



■ *MDM Interview*

Lawson Products' Revitalization

Distributor adds salespeople, embraces Lean Six Sigma to grow

For the last several years, Lawson Products has been focused on turning its sales trajectory back to the positive through streamlining the organization and focusing on the "legacy" that launched the company. President and CEO Michael DeCata recently spoke with MDM Editor Jenel Stelton-Holtmeier about the initiatives being undertaken by the distributor and the results of those efforts.

MDM: What's different about today's Lawson Products than when you came on as president and CEO in 2012?

Michael DeCata: What we're trying to do is to build on the best of what we have been. Lawson Products was founded in 1952, so we have a long legacy and a great culture. What attracted me to the company was the nature of our value proposition.

I think it's important to recognize that our value proposition is at its core a service proposition. More than 60 percent of our product is private label, and it tends to be highly engineered, premium performance product. It performs better than many of the branded competitors that are out there.

However, our primary value proposition is really not about product; it's predominantly about service. If we do our jobs well, we prevent the customer from having to call us for an emergency to get something to them, because when they go to the bins and cabinets – what we call the "brown wall" – the product is already there for the customer.

At the core, we're building on the legacy we started with, a value proposition which is really a service proposition on top of really outstanding private label products.

And now we're revitalizing the company with the addition of new sales reps, with the addition of new technology like SAP, a built-to-suit, state-of-the-art distribution center in McCook, IL, and a culture which is now revitalized and enthusiastic about our role in driving

productivity for our customers.

MDM: Over the last several years, Lawson Products has faced declining sales. How is the company changing that trajectory now?

DeCata: We've streamlined the company over the past few years by divesting three non-core business units.

As well, beginning in 2009, we began to redefine the expectations of our sales reps. On Jan. 1, 2013, we completed that process and converted all of our U.S. independent sales agents to sales employees.

After that, we went through the process of re-engineering our operating process to deliver tremendous improvements in key operations metrics, things like back orders, line fill and order fill, and all of the key metrics that are important to most distributors. All of that work has enabled us to springboard into hiring sales reps and now this year delivering sales growth.

A lot has happened over the last several years to revitalize the company, and we feel very good about where we are today.

MDM: What were the benefits of moving those independent agents over to become employees, and why did the company rely on independent agents before that?

DeCata: I think they were agents before in part just because of the legacy of the company. This was common in our industry.

The benefits today that we see of hiring employees is that we can make more investments in the people, and that's something that's a cornerstone of our culture – investing in their development and their growth. There are also things that we can do at corporate headquarters, such as market segmentation and market analysis, that can be shared with the sales reps. There's also technology that we feel better about investing in knowing that people will use that

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technology.

Across the board, whether it's an investment in training or an investment in giving sales reps tools that we know they'll use, all of those things are easier when the people you're associated with are employees versus independent agents – and I want to emphasize that word independent. Now we're more interdependent, with the sales team and the headquarters all pulling in the same direction.

MDM: One of the initiatives you've been overseeing is the implementation of Lean Six Sigma. How were you able to get employee buy-in for the project, something many other companies have said can be challenging?

DeCata: We started in January of 2013 by presenting and bringing in a small team that I've worked with in the past (at General Electric). We brought in a team of people and provided a very broad exposure of what Lean Six Sigma is, how it's used and how it could benefit us or any company. It was a pretty generic, high-level overview.

There were approximately 40 people that went through the initial one-day training. And that one-day training got a lot of people excited.

Then we began the Lean Six Sigma process in earnest by taking those same people through several days of in-depth training. Out of that, we mapped the seven primary processes of our company and the related subprocesses. The team – all of the people involved – had the opportunity to understand the processes and subprocesses that were not working as well as we wanted them to or where we saw opportunity for process improvement. As a group, we multivoted and picked five Wave 1 process areas that we wanted to focus on.

When we initially started, I'm sure everybody was thinking, "Oh I hope I don't get picked for a team because of the amount of time and effort that would go into it." But interestingly, the five Wave 1 project teams have produced tremendous results. They quantified the results as a part of the Lean Six Sigma process. The teams get the opportunity to present in front of their teammates quite regularly, and they're broadly supported across the company.

Three weeks ago we began the second wave of projects. We've identified five more projects, and this time people weren't wringing their hands about not wanting to be on a team. Everybody wanted to be on a team, or they wanted their sub-process selected for improvement. But, we could only pick five.

It's interesting how the world has changed for us. Everybody is excited about participating in this because they see the value to the company and they see the value to their processes.

One of the cornerstone benefits to this process improvement is that it has the effect of taking non-value-added work out of the system. What that means for the folks involved is a better quality of work life. They know that the work they're doing is value-added work, and it's important to them, the company and the customers.

MDM: How do you measure the success of these initiatives?

DeCata: Two of the ones that I think are more important are time and dollars, which are fairly generic but very important. By reducing defects, you have the opportunity to not have to repair something. Repairing, or rework or re-anything, is not value-added activity. Doing it right the first time has the effect of reducing the cycle time to complete an activity and it also reduces the cost.

Dollars and time are two primary metrics that anybody uses in measuring Lean Six Sigma. For example, one of the five Wave 1 projects that we focused on is in the area of talent acquisition. Since that's a cornerstone of activities that we're engaged in, bringing on a large number of sales reps, we reduced the time for one related process by 50 percent and another by roughly 30 percent.

MDM: You've mentioned the importance of having a data-driven culture for success in distribution. What changes have you made to become a more data-driven company?

DeCata: One of the benefits of SAP is the fact that you can aggregate all of your data into an enterprise-wide database. And as you finish that process, as you go through the go-live process, one of the benefits that comes out of it is that all of your data resides in one place.

We are beginning to timestamp the events that go through the process, and all of those are data elements that enable us to focus on efficiency, to focus on cycle time, to focus on the order-to-delivery cycle. All of those are key elements to quantitatively understanding our operational processes. It then points us to areas of improvement that allow us to streamline the process and better serve our customers.

Being a data-driven company is exactly where we're trying to go, and it does take a little

discipline. First the data has to exist. Then after the data exists, people have to understand how better to use the data and glean insight out of a mountain of data. Then people have to evolve toward trusting the data and depending upon data to make decisions.

It's so easy to let the squeaky wheel dictate the show or the person who has the intense perspective to dominate a conversation. To the extent that a culture can evolve toward being data-driven, you let the data lead the way.

We're very pleased with the progress we've made and the data we're getting out of our SAP implementation. One of the benefits as you move from just mountains of raw data, if you attend to it, data can become a competitive advantage. And that's very much where we're trying to go with our data.

For example, we're hiring a great number of sales reps. We grew by approximately 50 sales reps last year, and it is our commitment to grow between 15 percent and 20 percent this year. One of the questions is, where do you put all those sales reps and what's the motivation for doing it in the first place? All of that comes out of data mining, understanding your market in the context of where you're already adequately serving customers versus territories that are relatively untapped or where customers aren't being serviced as well as they should be. We're figuring out where to put all these people by data mining through the data we've gotten through SAP.

MDM: Another big topic in the industry today is e-commerce. What are some of the trends that Lawson Products is seeing in the role of e-commerce in distribution?

DeCata: It is very important. We've invested a lot in our e-commerce platform, and we're very proud of our e-commerce platform. For us, the e-commerce platform is an extension of the sales rep.

As I mentioned earlier, our primary value proposition revolves around service, what we call Lawson Managed Inventory. Our e-commerce channel is there to provide additional depth in the event the customer has a question when the sales rep isn't in front of the customer. The customer can go online, and place an order. But ultimately it's our sales rep who is going to put the product away in the brown wall, do the informal inventory count looking at what's been consumed since the sales rep was there last, and then very often place the purchase order for the customer.

E-commerce is very critical to that, but it's

critical in the context of delivering sales rep productivity and providing another access point to the customer. We don't even view it as a parallel access point; we see it as an extension of the sales rep.

Customers are using e-commerce more, and they're also using it more as a research tool. Because of the broad spectrum of products that we have available, very often a customer will want to look at a product, and our website is great for that. Customers also use it to find and print safety data sheets (formerly called MSDS).

MDM: One of the challenges I keep hearing with regard to e-commerce is getting good data onto the website to make it more functional for customers. How do you address the challenge of getting good, consistent data onto your e-commerce platform?

DeCata: That is an ongoing challenge for everyone. We have nicely integrated SAP, which is the cornerstone, as well as a product information database, Heiler, and all of that is tied together.

We work closely together with our broad base of suppliers; we depend on them to provide a lot of data. We bring it into Heiler and it filters up through SAP.

One of the benefits of having a state-of-the-art product information database combined with the state-of-the-art ERP is that it makes it a lot easier to integrate all of it. And you use the same product information database whether you're providing an e-commerce output or a flier or a printed catalog. You use the same data engine and the same central repository of data so it makes it easier to integrate all of that and keep it current.

MDM: What are some of the other trends you see driving change in distribution today?

DeCata: As customers are trying harder and harder to deliver productivity for themselves, distributors are being depended on for more. We can enable our customers to be more productive or enable the mechanic to be more productive or to reduce machine downtime – all of those are roles I think industrial distributors can play.

Every day we work to understand the needs of our customers and make sure the product is there before the customer needs it. When we succeed, there is no downtime whatsoever waiting for something to arrive, even tomorrow. That's what we strive for, and by doing that, we take that aspect of cycle time out of the process for the customer.