MODERN DISTRIBUTION MANAGEMENT

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Checklists for Generating, Managing and Sustaining Growth

In 2021 planning, move beyond the traditional ways of doing things and embrace the new normal – especially if you want to grow.

As the world perseveres in adapting to the next normal and as we enter the fourth quarter of 2020, planning for 2021 is a central focus for distributors. And for most, such strategic planning will look different this year.

By Senthil Gunasekaran

Many business functions have undergone substantial change. To name a few:

• Sales teams were pushed to the limit due to social distancing constraints.

• Operations adopted new standard operating procedures to accommodate safe curbside pick-up and/or touchless drop-off at customer sites.

• IT teams raced to build digital capabilities to improve customer experience.

Given these transformative changes in business functions, the strategic planning function must also flex to factor for those changes. And distributors must embrace the new horizon while planning, rather than take the traditional approach of 'doing more and better of the same.'

Though many firms are in defensive mode after facing the most unprecedented public health crisis in recent history, how we plan the next year matters more than ever – not only for the short term, but also for the long-term survival of our businesses.

A Strategic Planning Framework for the New Normal

We've helped many distributors with their strategic planning over the years. So, using our experiences and research, we put together a few checklists for planning in the new normal based on one of our proven frameworks: Growth Cube.

We developed the "Growth Cube" framework through comprehensive research on how distributors grow profitably and sustainably. For our study, we reviewed 15 years of financial performance across seven verticals for more than 40 publicly traded distributors and hundreds of independent wholesaler-distributors.

After examining the growth processes of those firms, we distilled our findings into three dimensions: Generating, Managing and Sustaining Growth.

Each dimension has its own essential best practices. And we've developed custom checklists within this framework that distributors can use as a better lens for planning strategic investments in 2021 – checklists that account for drastic change and apply forward thinking.

To start, let's look at Generating Growth.

Generating Growth Dimension

The first dimension, Generating Growth, focuses on top-line performance. Based on our financial analysis of distributors' growth rates over the years, we identified nine foundational strategies for generating growth. But these strategies have numerous combinations and variations under varying contexts.

Here, we will group the nine strategies into two categories: traditional and non-traditional.

Traditional Growth Strategies

Five growth generation strategies fall in the 'traditional' bucket:

1. Penetrating existing accounts
2. Acquiring new customers
3. Introducing new products and services
4. Opening new branches
5. Expanding into adjacent market segments

Sales teams usually apply one or more

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competitive intelligence for wholesale distribution

PERSPECTIVE ■ Commentary by Elizabeth Galentine

How to Be An Ally for Women: Why Gender Diversity Matters in the Workplace

When women lead alongside men at the top of the organization, that gender diversity drives an average 21% higher profitability rate, according to McKinsey and Company. However, the U.S. has a long way to go — currently ranked 51st in the world in gender equity, according to the World Economic Forum. The status quo puts us at 208 years away from true gender equity. Addressing the recent ISA Women in Industry virtual conference, speaker and author Julie Kratz provided practical tips on how men can be inclusive leaders and serve as allies for women in the workplace. As the McKinsey data show, it's in their best business interest to do so.

UNICEF defines gender equity as "the concept that women and men, girls and boys, have equal conditions, treatment and opportunities for realizing their full potential, human rights and dignity and for contributing to (and benefitting from) economic, social, cultural and political development."

We must start by unpacking gender bias, the primary factor holding women back, Kratz said. What does gender bias in the workplace look like? Asking women to do the office housework, take notes in meetings or be in charge of the food. With 70% of women as the primary caregiver in their family, that assumption carries over into the workplace. For example, assuming they can't travel, don't want to be promoted or can't stay late.

Making the workplace more flexible and inclusive benefits everyone. And that means men and male leadership taking a more active role in promoting gender equity. Among companies where men are actively involved in gender diversity initiatives, 96% report progress whereas those that do not have men involved report only 30% progress.

Kratz noted that not all allies are created equal. There are do's and don'ts of allyship. It starts from a place of empathy, but there is a big difference between empathy and sympathy. According to Kratz, allies do not:

- **Save the day.** Women do not need a white knight to come in and save the day. It feeds the old 'damsel in distress' narrative and is not sustainable.
- **Claim to be an ally.** A real ally does not announce that they are one, but rather shows up as one.
- **Act as 'work fathers.'** This often comes from a good place, but can leave the woman feeling younger or belittled.
- **Cross the boundaries of healthy relationships.** These are not workplace romances.
- **Exert power.** Allies don't say, 'Let me take care of that for you.' They model power with power, not power over power.
- **Make assumptions about what is needed.** Allies listen.

There is no perfect ally. But making the effort to become one is worth it for your business. To get the conversation started, Kratz provided several questions men can ask themselves, including, what are your go-to questions for learning more about women in the organization, and how will you speak for those less represented?

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Founded in 1967 by J. Van Ness Philip

CEO
Thomas P. Gale
tom@mdm.com

Editor in Chief
Elizabeth Galentine
elizabeth@mdm.com

Senior Editor
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

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of the above strategies in the appropriate context using field data and unlimited customer access. But social distancing has ushered in virtual sales models and limited access to the customer. This makes sales teams data-deficient and leads to growth gaps.

How do we address data deficiency? We need a supplement, and that supplement is customer stratification, the foundation of these five growth generation strategies. Customer stratification is the process of segmenting customers into micro clusters based on buying behavior.

Customer analytics have become far more critical for sales teams, enabling them to implement these traditional growth strategies amid new limitations.

Now, step back and ask yourself: What kind of customer-specific information do you typically provide the sales team so they can execute a growth strategy? In many cases, it's limited to the customer's recent purchase history.

To truly supplement data deficiency with customer analytics, you must increase the granularity of customer-specific information (without overwhelming the salesperson). Two types of information provide the most useful customer insights:

• Past insights: A customer-specific dashboard that summarizes critical metrics in terms of revenue, product mix, margin trend and cost-to-serve.

• Future insights: A customer-specific profile that highlights item-level sales recommendations and margin enhancement opportunities. (This is the result of converting customer stratification results into playbooks for the sales team.)

Checklist No. 1: Traditional Growth Strategies

☐ What's your plan for retooling and retraining sales teams with customer stratification so they can execute traditional growth strategies?
☐ Are you providing enough customer intelligence to enable sales teams?
☐ Do your sales teams have the skill and will to use customer analytics?

Non-Traditional Growth Strategies

Four growth generation strategies constitute the 'non-traditional' group:
1. Adding a new go-to-market channel
2. Creating a new business unit by combining two or more traditional growth strategies
3. Innovating your customer value proposition
4. Diversifying into adjacent verticals or value chain functions

Traditionally, most distributors' leadership teams don't prioritize these strategies, operating with the mindsets 'fix it when it is broken' or 'don't rock the boat.'

But with the increased importance of digital interactions and remote or virtual selling, exploring these growth opportunities is imperative. And for some, a lack of diversification can threaten business continuity altogether.

How do we address data deficiency? We need a supplement, and that supplement is customer satisfaction, the foundation of these five growth strategies.

Here are a few examples of how other distributors are putting these strategies to use:

• Distributors who lacked e-commerce capability and were caught off-guard as COVID-19 accelerated digital adoption are expediting their efforts to add this new go-to-market channel.

• Pioneers are finding initial success in creating and branding a separate business unit for low-cost service delivery while pursuing traditional brick-and-mortar business with their full-service model. For example, Zoro tools is the subsidiary company owned by Grainger and is its low-cost option for industrial products.

• Industrial and chemical distributors who exclusively focus on oil & gas are seeing the impact of both COVID-19 and lack of diversification in their businesses, and they're considering how they might expand into adjacent verticals.

Checklist No. 2: Non-Traditional Growth Strategies

☐ What's your firm's position on these non-traditional growth drivers: new (digital) channels, diversification, and business model innovation?
☐ Which is your focus in 2021?
☐ How does it alter your customer value proposition (on both value creation and capture) and influence top-line growth in 2021?

As you can see, the pandemic has greatly influenced how distributors should apply these strategies going forward. Traditional growth generation demands customer analytics now more than ever. And non-traditional strategies are edging toward being essential to survival,

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let alone growth, as seen in greater adoption of e-commerce and diversification.

The Managing Growth Dimension

The second dimension, Managing Growth, focuses on bottom line performance and opportunities for profitability. Based on our financial analysis of distributors' profitability and cash conversion cycle over the years, we identified critical capabilities in each of the seven process groups, collectively called 7S:

1. Source (supplier management)
2. Stock (inventory management)
3. Store (warehouse)
4. Sell (sales, marketing and pricing)
5. Ship (transportation)
6. Supply chain planning (supplier-inventory-customer alignment)
7. Support Services (IT, HR and finance)

In the context of planning the next year, we'll group critical capabilities for managing growth into two categories: foundational and emerging.

Foundational Capabilities

Two core functions fall in the 'foundational' category:

1. Inventory management (part of the Stock process group)
2. Pricing optimization (part of the Sell process group)

Even as distributors' business models evolve beyond products, inventory remains a central component of value creation for end customers. It's also the largest asset on many distributors' balance sheets. As distributors expand into e-commerce and other digital platforms:

- Inventory management is even more critical to the overall customer experience.
- Product availability is far more essential to the omnichannel value proposition.
- Differing profitability levels across channels force distributors to reexamine traditional stocking strategies.

And while inventory is core to creating value for customers, pricing optimization is the lever to capture value from the customer. Many distributors haven't optimized pricing opportunities in their brick-and-mortar spaces yet, so e-commerce and digital marketplaces are presenting both challenges and opportunities.

In the current virtual and emerging digital landscape, it's more imperative than ever for distributors to invest in and build pricing capabilities.

The foundational capabilities provide opportunities for distributors to review and validate their data quality before embarking on advanced techniques such as AI.

Checklist No. 3: Foundational Capability Planning

 How are you planning to address gaps in foundational capabilities – omnichannel inventory management (value creation) and pricing optimization (value capture)?

 Does your current process maturity on these two functions align with your emerging business model and digital capabilities?

Emerging Capabilities

Though there are recessionary trends and uncertainty in the marketplace, there are plenty of signals that indicate an acceleration of previous trends rather than entirely new behaviors. For example, we can point to two trends in the sales process group that have become critical 'emerging' capabilities:

1. e-commerce
2. Sales transformation

Distributors have been aware of the need for e-commerce channels for years, but the recent public health crisis has now made it essential to distributors' relevance in the marketplace.

Even though distributors' e-commerce maturity varies across the spectrum, the optimization of this channel in B2B markets is still in its infancy and we consider it an emerging capability.

A second emerging capability, sales transformation, addresses the "people" aspect of digital acceleration. As online channels and marketplaces become more widespread in the industry, the role of outside sales teams is being redefined. Sales transformation has become an inevitable topic across verticals, primarily because:

- Outside sales teams are the most expensive personnel on a distributor's P&L, and they become the primary target as the margin squeeze continues and commoditization of industrial products increases.
- Inter-generational challenges arise as the next generation of sales teams come on board.

Additionally, it must be understood that capability development is a continuous process. And such development should address four factors that are critical to the success of any capability:

1. People (skill)
2. Process (structure)
3. Technology (speed)

4. Culture (accountability)

Sales transformation and e-commerce help organizations tackle growth challenges as they move toward their growth goals. That's why these areas must be strategically developed as part of the planning process for 2021.

Checklist No. 4: Emerging Capability Planning

□ What are your gaps in emerging capabilities – e-commerce (and related digital interactions) and sales team transformation?
□ How are you planning to address those gaps?
□ Are your investments aligned with pain points?

Effective management is a pivotal bridge between generating and sustaining growth. With the right capabilities in place – particularly those that make you more agile as demand and expectations change – you'll have the support and structure necessary to maintain the growth you pursue.

The Sustaining Growth Dimension

The final dimension focuses on sustaining profitable growth over time. This is the most overlooked dimension because it requires long-term vision and alignment. In our research, we focused on uncovering the root causes behind declines in growth and profitability.

In doing so, we found that while planning for growth, distributors often:

- Make incorrect assumptions about the potential of an opportunity, customer retention, etc. Some of these assumptions are explicitly discussed and validated, while others go unnoticed.
- Miss profitability or growth targets due to "capability" failures such as execution breakdown, talent fit (and lack thereof), broken processes or misaligned culture.

We identified and grouped these root causes into two categories: opportunity assumptions (made during the Generating Growth phase) and capability assumptions (made during the Managing Growth phase). These unchecked assumptions manifest as growth blind spots, disrupting the firm's growth journey.

Opportunity Blind Spots While Generating Growth

The two blind spots, or risks, that stand out on the opportunity side are:

1. Customer retention assumptions
2. Supplier alignment assumptions

During growth planning, the assumptions we make about these two parameters are critical. And they manifest as blind spots if left unchecked. Given the current revenue recovery journey, a forward-thinking distributor should have three critical analytics to help them detect potential customer churn and supplier shake-up well ahead of time.

When you use stratification analytics to identify opportunities and risks, when you take the time to assess your true capabilities against best practices, and when you apply a growth mindset to close capability gaps, you eliminate blind spots and pave the way for success.

These critical analytics are:

- Item stratification
- Customer stratification
- Supplier stratification

Stratification is the process of using quantitative methods to identify which items, customers and/or suppliers are growing and profitable and which are not so profitable.

The insights from these analytics put both executive and field teams on the same page by identifying core customers, strategic suppliers, and profitable products, and filtering the signal from noise. They are especially critical in a crisis, in which you lack sufficient time to respond.

For example, a building materials distributor has systematically built up these three critical analytics over the years and generated unique insights by connecting the analytics at the segment level. Throughout this crisis, the distributor used these analytics as an anchor to manage blind spots by predicting core customer churn, selecting strategic suppliers and redeploying working capital.

The executives and middle management used the same terminology and made decisions with clarity and confidence.

Checklist No. 5: Opportunity Blind Spot Detection

□ What are the major obstacles or blind spots faced by your firm while implementing growth strategies, especially on customer and supplier fronts?
□ Is there a process to detect, capture or avoid

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these expensive mistakes (lessons)?
☐ Who is accountable at the C-level?
☐ Do you have in-house analytical and assessment tools to scan and detect incorrect assumptions on customer churn and supplier mix?

Capability Blind Spots While Managing Growth

Blind spots on the capability side, such as underestimating the potential loss of key talent or overestimating the ability to integrate acquired firms, originate from internal sources. And these blind spots stem from the assumptions made by the firm about what the firm can do. These assumptions result from a misaligned understanding of internal capabilities.

During the recent crisis, many such assumptions about internal capabilities were put to the test in areas including but not limited to:

- Digital commerce
- Virtual sales competencies
- Working capital stability
- Supply chain resilience

The best practices to manage blind spots include timely validation of these assumptions through internal capability assessments and cultivation of a growth mindset as a key ingredient of company culture. The capability assessments expose the gaps in critical business processes, technology readiness, and people competencies.

This is a great starting point, but the leadership team should also have a growth mindset to close the gaps proactively.

A growth mindset is a result of three elements:

1. Adaptability: A compelling vision and courage to remain relevant.

2. Agility: Making continuous change happen rather than waiting for a "big bang"; encouraging a test-and-learn approach rather than waiting forever.

3. Alignment: Bridging the gap between intentions and investments.

The following quote from an industrial distributor summarizes the growth mindset:

"Some companies that are trying to just invest in technologies, if they don't take a hard look at their culture and their willingness to change and adapt and learn and grow, I think they're going to spend a lot of money and have a hard time getting ROI. They need to get their people oriented around redeploying their talents, embracing the reality and the need for the technologies, and understanding the strategic positioning the companies are trying to do. When you get that part right, then making the investments is much easier and much less risky."

Checklist No. 6: Capability Blind Spot Detection

☐ How did your firm respond to the recent crisis and the underlying risks?
☐ Do you have in-house capability assessment tools and resources to scan and detect gaps in process maturity, people competencies and technology readiness?
☐ Does your leadership team exhibit a growth mindset in terms of adaptability, agility and alignment when it comes to closing capability gaps?
☐ What are the gaps and solutions to build and drive a growth mindset?

Planning for sustained growth is often last on the list, but we argue it is as important as any other dimension of the "Growth Cube." When you use stratification analytics to identify opportunities and risks, when you take the time to assess your true capabilities against best practices, and when you apply a growth mindset to close capability gaps, you eliminate blind spots and pave the way for success.

Your 2020 Strategy: Stay Agile and Relevant

Make your strategic planning session relevant and realistic, rather than just an annual ritual. Of driving profitable growth, James Cash Penney said, "Growth is never by mere chance; it is the result of forces working together."

Apply the six 'growth-cube' checklists presented in this article, and make your strategic investments in 2021 to drive relevance and agility. Good luck.

Senthil Gunasekaran is co-founder of ActVantage, which helps distributors drive profitable growth through analytics and talent development. He has more than 18 years of experience helping hundreds of distributors and manufacturers, while co-authoring seven books for NAW. He also delivers executive education and speaks at industry forums. Prior to ActVantage, Gunasekaran led research and industry projects at Texas A&M's ID program. Contact him at senthil@actvantage.com or visit actvantage.com.

How Emotional Intelligence Improves Workplace Efficiency

EQ creates a sense of psychological safety, where people feel safe to speak up, share ideas, to give and receive feedback.

Strong emotional intelligence is increasingly touted as a top quality in business leaders. EQ can be defined as the ability to understand your emotions and the emotions of others, and use that knowledge to guide your thoughts and behaviors to better manage yourself and influence others. Different from the more fixed traits of our personality, it can be strengthened to the benefit of any work environment.

By Elizabeth Galentine

There has never been a greater need for emotional intelligence, or EQ, than there is right now, argued Kelly Newman, emotional intelligence consultant and leadership facilitator with consultancy BlueEQ. He spoke on the topic recently to attendees of ISA's Women in Industry virtual event.

Awareness of other people is critical to EQ. With 2020 leaving us more isolated, communicating digitally or in person but through masks that make it more difficult to read others, it is all the more reason to focus on becoming more aware of each other, Newman said.

Different from personality, where basic disposition and temperament are generally fairly fixed, EQ is learnable and improvable.

There are five primary skills and associated dimensions of emotional intelligence, according to BlueEQ:

1. **Self-regard**: optimism, self-respect, self-confidence, motivation, independence
2. **Self-awareness**: openness, self-knowledge, integrity, monitoring, introspection
3. **Self-control**: impulse control, stress tolerance, emotional stability, resilience, delayed gratification
4. **Social perception**: empathy, observation, anticipation, interpretation, mindfulness
5. **Social effectiveness**: influence, conflict management, relationship management, accountability, ego management

According to BlueEQ assessments administered around the world both before COVID-19 hit and after, scores for every dimension associated with EQ have gone down — except for one. Introspection has increased 6.4%, up from about 71% to 78%. "How do we define introspection? Looking inward, consciously analyzing yourself, examining your thoughts, feelings and behavior, reflecting on your personal performance," Newman said. "Perhaps you've seen that your introspection has increased over COVID."

EQ helps to create psychological safety, which is a shared belief that it's safe to discuss ideas, to experiment, to take risks, to give feedback, to be able to learn from mistakes. "Can you see how critical psychological safety is to the modern workplace, to teams," Newman asked.

No one wants to look ignorant, incompetent, intrusive or negative. But they may try to manage these fears in an unproductive way, especially at work.

If you don't want to look ignorant, don't ask questions. If you don't want to feel incompetent, don't admit to a weakness or a mistake. If you don't want to be intrusive, don't offer up ideas. And if you don't want to be negative, don't critique the status quo.

But no one wants to work in an environment where nobody asks questions or admits to mistakes or offers ideas or critiques the status quo, Newman pointed out.

Work Environment Safety

There is a direct connection between EQ and safe or unsafe work environments, he added. Low emotional intelligence creates a "red zone" environment where people reserve themselves, are careful and walk on eggshells. Some of the behaviors:

- manipulation
- intimidation
- lack of transparency
- no trust
- won't take feedback
- confrontational
- favoritism
- inconsistent

By contrast, a "blue zone" environment encourages employees to learn from mistakes. Some of the behaviors:

- value employees
- solicit ideas

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- personal connection
- transparent
- clear expectations
- supportive
- empathetic
- permission to fail

A 2016 Google research project, Project Aristotle, sought to find why some teams are more successful than other teams by studying 180 of its internal teams to find out what is the common denominator as to why some teams are more successful than other teams. The No. 1 success factor by far was the level of psychological safety on the team, Newman noted. With "psychological safety, team members feel safe to take risks and be vulnerable in front of each other," he said.

Adding, "Can you see how your emotional intelligence, based on behaviors and attitudes, can create safer environments for the people you interact with? For your team, for your family, for the community, for your clients and customers? The application is universal, which then helps your career, helps your business, helps your team."

Newman focused on three dimensions: self-confidence, stress tolerance and influence.

Self Confidence

Self-confidence has decreased 6.5% worldwide since the COVID-19 pandemic started. What does that have to do with creating psychological safety at work?

Newman provided several reasons:

- It leads you to take action and open up new possibilities.
- It influences and persuades other people to act.
- It makes you more likely to earn additional rewards, recognition and responsibility.

Newman highlighted three ways to improve self-conference.

1. **Write and maintain a list of your strengths and assets — and look at them often**. "I think we're over programmed to look at our weaknesses, what are we doing wrong? That really degrades our self-confidence," he said.

2. **Consider failures as learning opportunities**. "We're so over-programed. It's OK to fail. It's a part of life, we want to learn from that."

3. **Take calculated risks**.

Stress Tolerance

Stress tolerance has declined almost 16% worldwide since COVID-19. Stress tolerance is not stress relief but rather measuring your ability to tolerate stress and positively deal with stressful or difficult situations. "The key word there is 'positive' and not becoming overwhelmed by adverse or demanding circumstances," Newman said.

Ways to improve stress tolerance include:

1. **Know your limits**. Practice saying no so that you feel comfortable saying no to additional assignments or projects that you know you cannot handle effectively right now. "It's so hard because internally we feel like we're on some blacklist at work or we will look bad for a boss," he said.

2. **Think, reflect, write**. "There's huge psychological benefits from doing this. It's simply taking a pause out of our busy schedules, our busy lives to just think and reflect. … There's a lot going on. Take some opportunity to articulate that. it's very therapeutic. It's an excellent way to process," he said.

3. **Better sleep, nutrition, exercise, meditation**. "Those kinds of things are critical to managing large amounts of stress," Newman added.

Influence

Influence has decreased 5.1% during the pandemic. But the ability to influence other people "is absolutely critical to your success," Newman said.

His tips for improvement in this area include:

1. **Show genuine interest and concern for others**. "Sometimes we just get right down to the business of things. It's important that we're generally showing interest in personally connecting with people," he said.

2. **Model proper behavior**. "We're so good at the 'tell' model; we need to focus more on the 'show' model — showing how we want things done and then modeling that behavior," he said.

3. **Use a sense of humor**. "It is quite often that we connect with people or influence people because they make us laugh," he said.

In closing, Newman reiterated that improving EQ is a learnable skill for everyone. Although it is not something we can automatically turn on, we can work on individual qualities and see measurable improvement.

"As you do that, you'll notice you create a safer environment for the people you interact with, whether it be at work or at home or in the community. And that's going to enhance your career. That's going to improve your team and your organization," he said.

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Behind Grainger's Customer Acquisition Strategy

Of the numerous takeaways from Grainger's third-quarter earnings report, released Oct. 22, perhaps the least interesting ones had to do with the company's financial metrics.

The most intriguing headline was how it has continually found new ways to navigate COVID-19, the latest of which revolves around Grainger's relentless pursuit of refining its customer acquisition strategy.

Like many distributors, Grainger has made some strategic pivots over the last seven months, from making its facilities safe for employees to increasing its PPE offering to offering pandemic-driven services such as curbside pickup. Perhaps the most important one, however, was finding new ways to attract new customers. Grainger has done that with aplomb.

"We've also seen a significant uptick in new customer acquisitions with some encouraging signs of repeat buying," said CFO Thomas Okray. "From a customer perspective, we saw improved growth with both large and midsized customers, with the latter growing 6% in the quarter, an improvement from the 6% decline year-over-year we saw in Q2 2020."

CEO D.G. Macpherson credited the increase in customer acquisition to favorable inventory positions for the company during the pandemic. That brought new customers to Grainger, Zoro and MonotaRO — and new revenue to the top line.

"The good news is that those who have repeated, the number is much higher than in the past," Macpherson said on the earnings call. "The repeat rates are similar to the past, but we have a much bigger funnel, and we're starting to get those customers to be regular purchasing customers. So, we've seen nice, attractive customer acquisition through this period, and we think that helps bode well for the future."

Distributor

SRS Distribution Inc., McKinney, Texas, has acquired **C.C. Supply**, a distributor of residential and commercial roofing, siding, windows and doors, and other related products.

Cummins-Wagner Co. Inc., an Annapolis Junction, Maryland-based distributor, announced this week it has acquired **F.R. Mahony & Associates Inc**. Financial terms of the deal weren't disclosed.

Heritage Landscape Supply Group Inc., a McKinney, Texas-based subsidiary of **SRS Distribution**, has acquired **Irrigators Supply Inc**., a family-owned distributor of irrigation, agronomics, power equipment, and other landscape products.

US LBM Holdings, Buffalo Grove, Illinois, has acquired **Zeeland Lumber & Supply**, a building products dealer and manufacturer with six locations in Michigan and Northern Indiana.

Waterworks and plumbing products distributor **EGW Utilities Inc**., Carrollton, Texas, has acquired **Buy Wholesale Company LLC**, Montgomery, Texas.

Builders FirstSource Inc., Dallas, has acquired **Kansas City Building Supply**, located in Overland Park, Kansas.

Bunzl PLC has agreed to acquire **SP Equipamentos**, a personal protection equipment distributor based in Sao Paulo, Brazil. Bunzl also has completed the previously announced acquisition of **ICM**, a distributor of personal protection equipment to a variety of customers in Denmark.

Lawson Products Inc., Chicago, reported third quarter sales of $90.3 million, down 4.7% compared to the 2019 third quarter. Net income of $1.7 million was down from $4.8 million in the year-ago period.

WESCO International Inc., Pittsburgh, reported third-quarter sales of $4.1 billion, up 93% from the same period a year ago due to **Anixter**'s financials now being included in the earnings report. The company reported a profit of $66.2 million, down slightly from a profit of $64.5 million in the year-ago period.

DXP Enterprises Inc., Houston, reported third-quarter sales of $220.2 million, down 32.7% compared to the third quarter of 2019. The company reported a loss of $34.7 million, compared with a profit of $13.1 million in the year-ago period.

NOW Inc., Houston, reported sales for the third quarter of $326 million, a 56.6% decrease from the same period a year ago. The company reported a loss of $22 million, compared to a profit of $10 million a year ago.

Builders FirstSource Inc., Dallas, reported third-quarter sales of $2.3 billion, a 15.9% increase from the same quarter a year ago. Core organic sales increased 6.7%, excluding acquisitions and commodity impacts.

Profit of $85.9 million was a 10% improvement from 3Q 2019.

Foundation Building Materials Inc., Tustin, California, reported sales for third quarter of $521.3 million, a decrease of 7.7% compared to the prior year period. Profit was $11.8 million, down 7.1% from the previous year's quarter.

BMC Stock Holdings Inc., Raleigh, North Carolina, reported sales for the third quarter of $1.1 billion, an increase of 13.1% compared to the year-ago period. The company reported a profit for the quarter of $44.9 million, up 33.6% from the same quarter a year ago.

MRC Global Inc., Houston, reported third-quarter sales of $585 million, down 38% from the same period a year ago. The company reported a loss of $3 million, compared to a profit of $15 million last year.

BlueLinx Holdings Inc., Atlanta, reported sales for the third quarter of $871 million, an increase of 28.3% year-over-year. The company reported a profit of $55.1 million, compared to a loss of $7 million in the prior-year quarter.

Avnet Inc., Phoenix, reported sales for the fiscal first quarter of $4.7 billion, a 2% increase from the same period a year ago. The company reported a loss for the quarter of $18.9 million, compared to a profit of $41.8 million in the year-ago quarter.

Arrow Electronics Inc., Centennial, Colorado, reported third-quarter sales of $7.2 billion, up 2% compared with the third quarter of 2019. Net income of $166.1 million was up 80.2% from the year-ago quarter.

Huttig Building Products Inc., St. Louis, reported third-quarter sales of $212.7 million, a 1.4% decrease over the prior-year period. The company reported a profit of $6.1 million for the quarter, up from $1.6 million in the third quarter of 2019.

United Rentals Inc., Stamford, Connecticut, reported third-quarter sales of $2.2 billion, down 12.1% compared to a year ago. Profit of $208 million was down 46.8% compared with a year ago.

Fastenal Co., Winona, Minnesota, reported October sales of $488.2 million, down 0.4% from the same month a year ago. The company reported daily sales of $22.2 million, up 4.1% versus a year ago.

Turtle & Hughes, the Linden, New Jersey-based electrical distributor, has appointed co-CEO Kathleen Shanahan to CEO. She replaces Jayne Millard and becomes the first non-family CEO in the company's almost 100-year history but also continues a long legacy of leadership by women starting with Millard's great grandmother.

Wayne, Pennsylvania-based buying group **AD** has finalized a merger agreement with pipe, valves and fittings buying group **Delta Distributors** effective Jan. 1, 2021.

AD announced that, on a same-store basis, member sales across all **AD**'s divisions and countries were down 6% through the first nine months of this year, to $33 billion.

Amazon.com Inc., Seattle, announced plans to build an Amazon fulfillment center in Republic, Missouri, near Springfield in the southwestern part of the state.

Curbell Plastics Inc., Orchard Park, New York, a supplier of plastic sheet, rod, tube, tapes, and fabricated parts, announced the appointment of Jason Arceo as business manager for the Curbell Plastics Phoenix location.

Economic

Real gross domestic product (GDP) increased at an annual rate of 33.1% in the third quarter of 2020, according to the "advance" estimate released Thursday by the Bureau of Economic Analysis. In the second quarter, real GDP decreased 31.4%.

U.S. manufacturing technology orders totaled $373.7 million, a 3.2% decrease from the same month a year ago, according to the U.S. Manufacturing Technology Orders report published by AMT – The Association For Manufacturing Technology.

Wholesale trade declined slightly in September compared to the same month a year ago but improved slightly over August, according to the U.S. Census Bureau.

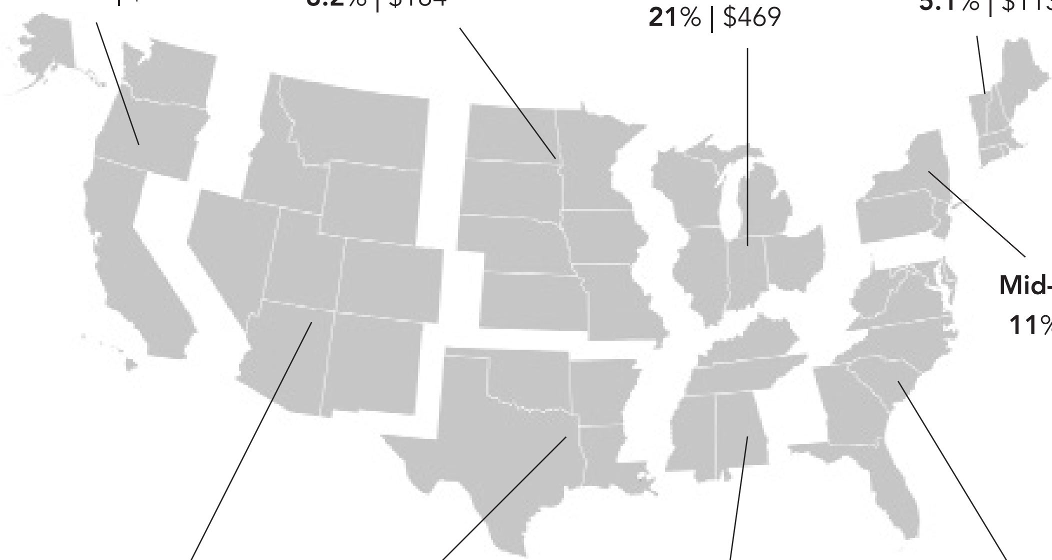
Controls Variable Speed Drives Market Demand | Market Snapshot

MARKETS UPDATE SUPPLEMENT P. 3

U.S. Total: $2.2 billion

Market demand for controls variable speed drives in the U.S. was $2.2 billion in 2019, according to data from MDM Analytics. All estimates are 2019 end-user demand, in U.S. dollars, including distributor margin. Includes these categories: MRO and OEM.

U.S. End-User Market Demand for Controls Variable Speed Drives by Region, $Millions (2019)



U.S. End-User Market Demand for Controls Variable Speed Drives OEM: Top 10 End Markets

Top 10 end markets in $ volume, by SIC code, consuming Controls Variable Speed Drives (2019 est.)

End User		Estimated Consumption
1731	Electrical Work	$406,913,945
3585	Air-Cond & Warm Air Heating Equip & Commercial & Indust Refrig Equip	$191,586,056
2621	Paper Mills	$81,468,458
3613	Switchgear and Switchboard Apparatus	$60,897,060
3714	Motor Vehicle Parts and Accessories	$57,855,754
1541	General Contractors-Industrial Buildings and Warehouses	$51,191,821
3625	Relays and Industrial Controls	$48,996,318
2631	Paperboard Mills	$44,673,024
3559	Special Industry Machinery, Not Elsewhere Classified	$44,015,623
3556	Food Products Machinery	$41,235,894

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

MARKETS UPDATE SUPPLEMENT P. 4

PTDA Pivots to Virtual for Annual Industry Summit

MDM recaps the sessions that took place during the two-day event.

Like most organizations during the last eight months of the coronavirus crisis, the Power Transmission Distributors Association (PTDA) was forced to move its in-person events to virtual

By Eric Smith

Rather than meeting in Atlanta for the annual Industry Summit, PTDA conducted a Virtual Industry Summit — and the result was a successful gathering of PT distribution professionals who were able to share best practices and learn how they can continue thriving, according to Ann Arnott, CEO and executive vice president.

"Our goal in producing the PTDA Virtual Industry Summit was to replicate the in-person event as closely as we could without resorting to the 'webinar after webinar after webinar' program we've all experienced," she says. "Based on the feedback from 275-plus participants, we exceeded their expectations. Of those registered, nearly 95% participated in the functions we normally have when we meet: live networking (via videoconferencing), one-on-one meetings between channel partners and information and knowledge-sharing specific to the power transmission/motion control industry."

Panel Discussion: Building Your Workforce

Moderated by PTDA Foundation Board Trustee Hafeez Hameer, Dichtomatik Americas, this panel discussion featured four students and one staff member from the H. Milton Stewart School of Industrial and Systems Engineering at Georgia Tech University. They shared with audience members what today's distribution students are looking for in an employer. The bottom line: Companies need to engage with their future employees and understand what drives them — money, yes, but also work flexibility and a clear path on making an impact.

PTDA Community Conversation: Sales Transformation

Jim Jeffiers, Applied Industrial Technologies, and Michael Cinquemani, Master Power Transmission, facilitated a session on why the current distribution sales model needs to change. They discussed how a company can transform its business and, in the process, create more effective solutions for customers as well as grow the bottom line.

PTDA Community Conversation: Customer Engagement

How are companies engaging their customers in the time of COVID-19? Mike McLain, Allied Bearing & Supply, and Andrew Brown, Whittet-Higgins Co., facilitated a discussion on how distributors are navigating restrictions in their states and pivoting to curbside pickup and enhanced digital solutions for customers to shop and order.

PTDA Community Conversation: Distributor/Manufacturer Relationships

Chris Bursack, ISC Cos., and Chester Collier, Walter Surface Technologies, led a discussion on how the relationships between manufacturers and distributors have changed because of the pandemic.

While virtual meetings and phone calls have filled the void of not meeting in person, other issues have arisen, including ineffective communications and supply chain disruptions like increased transportation costs and longer lead times.

PTDA Community Conversation: Impact of Digitization

The pandemic has made everyone rethink their digital presence, according to the session that was hosted by Jeff Cloud, IBT Industrial Solutions, Kristin Jennings, Climax Metal Products Co., and Bill Shepard, BDI. The big takeaway: Companies that were well on their way to being digital had an advantage when the pandemic hit and those that were lagging are working hard to catch up.

Award ceremonies

C.C. Vest, president and co-owner of Midpoint Bearing, was named the winner of the 2020 Wendy B. McDonald Award. And Bill Childers — whose resume includes stops at Emerson Power Transmission, NSK Canada, Rexnord and AD — was named the recipient of the 29th Warren Pike Award.