



Building a Ferguson for the Future

Plumbing, PVF, waterworks, industrial and HVACR powerhouse invests heavily in digital assets, startup ventures

Through its technical investments, Ferguson, No. 1 on MDM's Top Distributors List, is working to create seamless connections with customers across all touchpoints.

By Elizabeth Galentine

For Ferguson, one of the largest distributors in the U.S., digital transformation is more than just a growing buzzword, it's a customer-driven imperative. Digital transformation has always started with the customer, says Chip Devine, senior vice president, eBusiness and Omni-Channel.

Now, it includes giving customers the ability to connect with Ferguson seamlessly, be it in store, over the phone, on a computer or over mobile. "How are we actually making it easy for them to connect with us however they want? That's how we think about digital transformation and utilizing digital technology. Utilizing our stores, utilizing our people, are foundational in that digital transformation," he says.

In many ways, Ferguson's digital efforts are an extension of what the company has already been able to provide offline. "Before websites, we had the most knowledgeable people in our specific industries. Ferguson.com is an extension of the actual business that was, one day in time, just a face-to-face, in-person relationship. We're now extending that into the digital world," says Devine.

A Personalized Experience

Ferguson has a team of digital merchants who take that long-built institutional knowledge of how products are curated and the appropriate taxonomy within industries, and digitize it in order to personalize the online experience specifically for an HVACR contractor or a waterworks

contractor, for example. "When you think about businesses that are moving into the digital world, and digitizing that experience that could have been face to face or in store, if you have that knowledge and expertise, you can translate that into the digital world," Devine says.

Ferguson does not want customers coming to their website to feel as if they're visiting an anonymous megastore. Instead, the goal from the onset is to connect the customer with the actual products that they want to buy — personalized by the industry that they're in and organized specifically around the job the customer is trying to complete. The Ferguson site requires a login, so that the company can know the customer and curate the site differently, wherever they identify across the seven business segments that Ferguson serves.

For example, the No. 1 product a plumber will install is a water heater. "When a plumber goes on our website to buy a water heater, do we want to show them a water heater? Or do we want to show them a water heater and then the products that he or she may need to do that installation — reorganizing that project for that contractor so that it is a much easier experience to navigate," says Devine. "They're not [separately] searching for half-inch copper 90s, copper pipe, a water heater, flex tube — all of the different products that they're going to need. Because we actually know what they need. Being in the industry for 60-plus years, we can reorganize that website to meet that project need versus a specific product."

Ferguson Ventures

Come January, it will be two years since Ferguson launched its venture capital

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PERSPECTIVE ■ Commentary by Thomas P. Gale**Table Stakes Today: Customer-focused Value Definition**

Value definition often gets pushed back as the urgent crowds out the important. I think that's been true for distributors where historically the product and service portfolio carried the load, and carried it well! But, of course, times have changed — significantly in terms of how digital and demographics have reshaped every point of the supply chain in the last few years.

As we usher in the next year and decade, it's timely to take a hard look at your own definition of value and whether it's kept up with the changes in your customer segments, suppliers and internal capabilities. This current edition of MDM Premium provides multiple views on value proposition across the three main reports we include.

As Jonathan Bein nicely outlines in *Creating Value with a Clear Value Proposition* (p. 5), defining value goes far beyond selling the right products and services. "This is not just about a cool mission statement for a website," he argues. The article provides a great chart (p. 7) for first getting internal alignment and communication around value in place before trying to deploy your value proposition as a competitive advantage. As Bein puts it, "without that organizational alignment, a value proposition lacks strategic value. And without external communication across every customer-facing touchpoint, the distributor will remain undifferentiated in the customer's mind. That is a matter of life and death in today's market."

That's a strong statement, but dead-on in terms of how critical it is to communicate a clear differentiation message in increasingly noisy markets. Bein lays out a nice blueprint for creating a strategy around a clear and compelling

value proposition.

One of the areas where distributors are upgrading a value proposition is in inventory management. Our report on page 7, *Beyond the Basics of Inventory Management*, outlines three ways that companies are shifting a traditionally internal operational function into a more customer-focused value proposition, leveraging a combination of technology and analytics.

Finally, our cover story highlights how Ferguson, the largest North American industrial/construction products distributor, has developed a compelling value position through its omnichannel and digital innovation initiatives with a laser focus on the customer experience. It's an interesting journey for a company that grew through the combination of many distribution companies with strong traditional sales relationships.

Their vision is to keep building an ecosystem that focuses on their customers' customer, as this quote by Ferguson CMO Mike Brooks illustrates: "We're helping the contractor get a job — not a lead — so it's very valuable to them. And from the consumer side, we're helping the consumer with an overall solution. Not just selling the product, but selling the product installed when they want it with the contractor that can help."

I'd argue that building a clear value proposition relevant to your customers today is both urgent and important for every size of distributor. I hope it helps you consider whether your current value definition is up to date.

As always, I welcome your comments. Please email me at tom@mdm.com.

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Ferguson

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wing, Ferguson Ventures, with the vision of improving innovation within the industry, and digital development is a key element. With multiple startup company investments, 25 proof of concepts and an innovation lab on the campus of Georgia Tech as well as other university relationships, the enterprise is just getting started, says Mike Brooks, Ferguson's chief marketing officer.

The goals of Ferguson Ventures — including to help improve customer and contractor productivity and to build connected relationships across all mediums — align well with the ongoing digital innovation initiatives happening at Ferguson itself. The investments Ferguson Ventures makes will filter back into the larger Ferguson digital ecosystem, says Devine.

As an established national firm, Ferguson came into the startup community with capital to invest. Its presence in all 50 states, more than 1,440 locations, over a billion dollars in inventory and 3,000+ salespeople, have been assets in helping to launch the startups Ferguson Ventures chooses to work with. The money is a benefit for sure, but it's the other elements that are key differentiators, says Brooks.

Startup companies often have fantastic ideas and product demos, but can lack true industry knowledge. That's where Ferguson's six decades in distribution comes in. "The ability for Ferguson to really help accelerate some of these startups by leveraging the fact that we understand the industry, we have vendor relationships, we have 300,000 intimate customer relationships, so we can help the startup to really understand how to fine tune their product," Brooks says. "... Capital is important. But our understanding, our institutional knowledge can really make winners."

For example, Ferguson Ventures made an equity investment in Payzer, a management tool for contractors, but it also uses the outside salesforce of Ferguson to introduce Payzer among its established contractor customers.

Other publicized Ferguson Ventures investments include:

- Whisker Labs; a sensor and data technology company focused on protecting families and homes through the development of Ting, a sensor that monitors a home's entire electrical network to help prevent electrical fires and proactively detect maintenance issues with major home systems.
- HOMEe; a real-time, GPS-based mobile

platform that links homeowners and property managers with qualified heating and air conditioning, plumbing, electrical and general handyman services.

- GTP; a provider of software, hardware and services that extends Building Information Modeling (BIM) capabilities from the office to the fabrication shop and to the jobsite for all construction trade contractors.

The Right People

A small team of industry-wise associates run Ferguson Ventures, with employees across the country, including Silicon Valley. There is crossover in main Ferguson departments such as the outside salesforce, as well as its legal department and M&A group, where Ferguson Ventures can draw expertise and best practices.

To be a part of the Ferguson Ventures team, it takes an individual with an entrepreneurial spirit. Not necessarily a technologist, says Brooks, but someone who can see the big picture and understand how technology can better be applied to existing business practices and to develop new ones. An ideal participant is an innovator who can synthesize and communicate excitement to the larger company, he says.

Ferguson Ventures needs someone who "doesn't get lost sometimes in the details of today," Brooks adds. "We have a lot of our associates working every single day to satisfy our customers, to make sure the products are delivered on time, when they need it. But this is really about where do we want to be in three, five, seven years?"

Many of the people Ferguson has hired for its internal digital team come from outside the industry as well, but with strong merchandising knowledge and digital expertise, says Devine. They work hand in hand with Ferguson's existing product and market experts. Ferguson has acquired a number of digitally native companies that has helped to fuel its talent as well, he adds.

The company continually partakes in active, ongoing recruiting. For example, Devine sits on a board at Virginia Tech, a top school for Ferguson recruits.

Ferguson Ventures has university relationships as well, such as an innovation lab at Georgia Tech, as well as an innovation challenge now in its second year at the College of William & Mary, located just miles from Ferguson's Newport News, Virginia, headquarters.

The Full Picture

Ferguson's digital transformation efforts fall

under one of the company's larger strategic pillars known as Omnichannel. "Omnichannel meaning we have the ability to touch and make a seamless frictionless experience for a customer in any way they find, buy, receive support for their business," says Devine. It is not a temporary project, but rather a long-term initiative that will continue to iterate and improve.

Part of that process includes investing more in mobile capabilities as customer preferences shift in that direction. It is critically important, Devine says, to make the Ferguson mobile experience as seamless for customers as it is on a laptop or desktop computer. Ferguson has developed a native mobile app that mirrors the Ferguson.com experience as well as a mobile-optimized Ferguson.com available through any phone's web browser.

The app also reinforces Ferguson's commitment to omnichannel. The company is working on a capability that will allow a customer to walk into a Ferguson store and self-serve with a SKU identifier that will be built into the mobile platform. "We're trying to make it frictionless for the customer when they interact with us in a digital way, including in a store," Devine says. "Those are really powerful tools that, quite frankly, are not that prevalent today, and I think create differentiation for us versus our competitors."

It's all about providing a consistent experience for customers, whether in person, online or through the mobile app. In order to do that, Ferguson is working on tracking the customer journey through multiple different touchpoints in order to bring them all together seamlessly. When a customer walks into a sales center, the information from their online activity should be available, and vice versa, to provide a holistic customer picture.

Making Connections

Like the larger Ferguson omnichannel pillar, one of Ferguson Ventures' initial investment theses centers around creating a connected ecosystem. For example, joining a consumer who is interested in getting a job completed with a contractor who can do the work, and then connecting that contractor with technology-driven companies that can help them run their business more efficiently and profitably.

In pursuing this goal, Ferguson Ventures has established a number of different partnerships. These may be companies that don't fit the company's criteria for an equity investment but where it still makes sense to bring them into the

connected ecosystem as a partner, says Brooks.

Two other areas that make up the Ferguson Ventures investment theses include creating a digital experience — such as through both commercial and residential Building Information Modeling (BIM), and emerging technologies — the underlying technology of the Internet of Things (IoT) to create smart homes, smart buildings and smart cities.

When deciding where and how to invest, there's the financial consideration of finding a company that is likely to bring a positive return, but there's also a strategic element involved that may not bring a financial payoff, says Brooks. Ferguson Ventures is slightly more on the strategic side, he says, with a focus of bringing innovation, learning and relationships into the company.

Initially, a key challenge was just getting the word out that Ferguson Ventures was open for business. The company brought in a Silicon Valley-based employee to network, partnered with incubator RocketSpace to improve engagement and build relationships and attended a number of venture capital conferences.

The result is now a robust funnel that is creating a flywheel effect of potential deals flowing in, says Brooks.

Immediate Goals

Over the next year, Brooks says Ferguson Ventures will continue to focus on deal flow, making quick decisions on whether or not to work with a startup and the best ways to proceed.

Continuing to strengthen the connected ecosystem framework, bringing the innovations from Ferguson Ventures into the larger company fold, is also a top priority. For example, Ferguson Ventures has worked with startup companies to help customers visualize, say, a bathroom remodel, before moving on to product purchase and installation. The connected ecosystem comes into play when the customer is able to visit a Ferguson store, speak with an associate about what they want to do, use augmented reality and AI to visualize it in their space and then be connected with a contractor who can make it happen.

"We're helping the contractor get a job — not a lead — so it's very, very valuable to them," says Brooks. "And from the consumer side, we're helping the consumer with an overall solution. Not just selling the product, but selling the product installed when they want it with the contractor that can help."

Overall, it's about getting the word out that

these digital capabilities exist. As Devine puts it, the majority of Ferguson customers are “not millennials,” but rather more seasoned industry vets who require more field education on Ferguson’s continually developing digital capabilities.

There is a lot of training on how to use the technology to make their business better, including signage in all of Ferguson’s buildings advertising the mobile and online capabilities.

“A lot of times, if they’ve never really used it, they don’t know the time they can save,” says Devine. “They don’t know the convenience of placing your order and picking it up should be the same way you have a retail experience, whether that’s picking up food you buy online or picking up in the store at Target or Walmart. You can have that same experience in your

business-to-business world with Ferguson.”

Right now, a bit over 20% of Ferguson’s business runs through its digital channel. Devine calls it “pretty strong,” but wants to bring as many customers into the fold as possible. The No. 1 goal is to create the best possible experience for the customer, measured by share of wallet.

The more value Ferguson can deliver to the customer, the more they are rewarded in additional business and loyalty. “Getting the customer to use the digital tools and experience them is probably our biggest goal internally from a digital standpoint,” he says, “because that’s the value we believe we can drive to the customer and ultimately drive that customer satisfaction and that loyalty over time.”

■ Wholesale Distribution Value Series

Creating Value with a Clear Value Proposition

A value proposition should consider what a company does that differentiates it from its competitors

By Jonathan Bein, Ph.D.

Given increased global competition and the rise in digital as a major sales channel, a value proposition has never been more important for independent distributors today. Consolidation is also likely to accelerate over the next five years; distributors who have not differentiated will either get acquired or go out of business.

A value proposition tells customers who the company is and why they should do business with them. A clear and compelling value proposition has a direct and positive effect on a distributor’s bottom line and should drive everything in a distributor’s business. It affects how they communicate with customers, select customers and align their services around what customers value.

Unfortunately, more than 88% of distributors that responded to a Real Results Marketing survey placed a large emphasis in their value-proposition messaging on just a handful of features: product selection, availability, speed of delivery, pre-sales technical support and professional sales representatives. In other words, many distributors are telling prospects the same thing. For most, that will not differentiate them. What’s more, the logistic functions of product

selection, availability and speed of delivery are typically what the largest competitors do well, making it difficult for any distributor to make headway by highlighting these features, and reducing the relationship to one that is price-based.

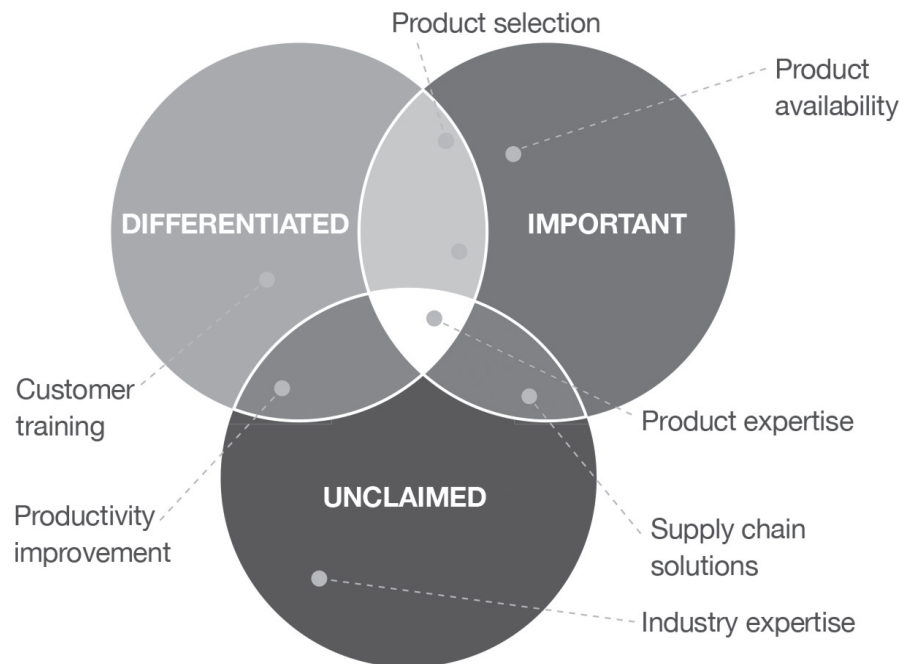
What’s in a value proposition?

A value proposition should consider what a company does that differentiates it from its competitors, what’s important to the customers and the market, and what competitors claim about their offering. See **Fig. 1** on page 6.

Areas of Opportunity:

Targeting the Right Customers

When distributors understand which customers they are best at serving - and what those customers value - they can align their organization around that. They can then target more of the same types of customers, resulting in market-share growth. They will also serve existing customers better for an increase in wallet share. What’s more, when customers get what they like, they’ll stick around longer. Customer retention will improve. For example, a distribu-

Figure 1: Value Map Example


tor Real Results Marketing has worked with sells many of the same products that others do, including abrasives, safety products and hand tools. But their value proposition is their exceptional service with customized solutions, and they charge for it. This service proposition is engrained into front-line team members who interact with the customer from Day 1. As a result, they do not pursue customers that only care about the lowest price.

Selling the Right Products and Services

If a distributor talks about product selection but their customers only care about how quickly they get the order to the jobsite, that distributor is wasting their breath. Similarly, many distributors tout the benefit of their own value-added services. Yet, few know whether or how much customers value these services. It's important to understand which products and services customers value – and which they don't. Distributors that are trying to be all things to all people are leaving money on the table. This doesn't mean that distributors must change or remove any products and services; but they may want to add products and services or adapt their offerings based on customer feedback. Customers will share which products and services are most important to them.

This will vary by role and customer segment. For example, a purchasing agent may value easy-reorder capabilities while an engineer may value technical support. Targeting the

right persona with the right message matters. Distributors need to shift their messaging to what customers care about.

Assigning the Right Resources

When a distributor knows what a customer values, it can align its customer-facing resources accordingly. For example, a customer that doesn't value the service provided by an in-person field sales rep could better be served by inside sales or a distributor's e-business channel at a lower cost. The field salespeople who remain can focus on consultative value-added activities such as generating more business from existing customers and targeting new customers that match a distributor's value proposition.

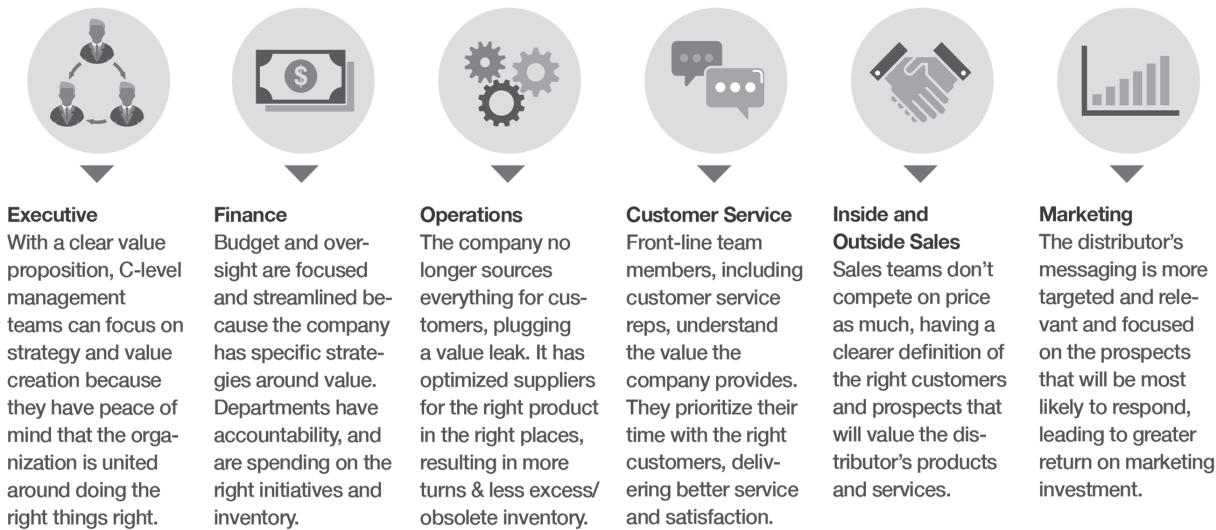
Systematically Sharpening and Improving Your Offering

Distributors that have a strong value proposition know which direction they need to go. They won't be distracted by new ideas that don't align with what the market values and what they do well. They can continually refine their products and services to maintain a competitive advantage.

Benefits: Alignment with the Right Value Proposition

The benefits of a strong value proposition go beyond selling the right products and services. Internally, distributors with the right value proposition experience alignment across their organi-

Figure 2: Alignment with the Right Value Proposition



zations, which will lead to increased efficiencies and cost savings across the board. What's more, the distributor will see a greater return on its team's investment of time. See Fig. 2.

The Bottom Line

If a distributor sees itself as all things to all people, and aligns around that, it will bleed profitability. This is not just about a cool mission statement for a website. The importance of internal and external communication cannot be understated. Internal communication is critical to calibrating a distributor's engine before tak-

ing the message externally. Without that organizational alignment, a value proposition lacks strategic value. And without external communication across every customer-facing touchpoint, the distributor will remain undifferentiated in the customer's mind. That is a matter of life and death in today's market.

The development of a strong value proposition does not come quickly; it can take up to six months. But it's critical to identify and create a strategy around a clear and compelling value proposition to adapt and stay relevant in the marketplace.

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 realresultsmarketing.com.

Beyond the Basics of Inventory Management

Three ways available data can improve business practices for distributors and customers

By Elizabeth Galentine

There are well-known quick fixes an inventory management solution can bring to a distributor, such as cutting back on disappearing products or eliminating user error from incorrectly typed SKUs on a manual tracking spreadsheet. But the data available from inventory management platforms can also present a long-term strategic opportunity in the form of improved demand

planning, exposure of costly trends and even visibility into competitors' share of customer spend.

Improved Demand Planning

Standard demand planning and forecasting is inherently a backward-looking process that is based on historical customer orders — orders that may not reflect actual use due to the tendency to overstock "just in case." Inventory man-

agement solutions allow for the establishment of min-max replenishment numbers that are based on actual usage.

Inventory management company eTurns, for example, automates inventory replenishment with phones, scanners, IoT sensors and RFID that provides real-time inventory visibility. Once min-max numbers are established, the distributor can monitor customers' data to know how much product customers are going to order and when they will order it. "We call it precise demand planning, because it's no longer a forecast. It's based on actual usage and the current state of affairs," says Rock Rockwell, eTurns CEO.

Electrical distributor Rexel USA has worked with eTurns for more than a decade. R.L. Newell, IT lead, appreciates how much it has streamlined the inventory process and reduced human error. He says Rexel uses the data it accumulates to do year-to-year forecasting, especially for larger customers. "As long as the economy's going well, we can project and be pretty spot-on," Newell says.

Trend Discovery

Introducing vending machines into inventory management gives customers control over product simply by putting it behind glass, eliminating the ability to horde or lose track of items. It can also expose revealing usage data when employees need to enter a badge or pin number to access items. "Once you start tracking something, there's a number of efficiencies that come about," says Mark Hill, president of industrial vending service provider 1sourcevend.

The data from 1sourcevend machines are automatically updated into the cloud every 30 minutes. One client noticed they were using too much of a particular cutting tool. After looking at their usage data over a month, they noted the same person was regularly getting a new tool at the beginning of his shift every day, rather than allowing it to reach an acceptable state of wear and tear before replacement. "That is one of the beautiful things about vending," says Brett Canale, sales manager, 1sourcevend. "You can see those trends."

Deep Visibility

Home Depot Pro decided to pursue an inventory solution for its special trades customers, such as plumbers and electricians, after continually seeing issues in the field, including workers

not knowing what inventory they had on their trucks or needing to make multiple side trips to pick up more inventory. "There were a lot of concerns that a lot of our customers were having around inventory solutions," says Ron Swank, senior technology manager, StockWise Solutions at Home Depot Pro.

Home Depot Pro launched its first customer with MarginPoint, a field service and inventory management software company, in the fall of 2013 after about two years of building out integrations with its own platform. There are now between 300 and 400 accounts using it, with 10-20 new customer rollouts a quarter, says Swank. Customers love the real-time visibility of seeing what is available at any given time across an entire fleet of trucks, Swank says.

With about seven years of data collected, Home Depot Pro has it "on the roadmap" to start analyzing how the company stacks up to other suppliers that customers are using. "If they're buying certain products from a different supplier, that data is available for us to look at," Swank explains. "We haven't done a whole lot with it yet, but [it is] a strategy that we do have planned for the future."

MarginPoint CEO Vince Sheeran estimates distributors see between 30% and 35% increase in spend from a customer when they are the primary distributor for that customer in the MarginPoint system. This is because, as Swank noted, the primary distributor has access to all of the customer's purchasing data. As the primary distributor, "If I look at 1,000 items an organization buys, I might say, 'Hey, I at least want an opportunity to fulfill these for you,'" Sheeran says. "They may pick up 40% or 50% of those items that they weren't getting before because a lot of times organizations buy from a distributor based upon history as much as anything else. Sometimes they've just never had another supplier ask for the business."

A distributor who doesn't carry items their customer is currently purchasing from someone else may now see an incentive to start carrying those products, as the customer data show they reliably purchase them on a regular basis. At the very least, by seeing what their customer didn't purchase from them, they know what their opportunity lost was.

"Now, they have true visibility into their customer," says Sheeran.

Real U.S. GDP Up 2.1% in Q3, According to Bureau of Economic Analysis

Real gross domestic product increased at an annual rate of 2.1% in the third quarter of 2019, according to the second estimate released by the Bureau of Economic Analysis. In the second quarter, real GDP increased 2%.

The GDP estimate is based on more complete source data than were available for the advance estimate issued last month. In the advance estimate, the increase in real GDP was 1.9%.

The increase in real GDP in the third quarter reflected positive contributions from PCE, federal government spending, residential investment, private inventory investment, exports, and state and local government spending that were partly offset by a negative contribution from non-residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased.

Real gross domestic income increased 2.4% in the third quarter, compared with an increase of 0.9% in the second quarter. The average of real GDP and real GDI, a supplemental measure of U.S. economic activity that equally weights GDP and GDI, increased 2.3% in the third quarter, compared with an increase of 1.4% in the second quarter.

Current dollar GDP increased 3.8%, or \$201.8 billion, in the third quarter to a level of \$21.54 trillion. In the second quarter, GDP increased 4.7%, or \$241.4 billion.

The price index for gross domestic purchases increased 1.4% in the third quarter, compared with an increase of 2.2% in the second quarter. The PCE price index increased 1.5%, compared with an increase of 2.4%. Excluding food and energy prices, the PCE price index increased 2.1%, compared with an increase of 1.9%.

Distributor

Hartman Independent Company, Canonsburg, Pennsylvania, a distributor of fastening and packaging solutions, has acquired the assets of **Levy Paper Company**, Morgan, Pennsylvania. Levy Paper is a leading distributor of industrial packaging products with expertise in the engineering of specialty pressure-sensitive tapes. The goal of the purchase is for both Levy Paper and Hartman customers to be better served by expanding inventory of materials and products.

The Macomb Group Inc., Sterling Heights, Michigan, has acquired the operations of **Smith Metal & Supply, Inc. d/b/a Richburg Supply Company**, Richburg, South Carolina, a distributor of pipe, valves and fittings to industrial customers.

Fastenal Co., Winona, Minnesota, reported November sales of \$413.1 million, up 0.7% over the year-ago period. The company reported daily sales of \$20.7 million, up 5.7% versus a year ago.

By region, U.S. sales grew 4.6% in November. By end market, manufacturing sales grew 7.5% while non-residential construction grew 5%, the company said.

The North American Building Material Distribution Association has named the 2019 NBMDA award recipients at the 2019 NBMDA Annual Convention. The recipient of the NBMDA Growth Award is Jeff Takac of Milesi Wood Coatings in Charlotte, North Carolina. The recipient of the NBMDA President's Award is Missy O'Daniel. Missy O'Daniel, from Web-Don, Inc. in Charlotte, NC, served as president of NBMDA from 2018-2019.

STAFDA member distributors elected new leadership during the association's 43rd Annual Convention & Trade Show in Nashville in November. Greg Hughes, president and owner of Kinnunen Sales & Rentals, Stillwater, Oklahoma, took over as STAFDA president. Brian Gersten, owner of On Time Supply, Suffern, New York, was elected STAFDA vice president.

Sales for HARDI distributor members increased by 3% during October, according to its monthly TRENDS report. The average annualized sales growth for the 12 months through October 2019 is 6.1%.

Lyman Companies, a leading provider of building products, services and expertise in the Upper Midwest, has named Charlie Bradburn as president. Bradburn joined Lyman Companies in 2009 and most recently served in the role of vice president.

Werner Electric Supply, Appleton, Wisconsin, a business-to-business distributor of electrical materials, services and solutions, has promoted Craig Wiedemeier as its first-ever chief operating officer. In Wiedemeier's previous role as vice president of operations, he led the company's move to its new corporate headquarters and regional distribution center in 2016.

Summit Electric Supply, Albuquerque, New Mexico, has named Patrick Davis as president and CEO. Davis will work closely with Victor Jury, Jr, executive chairman, through the transition and going forward.

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News Digest

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Essendant Inc., Deerfield, Illinois, has promoted Guy Unterberg to the role of senior director of vertical markets.

The Industry Data Exchange Association, Inc. Board of Directors announced that CEO and President Paul Molitor will step down in December for personal reasons. Molitor has held the post since 2014 and the search for a new executive is expected to conclude in the first half of 2020.

Economic

New orders for manufactured goods in October, up following two consecutive monthly decreases, increased \$1.4 billion or 0.3% to \$497.0 billion, according to the U.S. Census Bureau. This followed a 0.8% September decrease. Shipments, up following three consecutive monthly decreases, increased less than \$0.1 billion or virtually unchanged to \$500.2 billion. This followed a 0.4% September decrease.

Unfilled orders, up three of the last four months, increased \$1.0 billion or 0.1% to \$1,164.3 billion. This followed a virtually unchanged September decrease. The unfilled orders-to-shipments ratio was 6.67, down from 6.70 in September. Inventories, up 10 of the last 11 months, increased \$0.9 billion or 0.1% to \$698.8 billion. This followed a 0.3% September increase. The inventories-to-shipments ratio was 1.40, unchanged from September.

Total nonfarm payroll employment rose by 266,000 in November, and the unemployment rate showed little change at 3.5%, according to the U.S. Bureau of Labor Statistics. Notable job gains occurred in health care and in professional and technical services.

Manufacturing employment rose by 54,000 in November, following a decline of 43,000 in the prior month. Within manufacturing, employment in motor vehicles and parts was up by 41,000 in November, reflecting the return of workers who were on strike in October.

The goods and services deficit was \$47.2 billion in October, down \$3.9 billion from \$51.1 billion in September, revised, according to the U.S. Census Bureau and the U.S. Bureau of Economic

Analysis.

October exports were \$207.1 billion, \$0.4 billion less than September exports. October imports were \$254.3 billion, \$4.3 billion less than September imports. The October decrease in the goods and services deficit reflected a decrease in the goods deficit of \$3.7 billion to \$68.0 billion and an increase in the services surplus of \$0.2 billion to \$20.8 billion.

Year-to-date, the goods and services deficit increased \$6.9 billion, or 1.3%, from the same period in 2018. Exports decreased \$0.8 billion or less than 0.1%. Imports increased \$6.1 billion or 0.2%.

Exports of goods decreased \$0.8 billion to \$136.1 billion in October. Exports of services increased \$0.3 billion to \$71.1 billion. Imports of goods decreased \$4.5 billion to \$204.1 billion in October. Imports of services increased \$0.1 billion to \$50.2 billion.

The Chicago Fed National Activity Index fell to -0.71 in October from -0.45 in September. Two of the four broad categories of indicators that make up the index decreased from September and all four categories made negative contributions to the index in October. The index's three-month moving average, CFNAI-MA3, moved down to -0.31 during October from -0.21 in September.

The CFNAI Diffusion Index, which is also a three-month moving average, was up to -0.22 in October from -0.245 in September. Twenty-seven of the 85 individual indicators made positive contributions to the CFNAI in October, while 58 made negative contributions. Thirty-four indicators improved from September to October, while 49 deteriorated and two were unchanged. Of the indicators that improved, 20 made negative contributions.

Economic activity in the manufacturing sector contracted in November, and the overall economy grew for the 127th consecutive month, say the nation's supply executives in the latest Manufacturing ISM *Report On Business*.

The November PMI registered 48.1%, a decrease of 0.2% from the October reading of 48.3%. The New Orders Index registered 47.2%, a decrease of 1.9% from the October reading of 49.1%. The Production Index registered 49.1%, up 2.9% compared to the October reading of 46.2%. The Backlog of Orders Index registered 43%, down 1.1% compared to the October reading of 44.1%. The Employment Index registered

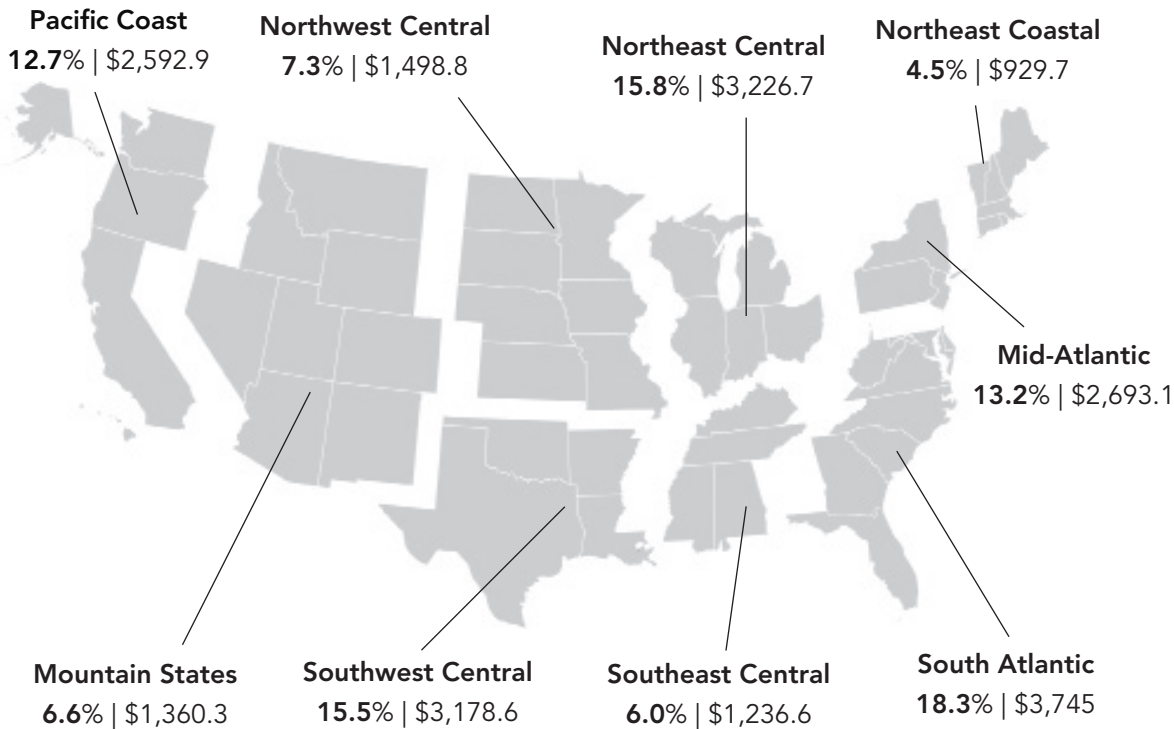
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U.S. PVF Metal MRO Market Demand

Market demand for PVF Metal MRO in the U.S. was \$20.5 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: \$20.5 billion

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



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

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

End User	Estimated Consumption
238220 Plumbing, Heating, and Air-Conditioning Contractors	\$5,786,939,915
236220 Commercial and Institutional Building Construction	\$877,784,147
325412 Pharmaceutical Preparation Manufacturing	\$790,233,064
322121 Paper (except Newsprint) Mills	\$620,446,476
325211 Plastics Material and Resin Manufacturing	\$603,073,434
324110 Petroleum Refineries	\$590,955,977
325180 Other Basic Inorganic Chemical Manufacturing	\$495,157,972
211120 Crude Petroleum Extraction	\$471,398,600
326199 All Other Plastics Product Manufacturing	\$426,114,015
325199 All Other Basic Organic Chemical Manufacturing	\$363,604,223

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

News Digest

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46.6%, a 1.1% decrease from the October reading of 47.7%.

The Supplier Deliveries Index registered 52%, a 2.5% increase from the October reading of 49.5%. The Inventories Index registered 45.5%, a decrease of 3.4% from the October reading of 48.9%. The Prices Index registered 46.7%, a 1.2% increase from the October reading of 45.5%. The New Export Orders Index registered 47.9%, a 2.5% decrease from the October reading of 50.4%. The Imports Index registered 48.3%, a 3% increase from the October reading of 45.3%.

Construction spending during October 2019 was estimated at a seasonally adjusted annual rate of \$1,291.1 billion, 0.8% below the revised September estimate of \$1,301.8 billion, according to the U.S. Census Bureau. The October figure is 1.1% above the October 2018 estimate of \$1,277.4 billion. During the first 10 months of this year, construction spending amounted to \$1,086.5 billion, 1.7% below the \$1,105.2 billion for the same period in 2018.

Manufacturer

Acuity Brands Inc., Atlanta, has acquired **Locus Labs, Inc.**, a leading indoor mapping and location platform. The LocusLabs software platform supports navigation applications used on mobile devices, web browsers and digital displays in airports, event centers, multi-floor office buildings and campuses. Visitors employing Locus-

Labs' software can easily search, explore and navigate large, complex indoor spaces.

Avery Dennison Corp., Glendale, California, has agreed to acquire **Smartrac's Transponder (RFID Inlay) Division**, Amsterdam, the Netherlands, for the purchase price of €225 million (US\$249.2 million), subject to certain closing and post-closing adjustments. The division is a leader in the development and manufacture of RFID products, with 2019 estimated global revenue of €125 million (US\$138.4 million).

Protective Industrial Products, Inc., Latham, New York, a leading supplier of hand protection and general safety products, has acquired the assets of the **Boss Glove and Safety** business from the **Boss Manufacturing Company**, headquartered in Kewanee, Illinois.

Hillenbrand, Inc., a global diversified industrial company that makes and sells premium business-to-business products and services for a wide variety of industries, has named Andrew Kitzmiller as its vice president, chief accounting officer and controller.

Bearings manufacturer **NN Inc.**, Johnson City, Tennessee, has named Chris Qualters as executive vice president of Life Sciences, effective immediately. Qualters was previously executive vice president of the Company's Power Solutions group. Qualters succeeds Robbie Atkinson who, by mutual agreement with the Company, is leaving NN to pursue new endeavors.

Barnes Group Inc., Bristol, Connecticut, an international industrial and aerospace manufacturer and service provider, has named Stephen Moule to the position of senior vice president, Barnes Group Inc. and president, Barnes Industrial, effective immediately.

Johnson Controls, a global leader in building technologies and solutions, is growing its presence in Southeast Asia with appointments of senior leadership to increase the company's foothold in the region's smart buildings market.

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