

A Supplement to Penton Publications

# HVACR

Distribution Business

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June 2006



## Grainger: A Giant Success with a Local Touch

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National Presence, Local Service –

# Grainger Makes It Easy for the Customer

**A** \$5.5 billion company with more than 400 branches and 10 distribution centers across the country, Grainger is a giant in the HVAC and facilities management supply industries. With this reputation, Grainger customers – and they have more than 1.7 million of them in the United States – expect big things. But when Grainger shipped its annual product catalogs in early April, their sheer size and expanded product line really raised the bar: The familiar red Grainger catalog had grown with an additional 39,000 branded products, including 10,000 new products in categories like HVAC, electrical and material handling. In addition, they added some 29,000 fasteners such as nuts and bolts to fill in their offering.

Yes, Grainger continues to grow. But this is not growth just for growth's sake. Based in Lake Forest, IL, Grainger continues to add to its broad product line, expand its distribution centers and enhance the way it does business with its customers and suppliers so that it can be a one-stop shop. The more items Grainger can bring to-

gether under one roof for its customers, the easier it is for their customers to consolidate their purchases. And that saves them time and, ultimately, money.

As a distributor, it can be difficult to break out of the pack and be truly different. Grainger is different because it leads the pack in its ability to supply its

## Grainger at a Glance

Chairman & CEO	Richard L. Keyser
Group President	James T. Ryan
Headquarters	100 Grainger Parkway, Lake Forest, IL 60045
North American Operations	600 branches, 18 distribution centers and multiple websites
Employees	16,700
Major Product Lines	Motors & Power Transmissions, Electrical, Lighting, Test Instruments, Tools, Outdoor Equipment & Auto Shop, Pneumatics, Cleaning & Painting, Material Handling, Safety & Security, Fasteners, Metalworking, Welding & Shop Supplies, Pumps & Plumbing, HVAC/R
Annual Sales	\$5.5 billion
Website	<a href="http://www.grainger.com">www.grainger.com</a>



*Above: Newly expanded showrooms provide customers quick, easy access to the products they need.*

*Left: Grainger has opened nearly 30 new branches since the launch of market expansion in 2004.*

With its 10 distribution centers and its 416 branch locations in the U.S., customers like HVAC contractors have quick and easy access to the products they need to complete jobs and keep their businesses going.

customers with more than 800,000 products quickly and efficiently at a reasonable cost. With its 10 distribution centers and its 416 branch locations in the U.S., customers like HVAC contractors have quick and easy access to the products they need to complete jobs and keep their businesses going.

“What we provide is industry-leading availability,” says Michael A. Pulick, Grainger’s vice president of product management. “We’re able to get the product in a customer’s hands in a number of ways. It’s this availability that sets us apart.” With its branches strategically located around the country, many customers are able to simply pick up their orders that day by either calling their local branch in

advance or simply stopping in. For telephone or online orders, Grainger provides same-day shipping from its distribution centers; most customers would receive the products the following day. Pulick estimates that roughly 15 percent of total sales occur electronically through the Grainger website ([www.grainger.com](http://www.grainger.com)).

There is a continuous movement of product from Grainger’s 1,200 suppliers to its distribution centers (DCs) to its branches and customers. DCs ship both directly to customers and replenish the branches on a daily basis. A state-of-the-art information technology system provides real-time communication between the DCs and the branches so that inventory levels remain consistent. The IT system also helps stage weather-related and seasonal products. For example, in advance of the hurricane season in the South, Grainger builds up its inventory of generators, tarps, batteries, flashlights, chain saws and other related products to ensure businesses can stay up and running. Some of Grainger’s

“They know the marketplace, they have relationships with the manufacturers, and they spend time with customers to understand their needs.”

Michael A. Pulick

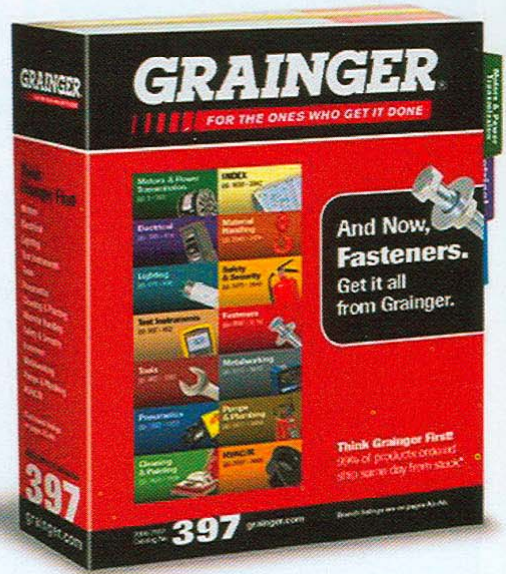
Grainger catalog.

customers also have a direct link into the Grainger EDI system for automatic inventory replenishment.

With so many product categories, some HVAC contractors may wonder how a big company like Grainger can understand their needs. Pulick says Grainger's product teams, headed by product managers, bring strong backgrounds and in-depth knowledge of their particular lines. "They know the

marketplace, they have relationships with the manufacturers, and they spend time with customers to understand their needs," he says. HVACR products made up approximately 12 percent of Grainger's sales in 2005, according to the company.

Grainger has expanded its HVACR product line, Pulick notes. In fact, the Grainger catalog now has nearly 400



pages dedicated to HVACR products and accessories. Grainger completely revamped its line of ventilation, added larger sizes of air circulators, expanded its line of greenhouse and misting fans, and worked with its manufacturing

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partner to add a quieter and more efficient line of roof ventilators. Also included in the catalog is a complete line from Dayton, including electric baseboard wall heaters, 13 SEER-compatible equipment, thermostats, igniters and valves.

Grainger's customer service representatives receive ongoing product training on new products. When Grainger expanded its product line, it provided several methods of customer service training to ensure that its employees would know the products. This includes Web-based training that walks them through a variety of scenarios with different customers and a series of hands-on trainings where they ask questions and get a true feel for the products, Pulick says.

While Grainger is able to provide its customers with the lower costs that come with the buying power of a large organization, its branch locations offer the local market expertise. "A lot of our branch employees are very experienced product experts themselves," Pulick says. Each branch has a customer service group that works directly with customers at the counter or by telephone.

When a customer has a more difficult technical question or issue that a branch employee can't answer, a centralized technical support group at Grainger headquarters is available by phone for additional assistance. In the field, the company has over 2,500 sales representatives helping customers find solutions to their product needs on a daily basis. Over the past four years, Grainger has realigned its sales force to provide targeted assistance to its customers to meet their needs. In fact, the company plans to increase its sales force by 15 percent in 2006, with the majority of these sellers working with Grainger's small and midsize customers.

Grainger launched a multiyear market expansion program, according to Pulick. The program's goal is to expand its share of the market by improving customer coverage in each area. "We're looking at the top 25 metropolitan markets across the United States and then assessing what's happening there," Pulick says. "We look at where customers are located, how we cover

those customers with our sales force, we look at our branches, and we look at the inventory in those branches." Depending on the results, Grainger may add, relocate or even close branches. Pulick says its review of the Phase 1 markets – Atlanta, Denver and Seattle – has been successful: It has increased sales growth in these markets by 5 to 10 percentage

points over its other markets. The company is currently making changes in 14 markets and plans to replicate that success as it moves forward.

While the Grainger branches are easily recognizable by their distinctive red, black and white logos, the stores themselves vary by market. Branches range from anywhere between 15,000 and

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50,000 square feet in size. In the large metropolitan markets, there are also Grainger Express locations that are essentially quick pick-up stations for customers.

Grainger has a true "national footprint," according to Pulick. When overlaid on a national map, Grainger branches correspond with where the people are, allowing the company to serve a number of customer segments. "Having a local presence in the different markets is what sets us apart. It gets us close to the customer but provides us with the scale of a big, national provider – a robust information system, national pricing and national availability of products," Pulick says. The branch locations also serve as gathering point for events and trainings. Grainger brings in manufacturers for trainings or new product showcases.

Grainger's decision to expand its product line follows a major investment by the company to expand and improve

Grainger's decision to **expand its product line** follows a major investment by the company to **expand and improve the efficiency** of its distribution centers. After completing the project in 2004, Grainger had **added one million square feet** to its 10 distribution centers.

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**Benefits:** This enables businesses to cut expenses and improve cash flow by consolidating their spending, allowing them to focus on their core business. By counting on Grainger for their just-in-time MRO inventory, businesses save on carrying costs and directly enhance their bottom line.

**Procedure:** Grainger is adding knowledgeable representatives in the field, at branches and at call centers to help customers solve business challenges and provide solutions with documented cost savings. This includes procurement tendency reports, detailing repeat purchases and the incidence of unplanned spending.

**People Involved:** Business owners, procurement officers and facilities managers work with Grainger branch personnel and field representatives.

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the efficiency of its distribution centers. After completing the project in 2004, Grainger had added one million square feet to its 10 distribution centers. "That really was the springboard for us to start laying the plan for expanding our product line," Pulick says. "By having that additional space, it allowed us to expand the line."

One of Grainger's core growth strategies is the ability to provide its customers with the right products at the right place at the right time. The expanded distribution centers and its expanded product line allow the company to make it easier for its customers to keep their costs down by reducing their inventory and using Grainger as their sole source distrib-

utor. "Our customers are very demanding. They don't want to inventory these types of products," Pulick says. "They want these products when and where they need them."

But Grainger has intentionally put this pressure on themselves. Over the years, Grainger sales representatives have educated customers on the value of working with one supplier. "We've been able to show them and they're able to see that it's a very long and costly process to source materials," Pulick says. "To be able to have a partner like Grainger where we can have the inventory and they don't have it to have it on their shelves – they can have it locally – is really coming together for them. They know they're saving money on the inventory and their processing costs by working with us. That's continuing to evolve and change the market."

This pressure to deliver goods faster also creates additional strains further up the supply chain as Grainger makes demands on its manufacturing partners to reduce their lead times. Pulick says Grainger enjoys "strong" partnerships with the manufacturers. "It's a healthy relationship where we're constantly setting the bar higher for our manufacturing partners so that we can have the products on our shelves for our customers," he says. In fact, Grainger and its suppliers have reduced the product cycle time from supplier to when it is available for sale by nearly five percent in the past year. The company also monitors the supply chain through its supplier management process to ensure maximum efficiency.

Pulick expects a further consolidation of distributors as customers, like HVAC contractors, look for opportunities to reduce the time and money it takes to purchase products and supplies. The early feedback on Grainger's expanded line from customers has been very positive. "Our customers are thrilled," Pulick says. "They see the value of having a broad product line, and when they hear that we've added more than 39,000 new products, they get excited that they'll be able to further consolidate their purchases."

Last year, Grainger launched a publication solely for professional contractors. This new publication, in addition

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to its contractor-specific Web portal, helps the company better serve contractors.

The contractor publication, *On the Job*,™ is a resource for professional contractors to find information on products, safety solutions, tips on motors and updates on the latest technology.

Grainger's national sales meeting in March provided the company's branch managers and those in the field with an opportunity to get together and talk over new products and take part in sales and product trainings. But they know that Grainger's continued suc-

cess lies in their ability to remain a valued partner with their customers. Making it easy for their customers, saving them time and money and backing it all up with customer service are what keeps Grainger on top. ■



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