MarketBriefing

2016 Issue 4 News from the month of March 2016

BOSCH
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Dremel

Skil

RotoZip

Vermont American

CST/berger

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freud

Sia

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U.S. ECONOMY

EXCHANGE RATES MARCH 31, 2016

Euro	1 Euro = $1.139	$1.00 = 0.878 Euros
Canadian Dollar	1 CAD = $0.770	$1.00 = 1.298 CAD
Japanese Yen	1 Yen = $0.009	$1.00 = 112.499 Yen
Chinese Yuan	1 Yuan = $0.155	$1.00 = 6.450 Yuan
Mexican Peso	1 Peso = $0.058	$1.00 = 17,297 Pesos

MARKET WATCH MARCH 31, 2016

DOW	17,685	7.0%
NASDAQ	4,870	7.0%
S&P 500	2,060	6.7%

Stocks rallied during the second half of March after data eased fears of recession and the Fed announced plans to hold off on interest rate increases. The markets managed to erase earlier losses and post one of the best months since last October. The DOW gained 7.0% for the month and 2% for the quarter, ending March at 17,685. The NASDAQ rose 7.0% for the month but was down 2.6% for the quarter, closing at 4,870 and the S&P, the index most closely followed by economists, rose 6.7% for the month and 0.8% for the quarter, closing at 2,060.

CONSUMER CONFIDENCE RISES TO 96.2

The New-York based Conference Board's Consumer Confidence Index rose to 96.2 in March after falling to an upwardly revised 94.0 in February. The Present Situation Index dropped to 113.5 from an upwardly revised 115.0. The Expectations Index rose to 84.7 from an upwardly revised 79.9. The Conference Board said that, on balance, consumers don't think the economy is going to change much in the near-term. Economists say a level of 90 indicates that the economy is on solid footing and a level of 100 or more indicates growth. Analysts caution that the real driver behind consumer spending is income growth and that labor market trends are a more accurate predictor of consumer behavior.

CONSUMER SPENDING RISES 0.1%

Consumer spending rose 0.1% in February and January's robust gain of 0.5% was revised down to 0.1%, making it three consecutive months of 0.1% increases. Nevertheless, results beat economists' expectations. Core consumer spending, which factors into GDP, rose 0.2% after being unchanged in January. Personal income growth slowed to 0.2% from 0.5% in January. The core PCE deflator, which is the Fed's preferred measure of inflation, held steady at 1.7% year-over-year. Wells Fargo noted that real consumer spending on goods has fallen for three consecutive months, possibly due to moderating auto sales. However, personal spending on services has steadily increased for seven consecutive months and rose 0.3% in February. Consumer spending is closely watched by economists because it accounts for 70% of U.S. economic activity.

CONSUMER PRICES FALL 0.2%

The Consumer Price Index (CPI) fell 0.2% in February after being unchanged in January. In the 12 months through February the CPI rose a modest 1.0%. Core prices, which strip out volatile food and energy costs, rose 0.3% in February after increasing 0.3% in January. In the 12 months through January core inflation was up 2.3%, the biggest year-over-year gain since May 2012. Falling energy prices and the strong dollar are primarily responsible for holding down inflation. Wells Fargo believes that greater stability in commodity prices in recent weeks should help inflation rebound in the coming months, with overall CPI reaching 1.9% in the fourth quarter and the core CPI continuing to run above 2.0%.

UNEMPLOYMENT RISES TO 5.0%

The unemployment rate rose to 5.0% in March after remaining at 4.9% in February and the economy added 215,000 new jobs. The economy added an average of 209,000 jobs per month in the first quarter, a very healthy number. Construction added 37,000 jobs in March and construction employment is up by 301,000 jobs year-over-year, a 4.7% increase. The unemployment rate inched up because the labor force participation rate jumped, which means more people are looking for jobs. Economists say that the rate went up for good reasons, so not really bad news. The economy needs to create just under 100,000 jobs each month in order to keep up with growth in the working-age population, according to Fed Chairman Janet Yellen.

DURABLE GOODS ORDERS FALL 2.8%

New orders for durable goods fell 2.8% in February after rising a downwardly revised 4.2% in January. The decline was slightly less than expected, but the details of the report showed widespread weakness. Excluding transportation, orders fell a worse-than-expected 1%, the sharpest drop in a year. A big decline in orders for new aircraft was one of the main reasons orders dropped overall. The drop in ex-transportation orders reflected notable decreases in orders for electrical equipment and appliances, machinery, and communications equipment. Orders for non-defense capital goods excluding aircraft, a category that serves as a proxy for business investment spending, fell 1.8% after rising 3.1% in January. Economists saw the big decline in durable-goods orders as evidence that the manufacturing sector remains under pressure. The durable goods report is often both volatile and subject to sharp revisions.

CHICAGO PMI RISES TO 53.6

The Chicago PMI rose 6.0 points to 53.6 in March after falling to 47.6 in February. The increase pushed the bellwether manufacturing index to the highest level since last April, and solidly above the level of 50 that indicates expansion. Four of the five components increased, with only Supplier Deliveries falling for the month. The increase was led by a very sharp rise in Production, which followed an even bigger decline in February. Employment was strong, rising to the highest level since April 2015 and moving out of contraction for the first time in six months. Both New Orders and Order Backlogs also posted significant increases; Inventories were broadly flat and remained in contraction. Chief Economist of MNI Indicators Philip Uglow says that the data is consistent with steady, not spectacular, economic growth in the U.S.

WHOLESALE PRICES FALL 0.2%

The Producer Price Index (PPI) fell 0.2% in February after rising 0.1% in January. The PPI was flat year-over-year. The core PPI, which excludes food, energy and trade services, was unchanged in February after jumping 0.4% in January and was up 1.2% from February 2015. The fifth decline in seven months was largely due to lower gasoline and food prices. The PPI for inputs to construction fell 0.1% in February after falling 0.4% in January was down 1.7% from February 2015.

Q4 GDP RISES TO 1.4%

GDP grew 1.4% in the fourth quarter, rather than the 1.0% estimated in February, according to the Commerce Departments third and final estimate. The economy expanded at a 2.0% pace in the third quarter and grew 2.4% over all of 2015. Most of the strength in the revisions came from a 2.4% increase in consumer spending, up from the 2.0% increase estimated in February. A slightly smaller drag from the country's trade deficit also contributed to growth. Exports fell at a 2% annual rate rather than the 2.7% decline previously estimated. However, stockpiling by businesses reduced growth by 0.22%, up from the 0.14% previously estimated. Forecasters are reducing their estimates of first quarter growth, and now anticipate growth between 1.5% and 2% instead of the 2.5% originally estimated.

JOB OPENINGS RISE

There were 5.5 million job openings in January, up from 5.28 million in December, according to the Job Openings and Labor Turnover Summary (JOLTS) report. Results were in line with economists' expectations. The hiring rate in January dropped slightly to 3.5%. The number of hires also decreased to 5 million. This decline was seen across several industries. Private sector jobs, including construction and wholesale trade, saw the biggest gains during the month. Regionally, the Midwest saw an increase in job openings. The turnover rate in January was 3.4% or 4.9 million total separations, trending down from December. The JOLTS report is one of Fed Chair Janet Yellen's preferred economic indicators.

FED HOLDS RATES STEADY

The Fed decided to leave the federal funds target rate unchanged at their March FOMC meeting, and plans to continue to evaluate incoming data for more clarity on where the U.S. economy is heading after a fitful start to the year. The Fed noted that labor market conditions and the housing sector continue to improve and household spending increased at a moderate pace. The positive assessment of current conditions was tempered by risks posed by global economic and financial developments. Inflation continues to run below the Fed's 2% target, and the committee reiterated that they need to see both real and expected progress. Fed officials now expect to increase rates just twice this year, rather than the four increases originally projected. Statements by Fed Chairman Janet Yellen near the end of the month indicated that the Fed was not considering raising rates in April, but would wait until later in the year.

CAPITAL EXPENDITURES STILL LAG

U.S. companies have not made up for the dip in capital expenditures that occurred during the recession, according to a study of a 15-year period by the Georgia Tech Financial Analysis Lab. Capital spending had returned to pre-recession levels by 2014, but has not been increased enough to make up for lost spending. The study estimates that the recession led to $296.5 billion in lost capital expenditures.

G-20 REJECTS POLICY CHANGES

Group of 20 (G-20) finance ministers have rejected the idea of adopting additional policies to deal with deepening economic problems, and instead the group is encouraging countries to better use monetary policy, increase spending and implement structural change. The global economy is in better shape than market volatility suggests, according to the group. International Monetary Fund Managing Director Christine Lagarde says the economy could unravel without coordination by policymakers.

HOUSING & CONSTRUCTION

HOUSING STARTS RISE 5.2%

Housing starts rose 5.2% in February to a seasonally adjusted annual rate of 1.178 million units after falling to 1.099 million units in January. **Single-family starts jumped 7.2%** to 822,000 units, the highest level since November 2007. Multifamily starts rose 0.8% to a seasonally adjusted 356,000 units. **Regional starts were mixed,** rising 26.1% in the West, 19.9% in the Midwest and 7.1% in the South. Starts fell 51.3% in the Northeast. Builders continue to be plagued by a shortage of lots and skilled labor. Wells Fargo expects starts to total 1.2 million units in 2016 and 1.25 million in 2017. Because starts fall off significantly during the winter, seasonal adjustment factors can lead to big swings in monthly data if the weather varies from the year before. Last February back-to-back blizzards put a big dent in starts, contributing to the big increase for this year.

BUILDING PERMITS FALL 3.1%

Building permits fell 3.1% in February to a seasonally adjusted annual rate of 1.17 million after falling to 1.20 million in January. **Single-family permits rose 0.4%** to 731,000. Multifamily permits fell 8.4% to 436,000 units. **Regional permit issuance was mixed.** Permits rose 40.4% in the Northeast. Permits dropped 11.4% in the Midwest, 7.2% in the West and 4.4% in the South. Permits have been above the one million level for ten consecutive months, the longest stretch in seven years.

NEW-HOME SALES RISE 2.0%

Sales of new single-family homes rose 2.0% in February to a seasonally adjusted annual rate of 512,000 units and January numbers were revised up. The inventory of new homes for sale rose to 240,000, a 5.6-month supply at the current sales pace. The increase in inventory suggests that builders are adding inventory in anticipation of future business, according to the NAHB. **Regional sales were mixed.** Sales rose 38.5% in the West. Sales dropped 4.1% in the South, 17.9% in the Midwest and 24.2% in the Northeast. Sales of new homes are tabulated when contracts are signed and are considered a more timely barometer of the housing market than purchases of previously owned homes, which are calculated when a contract closes.

EXISTING HOME SALES FALL 7.1%

Existing home sales fell 7.1% in February to a seasonally adjusted annual level of 5.08 million units after rising to 5.47 million units in January. Sales were 2.2% higher than February 2015. **Single-family home sales fell 7.2%** to a seasonally adjusted annual level of 4.51 million in February after rising to 4.86 million in January. Sales were 2.0% higher than in February 2015. Total housing inventory at the end of February increased 3.3% to 1.88 million existing homes available for sale, and was 1.1% lower than in February 2015. Unsold inventory rose to a 4.4-month supply after rising to a 4-month supply in January. **Sales fell in all regions,** dropping 17.1% in the Northeast, 13.8% in the Midwest, 1.8% in the South and 3.4% in the West.

BUILDER CONFIDENCE STEADY

Builder confidence was unchanged in March after falling to 58 in February. It was the thirteenth consecutive month the National Association of Home Builders/Wells Fargo Housing Market Index (HMI) remained above 50. The component measuring sales expectations for the next six months fell three points to 61, and has fallen 14 points from its cycle-high of 75 reached in October 2015. The component gauging current sales conditions held steady at 65 and the component charting buyer traffic rose four points to 43. Looking at the three-month moving averages for regional HMI scores, the Midwest gained one point to 58, the West dropped three points to 69, the Northeast fell one point to 46 and the South was unchanged at 59.

MORTGAGE RATES RISE TO 3.71%

Freddie Mac reported that the average interest rate on a 30-year fixed rate mortgage (FRM) rose to 3.71% at the end of March after falling to 3.62% at the end of February. At the end of March 2015 mortgage rates averaged 3.70%. Freddie Mac expects mortgage rates to rise to 4.7% by the end of the fourth quarter of 2016. However, rates may drop in the short term in response to the delay in raising interest rates. The Fed's latest announcement caused a rally in Treasuries that sent yields down on the 10-year note that mortgage rates are pegged to, and analysts now expect mortgage rates to drop in April.

COALITION PROMOTES FREE LUMBER TRADE

NAHB is forming a coalition to promote free trade in lumber and building materials now that the U.S.-Canada Softwood Lumber Agreement has expired. Lumber imported from Canada accounts for about 28% of the U.S. market. Currently, the U.S. and Canada are engaged in a "cooling off" period until October, 2016, which bars both countries from filing any softwood lumber disputes. The two nations have agreed to submit a report within the next 100 days looking at all options for a long-term agreement.

POWER TOOL INDUSTRY

ROBERT BOSCH

Robert Bosch plans to recruit about 14,000 university graduates worldwide this year and says that in the future, increasing numbers of software specialists will find jobs at Bosch. Bosch said that the Internet of Things is changing their business and their personnel requirements. Bosch's strategic objective is to create solutions for connected mobility, connected industry, connected energy systems and connected buildings. Bosch currently employs more than 15,000 software engineers.

Robert Bosch GmbH is launching their own cloud for the Internet of Things as part of the latest steps in transforming from an industrial giant to a software provider. The Bosch IoT cloud will initially be used for in-house purposes and be made available to other companies starting in 2017. The cloud will allow Bosch to accelerate efforts to develop smart homes and cars as well as intelligent manufacturing. The cloud is located near company headquarters in Stuttgart, Germany.

STANLEY BLACK & DECKER

From the Barclay's Industrial Select Conference, where CFO Don Allan represented SB&D:

Healthy residential markets helped them gain share in the U.S. and Europe in 2015 despite $220 million in currency headwinds. They are projecting between $170 million and $190 million in currency headwinds this year.

They are projecting 3% organic growth this year, and think that the U.S. residential construction market, global automotive production and the automotive aftermarket will help offset some of the pressure they are seeing in organic growth and particularly in the industrial sector of the company.

The U.S. residential construction market and global automotive production make up almost 30% of their total revenue. They believe those markets are healthy and will continue to grow.

Analyst John Coyle called their Tools and Storage business the "brightest point of their portfolio."

They are now taking a much different approach to breakthrough innovation and are dedicating segregated resources to focus on incremental innovation and breakthrough technologies. They are running the group as a venture capital entity, and giving the people who work on innovation seed money to pursue ideas. If a concept doesn't prove to be viable, they move on to another concept.

They are expecting to see something exciting in the Tools and Storage business by the second half of the year. They are working with customers on how exactly it will be launched but it is more focused on existing products rather than something the world has never seen before.

Right now the currency market is not an advantage for anyone in the power tools industry, as the vast majority of parts and components are primarily made in China and based on US dollars.

Ecommerce only retailers is a channel that has been growing significantly for them. They have been heavily focused on it, and see a great opportunity. Right now that business is approaching $500 million, with a significant growth rate over the past three years. Growth in the Black & Decker brand has been notable.

From the Raymond James Institutional Investors Conference, represented by President and COO Jim Loree:

The Stanley Fulfillment System (SFS) has produced about 9 working capital turns annually, up from 4 when they began implementing it in 2006 at Stanley. Turns fell back to 5 after the Black & Decker merger, but now are back up to 9.

The SFS is driving outsized capital-efficient organic growth with attractive operating margins, which is producing a lot of free cash flow they can redeploy.

They need to enhance organic growth through acquisition in order to meet long-term financial objectives of 4% to 6% organic growth and a target of 10% to 12% revenue growth.

They took a group of executives to Silicon Valley and studied innovators for about two and a half years, and they came up with a number of elements that Silicon Valley innovators used to achieve breakthroughs. They essentially copied their methods and brought them back to the company and started deploying them in the power tool business.

The European tool business has grown about 7% organically over the past two and a half years. They attribute that growth to something they are calling commercial excellence as it relates to customer-facing processes.

They are coming out with an app that enables the DIY user to access project information and material lists and tool lists online and then order the things they need for a project.

They are working diligently on bringing value to the large construction companies using the Internet of Things for large construction sites. Safety is paramount on a jobsite, and they think they can make tremendous improvements using digital technology.

They have been very aggressive in pursuing online channels, both with their legacy customers, the big boxes, and with Amazon, as well as outside the U.S.

Other News:

Two production lines are being added to the tool-assembly area of DeWalt's Charlotte, North Carolina plant. In early 2014 SB&D promised to move 250 jobs to Charlotte from Mexico as part of an initiative to move more jobs to the U.S. Jobs are being added to the area of the plant that makes transmissions as well. DeWalt makes all cordless DeWalt drills, saws and impact drivers with the Made in the USA logo in Charlotte. Corded DeWalt tools are made in Indiana.

NEWELL RUBBERMAID

From the Consumer Analyst Group of New York (CAGNY) Conference:

Last year they increased their advertising and brand support by 17%. They are not just spending more, they're spending smarter, and have decreased their non-working ratio in advertising to 15%, about as low as they think they can go – those are the funds that go to produce commercials and point-of-sale materials.

Today they're not just print and TV, they are spending about 23% of working media dollars on digital and that amount is expected to steadily increase. Most media dollars are spent on new item launches. They believe they have a 60% share of voice while spending less than 3% on advertising as a percentage of revenue, compared to the 10% typically spent by a consumer products company.

They've significantly increased the amount of money they spend on research and over the past few years they've invested $60 million to strengthen their insights capability. They've tested more than 1,200 innovation concepts over the past three years and increased the ratio of marketing insight people to marketers from one person per 20 marketers to one insight person for every eight marketers. That has been a critical investment that's been essential to transforming their innovation funnel. Their innovation vitality rate, as the industry refers to a success, has gone from 20% to close to 30%. Today they measure everything and are applying the same innovation procedures to all brands, including tools.

They are making a big investment in ecommerce, and think there is a tremendous opportunity with "better than expected traction" in tools and commercial products.

They have identified more than $3 billion in unmet needs globally in their core categories, so now they have a roadmap of how to play for market share consolidation.

They've brought in a lot of consumer products experts from companies like Unilever, Kraft and Procter and Gamble.

Project Renewal is increasing productivity. They've seen a really significant flattening of the top of the company. Labor productivity has gone from $298,000 per employee to $345,000 per employee with more opportunity to improve ahead.

The combination of Newell and Jarden will create a $16 billion consumer brands company and at least $500 million in cost synergies. It's a highly concentrated portfolio with more than 80% of the revenue in nine countries and 30 brands and 60% of the revenue in nine channels.

Jarden's core growth rate has been stronger than Newell's and they been more aggressive in geographic deployment. They've also had a stronger performance in direct to the consumer ecommerce, and CEO Mike Polk said there is a lot they can learn from Jarden.

From the UBS Global Consumer Conference:

The underlying category growth rate in Newell's legacy portfolio is about 2.5% while Jarden's is about 3%. Jarden has consistently had strong organic growth at levels of 4% or more over the last several years. NR is committed to achieving core growth of 4%+ and improving margins.

Newell's overhead is higher than Jarden's. Using Clorox as an example, their overhead including R&D is 16%; NR's overhead is 22.5%. They are aiming to get to 16% by 2019.

An outside consultant had originally suggested that they consider Jarden; at the time NR was aware of but not very familiar with the company. They began informal talks in September 2015.

They will probably take the very top leadership teams offsite late in the second quarter to start planning for 2017, probably somewhere between 30 and 50 people.

They will protect momentum in each legacy business's business system, so they will have a Newell Rubbermaid group and a Jarden group, and over time will build out a set of enterprise-wide capabilities that support growth.

They are interested in combining their strengths, including the direct-to-consumer ecommerce capabilities Jarden offers with the bricks and mortar and pure play ecommerce capabilities of Newell.

The immediate goal they will focus on is to reduce debt levels for both companies.

Other News:

NR is selling their Levolor and Kirsch window covering brands to Hunter Douglas for $270 million. NR says the sale is in line with their goal to focus on opportunities with the highest potential for global growth.

NR appointed Russ Torres to the new position of Chief Transformation Officer. He'll be responsible for leading all integration and transformation efforts for the future Newell Brands organization that will emerge when Newell's purchase of Jarden Corporation goes through later this year. Torres joined NR from management consulting firm Bain & Company.

TTI/TECHTRONIC INDUSTRIES

Revenue for 2015 rose 6% to US $5.0 billion. Sales adjusted for foreign currency exchange grew 10.5%. TTI's Milwaukee business grew 23.7% when adjusted for foreign currency. TTI says that growth was driven by new product innovations and growth in Power Equipment. Global initiatives in purchasing, supply chain, value engineering and manufacturing contributed to results.

Sales grew 11.8% in Power Equipment, TTI's largest business unit. However, sales for the year fell in the struggling Floor Care Division.

TRIMBLE NAVIGATION

Trimble sold The Omega Group to TriTech Software Systems. The Omega Group is the leader in GIS-based crime and fire analysis, and provides advanced analytical tools to more than 500 public sector clients serving more than 255 million citizens across 14 countries. Financial terms were not disclosed.

HILTI

Hilti unveiled ON!Track at the World of Concrete. ON!Track is a cloud-based asset-management system that helps contractors know where their tools and equipment are and who's using them. Assets are tagged with RFID-barcodes, and when they go out, a scanner logs the information into the system.

RETAIL

RETAIL SALES FALL 0.1%

Retail sales fell 0.1% in February and January's previously reported 0.2% increase was revised down to a 0.4% decline. Analysts had expected sales to fall 0.2%. Retail sales excluding automobiles, gasoline, building materials and food services were flat, and January core sales were revised to a 0.2% increase instead of the 0.6% increase first reported. These core retail sales correspond most closely with the consumer spending component of gross domestic product. Lower prices at the pump sent gasoline sales down 4.4%, which accounted for a great deal of the February drop in sales. Sales of building material rose for the fifth consecutive month, increasing 1.6% in February after growing 0.6% in January. Sales overall were mixed, rising in some categories like food services and clothing, and falling in categories like department and general merchandise stores. Retail sales account for about one-third of all spending, with services making up the other two-thirds.

THE HOME DEPOT

From the Raymond James Investor's Conference, represented by President of Online Kevin Hoffman:

Two big growth areas they see are Pros and MRO. They see Pros as a big opportunity largely because an aging population increasingly wants someone to do it for them.

Their Pro business is growing faster than their consumer business.

They estimate the Pros market in total as about $550 billion, including $120 billion in products contractors buy, about $180 billion in products consumers buy and the services component, about $200 billion. They estimate they currently have about a 15% of the U.S. market, about $80 billion in sales.

The MRO market represents a new $50 billion market opportunity brought to them by their acquisition of Interline brands last year. Right now they are formulating the strategies and working through the synergies so they can go to customers with a more holistic suite of products and services. Many of these customers need turnkey solutions, not just products.

Another big area of focus is the digital component of omnichannel shopping. In 2016 they will spend more on digital marketing than on traditional old school marketing. They are very focused on making sure that wherever and however the customer is shopping, THD is there.

They are working to enhance search functions in customer friendly ways, giving people the ability to do voice searches or even take a photo of a product and have THD find it for them and tell them where it is in the store.

They are striving to provide as much knowledge and customer assistance in the virtual aisles as they do in store, and are doing that through chat windows and phone calls. Customers often purchase things that they don't know much about, which can be intimidating and scary. So they are enhancing ratings, reviews, videos and images to make sure customers can buy with confidence.

They don't sell just items, they sell projects. And they are working at understanding how the customer thinks and what they do at every step of the process, from identifying a need or want to actually purchasing a product or service. They think it's important to have a presence at the very beginning of the process, on sites like Instagram, Houzz and Pinterest, as well as a prime position on Google. Even customers who intend to shop in store usually start their journey online.

Their mobile applications are growing in the triple digits, and are the fastest growing way customers engage. Trying to sell complex projects on a four-inch screen presents a host of challenges.

Today's customers expect a full buffet of fulfillment options, from pick up in the store, ship to store, ship to home to deliver flat beds of mulch or pallets full of goods to job sites.

WALMART

Global CEO Neil Ashe said that Walmart is looking beyond their online performance and not comparing their growth with that of purely online competitors. Instead they are focused on building the customer relationship with Walmart, regardless of the way customers choose to shop. Some analysts have noted that Walmart has a massive investment in brick and mortar that Amazon would be challenged to match, and thus is actually better suited to meet omnichannel shopping needs. Last year Walmart added four fulfillment centers, each about one million square feet. Analysts also noted that with tens of millions of products available online, the burden of product presentation will most likely fall to suppliers.

Walmart laid off more than 100 employees at headquarters in March. In October, Walmart laid off 450 people from their Arkansas headquarters, and Sam's Club cut about 150 people in January. The layoffs were reportedly driven by the merger of their information services division with WalmartLabs, their online technology and innovation arm.

Sam's Club is building a team of regional U.S. buyers to bring in more local and organic groceries, a strategy used by rival Costco to increase customer loyalty and attract wealthier customers. Same-store sales fell 0.5% at Sam's during the fourth quarter. Sam's hired a handful of buyers in Dallas and is considering putting teams in up to five other markets. Until now, all of Sam's buyers have worked out of company headquarters in Bentonville. Inside sources said that Sam's is considering having regional buyers handle 30% of food items.

TARGET

Target plans to spend billions to improve their supply chain infrastructure and technology in order to streamline the shopping experience for customers in stores and online. In 2016, Target will spend about $1.8 billion. Beginning in 2017 they plan to spend $2.5 billion per year, a big increase from the $1.4 billion spent on infrastructure improvements in 2015.

Retail stores are going to reduce the number of some items carried in order to simplify logistics, and will stock a larger supply of a smaller number of items.

Target will be investing in areas where they believe the company can add value, and will be launching exclusive brands in some categories like children's apparel and décor.

Target improved their out of stock situation, reducing shortages over the holidays by 40% and also saw a 34% increase in online sales.

Target said that in-store pickups were a key factor in ecommerce and store sales growth in the fourth quarter. In-stock performance improved 20%, and 30% of online orders were fulfilled from stores. In addition, a record number of online customers picked up their orders in person over the holidays. Target's online sales grew 34% in the fourth quarter. Target created an out-of-stock action team last year to address the issue that Target says cost them sales. One of the key focuses is improving freight flow through the supply chain. Inventory levels rose 4% compared to holiday 2015. Retailers are grappling with the best ways to use technology to help them maintain inventory levels that can satisfy omnichannel demand without denting profits.

Target has snared Amazon heavyweight Arthur Valdez to overhaul their supply chain. Valdez will report directly to COO John Mulligan. He was most recently vice president of operations for Amazon's international supply chain expansion, and has been with Amazon for more than 16 years. In September Target hired Anu Gupta to fill the new position of senior vice president of operational excellence to focus on getting items better stocked on store shelves.

Target is considering shifting more of their technological responsibilities to India, particularly those related to managing their smaller format stores, which are now becoming a major focus. Target says that smaller stores require an enormous amount of sophistication in the supply chain.

Target's retail accelerator program got applications from more than 500 startups from 32 states and 45 countries. The accelerator will name 10 winning companies that will move into Target's headquarters this summer, where entrepreneurs will be mentored by Target executives and Boulder-based Techstars.

SEARS

Chairman Eddie Lampert has acquired a portion of Sears' Holdings new $750 million loan in what analysts are calling his latest bet on the company. The loan is helping Sears pay down some of their older debt. Sears has lost more than $8 billion over the past five years. Sears has sold off some of their best locations and assets like Land's End. Analysts report rumors that Sears is considering selling their auto business.

TRUE VALUE

True Value revenues rose 1.3% to $1.5 billion in 2015, and total gross billings were up 2.0% to $2.03 billion. There was a surge of growth in Destination True Value (DTV) stores, where same-store sales were up 4.7%, compared with retail store sales which were up 3.1%. All product categories showed growth, especially Lawn & Garden and Hand & Power Tools.

More than 1,000 store owners and associates have become "chat" certified through My True Value—a New Customer Experience.

Three multi-store chains converted to True Value in 2015: Busy Beaver, Miami Home Centers and National Lumber.

TV has a new chief merchandising officer, Heath Ashenfelter. Ashenfelter has been with True Value since 2011 and has taken on several roles with increasing responsibility, including global product merchant.

W.W. GRAINGER

Grainger's daily sales rose 1% in February compared to February 2015. The sales growth included 4% from the Cromwell Group acquisition in September 2015 and a 1% reduction from foreign exchange. Excluding acquisitions and foreign exchange, organic daily sales declined 2% driven by a 2% decline from lower sales of seasonal products, a 2% decline in price, a 1% decline from lower sales of Ebola products and a 1% decline from Canada's deployment of SAP. The decline was partially offset by a 4% increase in volume. February sales fell 1% in the U.S. and 33% in Canada or 24% in Canadian dollars.

Grainger was ranked number one on *Fortune* magazine's 2016 List of World's Most Admired Companies in the category of Wholesalers: Diversified. It was the third consecutive year Grainger earned the top spot in their category on this prestigious list. To compile the rankings, corporate reputation and performance are measured against nine key attributes: innovation, people management, use of corporate assets, social responsibility, quality of management, financial soundness, long-term investment, quality of products and services, and global competitiveness.

AMAZON

Amazon sued their former logistics expert Arthur Valdez, who was hired by Target earlier this year. Valdez, who was with Amazon for 16 years, was most recently vice-president of operations, in charge of Amazon's international supply chain expansion. The case is of interest because many companies are poaching seasoned experts in technology and supply chain management and companies are attempting to determine if their supply chain secrets can be legally safeguarded. Amazon says that joining Target violates his non-compete clause.

MARKET TRENDS

THE NEXT GENERATION OF DATA COLLECTION

We are into the next generation of data collection, according to the top CIOs at the Forbes CIO Summit. Data analytics used to be about gathering immense amounts of data and then humans analyzing what happened and predicting what might happen next. The new generation of data analytics is programmable and software driven, providing deep learning and instant analysis. Target CIO Mike McNamara said that data analysis is not enough, because it does not tell you what the customer's intent is, or what emotions are driving purchases and choices, or how a customer really feels about a brand. Nevertheless big data allows businesses to look at much more than transactions.

WHAT P2P MEANS FOR BRANDS

P2P (Peer to Peer) is the concept behind startups like Uber, Airbnb and Instacart. Trend Briefing reports that consumers will increasingly look to brands to build Peer Armies they can be part of that will mutually benefit both consumer and brand by unlocking and making available the knowledge, services and know-how of their peers. Bringing together users and fans of their products can help brands build loyalty and create a powerful resource they can tap into, as long as they make sure their fans are being rewarded in some way. They cited Amazon's plans to roll out P2P delivery service in more cities. The service, Amazon Flex, allows people with no connection to Amazon to become independent Amazon delivery drivers, using an app to manage and schedule deliveries. According to Amazon, Flex drivers can earn between $18 and $25 an hour. YouTube and Pinterest are good examples of places people already look for instructions and inspiration from peers.

BENEFICIAL ARTIFICIAL INTELLIGENCE

IBM launched the cognitive computing Watson Ecosystem with three inaugural partners dedicated to applying Watson's technology to business. That eventually resulted in the December launch of the retail industry's first ever artificially intelligent commerce platform, one that some experts say has the potential to change the face of traditional ecommerce. Fluid Expert Personal Shopper (XPS) is an intelligent recommendation platform that harnesses Watson's technology to make it easier to deliver what the consumer is looking for. Using Watson's abilities to apply logical reasoning and understand, categorize and evaluate natural language, XPS asks a brief series of refining questions. XPS interprets answers and evaluates them against a retailer's detailed product-specific data points to quickly deliver tailored product and content recommendations that match the consumers stated desires and preferences. North Face beta launched XPS in late 2015. Consumers use it to help them find the perfect coat for their climate, activity level and more. North Face reports there's a 60% click-through rate to the product suggested by the platform. In a world where the internet presents consumers with almost unlimited options, XPS would be a way to help people sort through the clutter and find what they need—even when they don't know what they're looking for. IBM says Watson understands the world the way humans do: through senses, learning and experience, and Watson learns over time.