mdm premium

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Global Industrial's R3 Program Preps Customers for Post-COVID-19 Work

Restore, Return, Rebound: Guidance for a safer workplace

The company has more than 1.7 million products in the commercial and industrial space, including medical and healthcare. Beginning in late April, Global Industrial started to pack an R3 Program Guide in with all shipped orders. It is also available at globalindustrial.com/r3.

By Elizabeth Galentine

Industrial and MRO distributor Global Industrial recently launched its R3 Program to assist customers with safely re-opening business operations.

Coined to represent the actions, "restore the facility, return to work and rebound the business," R3 provides room-by-room best practices for new cleaning and sanitizing requirements, indoor and outdoor maintenance, social distancing aids such as signage and separators, and how to reconfigure floor plans for social distancing.

MDM spoke with Barry Litwin, CEO of Systemax, Global Industrial's parent company, about the concept behind the program, how the distributor is anticipating customer needs in a post-COVID-19 work environment and the ways in which R3 is strengthening Global's integrated marketing capabilities.

MDM: Tell us the story behind the R3 program.

Litwin: COVID-19 has impacted everything we do and industrial distributors are all figuring out how they're going to navigate the market and connect with customers. As an essential distributor there's a big portion of our assortment that is positioned really well for customers that are going to be coming back to work.

We felt one of the best ways we can help them is to reposition our assortment and provide the content they need and help them understand how to return and open up their business.

We think the long-term impact for most companies: manufacturers, distributors, hospitality, retail, everyone right now, is figuring out, 'How do I ready my environment to deal with this new normal?'

The whole concept of R3 – Restore, Return, Rebound – is it takes a phased approach. First, you have to restore your environment, then you have to bring your associates back, or return, and then the company has to rebound — both its sales and its service.

We believe we could really capture the hearts and minds of our customers by giving them a path and a plan, while providing quickly access to the products they need to support their return.

R3 is a multichannel initiative, through our sales organization, our marketing organization, and online platform. It has been a comprehensive rollout for us. Our customers are really responding to it and coming to us and asking questions about, 'What are you guys advising we do when we come back?'

We are empowering our subject-matter experts and account managers to help engage customers on R3. This is creating a dialogue around what products customers need now and are going to need going forward. R3 provided a message that will transcend the full year and into 2021 and highlights the value we bring to the market.

MDM: Did R3 start because you all were brainstorming what to do to help? Did you hear from customers directly asking for assistance? How did it get off the ground?

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mdm
competitive intelligence for wholesale distribution

PERSPECTIVE ■ Commentary by Elizabeth Galentine

Be Intentional about Preserving Positive Changes Brought on by COVID-19

A lot has changed in these past three months or so. Practices that we were convinced, often over decades of rote repetition, were the best or only way to do things, were suddenly no longer possible. We had no choice but to change and thus find out what happens on the other side. It's been a stressful time in many meaningful ways and I don't want to minimize the challenges, but I also feel we cannot let this unique time in history pass without recognizing its gifts as well.

I listened to a comedy podcast recently where the New York-based commentators briefly mentioned the sentiment in America in the immediate aftermath of 9/11 and joked about how the comradery lasted, in their view, about three weeks. I lived near the Pentagon at the time, and I too recall that too-brief change. It was a throwaway remark, but the podcasters' comments got me thinking. From a business perspective, how can we be intentional about preserving the positive changes to company practices that have come out of COVID-19 disruption? How do we avoid bouncing back to old ineffective habits as the country opens back up?

We have started a new initiative here at MDM, expanding our 4th annual Sales GPS conference into a larger project, the MDM 2020 Sales Transformation Network, that we intend to take into 2021 and beyond. Members are invited to live, monthly roundtable discussions in addition to the Sales GPS conference, and have access to a virtual sales transformation library and an upcoming members-only discussion forum. (If you would like more information on the network, visit salesgps.mdm.com — the next live roundtable will take place on Tuesday, June 16).

In preparation for the live roundtables, we survey participants to assess their sales challenges in order to tailor the discussion to their needs. A topic that comes up over and over again is behavior change management, particularly for sales team members who may have grown a little too comfortable with decades of doing things the same way — and bringing in a big commission in the process.

As Distribution Performance Project's Al Bates points out in the conclusion to his three-part series on financial improvement measure in a down market, "An Action Plan to Improve Long-Term Performance," (p.6), payroll as a percent of sales has been trending upward for the past decade. Sales force payroll makes up about one-third of distributors' overall payroll.

It makes financial sense for distributors to focus on efficiencies in the sales area of the business when examining which practices from the COVID-19 shutdowns to carry into the future. For example, how necessary are those expensive road trips for in-person customer visits? Why can't we blur the lines between outside sales and inside sales duties and create a more cohesive accountability system for the sales department in the process?

I encourage you, before your business shifts too far back to the way things were, to take some time to write down what's worked well for you during these past few months and make an intentional plan to carry those efforts forward.

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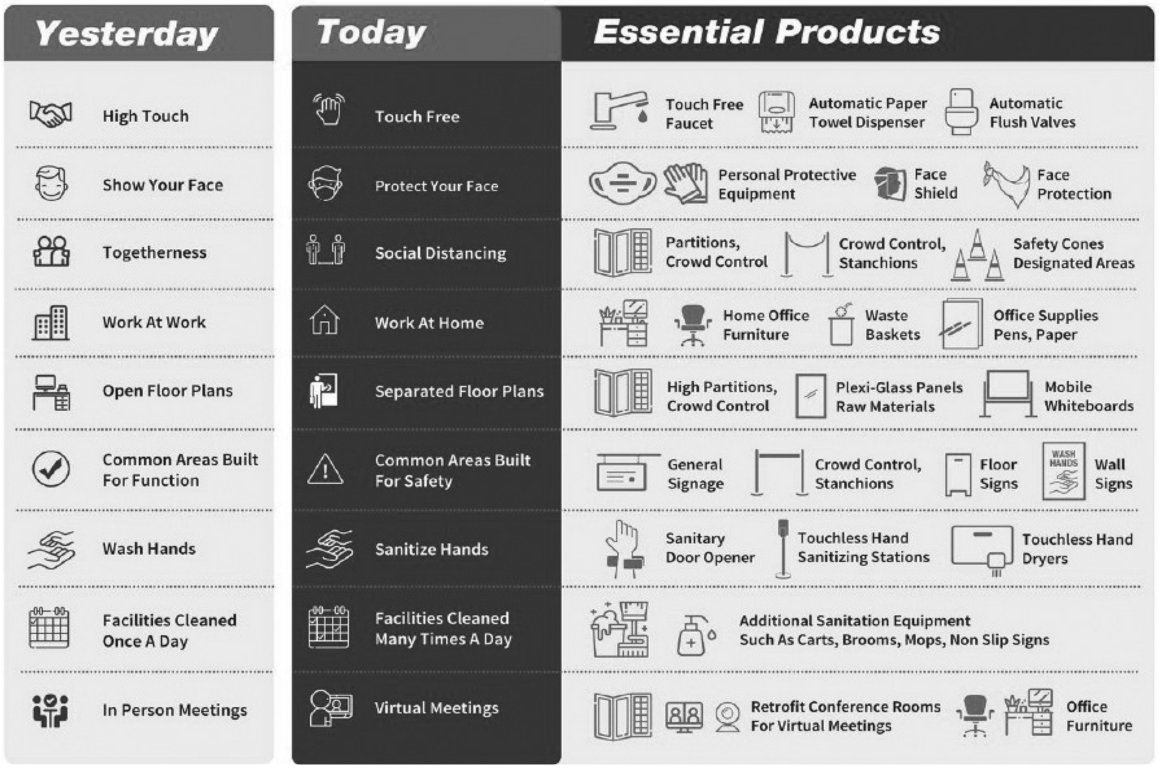
Litwin: We started thinking about how we could help our customers before they started asking us. We asked, what are customers going to have to deal with?

Litwin: When you have a large assortment, it can be hard for a customer to know where to focus. The question that we posed was, how do we focus our assortment and focus the value we bring around what we know are urgent issues for our customers?

It used to be that 'high touch' was normal — shaking hands, pressing buttons and con-



This graphic, as seen in Global Industrial's R3 Program marketing, represents how the distributor is positioning its product line for best use in the post-COVID-19 work environment.

Global has been around for a long time and we've been a huge leader in supporting warehouse and facility environments. We've grown our assortment to 1.7 million products, so we're supporting them both in the front office and the back office.

We started planning without customer input and then we surveyed the market as R3 started coming together. This validated the type of support they're going to need and we have continued to modify and adjust the program along the way.

MDM: The R3 website clearly breaks down different physical areas of a business and offers correlating products. Is this what you mean when you say R3 presents the opportunity to reposition assortment?

necting with things. We said, the world is going to go touch free. So how does that align with our products? It is touch-free faucets and flush valves, and automatic paper dispensers, things like that are going to be important.

How are you going to protect yourself? We all know, it's pandemic-related products — mask, gloves, face shields, face protection. Facility cleaning is something we all take for granted. But now, you're talking about an accelerated cleaning cycle. That impacts not just cleaning supplies but the equipment and carts that support the janitorial staff.

We have all those things, and adjusted positioning within the offering.

We also looked at our own environment and if everybody's moving to work at home — we think that's going to have more importance for

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our customers. A lot of our products can be used both in office and in home. We've got home office furniture, wastebaskets, a lot of the basics when it comes to supplies.

Then we looked at our own office space; the whole notion of open floor plans was going to change. This is an area where we really serve the market well and saw a big opportunity.

The whole world went away from cubicles into an open office environment, but we actually may go back to cubicles. We asked ourselves, what products do we have that could help the customer through this transition? We have a strong offering of partitions and around crowd control, and plexiglass panels to create separation. We do a lot in terms of mobile whiteboards and other items that can create separation within the current office environment. Companies can buy those products today as they retrofit their environment and get back to work.

We looked at lots of different areas of our assortment. We thought about, how do we reposition these items to support that R3 restore, return, rebound phasing? That's really how we came up with it.

R3 changed the sales dialogue with our customers. A lot of customers have raised their hand, saying, 'I'm now responsible for putting together the return to work plan.' Great. We have a model for you. We have a template. Let's start talking about the different phases of your building and what needs to be figured out. We put that whole assortment together for the customer.

It has been a classic example of recognizing the situation that your customers are in and making it easy for them to tie back to what you offer. This shows your value by matching up your products with the situation that they're walking into.

MDM: Have you found that your sales teams are working more collaboratively with marketing and other departments to come together like this and make this happen?

Litwin: We've invested in our marketing resources over the years and recently hired a new chief marketing officer, Klaus Werner. With that investment has come an improvement in the coordination between marketing and sales.

I think R3 is a great example because the same concept that we've launched to customers has converted to a selling and marketing process within the company.

The whole integrated marketing process, the way in which R3 has been launched to market, it includes all the direct marketing we do and social media marketing. It's digitally driven, which touches the core of our company.

R3 changed the sales dialogue with our customers. A lot of customers have raised their hand, saying, 'I'm now responsible for putting together the return to work plan.' Great. We have a model for you. We have a template.
— Barry Litwin, Systemax CEO

Our sales organization has gone through R3 proposition training and built a selling model to be able to start these conversations with customers and then utilize a room by room approach to asking questions where customers have needs.

We'll give content around lobbies and common areas. We discuss the needs for outdoor grounds. We look at break rooms, and bathrooms. It's very comprehensive. Some customers don't have a plan for these areas. Others are very formalized. They've already put committees together and they're looking for suppliers who can meet those needs across every function.

R3 enables us to talk to customers about what is the right solution and then to methodically walk through their departments and identify where there's gaps and where they need help. Then we fill that need.

MDM: How is that customer communication going? Are you having any issues actually reaching them?

Litwin: Everyone has adapted to the current environment and is accessible. We are definitely communicating with customers through video conferencing more often today. That said, we have always been an e-commerce-centric company and the limitations of today's environment play to that strength.

We're remote as a company right now and fully functional. Communications with customers have remained strong.

MDM: Looking ahead at changing demands, how are you strategizing on the supplier side?

Litwin: I think, like most large distributors today, you're partnering up with your best suppliers. You're trying to project and forecast demand and you're trying to secure inventory and predictability around backorder shipments. We've been in business for a long time. We've got great relationships out there and our suppliers have been partnering very closely with us.

Many of our suppliers have seen R3. They've been very impressed with it and they're asking us how they can get more involved. Everyone's looking for a way to drive customer engagement and their business.

I think the supplier side has been very cooperative during this period. We think R3 is innovative but also necessary. I imagine there's going to be more of this type of thinking. We believe this is the conversation to be had and that's why we launched R3.

MDM: What kind of feedback have you been getting since the launch?

Litwin: We've been really pleased with the results. I think it's a very relevant conversation that customers are open to having. It's very timely because they need the help. A lot of industrial buyers are being asked by their management teams to go ahead and figure out how we're going to harden the environment.

They're looking for a partner that understands that need and is willing to support them. That's where I think R3 is valuable because it says to our buyers and our customers that, 'Global really understands our needs right now and they're willing to spend time with us to help us fill out our supply plan and reserve the inventory needed to get us into a position where we can be successful.'

I think our sales organization likes having a mission and a focus to be able to sell and reach customers. This is not a traditional supply reorder transactional approach. We're about being able to bring the right solution to the table and to help our buyers in a different way. I think that is creating differentiation for Global Industrial.

MDM: Is it helping to give you some internal direction about where 2020 might end up?

Litwin: Providing future projections and guidance is not something we participate in, but I will tell you that it is important to have a mission and a plan and a selling philosophy in today's very uncertain environment.

We know that we can't just go to market the same way we always have. That's why our organization is carrying R3 out to the market. It places us in a position to engage in a conversation in a way where buyers would be responsive. It allows us to address the No. 1 issue our customers face, how are they going to ready their environment. We believe that positions us for improved performance long-term.

An Action Plan to Improve Long-Term Company Performance

Consultant Al Bates on positioning your business for profit growth

This is the third article in a three-part series for distributors to improve long-term financial performance. Part one addressed steps to create an appraisal of your firm's current financial position. Part two tackled profit improvement variables and key mistakes distributors make.

By Elizabeth Galentine

As noted in parts one and two of this series, Al Bates, principal with distribution research group Distribution Performance Project, in an exclusive MDM webcast described how to begin outlining a financial appraisal of your distribution company from a position of profit. He provided a step-by-step review process to examine a company's cash position, and explained how to recognize repeated mistakes in order to avoid them.

Here, he outlines an action plan for distributors to emerge out of the COVID-19-induced recession in a high-profit position and prepared for the next economic downturn.

Start with Payroll

Accounting for two-thirds of the expenses of a typical distributor, Bates recommends distributors start by examining your company's payroll. Payroll as a percent of sales is going up, despite the fact that distributors have made investments in productivity improvement programs, Bates notes. "We've been working our buns off to be more productive and we've driven up sales per employee," he says.

Still, payroll as a percent of sales across approximately 20 different lines of trade between 2010 and 2019, on average has gone from about 15% in 2010 to 17% by 2019, Bates's research finds. (See chart on p. 7) There are two reasons for this. One, steeply rising healthcare costs, and two, the war for talent that — until COVID-19 mass layoffs and furloughs — was driving up salary requirements.

There are three ways to solve the problem, Bates says. First, find out where you're spending money. Although every industry is slightly different, typically in distribution payroll breaks out into four categories, he adds:

1) Officers and owners. 2.5% of sales; 16.7% of payroll.
2) Sales force. 5.5% of sales; 36.7% of payroll.
3) Operations. 2% of sales; 13.3% of payroll.
4) All others. 5% of sales; 33.3% of payroll.

Note that sales force payroll is a little bit more than one-third of all payroll. "That's a big number," Bates says. It's particularly important because a distributor can work around a warehouse employee, for example, who is not performing well. But, "if I have somebody on the sales force who is a doofus, he's killing me every single day," he says.

With that in mind, Bates recommends critically examining the performance level of everyone in the sales field. The worldwide problem that must be acknowledged is that businesses of all kinds need more sales people than there are available people with selling skills. Bates calls selling "a crucially difficult job" that most people cannot do. Even so, people who are not producing need to be replaced, he says. Most distributors will argue that replacing a person costs a lot of money. However, Bates notes that finding a replacement is a one-time cost, whereas failing to meet sales volume potential is a continuing cost.

Know Your Order Economics

Second, and also related to the sales force, is the need to examine order economics. "The battle for sales without payroll expense," Bates calls it.

There are two areas that are critical to order economics. First, Bates says, is the need to put more lines on every order. Distributors benefit from a rise in add-on selling. In his travers with distribution salespeople, Bates has seen firsthand will-call counters that are not as full as they could have been. "We can do a heck of a lot more add-on selling, product line expansion," he says. "We ought to have one-stop shopping and then provide customer education; we need to make sure every customer knows what we have."

Second — and more important — is to raise the average order line. "Crucial" options to do this include selective price increases or changing the order cycle so that customers order a little bit more but less frequently, Bates says. Then, track the results. Efforts that can't be measured, can't improve, he adds.

The Reality of Customer Profitability

Third is the value of customer relationships. Bates puts customers into four categories.

1) High-profit customers; 15% of customers; 100% of profit.

2) Good-profit customers; 15% of customers; 35% of profit.

3) Some-profit customers; 35% of customers; 10% of profit.

4) Unprofitable customers; 35% of customers; -45% of profit.

"We need to rethink those relationships with those unprofitable customers," Bates says.

While many would suggest firing the unprofitable customers, Bates argues against that theory, suggesting instead that distributors begin to work with them.

"There's very few you should fire, but you ought to start raising their prices systematically and maybe let them fire themselves, if you will, or maybe they will become more probable," he says. "Work with them, get them to change their buying patterns."

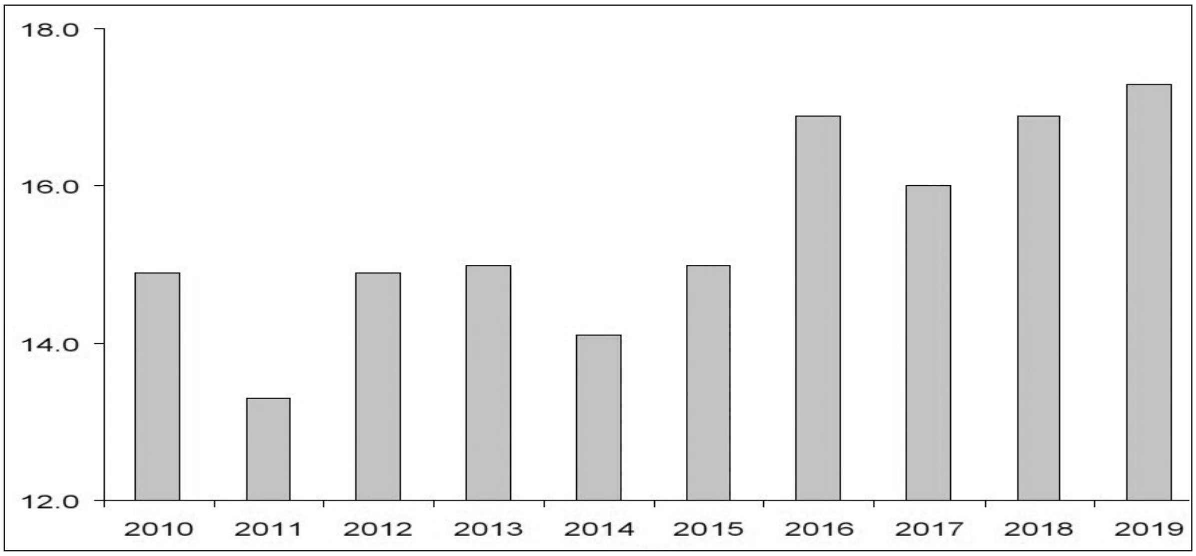
On his website, distperf.com, Bates provides a what-if analysis for distributors to play with pricing scenarios, i.e., what if price goes down? What if volume goes down? What if we delay our payments to our suppliers?

Bates refers to the exercise as profit-first planning, and sees it as the way for distributors to avoid facing the same issues they may be facing today when the next recession hits.

The Conceptual Planning Process

Profit-first planning, according to Bates, means the first thing a distributor does each year is figure out how much profit they are going to make. He acknowledges many people say it cannot be done that way, but Bates is adamant that it can.

For those who argue that you've got to know your sales first before you can address profit, Bates's response is, "If you know your profit, then you can figure out, how much do I have to sell to make that profit? How much margin do I need to make that profit? How much expenses can I have to have to make that profit?"



Payroll, on average, represented as a percentage of a distributor's sales, from 2010 through 2019. Source: Distribution Performance Project

To recap the key points in Bates's profit-driving in an economic downturn series:

- Know where you are. To know where you are, you have to know your break-even point and your cash position with regard to accounts receivable, what Bates calls the cash-sensitivity ratio.
- Avoid the mistakes of the past, such as price cutting.
- Understand the relationship between profit and cash for accounts receivable.
- End the stop-buying edict.
- Deal with payroll. For a company that wants to be a high-profit distributor, expenses are too big a category to not worry about them, Bates says.
- Get control of the sales force.
- Examine order economics.
- Work with low-profit customers.

These points consist of nearly the same advice Bates has provided during previous recessions, he admits. "The problem is, it's human nature not to do them," Bates says.

Women-Led Group to Build Diverse Leadership Pipeline for Vallen

Voices Inspiring Change, Knowledge, Innovation and Empowerment takes off

Known as VICKIE, a goal for Vallen Distribution's new internal employee resource group is to recruit strong, diverse candidates from both inside and outside of the business who will reach leadership positions within the 3,000-employee company.

By Elizabeth Galentine

Inspired to replicate the benefits of the Industrial Supply Association's successful Women Industrial Supply Executives (W.I.S.E.) network at Vallen, the industrial and MRO distributor in February started its own program, Voices Inspiring Change, Knowledge, Innovation and Empowerment (VICKIE). The group's ultimate goal — established during a fall 2019 conversation between Vallen President Chuck Delph and his VP of National Accounts, Joyce Lansdale, who is a member of ISA's board of directors and actively engaged in W.I.S.E. — is to contribute to the long-term success of Vallen by bringing more women into the company and encouraging their success within the organization.

"It's great to go out and feed other people's families, assuming that you fed your own," Delph says. "To be strong, you have to demonstrate strength. That's what I wanted us to be able to do, not only participate in W.I.S.E., but also be an organization that you can look to and say, there's an example of a company making a very good effort to walk the talk."

Lansdale quickly set to work, recruiting fellow founding VICKIE members Kim Garrett, VP Financial Shared Service Center, and Sonia Timmons, VP Financial Planning and Analysis. Collectively, the women have more than 60 years' experience at Vallen. A few conversations, two conference calls and one full-day meeting with a steering committee later, the concept for VICKIE was built. The resource group is open to anyone at Vallen — male or female — and now has more than 100 members, including about 12% of the female population at the 3,000-employee company.

VICKIE is built around six pillars:

1) Nourish: Maintaining good health for our minds, bodies and spirits. This pillar will focus on work-life balance.

2) Celebrate: Sharing our successes to encourage and motivate others. This pillar will highlight internal and external successes through social media, podcasts, videos and other outlets.

3) Care: Engaging with our communities through volunteer efforts. This pillar will lead community services at the local level.

4) Innovate: Leveraging technology and talent to elevate Vallen as an industry leader. This pillar will create programming around Vallen technology to apply to everyday jobs.

5) Learn: Continuing education to broaden our knowledge and expertise. Every member of VICKIE is part of this pillar.

6) Giving Back: Giving back to Vallen by adding value by building networks and resources. This pillar will give back through leadership — first-time jobs, coaching, mentoring and celebrating peoples' strengths.

All Vallen employees were invited to the first meeting, held February 24 over Webex.

A Boon to the Business

Both Lansdale and Delph say they expect broad benefits for Vallen from the program, starting with its ability to attract a new generation of talent into the distribution industry. "If we're not purposeful and we don't attract women, if we don't attract diverse candidates, they're going to go work in other industries," says Lansdale.

The Bureau of Labor Statistics reports women are underrepresented in B2B sales overall and make up just 27% in the wholesale and manufacturing sector. Meanwhile, some studies suggest that company diversity can increase creativity, innovation and even improve stock prices, as shown by a jump in stock performance after businesses win diversity awards. "Having more women, having more diversity, makes an organization a more profitable organization," Lansdale believes. "Distribution is not a highly profitable industry in itself. So, if we could increase our profitability by 100, 200 or 300 basis points, that is a very significant improvement."

"We do have a lot of women that work at Vallen, but what we don't have is a lot of women at the middle manager, senior manager level. We need more women to get that first entry level

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mdm Industrial & Construction Markets Update

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Safety Sales Surge for Fastenal, Core Business Also Shows Promise

For the second month in a row, Fastenal Co. notched impressive growth in its sales of safety products, with the in-demand category spiking 136.3% in May after a 119.7% jump in April.

The Winona, Minnesota-based company's May sales increased 4.4%. And while Fastenal again saw a decline in its fastener sales — down 15.3% in May — that category appears to have stabilized and could be trending upward soon as the economy strengthens.

Not only did the May sales total represent a marked improvement over April's 22.5% dip, but also the fastener market is improving, according to the most recent Baird/Fastener Distributor Index survey. The May FDI was 45, up five points from April's index of 40, indicating the category is seeing some tailwinds.

Fastenal reported daily sales in May of $24.7 million, up 14.8% versus the year-ago month, based on strength in safety. In addition to the 15.3% decline in fasteners, the company saw sales of products in its "other" category decrease 6%.

By region, U.S. sales grew 14.4% in May. And by end market, manufacturing sales decreased 4.2% while nonresidential construction sales decreased 9.8, the company said.

The company also saw a net loss of employees last month. Overall headcount decreased 5.4% to 21,034 from 22,245 the same month a year ago.

The biggest drop-off in employment came in Fastenal's distribution personnel, with full-time equivalent (FTE) workers decreasing 14.3% to 2,961 in May.

While Fastenal gained some momentum in May, the company — like many in distribution — still faces an uphill climb as the economy gets back to normal but at a slower pace than many business owners would prefer.

Distributor

W.W. Grainger Inc., Chicago, has entered into a definitive agreement to sell Dutch distributor **Fabory Group** to **Torqx Capital Partners**, a Dutch private equity company.

Mars Supply, Bloomington, Minnesota, has acquired certain assets of **Machine Tool Supply**, Eagan, Minnesota, a distributor of cutting tools, abrasives, mold components, workholding products, MRO and safety supplies.

DGI Supply, a DoALL Company, Wheeling, Illinois, has agreed to acquire certain assets of **Production Tool & Supply** of Rockford, Illinois. DGI Supply has hired the Production Tool & Supply employees and will continue to operate the brand under the PT&S brand in the Rockford area.

Swedish manufacturer **Atlas Copco** has acquired **Ovity Air Comprimé**, a French distributor of industrial air compressors and solutions for compressed air.

MRC Global Inc., Houston, has announced that president and CEO **Andrew Lane** will retire on Dec. 31, 2021.

Electrical product distributor **McNaughton-McKay Electric Co.**, Madison Heights, Michigan, has made two executive appointments creating a new organizational structure leading the company. The company named **Mark Borin** as president of **McNaughton-McKay** and **David Dozier** as president of **The Reynolds Co.**

PPG, Pittsburgh, has approved significant and broad restructuring actions to reduce its global cost structure.

Amazon announced the company is leasing 12 Boeing 767-300 converted cargo aircraft. The aircraft will join Amazon's existing fleet of 70 aircraft.

Alibaba.com, a business unit of Alibaba Group, announced three new products and services intended to allow U.S. small businesses to access digital logistics to source globally, alleviate cash flow with 60-day payment terms, and connect U.S. manufacturers and wholesalers with buyers through online trade shows.

Descartes Systems Group Inc., Waterloo, Ontario, reported sales for the fiscal 2021 first quarter of $83.7 million, up 7% from the first quarter of fiscal 2020. Profit increased 51% to $11 million.

Economic

Construction spending during April was estimated at a seasonally adjusted annual rate of $1,346.2 billion, 2.9% below the revised March estimate of $1,386.6 billion, according to new data from the **U.S. Census Bureau**. The April figure is 3.0% above the April 2019 estimate of $1,307.1 billion. During the first four months of this year, construction spending amounted to $412.5 billion, 7.1% above the $385.2 billion for the same

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period in 2019.

Real gross domestic product (GDP) decreased at an annual rate of 5% in the first quarter of 2020, according to the "second" estimate released by the **Bureau of Economic Analysis**. In the fourth quarter, real GDP increased 2.1%.

Led by declines in production- and employment-related indicators, the **Chicago Fed National Activity Index** (CFNAI) fell to –16.74 in April from –4.97 in March. All four broad categories of indicators used to construct the index made negative contributions in April, and all four categories decreased from March.

Heating, Air-conditioning & Refrigeration Distributors International (HARDI) released its monthly TRENDS report, showing the average sales performance by HARDI distributors was a decrease of 19.2% during April 2020. The average annual sales growth for the 12 months through April 2020 is 1.3%.

The **American Supply Association**, whose distributor, manufacturer and manufacturers' representative members conduct business throughout the plumbing, heating, cooling, pipe, and industrial pipe, valves and industry supply chain, announced it is part of a coalition urging Congress to quickly enact temporary and targeted liability relief legislation related to the COVID-19 pandemic.

Manufacturer

Henkel, Dusseldorf, Germany, has announced that **Derek Bufkin**, currently vice president, head of sales USA West for Henkel's General Manufacturing & Maintenance (ACM) business will move to the role of vice president, head of Channel Management North America.

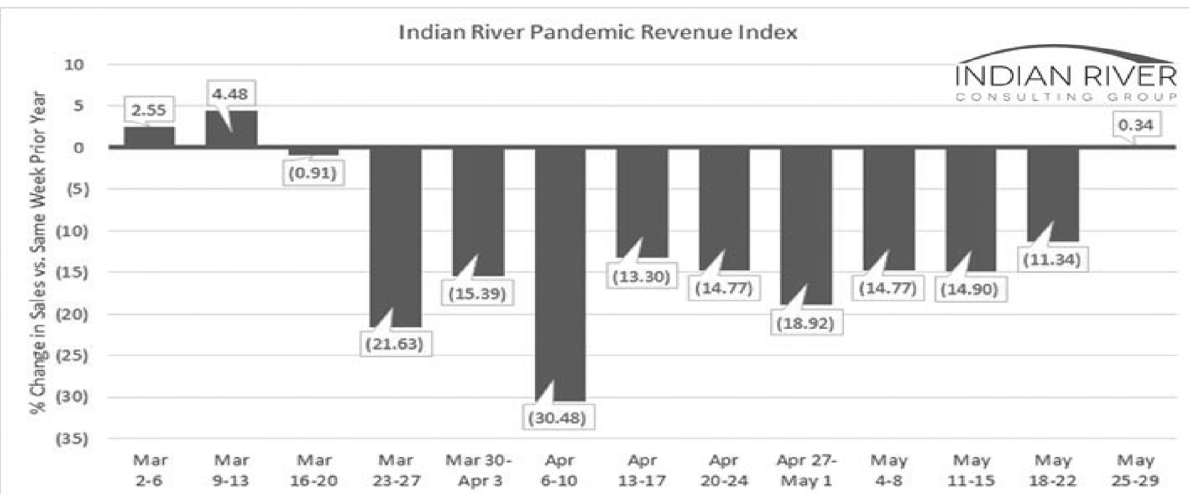
Material handling products manufacturer **Columbus McKinnon Corp.**, Amherst, New York, reported sales for the fiscal year ended March 31 of $189.5 million, down 12.6% from the prior year. Profit increased 40.2% to $59.7 million.

IRCG's Weekly Pandemic Revenue Index Notches First Increase

The coronavirus impact on distributor revenues continued to show signs of improvement, according to Indian River Consulting Group's weekly Pandemic Revenue Index for the work week of May 25-29.

The index indicated a 0.3% increase compared with the same week a year ago, up significantly from an 11.4% drop in the prior week. The sample size for the week of May 25-29 was 10 firms. The small increase comes after 10 weeks of sales declines, including nine weeks of double-digit declines.

"The growth was not localized as the participants hail from the West Coast, Mid-Atlantic, Midwest and Southwest regions," said Mike Emerson, IRCG Partner. IRCG's distributor Pandemic Revenue Index gives distributors a weekly quantified view into how other distributors in the industry are faring with respect to revenue declines as the global COVID-19 pandemic progresses.

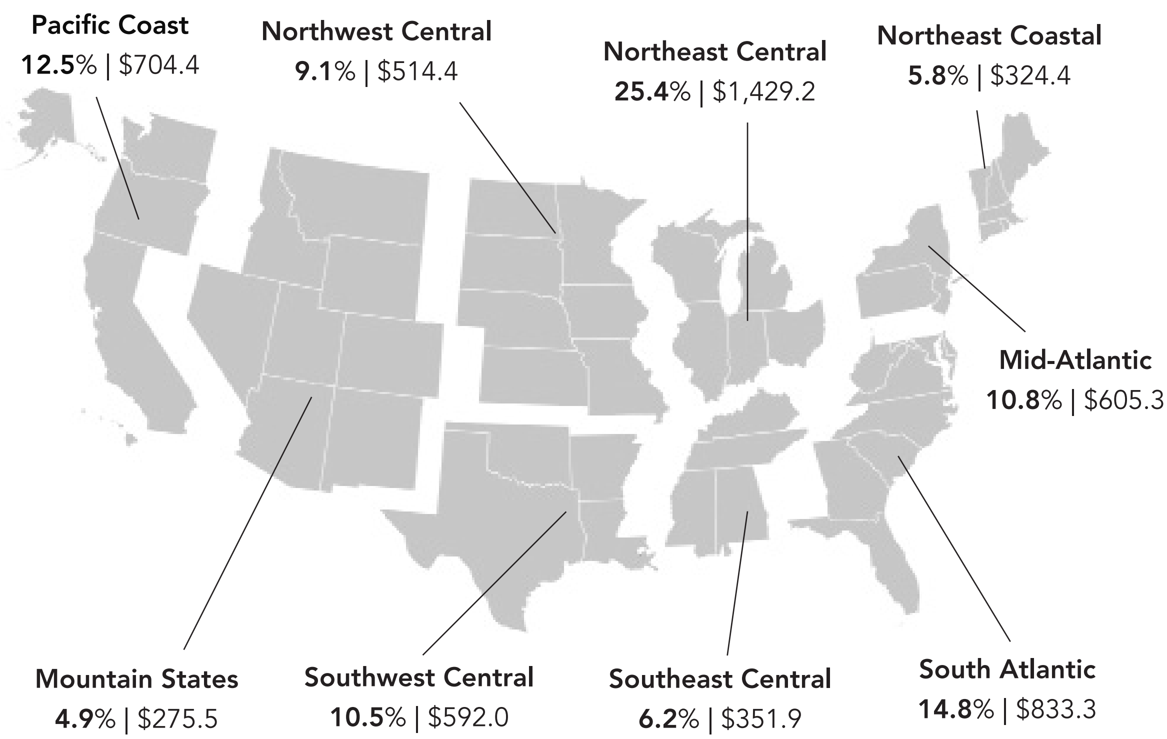


Abrasives Market Demand in the U.S. | Market Snapshot

U.S. Total: $5.6 billion

Market demand for Abrasives in the U.S. was $5.6 billion in 2019, according to data from MDM Analytics. All estimates are 2019 end-user demand, in U.S. dollars, including distributor margin. Includes the following abrasives product categories: Bonded, Coated, Grain/Grit/Shot, Super.

U.S. End-User Market Demand for Abrasives by Region, $ Millions (2019 est.)



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

Top 10 end markets in $ volume, by NAICS code, consuming Abrasives (2019 est.)

End User		Estimated Consumption
336412	Aircraft Engine and Engine Parts Manufacturing	$237,563,695
333120	Construction Machinery Manufacturing	$147,295,409
337110	Wood Kitchen Cabinet and Countertop Manufacturing	$135,383,110
333618	Other Engine Equipment Manufacturing	$129,934,211
333517	Machine Tool Manufacturing	$122,723,079
333111	Farm Machinery and Equipment Manufacturing	$122,639,057
332710	Machine Shops	$115,664,485
336390	Other Motor Vehicle Parts Manufacturing	$115,190,414
811121	Automotive Body, Paint, and Interior Repair and Maintenance	$106,265,152
321918	Other Millword (including Flooring)	$104,909,785

Source: MDM Analytics, Niwot, CO. Contact info@mdm.com for permission to reprint/share. Learn more about MDM Analytics at www.mdm.com/analytics.

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VICKIE

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leadership job, first entry level management job. Then, the work that you do will determine what your career path is going to look like," she adds.

In the next five to 10 years, Delph expects as much as 25% or more of the distribution industry to retire. He wants to see those people replaced with people who look more like the makeup of Vallen customers — where many heads of procurement or chiefs of operation are female. With that in mind, a KPI for VICKIE is how well it diversifies Vallen's recruiting pipeline, he says. Supporting VICKIE is "not only being reflective of what we think is good for Vallen, it's what we really believe we need to do to compete in the industry long term to attract the right suppliers, to be able to attract the right customers and to be reflective of the industry," he says. "In my mind, this is as much a business decision as it is the right decision."

For women interested in starting a program at their distribution company with a leader who may not be as enthusiastic as Delph, Lansdale recommends reinforcing the business benefit message with a senior-level leader. It also doesn't require a large capital investment such as real estate, equipment or technology.

A Long Time Coming

Throughout her sales career in distribution, Lansdale has grown used to being the only woman in the room. But she wants VICKIE to change that, not only for women, but for all minorities. "When you are the only one, you probably feel a little bit uncomfortable. … When you have people who look like you and act like you, you begin to feel better about your position and you don't feel as shy or timid," she says.

It's not that distribution has purposefully cultivated a male-dominated culture, Lansdale posits, but rather it stems from a long history of family-owned companies started by men and often passed down to sons without any cognitive intervention otherwise. Traditionally, people hire people who look and act like them. And people often want to work for people who look and act like them.

To Garrett, success for VICKIE will mean more women being put on projects or leading them, more women in sales and other leadership positions, as well as men entering more historically female roles, such as human resources. "It will be successful when we have more females in the top positions of our company," she says. "It's about leaving a legacy and building something better for the next generation coming in.

Increasing Visibility

In an introductory video kicking off the VICKIE program during February's Webex, Timmons discusses the powerful benefits she's received from Garrett and Lansdale's mentorship over her years at Vallen and how it has played a positive part in her story as a Vallen employee. As their first assignment, VICKIE members were encouraged to take someone to lunch (note: this was before COVID-19 shutdowns) and practice telling their story, to brag about their professional accomplishments in a way that women don't often do.

While there are some great female leaders at Vallen, Delph says the critical issue that is preventing the company from having more of them is the pipeline. "We need to recruit and develop more women and diverse candidates so they are in the pipeline for senior and executive leadership roles. Women are less likely to apply for an executive leadership role unless they feel they are near 100% qualified for it, while men will take a shot when meeting only about 60% of the criteria," he adds. To combat that, Vallen is making an effort to actively look around the organization to fill open positions, encouraging women who may not have initially applied to "get into the conversation," Delph says.

Next Steps

Each of VICKIE's six pillars have co-chairs made up of members of the group's steering committee who are charged with determining their team's programming. For now, meetings are virtual, such as virtual happy hours or a recently started virtual step challenge. But in the future, they will also include face-to-face events.

The primary goal remains recruitment for leadership roles within Vallen, says Garrett, and "making sure that candidates coming into the organization recognize that we are intentional and we are purposeful around diversity."

Over time, Garrett expects to get the word out beyond Vallen, through job fairs, college recruitment events, speaking at industry conferences. But for now, VICKIEs are active on social media. "Those pebbles that we cast into the water, those ripples that we create from a social media perspective, it's our hope that they will also help us recruit diverse talent," she says.

Adds Delph, "I'm really proud of the team. They blow me away with what they've done and the energy they've kept through it," he says. "The fact that they've been able to do it in the COVID-19 crisis is a testimony to the fact that we're leveraging their leadership skills to adapt and persevere."