One Disruption, Many Responses

Wholesale distribution finds innovative ways to navigate the COVID-19 pandemic that are remodeling business operations.

COVID-19 has wreaked havoc on our personal and business lives since March, but wholesale distribution — like other industries — found ways to navigate this disruption. In this year’s Market Trends survey, we asked how companies responded to the crisis, what (if any) positives emerged and how it affects their outlook. Here’s what they said.

By Eric Smith

This year’s Market Trends survey has a different feel to it, of course, because the world is a vastly different place than it was the last time we asked the industry to share what’s happening with their businesses and in their end markets.

Yes, many of the same issues remain for distributors, from e-commerce to ERP, technology to tariffs, talent acquisition to talent retention. But there is a new context that surrounds those concerns, an overarching theme that has dominated headlines since February, a once-in-a-lifetime economic event that rendered most other problems as secondary at best.

The impact of COVID-19 and how to navigate its ongoing disruption has been top of mind for every distributor for the last six months. And it doesn’t seem to be going away anytime soon.

In this latest iteration of our Market Trends survey, we asked how companies were handling this crisis and how it impacted their plans moving forward. We heard from distributors (59%), manufacturers (29.5%), services providers (8.7%) and others about how the pandemic negatively affected their workforce (e.g., they had to enact layoffs or furloughs), positively impacted their business (e.g., they were able)

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‘I Don’t Have Time’ Doesn’t Work Anymore

Like you, we at MDM have been grounded from meeting face to face with our customers — you! — since mid-March. We’ve been making up for the lost engagement in the same ways you have, through regular Zoom meetings, presentations, conference calls and a slew of online events in various forms, such as our recent virtual Sales GPS conference (available on-demand at mdm.com/sales-gps).

Hopefully you’ve also caught our MDM Live Friday webinar series. If not, visit the archive at mdm.com/events/event_category/mdm-live for a virtual master class taught by fellow distributors on how to tackle change, adversity and future planning. These will continue each month for at least the rest of the year.

My colleague Eric Smith and I have particularly enjoyed talking with respondents to our annual MDM Trends survey over the last couple of months. MDM reaches out to willing survey respondents each year to gauge your take on the market dynamics for the coming year, but just like everything else in 2020, the calls were a bit different this time around. Conversations centered on how much business disruption you’ve experienced from the COVID-19-induced economic shutdown and the ways you are transforming your businesses to best operate in today’s socially distanced reality.

As you will see in this issue, we’re sharing the results of those calls a bit differently as well. Rather than our typical practice of picking out and then expanding on four or five central themes for 2021, we are bringing you what I’m referring to as the Aesop’s Fables of distribution, except we skip past the trouble (you already know that part) and straight to the lesson.

It’s no surprise that nearly everyone we spoke with indicated that the pandemic has led them to accelerate the digitization of their business. The majority of Trends survey respondents (62%) specified they intend to grow revenue over the next 12 months by improving e-commerce capabilities. While an identical percentage said they will cut costs by streamlining and automating processes.

What I found interesting when digging further into these topics during my phone calls with distributors is that many explained how they intend to do so with existing technology they already have available to them. For example, utilizing features they currently pay for as part of their ERP system but never previously felt they had the time to learn or implement.

I’ve even noticed this practice in my home life, where my kids, stuck at home with their parents for months on end, have been digging through the long-neglected game cabinet and teaching themselves how to play Monopoly, chess and other games — the real, time-consuming way.

Although there’s a simple natural satisfaction in getting the most out of something you’ve already purchased, in the case of distribution technology, the pandemic and its resulting social distancing mandates have confirmed what’s been brewing in the field for years: Digital transformation is no longer something to get to ‘when there’s time,’ it’s an imperative for ongoing survival. And now is the time.
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to streamline their operations or become closer with customers) and everything in between.

Our first question was around layoffs and furloughs, with more than half — about 100 respondents — saying they didn’t need to let anyone go, even temporarily. Of those that did, there was a mix of layoffs and furloughs, ranging from one or two employees to 80% of the workforce, with many in the 5% to 10% range. Some respondents also cited payroll protection plan (PPP) loans as a reason for maintaining their staff.

Let’s look at some responses to a few of our COVID-specific questions:

In what ways has COVID-19 altered the way your business operates?

From socially distanced workspaces to curbside pickup at branches to Zoom meetings to selling PPE and JanSan products, distributors found new ways to respond to the pandemic. Below are some of the responses to our first question — about how your company altered the way it does business in light of COVID-19.

• “Remote working has greatly changed pretty much every process for office staff.”
• “Not much change. Implemented PPE and reconfigured workspace on the production floor.”
• “Far more phone and screen communications. Many more supplier considerations and options considered.”
• “Everything moved online and from home, except for the production staff and shipping, who have been split into two shifts for worker spacing purposes, as well as not having to shut all production down if someone tests positive.”
• “We have adjusted our policies with respect to safety, restrict and monitor visitors much more vigilantly, enacted cleanliness/sanitizing policies, and adjusted some work schedules to reduce density in our facility.”
• “Inside sales, supply chain, and other office-related jobs are working from home. Warehouse employees are to observe all social distancing and mask guidelines while working in the warehouse. We have put social distancing measures in place for walk-in customers.”
• “We were deemed essential and received permission to continue to operate in-house, at full staff. However, many of our vendors and manufacturers were working split shifts and/or...”

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Which New Technologies Will You Explore Over the Next 12 Months?

[Bar chart showing the distribution of responses to the question about new technologies to explore over the next 12 months.]

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at home creating tremendous customer service issues.”

What positive changes has your business gone through since COVID-19 emerged?
Distributors are resilient. Many looked for the silver lining of this pandemic and found ways to better serve their customers, adapt new technologies (or even existing technologies not previously explored) and reduce unnecessary expenses that probably won’t return to the budget. Here are a few examples of the positives that emerged from the COVID-19 crisis.

• “Work from home is working well. The sales team pivoted to online meetings and remote demonstrations. Our bookings are up >12% for the first half, and the use of our CRM tools and pipeline management are really helping.”

• “Accelerated some product development and identified new communications channels to customers.”

• “Home-office is possible and can be a cost-saving initiative; E-commerce boost forced [us to accelerate] some plans.”

• “We were able to clean out a lot of deadwood, eliminate duplicate positions, and consolidate facilities and operations under the cover of all this mess without the usual issues that go along with doing those things.”

• “Not a whole lot of positives at this point. I guess the one positive is we now know that we can operate our business, with the exception of our distribution centers, remotely.”

• “We’ve had time to restructure, add great partners and skills and redefine a marketing plan that we don’t usually have the time/focus to complete.”

• “We opened a new facility in the middle of this — from a deal we closed in February! — We’ve had people step into new roles in an extraordinary time and it’s been great to see that growth.”

• “Brought our staff closer together; they have developed their skills on video conferencing and working remote, our business has grown and we have been able to hire quality new associates.”

How Are You Planning to Cut Costs Over the Next 12 Months?
A Pandemic Operating Manual

Thirteen lessons from distributors who are finding the silver linings in COVID-19.

The coronavirus didn’t come with a blueprint that showed companies how to navigate this once-in-a-century global pandemic. Though deemed “essential” and therefore able to remain open, distributors were on their own when it came to keeping their employees safe and their businesses running smoothly.

By Elizabeth Galentine and Eric Smith

Many distributors are finding ways to make the most of operational constraints during this crisis. For this year’s Market Trends survey, we spoke with companies about the pivots they made — with their workforce, their product mix, their technology and more. These are their stories of resilience.

1. Remember the Importance of Messaging

As the vice president of marketing for The Cook & Boardman Group LLC, Greensboro, North Carolina, Bob Settle has devoted much of his time during the pandemic to honing the company’s messaging efforts.

As he knows all too well, the importance of marketing and communications is heightened during a crisis of any kind. Since the beginning of COVID-19 rocking the business world, the longtime distributor of commercial doors, frames and hardware, electronic access control equipment, and specialty products ensured that whatever was happening in the states where the company has a presence — e.g., certain business activities construction projects were shut down temporarily in Pennsylvania — Cook & Boardman made sure it was over-communicating with customers. “It’s been very important,” Settle says. “Initially, the focus was on our response to COVID-19 and how we were, No. 1, ensuring customers that we were still in business and that our branch locations were open for service. As we got a little more into the crisis, it was more of a shift to how we were attempting to serve the customers.”

That meant letting them know about curb-side service and will-call pickup. It also meant tailoring the company’s messaging based on the company’s different geographies. It even meant targeting certain end markets with the company’s new categories of products, from private label hand sanitizer to plexiglass barriers that have become popular with a number of customers, including school districts. “We’re trying to reach specific customer groups because they have different needs and different approaches to business,” he says.

The end results of this focus? Not only has Cook & Boardman uncovered customers’ unique needs, but the company has also grown closer to its base and created some added stickiness. “I would say that the communications between us and the customers are probably at a higher level than they normally would be,” Settle says. “Just because we can’t go visit, in person, I think it trains people to be a little more proactive about staying in touch.”

2. Rethink a Salesperson’s Value

About six years ago, Brian Tuohey, CEO of East Windsor, Connecticut-based PVF distributor The Collins Cos., agreed to let one of his inside salespeople continue to work for the company from her new home in Nashville, Tennessee, even though her sales territory was Connecticut. “I thought, ‘Well, they have computers and phones in Nashville, so let’s give it a try.” Tuohey says.

Six years later, that example — the salesperson still lives in Tennessee and still handles her Connecticut sales territory virtually — proved to be beneficial when the coronavirus crisis hit. It was, in fact, a template for how other Collins employees could handle their accounts while working from home. “We pivoted very quickly, almost seamlessly, to remote,” Tuohey says. “We had already sort of moved in that direction. We had tried to be as malleable as we could with our people.”

That doesn’t mean everything has come easily for Tuohey and his company, especially for his outside sales team. But he has seen the COVID-19 crisis as a way to speed up what had been coming for the traditional salesperson’s day-to-day schedule. “They were very disjointed in the early going, but honestly, we were already moving that way [toward virtual] anyway,” he says. “The day of the ‘rocket roadster’ was going away. This obviously accelerated the pace, but I think we’re so much more efficient today and valuable to our customers because we’re not talking about the Patriots and what happened on Sunday. If you’re going to contact your customer, you need to know specifically what you want to accomplish and what value that

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has for your customer — not for us, but for him. The salespeople’s value is greater at this point in time than it was when they drove around and saw our customers.”

3. This is a Time to Be Opportunistic
Devon Harbord, vice president of operations, EGW Utilities Inc. — a Carrollton, Texas-based distributor whose two divisions include utility solutions and water and plumbing — says the company was fortunate in that one of its businesses didn’t feel the impact of the pandemic the way others did. The waterworks and plumbing business remained steady, he says. “We never saw a downturn in the number of orders, the dollar per order, things like that. It was consistent, and that was fantastic.”

The utility sector was another story. Business slowed down in May and June but has begun to ramp up in the last couple of months. “We’ve seen it slow, but it only slowed for a brief period,” Harbord says.

COVID-19 changed a lot of the ways that EGW approached business, of course, from execs and salespeople no longer traveling to visit customers but instead connecting with them over the phone or video chat. It’s given the company a new outlook on how it views the opportunities that might emerge during this crisis.

One, the company has spent this time working on how it can better leverage technology, Harbord says. “I’ve been pushing our company to adopt technologies like document sharing from the cloud, chatting versus getting up and walking over to someone’s desk” and other platforms like Voice-over-Internet Protocol (VoIP).

“From our customer service people who went remote, it allowed us to see what they really need to do in their jobs,” Harbord says. “And every one of them has said, ‘I am so much more efficient at my day-to-day and I feel like I can do a better job than I was able to do before I got distracted in the office.’”

Another is how EGW approaches M&A. The company is now targeting those opportunities that might not have existed prior to COVID-19. “It increased our aggression,” Harbord says. “The vision that the owners have is that we would make three to five acquisitions in the next 10 years. We’ve definitely gotten more aggressive on that front because we’ve seen some businesses become available through all this.”

4. Look for ‘Riches in Niches’
The roots of Elyria Ohio-based fastener dis-
tributor Royal Supply Co. date back to 1883. With nearly 140 years in business, the company has found ways to adapt to changing market conditions. That’s certainly true of Royal’s current president and owner, Don Chargin, who acquired the company in 2004 and within a few years was faced with the Great Recession. But he quickly pivoted the company’s sales mix to 50% brick-and-mortar and 50% e-commerce and found success with that omnichannel approach.

“Tha’s been our model to this point,” he says. “Fast forward to 2018 and 2019, which were great years for us, just like for everybody else. We did a lot of investment, expanded our product portfolios, invested more in training and developing people and things like that. We were looking forward to a great 2020 up until the coronavirus hit. That’s when the game changed.”

With businesses shuttered and customers no longer buying at the same clip as before, Chargin knew something had to be done. So he implemented a sweeping change — just as he had done more than a decade earlier. “I decided that this was another transformational change for us, we need to do something different. We have a philosophy here that we don’t want to be Grainger, we don’t want to be a national chain. I’ve done all that. We don’t want to be driving large volume, small profits. So we’ve focused our business model on ‘niches.’”

Recently, Chargin announced the creation of his new bearings distribution company, Specialty Bearings, which distributes bearings and services to all industry segments, including OEM and MRO markets. Its niche is providing customers with difficult-to-find bearings (i.e., bearings that require modification) and services. The platform allows Royal Supply to bring added value to its customer base — and helps the company weather COVID-19 by broadening its marketplace without building new branches.

“You’ve got to look at niches,” Chargin says. “We believe there are niches.”

5. Social Distancing Products, FTW
A 70% drop-off in business early in the pandemic wasn’t surprising to James Teat, president of Axcess Technology Source, a Carrollton, Texas-based master distributor of Motorola radios.

After all, Axcess Technology’s end markets include companies that serve the restaurant, retail and hospitality industries — all of whom were decimated by COVID-19 as shelter-in-place orders around the country shuttered most non-essential businesses.

“You can imagine with all of that just abso-
of remote working. “We’re immediately hiring in the marketing area, in digital content, and we absolutely have an open mind about that,” she says. “Before, I would have said that that would have been a struggle. That is absolutely a silver lining to the pandemic.”

Two (and a continuation of the first one), creating a flexible work environment. The goal now is to combine working in the office with working virtually.

Three, implementing touchless deliveries. While Klein laments that her company might lose some of the connectedness that’s created when a team member helps customers load an item into their truck, she understands that curbside, contactless ordering is likely here to stay. That means C.H. Briggs (and all other distributors in this predicament) will need to find other ways to enhance customer service.

“We’ve always seen our delivery at the back door as an important part of our customer experience,” she says. “If we take that away or minimize it, what are other ways we can reinforce our brand — being warm and friendly and helpful — if we don’t lift that box together?”

And, four, a pivot for the outside sales model, which requires a new approach to everything from calling on customers to compensation. “Lots of our customers are not yet ready to have us call on them,” Klein says. “This is accelerating the hybrid sales model of outside/inside digital.”

7. Never Forget: ‘Everybody’s in Sales’
The pandemic presented a unique opportunity for Tony Picciano, VP of strategic sales and professional development for the building materials manufacturer and distributor Kaycan Ltd. It allowed him to rethink and reconfigure the company’s sales model.

With the sales process upended since no one could visit customers in person, Picciano experimented with a revised short-term, current-term and long-term plan for how his sales force would navigate this crisis. For the short term, Picciano asked his inside sales team to take on outside sales duties. “We took customer lists and divided them based upon the size of the customers and their potential,” he says. “Every week, I assigned, say, 50 calls for the inside salespeople to make and then asked them to report back with the results. The next week I would say, ‘Here are 50 more calls to make.’”

The new model worked. The inside sales team successfully connected with customers to gauge their needs and close sales as the business

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environment reopened in most states.

During the next phase — the current term — “everybody went back to their traditional roles, with the outside sales team focused on outside sales and the inside team focused on order fulfillment,” Picciano says.

Next comes his long-term plan, which is to create a hybrid sales model that will assign certain customer lists to inside salespeople and then move a customer along to the outside sales responsibility once they get to a certain size.

As Picciano has been able to discover during what has otherwise been an economic crisis, this new model taps into the primary goal of any distributor, in any end market. “Everybody’s in sales at a distributor. It’s a sales and service organization,” Picciano says. “But I think that this is the tipping point that will formalize that for many organizations permanently that their inside team will be engaged in outbound calls.”

8. There’s Always Room to Give

The last six months have “been a pretty wild ride” for Amerisafe, Inc., a midsize distributor out of Aurora, Illinois, that primarily services construction contractors, OEMs, other wholesalers and distributors with insulation, safety and PPE products, says President Andrew Dun.

The 17-employee business was tracking well before its March 31 fiscal year end, and ended the month of March with a record finish, thanks to rising demand that started as early as January when customers started to see supply chain disruptions out of China. In fact, Amerisafe sold out of most of its inventory in March and had a difficult time getting its own resupply.

Still, that didn’t stop the small business from prioritizing needs in its community. Amerisafe gave away several cases of N95 masks to area hospitals. Expecting the first quarter of fiscal 2020, April, May and June, to be down versus the prior year, Amerisafe actually finished on the positive side of its projections, but Dun sees the current headwinds as an indication of an uncertain and slow recovery.

“There’s a lot of money sitting on the sidelines. There’s a lot of construction project projects that are now on hold pending a little more certainty in the marketplace,” he says. “That’s creating lower market demand. And then, we’re still impacted by a lack of consistent supply of critical PPE items, as well.

Operating in a hybrid remote/in-office work environment since March, Amerisafe never closed due to its position serving essential businesses such as construction and utility contractors. Dun expects to continue the hybrid operating model — sales remote and management/customer service in two-three days a week — for the foreseeable future.

It’s part of the reason he indicated in his response to MDM’s Trends survey that the company will be exploring new technologies in the coming year. He is looking to move Amerisafe’s existing CRM, ERP and e-commerce capabilities to the cloud, upgrading them “to create better efficiency and be better suited to remote working,” Dun says.

Expecting a bumpy ride well into 2021, Amerisafe’s growth strategy nonetheless remains the same, Dun adds. “It’s just a matter of continuing to work on what we’re doing and it puts certainly a new sense of urgency in what we’re looking to do,” he says. “It’s not changing our strategy. If anything, it’s confirming it and putting new urgency behind it.”

9. Stick to What You Know Best

COVID-19 dropped sales 40%-50% for Minneapolis-based American Chemical, but the small industrial adhesives distributor is not alone. Its customers and peers are in a similar boat, says President and Owner Dennis Werneke.

With a lot of customers closed or working from home and difficult to reach, Werneke decided to try a targeted marketing campaign to reach unique niche markets. It has helped a bit — business was up in July — but it remains difficult to get ahold of people, Werneke reports.

At one customer, all six contacts American Chemical has worked with for years are no longer employed there. “You have to rebuild new connections. That’s the hard part, that you’ve got to start all over. You’ve gotta keep touching the customers,” he says. “I’m a firm believer that one needs to touch their customers at least every 90 days. And you got to keep touching him because 80% of your sales were made on the 5th to 12th contact.”

Most of American Chemical’s customers are within about a 500-mile radius — North Dakota, South Dakota, Iowa, Minnesota and Wisconsin. But the company’s web business, although a small percentage of sales, originates everywhere outside of the five-state region.

The company is working to place more products on its website but is hesitant to work with outside platforms like Amazon for fear of

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What Will Be the Next M&A Move for HD Supply?

With all the cash that HD Supply Holdings Inc. is about to collect in exchange for its Construction & Industrial – White Cap division, it’s no wonder that one of the burning questions for the Atlanta-based company revolves around with whom and when will the company replace its latest portfolio departure.

After all, $2.5 billion goes a long way in this industry, and there are plenty of distributors who would welcome a seasoned operator like HD Supply to make an offer on their business.

And while it’s too soon to say if that large chunk of change is already burning a hole in HD Supply’s pocket, company executives haven’t hidden their desire to use the proceeds from the sale to fund further M&A activity.

HD Supply’s position in the marketplace, coupled with this infusion of cash, bodes well for such a large player in distribution’s fragmented markets. And that bodes well for potential acquisition targets, no matter the category.

“We view that [divestiture] as a great opportunity for us to be active in M&A going forward,” CEO Joe DeAngelo told analysts on the company’s earnings call to discuss fiscal 2Q results. “We feel like we’re the natural acquirer, given the skill that we have, and the customer relationships that were in place. And I would say that description applies to all of the verticals that we operate in today. We feel like there is a number of different fantastic opportunities in front of us.”

HD Supply reported sales of $1.6 billion for the second quarter of fiscal 2020 ended Aug. 2, a 4.4% decrease compared to the second quarter of fiscal 2019. Net income decreased 3% to $131 million in the period.

Distributor

MRO distributor Lawson Products Inc., Chicago, announced the acquisition of Partsmaster, a Greenville, Texas-based MRO solutions provider, for $35.3 million.

Motion Industries Inc., Birmingham, Alabama, a distributor of MRO replacement parts and a wholly owned subsidiary of Genuine Parts Co., announced that it has acquired Park Hills, Kentucky-based motion control and automation products and services supplier Applied Machine and Motion Control Inc. (AMMC).

Brady Industries, a Las Vegas-based full-line janitorial supply, equipment and foodservice distributor, announced the acquisition of Fitch Co., a Baltimore-based distributor.

Foundation Building Materials Inc., Santa Ana, California, announced that it has closed the acquisition of Marriott Drywall Materials Inc., an independent distributor of drywall and accessories, steel framing, insulation, tools and fasteners.

Fastenal Co., Winona, Minnesota, reported August sales of $465.2 million, down 2.2% over the year-ago period. The company reported daily sales of $22.2 million, up 2.5% versus a year ago.

MSC Industrial Supply Co., Melville, New York, reported sales for the fiscal month of August — the third month of the company’s fiscal fourth quarter — were $240.3 million, a decrease of 9.7% compared to the same period in the prior fiscal year.

The National Association of Wholesaler-Distributors (NAW) announced the appointment of Eric Hoplin as CEO, effective Oct. 19. NAW said in February that current CEO Dirk Van Dongen would retire after a 41-year tenure leading the organization.

Sonepar USA, a Charleston, South Carolina-based subsidiary of Sonepar Group, named Drew Esce president of Capital Electric, Upper Marlboro, Maryland.

Dakota Supply Group (DSG), Fargo, North Dakota, announced that Scott Ausnes has joined the company as corporate segment manager of its plumbing business based out of DSG’s Plymouth, Minnesota, location.

Don Chargin, president of Royal Supply Co., announced the creation of his new bearings distribution company, Specialty Bearings.

MSC Industrial Supply Co., Melville, New York, has appointed Faisal Hussain as vice president, e-commerce.

Buying group AD, Wayne, Pennsylvania, announced it has finalized the merger agreement with Tampa, Florida-based SafetyNetwork, creating AD’s only safety-dedicated division focused on the growth of independent distributors specializing in the safety market.
MANUAL
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At the beginning of the pandemic, when some of American Chemical’s customers pivoted to making face shields and masks and the like, American Chemical also pivoted to support them. But only so far. Many asked them to provide the raw materials for making hand sanitizers, which Werneke dismissed as a flash-in-the-pan opportunity. “Now, you go to Costco or any drugstore, they’ve got hand sanitizers up the wazoo. So I didn’t go down that path,” he says.

Being in a business where products have a definitive shelf life, an ongoing focus for Werneke is to improve inventory control and demand planning. He expects to end 2020 down roughly 10%, but is “very optimistic” next year will be positive.

10. Look for the Cost Reductions
Don Nowak, former owner and now adviser to family-owned Falcon Fastening Solutions, Inc., in Charlotte, North Carolina, expects 2020 sales to end up about flat. Right now, Falcon has the same number of accounts up as those that are down. The company is in a decent place, thanks in part to a fortunate customer/product mix where a couple of key clients are up on the year, but also due to successful negotiations on the vendor side that will put gross margins up about 1% for the year, Nowak estimates.

The majority of Falcon’s product has a metal base — carbon, stainless steel or copper. Until recently, copper demand was down due to lower Chinese consumption. Stainless and carbon have also had periods of depressed demand. “We’re able to go back to the vendors and say, ‘We know your cost of raw material is down. Let’s talk about what the implications of that are in terms of the final goods,’” Nowak says. “We have also seen a significant reduction in non-payroll expense for advertising and travel/entertainment.”

A niche company that does inventory management focused on OEM class C production components, Falcon has a mix of customers who have been considered essential businesses, allowing them to remain operating without disruption as an essential business as well. That said, they typically work onsite with customers, and that avenue has been largely unavailable since COVID-19 hit, with the exception of three employees who work full-time directly in customer plants. The result is a lot of Zoom calls.

Although they can’t have face-to-face sales meetings or conduct new business surveys and cost/benefit analyses for prospective customers, Falcon representatives are still allowed to go into their plants to conduct inventory replenishment processes. “The first thing they do is replenish inventory that they identified was needed at the previous cycle. And then, they’ll scan the bins for the next cycle. We’ve had those people look around and see if they can identify other opportunities for us,” says Nowak.

11. Be Proactive with Safety Measures
“It’s great to be essential,” says Jeff Corken, president of Corken Steel, an HVACR, plumbing and roofing distributor. Not discounting COVID-19 safety measures that have altered the work environment a bit — 10% of employees working from home, curbside customer pickup, masks, sanitizing, etc. — it’s been largely business as usual at the Cincinnati-based company.

Business was “a bit bumpy” in April and May, but picked up significantly with a major stretch of heat come June and July.

Leadership meets weekly to discuss health status of Corken’s 300 employees, two of whom have been infected and since recovered from the coronavirus. The infection of one was particularly nerve-wracking, since the warehouse worker who contracted COVID-19 is in close proximity to about 40 other employees at Corken’s distribution center that serves its 15 locations. The positive test hit right at the beginning of July, during a very busy season. “To have to shut it down would have been a problem, even for just a couple days,” says Corken.

He sent most employees to a local urgent care facility for testing (some were tested elsewhere) and fortunately, all came back negative. The company has a policy where anyone who has been exposed to someone with COVID-19 — about 12 employees so far — must quarantine and be tested before they can return to work.

Corken gives kudos to his IT department, which enabled accounting and purchasing employees to leave one Friday in March, laptops in hand, and stay remote ever since. “It’s been seamless,” he says. “We never missed a beat.”

Corken feels pretty optimistic about the rest of the year, although with uncertainty surrounding the virus, he is making sure to conserve cash and watch inventory levels. Surprisingly, accounts receivable has not had any issues, “Our collection rate has never been better, ever. It’s incredible. We’ve collected more money each month as a percentage of what we can collect than we ever have,” he says. “It’s a great thing but that’s been a stunner.”

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Industrial Pumps MRO Market Demand in the U.S. | Market Snapshot

**U.S. Total: $10.3 billion**

Demand for Industrial Pumps MRO is according to data from MDM Analytics. All estimates are 2019 end-user demand, in U.S. dollars, including distributor margin. Includes the following product categories: Industrial pumps, except hydraulic fluid power pumps, including corrosion-resistant process, centrifugal, rotary, vertical turbine pumps, etc.

**U.S. End-User Market Demand for Abrasives by Region, $ Millions (2019 est.)**

<table>
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<tr>
<th>Region</th>
<th>Percentage</th>
<th>Market Demand</th>
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<td>Pacific Coast</td>
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<tr>
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<td>7%</td>
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<tr>
<td>Northeast Coastal</td>
<td>5%</td>
<td>$500</td>
</tr>
<tr>
<td>Mountain States</td>
<td>5%</td>
<td>$478</td>
</tr>
<tr>
<td>Southwest Central</td>
<td>14%</td>
<td>$1,429</td>
</tr>
<tr>
<td>Southeast Central</td>
<td>8%</td>
<td>$775</td>
</tr>
<tr>
<td>South Atlantic</td>
<td>19%</td>
<td>$1,924</td>
</tr>
<tr>
<td>Mid-Atlantic</td>
<td>13%</td>
<td>$1,316</td>
</tr>
</tbody>
</table>

**U.S. End-User Market Demand for Industrial Pumps MRO: Top 10 End Markets**

Top 10 end markets in $ volume, by NAICS code, consuming Industrial Pumps MRO (2019 est.)

<table>
<thead>
<tr>
<th>End User</th>
<th>Estimated Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>322121 Paper (except Newsprint) Mills</td>
<td>$1,594,108,797</td>
</tr>
<tr>
<td>322130 Paperboard Mills</td>
<td>$871,701,254</td>
</tr>
<tr>
<td>325412 Pharmaceutical Preparation Manufacturing</td>
<td>$444,233,521</td>
</tr>
<tr>
<td>325211 Plastics Material and Resin Manufacturing</td>
<td>$395,328,371</td>
</tr>
<tr>
<td>324110 Petroleum Refineries</td>
<td>$351,523,096</td>
</tr>
<tr>
<td>325180 Other Basic Inorganic Chemical Manufacturing</td>
<td>$317,305,692</td>
</tr>
<tr>
<td>326199 All Other Plastics Product Manufacturing</td>
<td>$309,497,457</td>
</tr>
<tr>
<td>322110 Pulp Mills</td>
<td>$259,278,048</td>
</tr>
<tr>
<td>325119 All Other Basic Organic Chemical Manufacturing</td>
<td>$231,882,954</td>
</tr>
<tr>
<td>211120 Crude Petroleum Extraction</td>
<td>$225,502,192</td>
</tr>
</tbody>
</table>

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12. The More Communication the Better
For Auburn, Washington-based fluid power distributor AOP Technologies, the pandemic has presented some challenges but also created an opportunity to communicate more frequently and efficiently across the company. Even with many of its 33 employees working from home.

The company — which also operates in pneumatics, electronics and robotics — moved to a VoIP phone system that allows employees to work from home and still keep the communication lines open, says President Mike Touhy. He expects the business will be in at least a partial remote work mode through 2021.

Operating in a more spread out fashion has led to a lot more meetings. “That’s actually been a good thing,” says Touhy.

AOP has introduced a new weekly meeting and the effects of it are already paying off when it comes to company productivity. The company recently had its regular quarterly management team meeting where it has historically taken up to four hours to address every item on the agenda. But this quarter’s meeting was a quick 90 minutes. “That’s because we’re now a little more coordinated with these weekly sync meetings, which are only 20, 30 minutes,” Touhy explains. “That’s kind of a positive that’s coming out [of COVID-19]. We’re more in sync as a management team because of those weekly meetings than we have been in the past.”

Reps are making very few outside sales calls, instead holding more customer interactions over Microsoft Teams or webcasts. They have adjusted pretty well to this type of selling, says Touhy, and are also communicating more about their daily activities. In addition to recording activity in AOP’s CRM, they are also sending notes to the sales manager, who then summarizes sales activity for Touhy. “We are going to be more disciplined and making sure that they are being active,” he says.

Somewhat pessimistic about what the next year may hold, Touhy plans to keep up his internal focus on process improvement, including reconfiguring AOP’s production area and automating some processes. “I’m willing to take advantage of the slow time where we can implement some of these things and not impact the business,” he says, “and position ourselves to be to be better coming out of this.”

13. Leaner Can Be Better
After a flurry of panic-buying at the end of March put Auveco, a Northern Kentucky automotive aftermarket master distributor of specialty clips and fasteners, in a good place to end the first quarter, the company then saw a rough April and May where business dropped significantly, says CEO Jeff Gilkinson.

To compensate, they had to scale back on the size of their workforce and are now at about 25% of the company’s pre-COVID-19 level. Then, business unexpectedly “came roaring back” in June, leaving Auveco flat with prior year June, with July on pace for the same results.

Auveco had about 130 employees pre-COVID-19 and is now down to roughly 100. Although the company is currently scaling back up, it has been a challenge to bring back hourly workers, says Gilkinson. “You wouldn’t expect that in an economy with tens of millions of people out of work that it would be so hard to hire right now,” he says. “But that has been our biggest challenge, getting our workers back that we laid off and additionally, we’re actually trying to hire beyond what our prior levels were.”

Even so, Gilkinson has noticed some benefit to the leaner operations. “One of the things that we found in going through what we went through is, when you’re forced to operate with fewer people, sometimes you find that that you can do so,” he says. “It definitely revealed some places where we had some slack in the system and we were potentially overstaffed. And so even though our business is back to pre-COVID levels, a couple of our departments we’re looking at now as not necessarily needing to resource the way that they were. And we’re potentially looking at adding some roles to fill some gaps that we had in the organization with other scope.”

Employees are in the office two days a week and working remotely the other three. Schedules are rotated so that the maximum number of people present at the office is about 40% capacity at any given time. Gilkinson has noticed more productivity, with employees doing everything they can to help out the company. “As a result of that, we’re operating now with 20% less people and you really don’t even know it,” he says.

Employees appreciate the flexibility as well, and if COVID-19 were to disappear tomorrow, Gilkinson says, he would still keep remote work practices in place. “We’ve proven that we can do it. We can handle the workload and interact effectively with other team members,” he adds. “We may get back to the point where it’s three days in and two days out, or even four and one, but I do see remote work as being something that we keep in place, probably forever.”