

INDUSTRY MARKET BAROMETER™

National Survey Shows Industrial Sector Fueling Recovery
by Growing Faster than the National Economy

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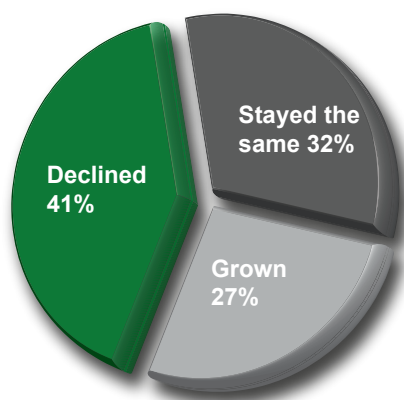
Bob Kaiser just closed the 2009 books for Liberty Industries with a smile. The small Connecticut-based manufacturer and distributor of clean room and contamination control supplies had just confirmed what his gut had been telling him for months: business is starting to rebound.

Stories like Liberty's are happening more often than you might think, and they're being penned by the industrial companies that provide the steel for our bridges, the electrical components for lifesaving defibrillators, and even cleaning brushes for Space Shuttle scientists. Collectively, the innovation and pursuit of new markets by these businesses is fueling the nation's economic recovery, according to the results of ThomasNet's second Industry Market Barometer (IMB).

The bi-annual survey of professionals who buy and sell industrial products and services reveals a sector that is full of vitality and one whose comeback is outpacing the growth of the national economy.

Of the 1,176 respondents, 27 percent report growth during the second half of 2009, up from 17 percent who grew during the first half of the year. That difference represents a 59 percent rate of growth—lightning fast compared to the U.S. gross domestic product (GDP), which expanded at 5.6 percent in Q4 2009, and just 2.2 percent in Q3, according to the Bureau of Economic Analysis

How has your company performed from July'09 to Dec'09?



The professionals who responded to the IMB are varied across industry—from engineers to purchasing agents and from manufacturers and distributors to service companies. The majority are small businesses; 71 percent are from companies with fewer than 50 people. That makes their growth even more remarkable.

While their number-one challenge is “customers cutting back”, or “going out of business”, they're not letting that stop them. Buoyed by optimism, and leveraging smart business strategies, these companies aren't just settling for the status quo—they're getting ahead of the game. Like Liberty Industries, Continental Steel & Tube Co. of Florida is optimistic. The company forecasts double-digit growth in

2010. Despite the recent loss of one of its largest clients to the downturn, it's pulled in new customers to surpass where it was before.

What are successful companies like Continental Steel doing right?

While there's no silver bullet, they're citing two top strategies—selling into new industries (36 percent) and introducing new products and services (33 percent). In addition, they're streamlining operations and placing a “laser” focus on their customers.

None of these approaches is different from the strategies companies used to emerge from earlier recessions. But what is new is how they're executing—by leveraging the Internet to sell more of their products and services. Seventy-one percent of respondents to the IMB say that an online strategy is important or critical to their 2010 plans. It's what gave Don Ascione, President of Continental Steel, the confidence to start a second business, Continental Chemical USA, in the midst of the recession. Just one year later, Continental Chemical is thriving—generating \$9,000 a day in sales, all online.

More strategic online approaches are also giving smaller companies a new advantage when they're competing against their larger counterparts—getting them a shot at the business that world-class organizations, or companies based overseas, would otherwise not consider them for. They're taking pages from the playbooks of Liberty Industries, which recently sold \$60,000 in custom air showers to an auto manufacturer in Mexico, and Continental Chemical, which just shipped 3 million pounds of chemicals to a water treatment plant in Georgia. Leveraging the Internet helps them to break down the barriers of entry worldwide, and provides implied credibility no matter what their size. These same companies are reporting business from Fortune 500 companies who are finding them online. Had it not been for an effective online strategy, they never would have had a chance to get in the door.

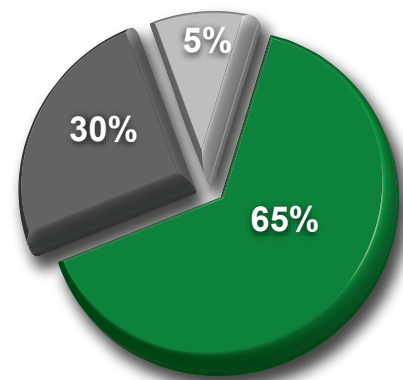
What is an effective online strategy?

It's based on supporting a company's business objectives, to reach the buyers and markets that will help a company grow. Smart companies use their website as a sales channel. This means they're replicating the traditional (offline) sales process, so buyers can find them online, understand what the company offers, get all the necessary product and service information, and make a decision to purchase.

Previous ThomasNet research shows that 9 out of 10 buyers select one supplier over another based on their website, but these suppliers have historically been slow to provide these buyers with critical decision-making information. Now, Internet-savvy companies are arming their websites with the kind of content buyers are demanding—detailed, searchable product information (catalogs), downloadable 2-D or 3-D CAD drawings, production/technical specs, RFQ capabilities, and even e-commerce functionality. And, they are leveraging technology to present this information in an easy-to-navigate format that makes it easy to do business with them.

Looking forward to June'10 do you expect your company to...

■ Grow ■ Stay the same ■ Decline



Realizing the American Dream

With just seven people at its Medford, MA operation, Conant Controls is realizing the American Dream by exploiting these cutting-edge web strategies. This small supplier of custom control valves for the oil/gas and chemical industries has found several "non-traditional" customers for its products, from an ink cartridge manufacturer in India, to a US company that makes games for carnivals.

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Conant's website, which anticipates its buyers' needs and includes rich 2-D and 3-D CAD drawings, is helping the firm meet a key goal—to expand its product offerings as a means to growth. Like Conant, most IMB respondents (62 percent) see the introduction of new products and services as important, if not critical, for 2010.

Customer Service Before the Sale

By providing the kind of detailed information buyers seek online, Conant has improved "customer service before the sale." Like so many industrial companies, it's gone back to the basics of value, customer care, and "knocking on lots of doors"—with the twist that the strategic tool for executing is the Web. And those basics are helping buyers' companies, too. As sellers expand their reach, buyers enjoy much more selection. And suppliers are bending over backwards to serve them well—online and off. IMB respondents say that they're collaborating with customers on their research and development, providing value-added services at no extra charge, and adding more personal touches.

The ripple effects for buyers are far-reaching—faster "hunts" for the right suppliers; a better selection of products and services; more informed decision making; the potential to find "more for less"; and a compression of the buying cycle by reducing time required to research, quote and purchase. All this translates to increased productivity for their own companies, setting the stage for even more growth for industry overall.

The stories of Liberty, Continental and Conant are just the latest chapters in a larger tale of a vibrant sector that's propelling the national economy forward. Shoulder-to-shoulder with smaller industrial companies across the nation, these enterprises are harnessing online technology to power up industry.

Linda Rigano
Executive Director, Strategic Services
ThomasNet

ThomasNet helps companies in the industrial marketplace to increase sales, and serve their customers more efficiently. For more than 110 years, ThomasNet (previously Thomas Register) has connected buyers and suppliers of industrial products and services to do business with one another. The company's flagship offerings are ThomasNet.com, where approximately 1 million buyers per month connect with sellers online, and Web Solutions, which help industrial companies leverage Internet technologies to improve the performance of their websites and achieve their business goals. At the core of each Web Solution is the Navigator Platform, ThomasNet's proprietary technology designed to provide industrial buyers with all the tools and functionality they need to make intelligent buying decisions online.