

■ 2020 MDM Market Movers

Preparation Pays Off for Würth

Distributor excels in difficult environment with streamlined technology and new 3D printing capabilities

A source of pride at fastener and MRO supply chain distributor Würth is its ability to be nimble and quick in all areas of company operation. The characteristics have come in handy during COVID-19, as market and operating conditions continue to change. CEO Dan Hill recalls how his father used to remind him that proper preparation prevents poor performance, and that philosophy has also contributed to the company's ability to remain strong in 2020.

By Elizabeth Galentine

"With the COVID-19 disruption, we became more of a one-stop shop for our customers. We found we went from one of the people that they call to the first person they call," says Eric Wilk, VP, East Region for Würth in North America.

No. 18 on MDM's 2020 Market Leaders listing of the top distribution firms in the U.S., Würth spent a large portion of the last two years since Hill joined as CEO focused on business transformation, transitioning from seven different ERPs down to two, investing in 3D printing capabilities, and creating an overall more entrepreneurial, connected system among its 110 locations across the U.S., Canada, Mexico and Brazil.

Quick Growth

"We embarked on an aggressive business transformation plan and it resulted in a far flatter organization and more connected organization, which allowed us to be incredibly nimble and entrepreneurial during the pandemic," Hill says.

The company's goal has been to double in size by 2025, through organic growth driven by innovation and supply chain solutions with existing customers, and through strategic acquisitions. Right now, business is roughly flat to slightly

up from 2019, according to Hill. Planning phases in 2019, such as investing millions of dollars into state-of-the-art distribution facilities in Minneapolis and Indianapolis, have "brought Würth into a great spot for 2020," he says.

The company has added more than \$75 million worth of new signed contracts this year, and Hill anticipates that number will end up around \$125-\$130 million by the end of this year. "Adjusting to COVID-19, what would have taken us 12 months, we are now able to get done in three months just because of the necessity of the environment," says Becky McMorrow, who joined Würth just over a year ago as VP of marketing & business transformation. "Looking at a lot of our digitalization efforts, we definitely have moved more quickly just because we need to find new ways to reach our customers. Because we can't just set up appointments and you know, walk in the door and say hi anymore. We need things planned out. We need video streaming. We need more data. General marketing efforts to expand our brand reach. So there has definitely been a hyper focus and rush to get things done more quickly."

With aggressive safety and health protocol plans in place, Würth has kept more than 100 locations up and running throughout the pandemic.

Brand Enhancement

Würth has more than 78,000 employees, but is a relatively small name in the U.S. When Hill joined the company in 2018, one of his first priorities was to build the brand and invest heavily in digital marketing, transforming the Würth team into brand champions. In the last 12 months, the company has more than doubled its social

continued on p. 4 of this section

INSIDE

Commentary:

The Last Normal Year

The benchmark-setting 2020 Market Leaders.

Page 2

2020 Market Movers:

The Collective Market Power of Affiliated Distributors

Industrial marketing group continues to see reliable growth.

Page 5

2020 Market Movers:

Sonepar USA Doesn't Miss a Beat

Data analytics and strong digital presence contribute to success.

Page 9

2020 Pricing Trends Report

Page 10

June 2020 Monthly Wholesale Trade Data

Page 3 of Markets Update Supplement

Market Snapshot

Page 4 of Markets Update Supplement

PERSPECTIVE ■ Commentary by Elizabeth Galentine

The Last Normal Year: 2020 Market Leaders Provide a Benchmark for the Future

MDM's 2020 Market Leaders list of the top distributors in the U.S. is here. The rankings reflect 2019 revenues, whether company-reported or estimated by MDM. I know looking back at anything from before about mid-March can feel like we're visiting a foreign world. At least, a world that no longer belongs to us. But with time yet to tell how the market's recovery from COVID-19 will shape out in the long run, these 2019 revenue statistics are going to serve as an important benchmark while wholesale distribution strives to get back to where it once belonged.

MDM's current market forecast for the entire U.S. wholesale distribution sector in 2020 is for a roughly 11% year-to-year decline in annual revenues. As our CEO Tom Gale puts it, we may come to view 2019 as the Last Normal Year for quite some time.

The Market Leaders rankings reflect more than 150 companies, across 16 discrete sectors. In this issue of Premium, you'll find the rankings for several of our key categories, including industrial, electrical, PT/bearing and fluid power. The complete lists for all sectors are available online at mdm.com/top_distributors.

Thanks to our newly remodeled website, you can now easily search for individual companies or click through the list by sector and then click on individual company names to see a landing page for each. Check it out, and let us know what you think by emailing editor@mdm.com. The rankings are not a perfect science — often we're comparing apples to oranges — and if you see anything worthy of a second look, please let us know.

Although the world has changed since these 2019 revenues came in, the areas where many of these leading companies succeeded last year, such as in e-commerce and technological investments, serve as a harbinger for the elements of business that are helping distributors to now make it through 2020.

It's not surprising that e-commerce as a percentage of sales in wholesale distribution has been on the rise for more than 20 years. According to the latest data from the Business Research Division at the University of Colorado Leeds School of Business, wholesale e-commerce increased at a compound annual growth rate of 11.6% between 1998 and 2018 (the most recent data), representing about 28% of total wholesale sales in 2018. Of course, that was before the pandemic. I expect it will play a monumental role in the 2021 Market Leaders ranking.

Regular followers of our annual Market Leaders issue — now in year 11 — know that we couple the quantitative top distributors listing with several qualitative features on leading companies from the rankings, known as MDM's Market Movers. In this issue, you will find profiles of Sonepar USA, Wurth and Affiliated Distributors. All three laid groundwork in 2019 that is paying dividends throughout 2020's disruption. (A note on AD: Although not a distributor itself, the marketing group represents a growing number of Market Leaders companies. We felt their impact on the competitive landscape merited a closer look at the organization.)

For more detail on this year's Market Leaders ranking, listen to our recent webcast, available at reports.mdm.com/2020-market-leaders.

MODERN DISTRIBUTION MANAGEMENT

Founded in 1967
by J. Van Ness Philip

CEO
Thomas P. Gale
tom@mdm.com

Editor in Chief
Elizabeth Galentine
elizabeth@mdm.com

Senior Analyst
Eric Smith
eric@mdm.com

Gale Media, Inc.
6309 Monarch Park Place, Suite 201, Niwot, CO 80503
Tel: (303) 443-5060
Website: <http://www.mdm.com>

Subscription Rates
To subscribe to Modern Distribution Management, please call (303) 443-5060, email info@mdm.com or visit www.mdm.com/subscribe.

Published twice monthly; \$395/yr., \$415 U.S. funds other countries. Six-month, one-year and two-year terms are available. For group subscription rates and site licenses, please contact us at (303) 443-5060 or visit www.mdm.com/corporate.

© 2020 by Gale Media, Inc. All rights reserved. Modern Distribution Management® and *mdm*® are registered trademarks of Gale Media, Inc. Material may not be reproduced in whole or in part in any form whatsoever without permission from the publisher. To request permission to copy, republish, or quote material, please call (303) 443-5060.
ISSN 0544-6538

MDM Editorial Advisory Board

Mark Bray, Supply Chain Director, ACR Supply

Chester Collier, SVP, Walter Surface Technologies

Ted Cowie, Vice President Sales, Safety & Industrial Products, Motion Industries

Larry Davis, President, Fairmont Supply

Julia Klein, Chairwoman & CEO, C.H. Briggs Company

Doug Savage, President & CEO, Bearing Service Inc.

Ted Stark, President, Dalco Enterprises

See all of the Top Distributor lists at mdm.com/top_distributors

MDM’s 2020 Top Industrial Distributors

(2019 annual revenues)

1. Ferguson Enterprises	\$18.4B	21. F.W. Webb	\$1.3B
2. W. W. Grainger	\$11.5B	22. DXP Enterprises	\$1.2B
3. Amazon Business	NA	23. Kaman Industrial Technologies	NA
4. HD Supply.	\$6.1B	24. Global Industrial	\$900M
5. Airgas, An Air Liquide Company.	\$6.5B	25. Bearing Distributors Inc	NA
6. Motion Industries	\$6.5B	26. ERIKS North America	NA
7. Fastenal Co.	\$5.3B	27. Edgen Murray.	NA
8. Watsco	\$4.8B	28. Wajax Corp	\$1.6B
9. MRC Global Corp.	\$3.7B	29. EIS, Inc.	NA
10. McMaster-Carr.	NA	30. SBP Holdings Inc.	NA
11. Winsupply	\$3.9B	31. OTP Industrial Solutions.	NA
12. MSC Industrial Supply	\$3.2B	32. BlackHawk Industrial.	NA
13. Core & Main.	NA	33. DGI Supply.	NA
14. DistributionNOW	\$3.0B	34. RS Hughes Co	\$426M
15. Applied Industrial Technologies	\$3.5B	35. Lawson Products.	\$370M
16. SupplyWorks/The Home Depot Pro Inst	NA	36. Hisco, Inc	\$324M
17. Hajoca	NA	37. Purvis Industries.	NA
18. Würth Industry North America.	NA	38. Dillon Supply Company	NA
19. Vallen Distribution (Sonepar USA).	\$11.4B	39. United Distribution Group	NA
20. SunSource	NA	40. Kimball Midwest	NA

Corrections & Additions
 Please contact us at editor@mdm.com with additions, revisions or corrections; we will promptly update our online and PDF listings when received.

Methodology

Data for MDM’s lists of top distributors were based on 2019 revenues, either reported or estimated by MDM’s researchers. In most cases, we used fiscal 2019 revenues, but in some cases, MDM uses calendar-year revenues for a more accurate comparison. Companies were asked to provide data about revenues, with information supplemented by SEC filings and publicly available information. For companies that don’t share revenue data, MDM estimates their relative position in its list based on best available industry resources and public information.

WÜRTH

Continued from page 1

media followers, contributing to a high level of team engagement and brand pride, he says. “Any time you can accelerate brand and culture, that leads to the ability to be able to recruit and retain top talent in the organization,” he adds.

Within McMorro’s first six months, Würth set up a centralized corporate marketing team and supplier marketing team, and invested in brand building and digital marketing efforts. “I’m really happy with the progress we’ve made,” she says.

While many others were conducting layoffs and/or implementing a headcount freeze, Würth has looked at this pandemic timeframe as an opportunity acquire new talent. As a manager, McMorro says she is focused on building young talent within the organization. Although it can be a challenge to hire and onboard remotely, Würth is still finding ways to connect with new employees so that managers can get some face to face time, be it outside for coffee or lunch at a safe distance. Her young marketing team, together for six months with some right out of college, is all remote in different locations. To stay connected, they have a weekly discussion centered around a common theme to get to know each other better. “We need to continue to invest in new young talent, especially with an older workforce,” says McMorro.

Supply Chain Innovation

Würth continues to invest in supply chain innovations. “If you’re not trying to look around the corner and see what next big opportunity lies ahead, especially in our in our neck of the woods, you can get lapped quickly,” says Hill.

A high point of 2019 was signing a national distributor agreement with Markforged 3D printing technology — “revolutionizing the supply chain solutions for OEMs,” he adds.

Würth started using 3D printing additive manufacturing about three years ago, says AJ Strandquist, director of 3D product solutions. The process started with basic prototyping for customers and quickly transformed to making custom, value-add tools. On April 1 the partnership with Markforged went public, and Würth launched its 3D printing division. Due to the timing with COVID-19, it’s been a very interesting start, says Strandquist, as engineers hired to do technical work onsite with customers now find themselves grounded and playing more of a sales role, but they are rising to the challenge. “They’ve gotten to the point where they’re really

autonomous and able to interact with customers,” he says.

It helps that COVID-19 supply issues have accelerated customer interest. “It has been a crazy year but the trajectory in the market response for us, it’s been really awesome,” says Strandquist. Hill calls the investment in 3D an aggressive play that will allow Würth to add on-demand production tools and parts that ensure its customers never stock out or have a line down. Hill expects it will result in many millions of dollars of incremental growth for Würth in 2020 — and more than \$5 million in 2021.

Strong Communication

Hill says the biggest lesson he’s learned during the pandemic is that you can’t over communicate enough. Würth sends out weekly customer and supplier partner success stories, and regional leaders also send weekly updates. In order to keep talent engaged, he also regularly solicits employee feedback and shares how he sees the company’s growth playing out over the next several years. It’s also important to keep customer communications at a high point, doing what Würth can to keep customers on course with their business goals.

COVID-19 has brought Würth closer to both its manufacturing partners and customers, says Wilk. Although they always felt they were part of a larger team, now they have an even deeper understanding of production schedules and demand schedules, he says. “Our service becomes even more of an extension of what they do every day,” Wilk adds. “Because we may have to deliver differently; we may have to deliver at different times, we have to limit the number of people going into a customer’s facility.”

When one customer said they were going to have to table a project because it required an onsite visit to establish, Würth was able to create a virtual visit with body cameras that gave the customer an intimate view of their 200,000-plus square foot warehouses.

Würth was also able to hold a virtual supplier day for supplier partners this summer with more than 200 attendees. “We had a choice to either fold up or be aggressive and creative and I think it really paid off for us,” says Hill. “We received a lot of positive feedback on providing an innovative approach to connecting with our supplier partners in these challenging times.”

Looking toward the future, Würth is preparing for the pandemic to be a reality throughout at least 2021. “It’s a two-year challenge,” says Hill. “We have to be patient and be progressive.”

■ 2020 MDM Market Movers

The Collective Market Power of Affiliated Distributors

5

Industrial marketing group continues to see reliable growth

If the independent distributors that compose buying group AD were counted as one company, it would easily rank No. 1 on MDM's Market Leaders list this year, topping such giants as Ferguson, Grainger and Amazon Business.

By Eric Smith

In 2019, members of the Wayne, Pennsylvania-based organization generated a combined \$46.3 billion in total sales, up 12% from the year before, growth that wasn't as robust as previous years but still solid relative to overall industry performance.

Of course, AD is not one company, but rather a collaborative of 800-plus independently owned members that run more than 5,000 distribution branches across numerous verticals and geographies. AD, which is North America's largest marketing/buying group for construction and industrial supplies, is a "member-owned organization, passionate about bringing growth-oriented independent distributors and best-in-class supplier partners together with the purpose to outperform the market and to stay ahead of the competition."

And outperform the market is something many of AD's members have been doing for decades, last year being the latest example. In 2019, Plumbing, Heating, Cooling and Pipe (PHCP) divisions grew by 4%; Industrial and Safety divisions grew same-store sales by 3%; Electrical divisions grew same-store sales by 2%; and Building Materials grew by 4%. Each geographic region — the U.S., Canada and Mexico — all notched sales gains.

There's more to AD than just the numbers, however. It's the collective buying power of AD that makes it one of this year's MDM Market Movers. AD, which will celebrate its 40th anniversary next year, is preparing to begin its fifth decade in a powerful position despite a global pandemic that has ravaged the economy in general, and wholesale distribution in particular, for the past six months.

Nevertheless, COVID-19 has presented challenges for AD and its members, which is why MDM is checking in with AD Chairman and

CEO Bill Weisberg about how the organization and its members are faring.

Plenty has been happening for AD and Weisberg, who became sole owner and chairman of the organization in 1991 after taking over for his father, AD founder David Weisberg. Then, in 2018, the group successfully transitioned to member ownership accountable to a board of directors elected by the members.

During his tenure, Bill Weisberg has overseen numerous achievements at AD, including the expansion into seven additional wholesale industries, entering Canada and Mexico, and increased member services to include e-commerce, HR and procurement. And two years ago, he orchestrated a merger with IDC-USA, a cooperative of 76 bearings and power transmission products distributors.

This year, he and his experienced leadership team have been busy shepherding the organization through a global pandemic.

Our conversation with Weisberg addresses a host of topics, including changes at the buying group, how distributor members have navigated the pandemic and what's in store for the buying group in the next 40 years and beyond.

MDM: As AD approaches its 40th anniversary, how has the role of the independent distributor evolved over the last four decades?

Weisberg: We're so fortunate to be coming up on such an incredible milestone. For some of our members, they've been in business nearly three times as long! The strength of the independent business model — locally run, fiercely self-sufficient and agile — has enabled our members to continue to thrive over the years.

From an industry standpoint, their ability to make quick decisions, invest in inventory and continually develop their technical expertise has made them ideal partners for manufacturers seeking to drive new and existing products into local markets.

AD's members are leaders in their local markets and help add value to their customers with new products, services and ways to

continued on p. 7 of this section

Top Distributors
Continued from p. 4

Top 25 Electrical Distributors

1. Sonepar USA \$11.4B	14. U.S. Electrical Supply NA
2. Anixter International Inc. \$8.8B	15. Turtle & Hughes NA
3. WESCO International \$8.4B	16. Kendall Electric NA
4. Graybar \$7.5B	17. Denney Electric Supply NA
5. Rexel Holdings USA/Rexel Canada \$5.4B	18. Main Electric Supply Co. NA
6. Consolidated Electrical Distributors NA	19. Dealers Electrical Supply Company NA
7. ADI Global Distribution NA	20. Wholesale Electric Supply Co. of Houston NA
8. Border States Electric NA	21. Summit Electric Supply \$504M
9. McNaughton-McKay Electric Company. \$1.5B	22. State Electric Supply Company NA
10. City Electric Supply NA	23. Echo Electric Supply NA
11. Crescent Electric Supply Company. . . . \$1.2B	24. Kirby Risk NA
12. Mayer Electric Supply NA	25. Werner Electric Supply Company NA
13. Elliot Electric Supply NA	

See the top 150 distributors across 16 product categories at mdm.com/top_distributors

Top 10 PT/Bearing Distributors

1. Motion Industries \$6.5B
2. Applied Industrial Technologies \$3.5B
3. Kaman Industrial Technologies NA
4. Bearing Distributors Inc. NA
5. Wajax Corp \$1.6B
6. Purvis Bearings NA
7. OTP Industrial Solutions NA
8. W.W. Grainger \$11.5B
9. Headco NA
10. IBT NA

Top 10 Fluid Power Distributors

1. Applied Industrial Technologies \$3.5B
2. SunSource NA
3. Motion Industries \$6.5B
4. The Fastenal Company \$5.3B
5. W.W. Grainger \$11.5B
6. Hydradyne NA
7. Kaman Industrial Technologies NA
8. Berendsen Fluid Power NA
9. Hydraquip NA
10. Womack Machine Supply Co NA

More category listings continued on p. 2 of the yellow section

AD

Continued from page 5

procure product — like e-commerce. They have expanded their supplier base to help customers source products across multiple industries while providing services that differentiate them in the market. We also find that independent distributors are heavily invested in their local communities. Our members are generous in their efforts to give back.

MDM: How has AD helped drive the evolution?

Weisberg: AD expanded from our original U.S. Electrical Division with 48 members, which was established by my father, to 12 divisions across Canada, U.S. and Mexico. We utilize the market power of our \$46 billion group to negotiate performance-based incentives, promotions and programs with world-class manufacturers, to help our members stay competitive and drive sales for our supplier partners.

Along the way, AD has continually invested in value-added programs and services designed in collaboration with our members based on their greatest needs to help them compete and win.

We've got so many great examples of the programs we drive for members. Our best-in-class meetings and networking offer best-practice sharing through structured, meaningful networking with noncompeting like-minded, growth-oriented independents.

eCommerce Solutions has helped over 100 of our members sell online. HR and Procurement Services help our members access best-in-class service providers at discounted rates.

Our warehouses in the U.S. and Canada help our members save money and leverage a streamlined ordering process and offer private label brands and opportunities for power buys.

MDM: Were AD members, by virtue of their membership in the buying group, better prepared for this crisis? How so, specifically?

Weisberg: Throughout this crisis, the AD community that includes our members, supplier partners and associates came together to support one another in a manner that's only possible through an organization like ours.

Our AD associates have immersed themselves in activities centered on maximizing support to our members and suppliers, enabling the group to not only continue to recover from the pandemic, but grow and emerge stronger. Ex-

amples of these activities include our Community Message Board, launched as the lockdowns began, it provides our members with a central online location to informally ask questions of their peers and share best practices in areas like warehouse and delivery protocols, counter and pick-up procedures and HR.

In response to an immediate need to help our members understand market trends, we launched real-time business intelligence collection and reporting to provide members with a timely and evolving picture of the financial impacts of the pandemic. The reports provided relevant divisional, geographic and end-user specific data and trend lines that our members can use to navigate throughout the crisis and make informed business decisions.

Our tagline is "Together We Win," and this certainly came to fruition as we partnered with suppliers and members to help build programs that support independent distribution.

The strength of together was evident when we conducted a personal protective equipment power buy across all U.S. divisions that provided over 600,000 masks for members who participated. Our Bearings and Power Transmission Division team led that charge, leveraging our U.S.-based warehouses in Indiana and Nevada to provide this critically needed item.

MDM: Beyond the obvious metric of member revenue, how is AD measuring success for distributors, suppliers and even the organization itself during the pandemic?

Weisberg: Like most organizations, we have a stable of financial metrics and performance indicators that help us manage the health of our business. However, in times like these one of the most important measures of success is business continuity. We leaned in even deeper to help our community, despite all of us working remotely. Our No. 1 mission is to help our members and suppliers get through the pandemic. Times are tough and we are working to help our community come out the other side of the pandemic stronger.

MDM: What have been members' (both distributors and suppliers) most pressing needs during the last six months?

Weisberg: There are three notable areas. The first started with a clear and urgent need for information. There were so many unknowns at the

continued on the next page

AD

Continued from page 7

front-end of this crisis and we helped bridge that need with frequent communications, member and supplier outreach, webinars on important topics like SBA Paycheck Protection Program legislation and IT security, and a series of virtual meetings with members and suppliers across all of our divisions.

As the crisis continued, the second area was an immediate focus on business continuity as organizations moved part or all their teams to work from home and ensure they were able to support their end-user customers. We've seen tremendous resilience, creativity and agility across our membership as they continue to operate and win in a challenging market.

The third greatest area of need has been support in addressing supply chain challenges that many manufacturers are facing. We continue to engage in with members and supplier partners find ways to address these challenges and prioritize members in our community.

MDM: What are the hallmarks (besides product mix) of a distributor that has not only survived but thrived during the pandemic?

Weisberg: Our members acted early, practiced strong leadership, communicated frequently with their employees, customers and suppliers, and they managed their cost responsibly. The AD community used the time to get stronger, by taking advantage of online education and resources, and promoting their commerce capabilities. We've seen tremendous growth in our e-commerce program, and now more than ever, members that have embraced these capabilities are winning.

MDM: Can you share an example of a member distributor that has been especially innovative in response to COVID-19?

Weisberg: The pandemic affected every industry, geography, associate, member and supplier partner. Throughout this time, we've witnessed incredible agility in the community we serve. There are hundreds of examples of businesses that pivoted, innovated and swiftly took the opportunity to strengthen their position in the market.

One example of a member that has been particularly innovative in their response to the pandemic and featured on MDM's Market Leaders list is Border States. This employee-owned AD multi-divisional member continues to find

ways to compete and win. Whether it's through diversification of their product mix, engagement with supplier partners or finding ways to grow, they are challenging status quo.

MDM: How has the collaborative nature of the buying group been beneficial for members during this crisis?

Weisberg: As a member-owned and governed organization, we've benefited from bringing together the best minds in the industry on boards and committees to help shape our strategy and response to the crisis. Our members have been able to generate new ideas and exchange best-practices, collaboratively problem-solve, and govern each of our divisions for the betterment of each independent and the group as a whole.

MDM: AD has pivoted its annual meetings this fall to virtual; how have expectations for these events changed both from AD's and members' perspectives? At the same time, is AD looking forward to in-person meetings resuming?

Weisberg: AD announced the shift to virtual meetings early in June because we understand our members need and want to lead from the front, staying close to their businesses and families. We recognize that virtual meetings aren't the same as in-person meetings and we've modified our agendas accordingly. We've constructed core programs that consist of member and supplier updates, networking, and virtual booth sessions that allow our members and suppliers to review 2020 performance and jump start 2021 plans.

Additionally, we've given our suppliers the opportunity to host webinars in the days and weeks leading up to the fall meetings where they can share their plans and highlight key products and programs with our members. We're all looking forward to active participation from our members' and suppliers' key decision makers. Our hope is that conditions will allow for us to resume in-person settings for our spring meetings, but we'll remain flexible.

MDM: As AD thinks about the next 40 years, what's in store for growing the organization and enhancing its value for members?

Weisberg: As we think about growth, it's all about how AD can help independents outpace the market. We'll continue to expand our membership, explore new verticals and invest in future-looking programs.

■ 2020 MDM Market Movers

Sonepar USA Doesn't Miss a Beat

9

Data analytics and strong digital presence contribute to success

With its parent company headquartered in Paris, France, Sonepar USA got an intimate look at how the COVID-19 pandemic was impacting European business weeks before the coronavirus gained a strong foothold in the U.S.

By Elizabeth Galentine

The advanced intel from Sonepar Group gave Sonepar USA a leg up on U.S. market preparation — “It helped us to be aware from a really early stage that it was coming so that we could start preparing early,” says Peter Bruhn, general counsel and SVP.

However, one could say the electrical, industrial and safety product distributor has been preparing for such disruption for years. “In addition to our global network, we rely heavily on data analytics to inform our strategy and decisions. This is key to our mission of becoming a fully digital enterprise by 2025 but it’s also enabled us to adapt quickly throughout this crisis,” says Rob Taylor, president, North America.

When COVID-19 hit, Sonepar was able to go from roughly zero to nearly 4,000 VPN users within about a week, says Mike Smith, CIO and VP of operations. Most employees remain remote. “Nobody’s missed a beat,” he says.

Technology building blocks for such a smooth transition were put in place back in 2016, when Smith initiated a strategic plan to revamp the company’s old tech to create a more modern, standardized digital platform powered by cloud technology.

Key Moves in 2019

No. 1 on MDM’s 2020 Market Leaders electrical, data and security list that is ranked by 2019 revenues, Sonepar excelled with a range of business highlights in 2019. Taylor addresses five accomplishments in particular that helped to put the company in a position of strength:

1. North Coast Integration. “After finalizing the acquisition of North Coast in early 2019, we moved very quickly on completing the full integration. A lot of hard work and effort went into completing the integration by October of last year and we couldn’t be happier to have added North Coast to the Sonepar USA family.”

2. Utility Business. “We’ve gone to market

for the first time in the U.S. under one brand with our new combined utility business, Irby Technology and Communication Group. We’ve seen strong performance so far this year and we’re looking forward to continued growth.”

3. Pros Need Pros. “We’d begun developing our Pros Need Pros marketing campaign earlier this year, but when COVID-19 hit, the messaging became more relevant than ever and we decided to push up the rollout. We have the specialists, customizable solutions and extensive services that our customers need to not only get the job done, but to help grow their business. Pros Need Pros shows our customers, who are the best at what they do, that they have the full support they need when partnering with us.”

4. Point A Partnership, Innovation Team. “Innovation is a key focus area for us right now and has only been strengthened by our need to adapt during the global pandemic. Along with our digital capabilities, it is key to enabling us to continue meeting our customers’ needs and offering solutions that they may not even realize they need yet. We entered into an exciting partnership with Point A in February, a solution center that brings together leading companies, start-ups and academic institutions in a world-class innovation hub. We’ve also created an internal innovation team consisting of cross-functional participants from all areas of the business focused on the adoption and implementation of the latest tools and technology to support our mission to become a leader in innovation.”

5. Logistics Transformation. “Over the past year, we’ve made great strides in our logistics transformation with the successful implementation of automated guided vehicles (AGVs), Vertical Lift Modules (VLMs) and other tools and processes to improve the efficiency of our warehouse and distribution centers.”

COVID-19 Impacts

While the company has faced a lot of challenges in the last six months, Taylor credits the strength of his team for their ability to keep Sonepar running safely. “Our primary focus from the start has been the health and well-being of our associates, customers and vendor partners,” he says.

The company is emphasizing social distanc-

continued on p. 12 of this section

2Q20 Pricing Trends Report

Inflation trends for core industrial/construction products

These select product groups provide a snapshot of inflation trends based on the Producer Price Index from the U.S. Bureau of Labor Statistics.

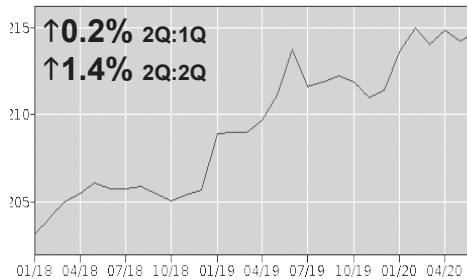
Key

↑X.X% 2Q:1Q (2Q '20 with 1Q '20)

↑X.X% 2Q:2Q (2Q '20 with 2Q '19)

Industrial

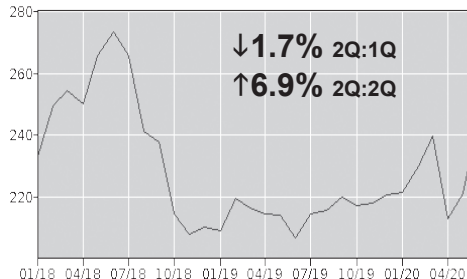
Abrasives



Product Group	2Q:1Q	2Q:2Q
Adhesives/Sealants	0.3%	1.1%
Ind. Mat Handling Eqmt	0.4%	1.7%
Industrial Rubber Products nec	0.2%	1.5%
Metal Cutting Machine Tools	0.2%	1.2%
Metal Forming Machine Tools	0.3%	2.4%
Metal Valves (not FP)	1.1%	2.0%
Personal Safety Eqmt & Clothing	0.1%	0.9%
Pumps & Compressors	0.2%	1.6%
Rubber & Plastic Belts & Belting	0.4%	3.2%
Rubber & Plastic Hose	0.0%	1.4%
Steel Mill Products	-2.2%	-12.1%

Construction

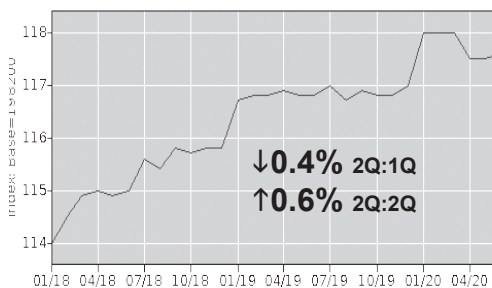
Softwood Lumber



Product Group	2Q:1Q	2Q:2Q
Plastic Construction Products	0.1%	0.4%
General Millwork	0.9%	1.5%
Gypsum Products	-1.8%	-0.6%
Hardboard, Particlebd, Fiberbd	-0.4%	5.4%
Hardwood Lumber	-0.5%	-7.7%
Plywood	0.9%	-4.8%
Wood Ties, Siding, Shingles, etc.	-0.7%	-0.9%

Electrical

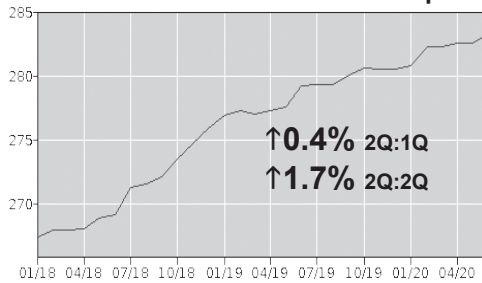
Electrical Machinery & Eqmt*



Product Group	2Q:1Q	2Q:2Q
Communications/Related Eqmt	-0.1%	2.9%
Electric Lamp Bulbs and Tubes	0.2%	-19.0%
Electronic Components & Accs.	-1.2%	-0.7%
Integrating/Measuring Instrumts	0.3%	0.8%
Lighting Fixtures	0.2%	2.6%
Motors, Generators, etc.	-0.2%	0.5%
Switchgear, Switchbd, etc. Eqmt	0.0%	2.2%
Transformers/Power Regulators	-1.5%	0.4%
Wiring Devices	0.2%	1.1%
Fab. Ferrous Wire Products	0.3%	-2.0%
Nonferrous Wire & Cable	-1.7%	-4.3%

*Category includes products in table to right

Mech. Power Transmission Eqmt*

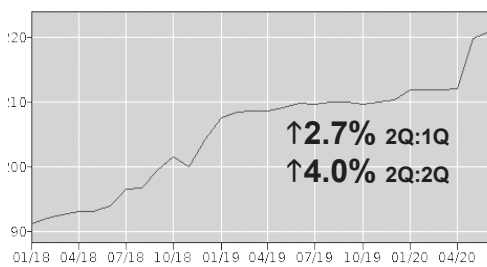


*Category encompasses first three (PT) products in table.

Product Group	2Q:1Q	2Q:2Q
Ball & Roller Bearings	0.1%	1.3%
Plain Bearings & Bushings	0.5%	1.4%
Speed Changers/Drives/Gears	0.4%	1.1%
Fluid Power Equipment	0.3%	1.8%
FP Cylinders, Actuators, Accum.	0.2%	2.2%
FP Hose & Tube Fittings	0.0%	0.2%
Fluid Power Pumps & Parts	0.1%	1.3%
Fluid Power Valves	0.8%	2.9%

Fasteners

Nuts, Bolts, Screws, Rivets, Washers*

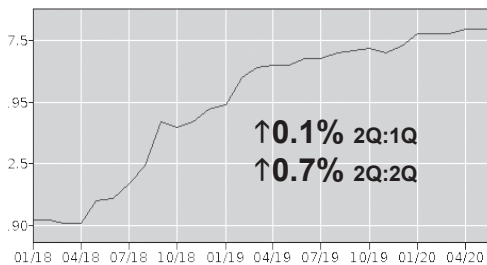


Product Group	2Q:1Q	2Q:2Q
Aircraft Fasteners	3.0%	2.8%
Externally Thread. Fasteners**	5.0%	5.9%
Internally Thread. Fasteners**	-1.3%	6.3%
Nonthreaded Metal Fasteners**	-1.3%	-0.2%

*Category encompasses products in table above
 **Excludes aircraft fasteners.

Tools

Cutting Tools & Accessories*

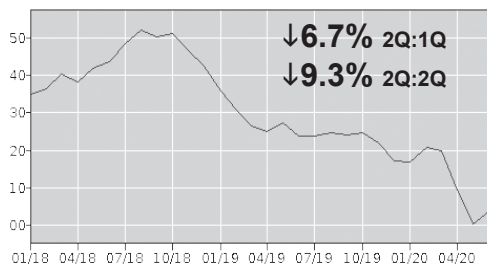


*Category encompasses some of the products in table.

Product Group	2Q:1Q	2Q:2Q
Hand & Edge Tools	0.4%	1.7%
Power-Driven Hand Tools	0.1%	1.3%
Precision Measuring Tools	0.0%	0.0%
Small Cutting Tools	0.0%	0.3%
Tools, Dies, Jigs, Molds, Fixture	-0.2%	-1.6%

Other

Plastic Resins and Materials

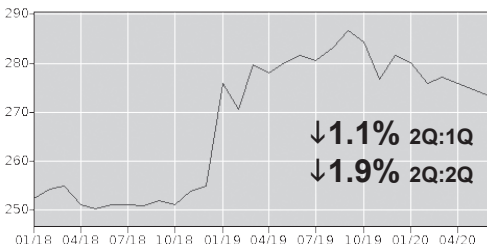


Product Group	2Q:1Q	2Q:2Q
Hardware*	0.3%	1.5%
Builders Hardware	0.0%	2.3%
Air Cond. & Refrigeration Eqmt	1.3%	1.5%
Heating Eqmt	0.5%	2.0%
Plumbing Fixtures & Fittings	-0.4%	1.5%
Plastic Products (overall)	-0.4%	-1.0%
Pkging Products from Plastics	-0.8%	-3.6%
Welding Machinery & Eqmt	0.7%	1.0%
Office Supplies & Accessories	-0.6%	-1.7%
Pulp, Paper & Allied Products**	0.9%	-0.5%
Boxes	-0.4%	-0.9%
Sanitary Paper Products	-0.2%	0.5%

*This category includes builders' hardware & other product groups

**Category includes boxes, sanitary paper products & office supplies & other groups

Industrial Gases



SONEPAR USA

Continued from page 9

ing both at work and outside of work, according to Bernadette Palumbo, SVP of HR. “We established working guidelines and that cover temperature taking, cleaning and sanitizing, wearing of masks, restriction of visitors,” she says. “This is all in order that our associates feel safe to come to work.”

Sonepar’s decentralized structure allows for a more comprehensive view of associates’ needs, says Taylor. “We heavily leaned on that as we prepared for the pandemic to hit in the U.S. and it has continued to shape our response,” he added. “The key to any of this working, of course, is communication. We rely on these open channels across the global and national organization, but it’s also important that we provide an open channel from a leadership perspective, especially during such difficult times.”

The company provided employees with resources to assist with everything from insurance and billing issues, locating legal, financial and childcare resources, to managing stress and anxiety. “All of these things are really important because we’ve been all been living through this for so many months, it’s not only taken a toll on us physically, but I think also mentally,” Palumbo says. “We need to acknowledge that and continue support our associates.”

Guidelines and safety protocols are in place to ensure employees who have been exposed to COVID-19 take appropriate measures to avoid spread of the illness, according to Bruhn. “I don’t think we’re out of the COVID crisis, but today we’ve managed to effectively deal with many of these issues in a way that hasn’t impacted our business maybe as significantly as other companies,” he says. “And as a result of that, we feel like we’re in a very strong position right now to continue to service our customers and work well with vendor communities.”

Digital is Critical

Leveraging its size and scale helped Sonepar to adjust quickly to pandemic business practices like curbside pickup and contactless payment, says Taylor. The IT and digital teams leveraged technology already in place at one of Sonepar’s companies to give customers across the U.S. the ability to pick up materials with little contact.

Although the company “took swift action on cost controls” as the pandemic hit, Sonepar maintained strong investment in its digital capabilities, Taylor adds. The latest stage of Sonepar’s digital development is continuing to move toward a true omnichannel experience for

customers, so that their experience is the same on mobile platforms, online, in person — however they choose to interact with the company. The last four to five months have been very productive for Sonepar’s team of five architects and 12 developers, according to Smith.

The mobile and digital platform search functions are now backed up by artificial intelligence that learns the way individual users like to search, learning from their behaviors and customizing product displays in response. “It’s really pretty slick,” he says.

In bringing the technology to the field, the company created a digital playbook for the sales team. Inside and outside sales receive training and then go through a competency test to ensure they have a basic understanding. Every operating company also has at least one or two digital specialists who partner with the sales team.

A top goal for the near future from an IT perspective is to have every one of Sonepar’s operating companies on the same web platform. The Sonepar Group, in 42 countries, is also making a major effort to complete its global data lake by the end of the year that will house one central data source for the company, according to Smith. The master data management team continues to refine customer and product files to help the customer experience and better understand who Sonepar’s customers are and how much of their wallet share the company is getting. Logistics projects around warehouse automation and delivery scheduling notifications are also refining and improving customer touch points. “I expect us to get to the end of this year with much stronger information systems — a world-class digital experience that really supports true omnichannel,” says Smith.

Taylor expects the remainder of the year to be a challenge, not just for Sonepar, but for the industry as a whole. Still, he feels the company is in a position to emerge from the COVID-19 disruption in a position of strength. “Like most everyone, we’ve had to put some things on hold and readjust timelines,” he says. “But we’ve also fast tracked the initiatives that will help us continue providing the best possible omnichannel experience to our customers as we continue to navigate these unprecedented times. Our financial strength affords us the ability to continue reviewing potential acquisitions and look for opportunities to grow and expand to meet our customers where the need us. While we’ve certainly had to shift priorities in some areas, the hard work, dedication and agility of our associates have set us up to stay on track for the future.”

What HD Supply's Latest Move Means for Industrial Distribution

For the second time in three years, HD Supply Holdings Inc. turned to a private equity buyer — specifically, New York-based firm Clayton, Dubilier & Rice — for unloading a large asset, amassing a pile of cash and shifting its portfolio priorities elsewhere. The Atlanta-based company agreed to sell the company's Construction & Industrial – White Cap business to an affiliate of private equity firm CD&R for \$2.9 billion.

The deal is expected to close in October and net HD Supply \$2.5 billion after taxes and transaction costs. That's a lot of scratch for HD Supply to not only refocus on its core business of Facilities Maintenance but also pay down debt and return capital to shareholders, as the company's president and CEO, Joe DeAngelo, outlined. "After a detailed evaluation, we determined that a sale of our White Cap business unit to Clayton, Dubilier & Rice is in the best interests of our HD Supply stockholders," he said. "This transaction will enable the HD Supply leadership team to intensify our focus on Facilities Maintenance, while also returning capital to our HD Supply shareholders."

What's more, it now allows HD Supply to pursue other acquisition targets and bolster a portfolio that has shrunk considerably in the past seven years. HD Supply was once part of Home Depot before being sold to a consortium of private equity firms, including CD&R, in 2007. The PE firms divested their interest in HD Supply when the company went public in 2013.

HD Supply originally planned to spin off the Construction & Industrial – White Cap business into a separate publicly traded company but decided PE was again the right path for divestiture.

Distributor

Bunzl PLC has agreed to acquire two companies — **MCR Safety**, a Memphis-based safety distributor, and **Abco Kovex**, a Dublin, Ireland-based flexible packaging distributor.

Core & Main LP, St. Louis, closed on its agreement to acquire **Water Works Supply Co.**, a New Jersey-based waterworks distributor.

Heritage Landscape Supply Group Inc., McKinney, Texas, a wholly owned subsidiary of **SRS Distribution Inc.**, acquired Boise, Idaho-based **Silver Creek Supply**.

Mallory Safety and Supply, Portland, Oregon, acquired **Wise Safety & Environmental**, a St. Louis-based distributor of safety supplies and abatement products and services.

WESCO International Inc., Pittsburgh, reported second-quarter sales of \$2.2 billion, down 2.9% from the same period a year ago. 2Q organic sales were down 12.3%. The company reported a loss of \$34.5 million, compared to a profit of \$63.5 million in the year-ago period.

Applied Industrial Technologies, Cleveland, reported full-year sales of \$3.2 billion, down 6.5% compared to a year ago. Net income for the year was \$24 million compared with \$144 million in the prior-year period.

Avnet Inc., Phoenix, reported sales for the fiscal year 2020 ended July 1 of \$17.6 billion, a 9.7% decrease from the same period a year ago. The company reported a loss for the year of \$ 31.1 million, compared to a profit of \$176.3 million in 2019.

Beacon, Herndon, Virginia, reported sales of \$1.79 billion for its fiscal third quarter ended June 30, a 6.9% decrease compared with the third quarter of 2019. The company reported a third-quarter loss of \$6.7 million, compared with a \$31 million profit in the year-ago period.

DXP Enterprises Inc., Houston, reported second-quarter sales of \$251.4 million, down 24.6% compared to the second quarter of 2019. Net income was \$2.1 million, down from \$13.4 million in the year-ago period.

NOW Inc., Houston, reported sales for the second quarter of \$370 million, down 52.3% year-over-year. The company reported a loss of \$30 million, compared to a profit of \$14 million a year ago.

Fastenal Co., Winona, Minnesota, reported July sales of \$469.5 million, up 2.6% over the year-ago period. The company reported daily sales of \$21.3 million, up 2.6% versus a year ago.

MSC Industrial Supply Co., Melville, New York, reported preliminary, unaudited sales for the fiscal month of July — the second month of the company's fiscal fourth quarter — were \$233.3 million, a decrease of 12.6% compared to the same period in the prior fiscal year.

**MARKETS
UPDATE
SUPPLEMENT
P. 2**

**Corrections &
Additions**

Please contact us at editor@mdm.com with additions, revisions or corrections; we will promptly update our online and PDF listings when received.

Top Distributors

Continued from p. 6 of the white section

Top Building Materials Distributors

1. ABC Supply Co.	\$11.6B
2. Builders FirstSource	\$7.3B
3. Beacon Roofing Supply	\$7.1B
4. 84 Lumber	NA
5. BMC Stock Holdings Inc.	\$3.6B
6. US LBM Holdings Inc.	NA
7. BlueLinX Corp.	\$2.8B
8. GMS Inc.	\$3.1B
9. HD Supply	\$6.1B
10. SRS Distribution	NA

Top Specialty Adhesives Distributors

1. RS Hughes Co.	\$426M
2. Hisco, Inc.	\$324M
3. Ellsworth Adhesives	NA
4. Krayden	NA
5. Rudolph Bros. & Co.	NA

Top Plastics Distributors

1. North American Plastics	NA
2. Polymershapes	NA
3. Piedmont Plastics	NA
4. Total Plastics International	NA
5. Curbell Plastics	NA
6. Professional Plastics	NA
7. ThyssenKrupp Engineered Plastics	NA
8. Cope Plastics	NA
9. E&T Plastics	NA
10. Interstate Plastics	NA

Top Hose/Accessories Distributors

1. United Distribution Group	NA
2. SBP Holdings Inc.	NA
3. ERIKS North America	NA
4. JGB Enterprises	NA
5. Bridgestone HosePower	NA

Calculation of MDM Inflation Index for July 2020

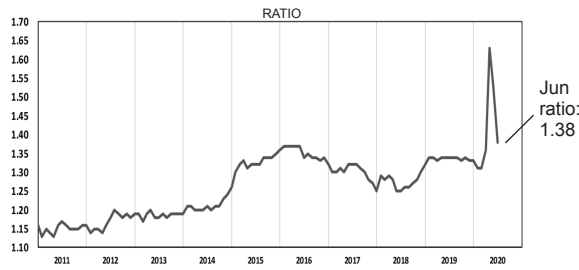
	BLS Price Indices Jul '20	BLS Price Indices Jun '20	BLS Price Indices Jul '20	% Sales Weight	Weighted Indices Jul '20 (1)X(4)	% Change Jul '20	% Change Jul '19		
1136	Abr. Prod.	638.2	637.4	632.0	19.1	121.90	0.14	0.99	
1135	Cutting Tools	538.8	536.9	533.6	18.9	101.83	0.35	0.97	
1145	Power Trans.	886.6	885.4	869.7	15.4	136.54	0.14	1.94	
1081	Fasteners	594.1	596.8	563.9	9.0	53.47	-0.45	5.36	
1149.01	Valves, etc.	1107.7	1087.6	1070.3	7.6	84.18	1.84	3.49	
1132	Power Tools	400.6	400.6	395.5	6.5	26.04	0.00	1.29	
1144	Mat. Handling	656.3	656.5	645.1	6.2	40.69	-0.04	1.73	
0713.03	Belting	972.1	972.1	947.3	6.1	59.30	0.00	2.62	
1042	Hand Tools	845.9	845.3	837.8	8.1	68.52	0.08	0.98	
108	Misc. Metal	505.4	506.2	504.3	3.1	15.67	-0.17	0.22	
"New" July Index					370.0	July Inflation Index	708.13	0.29	1.95
"New" Junel Index					368.9	June Inflation Index	706.12		
						July 2019 Inflation Index	694.58		

June 2020 | Monthly Wholesale Trade Data

Wholesale revenues in June were \$457.3 billion, down 8.5% from June 2019 and up 8.8% from May. June sales of durable goods were up 8% over last month and down 6.2% from a year ago. Sales of nondurable goods were up 9.5% over May and down 10.6% from last June.

Inventories were \$633.3 billion at the end of June, down 1.4% from the revised May level and down 5.6% from last year. June inventories of durable goods were down 1.7% from last month and down 6.9% from a year ago. Inventories of nondurable goods were down 1% from May and down 3.5% from last June.

Monthly Inventories/Sales Ratios of Merchant Wholesalers: 2010-2019
(Estimates adjusted for seasonal and trading-day differences, but not for price changes)



Source: U.S. Census Bureau

**MARKETS
UPDATE
SUPPLEMENT
P. 3**

Inventories/Sales Ratio. The June inventories/sales ratio for merchant wholesalers was 1.38. The June 2019 ratio was 1.34.

Sales and Inventories Trends: June 2020

NAICS Code	Business Type	Sales \$Millions	Inventory \$Millions	Stock/Sales Ratio	% Change Sales 5/20-6/20	% Change Sales 6/19-6/20	% Change Inventory 5/20-6/20	% Change Inventory 6/19-6/20
42	U.S. Total	457,264	633,283	1.38	8.8	-8.5	-1.4	-5.6
423	Durable	225,179	381,872	1.70	8.0	-6.2	-1.7	-6.9
4231	Automotive	35,808	60,733	1.70	25.5	-10.8	-2.1	-12.0
4232	Furniture & Home Furnishings	6,935	12,209	1.76	2.9	-17.5	-0.7	-13.6
4233	Lumber & Other Construction Materials	12,337	18,533	1.50	1.5	-2.3	0.6	-6.8
4234	Prof. & Commercial Equip. & Supplies	42,245	49,937	1.18	7.0	-5.0	-3.6	-2.1
42343	Computer Equipment & Software	21,740	15,987	0.74	0.1	-2.9	-1.2	-7.6
4235	Metals & Minerals	10,555	30,484	2.89	9.0	-28.3	-3.0	-9.6
4236	Electrical Goods	47,477	52,868	1.11	0.8	-3.2	-0.1	-5.6
4237	Hardware, Plumbing, & Heating Equipment	14,026	26,191	1.87	9.4	7.8	-2.6	-3.0
4238	Machinery, Equipment & Supplies	36,919	101,778	2.76	8.2	-2.6	-1.2	-4.7
4239	Miscellaneous Durable	18,877	29,139	1.54	5.8	-4.4	-2.4	-10.8
424	Nondurable Goods	232,085	251,411	1.08	9.5	-10.6	-1.0	-3.5
4241	Paper & Paper Products	6,789	9,688	1.43	2.1	-9.6	1.5	4.8
4242	Drugs	61,457	68,068	1.11	8.2	2.9	-2.8	4.0
4243	Apparel, Piece Goods & Notions	9,604	27,558	2.87	35.7	-25.8	-6.5	-4.1
4244	Groceries & Related Products	58,243	42,136	0.72	7.1	0.6	1.7	3.9
4245	Farm-product Raw Materials	15,993	21,367	1.34	0.4	1.0	0.2	-15.8
4246	Chemicals & Allied Products	9,451	12,473	1.32	4.8	-14.9	-1.4	-6.5
4247	Petroleum & Petroleum Products	33,874	18,178	0.54	25.2	-42.3	10.3	-21.5
4248	Beer, Wine & Distilled Beverages	14,010	17,229	1.23	0.4	5.4	-4.5	-6.0
4249	Miscellaneous Nondurable Goods	22,664	34,714	1.53	7.5	0.2	-0.6	-4.5

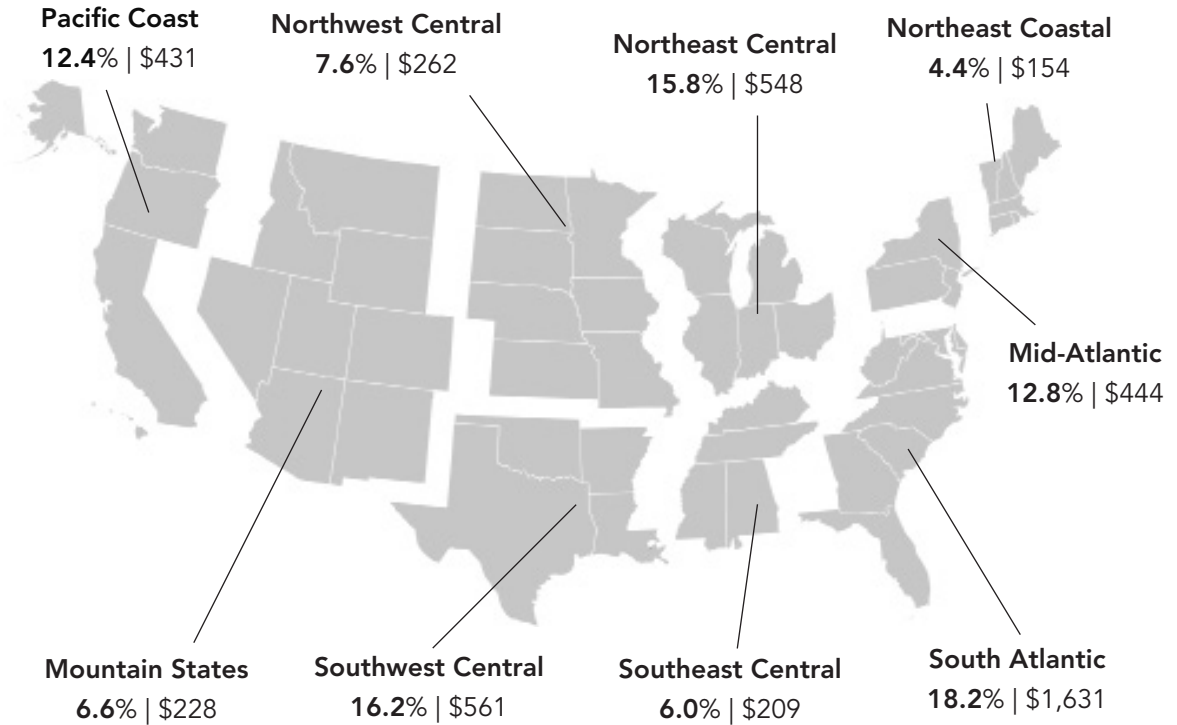
U.S. Bureau of the Census, Current Business Reports, Monthly Wholesale Trade, Sales and Inventories Series: MDM compilation and analysis. Adjusted for seasonal and trading day differences. Figures for sales and inventories are preliminary adjusted estimates.

Welding Equipment Construction & Maintenance MRO Demand in the U.S. | Market Snapshot

U.S. Total: \$3.5 billion

Market demand for Welding Equipment Construction & Maintenance MRO in the U.S. was \$3.5 billion in 2019, according to data from MDM Analytics. All estimates are 2019 end-user demand, in U.S. dollars, including distributor margin.

U.S. End-User Market Demand for Welding Equipment Construction & Maintenance MRO by Region, \$ Millions (2019 est.)



U.S. End-User Market Demand for Welding Equipment Construction & Maintenance MRO: Top 10 End Markets

Top 10 end markets in \$ volume, by NAICS code, consuming Welding Equipment Construction & Maintenance MRO (2019 est.)

End User	Estimated Consumption
238220 Plumbing, Heating, and Air-Conditioning Contractors	\$611,480,342
325412 Pharmaceutical Preparation Manufacturing	\$132,341,502
238120 Structural Steel and Precast Concrete Contractors	\$108,637,376
322121 Paper (except Newsprint) Mills	\$101,350,622
325211 Plastics Material and Resin Manufacturing	\$100,243,832
236220 Commercial and Institutional Building Construction	\$94,817,021
324110 Petroleum Refineries	\$90,486,022
811310 Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	\$86,574,232
325180 Other Basic Inorganic Chemical Manufacturing	\$80,938,665
213111 Drilling Oil and Gas Wells	\$73,785,885

Source: MDM Analytics, Niwot, CO. Contact info@mdm.com for permission to reprint/share. Learn more about MDM Analytics at www.mdm.com/analytics.