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How to Present to Senior Executives

Reach for the heart as well as the head, no matter the subject

I've had the honor of serving as a VP for four large, publicly held distributors and I've presented to various boards of directors, private equity investors, CEOs and so forth. As a result, I've had the opportunity to learn by trial and error the best ways of presenting to senior executives.

by Ian Heller

When I started out in my corporate career, I remember feeling like there was a code or language that I didn't understand and needed to learn. For example, many times I would present data that I thought was very powerful but that didn't always go over the way I felt it should or didn't seem as compelling to my audience as it was to me. This was confusing to me because I figured that my audiences, who were often highly analytical, would respond best to numbers-driven, black-and-white information. But it turns out the picture is more nuanced than that. So here are some hard-won insights on how to present to C-level executives in ways that make it more likely you will win them over.

Sell in Advance of the Meeting

There's always a temptation to do a grand unveiling, to have a big curtain, literal or figurative, that you draw back when the senior executives sit down and… voila! Behold the greatest marketing program we've ever devised!

This approach falls flat a lot of the time because you really don't know what the motivations and interests of your audience are. It also tends to preclude your getting input from those same executives along the way – after all, if you want to surprise them with your brilliance, you can't give them any sneak peeks.

When I was at Grainger, for a few years I reported to Wes Clark, who was a Group President there at the time. Wes is a masterful communicator and he told me once, "Ian, when you do a 'grand unveiling,' it's frustrating for me. I often have ideas and guidance that could have made your proposal better and it's too late when you present a finished product."

These days, I try really hard to never go into a major meeting without already knowing the probable outcome. For any truly important topics, I know there's going to be a lot of debate and people are going to have 101 questions, and I prefer to get all that ironed out before the meeting starts. That makes things more efficient and less frustrating and it means I don't have to use multiple meetings to get projects approved.

Have the CFO Pre-screen all Numbers

One of my favorite sayings is that numbers don't exist unless the CFO says they do. So don't surprise CFOs with numbers; it's important that they endorse the validity of your data. If you present numbers to a CFO that they have not seen, they will be automatically skeptical and probably ask you a whole bunch of questions to try to validate them, and your whole discussion will get side-tracked as they try to understand what the sources and definitions of your data are. Have those discussions in advance – either with the CFO or a trusted designate chosen by her.

Get Comfortable with Saying, "I Don't Know"

It's okay to admit that you don't know something. It's never easy to do, especially if you're early in your career, new to a position or dealing with an audience of C-suite executives. But it's a much, much

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INSIDE

PERSPECTIVE ▪ Commentary by Thomas P. Gale

John Gagliardi's Lessons for Distribution Executives

John Gagliardi, who won more games than any other college football coach, died this past weekend at the age of 91. He was the head football coach at St. John's University in Collegeville, Minnesota for 60 years, and was a college football coach for four years before that. Why am I writing about him here? I spent more than 25 years living in Minnesota, where he was an icon. More than that, he accomplished what he did by going against conventional wisdom.

Over the past few decades, I've met more than a few "Johnnies" who were on one of his teams over the years at the all-male, 2,000-student Benedictine university (Division III) out in the middle of nowhere. Each has stood out by their personality and character and by the ways in which they talked about the impact this man had on their lives. Some have built impressive companies and business careers. Many others have been leaders in their chosen fields.

There are some companies, like Enterprise Rent-A-Car, that recruit college athletes as a policy, based on the belief, which I believe holds true, that being part of a sports team in the formative school years often translates well into teamwork and interpersonal skills in the business world. A key lesson from my own college experience is that it is not always about wins and losses; in fact, sometimes being on a losing team can have a stronger impact by teaching hard lessons about failure, tenacity and resilience. I was on a mostly losing team but in the most competitive environment possible, and I learned what it was like to be part of a special team in spite of the win-loss record.

When John retired in 2012, his record was 489 wins, 139 losses and 11 ties, with 27 conference titles and four national championships. He was everything that was not old-school, by-the-book football coaching. He said that he started coaching the way he did as a reaction to what he didn't like. It worked, so he kept doing it. He did not want to be called "coach," and had his players call him John. He did not cut players from the roster (he sometimes had more than 150 on the sidelines when they traveled). He kept his practices to 90 minutes. No pads, tackling, or agility drills; no pre-practice warm-ups, clipboards, or whistles. All seniors were team captains. He was extremely competitive and took losses personally and hard. His focus in coaching was on discipline and positioning.

I'm not sure whether to call John Gagliardi the Warren Buffett of college football or Warren Buffett the John Gagliardi of business success. I'm just glad that there are leaders out there like John who have a positive impact on so many lives and who remind us of the power of thinking independently and that what works best is often not what works best for everyone.

Modern Distribution Management

Founded in 1967 by J. Van Ness Philip

CEO & Publisher
Thomas P. Gale
tom@mdm.com

President
Ian Heller
ian@mdm.com

Editor
Declan Joyce
declan@mdm.com

Managing Editor
Arya Roerig
arya@mdm.com

Contact Information

Questions, comments, article proposals, address changes or subscription service to:

Gale Media, Inc.
2569 Park Lane, Ste 200, Lafayette, CO 80026
Tel: 303-443-5060 Website: https://www.mdm.com

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better option that trying to spin or to guess on the fly if you're caught short. It's a natural tendency, especially when you're presenting to a senior audience, to feel you have to be able to answer every question. The problem is, almost always your audience will sense that you're on shaky ground, and the minute they do, you're sunk. But if you say something like, "That's a great question. I don't know the answer, but I'll find out and I'll get back to you", that's not only better, it shows that you're honest, confident and thorough.

Don't Fall in Love With a Metric if it Doesn't Resonate

Sometimes you'll present a metric that to you is powerful and compelling, but your audience is just not buying it. The temptation then will be to keep hammering on it until you break through. It's the smarter move, however, to live to fight another day and find a way of presenting data that meets that audience's needs. Remember, sometimes your audience needs time to think about the point you are making. Also, sometimes they have access to information you don't or a perspective on the business that you lack. Either of these factors can color their perspective on the information you're presenting. Maybe you should let them think it over – or maybe you have an incomplete picture and you just don't know it.

Use Simple Rather than Complex Measurements

Give your audience data that is easy to absorb. Remember, these are very busy people, so less is more. If you have a deck of 100 slides you're going to overwhelm people. So make the data simple, but just as importantly, think it through to ensure that the data tells the story you think it does.

For example, in recent years distributors have obsessed over what percentage of their sales go through the online channel, based on the assumption that the higher that figure is, the better. But here's the problem. A high percentage of sales online isn't necessarily a good thing. To some degree, that's a measure of vulnerability to Amazon Business and other online players. So simple and straightforward is best, but be careful to use data that supports your story accurately. Like many other people, I've proudly reported data to a senior executive audience only to have one of them point out that there's an alternative, negative implication I hadn't anticipated.

Don't Assume that People will Respond Only to Data

This may surprise you, but senior executives are human beings, too. Very few people are persuaded by raw data, even people like CFOs who you might think are totally rational in their decision-making.

Research has proven over and over again that our species as a whole responds more to stories and anecdotes than to numbers – that's why politicians tell stories when they campaign. That's not to say you need to throw out the data – but it does mean that you should present your arguments in a way that appeals to both sides of the brain.

Gary Burnison, the CEO of Korn Ferry (and their former CFO), says that a pie chart never inspired anyone. Jeff Bezos, who you might expect to be the most data-driven executive in the world, spoke to the Economic Club of Washington D.C. in September 2018 and said, "All of my best decisions in business and in life have been made with heart, intuition, guts, not analysis. If you can make a decision with analysis you should do it. But it turns out in life that your most important decisions are always made with instinct and intuition, taste, heart."

Even when I present research results, I always add anecdotes to illustrate the main points of quantitative data. In one of my VP Marketing jobs, we conducted focus groups and surveys to determine how we were going to position the brand. The data made a clear case for one particular point of differentiation and my audience of senior executives was interested. But when I followed that slide with a short video, which featured a customer in a focus group passionately making the same point, the entire audience sat up in their chairs and listened intently. Years later, when we discussed the positioning (which is still in use), people would comment on what that lone customer said.

When in Doubt, Put the Customers First

I once wrote a column entitled "Don't Let Your CEO Make a Sales Call." My point was that whatever the CEO heard from that customer was likely to turn into a major initiative for your company even if it wasn't really that important in the scheme of things. My recommendation wasn't to stop CEOs from making sales calls

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– quite the opposite. My point was that CEOs should make lots of sales calls so they have a more balanced voice from the marketplace to consider.

You can incorporate customer feedback into your presentations in numerous ways. You can use survey data and video, like I did in the anecdote above. But you can also make sales calls yourself or, even better, make joint sales calls with your reps. One of the reasons the sales department has so much influence in most distribution organizations is because reps interact with customers every day. Sometimes individuals in other departments get frustrated because they disagree with the sales reps – but the reality is that if you don't have the "street cred" of talking directly to customers, your input is simply not viewed as being as credible as that of the sales team.

This is a very straightforward problem to solve: work with your sales team to get their input before you present and make sales calls with them so you have some street cred of your own. Gaining alignment with sales and incorporating direct customer input into your presentation differentiates you from most people who present to senior executive audiences. Also, you're much more likely to make the right recommendations if you are getting customer and sales input along the way.

You Can't Fake Preparation

The bottom line is that if you aren't prepared, it will be obvious. If you haven't thought through your arguments, assembled a persuasive set of data and anecdotes, done the proper pre-selling and made sure that your numbers are validated, you're taking avoidable risks in getting your programs approved. Having sat on the receiving end of many senior executive presentations, I can say with confidence that if you follow these tips and are truly prepared, you will stand out to most audiences because they tend to see more poorly developed pitches than great ones.

You can't fake preparation. If you've done the work, it will be obvious. Do it right and you stand a great chance of getting your proposals approved. Cut corners and that will be obvious, too. Presenting to a senior executive audience is a great opportunity and you want to make the most of it. Put in the time and effort to do it right or you will most likely have to do it over. And that wastes time for everyone.

Little Things Mean a Lot

Small steps to improving both profitability and company value

Distributors can grow their companies through disciplined focus on a small number of metrics. In particular, controlling operating expenses is a consistent indicator of steady growth, closely followed by a healthy gross margin. A necessary first step, however, is rigorous statistical benchmarking to find out where your company currently stands in its industry sector.

By Albert D. Bates, Ph.D.

Distributor Profits: Adequate but Unexciting

When I was a young man I used to dance to a song by Kitty Kallen called "Little Things Mean a Lot." Miss Kallen wasn't singing about the distribution industry, of course, but I think the title of her song is good advice for those of us looking to grow our business. There are a few small measures we can take that, if we do them well and do them consistently, lead to steady and consistent growth.

Distributors, in the aggregate, have always produced adequate profits. At the same time, they have always produced unexciting profits. For the typical firm, good never gets to great. Research conducted by the Distribution Performance Project suggests that about 20 percent of distributors in any line of trade break out of the mold and produce outstanding profit.

As uninspiring as that sounds, it actually overstates the situation. Of the top 20 percent, about half come and go in terms of profit performance. That is, they are in the top 20 percent on profit one year and closer to typical the next. Only about ten percent of firms produce high profit on a consistent basis. It is important to understand how they do that.

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There are some key pressure points where I think your focus needs to be if you want to be a part of that top percentile. And I'd like to make some suggestions about how you can move forward and improve your performance. Again, the key word to stress is "small". Let's review what I believe are the key analytical metrics that you need to work on, and then I'll discuss how to go about getting them.

My firm did a project involving about 15 different lines of trade across distribution and we asked, what causes people to be profitable? We looked at six factors:

- Sales size
- Sales growth
- Gross margin percentage
- Operating expense percentage
- DSO (day sales outstanding)
- Inventory turnover

It's extremely important to note that all of these numbers were versus other people in the same industry. I didn't compare electrical with liquor or compare plumbing with door hardware, for example. Within those parameters, our research was trying to discover whether a particular business was doing better than half the people in their industry. It could be 51 percent or 95 percent, it just needed to be better than half.

Then our research showed that of those six, there were two factors that seem to be the most powerful in terms of driving profitability:

- Gross margin
- Operating expenses

Until I did this project, I was a person who said that there is no problem in life that you cannot solve with more gross margin. As it turned out, operating expenses are actually more important than gross margin. Together, these two factors have the potential to drive profitability in a major way if we work on them, hard.

If it's just a matter of two metrics, then, why don't we usually focus on what I'll call the Big Two? Because it is really difficult to get control of gross margin and expenses at the same time. It is easy to get gross margin improvement by itself; it is also easy to get operating expenses improvement by itself; but it is very tricky to improve them at the same time. And that's because the two of them are joined at the hip. It's as strong a relationship as I've ever come up across in the real world. I've done a lot of financial analysis and there is often so much noise in it that you can't figure out what's going on. In this case, the association is really clear.

Join the Club

I want to help you join the 50/50 club. That means you are doing better than half the companies in your line of trade on gross margin and expenses at the same time. It's very hard to do and I have a few pieces of advice about how to go about doing it. Specifically, if you're a distributor, I've got four goals for you. Bear in mind that the figures I'll use are what I'll call rack-suit figures, that is, I'll use them as a general example, but you're going to have to tailor them to your company.

- **Number one**, you need to increase your sales by at least the inflation rate plus a safety factor of three percent. I think that's a good goal. I chose it for a reason, namely that non-payroll expenses in your business tend to rise with inflation, so you need to keep outpacing inflation if you can. Inflation is currently running at about two percent so that makes a total increase of five percent.
- **Number two**, and this is a biggie, force payroll to grow more slowly than sales to create what I call a sales-to-payroll wedge. We desperately need sales to grow faster than payroll. If you look at payroll as a percent of sales in almost any industry in distribution, it is the same today as it was 20 years ago. We have made tremendous improvements in productivity, and sales per employee has gone way up, but every time sales per employee goes up, insurance costs go up, we give people raises, and so on. We need to break that linkage.
- **Number three**, increase the gross margin percentage, not the gross margin dollars, by 0.4 percent. Again, this is a rack-suit percentage; you have to tailor it. Maybe your number is 0.1 percent. Maybe it's 0.5 percent, but you have to improve the gross margin percentage.
- **Number four**, decrease the other expenses as a percent of sales (not expense dollars). Again, as a general rack-suit guide I'd say 0.3 percent.

Again, the key word is "small". Little things mean a lot. I would much rather grow slowly and consistently while making more money

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than to grow faster while not making much at all. Small increases in sales are good enough if you can also satisfy the other metrics I've been talking about.

In the sales generation process, there are three key analytics that we need to focus on and they are:

- Lines per order
- Fill rate
- Average order per line

Again, think modest increases. Let's assume your company is currently having 2.5 lines per order. I would like to take that to 2.6. Then let's take the second factor, fill rate, from 95 percent to 95.2 percent. And then let's raise the third factor, the average order line value, by 1 percent.

The big problem with achieving even these modest and realistic goals for many of us is that we don't have a clear picture of where we are with any of the benchmark data I've been discussing. We don't know how we are doing against the other companies in our industry, we're not clear on gross margin or operating expenses, and we have no idea about lines per order or fill rate.

Benchmarking is Critical

The firms that I discussed at the beginning of this article, those that are consistently the most profitable, tend to have a better understanding of how profit is affected in their particular line of trade. Overwhelmingly, they do this by benchmarking against their peers and then taking action on the benchmark results. Benchmarking can be done formally or informally. On an informal basis, publicly held firms can be tracked through financial reports and the like. However, such a process is sorely lacking in richness of information.

A much more effective approach is through a formal benchmarking program sponsored by either a trade association or buying group. Even here, the information is of limited value unless there is widespread participation. Generating that participation requires four elements in the benchmarking program.

- **Dashboard Format:** Different decision situations necessitate looking at different sets of information. The benchmarking effort must provide flexibility to slice and dice the information in different ways to help understand strengths and weaknesses.
- **Highlight What Matters:** Seemingly, everything is important to somebody in the firm. However, only a few of the Critical Profit Variables (CPVs), such as the gross margin percentage and expense percentage, really drive higher or lower profit. These must be emphasized so that firms focus on them.
- **Setting Priorities:** The program should also allow the firm to see where it stands on the Critical Profit Variables compared to its peers. That is, the firm may be in the top 25 percent, the bottom 30 percent or any other ranking. Such indicators of relative performance are essential.
- **Making Improvements:** Finally, an effective program should allow for what-if analysis. If the firm were to change its gross margin percentage, for example, how would its performance improve? With such capabilities, information takes on an action component.

Sadly, only a limited number of firms carefully benchmark their performance against their peers. Those that do, most likely, will remain in the top ten percent on profit. It is essential for trade associations and buying groups to structure benchmarking programs that facilitate participation by all.

It's possible for distributors to improve both ongoing profitability and the value of the company by executing the small but high-yield steps outlined here. But to get from good to great, company leaders must make these proven metrics part of their operating system. As much as my 30-plus jaded years of industry profitability data suggests otherwise, I am optimistic that analytics is finally getting its proper respect in distribution and that more firms will achieve steady and consistent growth through small measures.

Dr. Albert D. Bates is a Principal in the Distribution Performance Project, a research group devoted to distribution issues. For more articles, reports and books by Dr. Bates on profitability improvement, visit https://www.distperf.com.

Using your WMS to Measure and Reward Performance

If the culture is outstanding, employee performance will reflect it

How important is organizational culture in a warehouse setting? Experts say that if the culture is outstanding, employee performance will reflect it. The culture establishes a framework for equal treatment for all – and nothing helps reinforce fairness better than pure analytics derived from concrete data.

By Eric Allais

By now, you may already be familiar with the data that can be gleaned from a warehouse management system (WMS) and how it can be used to help streamline operations and staffing. The core metrics derived from a WMS are designed to show the efficiency of an organization's receiving, slotting, picking, shipping and other logistics and order-related activities. But, in the last few years, warehouse managers have been discovering how to use WMS metrics to evaluate employee performance. Things like establishing fair standards, identifying additional training opportunities, and initiating pay-for-performance bonuses are just a few examples.

Jensen Distribution Services: A WMS-driven Bonus Plan

Landon Horton, vice president of operations for Jensen Distribution Services, Spokane, WA, is one of the pioneers in determining how to extract and use employee-specific metrics from the company's WMS. When he first rolled out the software in 2009, it produced rudimentary worker data, such as number of hours worked. But he collaborated closely with his provider over the years to enhance and tweak the software to deliver the sophisticated level of data he uses today.

Jensen currently expects 160 hourly employees to handle 23,000 lines (or 15,000 cartons) per day. Zone standards vary, but the average throughput is between 52-71 lines/cartons per hour, with some zones managing to hit 160. The company offers a monthly bonus for high performers. "The data we collect now in our WMS helps manage our warehouse incentive program," Horton explained. "Every four-week period, employees receive a bonus if they exceed 100 percent of their goals. On average, as few as 50 percent and as many as 88 percent of them get incentive pay – which is pretty high."

He continued by saying, "The incentive program pays for itself. And with the metrics we extract from the WMS, there's no question as to how the bonuses are distributed."

What happens to the employees who don't receive bonuses? Horton says that the company goal is for everyone to be eligible for monthly incentive pay. If an employee regularly misses out, he or she goes on a "watch" list where supervisors look for wasted motion, distracted picking and other obvious reasons for poor performance. In some cases, the next step is for that employee to shadow a high performer in the hopes that he or she will begin to mirror better, more productive work habits.

Horton added that the incentive program is based on more than just pick accuracy and output. "We also measure housekeeping issues. If one employee opens a case, it needs to be presented in an easy way for the next person who might need one of these items. If a pallet is put away, it needs the shrink-wrap removed so that the next person can easily retrieve this product."

Horton believes that the data it now collects through its WMS has allowed Jensen to move from using customer complaints as the only way of tracking errors to its current 99.99% accuracy rate. He attributes the minor remaining error percentage to human error, as even voice picking isn't flawless.

EPS Gauges: WMS Feeds Merit Pay KPIs

For ESP Gauges, Kennesaw, GA, data is king. Everything the company does in its warehouse is driven by metrics. That makes Tony Moore, the company's warehouse manager, its data guru of sorts – someone who looks to disrupt old thinking by finding new ways to use data and facts. He might even be considered a New-Age type of manager, since he spends considerable time thinking about employee welfare and how to boost the morale of not just individuals, but the team.

The company offers pressure gauges, primarily to the oil and gas industries, and operates its warehouse with 26 people. It deployed a new

Continued on next page

WMS a few years ago and, since then, Moore has rigorously applied performance metrics derived from it to every aspect of its operations.

"We definitely had some areas that needed work," Moore conceded. "For example, our time to ship went from seven days to .9 days, thanks to our ability to identify trouble spots through tracking data in the WMS."

Moore wasn't satisfied with using the WMS just for the usual improvements that come in order accuracy, slotting and shipping; he was curious to see how individual employee performance could be measured and rewarded using data from the WMS. He started out creating employee report cards, but quickly wanted to evolve his program into something with a tangible benefit: money. ESP Gauges already had an employee merit pay program in place through standard salary increases, but with data from the WMS, he wondered if he could create a new way to reward top performers.

The answer was yes. "We were able to use WMS metrics to add value to productivity," Moore explained. "We first had to identify what our KPIs were and put a value on them, ranging from transactions per hour to accuracy. In the end, we were able to create a standard for evaluating performance and a general bonus pool that all employees could share if they met their goals. The beauty of it is that it's transparent to everyone."

ESP Gauges implemented the bonus program toward the end of 2017 and, under the new additional pay-for-performance plan, some employees began earning up to 30 percent over their base salary. Turnover declined and the pick/ship accuracy rate has been pushed to 99.96 percent. Generally speaking, three quarters of the employees receive some amount of incentive pay per paycheck; others miss out due to errors or not meeting the minimum activity threshold.

"Unspoken expectations are the biggest reason for performance problems," Moore said. "With our new bonus pool system using data from the WMS, every aspect of how to earn performance pay is transparent to employees. In fact, we've turned it into a game, with a large TV screen displaying WMS daily metrics. For some employees, it's a point of pride to be at the top of the leaderboard."

Optimizing Warehouse Performance

Ensuring that your company culture emphasizes employee satisfaction can be a full-time job.

Perhaps it's time to more closely examine the versatility of a WMS and its ability to generate useful data. Jensen Distribution and ESP Gauges have proven that WMS statistics can not only increase customer satisfaction and lower error rates, but can also be used to create better programs to lower turnover and encourage high performance through pay incentives.

Eric Allais, president and CEO of Washington-based WMS provider PathGuide Technologies, Inc., has over 30 years of experience in marketing, product management and sector analysis in the automated data collection industry, including warehouse management practices in wholesale distribution. More information at www.pathguide.com.

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Electrical Distribution Research Reveals a Divided Online Experience

A recent study of over 230 websites has found broad divisions in the online experience offered by electrical distributors, from e-commerce-focused sellers with elaborate storefronts to companies with a minimal online presence.

The research divides companies into four categories:

- E-commerce Focused: Companies with online storefronts that service their current customers while investing heavily in customer acquisition through guest checkout, in-depth product information, and promotions.
- E-commerce Portal: Companies with active e-commerce sites that are locked from the general public unless there is a pre-established account.
- Online Presence: Companies that link to the line card and have an online catalog that aims to drive sales through calls or in-store visits.
- Online Basics: Companies that rarely if ever update their sites and are tough to find when searched for.

Not surprisingly, the research shows that e-commerce-focused electrical distributors receive web traffic far higher than that of any other category, leading to higher customer acquisition and growth.

"Buyers are looking for businesses that offer minimal sales friction and price transparency," says Matt Osborn, Sr., Marketing Manager at Apruve, the company that conducted the research. "Many of the companies listed have not built their sites around that motive. The businesses that have are likely to grow at a faster rate and will continue to effortlessly acquire new customers through their online storefront."

A link to the full report is available on Apruve's website, https://b2b.apruve.com.

Distributor News

AD, the contractor and industrial products wholesale buying and marketing group, has announced a merger with **IDC-USA**, effective January 1st, 2019. The merger brings together the two largest independent bearings and power transmission buying and marketing groups in the U.S. IDC-USA will add 76 members to AD's 31.

Lawson Products, Inc., a distributor of products and services to the MRO marketplace, announced the acquisition of **Screw Products, Inc.** (SPI). The acquisition closed October 1, 2018.

Ohio Transmission Corporation, an industrial equipment service provider and distributor headquartered in Columbus, Ohio, has announced the acquisition of **Tape Industrial Sales, Inc.**

SRS Distribution announced that it has opened three new greenfield locations in the U.S. The sites are in Evansville, IN; Ramsey, NJ; and Lithia Springs, GA.

Electronic components distributor **TTI Inc.**, Fort Worth, TX, a Berkshire Hathaway subsidiary, completed its previously announced acquisition of **RFMW Ltd.**

HVACR/plumbing distributor **F.W. Webb Co.**, Bedford, MA, has acquired **Palace Plumbing & Heating Supply**, with locations in Manhattan and the Bronx.

Building products distributor **ABC Supply Co. Inc.**, Beloit, WI, has acquired **DRI Supply Co.**, a distributor of drywall, roofing and insulation products.

Ferguson Waterworks announced the acquisition of **Grand Junction Pipe & Supply** effective September 24. The company will operate as Grand Junction Pipe, a Ferguson enterprise.

Staples, Inc. and **Essendant Inc.** announced that an affiliate of Staples has commenced the previously announced tender offer for all outstanding shares of Essendant›s common stock at a purchase price of $12.80 per share, net to the seller in cash, subject to reduction for any applicable withholding taxes in respect thereof, without interest.

Building products distributor **ABC Supply Co. Inc.**, Beloit, WI, has opened a branch in Phoenix, expanding its presence in Arizona.

Amazon.com, Inc., said it will open a fulfillment center on Tsawwassen First Nation lands, expanding its presence in British Columbia, Canada, and creating more than 700 full-time jobs in metropolitan Vancouver.

Ferguson plc reported sales of $20.8 billion for fiscal year 2018, ended July 31, up 7.6 percent compared to fiscal year 2017.

Würth Industry North America (WINA) has announced that Dan Hill will become Executive Vice President of the Würth Group and Chief Executive Officer of WINA and succeed current EVP Marc Strandquist on October 1st.

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Economy Continues on a Roll

September ISM survey: Conditions stay strong, pricing moderates

By MDM Staff

Economic activity in the manufacturing sector expanded in September and the overall economy grew for the 113th consecutive month, according to the nation's supply executives in the latest Manufacturing ISM® Report On Business®. Tariffs continue to be top of mind and a concern for purchasing professionals, but overall most industry sectors seem to be taking most tariff actions in stride prior to full third-quarter financial reporting.

Manufacturing expanded in September as the PMI® registered 59.8 percent, a decrease of 1.5 percentage points from the August reading. "This indicates strong growth in manufacturing for the 25th consecutive month, led by strong production output, continued strength in new orders, improvements in supply chain delivery performance, and better utilization of existing inventory accounts," said Timothy R. Fiore, chair of ISM's Manufacturing Business Survey Committee.

"The past relationship between the PMI® and the overall economy indicates that the PMI® for September (59.8 percent) corresponds to a 5.1-percent increase in real gross domestic product (GDP) on an annualized basis," Fiore adds.

Comments from the panel reflect continued expanding business strength. Demand remains strong, with the New Orders Index at 60 percent or above for the 17th straight month, and the Customers' Inventories Index remains low. The Backlog of Orders Index continued to expand, but at lower levels compared to the previous month. Consumption improved, with production and employment continuing to expand at higher levels compared to August despite shortages in labor and materials. Inputs — expressed as supplier deliveries (decreased), inventories and imports — improved compared to the previous month's activity. But continued supply chain inefficiencies led to an increased consumption of inventory and a slight expansion of imports, which adequately supported production output.

"Demand remains robust, but employment resources and supply chains continue to struggle, but to a lesser degree. Respondents are again overwhelmingly concerned about tariff-related activity, including how reciprocal tariffs will impact company revenue and current manufacturing locations," says Fiore.

Production

ISM®'s Production Index registered 63.9 percent in September, an increase of 0.6 percentage points compared to the 63.3 percent reported for August, indicating growth in production for the 25th consecutive month. "Production expansion continued in September, surpassing August expansion and resulting in the strongest gains since January 2018, when the index registered 64.5. Labor constraints throughout the supply chain, impacts due to lead-time expansions and transportation difficulties continue to limit full production potential," says Fiore.

New Orders

ISM®'s New Orders Index registered 61.8 percent in September, a decrease of 3.3 percentage points compared to the 65.1 percent reported for August, indicating growth in new orders for the 33rd consecutive month. "Customer demand expansion softened slightly this month but continued to expand at high levels, with the index at or above 60 percent for the 17th straight month," says Fiore.

Pricing

The ISM® Prices Index registered 66.9 percent in September, a decrease of 5.2 percentage points from the August reading of 72.1 percent, indicating an increase in raw materials prices for the 31st consecutive month. In September, 42.3 percent of respondents reported paying higher prices, 8.6 percent reported paying lower prices, and 49.1 percent reported paying the same prices as in August.

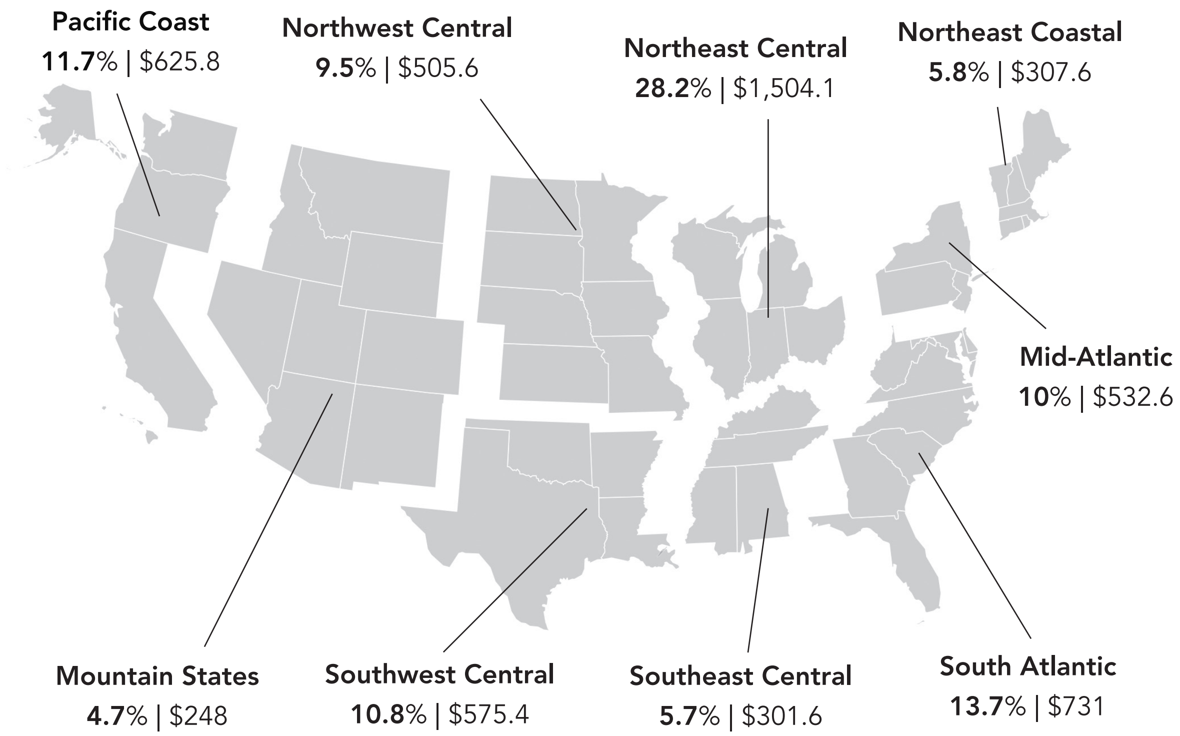
"The Business Survey Committee noted price increases softening in metals (all steels, steel components and aluminum). However, increases continue in various chemicals, corrugate and packaging products, freight, labor, electrical and electronic components, products manufactured primarily from steel, and paper products. Shortages continue in electrical and electronic components, labor, and freight. The index eased to its lowest expansion level since November 2017, when it registered 64.8 percent," Fiore said.

Cutting Tools Market Demand in the U.S. | Market Snapshot

Market demand for Cutting Tools in the U.S. was $5.3 billion in 2017, according to data from MDM Analytics. All estimates are 2017 end-user demand, in U.S. dollars, including distributor margin.

U.S. Total: $5.3 billion

U.S. End-User Market Demand for Cutting Tools by Region, $ Millions (2017 est.)



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

Top 10 end markets in $ volume, by NAICS code, consuming Cutting Tools (2017 est.)

End User		Estimated Consumption
336412	Aircraft Engine and Engine Parts Manufacturing	$424,627,423
333120	Construction Machinery Manufacturing	$307,719,184
333111	Farm Machinery and Equipment Manufacturing	$266,267,888
336390	Other Motor Vehicle Parts Manufacturing	$258,993,860
332710	Machine Shops	$250,232,373
336111	Automobile Manufacturing	$169,731,210
336411	Aircraft Manufacturing	$167,598,133
333618	Other Engine Equipment Manufacturing	$163,565,847
333517	Machine Tool Manufacturing	$161,848,802
333914	Measuring, Dispensing, and Other Pumping Equipment Manufacturing	$112,422,489

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

News Digest
Continued from page 1 of this section

Actuant Corp., Milwaukee, WI, reported fiscal fourth-quarter sales of $301 million, a 9 percent increase over the year-ago period. The company reported a net loss of $37.8 million, compared with a net loss of $98.8 million a year ago.

Building materials distributor **Huttig Building Products Inc.**, St. Louis, MO, has appointed Philip W. Keipp vice president and CFO.

The Home Depot has rolled out express same-day and next-day local delivery for more than 20,000 of its most popular items to 35 major metros across the U.S. The new service is part of the company's overall five-year expansion of its delivery offerings for DIY and Pro customers.

Building materials distributor **84 Lumber**, Eighty Four, PA, has donated more than $10,000 to help the victims of Hurricane Florence.

Electrical, communications and data networking products distributor **Graybar**, St. Louis, MO, has appointed three new vice presidents, effective January 1, 2019.

NorthEast Electrical Distributors, a **Sonepar** company, has named Michael Demers as Vice President, Operations. Demers was most recently the director of distribution and transportation for Kellogg.

The Home Depot, Atlanta, GA, has increased its financial support to $3 million for disaster relief efforts and communities affected by recent disasters, including Hurricanes Florence and Olivia, the California wildfires and flooding in the Midwest.

Economic News

Real gross domestic product (GDP) increased at an annual rate of 4.2 percent in the second quarter of 2018, according to the second estimate of the National Income and Product Accounts. With the second estimate, real GDP growth for the second quarter was revised up 0.1 percent from the advance estimate of 4.1 percent issued last month. In the first quarter, real GDP increased 2.2 percent.

The Conference Board Leading Economic Index for the U.S. increased 0.4 percent in August to 111.2, following a 0.7 percent increase in July, and a 0.5 percent increase in June. The leading economic index is now well above its previous peak of 102.4 in March 2006, according to The Conference Board.

The Conference Board Consumer Confidence Index increased in September, following improvement in August. The Index now stands at 138.4, up from 134.7 in August, and is approaching the 18-year high of 144.7 reached in 2000, according to the group's most recently monthly data.

Manufacturer News

Johnson Controls has acquired **Lux Products Corp.**, a Philadelphia-based designer and manufacturer of residential thermostats and smart home products.

Honeywell, Morris Plains, NJ, said it will acquire Germany-based warehouse automation business **Transnorm** from **IK Investment Partners** for approximately EUR 425 million (US $493 million).

Barnes Group Inc., Bristol, CT, has agreed to acquire **Brescia**, Italy-based Gimatic S.r.l., for EUR 370 million (US $434.7 million) in cash.

Manufacturer **Regal Beloit Corp.**, Beloit, WI, said that Chairman and CEO Mark J. Gliebe will retire from the company after the completion of calendar year 2018.

Emerson, St. Louis, MO, has elected Lori Lee to its board of directors.

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