet manufacturer, is working to reduce empty transport miles. One of its core focuses is matching up companies that might otherwise be competitors to share delivery trucks, thus streamlining delivery routes and reducing waste. CHEP is also examining its own material consumption (for the manufacture of its pallets, crates and containers) and coming up with new sustainable sourcing strategies.

George Brehovsky, CHEP's director of customer solutions, says the company sourced 99.7% of its materials sustainably during its 2019 fiscal year. To help its customers — including wholesale distributors — achieve their own sustainability goals, the company works to ensure that its pallets, crates and containers are being driven by what Brehovsky calls "the minimal efficient distance." To make that happen, CHEP runs network optimization scenarios for key markets, and then repositions transportation capacity to best leverage those scenarios.

Here's how it works: with large manufacturing bases in the Midwest, and states like California being high on the consumption scale, CHEP's empty pallets, crates and containers wind up in California, ready to be repositioned. Concurrently, its customers must reposition their vehicles back to the Midwest to be refilled. CHEP connects those dots and partners with those companies to help eradicate the empty miles — to the tune of about 43 million total miles during its last fiscal year.

Brehovsky sees real opportunity for industrial distributors to implement similar programs, and to help close the loop on empty transportation miles. He sees reusable transit packaging as another good opportunity for distributors to operate more sustainably, but says that ultimately making a difference requires good coordination across supply chain partners. "It's hard work," says Brehovsky, "and it really has to move outside of your four walls and out to your partners and customers."

The effort will be worthwhile, according to Ashkin. Rewards include operational cost savings and improved branding to higher levels of employee engagement, as well as state, federal and international regulation compliance; the opportunity to cash in on rebate programs (i.e., solar, electric vehicles, etc.); and improved operational efficiencies.

Saving Money, Engaging Employees

Ashkin points to fleet fuel savings and lower facility energy consumption as two of the biggest "wins" for distributors that put time and effort into sustainability programs. "Fuel consumption is a huge expense for any distributor," he says, noting the various transportation routing, scheduling and optimization programs on the market today to be good starting points on the road to better sustainability.

In a country where the average warehouse is 34 years old, according to CBRE, and where roughly 1 billion square feet of distribution space is more than 50 years old, even small improvements within the walls can add up to substantial savings. "When companies find new ways to reduce energy consumption for heating, cooling and lighting in their warehouses and distribution centers," says Ashkin, "those savings fall right to their bottom lines."

To really hit a homerun with sustainability, Ashkin tells distributors to build it into their cultures. Get everyone onboard, solicit their ideas, do like Curbell did and form a "Green Team," and reward team members for their contributions.

"From a sales and marketing perspective, sustainability shows leadership and alignment with values that many customers already have," says Ashkin, "and that they'll be emphasizing even more in the future."

Operating in a Downturn: Avoiding the Mistakes of the Past

How to prepare your business for a potential slower growth period

MDM has frequently and carefully noted that growth for most distribution sectors is slowing down. Slowing down does not mean sales are declining, just continuing to grow, but at a slower rate. At some point slower could well be a precursor to decline.

By Dr. Albert D. Bates

Many economists keep predicting a recession, and the economy keeps growing steadily. Eventually, the economists will be right. There have always been good and bad economic periods. There always will be. It is prudent to have preparations in place for when sales grow slowly or maybe even decline.

An additional inevitability is that many firms will make the same mistakes in responding to the next downturn as they have during past recessions. As Yogi Berra so aptly said, "It's déjà vu all over again."

Let's examine the nature of the typical reaction to declining sales and suggest some ways to avoid making the same mistakes again. We will do so from two important perspectives:

1. **The Profit Impact of a Sales Decline** — An analysis of the relationship between a sales decline and the resulting profit level.
2. **Actions for Continued Profit Success** — Specific suggestions as to what firms should do to ensure success under all economic conditions.

The Profit Impact of a Sales Decline

The relationship between declining sales and the resulting decline in profit can be measured with a ratio called the Sales Sensitivity Index (SSI). It measures how large of a sales decline is required to drive the firm to its break-even point. That is, how much of a sales decline will cause profit to fall to zero.

The size of the SSI depends in large part upon the expense structure of the firm. Exhibit 1 (see pg. 6) examines this by looking at the income statement for a representative distributor. As can be seen in the first column, the firm currently generates $20 million in sales and operates on a gross margin of 25% of sales. This results in a pre-tax profit of $500,000, which is equal to 2.5% of sales.

To understand how sales declines impact profit for this firm, it is necessary to break the expenses into two categories: fixed and variable. For too many firms this distinction is not clearly understood.

Fixed expenses are "overhead expenses." The key factor is that once a budget is set for the year, these expenses will only change if management takes specific actions to change them, such as negotiating a lower rent. For most firms, fixed expenses represent somewhere around 80% of total expenses. For the illustrative distributor they are estimated to be $3.5 million per year.

Variable expenses, in contrast, rise and fall automatically as sales rise and fall. They include sales commissions, interest on accounts receivable, and the like. For the typical firm variable expenses are estimated to be 5% of sales.

The second column of numbers examines the impact of a sales decline that causes the firm to move to its break-even point. That is, it generates no profit. As can be seen, for the typical firm a sales decline of just 12.5% is all that is required to wipe out the entire profit of the firm. That figure is the firm's SSI.

The 12.5% figure is based upon a typical expense structure where approximately 80% of expenses are fixed and the remaining 20% are variable. Deviations from this ratio will cause the firm to be more or less impacted by a sales decline.

An analysis of financial statements conducted by the author and the staff of Benchmarking Analytics suggests that most distribution firms have an SSI in the 10% to 15% range. This means that most firms could withstand a modest decline in sales without having to make significant changes in their operations.

However, the sales declines experienced in the so-called "Great Recession" would create serious problems. It would be wise for firms to take specific actions — or at least make specific plans — now rather than after a recession actually occurs.

Actions for Continued Profit Success

Mitigating the impact of a sales downturn involves taking some specific steps and carefully avoiding others. Truly avoiding the mistakes of the past requires focusing on five actions. Some are "must-do" actions, others are "don't do."

1. **Target the SSI.** Before the next downturn occurs, a firm should not simply calculate its SSI. It should develop a target for the SSI and develop plans to make that target a reality. Ideally, firms should try to enhance their financial position, so that their SSI is at least 20%. That means that almost no sales decline would be cause for panic. For the illustrative firm, increasing the SSI requires only a moderate increase in its current profit.
2. **Avoid Price Cutting.** An almost automatic response to a sales decline is to think in terms of reducing prices to "get that volume back." However, any reduction in pricing only increases the physical sales volume required to maintain profits. Price cutting is problematic in good times; it is a disaster in bad times.
3. **Maintain Working Capital Investment Levels.** Another reaction to declining sales is to horde cash. Inevitably, this leads to converting inventory and accounts receivable into cash. Lowering inventory almost always involves a "stop buying" edict that causes the firm's service level to deteriorate. Accounts receivable reductions have a similar impact on sales. Lowering either of these will simply drive sales down at a faster rate.
4. **Don't Sell Out the Future.** The idea of right-sizing expenses is tailor made for a period of declining sales. However, expense cuts must be limited to areas where the cuts will do no harm to sales. For example, too many firms reduce their marketing expenditures during a recession only to find that when the market rebounds they have lost contact with key customers.
5. **Benchmark Continually.** It is essential to have a precise understanding of how the firm performs on key profit drivers. This can only be done by benchmarking against other firms in the industry. Sometimes firms feel that benchmarking in bad times is fruitless. In fact, ongoing benchmarking provides insights into the pathway for profit improvement, even in down markets.

Moving Forward

The good news is that all recessions end. Even the so-called Great Recession ended with a sustained period of sales growth. While the next recession hasn't even started, now is the time to plan for it. Furthermore, planning should not only focus on what to do during the recession, but also how to build momentum for when the recover starts.

The bad news is that old habits die hard. A lot of firms will almost certainly forget the mistakes of the past. The firms that can develop meaningful approaches to avoid them will be the winners in the future.

Dr. Albert D. Bates is principal of the Distribution Performance Project and a senior advisor to Benchmarking Analytics. His last book, Breaking Down the Profit Barriers in Distribution, *is available online at Amazon and Barnes & Noble. It covers concepts that every decision maker should understand. Additional articles by Bates are available free at distperf.com.*

Exhibit 1
The Sales Decline That Will Move the Firm to Break-Even for an Illustrative Distributor

Income Statement--$	Current Results	Break-Even Results	Percent Change
Net Sales	$20,000,000	$17,500,000	-12.5
Cost of Goods Sold	15,000,000	13,125,000	-12.5
Gross Margin	5,000,000	4,375,000	-12.5
Fixed Expenses	3,500,000	3,500,000	0.0
Variable Expenses (5% of Sales)	1,000,000	875,000	-12.5
Total Expenses	4,500,000	4,375,000	-2.8
Profit Before Taxes	$500,000	$0	-100.0
Income Statement--%			
Net Sales	100.0	100.0	
Cost of Goods Sold	75.0	75.0	
Gross Margin	25.0	25.0	
Fixed Expenses	17.5	20.0	
Variable Expenses (5% of Sales)	5.0	5.0	
Total Expenses	22.5	25.0	
Profit Before Taxes	2.5	0.0	

▪ Wholesale Distribution Value Series

Creating Value with E-Business at Scale

Distribution is moving rapidly toward a winner-takes-all scenario

We saw a dramatic shift in 2017 and 2018 in the amount of revenue coming through e-business channels for distributors in part due to a lower barrier to entry for smaller companies. Platform costs are less expensive, better product data is available and distributors in general have more know-how around how to use these technologies.

By Jonathan Bein, Ph.D.

By 2020, more than 60% of companies in Real Results Marketing's annual survey of distributors will see 10% or more of their revenue coming through website ordering. About a third will have 20% or more. We're moving rapidly toward a winner-takes-most or even a winner-takes-all scenario, which happens when e-business makes up more than 25% revenue. That means a distributor has developed a systematic approach to generating demand that takes market share from competitors.

E-business goes beyond just shopping-cart revenue. E-business involves a broader strategy that incorporates website ordering, EDI, punchout and email/fax order automation, along with an aligned team that is incentivized to drive revenue to these channels. This is critical to achieving e-business at scale and creating real value for shareholders. Going digital makes the transaction more efficient and a distributor's team more productive, both of which drive the bottom line.

To create real value and build a barrier between themselves and the competition, distributors should aim for at least 50% of revenue coming through e-business. When distributors reach this threshold, they create enormous value due to the efficiencies created. They are then able to invest those profits into their business to either continue growing their e-business reach, or to expand the business in other ways, including people, locations or products and services.

Every customer base is different. To reach scale with e-business, it's key to know what customers want through a survey. The cost to a distributor of not knowing the voice of the customer includes overbuilding or underbuilding e-commerce; having too many or too few salespeople; too much or too little branch infrastructure; lost efficiencies in e-procurement, EDI and email order automation; passing up high-margin opportunities with small and medium customers; and the wrong media for the targeted generation. These would offset any gains from an investment in e-business.

Areas of Opportunity

E-Commerce Lift: With the right e-commerce infrastructure (defined as website ordering) supported by an aligned team of field sales reps, inside sales reps and customer service reps, distributors will see an increase in revenue from new customers online. Distributors will also experience a channel shift from existing customers, who move their orders online.

With the right cross-sell and upsell functionality built into the website (think: recommended or "customers who bought this product also bought"), existing customers may also grow their average order size. The greatest benefit to the distributor with e-commerce is the improvement in gross-margin dollars thanks to the lower cost-to-serve required on this channel.

E-Procurement Lift: Distributors that leverage EDI and punchout – typically with their largest enterprise customers – will experience a lift in gross-margin dollars. EDI stands for Electronic Data Interchange and represents the electronic communication of data between two businesses; in other words, a customer sends its order from its ERP system to the distributor's ERP system.

Punchout involves direct access by a purchasing agent to a supplier's e-procurement system online. Both reduce the need for a customer or distributor to manually enter item information.

Order Entry Productivity Benefit: Customer service reps are freed up to focus on more value-added activities when they don't have to manually input orders coming in via e-commerce and e-procurement. Email order automation takes email orders and converts them into a sales order in your ERP system.

Order Accuracy Improvement: Distributors experience fewer ordering errors as a result of e-business because their reps are no longer re-keying orders; this reduces the costs that can be associated with those errors.

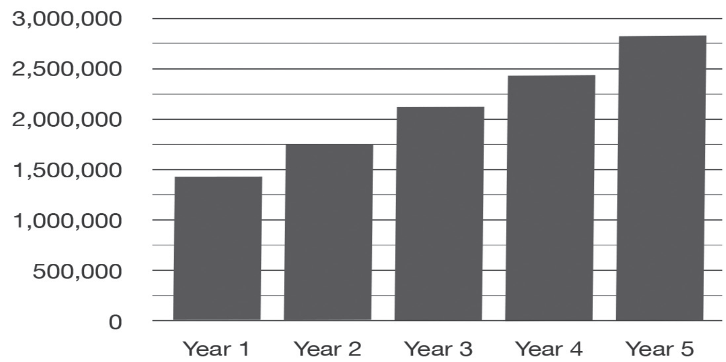
Field Sales Cost Reduction: Distributors that leverage e-business can reduce their sales headcount and the associated expense because of the increase in self-service. We estimate distributors can reduce sales headcount by one field sales rep for every $2 million in e-commerce revenue, assuming $100,000 in compensation per rep. Some of those reps can be replaced or supported by a proactive inside sales force at a lower cost. The field salespeople that remain can focus less on mundane tasks and more time on consultative value-added activities such as generating more business from existing customers and targeting new customers that match a distributor's value proposition.

Sample Company Return on Investment: E-Business at Scale

The following details financial results expected from e-business at scale (defined as more than 25% of revenue through e-business) by a distribution company. The results in this report are based on projected costs associated with a project over a five-year period.

Company Profile
Customers: 4,000
Revenue: $100M
Gross Margin: 25%
Gross Profit: $25M
Average Order Size: $250

Annual Benefits:



	Amount
E-Commerce Lift	From 5% to 25% over 5 years
E-Procurement Lift	1%
Order Entry Productivity Benefit	From 45,000 to 135,000 orders over 5 years
Order Accuracy Improvement	Errors down from 1% to 0.25% of orders
Field Sales Cost Reduction	6 fewer sales reps by year 5

	Amount
ROI	536%
Payback Period (Years)	0.28
Net Present Value	$3,296,552
Annual Total Cost of Ownership	$157,000
Revenue Lift	$31,250,000
Gross Profit Lift	$7,812,500
Cost of Marketing	$945,000

The Bottom Line

To create lasting value, distributors should aim to achieve at least 50% e-business revenue – a big goal for most but one that will give them an edge that is hard to beat.

To do this, they must deliver a relevant omnichannel approach for all customers. Note that online ordering, or buying, is different from the functionality and data required for shopping; shopping happens before the transaction and includes finding, researching and selecting a product. A good shopping experience is critical to driving demand across all channels. A destination website is key to leveraging e-business for value creation. But it's just part of a larger strategy that includes tools and channels like EDI and order automation that can quickly drive bottom-line growth.

After understanding the right setup for customers, distributors can act fast. For example, order automation can be implemented almost immediately. E-commerce can be implemented in a year with the right partner and access to product data, usually one of the biggest hurdles.

Real Results Marketing brings distributor marketing expertise from our time as successful executives, advisors and implementers with MRO and OEM distributors of all sizes in a variety of market segments. The author may be reached at jonathan@realresultsmarketing.com or more information at www.realresultsmarketing.com.

mdm Industrial & Construction Markets Update

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Chicago Fed National Activity Index Falls to -0.45 in September

The Chicago Fed National Activity Index fell to -0.45 in September, down from +0.15 in August. Three of the four board categories of indicators that make up the index decreased from August, and all four made negative contributions to the index in September. The index's three-month moving average, CFNAI-MA3, was down to -0.24 in September from -0.06 in August.

The CFNAI Diffusion Index, which is also a three-month moving average, decreased to –0.25 in September from –0.10 in August. Thirty-one of the 85 individual indicators made positive contributions to the CFNAI in September, while 54 made negative contributions. Twenty-nine indicators improved from August to September, while 54 indicators deteriorated and two were unchanged. Of the indicators that improved, 12 made negative contributions.

Production-related indicators contributed -0.37 to the CFNAI in September, down from +0.19 in August. Total industrial production decreased 0.4% in September after rising 0.8% in August. The contribution of the sales, orders and inventories category to the CFNAI ticked down to -0.02 in September from -0.01 in August.

Employment-related indicators contributed -0.02 to the CFNAI in September, up slightly from -0.03 in August. The unemployment rate moved down to 3.5% in September from 3.7% in August, but total nonfarm payrolls increased by 136,000 in September after rising by 168,000 in the previous month. The contribution of the personal consumption and housing category to the CFNAI edged down to -0.04 in September from a neutral value in August. Housing starts decreased to 1,256,000 annualized units in September from 1,386,000 in August.

Distributor

Anixter International Inc, Glenview, Illinois, has agreed to be acquired by an affiliate of **Clayton, Dubilier & Rice**. The transaction has been valued at $3.8 billion and will result in Anixter becoming a private company. The deal is expected to close by the end of the first quarter of 2020.

Martin Supply, a subsidiary of **Martin Inc.**, has announced the sale of **Townsend Door Hardware and Systems** to **Brice Meeks**.

Curbell Plastics Inc., Orchard Park, New York, has acquired the plastics business of **Great Lakes Plastic Company, Inc.**, in Buffalo, New York.

Core & Main, St. Louis, has closed on its previously announced agreement to acquire substantially all of the assets of **J & J Municipal Supply, Inc.**, and **Erosion Resources Supply, Inc**.

MSC Industrial Direct Co. Inc., Melville, New York, reported fiscal 2019 sales of $3.4 billion, a 5% increase compared to fiscal 2018. Annual profit was $288.8 million, a 12.5% decrease compared with the third quarter last year.

For the fourth quarter, the company reported sales of $842.7 million, up 0.6% over the same period in 2018. Profit fell 8.8% to $66.6 million.

Lawson Products Inc., Chicago, reported third quarter sales of $94.8 million, up 7.1% compared to the 2018 third quarter. Net income was $4.8 million compared with a loss of $816 thousand in the year-ago period.

For the first nine months sales grew 8% to $252.4 million. Profit grew from $3.6 million to $10.2 million.

Graybar, St. Louis, reported third quarter sales of $2 billion, a 5.9% increase compared to the same period last year. Profit for the quarter was $48.8 million, down 8.8% from the same period in 2018.

Applied Industrial Technologies, Cleveland, reported sales of $856.4 million for its fiscal 2020 first quarter, down 0.9% over the same period in 2019. Profit fell 20.7% to $38.8 million.

WESCO International Inc., Pittsburgh, reported third quarter sales of $2.1 billion, up 3.9% compared with the prior-year period. The distributor reported net income of $64.3 million, down 3.5% compared with the third quarter of 2018.

Veritiv Corp., Atlanta, reported sales for the third quarter of $1.9 billion, a 12.2% decrease from the prior year. The company reported a loss of $5.1 million, compared to a profit of $1.4 million the same quarter a year ago.

NOW Inc., Houston, reported third quarter sales of $751 million, down 8.6% compared with the third quarter of 2018. Profit was $10 million for the quarter, compared with $20 million a year ago, the company said.

For the first nine months, sales were reported at $2.3 billion, down 2.2% from the same period in 2018. Profit rose 16.7% to $42 million.

Foundation Building Materials Inc, Tustin, California, reported sales for third

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quarter of 2019 of $564.9 million, up 4.2% from the same period in 2018. Profit was $12.7 million, up from a loss of $34.8 million the previous year's quarter.

Wajax Corp., reported sales for the third quarter of C$365.1 million (US$277.5 million), a 0.5% increase year-over-year. Profit fell 16.5% to C$7.6 million (US$5.8 million).

Sales for **HARDI distributor members** increased by 11.9% during September, according to its monthly TRENDS report. The average annualized sales growth for the 12 months through September 2019 is 7.4%.

North American buying group **AD**, Wayne, Pennsylvania, reported a 13% increase in member sales across its 12 divisions, totaling $35 billion in the first nine months of 2019.

Amazon.com, Inc. reported sales of $70 billion in the third quarter, up 24% compared to the same quarter in 2018. Operating income decreased to $3.2 billion in the third quarter, compared with operating income of $3.7 billion in third quarter 2018. Profit decreased to $2.1 billion in the second quarter, compared to $2.9 billion in third quarter 2018.

For the first nine months sales grew 20.3% to $193.1 billion. Profit increased 18.2% to $8.3 billion.

Economic

Real gross domestic product increased at an annual rate of 1.9% in the third quarter of 2019, according to the advance estimate released by the Bureau of Economic Analysis. In the second quarter, real GDP increased 2%.

Total nonfarm payroll employment rose by 128,000 in October, and the unemployment rate showed little changed at 3.6%, according to the **U.S. Bureau of Labor Statistics**.

Manufacturing employment decreased by 36,000 in October. Within manufacturing, employment in motor vehicles and parts declined by 42,000, reflecting strike activity. Notable job gains occurred in food services and drinking places, social assistance, and financial activities.

Economic activity in the manufacturing sector contracted in October, and the overall economy grew for the 126th consecutive month, say the nation's supply executives in the latest Manufacturing ISM Report On Business.

The goods and services deficit was $52.5 billion in September, down $2.6 billion from $55.0 billion in August, revised, according to the U.S. Census Bureau and the U.S. Bureau of Economic Analysis.

Manufacturer

The Timken Co., Canton, Ohio, has completed the previously announced acquisition of **BEKA Lubrication**, Pegnitz, Germany, a leading global supplier of automatic lubrication systems, for $165 million.

3M, St. Paul, Minnesota, reported third quarter sales of $8 billion, down 2% compared to the third quarter of 2018. Net income was $1.6 billion, down 3.2% compared to a year ago. Organic local-currency sales declined 1.3% year-on-year.

For the first nine months sales fell 3.2% to $24 million. Profit fell 10% to $3.6 billion.

ABB reported sales for the third quarter of $6.9 billion, a 3% decrease compared to the same period a year ago and a 1% decrease on a like-for-like basis in local currencies. Profit decreased 6% to $515 million.

Year-to-date sales were $20.9 billion, up 3% from the prior-year period and up 2% on a like-for-like basis in local currencies. Profit was down 34% at $1.3 billion.

Fortive Corp., Everett, Washington, reported sales for the second quarter of $1.9 billion, a 16.2% increase over the same period a year ago. Profit decreased 15.6% to $207.1 million.

For the first half, sales were $5.3 billion, up 13.2% year-over-year. Profit decreased 19.4% to $546.1 million.

Park-Ohio Holdings Corp., Cleveland, reported sales for the third quarter of $403.4 million, a 2.6% decrease compared to the same period a year ago. Profit was $12.4 million, down 15.6% from the third quarter of 2018.

Packaging Corp. of America, Lake Forest, Il-

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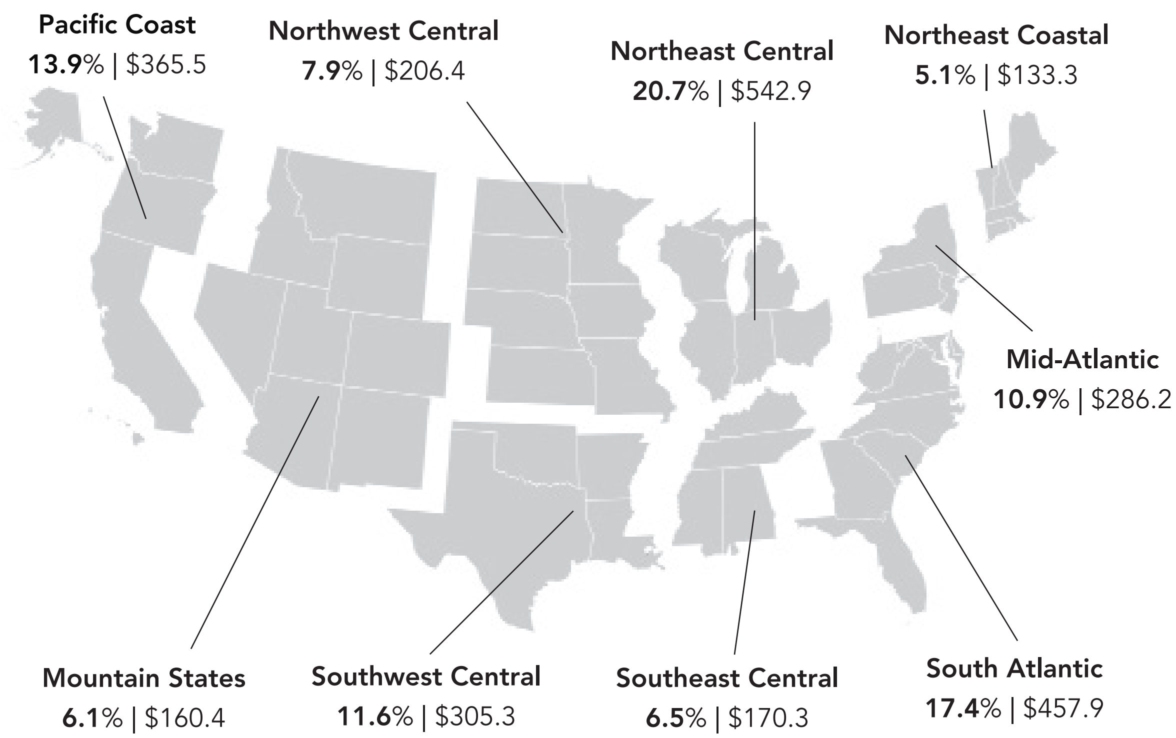
Electric and Air Power Tools Market Demand in the U.S.

Market demand for Electric and Air Power Tools in the U.S. was $2.63 billion in 2018, according to data from MDM Analytics. All estimates are 2018 end-user demand, in U.S. dollars, including distributor margin.

U.S. Total: $2.63 billion

U.S. End-User Market Demand for Electric and Air Power Tools by Region, $ millions (2018 est.)



U.S. End-User Market Demand for Electric and Air Power Tools: Top 10 End Markets

Top 10 end markets in $ volume, by NAICS code, consuming Electric and Air Power Tools (2018 est.)

End User		Estimated Consumption
238220	Plumbing, Heating and Air-Conditioning Contractors	$152,071,210
238210	Electrical Contractors and Other Wiring Installation Contractors	$117,766,141
336390	Other Motor Vehicle Parts Manufacturing	$85,250,576
336111	Automobile Manufacturing	$76,536,223
236220	Commercial and Institutional Building Construction	$74,306,143
336411	Aircraft Manufacturing	$72,649,312
336412	Aircraft Engine and Engine Parts Manufacturing	$42,444,571
334310	Audio and Video Equipment Manufacturing	$39,422,444
333120	Construction Machinery Manufacturing	$33,728,289
238110	Poured Concrete Foundation and Structure Contractors	$33,109,472

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

mdm analytics

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linois, reported third quarter sales of $1.8 billion, down 2.8% compared with the 2018 third quarter. The company reported net income of $179.8 million for the quarter, a 13% decrease over the prior-year period.

For the first nine months sales fell 0.5% to $5.2 billion. Profit rose 5% to $560.2 million.

Barnes Group Inc., Bristol, Connecticut, an international industrial and aerospace manufacturer and service provider, reported sales of $373 million for the third quarter of 2019, up 1% compared to the prior-year period.

Organic sales were down 1%. The company reported net income of $45.8 million for the quarter, up 17% over last year. For the first nine months sales grew 0.8% to $1.1 billion. Profit fell 7.8% to $117.4 million.

Eaton Corp., Dublin, Ireland, reported sales for the third quarter of $5.3 billion, a 1.8% decrease over the same period a year ago. Profit increased from $416 million to $602 million.

For the first nine months, sales were $16.2 billion, up slightly over the same period a year ago. Profit increased 16.6% to $1.8 billion.

Ingersoll-Rand plc reported third quarter sales of $4.2 billion, up 3% from the same period in 2018. Organic sales were up 1% year over year. Profit was down 10.8% to $463.4 million.

For the first nine months sales were $12.4 billions, up 6% over 2018. Profit was $1.1 billion, up 2.8%.

Gardner Denver reported $597 million in revenues for the third quarter of 2019, down 11% over the prior-year period. Net income was $41 million, down 43% from a year ago.

Rexnord Corp., Milwaukee, reported sales for the second quarter of fiscal 2020 of $521 million, a decrease of 1% year-over-year. Profit for the quarter was $50.8 million compared to a loss of $43.4 million the previous year's quarter.

For the first six months of the fiscal year sales were $1 billion, up slightly from the previous year. Profit for the period was $91.5 million, compared to a loss of $49.9 million the previous year.

AMETEK Inc., Berwyn, Pennsylvania, a global manufacturer of electronic instruments and electromechanical devices, reported third quarter sales of $1.3 billion, up 7% compared to the third quarter of 2018. The company reported net income of $220.7 million for the quarter.

The Timken Co., Canton, Ohio, reported third quarter sales of $914 million, up 3.7% from the same period a year ago. The company posted net income of $66.7 million compared with net income of $72.3 million in the year-ago period.

Kennametal Inc., Latrobe, Pennsylvania, reported sales for fiscal first quarter of $518.1 million, an 11.7% decrease over the same period in fiscal 2019. The company posted a profit of $7.4 million for the year, down from $58.4 million the previous year's quarter.

Kaman Corp., Bloomfield, Connecticut, reported sales for the third quarter sales of $182.7 million, up 16.9% year-over-year. Profit grew from $1.4 million to $142.8 million.

For the first nine months, sales were $523.8 million, up 1.7% year-over-year. Profit grew from $30.6 million to $170.4 million.

Neenah Paper Inc., Alphareta, Georgia, reported sales for the third quarter of $231.8 million, an increase of 10% compared to the same period a year ago. Profit increased 19% to $14.4 million.

For the first nine months, sales for Neenah were $724.9 million, a decrease of 8.7% compared to the same period a year ago. Profit increased from $23.5 million to $39.8 million.

Allied Motion Technologies Inc., Amherst, New York, has named Robert B. Engel to its Board of Directors.

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