Q&A With Court Carruthers, Grainger

Court Carruthers, SVP and President, Grainger U.S.

IMPO: With the issues currently facing industrial manufacturers (economy, skills gap, etc.), how is the way in which manufacturers are interacting with their distributors changing?

Carruthers : Our manufacturing customers tell us the most pressing issues facing their businesses are:

- Safety & Regulatory Compliance: Manufacturers must comply with regulatory bodies like OSHA, EPA, and FDA to ensure the safety of their employees, the quality of their products, and the conservation of the environment. Costs of non-compliance can be significant.
- Productivity: Manufacturers are focused on optimizing the utilization of their assets (e.g. people, equipment, and facilities), keeping their operations up and running, and minimizing down time.
- Cost Management: Manufacturers are looking for ways to maximize profitability, effectively manage cash flow, and balance costs related to inventory, payroll, and other operating expenses while mitigating risk.

As a result, manufacturers are requiring more from distributors. It’s not enough to simply provide products. Increasingly, manufacturers are looking for distributors they can trust and partner with to take a more strategic approach to the way they purchase supplies. They’re looking for distributors who understand their business and bring a combination of products, solutions, and reliable service to help address the challenges they face and take cost out of their business. Often, this results in the use of fewer, more strategic distributor partners.

IMPO: How is Grainger helping manufacturers who are trying to do more with less in today’s economy?

Carruthers: We have dedicated teams who work specifically with manufacturers in food processing, machinery and equipment, metal fabrication, and many other industries to understand their business challenges and opportunities. Our teams work with these manufacturers to develop and implement strategies to help achieve their goals around things like safety and compliance, productivity, cost management, and sustainability.

For instance, one of the ways we’ve helped manufacturers comply with safety regulations is by leveraging an online tool (Grainger Online Safety Manager) that keeps customers abreast of changes in OSHA, EPA, and FDA regulations. This tool alerts them when training and certification is required, and provides a

comprehensive set of training modules to educate employees about workplace safety. In addition, as the largest distributor of safety products in the U.S., we continue to expand our safety offering to have more of the supplies manufacturers need to keep their employees productive and safe.

We've also put a heavy emphasis on helping our manufacturing customers enhance productivity within their facilities by offering a suite of solutions to help manage their inventory of maintenance, repair, and operating supplies in areas throughout the plant (e.g. tool crib, machine shop, maintenance department). Our offering includes a combination of CMI solutions leveraging simple scanning and labeling technologies to VMI solutions in which Grainger manages the purchasing process for them to a variety of vending solutions tailored to specific needs within the plant. We've even built Grainger branches on-site for customers with high volume needs. Our on-site personnel are measured on the service they provide versus paid on commission, so they're laser focused on meeting the needs of our customers. And we produce documented cost savings to ensure that customers are getting the return on their investment.

IMPO: How is Grainger helping to address the skills gap in industrial manufacturing with its "Tools For Tomorrow" program?

Carruthers: We started talking with our manufacturing customers about this issue several years ago. The emerging workforce has not been gravitating to jobs in the industrial trades and as the current, aging workforce leaves, we're facing a potential skills gap. We saw an opportunity to help bring attention to this issue and encourage people to pursue careers in the industrial trades. So, we partnered with the American Association of Community Colleges (AACC) in 2006 to develop the Grainger Tools for Tomorrow program, which provides scholarships to students being trained in the industrial trades and toolkits upon graduation to help them get a jump start on their careers.

To date, Grainger has contributed more than $1 million in support of technical education, in the form of scholarships, classroom equipment, and funding for technical program start-ups. We've awarded more than 350 scholarships to students in skilled trades programs at community colleges across the country, and we designated half of our scholarships last year for returning military veterans. We also sponsored the AACC's "Trades in Focus" community awareness program, designed to identify and work with partners in the public and private sectors to cultivate future leaders in the industrial trades.

IMPO: What kind of impact do you think investing in online solutions can have for a manufacturer? What results has Grainger seen from its own investments in these areas?

Carruthers: Online solutions will become increasingly important as manufacturers continue using technology to become more productive. In fact, this trend has driven a significant shift in how manufacturers buy maintenance, repair, and operating supplies. eCommerce has become the fastest growing part of our business, now accounting for about 30 percent of total annual sales (nearly $2 billion in 2011),

making Grainger one of the largest internet retailers in the country.

More and more, manufacturers are looking for distributors who make it easy for them to buy on their terms, and they want more products and solutions brought to them versus having to go out and pick them up. So, we've been investing heavily in enhancing the customer experience on Grainger.com, incorporating many of the features you see on B-to-C sites.

For instance, we've enabled "Click to Call" and "Click to Chat" capabilities. If customers get stuck in certain areas on the site, like registration and checkout, they can speak to someone immediately to help guide them through the process. We also recently enabled a "Real Time Availability" feature to help manufacturers with immediate needs. So, if a motor on an assembly line goes down, they can quickly go online and see which local branch has a replacement in stock and either pick it up or have it delivered.

We also recently launched our mobile website. Forrester Research estimates that there were nearly 100 million smartphones in use in the U.S. in 2011. Monthly visits to our mobile site have increased nearly threefold in just a few months. Our manufacturing customers tell us they want more flexibility. Many have multiple areas of responsibility and are away from their desks for long periods of time. Our new mobile site brings many desktop capabilities like searching for products; placing, approving and tracking orders; and customer-specific pricing all to their handheld device.

We're still early on in building out our social media strategy. We launched Grainger's official Facebook page last year and we recently launched a “Product Reviews” feature on Grainger.com, designed to help customers leverage peer feedback in making purchasing decisions. We’ll continue to work with our manufacturing customers to test new ways to enhance their experience online. As manufacturers continue to go online, we expect social media tools will become a more prominent part of the equation.

IMPO: How does Grainger help manufacturers drive continuous improvement in their organizations?

Carruthers: We've been developing a discipline for leveraging continuous improvement to become more productive in our own business for a number of years. Now, we're bringing those learnings to our manufacturing customers. For instance, we recently helped a large manufacturer in the Midwest conduct a "process mapping exercise" to better understand their procurement process across multiple plants that produce a variety of products from health and nutrition to skin and hair care products. The exercise provided visibility to the number of suppliers each facility was buying from, the types of products ordered, the amount of emergency stock kept on hand, the number of purchase orders processed, and the number of people involved in purchasing and managing inventory. We worked with this customer to put a process in place that reduced the quantity of supplier relationships that needed to be managed, standardized product use across facilities, reduced the amount of emergency stock they carried, and leveraged

Grainger's VMI and vending capabilities to better manage inventory resulting in significant bottom line savings and improved service to end users on the plant floor. This customer is now in the process of implementing this program at other facilities across the country.

At the end of the day, we're focused on helping our manufacturing customers save time and money in managing their inventory of maintenance, repair, and operating supplies. Continuous improvement plays a major role in helping us accomplish these goals.

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