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New Paradigms for Talent Development in Distribution

Managing the employee experience through COVID-19 and beyond

The coronavirus accelerated a number of changes in distribution talent management that were already underway, including new evaluation criteria for job candidates and an expanded view of work-from-home productivity.

By Elizabeth Galentine

Over the last several years, macro trends have shaped the recruitment, development and retention of talent across distribution. Factors such as record-breaking economic growth and a steadily aging workforce ready to ease into retirement — without a steady flow of industry experts prepared to take their place — combined to make it an employee's job market. But all of that has been turned on its head to varying degrees in the last few months, with COVID-19 bringing the economy to a halt; making those fortunate to keep their jobs hesitant to let them go, while many others have been laid off or furloughed.

Desired skill sets are shifting. Location requirements are upended. With this new landscape, what is the next step for human resources in distribution?

During a recent MDM Live webcast discussion, John Salvadore, managing partner and owner of GRN Coastal and GRN Global Recruiters Network, and Cory Calderon, director of organizational development at industrial distributor Valin Corporation, addressed that wide-ranging question based on their hands-on experience, with the context of several decades in the distribution field between them.

With all 50 states in varying stages of reopening, "there is a lot of available talent out there," said Salvadore, and distributors are increasingly looking to fill positions left open during the peak of the spring shutdown.

Before the pandemic hit the U.S., Valin was among the distributors feeling the pressure of increasing competition for talent, Calderon said. Now that the power of talent acquisition has tilted in favor of the employer, he too is seeing a wide variety of available talent. That means becoming more versed in not just identifying talent, but also better able to screen and identify the quality of applicants. It starts with best leveraging technology, such as Zoom and Microsoft Teams, in recruitment efforts. And Calderon does not expect that element to change as people head back to the office or warehouse. "The ability to leverage video conferencing and technology in interviewing is going to be more critical as we move forward," he said.

There's a perception that many people who are in the job market now are there because they were not good enough to be kept on as distributors slimmed down, noted Mike Marks, MDM Live co-host and managing partner at Indian River Consulting Group. That may be true for some, but both Salvadore and Calderon agreed that layoffs overall have largely been less about individual employees and more about a greater critical need to keep the company afloat amid an unprecedented and sudden crisis. "A lot of companies have really been through a bad period of time here, which forced them to downsize," said Salvadore. "So even though there's people that probably aren't quality people that are out there, there are quite a few people that would be readily picked up by any distributor — really tough people who have really good experience."

Once the "Band-aids" of loans such as the Small Business Administration's Paycheck Protection Program peel off, Calderon expects the third or fourth quarter of

Continued on p. 3

INSIDE

mdm
competitive intelligence for wholesale distribution

PERSPECTIVE ■ Commentary by John Gunderson

Anixter-WESCO Deal Brings Big Market Changes for 3 Electrical Distribution Channels

I've been following closely the news of the WESCO and Anixter combination, as I was a leader on the HD Supply Power Solutions team when it was sold to Anixter. Part of my job was to bring the $2 billion-dollar electrical distributor into the Anixter organization. That was nothing compared to the combination that occurred on June 22. The joining of MDM's No. 2 and No. 3 largest electrical distributors makes WESCO the largest Electrical Distributor in North America, with combined 2019 sales of more than $17 billion. Let's break down the acquisition into three channels: Utility, electrical distribution and datacomm. Each has their own dynamics, manufacturers and reps, and operate differently in North America.

Utility Channel

This channel in the U.S. is made up of 160+ investor-owned utilities, and 2,700+ electrical co-operatives and municipals. The Canadian market of actual buying customers is even smaller. As a market that has fewer than 4,000 end customers, this is a very exclusive channel. The manufacturers who serve this market often have a different sales team or manufacturer rep network to support it. At the distributor level, this is considered its own channel, where a utility team works just on utility, for example.

WESCO is now the largest utility channel electrical distributor in North America with more than $3 billion in utility sales in 2019. The next closest competitors in the channel, Irby (Sonepar) and Border States, are significantly smaller. It will be interesting to see what WESCO does in terms of representation, potential combination of overlapping facilities, and how they manage the manufacturer relationship.

Electrical Distribution Channel

This channel in North America is the largest and most complex of the three channels. It serves end customers in government, electrical construction and manufacturing. Numerous national and local distributors serve this channel. Each market has its own dynamic, competitors and environment. Leveraging your size and scale nationally is extremely difficult, as each market is its own ecosystem. To make it more complex, there are distinct subchannels for industrial-focused versus construction-focused distributors.

The New WESCO will be the largest single entity in the North American electrical market. WESCO has a very strong national account, industrial and construction business. Anixter also participates in these markets and has similar business strengths. This channel has the most business and potential overlap.

Datacomm Channel

Anixter has been one of the largest players in the datacomm market for the past 50 years. This channel has its own unique set of end customers, manufacturers and distributors. It is like the utility channel, as the number of distributors who are serious players in datacomm is limited. Anixter and WESCO will become the largest player in the space, followed by Graybar and some more regional distributors.

Stay tuned to MDM Premium, where we will continue to break down the ongoing implications of this deal.

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Talent Development
Continued from page 1

2020 will better reveal the true state of quality talent availability in distribution. The immediate challenge for Valin, he said, is now that companies are turning the lights back on, "does their value proposition have a greater sticking factor than our value proposition? And how do we manage to that? … That's going to cause a greater level of competition for talent."

Talent Acquisition and Recruitment

GRN has more than 100 available candidates currently screened and posted on its talent availability website, with roughly an equal number of people now in stages of the pre-screening process. "I'm finding that distributors can be a lot choosier, and they can be very specific about what they're looking for," Salvadore said. For example, he's doing a talent search for a distributor right now who is looking for an inside sales person who has a safety background and is proficient in a specific ERP solution.

The fact that many, if not the majority, of employees are working remotely right now is also changing the mentality of how distributors are selecting candidates to interview, Salvadore added. Location is no longer critical.

While in the recent past a distributor may have questioned the work ethic of an at-home employee, with three months of evidence under their belt, distributors now feel more comfortable that a remote employee can be trusted to put in a full workday. Salvadore is currently recruiting for several long-distance jobs, and recently placed a candidate in Maryland with a West Coast distributor, who was fine with the candidate's location as long as they agreed to work Pacific time zone hours.

The use of skills-based assessments for job candidates dates back to the 1950s, but these evaluations continue to evolve — looking different now than they were even at the beginning of this year. It starts with a few upfront questions about today's reality, Salvadore said: "How comfortable are you with working from home?" "How have you occupied your time during the pandemic?" "How do you stay motivated?"

Calderon advocated not only for candidate assessments but also management development assessments, particularly as the way employees are managed has changed dramatically. Valin uses the Caliper Profile assessment that focuses on attributes that would indicate someone is well positioned to succeed in a remote environment. For example, where does a candidate fall on the self-structured behavioral spectrum? Do they find energy in independent structure, or are they more motivated by external structures such as working in a group?

"We're seeing a high indicative of success with candidates that are hired for a remote working capacity that have a high degree of self-structure," Calderon said.

Learning agility — the ability to have a high level of adaptiveness when it comes to technology, for example — is also a high indicator of potential for remote work success, he added.

It also takes an ability to handle multitasking that brings on a different level of stress when you factor in realities of home such as dogs barking and, for now, kids whose summer camps or other activities that would get them out of the house during working hours are cancelled, said Salvadore. "We're also seeing that employers are having a lot more empathy and understanding," he said.

The ability to leverage video conferencing and technology in interviewing is going to be more critical as we move forward.
— Cory Calderon, Valin Corporation

Sending employees home who have worked in the office for years or even decades is one thing, but for those brand-new to the organization, it can be a challenge to incorporate them into the company culture enough that they actually feel like they belong.

"Now, managers are going to have to be skilled as connectors and network enterprise leaders that can do the same level of job rationalization and introductions as far as onboarding is concerned. They have to be able to do that digitally," said Calderon.

At Valin, in addition to more frequent communication, managers now take new employees through digital introductions with key department leaders and company stakeholders.

When a new person comes on board, it takes a top-to-bottom company commitment to their long-term success, Salvadore added.

Talent Development

The digital skills needed to manage and work in today's distribution environment, not just remotely but also in a tech-heavy atmosphere, can

Continued on p. 4

Talent Development
Continued from page 3

be far from the traditional skills that got even the best distribution talent to where they are today. Calderon sees a multi-pronged approach to the ongoing advancement of talent development.

As noted by Salvadore, it starts with an organization-wide commitment to the next phase. Since the pandemic hit, Valin's CEO Joe Nettemeyer has made a regular practice of holding one-on-one digital presentations with each of the company's salesforce members — managers included.

The 15- to 20-minute Microsoft Teams digital presentations allow the employee the opportunity to demonstrate their ability to conduct a successful remote sales call, including a sales pitch, shared digital collateral through a PowerPoint presentation and other resources such as PDF handouts.

"That commitment, getting the CEO's mindshare, for 12, 15 hours in the month just listening presentations, it's showing the workforce that we're taking this seriously now," Calderon said.

Another prong, Calderon said, is proper resourcing. Valin's IT team/help desk specialists were not only in charge of ensuring a smooth transition to remote work in the beginning, but they also remain readily available on live calls to provide backup if there is a webcam or audio issue.

"Employees feel supported, that they're not going to get dinged on their performance review because they weren't able to adapt," he said. "And so that level of empathy and having that flexibility from a managerial standpoint is going to be critical."

Promoting a culture of adoption versus a culture of resistance has gone a long way for Valin, especially in getting long-entrenched employees to embrace new digital technology. There are still naysayers, Calderon said, but having senior leadership — brand and culture ambassadors — who are showing an interest and willingness to participate in the technology and help others with it has made a big difference.

There is a lot of value in maintaining a balance between invigorating the organization with new blood who are already tech-friendly and those who are older and less digitally savvy but have a wealth of industry knowledge.

"If you can get the more seasoned employees to work with the youth of the organization, that's a nice balance to have," said Salvadore.

It's up to the organization to create an environment where all employees are supported on technology.

"Digital enablement doesn't mean, 'Here's the software deck, learn how to use it,'" added Calderon.

Instead, it can include redesigning workflow or job functions to encourage collaboration and leverage the unique individual strengths of each employee. For example, Valin has an inside sales guy who is a master at Outlook and other tools. Part of his job is to set up appointments for field guys who have less of a digital skill set.

Organizational Design

With much traditional structure disrupted, there is a growing emphasis on core organizational design and how it needs to change to reflect new work realities. Salvadore recommended examining your work structure during the pandemic to evaluate what worked for the company and what didn't.

For example, how effective were outside sales representatives when working from home? Is there a new, happy medium that can be reached involving remote and in-person customer interactions? "The way people manage from an organization standpoint is going to have to radically change as you get more people working remotely," he said.

Valin views organizational design as the organization's ability to respond to external environment changes and remain effective. Through that lens, Calderon said the company is examining potential structural or procedural changes that distributors are going to be facing, in the context of pandemic-related consequences as well as the general changing nature of distribution.

For the past two years, they've had an ongoing discussion about building enterprise leadership to move from siloed organizational strategies and functional hierarchies to more hybridized or matrix organizations.

"It's extremely difficult and challenging to develop and manage in a matrix environment," Calderon said. "But the reality is that is the environment we're operating in — different departments and different business units are competing for resources. The adage of doing more with less has been true even pre-pandemic. Looking at the economics behind this, the ability to restructure the organization and put a greater emphasis on teams and enterprise leadership is going to be highly important."

Calderon anticipates a growing emphasis on employee experience in organizational design that centers around keeping employees well managed, engaged and productive in remote environments.

5 Rules for Conducting a Pricing Reset

A margin recovery roadmap in the age of COVID-19

In the past, distributors would often sacrifice margins to gain market share and drive the topline. However, such tactics negate a strategic pricing process, rendering it nearly nonexistent. Without process, your people must make pricing decisions in a vacuum. As hard as they might try to compensate for and cope with inefficiencies, and as effective as their efforts might be in the short-term, you can't expect them to sustain healthy margins in the long run.

By Pradip Krishnadevarajan

A pricing process should help distributors achieve healthy margins where they are warranted and ensure their cost to serve does not get out of control. This means focusing on a critical set of customers. With the right tools and data to offer customer-specific prices, as opposed to one-size-fits-all prices, a well-educated sales force will capture higher margins. During this crisis, your pricing process can seek to control:

- Over-discounting based on the perceived benefits of volume. (Avoid the classic topline approach.)
- Over-discounting due to fear of customer churn. (No, we do not need all customers.)
- Undercharging for or overdelivering services. (Balance value creation and value capture.)

Pricing can be a complex and multifaceted process. However, if you seek to optimize the information and actions of all influencers with a process that employs the right data, you can achieve clarity, understanding and superior profitability. To help with your margin recovery, we have identified five rules for your success: visibility, control, ownership, focus and balance.

Rule of Visibility: You Cannot Optimize What You Do Not See

Your people cannot optimize what they cannot see. At the same time, it's not practical to provide them all the cost elements before they gravitate to a price and offer quotes to customers. What's the solution? Breaking down the price equation. Generally, we only pay attention to the gross margin percentage and dollars. However, there are more ingredients to the price equation. If you try to optimize the result (the recipe) without optimizing the pricing drivers (the ingredients), you are setting yourself up to fail. Let's break this down:

- What your salespeople see: Price = Cost of Goods Sold + Gross Margin
- What your CFO or pricing analyst sees: Overall Profit = Cost of Goods Sold + Gross Margin – Cost to Serve + Vendor Rebates – Customer Rebates/Discounts

Start applying the rule of visibility by providing information about your customer types with customer segmentation. This segmentation is the first step in getting to a stable pricing process. Use more than sales to segment your customers (sales, cost of goods sold, gross margin and cost to serve). Possible categories include: core, opportunistic, marginal and service drain. Doing this will help you be consistent with price, at least across customer segments, and begin streamlining your pricing process overall.

A container distributor based in Atlanta segmented their customers into four groups: high volume (21% markup), high growth potential (23% markup), low volume (30% markup), and low growth potential (27% markup).

They set up pricing actions that they internally called the 4i plan:

- **Insulate** (low growth potential and some high-volume customers): Protect and insulate these customers from the competition. They receive the best price — always. Minimal price increases are recommended periodically (1%-3% price increases).
- **Increase** (high growth potential customers): The sales force will aim to increase business with them. Controlled price reductions are permitted to gain volume and increase market share.
- **Identify** (high growth potential and some high-volume customers): The sales force will identify five customers who are high growth customers and put a pricing plan in motion.
- **Investigate** (low volume and some low growth potential): The sales force is requested to investigate the reason for doing business with them. If nothing works, they will receive the highest price, and inside sales will work with these customers.

Rule of Control: You Cannot Preserve Profit If You Do Not Lock Costs

Establishing a cost-lock is a must for pricing discipline. Cost-plus pricing has been a staple approach for distributors, and it will continue

Continued on p. 6

Pricing Rules
Continued from page 5

to be so, but how it's applied can make or break your bottom line.

Distributors always complain that there are too many prices in the market that they provide to customers. The immediate reaction is to point fingers at the sales team. We fail to realize that there is as much cost fluctuation (cost of goods sold) as there is price fluctuation. Our value to procure items from vendors varies significantly based on time, allocation, lead-time, volume, payment terms, freight terms and more. However, we maintain a cost in the system that changes, either going up or down. This cost may be called replacement cost, next buy cost, standard cost, average cost, and so on. The price to buy from suppliers may go down because of the purchasing team's efforts. When that new cost is in the system, the problem begins.

Let's look at these common scenarios:

• If the cost of the item is $80, the sales team does a cost-plus to markup by 25%. The resulting price is $106.67.

• If the purchasing team makes a huge volume buy and it lowers the cost of the item down to $70, the resulting price with the same 25% markup is $93.33.

What did we just do? The purchasing team optimized the buying cost, and the pricing process just deoptimized it. We gave away the savings and much more to the customer. Unfortunately, this process has been automated for most distributors. Automating a fractured pricing process will take you down. Lock in the cost for a specific period to avoid this breakdown.

Rule of Control: You Cannot Achieve Results If You Do Not Create Accountability

Creating accountability and transparency in your pricing process is essential. Only 1 in 15 distributors today have someone responsible for pricing. When we say responsible, it's not just about having pricing in their job title, as in pricing analyst (most common), pricing manager or director of pricing (less common). This person should wake up thinking about pricing, be able to communicate to sales and operations effectively, and influence pricing at the field level. This person should also help identify and define the variables that drive pricing decisions.

It's often difficult for pricing analysts to play this role. So, to fill the gap, many companies introduce new pricing software or technology. But distributors also like to be in control and have ownership of every tool and product they purchase, which in effect turns these pricing tools into "black boxes." Without proper access to and understanding of these tools, their value won't be actualized, as many people are averse to using tools they don't understand. Establishing the role of Chief Profit Officer, Chief Pricing Officer and other similar titles has helped companies create accountability for developing others' understanding of any relevant pricing tools and processes. Such a pricing leader can communicate with marketing, sales and operations to achieve common pricing goals based on strategic metrics.

We all agree that technology, in some form, is required to manage and optimize pricing. However, when technology is left in the hands of untrained individuals, it is not sustainable. Companies must share what is driving the pricing recommendations, exercising transparency and offering education and training or bringing in a new system will not solve the problem.

Rule of Focus: You Cannot Win Big by Not Starting With Your Core Business

Avoiding margin erosion in your core business is a perennial challenge. Value creation for distributors primarily comes from customers, inventory and suppliers. Distributors cannot address one without the other. For instance, when an item's inventory is reduced by the purchasing team, the sales force might express concern that the reduction will affect their top customers. These teams might work together to fix the issue, but then the supplier management team could express concern that reduced inventory will affect their volume discounts with key suppliers. Commonly, this results in intense negotiations with suppliers and unsatisfied customers. Having unsatisfied customers often drives distributors to lower prices and give up on prioritizing value creation.

To avoid losing sight of value creation and spiraling toward uncontrolled pricing, distributors can consider customers, inventory and suppliers at once, rather than separately. It's time to separate the value from the noise to stabilize pricing in your core business, remembering that those firms which handle complexity well will be better equipped to maintain healthy business and attain profitable growth.

Rule of Balance: You Cannot Ignore the Role of Autonomy and Management

Sales management and pricing autonomy are two independent influencers of profitability. Pricing autonomy can be at two levels:

• **Low-level autonomy,** in which case salespeople have less power to change price

• **High-level autonomy,** in which case salespeople have more control over price.

Sales management has two levels:

• **Low-level management**, in which case they have little to no access to tools/guidance.

• **High-level management**, in which case they have greater access to tools and guideposts.

Creating a two-by-two matrix of sales management and pricing autonomy results in four possible "zones." First, identify your zone by knowing where you reside across these two influencers. Depending on the zone, your investments, strategies and tactics will vary significantly. The majority of distributors fall in the "Competition" zone. The four zones are as follows:

• **Consistency (High-High)**: Process guidelines drive long term pricing sustainability. An indispensable pricing band is provided to guide decisions. Cost-to-serve is kept under control.

• **Compensation (Low-Low)**: Pricing individual or team is present. Customer segmentation is rudimentary (sales-based). Communication with salesforce is through compensation.

• **Competition (High pricing autonomy and Low sales management)**: Pricing practices are inconsistent. No clear value proposition and customer conversations revolve around price. Competitors drive pricing decisions. Most distributors are in this zone.

• **Control (Low pricing autonomy and High sales management)**: Pricing decisions are more disciplined. The focus is on market share growth. Management by objectives (MBOs) is a vital part of sales compensation.

These five rules are the pillars of your pricing strategy. In times like this, a pricing reset is vital for your business survival. As you race for topline (revenue) coming out of this crisis, you do not want to sacrifice margins by not focusing on your pricing tactics.

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The Conference Must Go On

With COVID-19 disrupting in-person events, industry pivots to virtual

Many more industry events are on this year's calendar. The question now is, what will associations do — cancel, postpone, convert to virtual gathering or offer a hybrid of live and digital programming?

By Eric Smith

Trish Lilly first heard talk of the new coronavirus in late December, about a month before her organization, the National Association of Wholesaler-Distributors (NAW), held its annual Executive Summit in Washington, D.C.

At the time, the coronavirus hadn't reached global pandemic status, and its primary disruption was shutting down factories in Wuhan, China and snarling supply chains. So when wholesale distribution leaders gathered for their conference in late January, there might have been some chatter about an airborne virus wreaking havoc a world away in China, but it was hardly top of mind.

"It wasn't a conversation at that point," says Lilly, chief thought leadership officer and executive director of NAW's Institute for Distribution Excellence. "Had we met a week or two later, it would probably have been a bigger topic. We were lucky to meet in late January."

Lucky indeed. NAW's signature event went on as planned, but it was among the last of the large distribution conferences to be held in 2020.

Initially, the coronavirus disruption was expected to be limited to international travel — especially into China — and maybe some extended supply chain snags. When COVID-19 grew into a global pandemic, however, much of everyday, normal life in the U.S. came to an end. One victim was the large-scale gathering. Industry conferences and conventions were called off beginning in mid-March and continue to get scrapped.

"Everyone that is moving forward does recognize that they might have to pivot very quickly to virtual, so they're planning on all levels," Lilly says.

Granted, among the myriad business disruptions to wholesale distribution over the past three months, the loss of in-person gatherings ranks well below furloughs, layoffs and hits to distributors' top and bottom lines. But these industry gatherings also represent a place where executives and rank-and-file employees alike

Continued on p. 8

Conference
Continued from page 7

can network over dinner or a cocktail, share best practices, hear top-notch motivational speakers, absorb the latest economic trends and much more.

With some sense of new normalcy resuming, the goal now is for industry associations — as well as public companies holding shareholder meetings — to decide between live and virtual events as well as how to proceed down their chosen path.

"The good thing is, we've moved out of the crisis stage, and now we're all in the action stage, whatever that might mean," Lilly says. "And it varies by company and by association."

Zooming in on the New Normal

The action stage for many associations and companies meant pivoting to a virtual event. Gone are the days — at least for now — of gathering hundreds of distributor employees in a crowded convention hall and letting them regale each other over a happy hour beverage or in an intimate roundtable setting.

And as associations looked to move their previously face-to-face meetings to Zoom or Webex or Skype, they began reaching out to NAW for help on deciding how to proceed. Lilly organized regular calls so association leaders could bounce ideas off each other and take them back to their boards.

"We recognize that this was an opportunity for association executives to get together, share ideas, ask questions, discuss best practices," Lilly says. "We went out to members and asked who would like to join with their peers during this pandemic to discuss events moving forward, what they were doing with employees, how telecommuting was going. It was an opportunity to bring all the right people together to share their best ideas."

One of the first organizations to pivot to virtual was the National Association of Electrical Distributors (NAED), St. Louis, whose annual conference was supposed to be held in Philadelphia in early May. The association was forced to adapt its traditional multiday, in-person conference to a virtual event that took place in about four hours and entirely online.

"The biggest challenge for us, once we made the decision to pivot the national meeting to a virtual version, was how we would adjust the meeting's format to match an online style," says Tom Naber, NAED's president and CEO. "And second, how would we execute such a production that we had never done over the internet before? We ended up using all our same speakers, but they were able to adjust their presentations to address the current challenges making the event very relevant to our members."

Another organization with a little more time to plan was Wayne, Pennsylvania-based buying group AD. In early June, the organization announced that its slate of eight North American sector meetings would take place virtually from mid-September to mid-November.

Planning the move for all these events was challenging, says Peggy Penjuke, marketing manager, AD Electrical, but the organization engaged stakeholders to ensure the new-look meetings would retain some of the flavor — including education sessions, trade show elements, keynote speeches and more — of the in-person versions.

"Nothing beats an in-person meeting, so we did a lot of talking internally about making sure it's still a valuable event for our members and suppliers," Penjuke says. "Our meetings are essentially a part of our brand and who we are at AD. The North American meetings are something that everyone looks forward to. This is the new norm for right now, but we didn't want to cancel. Instead, we were able to come up with a great agenda that fits all industries."

Pros and Cons of Virtual Events

Virtual events, at the moment, are much safer than in-person events — even those that adhere to strict social distancing. Virtual events also are cheaper to operate and less expensive for companies to attend, so theoretically, a distributor could send more employees to an online session about, say, transforming your sales model.

But they also have plenty of downsides when it comes to gatherings for an inherently social industry. Distribution employees like to shake each other's hands, look their business counterparts in the eye and talk shop. The industry is built on personal interaction.

"With a virtual format, the biggest con is the networking that's lost," Lilly says. "There are some platforms that are coming out that provide for that, and some folks have done meetings and incorporated virtual happy hours into their meetings. There are opportunities, but the key element of networking is, I think, the biggest challenge."

Another issue — perhaps the biggest one associations face right now — is the loss of revenue from not having their annual conference. They can't charge the same registration fees, hold

Continued on p. 2 of the yellow section

mdm

Industrial & Construction Markets Update

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WESCO Completes Merger With Anixter International

WESCO International Inc. (NYSE: WCC), Pittsburgh, on June 22 announced it has completed its merger with Anixter International Inc. The move unites two of the largest distributors in the electrical space. Anixter was No. 2 and WESCO was No. 3 on MDM's 2019 Top Electrical Distributors Market Leaders list.

Upon completion of the merger, Anixter became a wholly owned subsidiary of WESCO International. Anixter's shares ceased trading prior to the market open on June 22. John Engel, chairman, president and CEO, said, "Today marks a significant milestone for WESCO and Anixter. In combining two industry leaders with successful track records, we are creating the premier electrical, communications and utility distribution and supply chain solutions company in the world. This is a transformational combination that provides substantial value creation for our customers, supplier partners, employees, investors, and the communities in which we operate.

"WESCO's capabilities in industrial, construction, and utility matched with Anixter's expertise in communications, security, and wire and cable, create an industry-leading line-up for our customers. As we bring together our complementary products, services, and technologies, there are significant cross-selling opportunities that enable us to offer more solutions, to more customers, in more locations around the world. This is a growth play which will capitalize on the accelerating secular trends of electrification, increased bandwidth demand driven by higher voice, data, video and mobile usage, and the combination and digitization of our B2B value chain."

Look for more on this deal on mdm.com in the coming weeks, including analysis on our blog and in a future issue of MDM Premium.

Distributor

Dakota Supply Group (DSG), Fargo, North Dakota, on June 24 announced the pending acquisition of **Honold & La Page Inc** (H&L), an asset purchase that will be effective July 1. Financial terms of the deal weren't disclosed.

Grainger, Chicago, on June 22 announced it has entered into a definitive agreement to sell its distribution business in China, Grainger China LLC, to a purchaser owned by the Grainger China management team and Sinovation Ventures, a China-based venture capital firm. Financial terms of the deal weren't disclosed.

Sonepar USA, Charleston, South Carolina, a subsidiary of the privately held Sonepar Group, has announced strategic organizational changes. Scott Schuenke, VP of strategic marketing for Sonepar USA, has been named VP of strategic development for Sonepar North America. Tammy Livers, SVP of key accounts, has been named SVP of sales enablement and customer experience for Sonepar USA. Lindsey Watts, digital marketing manager, has been named director of customer marketing. And Mick Upchurch, director, national C/I strategy for key accounts, has been named VP of key accounts for Sonepar USA.

Carlisle Cos. Inc., Scottsdale, Arizona, on June 19 announced the termination of its previously announced agreement to acquire **Draka Fileca SAS** from Prysmian SpA. The agreement terminated due to regulatory approval not being received for the transaction prior to the expiration of the parties' agreed time period to satisfy closing conditions.

Economic

Led by improvements in production- and employment-related indicators, the **Chicago Fed National Activity Index** (CFNAI) rose to +2.61 in May from –17.89 in April. All four broad categories of indicators used to construct the index made positive contributions in May, and all four categories increased from April. The index's three-month moving average, CFNAI-MA3, moved up to –6.65 in May from –7.50 in April.

U.S. cutting tool consumption totaled $142.9 million in April, according to the U.S. Cutting Tool Institute (USCTI) and The Association For Manufacturing Technology (AMT). This total, as reported by companies participating in the Cutting Tool Market Report collaboration, was down 31.1% when compared with the $207.5 million reported for April 2019 and down 24.7% from March's $189.8 million. With a year-to-date total of $717.5 million, 2020 is down 14.4% when compared with the first four months of 2019.

Total industrial production increased 1.4% in May, according to the Industrial Production and Capacity Utilization Report, as many factories resumed at least partial operations following suspensions related to COVID-19. Even so, total industrial production in May was 15.4% below its pre-pandemic level in February. Manufacturing output — which fell sharply in March and April — rose 3.8% in May.

MARKETS UPDATE SUPPLEMENT P. 2

Conference

Continued from p. 8 of the white section

golf tournaments, conduct charity auctions. For many, it's the largest line-item in their budget, and asking distributors to pay for a Zoom seminar or a live-streamed keynote speaker would be a bridge too far, Lilly says.

"Monetizing a virtual event is a very big issue because when this started, associations and many groups started providing as much content and information as they could without fees," she says. "People expect that virtual should be free or inexpensive. Associations need to make up lost revenue that they're experiencing in dues income and meeting income and education income. So how do you bring in the revenue through a virtual event? It's a big issue right now that we're all struggling with."

The thought of losing annual conference revenue is an issue that the Chicago-based Power Transmission Distributors Association (PTDA) has been dealing with, according to Ann Arnott, the organization's CEO and executive vice president. The group's Industry Summit, scheduled for October, is still a go for now, and while the organization would take an obvious financial hit, it could weather the financial storm, Arnott says.

"It's a moneymaker for us, typically," she says. "Fortunately for us, we are in a phenomenal financial position in that our board has been very conservative, so we have reserves that will carry us through even if we should cancel the Industry Summit and not have any replacement."

Live Shows Aren't Dead, Yet

Still, the thought of missing out on a large source of income is distressing, to say the least, and associations that can move forward with their live events in the next few quarters say they will give it a go.

PTDA, for example, is holding out hope that it will host its Industry Summit in Atlanta in just over three months. Still, Arnott knows that even if the association does pull off the event, it will have a much different look and feel.

"It's not going to be anything like we've done in the past," she says. "There's no way we're going to be able to have 110 booths, with 700 people walking around."

NAW's Lilly agrees. "With social distancing, meeting rooms won't look like what they used to look like before," she says. "People will be ushered into a meeting room, sort of like going into church. You'll be seated by aisle; you'll have to exit the room the same way.

Continued on p. 4 of this section

Calculation of MDM Inflation Index for May 2020

		BLS Price Indices May '20	BLS Price Indices Apr '20	BLS Price Indices May '19	% Sales Weight	Weighted Indices May '20 (1)X(4)	% Change May '20 Apr '20	% Change May '20 May '19
1136	Abr. Prod.	635.9	637.6	620.7	19.1	121.45	-0.28	2.44
1135	Cutting Tools	536.9	536.9	533.6	18.9	101.47	0.00	0.61
1145	Power Trans.	882.9	882.9	868.5	15.4	135.96	0.00	1.65
1081	Fasteners	593.6	572.8	560.6	9.0	53.42	3.63	5.88
1149.01	Valves, etc.	1082.9	1082.6	1061.9	7.6	82.30	0.03	1.98
1132	Power Tools	400.6	400.6	395.2	6.5	26.04	0.00	1.35
1144	Mat. Handling	656.5	656.8	645.1	6.2	40.71	-0.04	1.78
0713.03	Belting	972.4	970.2	953.1	6.1	59.32	0.23	2.03
1042	Hand Tools	843.9	842.5	832.0	8.1	68.36	0.16	1.43
108	Misc. Metal	505.4	503.7	506.2	3.1	15.67	0.34	-0.17

"New" May Index	368.2	May Inflation Index	704.69	0.26	1.95
"New" Apr Index	367.2	April Inflation Index	702.85		
		May 2019 Inflation Index	691.23		

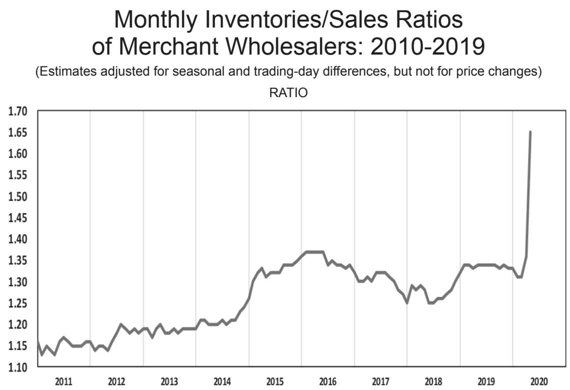
New index reflects 1977-100 base other #: 1967 To convert multiply by .52247

April 2020 | Monthly Wholesale Trade Data

MARKETS UPDATE SUPPLEMENT P. 3

Wholesale revenues in April were $395.4 billion, down 20.7% over April 2019 and down 16.9% over March 2020. April sales of durable goods were down 17.3% over the previous month and down 20.9% from a year ago. Sales of nondurable goods were down 16.5% over March and down 20.5% from last April.

Inventories were $650.4 billion at the end of April, up 0.3% from the revised March level and down 2.8% from last year. April inventories of durable goods were down 0.3% from March and down 3% from a year ago. Inventories of nondurable goods were up 1.1% over March and down 2.5% from last April.



Apr ratio: 1.65

Inventories/Sales Ratio. The April inventories/sales ratio for merchant wholesalers was 1.65. The April 2019 ratio was 1.34.

Sales and Inventories Trends: April 2020

NAICS Code	Business Type	Sales $Millions	Inventory $Millions	Stock/ Sales Ratio	% Change Sales 3/20-4/20	% Change Sales 4/19-4/20	% Change Inventory 3/20-4/20	% Change Inventory 4/19-4/20
42	**U.S. Total**	**395,355**	**650,398**	**1.65**	**-16.9**	**-20.7**	**0.3**	**-2.8**
423	**Durable**	**187,335**	**397,255**	**2.12**	**-17.3**	**-20.9**	**-0.3**	**-3.0**
4231	Automotive	21,041	65,886	3.13	-38.4	-45.9	-2.8	-3.6
4232	Furniture & Home Furnishings	5,515	12,600	2.28	-28.1	-30.3	-2.5	-9.3
4233	Lumber & Other Construction Materials	10,707	18,768	1.75	-17.8	-13.4	-3.9	-5.4
4234	Prof. & Commercial Equip. & Supplies	38,026	52,239	1.37	-14.5	-12.3	3.2	4.9
42343	Computer Equipment & Software	22,347	16,607	0.74	-5.9	2.9	7.2	-3.5
4235	Metals & Minerals	9,963	31,064	3.12	-19.4	-34.5	3.3	-10.2
4236	Electrical Goods	42,681	53,099	1.24	-7.8	-11.6	0.2	-7.5
4237	Hardware, Plumbing, & Heating Equipment	11,839	27,431	2.32	-8.9	-8.0	-0.4	1.5
4238	Machinery, Equipment & Supplies	32,251	105,728	3.28	-8.5	-15.6	-0.3	-0.2
4239	Miscellaneous Durable	15,312	30,440	1.99	-24.2	-22.3	-1.2	-6.9
424	**Nondurable Goods**	**208,020**	**253,143**	**1.22**	**-16.5**	**-20.5**	**1.1**	**-2.5**
4241	Paper & Paper Products	6,498	9,635	1.48	-16.2	-14.9	4.8	3.9
4242	Drugs	59,706	70,624	1.18	-11.4	1.1	6.0	7.0
4243	Apparel, Piece Goods & Notions	4,875	29,345	6.02	-48.7	-65.1	2.8	1.0
4244	Groceries & Related Products	51,619	40,914	0.79	-11.4	-11.2	-3.3	0.7
4245	Farm-product Raw Materials	15,631	21,581	1.38	-1.3	-1.5	-2.0	-11.6
4246	Chemicals & Allied Products	8,743	12,442	1.42	-18.2	-21.1	1.8	-7.5
4247	Petroleum & Petroleum Products	27,706	14,111	0.51	-35.3	-54.3	-4.1	-38.9
4248	Beer, Wine & Distilled Beverages	12,390	19,333	1.56	-10.5	-6.3	0.1	7.1
4249	Miscellaneous Nondurable Goods	20,852	35,158	1.69	-9.8	-6.1	-0.9	-1.3

U.S. Bureau of the Census, Current Business Reports, Monthly Wholesale Trade, Sales and Inventories Series: MDM compilation and analysis. Adjusted for seasonal and trading day differences. Figures for sales and inventories are preliminary adjusted estimates.

Conference

Continued from p. 2 of this section

"When you do a theater setting or general session, you now have to separate those seats by six feet. Say you had 500 people in a meeting room previously, you might only be able to fit 150 to 200 in that same room, which brings about the space issues. If your members did want to come, you would have to expand your space within the hotel. There are so many things that go into it."

Arnott says PTDA is now planning the Summit for a second time. The event was mostly ready to go in March when the country went into lockdown. "We had the brochure copy, we had all the speakers selected, we had the scheduled events lined up — pretty much all the decisions were made," Arnott said. "And now we're planning it again."

The second planning session included social distancing and other safety measures. Event organizers had to reconfigure rooms to ensure that attendees could be seated six feet apart, that a bustling trade show floor was downsized, that buffets became boxed lunches.

Those changes are familiar to another large distributor association, Columbus, Ohio-based Heating Air-conditioning & Refrigeration Distributors International (HARDI). The association has the benefit of holding its annual conferences in December and, coincidentally, in the same Atlanta hotel where PTDA is hosting its summit — and HARDI CEO Talbot Gee is cautiously optimistic that the annual conference will occur.

"Being the latest of the wholesale distribution events in December is working in our favor at the moment," Gee says. "It does also make us a little susceptible to a potential winter backlash if cases re-emerge or there's not any real progress on vaccines or things like that. So there's still an inherent risk."

But HARDI is plowing ahead and will host its annual conference "absent a state, federal or local mandate that would prohibit our ability," Gee says.

That being said, he adds, HARDI knows that attendance will be lighter than usual because of everything from people's concerns over being in large gatherings to companies' cutting travel budgets. Gee also says that HARDI is limiting the amount of detail it releases about the event because things can change, as everyone has learned these past few months.

"It's not going to look like a normal conference, but we're going to adhere to our principles of unique content and best-in-class, leadership networking," he says. "That's what we're striving to achieve, but the details on how we achieve it probably won't even be finalized until several weeks before the conference because we want to make sure it is exactly what the industry needs at that given point in time."

A Mix of New and Traditional

After quarantines, stay-at-home orders and business travel grounded, what the industry needs right now is a chance to connect, according to John Caplan, president, North America and Europe, Alibaba.com. Virtual trade shows, such as the ones that Alibaba.com is hosting for its buyers and sellers, are one way to do that.

And while Caplan doesn't think virtual trade shows will ever completely replace live events, he does see a place for them in the post-COVID-19 world. After all, Caplan says, attending virtual events are less expensive, which means companies could have their entire sales force Zoom into an online seminar without the cost of flying them to Vegas for three days.

"As any business owner will tell you, there are two things they spend their time allocating — time and money," Caplan says. "We think the Alibaba.com digital trade show is a better use of people's time and money than the 'old world' model, but I do think the physical tradeshow will return. Just like peanut butter and jelly makes the perfect sandwich — you need both."

For example, Caplan noted, the most recent Alibaba.com trade show had an average of 200,000 people online per day for the seven-day show.

"There's no physical trade show that's ever had that kind of traffic," he says. "If you're a seller, the ability to reach buyers in Dubai, Europe, here in the United States or Asia is too valuable an experience to pass up."

COVID-19 has changed the way all companies and associations do business, and some of the changes will likely continue once the economy settles into a new normal.

Lilly says she envisions live trade shows returning but virtual elements also enduring in some form, if not as a replacement. It will be the best of both worlds for wholesale distribution.

"What will associations learn from hosting virtual events that they might be able to incorporate into in-person events?" Lilly says. "Will in-person meetings be shorter? We don't know. But I do think virtual is a very good supplement to what associations have provided through in-person events. While in-person events will continue when things are safe and people are feeling comfortable, I think the virtual element will be here to stay."