MODERN DISTRIBUTION MANAGEMENT

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Next Gen Customer Stratification: Driving Performance in 2021

With the benefit of today's data tools, visualization software and reporting tools, customer stratification is more valuable than ever.

Customer stratification is essential for distilling the overwhelming volume and breadth of customer data into easier-to-manage chunks. Moreover, insights from customer stratification can align objectives across every functional area of distribution (sales, purchasing, operations, logistics, HR, finance, etc.). In 2021, customer stratification can be a core foundation from which you develop and hone your analytics maturity.

By Brent Johnstone

Customer stratification is an exercise in "bucketing" customers according to their relative value and importance to a distributor. Analogous to the 80-20 rule, customer stratification helps you identify and better serve the small percentage of customers that drive the bulk of your sales and profitability – your "core" customers.

On the flip side, it helps you identify and reshape your relationship with the 60% to 80% of your customers who generate a small percentage of sales and profitability while draining your time and energy – your "marginal" customers.

Further, it helps you see which customers cost more to serve than they provide in value and which stand to offer more value if cultivated properly.

To perform customer stratification, a distributor evaluates the relative performance of each customer across multiple top-line-focused factors and multiple profitability factors. By standardizing and applying appropriate weights to these factors, a distributor can produce composite scores for each customer. Once scored, customers can be plotted into four distinct quadrants or buckets.

For those familiar with American football, customer stratification effectively applies the "quarterback passer rating" concept to customers. Rather than trying to understand relative customer performance across 16 metrics in a spreadsheet, sorting and re-sorting metrics with a different customer rising to the top each time, customer stratification quickly distills that performance into composite scores and simple buckets.

Distributors can serve up to thousands of customers. Without customer stratification, managing them can feel like playing Whac-a-Mole: Customer interaction and sales management are reactive at best, reactions are too late to produce positive results, and the loudest, marginal customers often get more attention than your most valuable core customers.

Alternatively, understanding and drilling into customer stratification buckets can drive everything from designing customer incentives, prioritizing customer outreach, and developing customized, customer-specific game plans to attack growth opportunities and shore up emerging risks.

What Analytics Maturity Looks Like in 2021

Customer stratification used to reside in spreadsheets. This served as a good starting point for executives and finance professionals, but a static snapshot-in-time of a distributor's customer base, sent around by email, didn't naturally lend itself to day-to-day sales force usage and buy-in.

Today, you can greatly expand customer stratification's power – and gain sales force adoption – with dashboards that dynamically capture your mix of customers and convey how that mix is changing. Your dashboards around customer stratification should:

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INSIDE

mdm competitive intelligence for wholesale distribution

PERSPECTIVE ■ Commentary by Elizabeth Galentine

A Long-term Perspective Emphasizes the Positive

For the last Perspective column of 2020, my thoughts wandered to the meaning of the word itself. A definition of perspective, according to Merriam-Webster, is "the capacity to view things in their true relations or relative importance." It is going to be a while before we can get a fuller understanding of just how important a role this year's disruption will play in each of our big pictures. But one immediate perspective I take on 2020 is just how much the personal and professional have become intertwined. And, for the most part, I think that's a good thing.

With many of us spending much of the year unexpectedly home with pets, roommates, kids, significant others or even just the regular visit of the delivery guy, we've developed a more personal perspective on each other's professional lives. I have enjoyed getting a glimpse into your households, as we at MDM now conduct many article interviews over video connections — even if it means starting a portion of a podcast recording over when your dog needs to bark at the doorbell. He's just keeping you safe!

I find in general that taking a long-term perspective on challenging times in life yields more positive memories than negative ones. It brings us life lessons that we can apply to make our future brighter. For example, it's true that I spent each of my children's newborn-hood in a fog of exhaustion, but when I think back, I mostly remember the tiny toes and the moments where I knew I was becoming a more confident parent.

2020 has brought its own exhaustions, but I believe we all will be able to look back on this year and pinpoint the moments of professional growth that it brought to us as well.

Look no further than the pages of MDM Premium throughout 2020. Sales teams who turned an inability to prospect into an opportunity to dive into data and produce more revenue from existing clients. Or executive leadership who were able to accelerate years' worth of ideas over a few months because they took the time to meet for weekly online brainstorming sessions that never would have happened in person.

In case you missed it, we closed out our final MDM Live webcast this year with several of our Future Leader award winners sharing their perspective on what older generations in the workforce can do to continue adding more value to the workplace. The highlights are worth sharing here for something to think about as we head into 2021:

- "Emotional intelligence; just the ability to listen to each side and hear all perspectives," said Dane Anderson, Forney Industries.
- "Project managers are in short supply. We need tenured people who understand back-office dependencies, how the systems work. Own it and you will have value across the company," said Christina Nielsen, Lawson Products.
- "Document, document, document. Sales reps in [distribution] 15, 20 years, when you see all the information they have in their mind and their level of subject-matter expertise, show them how they can turn that into lead generation by sharing content on LinkedIn," said Mike Powers, Alaska Rubber Group.

It's impossible to have perspective on something before it happens, but it is my hope we will look back on 2021 a year from now and see all the ways in which 2020 prepared us for the year's successes. Wishing you and your family a happy and healthy New Year!

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CUSTOMER STRATIFICATION
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• Display key insights as seen through different lenses: a salesperson lens, a sales management lens and a senior management lens.

• Drill down into performance by salesperson, customer segment and product category to better understand strategic and tactical shortcomings.

• Cross into other functional departments outside of sales.

• Allow you to visualize both current snapshot performance and trend-based performance.

• Offer key insights about customers as they migrate between customer stratification performance quadrants from one period to the next.

With the right dashboards, customer stratification is game-changing. It can pinpoint key opportunities to drive profitable growth and influence performance throughout your organization.

It's the ideal analytical initiative to help you evolve from old-school spreadsheet analyses to today's data visualization tools.

Game-Changing Benefits of Customer Stratification for Distributors

When done right, the benefits of sophisticated customer analytics touch every aspect of your business and operations. Let's walk through some of the key applications of customer stratification and examine how to make customer insights sing through a few other simple dashboarding tips.

Focus Energy Where It Counts Most

It's been proven that multitasking doesn't work. Productivity experts like Gary Keller and Jay Papasan, authors of "The One Thing," emphasize that you get more done and work more effectively when you narrow your focus.

Bucketing customers based on their relative value and importance with customer stratification helps you narrow your focus to core customers and prioritize accordingly.

For instance, if core customers are at risk of churn or are losing traction in a certain product category, solving those issues will have a greater impact than catering to marginal customers.

Customer stratification is the ultimate drill-down diagnostic tool to help you prioritize and execute. The key is to have diagnostic dashboards that convey trends at a high level, then allow you to drill down into "list view" dashboards of customer segments, salespeople, customers, etc.

These dashboards will help you understand who (or what) contributes most to a given trend and help pinpoint and prioritize where you should place your immediate attention. Designing dashboards this way could, for example, allow you to identify a particular sales territory in which core customers are exhibiting the greatest margin erosion.

With the right dashboards, customer stratification is game-changing. It can pinpoint key opportunities to drive profitable growth and influence performance throughout your organization.

Drilling down further can help pinpoint the customer segments in which margins are under pressure within that territory, potentially signaling either mispricing or competitive poaching. It can ultimately lead you to a prioritized list of specific core customers you ought to approach within that segment to probe for feedback and prevent further erosion.

Empower Salespeople to Shift the Dynamic

While many analytics efforts introduce complexity, which threatens end-user adoption, customer stratification offers simplicity. It summarizes data, making it easy to understand at all levels of the organization and easy to explain to customers – which is critical for gaining buy-in from salespeople.

Salespeople understand the 80-20 rule. They intuitively know they spend 80% of their time with clients that deliver 20% of their commission paycheck (and vice versa). When you help them effectively visualize this through customer stratification, they clearly see that some customers are wildly profitable, and others are profit (and time) drainers.

You might, for example, provide them with the "4-Quadrant" dashboard, a classic visualization for customer stratification. This dashboard plots customers into the quadrants associated with each of the four stratification segments according to their composite top-line and profitability scores.

Most importantly, it visually captures how close a given customer is to moving from an under-performing segment to a high-performing segment.

When salespeople can visually see the breakdown of their customer base and identify which ones have higher and lower potential, they will actively seek opportunities to shift the dynamic. They might:

• Encourage unprofitable customers to order online.

• Make it more difficult for less-profitable customers to lobby for a price break unless tied to greater sales volume.

• Hold firm on minimum order size requirements, restrictions on expedited deliveries or restrictions on late orders.

• Spend more time cultivating opportunities with high potential customers.

• Relentlessly provide high-quality service to core customers to protect against churn.

Align Every Department Around the Same Goals

When you identify core customers and narrow your focus, you can integrate those insights across every department so they can shift their focus in kind. Each department ought to be channeling efforts toward core customer needs, where performance impact will almost always be greater.

Key examples of sharing customer stratification metrics with other functional areas outside of sales include:

• Integrating core customer penetration metrics in dashboards to help the purchasing department decide which brands to cut or replace when performing product category reviews.

• Sharing customer stratification status between sales and purchasing to help coordinate the appropriate allocation of scarce product when facing a supply chain disruption (as experienced quite often during the height of the COVID-19 pandemic).

• Incorporating changes in core customer purchasing patterns into inventory dashboards to help tweak safety stock levels, adjust reorder points, and adjust stock/non-stock inventory decisions.

• Conveying stratification status and related metrics to logistics to incorporate into shipping option decisions and related charges.

• Reorganizing or outsourcing shipping routes as determined by core customer demand.

• Prioritizing which customers warrant consideration for extension of credit by the finance department.

Make Core Customer Metrics the Standard and Develop Incentives Accordingly

Core customers are top performers and provide consistent value, so it makes sense to develop customer incentives and policies with them in mind. In that sense, core customer performance really serves as a benchmark for other customers when it comes to performance.

Benchmarking is essential for dashboarding in 2021. Display benchmarks in performance graphs whenever possible. They provide unambiguous, instructive feedback to salespeople and customers while establishing clear targets for future performance. You can then use these benchmark-related targets to create incentives for customers who achieve them or show progress toward them.

For example, you can tie discount policies, rebate programs or free shipping to core customer benchmarks. You can offer dedicated sales coverage to customers upon reaching a core customer sales threshold. You can entertain bringing on new vendors or new products at the recommendation of core customers. And you can invite core customers to special customer appreciation events.

The other key benefit to formalizing incentives and policies around core customers' behavior is that it removes any perception of subjectivity or favoritism in non-core customers' eyes. All customers have an equal opportunity to reach a certain status in order to receive benefits.

A Natural Path to Analytics Maturity

Most analytics endeavors are overly ambitious and begin with high expectations, which unsurprisingly often ends with underwhelming results. The reason analytics efforts often fall short of expectations is the sheer number of moving parts.

In contrast, customer stratification comes with all the ingredients and appropriate sequencing for delivering a successful analytics project as a company. And getting a mark in the win column in using analytics is something your whole company can build from. We could call it training wheels, but that would belittle how valuable customer stratification can be in introducing your company to a world beyond spreadsheets.

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How to Reset Your Sales Compensation Plan in the New Year

The pandemic has provided a ripe opportunity for this often-discussed, much-needed organizational change. Here's where to begin.

Now may be the perfect time to build and implement a new sales compensation plan, according to Mike Emerson of Indian River Consulting Group. As he explained to attendees of MDM's fourth annual Sales GPS conference, it requires just three steps — and if done right, they can lead you to a more profitable company.

By Eric Smith

The increase in omnichannel sales and other business pressures related to COVID-19 have stressed sales compensation and incentive design like never before. But companies that understand how to maneuver the sales comp levers that drive down their total selling costs while retaining the key talent necessary for success will be better positioned in the post-pandemic sales environment.

If 2020 — a year defined by coronavirus-driven restrictions — has taught us anything it's that distributors are rethinking their sales model. A key component of this sales transformation is a compensation plan that aligns.

"This pandemic has brought an interesting dynamic, and sales consulting has become the personal protective equipment equivalent of this pandemic," Emerson said. "There are a lot of people that say now's the time to embark on this journey and change the sales compensation program."

To help distributors on this journey, Emerson and Mike Marks — his IRCG colleague and the firm's managing partner — presented a session called "Masterclass: Resetting Sales Compensation Plans" at MDM's 2020 Sales GPS, held virtually for distribution executives at all stages of the sales transformation process.

As Emerson and Marks noted when kicking off the session, the first rule of rebuilding sales compensation is "do no harm." This is important for companies because a sales comp restructuring is likely to upset long-tenured employees.

"Changing sales compensation programs is fairly disruptive, and all of us probably have either firsthand or secondhand knowledge of epic failures where everyone quit the Friday after the new comp program was announced," Emerson said. "Or, over time, things were reversed [back to the old comp plan]."

But as companies transform their sales models to meet today's evolved — and still-evolving — customer demands, that's another reason to refresh a sales compensation program, and do it the right way. When a company no longer ties incomes to territory size, a hallmark of the old method, it can grow gross profit (GP) by better aligning resources with opportunities.

By following the steps outlined during the masterclass session, and with the right mechanisms and leadership guidance in place, rebooting your company's sales compensation program can cut costs and improve GP.

Even if you haven't begun reassessing your sales compensation program, it's not too late to start that pursuit. Because while the best time to launch such an initiative was nine months ago, the second-best time is now.

Step 1: Define Success

This was the fourth year that Sales GPS included a sales compensation component, but it was the first time the session featured a "how-to" guide, Emerson noted. This three-step process begins with a distributor first clarifying what "success" means for the company and what the business is trying to accomplish.

"It might sound surprising as you go on this journey that there are some misalignments where some people are thinking this is about cost neutrality and other people are saying this is ultimately something where, three years from now, we want our selling expense to be lower," Emerson said.

"Everyone, generally speaking, is looking to grow their business. But they ask themselves, 'Where are we going to get that growth? Are we going to get it from expanding our customer base? Are we going to get it from getting shared wallet by adding product categories?' This is all about focus, and the clearer we are in terms of what we want to emphasize, the better and more aligned a new sales compensation program is going to be."

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The big question around measuring the success of a sales compensation reset — or, really, any transformation a company implements, whether it's around sales, marketing or operations — centers on profitability. In other words, will it improve the bottom line? In this case, Emerson wants distributors to focus on the metric of gross margin. And here, he added, is where companies need to understand that improving gross margin doesn't mean that the company isn't profitable or that its sales comp program is disastrous, but rather that there are incremental improvements it can make.

If little change is expected, both absolute and relative performance program options can be considered. But if change producing the import and export of gross profit dollars is expected, it is a near certainty that a relative performance program will be necessary for at least some roles.

"This isn't solving for a toothache," Emerson said. "We don't have an acute pain that we want to fix. We may have a toothache, but this is more about creating a healthy lifestyle. If we're going to go through this, let's build it to last. Let's not just fix the toothache and then next year deal with the earache or the ingrown toenail. Let's think about it, take the time, build this for the long term."

Any talk of defining success during a sales compensation rehab needs to consider the potential for employee turnover. While the goal is to be as minimally disruptive as possible, whenever a company starts recalibrating the formula by which salespeople get paid, there will be an immediate and delayed backlash as the new comp program is rolled out.

"Having a sober conversation around turnover should be early in the 'define success' conversation," Emerson said. "You can generally expect a quarter of your salespeople to leave over the next 18 months because they opt out. It has been disappointing, in certain instances, where you go through a sales compensation reset, and you get to a point of, 'This is aligned, this makes sense, the economics are right, we can be very proud of all the work that we've done, we've put a path forward for our sales organization to be very successful and to make potentially more income than they had made the past.' Then we get to launch, and there's pushback from the salesforce, and everything just stops. But we need to understand that this is the right thing to do and if there is going to be pushback, we have to ask ourselves if we're willing to go to the mattresses or not."

Emerson said that defining success also means being determined to stand by that aspirational measure of success even when rank-and-file sales professionals express doubt or, worse, decide to leave.

"If the salesforce pushes back, we just need to be very clear that this is about moving the company forward," Emerson said. "And we don't have any intention of doing it on the backs of our employees. We're not trying to try to make more money by paying less. What we're trying to do is be more effective in the market, and the way we pay people right now is an obstacle to us doing that, so we put something together that is very fair."

Step 2: Define Selling Roles

After defining what success looks like, next is determining which sales roles will change in your organization. And the degree by which those roles will change, specifically in the next few years, will be critical in identifying potential sales compensation structures — "absolute" commission" or "relative performance" commission. Let's look at the difference between the two sales comp programs, according to IRCG.

• **Relative performance programs** measure results by expectations, tying compensation to specific objectives, quotas or targets. These provide flexibility to move accounts around and position different salespeople for different targets.

• **Absolute performance programs** are traditional commission programs where set goals have little influence. Rather, the commission is primarily driven by how many Gross Profit (GP) dollars a territory or customer assignment generated, regardless of growth or how margins increased or decreased in a set period.

"Relative performance means the results are tied to expectations," Emerson said. "If there's a goal, a target, a quota, an objective, then that's a relative performance component. If it's defined, it's not absolute.

"If I pay a 10% commission on all the GP dollars generated, then that's absolute. If a territory generates twice the GP dollars that another territory does, that territory's sales rep will make twice as much money in commissions — whether the person who makes you generates twice as much went backward 10% and the person who generates half as much went forward 20%, whether the margin is 26% versus 19%. None of those things matter. It's absolute dollars, and it's tied to customer assignment and territory size."

With absolute being rather straightforward, here are some examples of the more complicated relative performance program:

• Variable pay earned through a 10% of GP dollars commission would be 100% absolute performance-based.

• Variable pay earned through a commission where the rate is 9% if the monthly gross profit dollar goal is not achieved and 11% if it is primarily absolute with an element of relative.

• Variable pay where 50% of salary is earned upon achievement of a gross profit dollar goal would be 100% relative performance-based.

There are varying degrees of this, Emerson said. For example, if a company's incentive program is 10% commission on GP dollars but it pays 12% on growth, that would still be an absolute program because there's no objective put in there. If the company pays 10% of percent commission to goal and then 12% above goal, that is a relative-type program because someone is defining success.

This distinction is important to understand when defining sales roles for your organization, perhaps as part of a transformation of your entire sales model.

But, Emerson cautioned, "This doesn't mean that we need to have absolute clarity on what roles look like going forward; we just need to ask ourselves — as we're looking at improving the alignment of our sales compensation program — is a change in roles imminent or expected? Because the answer to that question is going to narrow the potential structural compensation options we have available to us.

"If for the foreseeable future — and by that, I mean over the next three to five years — we don't expect there to be material changes, we might add a specialist here or there, we might create a hybrid role, but fundamentally we're going to still be organized with an outside sales force and an inside salesforce, that broadens whether we can use absolute performance programs or relative performance programs."

If little change is expected, both absolute and relative performance program options can be considered. But if change producing the import and export of gross profit dollars is expected, it is a near certainty that a relative performance program will be necessary for at least some roles.

As mentioned, many sales compensation overhauls are happening as part of a larger sales transformation within a distributorship. And if a company anticipates some changes in that model, then IRCG says it's time to "think strongly about using a relative performance program."

Step 3 will look at that shift to a relative performance program.

Step 3: Design a Relative Performance Program

The third step outlines the basic structure of the relative performance program, which many distributors are favoring over the absolute method as they move away from their legacy processes. According to IRCG, the design of a relative performance program can be broken down into two steps:

• Step one is building the primary structure and entails solving for three variables:

1. **Base versus incentive pay:** What portion of income should be salary and which portion variable?

2. **Window of performance:** At what point does variable pay commence?

3. **Risk versus reward:** How does variable pay decrease below goal and increase above?

• Step two is determining which performance measures to use:

o The two basic questions are:

1. Which GP$s are most valuable?

2. How, if at all, should profitability be included in the program?

o Complexity is a sales compensation program's No. 1 nemesis, so:

 In general, use a maximum of three factors;

 Use adders or deflators to help reduce complexity.

Let's unpack each of these two steps. When building the primary structure, the three variables you're solving for are:

1. **Base Salary versus Incentive Pay:** The process of determining how much money a salesperson will earn by generating a certain amount of GP dollars in relation to their base salary can be done objectively.

2. **Inflection Point (At What Point Does Variable Incentive Pay Commence?):** Setting an inflection point assumes that a certain amount of business can be expected, but, beyond that, sets a point at which incentive dollars start to be

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earned.

3. **Risk versus Reward:** Make sure the risk/reward tradeoff of a new compensation plan exceeds that of the existing plan.

The second step is that a company's leadership must return to their definitions of success to select factors upon which to measure a relative performance program, according to IRCG. These are:

• A single-factor performance measure may be built around the percentage of GP dollars. It is often initially the best model to use to move away from the prevailing paradigm built around total dollars as opposed to total dollars being relative to expectations. This can align everyone in a given role around a common goal and can be organized around a fixed amount or percent of salary.

• Introducing a multifactor payout structure adds one or two factors, allowing the relative performance plan to align with many goals. Beware of adding more than three factors, however, as that begins to complicate the structure and can result in frustrating instead of motivating salespeople.

As Emerson noted to close the call, there's a certain amount of relief when a company has rebuilt its sales compensation program correctly, but it's important to analyze whatever changes have been made to ensure that employees are being paid fairly and equitably.

"It's less prevalent today than it has been, but there has been a mindset among sales personnel that, 'I'm a salesperson, I'm paid commission, I'm an independent operator, I am a sole proprietorship. And therefore, certain rules may or may not apply to me,'" Emerson said.

"But as soon as you insert management into that prevailing mindset, don't be surprised when you've got to have some difficult conversations," he added. "As long as you believe you're doing the right thing, and you're being fair and that this is something that needs to be done to move the company forward, then you need to persevere."

These are just the starting points for resetting your sales compensation program. To learn more consider joining the MDM Sales GPS Network; members can watch the entire video at https://www.engagez.net/mdm#1ct=conferencecenter--360183. To join the Network or learn more about it can help your company transform its sales force, visit https://www.mdm.com/sales-gps/.

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Industrial & Construction Markets Update

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Real U.S. GDP Jumps 33.4% in 3Q According to 'Third' Estimate

Real gross domestic product (GDP) increased at an annual rate of 33.4% in the third quarter of 2020, according to the "third" estimate released by the Bureau of Economic Analysis. In the second quarter, real GDP decreased 31.4%.

The "third" estimate of GDP is based on more complete source data than were available for the "second" estimate issued last month. In the second estimate, the increase in real GDP was 33.1%. The upward revision primarily reflected larger increases in personal consumption expenditures and nonresidential fixed investment.

The increases were partly offset by decreases in federal government spending (reflecting fewer fees paid to administer the Paycheck Protection Program loans) and state and local government spending. Imports, which are a subtraction in the calculation of GDP, increased.

The increase in PCE reflected increases in services (led by health care as well as food services and accommodations) and goods (led by clothing and footwear as well as motor vehicles and parts). The increase in private inventory investment primarily reflected an increase in retail trade (led by motor vehicle dealers). The increase in exports primarily reflected an increase in goods (led by automotive vehicles, engines, and parts as well as capital goods). The increase in nonresidential fixed investment primarily reflected an increase in equipment (led by transportation equipment). The increase in residential fixed investment primarily reflected an increase in brokers' commissions and other ownership transfer costs.

Current dollar GDP increased 38.3% at an annual rate, or $1.65 trillion, in the third quarter to a level of $21.17 trillion.

Distributor

Specialty Building Products LLC — the Duluth, Georgia-based parent of **U.S. Lumber** and other businesses — announced that it has agreed to **The Jordan Co. LP** acquiring a majority ownership position in SBP from funds affiliated with Madison Dearborn Partners LLC.

Amazon.com Inc., Seattle, announced plans to open two new fulfillment centers and a new delivery station in San Antonio, Texas. The new operations facilities will together create more than 1,500 new full-time jobs. The facilities will open in 2021 and 2022.

Ohio Transmission Corporation (OTC), Columbus, Ohio, announced the acquisition of **JCI Industries**, a provider of pumps, motors, controls, field service and remanufacturing to commercial, industrial and environmental customers throughout the Midwest. Financial terms of the deal weren't disclosed.

Bell, California-based **Individual FoodService** (IFS) — a portfolio company of the private equity firm **Kelso & Co.** and a distributor of foodservice disposables and JanSan products — has announced that it will merge with **Brady Industries**, a Las Vegas-based JanSan distributor. Financial terms of the deal were not disclosed.

Brady Industries, a Las Vegas-based full-line janitorial supply, equipment and foodservice distributor, announced the acquisition of **Kerr Paper & Supply** in Little Rock, Arkansas.

Beacon Roofing Supply Inc., Herndon, Virginia, announced it has agreed to sell its interior products business — consisting of 81 branch locations where it distributes a variety of construction products to both residential and commercial contractors — to affiliates of the private equity firm **American Securities LLC** for $850 million.

Private equity firm **Odyssey Investment Partners** announced it has agreed to acquire PPE and industrial safety product supplier **Protective Industrial Products Inc**. (PIP) from Audax Private Equity. Financial terms of the deal weren't disclosed.

Enerpac Tool Group Corp., Milwaukee, announced revenue for its fiscal first quarter ended November 30 of $119.4 million, an 18.6% decline from the same quarter a year ago. Profit of $4.8 million marked a 25% decrease.

Landscape distributor **Heritage Landscape Supply Group Inc**., a McKinney, Texas-based subsidiary of SRS Distribution, has acquired two companies — **REAMS Sprinkler Supply**, Lincoln, Nebraska, and **Irrigation Station**, Houston. Financial terms of the deals weren't disclosed.

Amazon.com Inc., Seattle, announced plans to build an Amazon fulfill-

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MARKETS UPDATE
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ment center in Sioux Falls, South Dakota. The 640,000-square-foot facility is expected to open in 2022 and create more than 1,000 full-time jobs.

Specialty building materials distributor **US LBM Holdings LLC**, Buffalo Grove, Illinois, announced it has acquired T**ri-County Building Supplies**, a building materials distributor in southern New Jersey. Financial terms of the deal weren't disclosed.

Amazon.com Inc., Seattle, announced plans to build an Amazon fulfillment center in North Little Rock, Arkansas. The facility is expected to open in 2021 and create more than 500 full-time jobs.

Specialty building materials distributor **US LBM Holdings LLC**, Buffalo Grove, Illinois, announced that it has opened a new roofing and siding location in Yeadon, Pennsylvania, near Philadelphia. The location is US LBM's 10th new roofing and siding focused greenfield to open since 2018 and fifth this year. US LBM opened a similar roofing and siding focused location in nearby Kimberton, Pennsylvania, last year and plans to open an additional roofing and siding location in New Castle, Delaware, early next year.

Bunzl PLC, the London-based specialist international distribution and services group, reported preliminary revenue for 2020 as well as the completion of a recent acquisition. The company expects group revenue for the year to increase 8% at actual exchange rates and 9% at constant exchange rates, with growth attributable to both organic revenue and the impact of acquisitions.

Building products distributor **Hardwoods Distribution Inc.**, Langley, British Columbia, announced that it has, through its subsidiary **Rugby Holdings LLC**, acquired **River City Millwork Inc**. for $4.2 million.

Integrated supply chain management services provider **Synovos**, based in Radnor, Pennsylvania, on Dec. 10 announced it has completed a $145 million sale to **Electrocomponents plc**, a

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Calculation of MDM Inflation Index for November 2020

		BLS Price Indices Nov '20	BLS Price Indices Oct '20	BLS Price Indices Nov '19	% Sales Weight	Weighted Indices Nov '20 (1)X(4)	% Change Nov '20 Oct '20	% Change Nov '20 Nov '19
1136	Abr. Prod.	642.4	642.4	627.0	19.1	122.70	0.00	2.46
1135	Cutting Tools	539.6	538.8	533.6	18.9	101.98	0.15	1.12
1145	Power Trans.	891.6	887.9	877.2	15.4	137.31	0.42	1.64
1081	Fasteners	590.9	592.0	566.9	9.0	53.18	-0.18	4.24
1149.01	Valves, etc.	1118.7	1121.3	1074.0	7.6	85.02	-0.23	4.16
1132	Power Tools	404.8	404.8	395.5	6.5	26.31	0.00	2.35
1144	Mat. Handling	656.8	656.8	648.8	6.2	40.72	0.00	1.24
0713.03	Belting	970.2	969.2	948.9	6.1	59.18	0.10	2.24
1042	Hand Tools	855.8	856.8	837.8	8.1	69.32	-0.12	2.16
108	Misc. Metal	507.9	507.7	504.3	3.1	15.75	0.06	0.73

"New" Nov Index	371.7	Nov Inflation Index	711.47	0.06	2.27
"New" Oct Index	371.5	Oct Inflation Index	711.04		
		Nov 2019 Inflation Index	695.65		

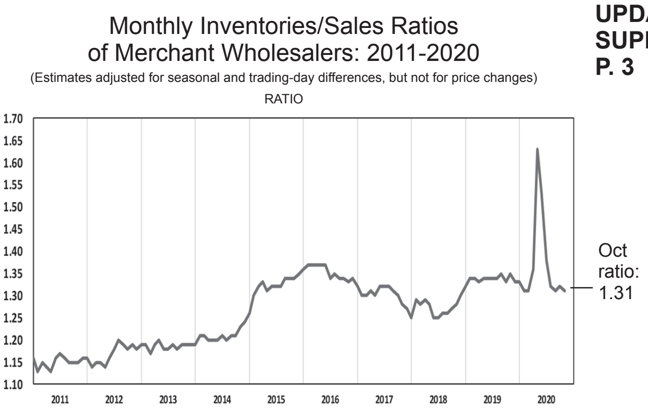
New index reflects 1977-100 base other #: 1967 To convert multiply by .52247

MARKETS UPDATE SUPPLEMENT P. 3

Oct 2020 | Monthly Wholesale Trade Data

Wholesale revenues in October were $496.6 billion, up 0.9% over October 2019 and up 1.8% over September 2020. October sales of durable goods were up 2.0% over the previous month and up 4.1% from a year ago. Sales of nondurable goods were up 1.7% over September and down 2.0% from last October.

Inventories were $649 billion at the end of October, up 1.1% from the revised September level and down 2.2% from last year. October inventories of durable goods were up 0.3% from September and down 5.5% from a year ago. Inventories of nondurable goods were up 2.5% over September and up 2.9% from last October.



Inventories/Sales Ratio. The October inventories/sales ratio for merchant wholesalers was 1.31. The October 2019 ratio was 1.35.

Sales and Inventories Trends: Oct 2020

NAICS Code	Business Type	Sales $Millions	Inventory $Millions	Stock/ Sales Ratio	% Change Sales 9/20-10/20	% Change Sales 10/19-10/20	% Change Inventory 9/20-10/20	% Change Inventory 10/19-10/20
42	**U.S. Total**	**496,585**	**648,998**	**1.31**	**1.8**	**0.9**	**1.1**	**-2.2**
423	**Durable**	**244,457**	**383,208**	**1.57**	**2.0**	**4.1**	**0.3**	**-5.5**
4231	Automotive	43,158	63,392	1.47	5.3	13.3	-0.2	-7.1
4232	Furniture & Home Furnishings	7,836	11,480	1.47	-1.7	-3.4	-0.2	-16.3
4233	Lumber & Other Construction Materials	14,189	19,764	1.39	-0.5	11.5	1.4	0.1
4234	Prof. & Commercial Equip. & Supplies	46,110	47,749	1.04	2.4	4.8	-0.9	-6.1
42343	Computer Equipment & Software	23,099	14,476	0.63	2.4	5.5	-2.3	-15.4
4235	Metals & Minerals	12,079	29,154	2.41	3.9	-12.4	-0.2	-9.7
4236	Electrical Goods	46,681	53,549	1.15	1.7	-4.9	1.0	-2.0
4237	Hardware, Plumbing, & Heating Equipment	14,190	28,392	2.00	-1.4	9.8	4.3	4.5
4238	Machinery, Equipment & Supplies	38,711	100,355	2.59	1.5	3.7	-0.7	-6.1
4239	Miscellaneous Durable	21,503	29,373	1.37	0.7	14.8	1.2	-8.2
424	**Nondurable Goods**	**252,128**	**265,790**	**1.05**	**1.7**	**-2.0**	**2.5**	**2.9**
4241	Paper & Paper Products	7,427	9,968	1.34	-1.0	-1.5	0.9	8.0
4242	Drugs	65,676	76,131	1.16	1.9	8.7	3.9	14.5
4243	Apparel, Piece Goods & Notions	11,116	24,704	2.22	3.2	-10.2	-1.1	-13.7
4244	Groceries & Related Products	59,768	42,121	0.70	0.3	2.5	0.8	1.8
4245	Farm-product Raw Materials	17,738	30,410	1.71	0.9	22.6	15.8	27.3
4246	Chemicals & Allied Products	9,707	11,792	1.21	-0.3	-11.6	-1.1	-8.1
4247	Petroleum & Petroleum Products	41,320	18,289	0.44	3.6	-28.2	-4.0	-11.3
4248	Beer, Wine & Distilled Beverages	15,898	17,594	1.11	5.0	17.6	0.5	-8.7
4249	Miscellaneous Nondurable Goods	23,478	34,781	1.48	0.5	6.2	0.0	-3.2

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.

MARKETS UPDATE

Continued from page 2 of this section

global solutions provider based in London. The acquisition creates a single company offering maintenance, repair and operations (MRO) and supply chain services to Europe, North America and the global marketplace.

Electrical and industrial distributor **Turtle & Hughes**, Linden, New Jersey, announced a reorganization of its corporate and distribution operations departments, including the promotion of two veteran staff members to new positions. Chuck Noll, who has spent close to 30 years at Turtle, is now senior vice president of electrical distribution operations, a newly created position. Michelle Kelly, a 14-year veteran, succeeds Noll as vice president of corporate operations.

Economic

Led by slower growth in employment- and production-related indicators, the **Chicago Fed National Activity Index** (CFNAI) declined to +0.27 in November from +1.01 in October. Three of the four broad categories of indicators used to construct the index made positive contributions in November, but all four categories decreased from October. The index's three-month moving average, CFNAI-MA3, decreased to +0.56 in November from +0.85 in October.

The **Power Transmission Distributors Association (PTDA)**, Chicago, released its third quarter 2020 Sales History & Outlook Report (SHOR) that showed improving business conditions in the period despite continued decline in U.S. industrial production and in the PTDA Distributor and Manufacturer Total Sales Indices.

Indian River Consulting Group's (IRCG) weekly **Pandemic Revenue Index** for the work week of Dec. 7-11 indicated a 2.9% increase compared with the same week a year ago. Of the 14 respondents, eight reported increases ranging from 2% to 22%. Of the six companies reporting declines, the range was 3% to 25%.

Privately owned housing units authorized by building permits in November were at a seasonally adjusted annual rate of 1,639,000, according to the **U.S. Census Bureau and the U.S. Department of Housing and Urban Development**. This is 8.5% above the November 2019 rate of 1,510,000 and 6.2% above the revised October rate of 1,544,000.

The combined value of distributive trade sales and manufacturers' shipments for October, adjusted for seasonal and trading day differences but not for price changes, was estimated at $1,482.3 billion, up 2.2% from October 2019 and up 0.9% from September 2020, according to data from the **U.S. Census Bureau. Manufacturers' and trade inventories** for October, adjusted for seasonal variations but not for price changes, were estimated at an end-of-month level of $1,948.7 billion, down 4% from October 2019 but up 0.7% from September 2020. The total business inventories/sales ratio based on seasonally adjusted data at the end of October was 1.31. The October 2019 ratio was 1.40.

Total industrial production grew 0.4% in November, according to data from the **Industrial Production and Capacity Utilization Report,** released by the Federal Reserve. The index has recovered much of its 16.5% decline from February to April, but output in November was still 5% lower than its pre-pandemic February level.

Manufacturer

Swedish manufacturer **Atlas Copco** has obtained all regulatory approvals and completed the $60.8 million acquisition of **Perceptron** that was announced in September 28. Perceptron is a Plymouth, Michigan-based supplier of automated metrology solutions that employs around 300. The company will become part of Atlas Copco's newly created division Machine Vision Solutions within the Industrial Technique business area.

Paints, coatings and specialty materials supplier **PPG**, Pittsburgh, announced that it has agreed to acquire **Tikkurila**, a Vantaa, Finland-based manufacturer and distributor of paints and coatings, for €$1.1 billion (US$1.3 billion).

Power management company **Eaton**, Dublin, Ireland, announced it has agreed to acquire a 50% stake in HuanYu High Tech, a subsidiary of HuanYu Group that manufactures and markets low-voltage circuit breakers and contactors in China, and throughout the Asia-Pacific region. HuanYu High Tech had 2019 sales of $106 million and has production operations in Wenzhou, China.