Keeping Industry In Motion

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If you tried, you couldn't think of a more perfect city for Motion Industries than Birmingham, AL. What began as a primary industrial center of the South, this city has since spread its wings into other, more high tech sectors like banking, bio-tech, research, and communications. For a supplier like Motion – a company equal parts cutting edge business practices and classic industrial MRO, this vibrant city nestled near the foothills of Appalachia seems like a natural fit.

There's something about Motion Industries that also seems like a natural fit for the bulk of its employees. With an astonishingly low turnover rate, company personnel talk about the business landscape with the perspective of folks who have watched it hit its highs and lows. As the executive teams looks toward the future, it's clear that the team in place has specific goals in mind.

Expansion & Growth

For a company that's acquired forty businesses since 1993, it's no surprise that the last two years alone has seen major product line expansion (from 8 to 12 categories since 2010), development of its services portfolio (most notably in fabrication and 48 company-owned service centers), consolidation of sourcing for its industrial supplies business, and a major upgrade in its company operating system (COS).

So how did this $4+ billion company end up where it is today?

Motion Industries, a wholly owned subsidiary of Genuine Parts Company, serves the industrial marketplace with MRO replacement parts and services through a network of 549 locations across North America. Customers have access to over 4.3 million parts from Motion's extensive line of authorized brands in Bearings, Mechanical Power Transmission, Electrical and Industrial Automation, Hydraulic and Industrial Hose, Hydraulic and Pneumatic Components, Industrial Supplies, and Material Handling.

Motion's 2011 sales of 4.2 billion means it comprised 33 percent of GPC's total revenues for the year. In fact, GPC's first quarter results (released in April), show marked increases in both sales and earnings over the same period in 2011. The results also cite Motion Industries' sales as the strongest of its business segments. According to Motion CEO Bill Stevens, the company owes some of its growth to an industrial market that's bouncing back. With a customer base of more than 150,000 industrial companies in petrochemical, food and beverage, wood and lumber, iron and steel, automotive, mining and aggregate, and pharmaceutical industries, Motion has also benefited due to its ability to offer a broad range in MRO beyond bearings and power transmission.

Recession Lessons

Looking at Motion Industries' most recent sales numbers, you'd never know it was coming off the same recession years as the rest of the industry.

According to Stevens, the scalability of its systems allowed Motion to be prepared for the downturn, although those years weren't without their challenges. But they weren't without their opportunities either: The company took a hard look at its business model and made sure it was taking all the right steps to maintain the competitive edge it started with. "We challenged our structure to ensure we were cost effective," explains Stevens. This included a continuous striving for productivity improvements, as well as working more closely with suppliers and customers in order to operate as efficiently as possible. That said, the recession years weren't simply an exercise in Lean cost cutting. For Motion, the pressures of the economy at that time also warranted a concerted effort to hang onto what made the company strong and profitable to begin with. "We had to make the appropriate adjustments not to lose key people, and made significant investments to provide the best sales tools, along with operating data to make solid decisions," Stevens says. Astute business decisions, coupled with its diversity in product lines and markets, likely contributed most to the fact that Motion regained in 2010 all the lost revenue of 2009. 2011 saw an impressive 19 percent growth in revenue.

Luckily for Motion, a long-evolving strategy for aggressive growth has produced its own little lessons over the years, and it didn't take a recession for the company to know that industry shifts must be handled with intelligence and agility, no matter what the economic climate. Stevens has seen some big changes in his years in the industrial distribution game, and it's this experience that's been critical in shaping a company that's both willing and able to adapt. "The mergers of both distributors and manufacturers have been significant," says Stevens, of the biggest changes he's seen in the course of his tenure. Besides holding its own in the acquisition department, Motion has also worked to develop the best relationships with suppliers through system connectivity and "strategic sales programs" to grow the business. Besides this external focus, Motion's internal strategies have included training and employee retention methods, in order to come to the table with a strong team who embodies the appropriate skill sets, experience, and ability. In addition, internal improvements for Motion have come through outpacing the industry when it comes to technology. As operating systems have moved from manual systems to high speed electronics, Motion's own COS has taken the concept of backwards-compatible ERP and thrown it on its ear.

Internal Technology Developments

The folks at Motion Industries use the words "next level" here and there — to refer to the increasing functionality of its COS (dubbed "eCOS") as well as the ways in which the company is stepping up in multiple areas of service. "Next Level incorporates the eCOS, mobility, facilities… really taking the entire company to the next level on the operations side, on the building side, and really how we service customers," explains Randy Breaux, Motion's senior VP of marketing.

But it's the IT department, helmed by company CIO Ellen Holladay, that really began to lay the roots for this initiative. Holladay first joined the company in 1993 and was tasked with developing a COS from scratch — mainly due to the fact that traditional distribution software was too broad, without the necessary depth for a company with millions of SKUs and hundreds of locations.

And now? “We are really a custom ERP shop. We’ve evaluated packages before and they tend to be too broad for what we do and not deep enough,” explains Holladay. “We’ve chosen to go along this custom path that has served us well in the past. It’s also allowed us to not have to go through a huge disruptive conversion.”

Next Level, from a technology perspective, consists of several keys areas, including eCOS and VoIP (voice over IP) where users like customer service reps can click to talk to the customer. “We also include our MI Mobile application, which is to support our outside sales group.” Finally, MotionIndustries.com – “We’re really investing in our content,” says Holladay.

Motion has been able to merge its customer needs through leveraging supplier relationships through technology in some interesting ways. The company has about 60 of its strategic suppliers who have direct system-to-system integration. “We really go into their ERP system,” Holladay says. “Part of that is enabling us to have a more effective customer service application. For a CSR, if we don’t have a part in stock in any of our locations, they can hit a button and it places an order with the supplier. If it’s on the shelf, it automatically generates a pick ticket and they ship it.” This system also provides the visibility so both parties can be aware of any changes to the order, allowing Motion to still hold relevant due date goals, allowing the company to remain accountable to the customer.

Challenges

Luckily for Motion, remaining accountable to the customer is right within its wheelhouse. And if IT is one of its leading internal initiatives, its external champion might be considered its corporate accounts business, an area Stevens says the company owes its recent growth to.

For Motion Industries, nurturing relationships with corporate accounts takes some finesse, most notably in the execution of strategic growth initiatives, utilizing the required knowledge of the related pressures of these unique relationships. For Mark Thompson, senior vice president of corporate accounts, this is no easy task when you factor in some of the things working against the average distributor.

One, he explains, has to do with the pressures for concessions coming from manufacturing customers. Another relates to the centralization of purchasing, something that has changed the dynamic of the value proposition, as well as its visibility at the corporate level. It used to be, explains Thompson, that the plant operations and maintenance personnel would be involved in purchasing decisions since they were the ultimate end users and really had a full grasp on the value at hand. As companies push towards streamlining this process, it’s often the case where these key influencers are excluded from the process, creating some challenges in leveraging the long term brand loyalty that came from working with these users.

Another more nebulous phenomenon that has been bleeding into the field of critical issues here is one where customers are being influenced (typically by consultants) to purchase based solely on the bottom dollar costs. The resulting issue is a failure of customers to consider the types of soft benefits that come with working with an integrated, progressive supplier — most notably the services, procurement, and technology benefits that are not often assigned a dollar value in the relationships.

In the future, Thompson says, the risk is that these pressures are going to eat into an already narrow margin and consultant-driven attitudes will create an impasse between supplier and customer. “The danger is in being close to the end of the road,” he says in reference to the ability of suppliers to absorb these pressures. “The costs of services go up and the gap narrows.”

Despite these potential pitfalls, Motion Industries has seen growth of its corporate accounts by $500 million over the past two years. It’s also these past several years that have shown the most change, says Thompson. But just because the game has gotten more difficult doesn’t mean Motion isn’t ready. One of the ways the company has gotten aggressive when it comes to targeting and winning these key corporate accounts is by assigning more manpower to this area.

Other industry pressures hail from the technology niche, something Motion seems to have its arms around. The challenge then, says Stevens, is to never get comfortable that you’ve totally got it covered. “Staying as current as you possibly can with the investment in systems is key,” he says. Step two is ensuring you have the training programs in place to support the utilization of those systems.

One of the ways Motion has addressed this well is through its eCOS; notably, the system is built on a relational database so “we’re not really having to unplug,” explains Holladay. “We’re taking the COS, adding a number of strategic models, and developing a web-based platform. So it looks all brand new, but we’re not having to completely replace everything. The other advantage is that we’re not having to go through a conversion. So we’re implementing eCOS but CSR, in the middle of the day, can say ‘I’m a little confused and I want to go back to my green screen for a little while,’ and their orders, customers, and pricing are all still there.” This commitment to IT that’s both cutting edge and functions with ease means Motion’s employees — many of whom have worked for years for this low-turnover company — can continue to leverage their existing skill set while taking advantage of the improved functionality of eCOS.

Into the Future

Breaux describes the culture here as “non-bureaucratic,” where meetings with company CEO Bill Stevens are relaxed, friendly. It’s almost as though Southern hospitality shines through the windows of the building. But despite the congenial feel, this group knows how to get things done; they have to. According to Breaux, approximately 50 percent of MRO orders are unplanned, meaning keeping Motion Industries on its toes is always the first order of business, no matter the wins in its recent past.

For Stevens, there's no good time to slow down and try to coast on previous success. "It is an ongoing investment and process to keep improving," he says. "We cannot expect to make these gains and improvements without investing each year."