MODERN DISTRIBUTION MANAGEMENT

mdm premium

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■ State of Distributor Marketing, Pt 1

Combine Digital with Traditional Marketing to Grow the Revenue Pie

Latest research confirms that an integrated, omnichannel marketing strategy outperforms less balanced approaches

The race to embrace digital marketing can put you in a strong position with clients, the MDM/Real Results Marketing 2019 State of Distributor Marketing survey shows, but don't elevate online efforts at the expense of traditionally profitable opportunities.

By Jonathan Bein, Ph.D.

Distributors are focusing more on digital marketing vehicles — email, search and social media — and less on more traditional avenues, such as print catalogs and collateral, trade shows and branch-based events, an analysis of five years of survey data reveals. In general, the ongoing shift to digital is a good thing for distributors. Depending on the segment, customers prefer that you communicate with them digitally. But traditional avenues have not yet worn out their welcome; abandoning print and in-person entirely for digital is not the answer.

We're living in an omnichannel world, with both baby boomers and Gen Z driving purchasing decisions. Distributors recognize this generational dichotomy. Most say more traditional marketing efforts are still important to their efforts, despite increasing the frequency with which they use digital versus print and in-person. For example, nearly half of distributor respondents said print catalogs were very important.

In our surveys of more than 10,000 end-users, about 47% still shop frequently or very frequently with print. This significant percentage of customers who want access to a catalog or product literature suggests a need to retain these options — but perhaps with smaller or more targeted runs. Certain sectors and demographics tend to use print more frequently, as well.

Your customer-facing personnel will remain critical to driving demand. About 62% of customers very frequently or frequently shop with a customer service rep, and about the same percentage say they very frequently or frequently shop with a distributor sales rep. The challenge will be balancing your more traditional marketing efforts with the right digital investments.

Don't Be Satisfied with Status Quo

Distributors are generally satisfied with their marketing results, according to the survey. Still, the percentage of distributors in the survey who are extremely satisfied with their marketing results landed in the single digits once again this year, with just 3.3% falling in the "high performer" range — down from our 2018 survey. About 74% of respondents felt they were moderate performers, and another 23% put themselves in the low-performer bucket. Respondents who answered "very satisfied" or "moderately satisfied" were classified as moderate performers; respondents who answered "slightly satisfied" or "not at all satisfied" were classified as underperformers.

Align Marketing with the Times

The top four distributor marketing initiative objectives in 2019 were growing market share and growing wallet share, followed by retaining existing customers

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INSIDE

mdm
competitive intelligence for wholesale distribution

PERSPECTIVE ■ Commentary by Elizabeth Galentine

Stay Current to Strengthen Your Marketing and Cybersecurity

There can be miles of mental and physical effort in the space between knowing you would be better off doing something and then actually adjusting your approach, changing your perspective to make it so. We tackle two such action items, marketing and cybersecurity, in the content of this final Premium issue of the year.

As it happens, I have been attempting to cultivate more gratitude in my daily routine. I had a not-so-gentle reminder of all there is to be grateful for after a recent doctor's appointment prompted me to not take my vision for granted. You could say I've been seeing the world in a different light ever since.

The content in these pages presents a great opportunity to look at what many would call some of the most basic functions of distribution and see them from a new perspective — shedding light on how truly vital they are to sustaining and growing a healthy business.

As you will see in our annual State of Distributor Marketing survey, conducted in partnership with Real Results Marketing, leading distributors recognize the critical role of marketing their business to both existing and prospective customers. The results shared in this first half of the story (look for part two in the January 10, 2020 issue), provide a number of action items for distributors who may have been on autopilot with this essential function for too long.

For example, data over five years of the survey show successful marketing objectives will shift with the changing times. As digital natives in Gen Z make their way into the workforce — and there are more than 61 million of them — distributors are rightfully shifting more and more of their marketing efforts to online platforms. However, they are not losing sight of retaining existing customers, a not-insignificant 47% of which still shop frequently or very frequently using old-fashioned print.

Another key takeaway of the survey is the importance of incorporating social media. Once dismissed as frivolous and worth ignoring, it is now in the marketing crosshairs of 70% of distributors who call it important or very important. Just a few years ago, that threshold was less than half of respondents. (Looking for a place to start on social? Follow us on Twitter @mdmnews and join our group on LinkedIn.)

The other not-to-be-missed article in this issue centers around the rising threat of ransomware in distribution. It is the first in an ongoing series we will bring you on how to protect your business in this age of increasingly sophisticated cyber-attacks. It is a mistake to think these incidents only happen to the most high-profile, Fortune 500-type companies. Read the article, "Inexpensive Steps You Can Take to Protect Your Company from Ransomware," to know your risks and learn the best prevention tactics.

As we enter the New Year, the entire MDM team is grateful for the trust you place in us to bring you relevant and actionable guidance to strengthen your business into 2020 and well beyond. Thank you and happy holidays!

MODERN DISTRIBUTION MANAGEMENT

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State of Distributor Marketing
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and increasing gross margin through pricing management.

Over the past five years, distributors' goals with marketing have shifted, however, with fewer survey respondents focusing on growing margin through pricing initiatives and supplier management, and more respondents focusing on growing market share and selling more to existing customers. This could be due to the relatively frothy economy we've seen over the past few years, riding the wave with less incentive to focus on profitability. There are also more accessible solutions now, allowing distributors to invest in cloud-based tools that drive profitability through better pricing.

Find Your Place on Social Media

Three of the top four most important marketing platforms for distributors in the survey were digital — including email, search and social media. Email has remained steady, with 84% of respondents saying it was important or very important in this year's survey. Search engine marketing, which about three-quarters of the respondents have called important or very important over the past two years, continues to be a top priority for most distributors. In fact, many leading distributors have doubled or even tripled the number of keywords they rank for in the past two years.

Social media has shifted the most over the past five years; in 2015, less than half of distributors responding to the survey said that social media was important or very important. That number grew to 70% in 2019.

All of the more traditional distributor marketing pathways have fallen year over year. Print has decreased in importance to distributors significantly over a five-year period.

Interestingly, 29% still named trade shows as "very important," despite the medium falling out of favor with many of the respondents. This segment continues to hold tight to trade shows as an effective marketing opportunity.

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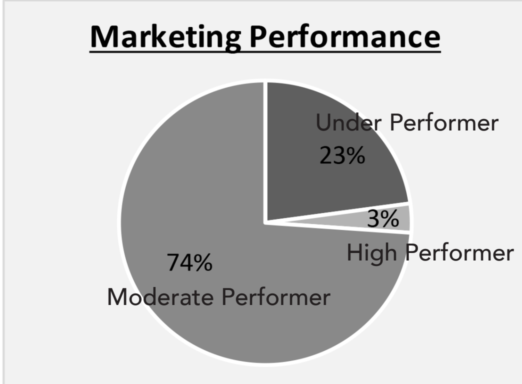
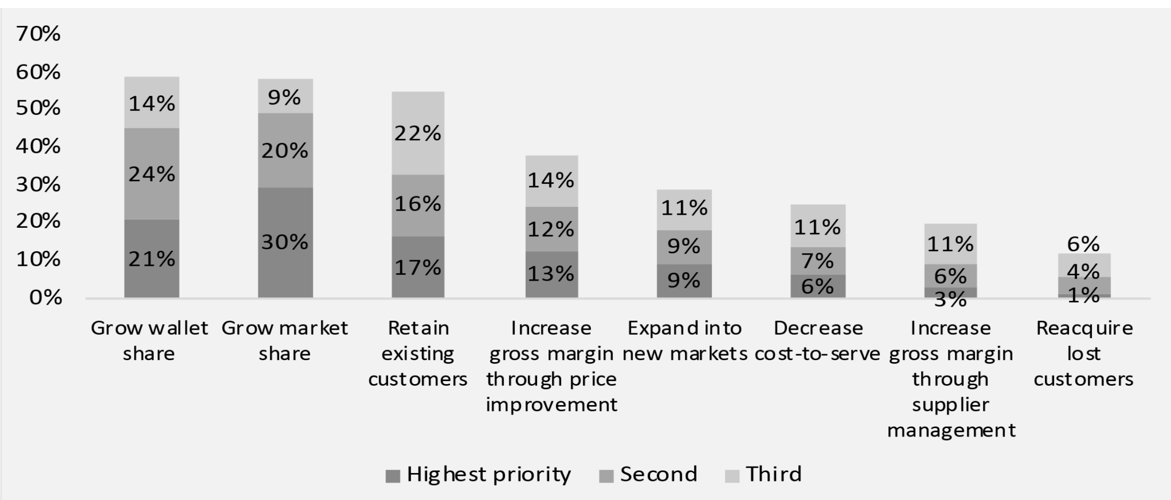


Marketing Performance

Most distributors do not see themselves as top performers in marketing; just 3.3% said they were high performers, down from more than 6% last year.

Marketing Objectives

Distributors' top 2 marketing objects are growing wallet share and growing market share. More distributors listed growing market share as the highest priority (about 30%), with a little over 20% listing wallet share as their highest priority, and a little under 40% saying it was second or third priority.



State of Distributor Marketing
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Distributors' use of mass media (television, radio and outdoor signage) hasn't changed much over five years, but the single-digit percentage who consider it important or very important has gone down considerably. Mass media has never been a well-used platform by distributors to reach potential customers; it's primarily used by larger distributors and manufacturers with larger marketing budgets.

Telemarketing is Significantly Underutilized

While distributors say more traditional marketing methods are less important, distributors are still doing telemarketing and branch-store events more often — in line with best practices. Telemarketing as part of a proactive inside sales strategy remains significantly underutilized by distributors, who are more comfortable with field sales reps selling to existing customers.

More distributors are also timing email and search engine marketing with increasing frequency. But for many, that frequency is still not in line with best practices. Email is a prime example. Most of the distributors in our survey know it's important; but just 42% are emailing as often as they can. Our customer research shows that most want to be emailed more often, daily to weekly, depending on your customer base. From 2015 to 2019, those who email daily or weekly shifted from 40% to 48%.

The three marketing platforms that have the highest percentage of use by distributors at the right frequency are trade shows, print flyers and social media. Trade shows and print flyers are traditional avenues distributors have been using for decades. The digital vehicle – social media – has one of the lowest barriers to entry and is relatively easy to adopt. Younger employees – millennials and Gen Z – tend to run that part of the business, as well.

However, many distributors are more sporadic in their use of newer digital options. For example, more than 50% of respondents are doing email or search marketing monthly, quarterly, annually or never.

Make a Bigger Marketing Pie

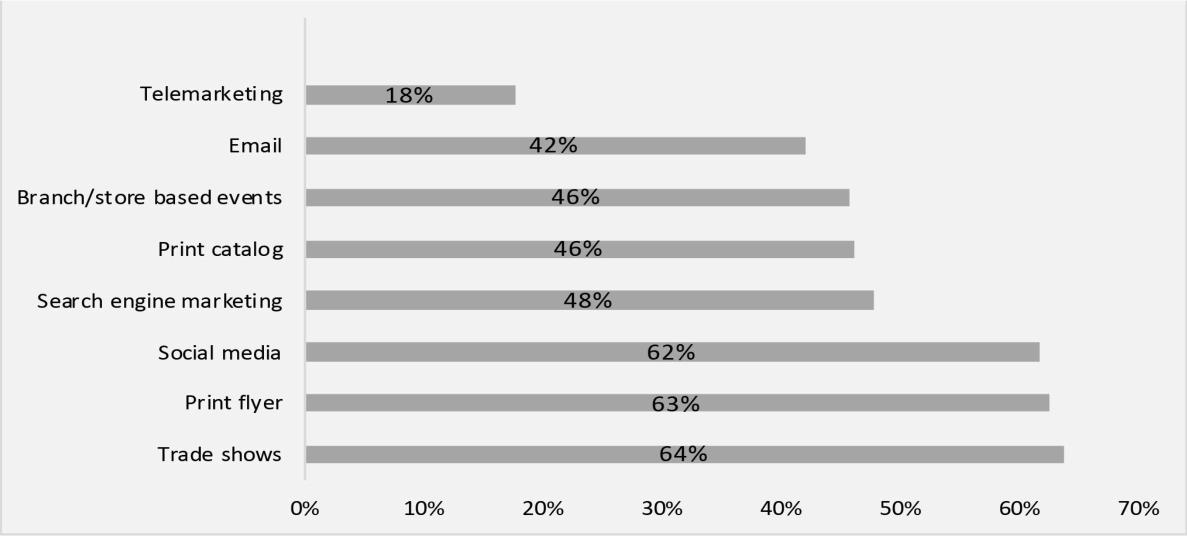
Though distributors have embraced the importance of digital marketing tactics, there is still a lot of room for growth. Balancing the new with the old will likely continue to challenge distribu-

Marketing Vehicle Frequency Best Practice

Marketing Vehicle	Best Practice
Display merchandising	Daily
Telemarketing	Daily
Email	Daily-Weekly
Search Engine Marketing	Daily-Weekly
Social Media	Daily-Weekly
Print Flyer	Monthly-Quarterly
Branch/store events	Quarterly-Annually
Trade Shows	Quarterly-Annually

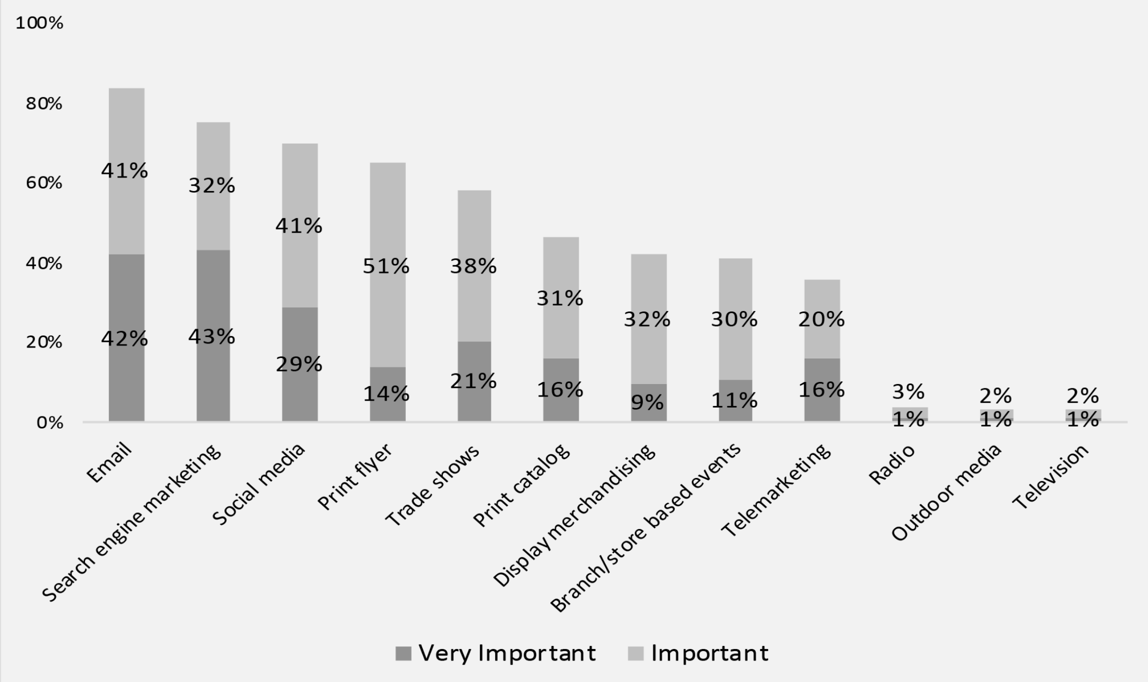
Marketing Vehicle Utilization in Line with Best Practice

Most distributors use trade shows (annually-quarterly), print flyers (monthly-quarterly) and social media (daily-weekly) at a frequency in line with industry best practices (see chart above).



Importance of Marketing Vehicles

Distributors said email was either very important (42%) or important (41%), more than any other marketing vehicle in the survey.



tors who don't want to get left behind in this rapidly changing environment.

Many seem to have a mindset that marketing is a fixed resource: If you spend money on email, you can't continue to invest in print flyers or events. But while more emphasis can be placed on digital, distributors still would be wise to integrate more traditional methods into their overall marketing strategies.

It's not about moving money to something new. It's about growing the pie. How that pie grows depends on how your customers want to be communicated with and who you are aiming to reach with your marketing efforts. To be sure, for many segments and customers, traditional vehicles will be less relevant over time. You can account for that. Digital will continue to grow in importance as well.

Over the next decade, marketing will play a bigger role in distributor operations than it ever has. Distributors who don't find the right mix of traditional and digital strategies will likely shed market share and lose customer spend to competitors that do. A successful omnichannel marketing strategy expands to accommodate the new marketing requirements that will help you compete successfully in 2020 and beyond.

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.

About This Survey

Modern Distribution Management and Real Results Marketing conducted this research through an online survey taken by 329 participants across a variety of distribution and manufacturing sectors. There was higher participation from industrial, safety, electrical, electronics, building materials, oil and gas, HVACR/plumbing and hardware sectors. Other participating sectors include janitorial, pulp and paper, chemicals and plastics, grocery/foodservice and pharmaceutical. Nearly 50% of respondents were companies with less than $50 million in revenue, more than 40% of respondents have $50 million to $500 million in revenue, and the remainder have more than $500 million in revenue.

■ Cybersecurity

Protect Your Company from Ransomware with These Tips

Finetune prevention and recovery tactics with these inexpensive action items from cybersecurity experts

Ransomware has evolved into a billion-dollar enterprise, affecting two-thirds of small to medium-size businesses in the past 12 months, the Ponemon Institute and Keeper Security reported in a recent study. Yet many in this group most often targeted by cybercriminals do not feel an imperative to make cybersecurity a priority. Blame it on the number of publicized attacks highlighting big companies, municipalities, or just about any organization in the healthcare sector— and something even more prevalent: a false sense of security in data backup technology.

By Stacy Ward

"I don't think it will affect us very much; we have backups," is the refrain risk management expert Tom Held believes he most often hears when his company, consulting firm The Oakland Group, recommends a risk assessment. The problem is, some companies do not know how effective those backups are or if they have enough barriers in place to get them up and running quickly if their system is infected. This is why Held recommends a risk assessment as a first step for distributors to start shielding their businesses from ransomware attacks. Wrapping your arms around the risk starts with taking stock of the data.

"It may surprise you that many companies do not have an account of all the locations where their data resides," says Held. "We try to make this easy for the nontechnical owners and managers by getting them to think of data in three simple states: At rest (on a hard drive), in transit (over the network, internet, or in your pocket), and in use (in an application, in a web browser, on your screen, etc.)."

Cost is often a major deterrent for small businesses contemplating an investment in cybersecurity. "While it may sound irresponsible to law enforcement and cyber pros, most small business owners are aware of the risk and tell us that spending a few thousand dollars a year on cybersecurity may end up being far more than the cost of a ransom," says Held. "Still, much can be done without spending a fortune, such as periodic, offline backups, awareness training and phish tests.

"We try to encourage them to do something, anything to prevent an attack," adds Held, who likens a backup to a placebo for companies that do not have a backup strategy.

Without one, your backup data could be vulnerable to ransomware and other forms of malware. Since many backups are online 24/7, that means they're connected to the same network everyone else is connected to, making them more susceptible to strains looking to delete or encrypt backup files as they worm their way throughout a system during reconnaissance.

External drives connected to laptops is another potential point of entry. "When it comes to ransomware," says Held, "it's about avoidance and recovery, and recovery is about backups."

The other half of the equation to ensure a speedy recovery is testing backups and making sure that IT and leadership are on the same page with expectations. Does this sound familiar? An executive asks IT if the company has a solid backup plan. IT confirms that there is a system in place to recover data. The executive confidently walks away, "but no one discussed a timeframe," says Held, who recalls years ago working with a large company on a disaster recovery project after 9/11.

"During the roundtable exercise," he says, "they set up all their new hardware in a disaster scenario and then turned to the IT team and said, 'We're ready to get our backup from [an off-site data and document storage service]. How long will it take to load?'"

The response from IT: 72 hours. That's a long time to be without customer data. Think about your recovery in stages, advises Held. What do you need to continue to be operational if your files are encrypted? Is your historical data lumped in with the data you need to get back online? If so, it will slow your recovery.

"Typically, companies have a backup that's loaded on a tape and taken offsite, or it's in the cloud," says Held. "What some fail to do is simulate an attack and back up their entire system after hours or on the weekend. Instead, they hope that they will be able to recover in a short period of time. A lot of times they can't."

Learning from the Trends

The first ransomware attack occurred in 1989 when AIDS researcher Joseph Popp distributed 20,000 floppy disks to fellow researchers, claiming it housed a program that analyzed the risk of acquiring AIDS using a questionnaire. Instead, it contained a malware program (later referred to as the AIDS Trojan) that remained dormant until a computer was powered 90 times. Once it reached the threshold, files on the C drive were encrypted and the program displayed a message directing victims to send $189 to a P.O. Box in Panama.

Now, CryptoWall, WannaCry and NotPetya, require their victims to pay their ransom in bitcoin. Cybercriminals prefer it because it allows them to bypass the banking system and protect their identity.

"Imagine being locked out of your system and having to communicate with a criminal via a chatbox," says John Sileo, the author of *Privacy Means Profit: Prevent Identity Theft and Secure Your Bottom Line*. "They're walking you through how to pay in bitcoin because you've never paid in bitcoin. You pay. Fifty-percent of the time they unlock it and in the meantime the worm has burrowed its way into your neighbor's computer."

His advice: Never pay the ransom because it marks you as a future target. Also, there's been a disturbing trend toward saturating inboxes and social media with more weaponized ransomware. "So, instead of just freezing your assets and demanding blackmail, they're freezing your assets, demanding blackmail and then destroying the assets, or leaking the assets so that you are part of a breach," says Sileo. "That destructive nature has really changed the playing field because now you not only have to worry about paying a ransom, you don't know if your system is going to be destroyed after you pay it."

Other upgrades include more sophisticated tactics surrounding delivery methods and point of entry. Instead of just worrying about clicking on a malicious phishing email, now employees must be leery of text links, banners and social media ads offering them a freebie from their favorite fast-food spot. And thanks to the growing popularity of island hopping, more employers are now weighing the vulnerability of their supply chain partners — and their partners. Leveraging the weaknesses of a smaller target, the practice involves gaining access to a larger organization by infecting a vendor with fewer barriers.

Cybercriminals are using island hopping in half of all attacks, according to security vendor Carbon Black.

Equally disturbing is the stealth and sophistication that hackers are pouring into their work. "The biggest change in ransomware within the last two years is a type of consolidation with targets," notes Held. "We have seen this with the ransomware attack on city governments in Texas and recently, here in the Milwaukee area, with an attack on a cloud software company."

Many of the more than 100 nursing homes serviced by Milwaukee-based Virtual Care Provider Inc. are still scrambling after the IT and data storage company said it could not pay the $14 million ransom Russian hackers demanded this past November. According to security firm Hold Security, the hackers used email attachments to cripple its system over a 14-month period.

"Every company should be preaching cyber risk management to its partners," says Held, adding that because of intel, ransomware hackers often know how much they can squeeze from their targets. "Island hopping can happen in any direction," he says. "The big Target breach was initiated by a phish email at an HVAC contractor (and some bad network design decisions). These ransomware hackers are savvy. They can find the weakest link with the greatest access and phish that company."

What You Can Do Now to Protect Your Business

A little over a year ago, the head of the IT department at inventory management and software solutions provider RF-SMART heard that one of its customers had been infected by ransomware. The customer did not pay the ransom and it was able to quickly recover because of a sound backup strategy. The incident paired with an already growing sense that it was time to beef up security. Director of IT Chris Bak asked RF-SMART's CEO if he could increase its cybersecurity budget. After getting the nod, Bak began building a program around addressing what he and cybersecurity experts agree is the weak link in most organizations.

"Initially, our goal was to deploy more hardware and software at the threat but with the understanding that our employees are the last line of defense," says Bak. "If we could train them not to open an email or click on a link, it

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would be an effective deterrent, so we shift the focus."

Buy-in starts with engagement — an act that does not involve setting new policies or procedures. Instead, "you have to make it personal," says Sileo, a victim of identity theft who knows firsthand what it's like to be a target. "Showing your employees how it affects them can be as simple as relating it to their smartphone or personal computer."

Before rolling out the new security program, Bak begin prepping RF-SMART employees with an inexpensive cybersecurity quarterly newsletter highlighting pertinent news stories, mainstream and niche-based, in addition to how-to tips and preventive measures, such as what to look for in malicious emails and links.

"We are a tech company, so the interest was high from the start," says Bak, who ended each newsletter with a reminder to think before clicking. "I constantly had people coming to me saying that they had experienced similar incidents at home, or staff reporting back to me about the emails they received."

For the next phase of the cybersecurity program, he turned to security awareness training company KnowBe4, which provides RF-SMART with a mix of quarterly training videos and monthly phishing tests. The videos range from 45-minute instructional material with must-pass quizzes to shorter two- to four-minute cartoons that touch on a variety of security issues.

While Bak would argue that the phishing tests have been the most effective training tool out of the three, he thinks employees would probably lean toward the videos since several have asked for permission to show them to family and friends.

It took roughly four months for employees to realize that IT was sending out phishing emails — but both Bak and Held say it doesn't matter if employees are aware of the tests. The exercise is about educating them about the threat — and there are several. RF-SMART's tests run the gamut, financial banking material, fast-food deals, social media links.

"We want them to see it all," says Bak. "We recently did training on social-engineering attacks that touched on spear phishing and how cybercriminals use certain aspect's about an individual's life to make more convincing emails."

Fourteen months after getting the nod from leadership, RF-Smart has seen a dramatic drop in clicks. Thirty-three percent of its 220 employees fell for the bait during the first phishing test, compared to 1% for its most recent. It works, says Bak.

Held agrees. "One of the best deterrents is a solid, ongoing phishing security testing program," he says. "For some business types, where phishing is a large risk (attack vector), we suggest investing in a subscription to a cloud phishing test service and running year-round testing. The interface allows them to manage it internally without much technical background. It allows them to get more creative and even build competitions through the program."

mdm Industrial & Construction Markets Update

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Revised Manufacturing Labor Productivity Grew 0.1% in the Third Quarter

Nonfarm business sector labor productivity decreased 0.2% in the third quarter of 2019, according to the revised report from U.S. Bureau of Labor Statistics. Output increased 2.3% and hours worked increased 2.5%. From the third quarter of 2018 to the third quarter of 2019, productivity increased 1.5%, reflecting a 2.3% increase in output and a 0.9% increase in hours worked.

Manufacturing sector labor productivity increased 0.1% in the third quarter of 2019, as output increased 1.3% and hours worked increased 1.2%. Total manufacturing sector productivity declined 0.1% over the last four quarters, as output decreased 0.5% and hours worked decreased 0.4%. Productivity increased 0.7% in the durable manufacturing sector in the third quarter of 2019, reflecting a 1.8% increase in output and a 1% increase in hours worked. Productivity decreased 0.8% in the nondurable manufacturing sector as output increased 0.8% and hours worked increased 1.6%. Unit labor costs in the total manufacturing sector increased 3.0% in the third quarter of 2019, and increased 4.4% from the same quarter a year ago.

The concepts, sources and methods used for the manufacturing output series differ from those used in the business and nonfarm business output series; these output measures are not directly comparable.

Preliminary third-quarter 2019 measures of productivity and costs were announced for the nonfinancial corporate sector. Productivity increased at a 3% rate in the third quarter of 2019 and increased 1.7% over the last four quarters. Unit labor costs decreased 0.6% in the third quarter of 2019 and increased 1.7% over the last four quarters. Unit profits decreased 0.8% in the third quarter of 2019 and decreased 7.3% over the last four quarters.

Distributor

Ohio Transmission Corporation, an industrial equipment service provider and distributor headquartered in Columbus, Ohio, has acquired **Keller Electrical**, Phoenix, a dominant provider of industrial electrical services, equipment, components and supplies serving the southwestern United States.

AHB Tooling & Machinery Inc., Roseville, Michigan, has acquired **Tool-Craft Supply**, a part of **Tool-Craft Industries** of Sterling Heights, Michigan. Tool-Craft Industries will continue to operate as an independent entity under the leadership of Chet Wilson, its president.

Lane Industrial Supply Company, Denver, a wholesale distributor of general manufacturing, industrial, millwork and construction supplies, has acquired **Compressed Air Technologies**, Monroe, Ohio. Compressed Air was assisted in the sale by Generational Equity, a mergers and acquisitions advisor for privately held businesses.

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.

HD Supply Holdings Inc., Atlanta, reported sales of $1.6 billion for the third quarter of fiscal 2019 ended November 3, up 2% compared to the third quarter of fiscal 2018. The company's third-quarter net income increased 61% to $132 million compared to the year-ago period.

Current third-quarter sales in the distributor's Facilities Maintenance business unit rose 2% to $826 million, and sales in its Construction & Industrial business unit rose 1.9% to $818 million.

For the first nine months sales grew 3.5% to $4.8 billion. Profit rose 23.8% to $374 million.

FedEx Corp., Memphis, Tennessee, has reported sales for the second quarter of fiscal 2020, ended November 30, of $17.3 billion, down 2.8% from the same period last year. Net income fell 40.1% to $560 million.

Curbell Plastics Inc., Orchard Park, New York, has named four veteran sales employees to business manager roles. John Gregory, Stephen Foster, Steven Pruitt, and Jennifer Wright will now lead Curbell's Houston, Tampa, Atlanta, and Pittsburgh branches, respectively. Their responsibilities include managing inside and outside sales personnel, sales budgeting and execution, along with day-to-day administration of their location.

Kaman Distribution Group, Bloomfield, Connecticut, has named James G. Coogan as vice president, investor relations & business development, effective January 1, 2020. In this role, he will report directly to Neal J. Keating, chairman, president and CEO. Coogan has been vice president, investor relations for Kaman Corporation since 2017.

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News Digest
Continued from p. 1 of this section

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

Sonepar USA, a subsidiary of the privately held France-based **Sonepar Group**, has named Ryan Sasscer as director of ecommerce and digitization, effective January 1, 2020. Sasscer was most recently at OneSource as the director of marketing and digital business.

Episerver, a customer-centric digital experience company, has agreed to acquire B2B commerce leader **Insite Software.**

The deal continues Episerver's momentum heading into 2020 after the company's November 2019 acquisition of content personalization and analytics company Idio and its December 2019 hiring of longtime SAP executive Alex Atzberger as CEO.

Economic

Economic growth in the United States will continue in 2020, say the nation's purchasing and supply management executives in the December 2019 ***Semiannual Economic Forecast.*** Expectations are for a continuation of the growth that began in mid-2009, as indicated in the monthly ISM ***Report On Business***. The manufacturing sector is optimistic about growth in 2020, with revenues expected to increase in all 18 manufacturing industries, and the non-manufacturing sector also indicates that 17 of its industries will see higher revenues. Capital expenditures are expected to decrease by 2.1% in the manufacturing sector (after 6.4% growth in 2019) and increase by 3.4% in the non-manufacturing sector. Manufacturing expects that its employment base will grow slightly, by 0.1%, while the outlook for the next 12 months is predominately growth oriented.

Nonfarm business sector labor productivity decreased 0.2% in the third quarter of 2019, according to the revised report from U.S. Bureau of Labor Statistics. Output increased 2.3% and hours worked increased 2.5%. From the third quarter of 2018 to the third quarter of 2019, productivity increased 1.5%, reflecting a 2.3% increase in output and a 0.9% increase in hours worked.

Manufacturing sector labor productivity increased 0.1% in the third quarter of 2019, as output increased 1.3% and hours worked increased 1.2%. Total manufacturing sector

Continued on p. 4 of this section

Calculation of MDM Inflation Index for November 2019

		BLS Price Indices Nov '19	BLS Price Indices Oct '19	BLS Price Indices Nov '19	% Sales Weight	Weighted Indices Nov '19 (1)X(4)	% Change Nov '19 Oct '19	% Change Nov '19 Nov '18
1136	Abr. Prod.	627.0	633.2	609.4	19.1	119.75	-0.98	2.87
1135	Cutting Tools	533.6	534.4	527.1	18.9	100.85	-0.15	1.23
1145	Power Trans.	877.2	877.2	857.6	15.4	135.10	0.00	2.30
1081	Fasteners	566.9	566.9	540.7	9.0	51.02	0.00	4.85
1149.01	Valves, etc.	1074.0	1070.9	1047.0	7.6	81.63	0.29	2.58
1132	Power Tools	395.5	395.5	389.0	6.5	25.71	0.00	1.65
1144	Mat. Handling	648.8	646.8	640.5	6.2	40.23	0.31	1.30
0713.03	Belting	948.9	948.9	914.8	6.1	57.88	0.00	3.73
1042	Hand Tools	837.8	835.7	815.3	8.1	67.86	0.24	2.76
108	Misc. Metal	504.3	504.3	499.5	3.1	15.63	0.00	0.96

"New" Oct Index	363.5	October Inflation Index	695.65	-0.12	2.51
"New" Sept Index	363.9	September Inflation Index	696.47		
		October 2018 Inflation Index	678.65		

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

October 2019 | Monthly Wholesale Trade Data

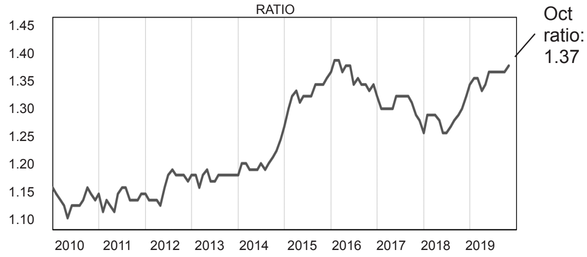
MARKETS UPDATE SUPPLEMENT P. 3

Wholesale revenues in October were $494.3 billion, down 1.4% over October 2018 and down 0.7% over September. October sales of durable goods were down 0.6% over last month and down 1.9% from a year ago. Sales of nondurable goods were down 0.9 over September and down 0.8% from last October.

Inventories were $675.6 billion at the end of October, up 0.1% from the revised September level and up 3.8% from last year. October inventories of durable goods were down 0.3% from last month and up 4.7% from a year ago. Inventories of nondurable goods were up 0.7% from September and up 2.4% from last October.

Monthly Inventories/Sales Ratios of Merchant Wholesalers: 2010-2019

(Estimates adjusted for seasonal and trading-day differences, but not for price changes)



Source: U.S. Census Bureau

Inventories/Sales Ratio. The October inventories/sales ratio for merchant wholesalers was 1.37. The October 2018 ratio was 1.30.

Sales and Inventories Trends: October 2019

NAICS Code	Business Type	Sales $Millions	Inventory $Millions	Stock/ Sales Ratio	% Change Sales 9/19-10/19	% Change Sales 10/18-10/19	% Change Inventory 9/19-10/19	% Change Inventory 10/18-10/19
42	**U.S. Total**	**494,271**	**675,573**	**1.37**	**-0.7**	**-1.4**	**0.1**	**3.8**
423	**Durable**	**237,588**	**421,337**	**1.77**	**-0.6**	**-1.9**	**-0.3**	**4.7**
4231	Automotive	39,974	71,267	1.78	0.6	2.3	-0.4	7.2
4232	Furniture & Home Furnishings	7,921	13,983	1.77	-1.5	4.6	-0.2	4.9
4233	Lumber & Other Construction Materials	12,277	19,379	1.58	0.3	4.3	-0.4	2.9
4234	Prof. & Commercial Equip. & Supplies	43,544	54,797	1.26	-0.6	1.7	-0.7	4.9
42343	Computer Equipment & Software	22,225	20,630	0.93	-0.1	-0.8	-0.6	-3.7
4235	Metals & Minerals	14,191	33,301	2.35	-1.6	-12.7	-0.4	-1.9
4236	Electrical Goods	48,658	58,457	1.20	-0.3	-5.8	0.2	3.6
4237	Hardware, Plumbing, & Heating Equipment	12,693	27,851	2.19	-1.8	2.0	0.4	4.7
4238	Machinery, Equipment & Supplies	39,796	111,611	2.80	0.3	-1.7	0.0	7.4
4239	Miscellaneous Durable	18,534	30,691	1.66	-3.8	-8.1	-1.4	0.0
424	**Nondurable Goods**	**256,683**	**254,236**	**0.99**	**-0.9**	**-0.8**	**0.7**	**2.4**
4241	Paper & Paper Products	7,577	9,477	1.25	0.5	-7.1	-0.6	2.7
4242	Drugs	61,557	65,383	1.06	0.4	5.0	4.2	4.2
4243	Apparel, Piece Goods & Notions	12,227	29,981	2.45	-2.4	-5.1	-1.4	6.9
4244	Groceries & Related Products	56,326	40,206	0.71	0.4	4.7	1.7	4.0
4245	Farm-product Raw Materials	15,255	23,822	1.56	-10.6	2.7	-0.1	-3.9
4246	Chemicals & Allied Products	11,385	12,511	1.10	1.9	-2.2	-1.6	-3.0
4247	Petroleum & Petroleum Products	57,315	19,064	0.33	0.5	-9.7	-3.7	-13.5
4248	Beer, Wine & Distilled Beverages	13,732	19,340	1.41	-0.4	4.3	-0.8	10.8
4249	Miscellaneous Nondurable Goods	21,309	34,452	1.62	-4.8	-4.4	0.3	6.2

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.

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News Digest
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productivity declined 0.1% over the last four quarters, as output decreased 0.5% and hours worked decreased 0.4%. Productivity increased 0.7% in the durable manufacturing sector in the third quarter of 2019, reflecting a 1.8% increase in output and a 1% increase in hours worked. Productivity decreased 0.8% in the nondurable manufacturing sector as output increased 0.8% and hours worked increased 1.6%. Unit labor costs in the total manufacturing sector increased 3.0% in the third quarter of 2019, and increased 4.4% from the same quarter a year ago.

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.

New orders for manufactured durable goods in October, up four of the last five months, increased $1.3 billion or 0.5% to $248.4 billion, down from the previously published 0.6% increase. This followed a 1.5% September decrease. Transportation equipment, also up four of the last five months, led the increase, $0.6 billion or 0.7% to $84.6 billion. New orders for manufactured nondurable goods increased $0.1 billion or virtually unchanged to $248.6 billion.

Manufacturer

Jason Industries Inc., Milwaukee, parent company to a global family of manufacturers in the seating, finishing, automotive acoustics and components markets, has sold its **Jason's Metalex business**, Libertyville, Illinois, within its Engineered Components segment, to **Morton Global** for approximately $5 million in cash, effective immediately.

Metalex is a manufacturer of expanded metal, perforated metal, perforated tubes, spiral tubes, filter mesh, grating and architectural metal. Morton Global is a subsidiary of UPG Enterprises, an operator of a set of industrial companies focused on metals, manufacturing, distribution and logistics.

Ingersoll-Rand plc has announced that Susan K. Carter, senior vice president and chief financial officer of Ingersoll Rand, has communicated her planned retirement in 2020, in conjunction with the close of the Reverse Morris Trust transaction with Gardner Denver Holdings, Inc. Christopher J. Kuehn will succeed Carter as senior vice president and chief financial officer of the pure-play climate company, effective upon the close of the transaction expected in early 2020. Kuehn will report directly to Chairman and CEO, Michael W. Lamach.

ITT Inc., White Plains, New York, has announced that its Board of Directors has appointed Richard P. Lavin to succeed current board chairman, Frank T. MacInnis, effective upon MacInnis' retirement and following election at the Annual Meeting of Shareholders in May 2020. The company had previously disclosed MacInnis' plan to retire as part of a succession strategy involving first the transition of the role of CEO to Luca Savi in January 2019, followed by the transition of the role of non-executive Chair in May 2020.

Switzerland-based power and automation company **ABB** has announced Claudio Facchin, Frank Duggan and Chunyuan Gu will step down from the executive committee of ABB as part of the organizational transformation announced on December 17, 2018.

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