



## 2011 Executive Summaries

*A sampling of articles that have appeared  
in MDM's premium newsletter.*

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**This is a sampling of articles that appeared in MDM Premium in the first half of 2011. In each issue, we also include data, the most recent news and economic updates.**

MDM's editors produce high-level original content focused on trends and strategies that can be used by executives in any sector of distribution. If you like what you see, go to [www.mdm.com/subscribe](http://www.mdm.com/subscribe) to subscribe today or call us at 1-888-742-5060.

Thank you for your interest in Modern Distribution Management!

*From July 25, 2011*

### **Price vs. Value: How Distributors Position Their Businesses**

When it comes to positioning and messaging, the overwhelming majority of distributors in a recent MDM survey have three things in common:

1. About 90 percent of distributors believe that they deliver more value than their competitors for a comparable price.
2. More than 88 percent of distributors place a large emphasis in their messaging on a handful of features: product selection, availability, speed of delivery, pre-sales technical support and professional sales representatives.
3. Nearly 70 percent of distributors use informal methods for positioning and messaging.

This article explains why distributors hold this belief about their value and shows how they can develop differentiated messaging around a broader set of features.

*From July 10, 2011*

### **MDM Interview: Airgas 'Returns to Normalcy'**

Radnor, PA-based Airgas spent most of 2010 fending off a hostile takeover bid from manu-

facturer Air Products, Lehigh Valley, PA. Airgas President and CEO Peter McCausland recently spoke with Associate Editor Jenel Stelton-Holtmeier about the key drivers of growth in 2010, goals for the company now that Air Products has withdrawn its bid, and the growing role of technology in sales.

### **When You Should Charge Separately**

Many distributors are wary of charging separately for items such as delivery, small orders or fuel, but experts say that if it's done correctly, what's known as price partitioning can be a successful (and even accepted) part of a distributor pricing strategy.

*From June 25, 2011*

### **The Transformation of Lawson Products**

Lawson Products CEO Thomas Neri and COO Harry Dochelli recently spoke with MDM about the changes they are making to better compete in the market, including a new SAP system, a reorganized sales force, a new pricing model, an upgraded website and an optimized network.

The distributor's leaders share their story and what they are learning as they go down this road of change. Lawson Products is No. 24 on MDM's recently released list of the Top 40 Industrial Distributors.

### **A Growing Focus on Diversification**

Large national distributors have been diversifying their product availability and end-markets for much of this decade. The most obvious example is Chicago-based Grainger, which continues to add products from different sectors and lands on several MDM Market Leaders lists this year.

But after the recession, more distributors of all sizes say they recognize the need to prioritize diversification into new markets or product types to buffer their companies from the ups and downs of cyclical business. It's also an opportunity to increase existing customer spend.

From June 10, 2011

## Distributors: Customers Want More

Many distributors of all sizes are finding themselves doing more for customers while battling for less business post-recession. Customers who have pared back staff and resources in response to the recession want distributors to perform more services for them. But depending on their models, not all distributors are chomping at the bit to provide the services that customers are demanding.

## Inventory Management a Top Priority

With increases in demand, the need to have more inventory in stock to meet customer needs seems logical. But uncertainty about the economy and inflation, among other things, may be keeping this trend at bay. "People are rebuilding their inventories, but they're doing it very carefully," says Jon Schreiber, president of Effective Inventory Management.

From May 25, 2011

## The Distributor Marketing Imperative, Part II: Optimize Your Marketing Vehicles

This article, the second in a two-part series analyzing the results, explores how distributors use different marketing vehicles such as email, the Web, catalogs and more.

From May 10, 2011

## The Distributor Marketing Imperative, Part I: Multi-sales Channel Capabilities a Necessity

There is a wide variety of marketing practices within the wholesale distribution industry. Real Results Marketing in partnership with Modern Distribution Management conducted an online survey to better understand these practices.

In general, distributor respondents that appear on MDM's Market Leaders lists more broadly embrace marketing as evidenced by the amount of resources they apply. Not surprisingly, they obtain better marketing results than other distributors. This article explores approaches to sales channels.

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*From May 10, 2011*

### **First Quarter 2011 Pricing Trends Report**

This quarterly report looks at 60 product groups and provides a snapshot of inflation trends based on the Producer Price Index from the U.S. Bureau of Labor Statistics. First quarter 2010 is compared with first quarter 2011, and fourth quarter 2010 with first quarter 2011.

*From April 25, 2011*

### **MDM/Baird Survey: Competitive Pressures Grow**

Robert W. Baird & Co., in partnership with Modern Distribution Management, conducted a survey of more than 600 distributors and manufacturers to gauge business trends and the outlook for the distribution industry in diverse sectors. This is a summary of first-quarter results.

### **M&A Special Report: Strategic Acquirers Pick Up the Pace**

Strategic buyers such as Grainger, Applied Industrial Technologies, Ferguson and other large, public and family-owned distributors are pursuing growth through acquisitions to meet market expectations, take advantage of high levels of cash on their balance sheets, and reach new geographic and product markets. This article, the third in series on current conditions in distribution M&A, explores strategic buyer trends in today's distribution M&A markets.

*From April 10, 2011*

### **M&A Special Report: Private Equity Drives Deal Demand**

This article examines the role private equity – economic buyers looking for a high rate of return on their investments – is playing in the consolidation of distribution markets. MDM spoke to private equity firms with a history in distribution about why they are attracted to this industry and what their plans are going forward.

### **MDM Interview: MSC's Plans for Product Expansion**

This is Part 2 of MDM Associate Editor Jenel Stelton-Holtmeier's interview with MSC Industrial Supply President and CEO David Sandler and COO Erik Gershwind.

*From March 25, 2011*

### **MDM Interview: MSC Industrial Positions for Long-Term Growth**

MDM Associate Editor Jenel Stelton-Holtmeier recently spoke with MSC Industrial Supply President & CEO David Sandler and COO Erik Gershwind about trends in the industry, MSC's recently announced succession plan, company culture, and plans for expansion. MSC Industrial Supply had \$1.69 billion in sales in fiscal 2010.

### **M&A Special Report: A More Favorable Environment for M&A**

Consolidation in independent distribution channels is heating up again after a couple of sluggish years. This article – the first in the series – provides an overview of current trends in distribution M&A, including valuations.

*From March 10, 2011*

### **MDM Interview: Lewis-Goetz CEO on the Link Between Technology and Value**

In part two of Editor Lindsay Konzak's interview with CEO Jeffrey Crane, he talks about the role of technology as the company grows and the importance of training the distributor's employees to effectively use that technology to add value for customers.

### **A Practical Approach to Lean**

A lot of the talk around lean in distribution has revolved around determining how a concept used primarily in manufacturing can be applied elsewhere in the supply chain. But the reality, according to lean expert Chuck Emery, is that lean has always worked with distribution in mind. Emery provides a practical approach to implementing and measuring the returns of lean in distribution.

*From Feb. 25, 2011*

## **MDM Interview: Lewis-Goetz's Focused Growth Strategy**

In part one of this interview, CEO Jeffrey Crane discusses current market conditions and why the distributor does not want to expand beyond its product niche as it continues growing nationwide.

### **Fight the Legacy of IT**

Distributors must build the skills and capabilities necessary to use IT as a tool to push strategy forward, according to the book, "Facing the Forces of Change: Decisive Actions for an Uncertain Economy." MDM spoke with Guy Blissett, the author, about his research on the topic and how distributors can position themselves to wield IT as a competitive weapon.

### **Health Care Reform: Myth vs. Reality**

The complexity of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 – the two statutes which made up the health care reform of 2010 – has led to confusion and misunderstanding about the impact of passage on small businesses.

Lars Parkin, an employee benefits broker with Bliley Insurance Group in Boulder, CO, and former president of the Front Range Association of Health Underwriters, recently spoke with MDM about common misconceptions and the impact of health care reform. He also addressed how small businesses can offset the impact of rising health insurance costs.

*From Feb. 10, 2011*

### **A Value-Based Approach to Services**

In research for the National Association of Wholesaler-Distributors' Facing the Forces of Change: Decisive Actions for an Uncertain Economy, author Guy Blissett found that 51 percent of survey respondents offer value-added services associated with products, and 43 percent offer discrete services for a fee, with no product purchase required. Most plan to do so by 2015.

But while nearly half place "high importance" on assessing service offering profitability, only a fifth say they actually do an "excellent" job of this.

### **Avoiding Channel Conflict in Price Communications**

The way a price increase is communicated can cause tensions between manufacturer and distributor. But there are ways to reduce potential conflict.

*From Jan. 25, 2011*

### **Channel Choke: Demand Spikes Create Product Shortages**

Availability of product and raw materials has become a challenge for some distributors as demand continues to improve. This article looks at the sources of the problem, the outlook for 2011, and how companies can improve forecasting in a volatile environment.

*From Jan. 10, 2011*

### **The 2011 Political Outlook**

Tax reform, health care legislation, and other issues that could have a significant impact on how business is done in the U.S. likely will be brought before the new Congress that opened its session earlier this month. Jade West, senior vice president – government relations for the National Association of Wholesaler-Distributors, recently spoke with MDM about the top issues for distributors.

### **The 2011 Economic Outlook**

This is an exclusive summary of the MDM Webcast, the 2011 Economic Forecast. The webcast provided a forecast for two key distributor end-markets, construction and manufacturing. Growth is expected in both.

### **Lessons Learned from the Past**

While the recent recession exceeded all others in recent history, several of the issues companies are now dealing with are the same concerns they faced just nine years ago. Looking back at that time provides a clear reminder that we've been here before.



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The company was founded in 1967 by J. Van Ness Philip, who edited the newsletter until 1992. Thomas P. Gale became the editor in 1992, and is currently the publisher and executive editor. Lindsay Konzak became editor of MDM in 2005.

Wholesale distribution executives across many different lines of trade, manufacturers who need to keep up with key trends in independent distribution channels, managers of distribution companies, manufacturers of products sold through independent distribution channels, and executives with supply chain management responsibility consider MDM essential reading.