

Dean's List  
College of Business and Technology  
Monday, April 21, 2014

Please note that Hollman Media, LLC of Kearney has won the prestigious Walter Scott Entrepreneurial Business Award.

Think about doing an article for the Kearney Hub during the 2014-2015 academic year. Also, consider promoting your program, students, and/or event on NTV (time to be determined) and KGFW Talk of the Town. (4th Wednesday of each month at 9:35 ) A schedule will be sent in the fall.

**Criteria for the Hub article:**

- 500 words or less
- Business tips/backed by your research if you so choose
- Long text or short bullet points
- Author picture and short bio
- Every other month to start

I will send it on to the Hub after the Dean's approval.

## **Faculty, Administration, and Staff:**

**Dr. Kyle Luthans** and **Dr. Susan Jensen**, Management Department, were coauthors for an article published in the *Journal of Business and Management* entitled, "Industry Peer Networks: Constructive Collaboration for Effective Marketing and Management Practices."

**Dr. Allan Jenkins**, Economics, presented "What Do We Do With the Workers We Just Don't Need" as a part of the University of North Carolina-Greensboro's Morality of Capitalism Program which was March 31.

**Dr. David Palmer**, Management, presented his pedagogical research "*Investigation of the Attitudes Toward Research of First Year Business Students*" at NCUR in Kentucky. It was part of the Faculty/Administrator Network Series (FAN) – it is designed as a forum for faculty to discuss research about undergraduate research. Read the attached article regarding recruitment in which Scott and Brenda Jochum have been quoted about the process as it relates to Industrial Distribution students at UNK.

## **CBT Impact**

Read the attachments above from the Midland Business Journal regarding our CBT Service Center experts-**Chuck Beck, Allan Groenke, Shawn Kaskie, and Eileen's Cookies.**

Take a look at the Kearney Hub articles by **Larry Carstenson, J.D.**, Accounting/Finance, and **Dr. Sri Seshadri**, Marketing/MIS,

<http://www.kearneyhub.com/opinions/hubopinion/faculty-tenure-why-do-we-haveit/>

Shawn Kaskie, Director of the Center for Rural Research & Development, and Kate Bombeck, Director of the CBT Career Center, are the advisors of Enactus. The Enactus team, competed against 200 university teams, delivered a seventeen minute

group presentation that identified their application of business concepts in their on and off campus outreach projects aimed at improving the quality of life and standard of living for people in need.

Although the Enactus program has over twenty-two active members, seventeen students participated in this competition. The attached regional report includes a full list of outreach projects they implemented this year. Visit

<http://www.unk.edu/academics/crrd/Enactus.php> for additional information.

The Team members are: Kori Dietz, Morrill; Margaret Fennessy, Norfolk; Nicole Connor, Bennington; Abbey Rhodes, Amanda Thee, Logan Klinkman, Jessica Stratton, Colton Dorr, Jonathon Vasquez, Roy Wasson, and Jordan Starostka, all from Kearney; Laura Spale and Chloe Christensen, Fremont; Austin Taibemal, Seward; Michael Lechowicz, Omaha; Jon Larchick, Loup City; Eric Schroder, Holdrege; Louis Harper, Kelsey Tockey, and Miranda Kluthe, North Platte; Team President, Jesse Zwiener, Albion, Reyna Raymundo, Grand Island; Luke Fennessy, Norfolk; Asante Fuqua, Cambridge; Gongxun Zhang-China. (PHOTOS ATTACHED)

Their most recent Annual Report shows how they empowered over 2,000 Nebraskans by applying their academic skills with an entrepreneurial approach. Over 500 universities/colleges have active Enactus teams, and these student-led projects were rated as one of the top 80 in the nation by experienced business professionals at the recent National Exposition. This was the first time in UNK/CBT history that an Enactus/SIFE team has earned this distinction.

This trip and project costs were supported by the UNK Student Talent Development Program committee/SET funds, the College of Business and Technology's Dean's Office, and the UNK Business Services Office.

**Mark Fiala**, senior Management Emphasis student from Seward, was recently named a first team Academic All-American in wrestling.

**The following students presented at UNK's Undergraduate Student Research Day in April 2014.**

**Jordan Bloesser**, Management, advisor, Dr. Jake Messersmith, Title: ***Internship Effectiveness.***

**Brian Norman**, Management, advisor, Dr. Michelle Fleig-Palmer. He also presented at NCUR in Kentucky.

Title: ***An Application of the Rate of Adoption Theory Relevant to Personal Health Record Adoption***

**Yi Zhao**, Management, advisor: Dr. Michelle Fleig-Palmer, Title: ***An Evaluation of Performance Appraisals in the U.S. and China and Recommendations for Multinational Businesses.*** The presentation was also made at NCUR.

**Sarah Ahrens**, Marketing, advisor, Dr. Heather Schulz, Title: ***Examination of Materialism within the Brand Community Framework***

**Presenter – Kami Kalkowski**, Family Studies & Interior Design, advisor: Dr. Sylvia Asay

Title: ***Risky Sexual Behavior: A Retrospective Study of Adolescent Parenting, and Drug and Alcohol Use.***

**Jordan Bloesser**, spring Management Emphasis graduate from Colorado Springs, Co, has been chosen to give the senior address at the Honors Convocation/Breakfast. This summer she will be working with the Pikes Peak

Marathon, Inc. Organization in Manitou Springs, CO. She expects to be seeking out career opportunities within the Colorado event planning industry specifically tied to athletic events.

Jerry Nelson, Public Affairs Specialist for the Federal Reserve Bank of Chicago engaged in a video conference with economics students to enhance learning about the U.S. Central Bank as well as current economic events and their impact on financial markets and the U.S. economy. See photo above.

**Colton Johnson**, Construction Management student from Burke, SD, will attend the National Association of Home Builders (NAHB) residential Construction Symposium in Washington D.C. which is sponsored by the National Housing Endowment. He will learn more about legal and regulatory issues, building codes, management best practices, as well as being exposed to the NAHB Research Center for product testing and green building techniques. Johnson's essay and academic recommendation resulted in an expense paid trip to the symposium which is open to HELP grant institution. UNK has been such an institution since 2010,

## Experiential Learning/Internship

Read about the CBT internship highlighted in the Kearney Hub.

[http://www.kearneyhub.com/news/business/invaluable-internships/article\\_50edd610-abae-11e3-8cd5-0019bb2963f4.html](http://www.kearneyhub.com/news/business/invaluable-internships/article_50edd610-abae-11e3-8cd5-0019bb2963f4.html)

### **Britney Bochart, Accounting emphasis, advisor Dr. Bruce Elder**

Britney Bochart, senior in Accounting, is completing a spring internship with McDermott & Miller, P.C., in Kearney. Britney has worked mostly on individual tax returns but also has done many returns for farms and trusts and a couple of corporate tax returns. Britney's farm background has made her a huge asset to the firm as she understands a lot of the language and terms associated with the farm returns and can easily communicate what is needed to the clients. She has been able to use a lot of the concepts from Tax Accounting and Advanced Tax Accounting, especially understanding how to apply credits such as education credits. After she completes the 150 credit hours required to sit for the CPA exam and graduate next May, Britney would like to work either in public accounting or auditing. Her second internship, with Seim Johnson this summer, will allow her to get experience in auditing and aid in her career decision.

## Alumni News

**Kim Herrick** is the branch manager for Associated Staffing in Kearney. She previously worked for a local wireless company as a training specialist and sales manager. She has a degree in Organizational Communications with a minor in Marketing/Management.

**Tawnia Wood**, Accounting Major, is the director of financial reporting and analysis at Baldwin Filters in Kearney. She has held several positions with the organization including controller. She will have financial reporting responsibility for Baldwin Filters' worldwide locations.

**Tell me about your alumni!**

**Please remember to forward your news items to Marsha Yeagley so that proper coverage can be provided. Your news may be added to the next Dean's List, and/or posted on the "Notables" section of the website, or the Dean's page of the site. When appropriate, a news release will be sent to students' hometown newspapers and/or the Hub, as well as covering the item in the June publication of the College of B&T Annual Report. Remember that what you and your students do "makes a difference." In order to send the press release to the students' hometown newspaper, please provide the hometown. Help us in the recruitment and retention process by informing Marsha of your news.**

**Send to:**

**[yeagleym@unk.edu](mailto:yeagleym@unk.edu).**

**Please only send information regarding papers and presentations after the fact.**

Marsha K. Yeagley

Senior Lecturer, Marketing/MIS Department

Coordinator of College Communications

West Center Building W241

University of Nebraska at Kearney

Kearney, NE 68849

308-865-8345





# Do the Homework

## Market research important first step in building a business

Making business decisions without using objective sources of information and processes may result in the loss of money and valuable time. Your friends and colleagues may think there will be enough customers or revenue for your idea, but where did they get that information?

Have you ever bought a used car because your local mechanic said it's a good model? How many cars fitting that exact model has he worked on in his lifetime? Maybe a dozen.

Spending a few minutes online reading expert and nationwide consumer review sources may more accurately show average annual repair cost and reliability information. In business, engaging in potentially expensive market strategies without using information based on statistically significant data from your target customers may result in spending advertising money unnecessarily.

Market research and survey services are available for practically every industry and market sector. From private-owned companies (small and large) to governmental entities to non-profit organizations, if there's something you need to know, chances are your local college reference librarian can help you. If you need help making sense of this information, they can usually direct you to a public business consultant or resource provider.

If you need more training on general business topics, the local community college and economic development district offer a variety of quality, yet affordable, 5-to-12 week informal business planning courses. If you need more technical analysis on specific industry topics, your nearest university probably has professors with the research expertise you need. If you plan ahead, several university students can work on your problem and present the results at the end of the semester. UNK has an Entrepreneur-in-Residence, who is a certified Patent Attorney, to help you see if your innovative idea is original. If you are have trouble finding a local business resource provider that knows where to find the objective information you need, please call our office at 308-865-8199.

Doing your homework before making your next purchase decisions will save you time and money in the long run.



**Shawn Kaskie**  
**Director, Center for**  
**Rural Research & Development**  
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 www.unk.edu/crrd

Shawn is a certified Professional Community and Economic Developer, former Gallup Entrepreneurship Acceleration System Guide, BR&E consultant, and NxLevel Entrepreneurship Instructor.

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# Determining Your Market



**Chuck Beck**

NBDC Government Contracting Consultant  
cwbeck@unomaha.edu  
(308) 865-8244

Chuck Beck is a PTAC Consultant for the Nebraska Business Development Center. As an outreach partner with the University of Nebraska at Kearney, Chuck serves a 48-county territory in Central and Western Nebraska.

## PTAC forges path to government contracts

Determining your market is a key process in selling to the government. Your company's government market will depend on what products or services you provide, your company's structure and distribution, as well as a number of other factors.

The Nebraska Procurement Technical Assistance Center (PTAC) Program can help companies determine their potential government market, creating greater chances of success when bidding on a government contract.

The PTAC Program, facilitated through the Nebraska Business Development Center, helps companies navigate the process in selling to the government. There are five PTAC offices located throughout the state: Auburn, Kearney, Lincoln, Omaha and Wayne.

These locations serve all of Nebraska and provide local resources to help businesses improve their success. PTAC Program services include:

- Assisting with DUNS Number and System for Award Management (SAM) registrations
- Determining North American Industry Classification System (NAICS) and Federal Supply Codes
- Developing a government marketing strategy
- Identifying government opportunities
- Researching and understanding guidelines
- Providing access to resources needed to complete a successful bid

These are free services provided to Nebraska-based businesses to help them grow and remain viable in today's competitive business environment.

The PTAC hosts a variety of workshops across the state on government contracting, helping business owners gain perspective and knowledge about working with government contracts.

To learn more about the NBDC or PTAC Program, visit: <http://nbdc.unomaha.edu/home.cfm>

Representatives across the state are available for consultations.

# ALLEN GROENKE

UNK Entrepreneur-in-Residence



**Allen Groenke**  
UNK College of Business and Technology  
Center for Rural Research and Development  
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(308) 865-8199

### 1. Tell us about your role as a leader in your business or community:

Advising entrepreneurs on the invention, patenting, and manufacturing of new products.

### 2. What has been your most significant professional accomplishment?

Working with the founder and CEO of BridgePoint Medical, Chad Kugler, to develop a patent portfolio with claims covering a new product line. Participating in the licensing of the BridgePoint patent portfolio to Covidien PLC (NYSE: COV) and the sale of the company to Boston Scientific Corporation (NYSE: BSX.)

### 3. What do you do for relaxation?

Spend time in nature; maybe do a little fishing.

### 4. Describe your favorite part about living in the Midwest:

The people and the culture.

### 5. If you were a superhero, what super power would you be and why?

The power to keep the polar vortex inside the arctic circle where it belongs.

### 6. What book do you recommend to others as a must read?

"Designing for People," by Henry Dreyfuss.

### 7. What is currently on your playlist?

Joshua Bell, Armin van Buuren, The Postal Service.

### 8. What are you most proud of?

My kids.

### 9. If a television series was made about your life, what would it be called?

"Ice Road Truckers." I just finished driving to Minneapolis after a winter storm had covered the interstate with sheets of ice.

### 10. What words do you use to describe your community?

Creative, hands-on, problem solvers.

### 11. Which historical figure or iconic person would you like to spend a week with?

I'd like to spend a week with Thomas Edison working in the invention factory he built.

### 12. Explain your mantra in life and who inspired this in you:

There's more than one way to skin a cat. Inspired by James Dyson who said, "We're taught to do things the right way. But if you want to discover something that other people haven't, you need to do things the wrong way. Initiate a failure by doing something that's very silly, unthinkable, naughty, dangerous."

### 13. What is your favorite pastime or venue to visit in Central Nebraska?

My favorite pastime is floating down a river on a warm, sunny day. I'm looking forward to floating some rivers in the Sand Hills this summer.

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# Planning for Success One Bite at a Time

EILEEN'S COLOSSAL COOKIES  
CREATES SOLID BRAND  
WITH GROWTH



Eileen Harman has come a long way since the days of making cookies in her home kitchen and delivering them dressed as the Cookie Monster. She has built a solid business in the cookie industry by strategically evaluating opportunities, bringing in good people to join her team and offering excellent customer service. Today, Eileen's Cookies has 19 stores throughout the Midwest. Her plans for success were based on market demand, listening to her customers and her intuition about business.

After graduating from high school in Hastings, Nebraska in the early '70s, she attended Lincoln School of Commerce to receive an education and become a secretary. Her skills as a secretary have always been an asset to her in business. She said the man she worked for was a wonderful role-model for her on how good a boss can be. After getting married, she became active in real estate. When she started a family in 1977, she decided she wanted to be a stay-at-home mom to raise her two sons.

Harman wanted to learn more about decorating cakes for birthdays and other occasions, so she took a community education class on cake decorating at the high school. She found she loved the decorating part, but not necessarily the cake part of cake decorating.

She had seen decorated cookies during a trip to Omaha and decided to try it for herself. She began decorating 6-inch cookies and selling them at local convenience stores. She even ran ads in the newspaper to see what kind of interest there was. It didn't take long for the decorated cookies to become popular. She began taking orders for larger decorated cookies for special occasions. As the demand increased for her decorated cookies, she realized this really could work as a business; she may

have found a niche. At the time, there wasn't anyone decorating and selling cookies commercially in her area.

It wasn't long before Harman's business grew beyond her kitchen at home and she hired her first employee. She knew she needed to find a retail location for her cookie operation. She found a home for her first cookie shop in downtown Hastings, in 1983. In her new shop, she dove into the cookie business full force. People began to realize that not only did these cookies look great, but they tasted good too!

Because of the demand, she started selling 3-inch cookies by the dozen in addition to the frosted and decorated cookies. Her business was growing, and Eileen's Colossal Cookies was becoming a well-known business in Hastings and the surrounding communities.

Unlike many startup businesses, Harman was able to use her own resources and funding for her business. She broke even the first year, but has successfully turned a profit each year since. She attributes much of this to great employees, hard work, careful evaluation, being visible in the community, and the support of family and friends.

She also explained that having an attitude that focused on good customer service and quality was probably her biggest competitive advantage. She added two more employees and became incorporated in 1987.

That same year, with growing popularity, she decided to take a leap and expand her operation to include a cookie shop in Grand Island, 25 miles away, and then one in Kearney, 45 miles away, four years later.

Over 25 years later, Eileen's Colossal



**TOP:** Tony, Eileen and Gabe Harman at the flagship store in Hastings, Neb.

**MIDDLE:** Gabe and team at work

**BOTTOM:** Gearing up for Husker season with their themed cookies.

**When a person walks into an Eileen's Cookies store, it is evident the operation is running according to plan.**

Cookies is stronger and more successful than ever. In 1994, she was approached by a couple who lived in Cheyenne, Wyoming, but had ties to Kearney and was familiar with Eileen's Cookies. They wanted to start an Eileen's Colossal Cookie shop in Cheyenne.

Harman decided it felt right; it was the right time, the right place and the right people. Knowing she couldn't have the kind of control she needed to run this business more than 370 miles away, she decided it was time to create a franchise. She contacted her lawyer who referred her to a franchise attorney. With his assistance, the franchise option for Eileen's Cookies was born. This segment of the business is now managed by her son, Tony Harman. They currently have franchise stores in Nebraska, Colorado, Wyoming, Oklahoma, Kansas and most recently, Minnesota. Harman's other son, Gabe Harman, is the manager of the Hastings store.

They have a system for all functions of the business. Because of this, developing a franchise operation manual was a fairly straight forward process. All procedures and practices are documented and easy to effectively implement if followed correctly.

Eileen stresses that it is very important for a business owner to write their own manuals and to record their own flow of operations. They are the only ones who understand their business on the level it takes to communicate it to others. As the Director of Franchise Operations, Tony is proud of how the Eileen's Cookie System is done based on his mom's experience as the owner. This element of organization has made for a streamlined business model.

When a new franchise signs on, they are required to spend time training at the home store in Hastings. Then the franchise team consisting of Eileen, Tony, Gabe and Head Cookie Decorator, Val Brock assists on-location with their store opening for the first 11 days. The process has been so fine-tuned it is almost a science. Eileen kept great records and wrote down her experiences from the very beginning of her business which has helped in the planning and growth of Eileen's Colossal Cookies.

Another benefit for Eileen's Cookies has been a positive relationship with Cash-Wa Distributing, a centrally-located vendor. They require certain products for all of their locations and the family-owned distributor has been able to supply the stores and keep prices fair.

"It has been great dealing with (Cash-Wa). They know us. They are a family-owned company that started in Kearney, so when I call, I can talk to them and relate to them. They are good people," Tony said.

When a person walks into an Eileen's Cookies store, it is evident the operation is running according to plan. The cheery, upbeat atmosphere is contagious and it's hard to imagine anyone leaving without a smile on their face. It is a place where people are happy from the sweet aromas of baking cookies to the excellent service and friendliness of the staff. Eileen instills and emphasizes the importance of customer service.

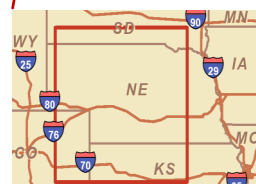
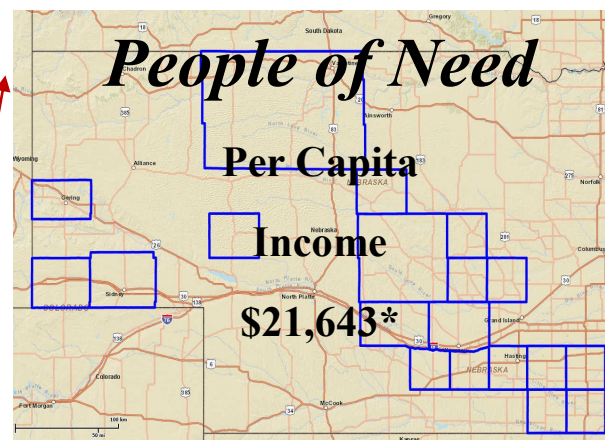
"The most important thing is to be good to your customers and employees. You must be friendly, treat them right and go out of your way. When someone asks for something special, you do it because that is a customer and they will be back."

-LISA TSCHAUNER



Over 1.4 Million  
Media Impressions!

Project	Direct Impacts	Hours	Continuing/ New
New Venture Adventure Day	191	174	Continuing
UNK Recycling & Sustainability	1,700	140	Continuing
Rural Revitalization Project	602	54	Continuing
Financial Literacy	135	190	Continuing
Brewed Awakening	24	390	Continuing
<b>Totals</b>	<b>2,652</b>	<b>948</b>	



\*nearly half  
the national  
average

#### INCOME STATEMENT

##### INCOME

New Venture Adventure	\$ 2,115	
Applebee's Fundraiser	\$ 510	
Total Income		\$ 2,625

##### EXPENSES

New Venture Adventure	\$ 907	
Total Expenses		\$ 907

**Net Project Income \$ 1,718**

Coffee Shop Income	\$ 7,200	
Coffee Shop Expenses		\$ 16,200

**Nearly  
1,000  
Outreach  
Service  
Hours!**



## Annual Report 2013-2014



**University of Nebraska  
at Kearney**



# Planting the Seeds...

## ► *New Venture Adventure*

**NEED:** Address the 'brain drain' diagnosis in Nebraska and throughout the Midwest, inspiring students to recognize entrepreneurial opportunities.

**COOPERATIVE EFFORT:** Worked with more than **20** local bankers, realtors, and business owners to create a sense of "realistic entrepreneurial pressure" for all **120** participants. Collaborated with two Economic Development Directors in Kansas to expand New Venture Adventure in the Midwest.

**KNOWLEDGE:** Students experienced the excitement and challenge of entrepreneurship by creating a new venture in a fictional town. Participants crafted mission statements, completed loan requests, negotiated a lease, devised marketing campaigns, coped with ethical dilemmas, solved global sourcing decisions, managed cash flow, and presented an overall business plan to a panel of judges, all in one day!

**OPPORTUNITY CREATED:** Participants gained a new appreciation for the wonders and worries of entrepreneurship and strengthened their public speaking and teamwork skills.

**IMPACT:** More than **191** participants from **14** rural high schools across Nebraska.



## ► *UNK Recycling And Sustainability*

**NEED:** Currently, our University recycles a mere **9%** of possible recyclable goods. This lack of recycling is a clear indication that UNK must do more to address this issue. UNK is also struggling to contain energy at an efficient level.

**COOPERATIVE EFFORT:** With a limited budget, the UNK Enactus Team joined forces with Student Government, Residence Hall Association (RHA), UNK Sustainability Committee, UNK Facilities, UNK Dining Services, and the City of Kearney.

**KNOWLEDGE:** We have created a marketing plan that will empower the University to take a giant step toward becoming more green and working harder to limit damages to the environment. The marketing plan outlines several different programs, which we have begun to implement. Our goal is that, within the next five years, UNK will recycle approximately **70%** of possible goods, like our sister school in Lincoln, and use **10%** less energy in each building across campus.

**OPPORTUNITY CREATED:** With the help of RHA, we are creating banners and fliers to be located around campus to provide extra awareness, along with purchasing more bins to increase recycling locations. Teaming with RHA, we put on Project Clean Plate, which empowered UNK students to save **714** pounds of food; the equivalent amount was then donated to the Crossroads Mission in Kearney. To address the energy issue, we have assisted in hosting friendly competitions amongst residence halls on campus to reduce the amount of energy consumed, saving UNK **\$2,694** from January **2013** to February **2013**.

**IMPACT:** Along with empowering **2,000** student residents to participate in the energy competitions, we have also empowered **244** of those students to become Green Resident Certified, which means that they have completed a 3-level course in which they pledge to become more sustainable. These students save UNK an additional **\$528** per day.

## ► *Financial Literacy—Sorry! Game Housing Edition*

**NEED:** Address a financial decision that many college students face: living on campus versus off campus.

**COOPERATIVE EFFORT:** The UNK Enactus Team partnered with the Office of Financial Aid to fill this need by providing UNK students with knowledge about the various financial differences in housing choices.

**KNOWLEDGE:** The program is an unbiased view on the economic, social, and logistical factors that go into choosing a location to live. Students will be able to live in the right location in order to achieve better grades, a comfortable social life, and higher levels of financial freedom. This program was set up in a game board style, so participants were able to interact and involve themselves with the program.

**IMPACT:** A total of **44** students have been empowered by the realistic living factors this year.



# ...to a Better Future

## ► *Crossroads Mission*

**NEED:** Crossroads Mission provides the homeless in Kearney and Hastings, Nebraska with food, shelter, budget lists, and money saving programs. The residents were in need of help gaining employment so we offered an interview readiness program.

**COOPERATIVE EFFORT:** The UNK Enactus Team worked with residents of the Crossroads Mission in Kearney and Hastings by providing an interview readiness program. Our three-step program focused on research, practice, and appearance. The Kearney program was so successful that the Hastings facility invited us to perform the same program at their facility.

**KNOWLEDGE:** Pre-test and post-test surveys indicated that **78%** of the residents are now more confident and prepared in their interview abilities.

**IMPACT:** A combined **37** people participated in the interview readiness program between the two cities.



## ► *Rural Revitalization Project—Grocery Stores*

**NEED:** To provide the citizens of rural Cody, Davenport, and Potter, Nebraska with solutions to their "food desert" problem and their desire to enhance entrepreneurial learning. The average family and income in each town are less than **1/3** of the state's averages and **1/2** the national average.

**COOPERATIVE EFFORT:** Continued collaboration with the students and community leaders in Cody to prepare the community for the opening of their grocery store, The Circle C Market, on Memorial Day weekend. A group of students in Davenport was inspired to participate in an area county entrepreneurship workshop. UNK Enactus is also communicating with leaders in Potter to provide similar assistance.

**KNOWLEDGE:** In the rural towns of Cody, Davenport and Potter, we were able to provide knowledge, tools, and resources that empowered the residents to use their entrepreneurial thinking and environmental awareness to achieve success in low-income and low-populated farmlands.

**IMPACT:** Approximately, **144** individuals in Cody, **390** residents of Potter, and **43** citizens in Davenport; for a grand total of **577** Nebraskans were directly impacted.



## ► *Brewed Awakening*

**NEED:** Lack of applied entrepreneurial learning opportunities in Rural Nebraska and on campus. Being the first student-operated business on campus, we are leading the way for student-entrepreneurial engagement at UNK.

**COOPERATIVE EFFORT:** With the help of the American Marketing Association to market the coffee shop, the UNK Enactus team was able to hold the grand opening with the Chancellor of UNK, the Dean of the College of Business and Technology, and other faculty and staff on November 28, 2012.

**KNOWLEDGE:** As members of the UNK Enactus Team and students majoring in business, we are receiving first-hand experience on how to own and operate a business. Ordering inventory, increasing revenue, decreasing expenses, gaining a competitive edge over competition through marketing, and having payroll, managers, staff, and customer service are all aspects of business we are learning from the Brewed Awakening Coffee Shop.

**OPPORTUNITY CREATED:** Increase the team's available funds for projects and provide the students with an alternative food service option on campus. It will also provide the UNK Enactus Team members and other UNK students with the chance to learn the "ins-and-outs" of business in a life-like professional setting and stimulate environmental sustainability use on campus through the locally traded coffee products being used.

**IMPACT:** Profits generated by the coffee shop will be used to increase our resource capacity for planned social entrepreneurship projects targeted towards rural people of need.





## Recruiting: Go Beyond Career Fairs

*Invest time and resources to get the most from college recruiting*

*Distributors that have been successful in recruiting top talent straight out of school say that the key is to develop ongoing relationships that include guest speaking in classes, internship programs and involvement in student organizations. This article examines the challenges, benefits and best practices in recruiting at the college level.*

**By Scott Merrill**

To stand out to students in today's talent pool, distributors must have a presence beyond just career fairs. Distributors that have had success in attracting talent from colleges and universities say companies have to connect with students, early and often inside and outside of the university, to have a chance at recruiting top talent.

"If they want those high-skill people, the future leaders of their organization – not just people to fill positions – you have to actively recruit. You have to develop relationships. You have to follow-up with these students," says Brenda Jochum, internship director at the University of Nebraska at Kearney's industrial distribution program.

"Our students have four or five offers. Sometimes they're taking positions based upon who followed up with them quickly, or who took them out to dinner."

Competition for the best students can be stiff. At both the UNK industrial distribution program and at Florida State University's Sales Institute, two programs training students with skills relevant to distributors, students are seeing a 100 percent placement rate by graduation.

If distributors aren't proactive, they will lose to another company that is, says Mark Kramer, CEO of plastics distributor Laird Plastics, Boca Raton, FL. Laird works primarily with Florida State University and the University of Washington's sales

education programs to recruit students.

"When you look at the total student body population and how many of them are actually studying sales, what you find is there's a very, very select cadre of students – a very unique cadre of students. Therefore they're not finding it very necessary to look for jobs themselves, and the employers are finding them very early in their careers and working earnestly with them from even the sophomore year on," Kramer says.

Recruiting from colleges and universities requires time and relationship-building, neither of which can be rushed as students are graduating.

"It's very important for them to not just hear your name when you're coming in to recruit when they're seniors," says Kevin Kampe, president of industrial distributor Womack Machine Supply, Farmers Branch, TX. "They need to kind of know you all along. The earlier you start with them, the better."

### Building Awareness

To that end, recruiting begins with awareness. "We meet these kids when they're sophomores, and then we're lecturing in classes, we develop a relationship with them, and we kind of follow them through until they're seniors," Kampe says.

Womack Machine Supply, a distributor of hydraulic, pneumatic and automation equipment, works with Purdue, Texas A&M University and UNK to help build programs that produce the kind of qualified candidates it is looking for. Womack is involved in school advisory councils and consortiums. The distributor also helps build content for the programs and is involved in student organizations at the schools.

Distributors would benefit from devel-

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**PERSPECTIVE ■ Commentary by Thomas P. Gale****Cutting to the Chase On Digital's Value Proposition**

There's a lot of jargon around all things digital, and I plead guilty on all charges when talking about them – digital platforms, omnichannel, cloud, big data ... the more digital we go, the fuzzier the logic we seem to attach to the terminology used to describe it.

It is often difficult to have conversations about e-commerce, the Web or other digital infrastructure without spending some time on definition. How many times have we all been in a presentation where the jargon used destroys the meaning of the message?

More so today than ever, there is a much higher need to be specific about how these terms are used in their applications to business value.

We went from CD-ROM catalog in the mid-1990s to dot-com around 2000. On the consumer side, one could argue that the dot-com boom-and-bust around the start of the new millennium was a time of adolescence. We could argue how much the World Wide Web has grown up since.

As MDM's recent webcast and survey addressed, we are entering an age of adolescence in the adoption of e-commerce in wholesale distribution channels. By the definition that our research partner Jonathan Bein used, compa-

nies are generally considered to have a mature e-commerce channel when 10 percent or more of their total revenue comes from e-commerce.

When the hype, jargon and buzz get thick, I come back to a core concept that helps me cut through any confusion. For distributors, the quality and depth of the customer relationship is the top value. That is often followed closely by product knowledge and how to apply that to the customer's benefit.

After that, most assets, including logistics capabilities, tend to not contribute substantially to the company's key differentiation from competitors. They are absolutely essential to the business, but secondary to the relationship and knowledge assets.

So when I hear people talk about how best to fight or out-compete Amazon or Grainger or other e-commerce leaders (Grainger runs a third of sales through e-commerce), I feel they are often focused on the wrong parameters.

The real question to answer is this: How can we best translate and extend the high quality of relationships and knowledge that define our success to the emerging ways in which our customers want to do business with us?

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## Universities

Continued from page 1

oping a relationship with students even before college, according to Mary Jawgiel, program director at Industrial Careers Pathway. Industrial Careers Pathway is a group of distribution trade associations working together to build awareness of industrial distribution careers for young adults.

"I'd tell (distributors) to go a little bit farther down the educational chain and tell them to start in high school," Jawgiel says. "Basically, no one knows what industrial distribution is; it's sort of the hidden kind of industry that's out there."

If distributors work to build awareness of the industry early on, students may go into college thinking about industrial distribution as a potential career option, Jawgiel says.

"That's an industry that not many college students would have a lot of knowledge about, and by the time they graduate, it's not a very visible industry in terms of on-campus college recruiting," Kramer says. "So by raising the awareness about what wholesale distribution does and how much of what we do can meet the kinds of expectations they have for sales careers, we've been able to generate a lot of interest, not just in Laird, but in wholesale distribution overall."

It's also important to remember that distributors aren't just competing against each other for these workers, but against other industries, as well, Jawgiel says.

"Everyone's in competition for the same group of smart kids, and everyone wants them," Jawgiel says. "And we're at a bit of a disadvantage simply because no one really knows what industrial distribution is, and they also don't know that it's a business." But, she says, distributors offer many of the same opportunities as in other industries: positions in marketing, accounting, human resources, sales and more.

## Developing Relationships

One of the best ways to raise awareness is by getting involved with universities and other educational institutions and helping spread the word about the wholesale distribution industry, UNK's Brenda Jochum says.

"Even those companies that come to UNK, I always recommend that they develop these relationships with colleges, universities and community colleges within their area and just try to reach out to business programs," she says. "Go into a general business class and share what

industrial distribution is."

Distributors that have been successful in their recruiting efforts make a concerted effort to be involved with the programs they work with, according to Scott Jochum, industrial distribution lecturer at UNK. "They're not just showing up to these events; they're wanting to help the industry themselves. They're committing themselves not just to the program, but to the industry, as well," he says.

Working with universities can help distributors stay in the loop on any relevant events they may want to attend, as well as develop contacts who can keep an eye out for potential hiring prospects, Jawgiel says.

"Building the relationship is really the most important thing to do," she says. "If you're an industrial distributor and you start to build a relationship with an instructor or a counselor or an administrator at a college and you explain what it is you're looking for as far as a future employee, then you can have those people start looking out for you."

Generating awareness of the industry is important for widening the pool of students from which distributors can pull from, but it's only half the battle. Distributors also need to develop a relationship with students so they will decide to choose distribution as a career path after graduation, says Kyle Buxton, area leader for WinWholesale, Dayton, OH.

WinWholesale, a distributor of industrial supplies and materials, recruits students from UNK. "The thing that I can't underscore enough, if companies want to be successful in their recruiting efforts, is aligning themselves with institutions that fit culturally with their organization and then taking the time and energy to increase the level of familiarity with the students, so they really know what they're getting," Buxton says.

A distributor that works consistently with universities will put itself front-of-mind for students when they are thinking about career options, Kramer says.

"You've got to be there in person, you've got to do more than just recruit," he says. "You've got to know people, and you've got to brand your company with that university so that your name and your sales profile, the types of jobs that you offer, are in front of these kids frequently. Otherwise you'll simply lose out to somebody who has more prominence than you do."

## Internships

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After getting students' attention, distributors have to show them what their companies are about. The best way to do this is through strong internship and training programs, Brenda Jochum says.

"We've seen situations where students have four or five offers, and they make their choice based upon the training and development opportunities that are available," she says.

Internships can't just be busywork, though. They should offer a good view of the kind of work the student would be doing if they were hired, Womack's Kampe says.

"In the intern program that we do, we make sure they have a significant project to work on; it's not just paper-shuffling and filing," he says. "We allow them all the resources to attack the project. Having a really strong intern program helps in giving those kids a flavor of what the company would be like to work for."

Brenda Jochum says that she encourages distributors to build a well-rounded experience. "(Students) need to see counter sales, inside sales, they need to go out with outside salespeople, they need to speak with managers, leaders within the organization," she says. "That's a dynamic we kind of forget about."

Distributors should make sure that the interns aren't in the warehouse the whole time, Jochum says. Interns should be doing work in the role that they would have if they were to be hired.

### Fast-Tracking

Students – especially those in skill- or industry-specific programs – have been trained to provide value to distributors right out of school, and they're willing to work hard to do so, according to Bob Teehan, program coordinator for the industrial distribution program at Eastern Michigan University in Ypsilanti, MI.

"I think (distributors) are going to be pleasantly surprised with the type of employee they can have," Teehan says. "The students that I see are willing to commit to working hard and working smart. They're eager, they're capable, they may need some guidance and some direction, but they're willing to listen. They're also

### Industrial Careers Pathway

Industrial Careers Pathway is a workforce initiative supported by the American Supply Association, Industrial Supply Association Education Foundation, The Association for Hose and Accessories Distribution and the Power Transmission Distributors Association Foundation. ICP links students and job-seekers through partnerships with local educators and employers.

Learn more about ICP at its website:

- [www.industrialcareerspathway.org](http://www.industrialcareerspathway.org)

the same group of people that will give you 60 or 70 hours of hard work (a week)."

And, given their training, students should be able to hit the ground running.

"What I always tell companies is our students should be able to fast-track through their training programs because of the courses they've had here," says UNK's Scott Jochum. "You already have a person that's been in the industry – that understands the industry – and has a general interest in it. You don't have to teach them what the industry is."

"It's been a very pleasant and profitable source for us to get young people into the industry and into our company and to get people that have been trained exceptionally well in the fundamentals of selling from the day they arrive, which is huge," Kramer says.

If distributors can overcome challenges of awareness and a competitive job market and can attract students through increased presence at schools, solid internship programs and well-developed training programs, they can benefit from the new perspectives, hard work ethics and strong backgrounds that these students can provide, Kramer says. "We're finding it a very profitable and sustainable source of good, young, professionally trained sales representative talent, the kinds of people who have the ability over time to go on and become management trainees," he says.

Kramer encouraged other distributors to look harder at universities. "The wholesale distribution industry could benefit greatly from tapping into a lot more of this talent."

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# E-Commerce: The Multichannel Factor

## Best practices for improving the effectiveness of multichannel marketing

The third annual MDM distribution e-commerce survey found that distributors' e-commerce revenue as a percent of overall revenue is rising. But while distributors are increasingly using multiple vehicles to drive demand online, they have not yet effectively integrated tools such as marketing automation and paid search into their efforts. This article looks at how distributors approach demand generation online and ways they can improve the weakest links, as revealed by the survey.

By Jonathan Bein

E-commerce demand generation is in transition. According to results from the third annual MDM Distribution E-Commerce Survey, while most distributors are increasing e-commerce revenue from email marketing, catalog and organic search, they remain less effective with paid search and marketing automation. Furthermore, most of the demand generation approaches distributors are taking are not integrated.

### Marketing Vehicle Effectiveness and Spend

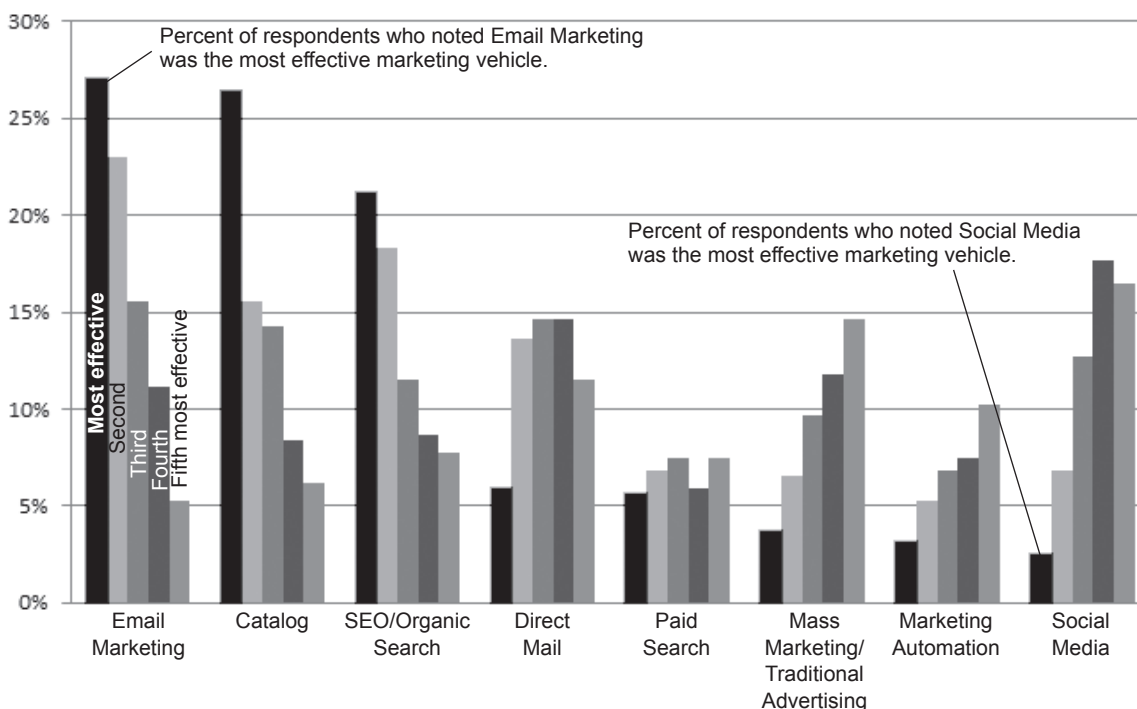
We asked survey respondents to rate the effectiveness of various marketing vehicles for driving e-commerce demand. As shown below in **Figure 1**, more respondents consider email marketing, catalog and organic search to be the most and second most effective vehicles to drive demand online.

While we expected that email marketing and organic search would be considered highly effective, two surprises arose from the results:

1. Catalog is a significant driver of e-commerce revenue. However, the effectiveness of most distributor catalog programs is not measured well. Yet it is considered as effective as email marketing and organic search, which are both easy to measure.
2. Companies that have core competency in paid search typically see high effectiveness. This supports the finding in the first article published March 25 that e-commerce capabilities in distribution have room to mature.

**Figure 1: Effectiveness of Marketing Vehicles Driving E-Commerce Revenue**

Distributors were asked to rank their most-effective marketing vehicles out of the eight listed in the chart below. This chart illustrates, for example, what percentage selected email marketing as the most effective, second most effective, and so on for each vehicle. In general, email was seen as an effective tool by most respondents, and vehicles such as marketing automation, social media and paid search were chosen by the fewest as effective.

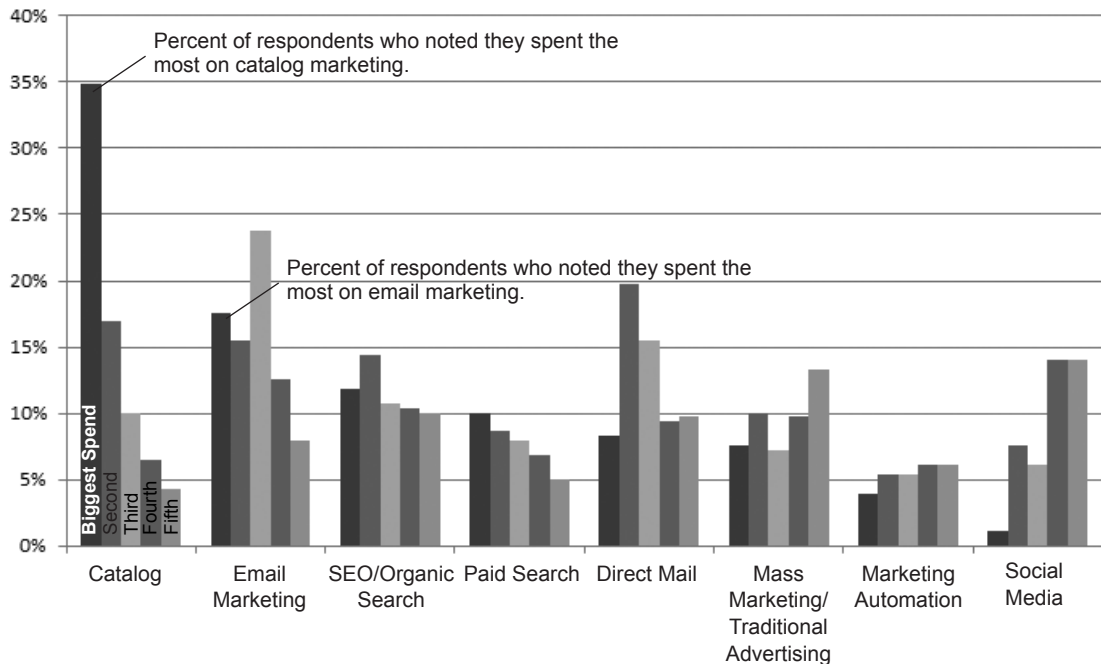


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## Figure 2: Spend by Marketing Vehicle

Distributors were asked to rank their spend by marketing vehicle out of the eight listed in the chart below. This chart illustrates, for example, what percentage allocated the highest spend to catalog marketing, as well as how many allocated the second-biggest spend to that category, and so on for each vehicle. In general, catalog received the biggest spend by most respondents, and marketing automation and social media had the lowest.



Social media is not considered by most respondents to be very effective at driving e-commerce revenue. From a demand generation perspective, it is more of a complement to other primary and secondary approaches. Because of its complementary nature, distributors should continue efforts with social media.

As shown in **Figure 2**, total spend on marketing vehicles for e-commerce corresponds well with effectiveness with a couple of exceptions:

- Catalog is considered the second most effective overall, yet it is the highest overall spend.
- Paid search has much lower effectiveness than direct mail, but is the biggest spend for a greater portion of the respondents than direct mail.

Search marketing, catalog marketing and marketing automation can each be effective for driving e-commerce demand if approached in the right way.

Here are some best practices in each.

### Search Marketing

Search marketing includes organic search (also known as search engine optimization or SEO) and paid search. Search marketing can be a cost-effective way to grow revenue.

Real Results Marketing has seen this with several of our distributor customers for whom e-commerce is the primary, or sometimes the only, channel. For these companies, search marketing is a core competency that has been the basis for their success and has propelled significant growth.

However, just under half of the respondents believe that search marketing is effective or very effective for acquiring new customers, and paid search is not considered very effective by the respondents. But many distributors launch their e-commerce initiatives with search marketing as the primary or only means to drive traffic and generate demand.

Two recommendations to improve ROI on search marketing are:

1. If it is not already a core competency, work with third-party experts in search marketing to get better results.
2. Use search marketing to acquire new customers rather than to grow wallet share with existing customers. Direct response methods are a much more cost-effective means for reaching customers that you already have.

### Catalog Marketing

The use of print catalogs can be a significant



boon to your e-commerce initiatives. A prior MDM survey revealed these synergies between catalog and e-commerce:

- 85 percent of companies with successful catalogs believe that e-commerce and catalogs are synergistic or that their catalogs help drive e-commerce sales.
- 73 percent of companies who have a mature e-commerce channel – defined as having 10 percent or more of total revenue coming from e-commerce channels – believe that e-commerce and catalog are synergistic or that their catalog helps drive e-commerce sales.
- The three distributors who were considered by their peers in that survey to have the best websites (Grainger, MSC Industrial Supply and McMaster-Carr) were also considered by their peers to have the best catalogs.

Catalogs drive e-commerce revenue because when a computer is not available, catalogs are, and customers needing a product solution reach for the companies with whom they feel most confident. The net result is that many times

customers will shop in the catalog and buy on the website.

### Marketing Automation & Email Marketing

Survey respondents rated email marketing as the most effective means of generating e-commerce revenue, and they rated marketing automation as the second least effective means of generating revenue. Yet many other industries have seen tremendous benefits from using marketing automation.

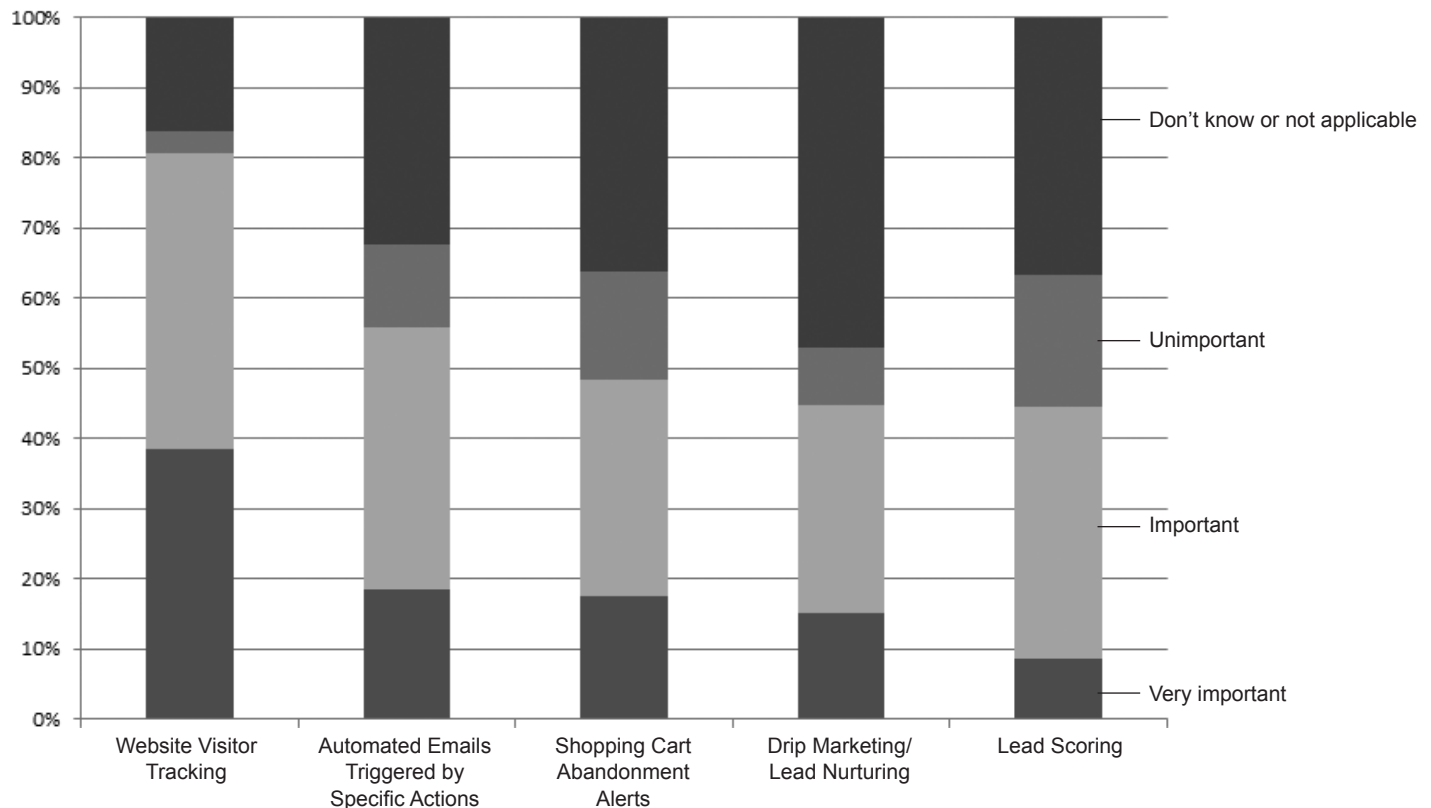
Email marketing is powerful because of the ability to use this tool to track customer behavior. When an email blast is sent to a list of customers or prospects, the sender can tell if the email is opened.

Marketing automation goes a few steps beyond email marketing. In addition to knowing whether the email was opened, the sender can tell if someone clicked on a link that was in the email and which links were clicked on, for example a special offer that takes them to a dedicated landing page.

Based on the email recipient's behavior with openings, clicks and pages visited, it is possible

### Figure 3: Importance of Marketing Automation & Email Marketing for E-Commerce

Distributors were asked to note how important marketing automation and email marketing capabilities were to their e-commerce business. With the exception of visitor tracking, roughly half of respondents marked most capabilities as unimportant or don't know/not applicable.





to orchestrate “drip marketing” campaigns in which offers and other content are staged to be sent at different times. The recipient’s behavior can be scored and when it reaches a threshold, the prospect can be handed off to sales.

There is limited awareness among distributors about marketing automation and how it differs from email marketing, as shown in **Figure 3**. Yet a 2012 study by Aberdeen Group shows that companies that deploy marketing automation see:

- 107 percent better lead conversion rates
- 40 percent greater average deal sizes
- 20 percent higher team attainment of quota
- 17 percent better forecast accuracy

Within distribution, the leading e-commerce programs all use marketing automation instead of email marketing. It is an area with significant opportunity for many nascent and maturing distributor e-commerce initiatives.

*This survey was conducted and produced by MDM and Real Results Marketing and sponsored by Net-Suite.*

### About This Research

This research was conducted by Real Results Marketing with Modern Distribution Management. The research included an online survey taken by 465 participants across a variety of distribution sectors. There was heavier participation from industrial, safety, electrical, electronics, building materials, janitorial, HVACR/plumbing and hardware. Other participating sectors include oil and gas products, pulp and paper, chemicals and plastics, grocery/foodservice and pharmaceutical.

Nearly 40 percent are small distributors with less than \$50 million revenue, over 30 percent are mid-market with \$50 million to \$500 million revenue, and 19 percent are large with more than \$500 million revenue. Others did not disclose the revenue range. About 40 percent are primarily focused on MRO, 19 percent are focused on OEM customers, 24 percent are an even blend of MRO and OEM, and 17 percent are in other categories.

## U.S. Industrial Outlook: Solid Manufacturing Growth Through 2015

Manufacturing has potential for solid growth through 2015, according to the quarterly Manufacturers Alliance for Productivity and Innovation U.S. Industrial Outlook, a report that analyzes 27 major industries.

Manufacturing industrial production increased at a 4.7 percent annual rate during the fourth quarter of 2013 before flattening out in the first quarter of 2014. Inflation-adjusted GDP decelerated to a 2.6 percent annual rate in the fourth quarter and will likely be less than 2 percent in the first quarter of 2014. Both declines, however, are anticipated to be short-lived.

Manufacturing production increased 2.3 percent in 2013. MAPI forecasts growth of 3.2 percent in 2014, an advance from the 3.1 percent forecast in the December 2013 report. The momentum is likely to continue in 2015, with growth forecast to be 4 percent, down only slightly from 4.1 percent from the previous report.

The report offers economic forecasts for 23 of the 27 industries. MAPI anticipates that 20 industries will show gains in 2014 and three will remain flat. Growth leaders include housing starts with a 22 percent increase, industrial ma-

chinery at 9 percent and electric lighting equipment at 8 percent.

In 2015, growth is expected in all 23 industries, led by housing starts at 30 percent and both electric lighting equipment and aerospace products and parts at 11 percent.

According to the report, non-high-tech manufacturing production (which accounts for 95 percent of the total) is anticipated to increase 2.9 percent in 2014 and 3.8 percent in 2015. High-tech industrial production (computers and electronic products) is projected to expand by 6.8 percent in 2014 and 7.2 percent in 2015.

From November 2013 through January 2014, 14 of the 27 industries MAPI monitors had inflation-adjusted new orders or production at or above the level of one year prior (four fewer than reported last quarter), while 10 declined and three were flat.

MAPI reported that nine industries are in the accelerating growth (recovery) phase of the business cycle; six are in the decelerating growth (expansion) phase; seven are in the accelerating decline (either early recession or mid-recession) phase; and five are in the decelerating decline (late recession or very mild recession) phase.



## Wolseley Sales Up 5.2% in First Half of 2014

UK-based Wolseley plc, parent company of Ferguson Enterprises, reported sales of £6.4 billion (US\$10.6 billion) for its fiscal first half 2014 ended Jan. 31, 2014, up 5.2 percent year-over-year. On a like-for-like basis, sales were up 3.2 percent.

Trading profit for the half was £352 million (US\$581 million).

Growth was driven by strength in the U.S. and UK and “modest improvement” in like-for-like growth in the Nordic region. Wolseley reported ongoing weakness in Central Europe and Canada.

Two bolt-on acquisitions were completed in the period with annualized revenue of £52 million (US\$85.9 million).

### U.S.

Revenue for Wolseley’s U.S. business, including Ferguson Enterprises, (53 percent of ongoing revenue) was up 6.2 percent to £3.4 billion (US\$5.6 billion) from last year on a like-for-like basis, including price deflation estimated at 0.7 percent as a result of falling commodity prices. On an actual basis, revenue was up 7.4 percent from the prior-year period.

Trading profit in the U.S. was up 14.3 percent at £255 million (US\$421 million).

The U.S. business opened 18 new branches in the first half, primarily in the Blended Branches and Industrial businesses. Headcount was up 194 to 19,163, with 84 coming from acquisitions. U.S. trading margin was 7.4 percent, up from the same period a year ago, when it was 7 percent.

Sales were up 5 percent in the fiscal second quarter 2014. The slower growth rate was in part attributed to extremely cold weather during the period.

The RMI segment was “resilient,” Wolseley reported, and recovery in new construction continued in the U.S. Ferguson’s Blended Branches and Water-

continued on p.3 of this section

## Distributor News

Atlanta, GA-based **HD Supply Inc.** has opened a combined Waterworks and White Cap 25,000-square-foot facility in Manchester, NH.

**HD Supply** reported full-year sales for fiscal year 2013 ended Feb. 2, 2014, of \$8.5 billion, an increase of 6.8 percent from 2012, with organic sales up 8.1 percent. The company reported a loss of \$218 million for the year, up from a net loss of \$1.2 billion in 2012.

**Sonepar Canada**, Mississauga, Ontario, has agreed to acquire **MGM Electric Limited**, an electrical distributor in Thunder Bay and Northwestern Ontario.

**Motion Industries**, Birmingham, AL, announced two group executive promotions as part of the company’s field organization changes. Richard Burmester has been named senior vice president and group executive for the realigned Southwest sales group. Austin Amos has been named senior vice president and group executive of the newly formed Midwest sales group.

Fasteners distributor **Field**, Machesney Park, IL, has appointed Jim Derry as president. Derry succeeded Bill Derry, who will continue as chairman.

Potential buyers are resisting price expectations in the attempted sale of **Anixter International**, an electrical and datacomm distributor, according to a report from Bloomberg News.

**WinWholesale Inc.**, Dayton, OH, has opened a new 256,000-square-foot regional distribution center in Denver, CO, which will serve operating locations mainly in the western U.S.

**Airgas Inc.**, Radnor, PA, announced that Andrew R. Cichocki has been named president of **Airgas USA LLC**, effective April 1.

**Praxair Inc.**, Danbury, CT, has acquired **Lake Welding Supply Company Inc.**, an independent gas and welding products distributor in western Michigan.

**US LBM Holdings LLC**, Green Bay, WI, has acquired **Jones Lumber Company**, Boca Raton, FL, a supplier of lumber and building materials.

**Bishop Lifting Products**, a subsidiary of **SBP Holdings**, has acquired **Delta Rigging & Tools**, Houston, TX, a manufacturer and distributor of slings, wire rope and rigging products.

**B/E Aerospace Inc.**, Wellington, FL, has agreed to acquire **Vision Oil Tools LLC**, Houston, TX, a provider of oilfield rental equipment and services.

**supplyFORCE** has tapped John Burke as president and CEO as of April 14. Burke has been serving the past 13 years as president and COO of **Kirby Risk Electrical Supply**, a distributor of electrical products. supplyFORCE is a distributor-owned national accounts organization.

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**MARKETS  
UPDATE  
SUPPLEMENT  
P. 2****Report: Canadian Manufacturing Exports Less Reliant on U.S.**

The Canadian manufacturing export industry has undergone big shifts over the past decade, according to a report recently released by Statistics Canada, which publishes Canadian economic data.

The report identifies three significant changes to the Canadian manufacturing export industry between 2002 and 2012:

- The proportion of exports going to countries other than the U.S. has increased.
- Canadian export product mix has become more balanced with transportation equipment no longer dominating exports to the same degree it had pre-2002.
- Domestic consumption of Canadian manufactured goods has increased, making Canada less reliant on exports overall.

Here's a closer look at those trends, with all data presented based on the report.

**Expanding Beyond the U.S.**

The first trend the report identified is the diminishing importance of the U.S. as an importer of Canadian-manufactured goods.

From 2002 to 2012, exports of Canadian manufactured goods overall decreased more than 7 percent (\$20.7 billion). This decline was led by the U.S., whose imports of products made in Canada fell by \$44.8 billion over the same period. However, other countries registered a combined increase of \$24.1 billion, offsetting the decline to the U.S.

The decline in exports from Canadian manufacturers to the U.S. largely occurred in 2008 and 2009, during the peak of the U.S. financial crisis and subsequent recession. As a result of this sudden drop-off from the U.S., Canadian manufacturers began diversifying their geographic reach, becoming less reliant on the U.S. for their exports, according to the report.

From 2009 to 2012, what the report refers to as "the recovery years," U.S. imports from Canada increased 25.1 percent, but the U.S.'s relative share of Canada's exports only increased 0.6 percent. This is due to a relatively higher percentage of Canada's manufacturing exports going to other countries.

In 2002, 88 percent of Canadian exports went to the U.S. By 2012, that number had dropped to 78.2 percent.

One of the main reasons for the drop in the U.S.'s relative share of Canadian exports is China's rapid economic expansion over the past

decade, the report said, and China is now the second largest importer of Canadian manufactured products, more than tripling its imports from Canada between 2002 and 2012.

This increase is largely driven by increased demand in the paper, wood and metal manufacturing industries. Food exports to China have also been a considerable factor in Canada's international export growth, increasing more than six-fold from 2002 to 2012.

The European Union has also been increasing its relative share of Canadian exports, importing nearly \$5 billion more in Canadian manufactured goods in 2012 than it did in 2002, increasing its relative share of total exports from 4.5 percent to 6.5 percent. The United Kingdom is the biggest driver of this growth in the EU, responsible for more than one-quarter of all Canadian exports to the EU.

The report concludes: "This is not to say that Canadian manufacturers consider the American market less important, but that they developed new markets for their products during this period."

**Product Diversification**

The Canadian manufacturing export industry has also undergone a diversification of its export product mix.

Transportation equipment exports, Canada's long-time bread-and-butter export industry, decreased \$26.1 billion between 2002 and 2012. While it is still Canada's largest export industry, its relative importance has diminished greatly over the past 10 years, according to the report.

Other Canadian manufacturing industries have experienced sizeable growth from 2002 to 2012, helping to offset some of the losses from the transportation equipment industry. Primary metals, for example, increased exports \$9.5 billion between 2002 and 2012, moving it from the fourth to the second largest export industry in Canada. In relative terms, this industry increased from 6.7 percent of total Canadian manufacturing exports in 2002 to 10.7 percent in 2012.

Chemicals was another industry that increased significantly from 2002 to 2012, increasing exports by \$8.8 billion, making it Canada's third largest manufacturing export. Petroleum and coal products saw the greatest dollar increase during this time, increasing \$15 billion and becoming Canada's fourth largest manufacturing export.

It's interesting to note that all of these indus-



tries that experienced export growth between 2002 and 2012 also saw a decrease in the proportion of exports going to the U.S.; growth in these product categories was not due to U.S. consumption.

All this just goes to show the diversification of the Canadian manufacturing export industry over the past decade. While transportation equipment is still Canada's number one manufacturing export, it's relatively less important now than it was 10 years ago, comprising 27.1 percent of total manufacturing exports in 2012, as opposed to 34.1 percent in 2002. In 2002, excluding the transportation equipment industry, only one of the remaining 20 industries in Canada's manufacturing sector had a share of total manufacturing exports greater than 8 percent. By 2012, four industries exceeded this number.

### Decreasing Reliance on Exports

The final section from the Statistics Canada report had to do with export intensity, or the

ratio of exports from the manufacturing sector to manufacturers' sales.

From 2002 to 2012, 14 of 21 industries saw their export intensity decline, meaning that a relatively higher percentage of their products were being sold domestically. Overall, Canada's export intensity decreased 6.5 percent during this period.

The industries that manufactured wood products, machines and transportation equipment led the decrease in export intensity from 2002 to 2012. The chemical manufacturing and primary metal manufacturing industries, however, increased in export intensity over this time, partially offsetting the decrease by the other industries mentioned above.

In 2002, the majority of manufacturers' sales were exports (export intensity greater than 50 percent), but by 2012 the majority of manufacturers' sales were to Canadian buyers (export intensity less than 50 percent). - *Scott Merrill*

### Wolseley

Continued from p. 1 of this section

works businesses saw growth in the period; the Fire and Fabrication business also grew strongly, Wolseley said, as the commercial market recovered.

Wolseley reported Build.com's growth rate was lower vs. strong comparables. The U.S. HVAC business grew, but the Industrial segment was affected by weaker demand for piping products that support the shale gas exploration industry.

### Canada

Canada sales (7 percent of ongoing revenue) were down 3.5 percent in the second quarter 2014.

In the fiscal first half 2014, Canada sales were £406 million (US\$670.3 million), down 7.7 percent from the prior-year period. Sales were down 1.9 percent on a like-for-like basis.

Wolseley reported new residential markets in Canada continue to be depressed, particularly in Quebec. Blended Branches grew modestly, but Waterworks and Industrial declined in Canada. Headcount was down by 50 in the first half to 2,461. Canada trading margin was 5.9 percent, compared with 6.4 percent the year before.

### UK

Revenue in the UK (15 percent of ongoing revenue) was 3.2 percent ahead of the prior year on a like-for-like basis, including 1 percent price inflation. The residential RMI market was "resilient" and new residential construction grew, helped by government incentives.

Plumb and Parts Center grew with a focus on higher margin segments. Trading margin in the UK was 5.1 percent, down from 5.4 percent last year.

### Nordics

Ongoing revenue in the Nordics (14 percent of ongoing revenue) was down 1.2 percent on a like-for-like basis, including 1 percent price inflation. The region generated growth in the second quarter for the first time in two years, but construction markets remained depressed in Denmark and challenged in Finland.

### Other

In France, sales were up 0.4 percent on a like-for-like basis, and in Central Europe, sales were down 2.6 percent on a like-for-like basis.

**MARKETS  
UPDATE  
SUPPLEMENT  
P. 4****News Digest**

Continued from p. 1 of this section

**Economic News**

February 2014 **construction spending** was estimated at \$945.7 billion, a slight increase from the revised January estimate, according to the U.S. Census Bureau. The February 2014 figure is 8.7 percent above the February 2013 estimate.

**Construction firms added jobs** in 37 states over the past 12 months and in 30 states between January and February, according to an analysis of government data by the Associated General Contractors of America.

The **manufacturing sector expanded** in March for the tenth consecutive month, according to the latest Manufacturing ISM Report on Business. The PMI registered 53.7 percent, an increase of 0.5 percentage points from February's reading of 53.2 percent.

**New orders for manufactured goods** in February, up following two consecutive monthly decreases, increased 1.6 percent to \$488.8 billion, the U.S. Census Bureau reported. This followed a 1 percent January decrease. Excluding transportation, new orders increased 0.7 percent.

The latest **ISA Economic Indicators Report** showed manufacturer activity in February at 63.2 percent compared with 62 percent the previous month. The distributor index was at 59.2 percent compared with 66.4 percent in January.

Led by improvements in production-related indicators, the **Chicago Fed National Activity Index** increased to +0.14 in February from -0.45 in January.

The **Canadian Industrial Product Price Index** rose 1 percent in February, mainly due to higher prices for energy and petroleum products. The **Raw Materials Price Index** increased 5.7 percent, led by crude energy products.

In February 2014, compared with January 2014, **industrial producer prices** fell by 0.2 percent in both the euro area (EA18) and the EU28, according to estimates from Eurostat, the statistical office of the European Union. In January, prices decreased by 0.3 percent in both zones.

**Manufacturing News**

**The Timken Company**, Canton, OH, has agreed to form a joint venture with **United Wagon Company**, a Russian manufacturer of freight cars, to manufacture Timken AP-2 rail bearings in Russia.

**ABB**, Zurich, Switzerland, has agreed to divest **Thomas & Betts'** heating, ventilation and air conditioning business for \$260 million in cash to Nortek Inc., Providence, RI. The sale is expected to close in the second quarter of 2014.

Adhesives manufacturer **H.B. Fuller Co.**, St. Paul, MN, reported sales for the first quarter ended March 1, 2014, of \$486 million, an increase of 1.3 percent compared to the same period a year ago. Organic sales grew 2 percent. Profit decreased 31 percent to \$14.6 million.

**Baillie Lumber**, Hamburg, NY, has acquired **American Hardwood Industries**, Waynesboro, VA, a portfolio company of H.I.G. Capital LLC. AHI is a global manufacturer and supplier of hardwood lumber.

**Air Industries Group**, Bay Shore, NY, has acquired **Woodbine Products**, Long Island, NY, an aerospace components manufacturer that will become part of Air Industries' subsidiary, **Welding Metallurgy Inc.**

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