

## **Q&A with Mike Pulick and Deb Oler, Grainger U.S.**

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*W.W. Grainger, Inc., with 2009 sales of \$6.2 billion, is North America's leading broad line supplier of maintenance, repair, and operating products with an expanding presence in Asia and Latin America.*

**Michael A. Pulick** was named President, Grainger U.S. in November of 2008. He is responsible for the company's U.S. operations, including the combination of Grainger Industrial Supply and Lab Safety Supply businesses.

**Deb Oler** leads the Grainger Industrial Supply Brand Team, responsible for accelerating the company's growth by creating relevant offers for the company's distinct customer segments. Her team is also central to determining marketing and pricing strategies, customer coverage, and the solutions offered.

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### **IMPO: How is the trend towards consolidation going to change the relationship between manufacturers and their suppliers?**

**MP:** This thing called MRO has been sitting there in front of them for many years, and they've probably just looked at it as 'the cost of doing business.' We're starting to realize that the way we're able to help manufacturers is by allowing them to see that the way they purchase MRO is very inefficient. It starts with the fact that many of the products they buy, they buy from a 'just in case' perspective, because they are critical items to keep their manufacturing facility up and running. When they don't have it, they have to scramble around to try and find it, so when they find it they say, 'let's get the one we need and then we'll get an extra one.' They put it on the shelf and, low and behold, years later, they don't really need it; it's still sitting there, or maybe it's damaged or it's lost.

So it's about helping plants understand that there is a better way of looking at MRO, and to realize that it's not just about the price of the actual product that they're trying to get, but it's all the time and energy that it takes to get it. And it's the inventory carrying costs. By starting to look at it more strategically and buying it from a just in time perspective rather than a just in case, it allows them to then free up space in their facilities to use for other things, and it allows them to free up cash to go invest in other parts of their business. In addition, getting the areas where they store these products more organized can make their maintenance more efficient.

What this means from a tactical perspective is determining where all the products are and who they are buying them from. Manufacturers are right there with sometimes hundreds or thousands of suppliers that they buy these types of products from... they have many individuals in their organizations that are buying these products, so they don't necessarily understand what they're buying, per se. Also there is perhaps a lack of coordination between one area of the plant and another area of the plant. Helping manufacturers start to corral and understand all of these products that they're buying means they can then start the consolidation process. The next step is the standardization of many of the products they are buying. They start to notice—'Hey, we're using 50 different safety glasses in our facility.' Or, 'I didn't realize we were using 25 different kinds of cut-resistant gloves.' So what they realize is, they can become more efficient by starting to standardize on just a few products, and it's another step where they can take cost out of their operations.

### **IMPO: What might manufacturers realize if they took a closer look at their supplier base and inventory levels?**

**DO:** Millions of dollars worth of opportunity surrounds what they buy, how much they buy, and how much they keep on hand. An average company, we would tell you, has somewhere between 25 and 40 percent more inventory sitting in their facility than they need.

A typical customer might say, 'I don't really care that much about it. It's carrying costs.' It's not that they're being flip, but more like they're just not sure this is their biggest problem. But maybe a different way to think about it is that you are building your budget every year to buy product to feed a monster that eats 40 percent more product than it should. This is not capital; this is expense. You're taking it right off your bottom line every month, and if you're putting a bunch of expense in your basement that you could get from us the next day, and you could free up that cash to go do something else with or just put to the bottom line of your company—do you care about that?

So—who are you buying from, how many products are you buying from them? If you're buying from dozens and dozens of people, you just de-leveraged your own spend. Buying 40 percent more product than you need and keeping it on your shelves is kind of like buying groceries that you're going to eat three years from now. Our focus point—and we've learned this from customers over and over

again—is, first and foremost, what can we do to help customers with operating expenses and cash flow? We want to be able to come in and show them ideas and solutions and get to their bottom line. Once we do that, we build out on lots of other solutions, whether it is sustainability, safety, or unique business processes they have that we can help support. Our goal is to help people find out where there are dollars lying on the table, especially if they haven't been looking in that area.

### **IMPO: Is it a big road block to overcome manufacturers crippling fear of downtime when you try to sell them on this idea of “just in time” over “just in case?”**

**MP:** I think there are two challenges in what I'll call the change management process. The first challenge is that plants don't realize that they have this stuff scattered all over their facility. It's not uncommon for a facility to have multiple tool cribs or supply areas, but it's also not uncommon for some of the maintenance personnel to have their own personal stash, because if the assembly line goes down, it's that person who is on the line to get it up and running again. They want to have the comfort to know they have that product.

But they don't realize the inventory levels from a holistic perspective, because they've got it spread all over the place. These items aren't tracked, and there's not any type of inventory management system to help them. So in overcoming the hurdle, you have to identify the fact that the facility is spending all kinds of money because they have these items all over the place but nobody knows really where they are.

The second hurdle is then starting to demonstrate that 70 percent of the items are not going to be repeated the next year. That is a conversation that starts off being very emotional, but we try to show them the data. It's that data that usually begins a process of 'Oh, I didn't realize that,' which then leads to, 'Well what can we do about it?' And the remaining 30 percent of items they are buying on a regular basis are the items that they should be thinking of carrying in their facility; those are the critical items. Then it's a matter of helping them manage that inventory to the lowest possible level so they only carry what they really need, and not the extra that's spread out throughout the facility.

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