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# July Content Highlighted by Distributor-Supplier Relations

One of my favorite topics to analyze in this industry has always been distributor-supplier relations. Everyone loves to tout how distribution is a relationship industry — which is certainly true — but amid its digital transformation, maintaining and growing those relationships has become more challenging than ever, even with all the collaboration tools available today.

It's why I was compelled to include a "relations" question in the 2Q23 Baird-MDM Industrial Distribution Survey conducted in early July of about 500 respondents, mostly distribution executives. That survey included the question, "From your perspective, what is the biggest thing manufacturers could do better at to reduce friction in the distributor-manufacturer relationship?" It received over 300 written responses, which Associate Editor Mark Powell analyzed in our final Premium article of July (pg. 5) and extracted 30 thought-provoking anonymous responses from to show.

Several distributors suggested manufacturers can do a better job of sharing product and point-of-sale data, which is a topic I explored in a July 5 piece that summarized a case study of the benefits seen by distributor ARG Industrial and manufacturer Midland Industrial from their data-sharing partnership (pg. 7).

Senior Editor Vesna Brajkovic authored a trio of Premium pieces in July. One distilled results of the 2Q23 Baird-MDM Survey's polling of respondent expectations for the impact of government programs and reshoring on their businesses in the next 5-10 years (pg. 10); one analyzed the "leveling" demand sentiment shared by MSC Industrial Supply in its late June quarterly earrings call (pg. 11); and one explored The Home Depot's plans to be a one-stop-shop for complex contractor projects and capture more of that untapped Pro market (pg. 12).

With artificial intelligence the juiciest topic of discussion at the moment, my July 18 piece examined another poll question in the Baird-MDM 2Q23 survey that asked respondents about how much their company is utilizing AI technology today (pg. 13). It gave us a nice snapshot of what portion of distributors are already involved and how many are taking a more 'wait and see' approach. July also included my regular recap of the U.S. Census Bureau's latest monthly wholesale trade data as well as several other key economic indicators and what their readers mean for distributors (pg. 15).

It's now crunch time in MDM's preparations for our SHIFT | The Future of Distribution Conference, which will be held Sept. 18-20 in Denver. We've assembled a fantastic lineup of speakers — including numerous distribution executives — who will help us deliver a content program designed to give distributors the best practices, real-world examples and insights needed to succeed across hybrid sales, digital transformation, data analytics and talent. I'd love to see you there!

Mike Hockett, Executive Editor

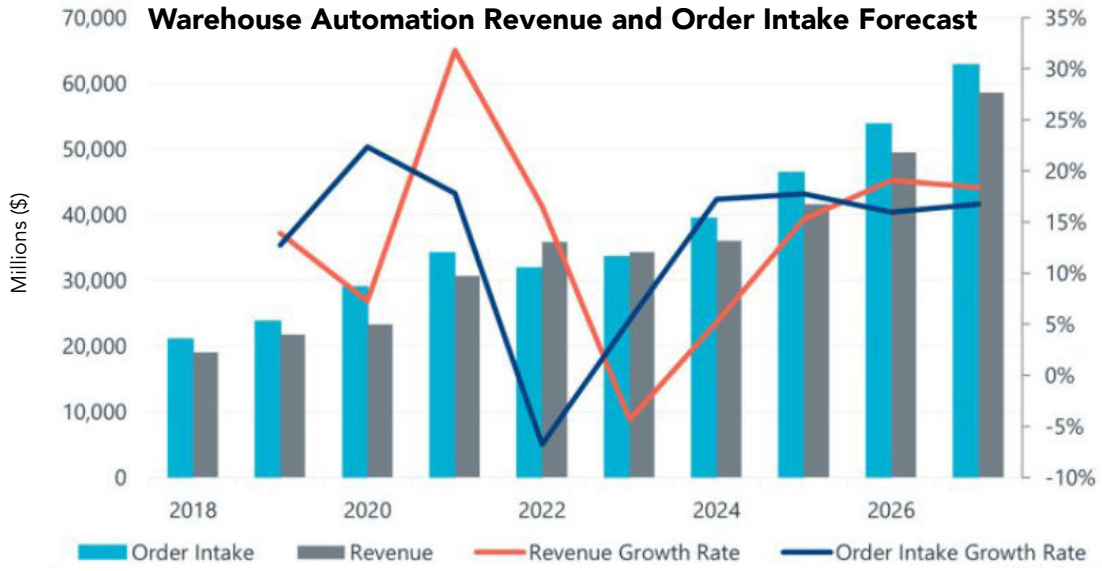
DATUM

## Report: Warehouse Construction, Automation Spending to Rebound in 2024

COVID brought forth a warehouse construction and automation projects boom — driven by unprecedented eCommerce buying — but it has since slowed over the past year amid lower eCommerce demand and high interest rates. However, a new industry report forecasts that spending for both warehouse construction and automation is set to resume growth in 2024 after bottoming out this year.

In July, market research firm Interact Analysis released its "Warehouse Automation Report Mid-Year Update," which noted that warehouse construction is expected to fall 25% in 2023 vs. 2022. However, the report stated that "green shoots of recovery" are already showing as eCommerce activity is stabilizing and firms looking to boost inventory levels after dealing with supply chain uncertainty over the past three years, and particularly in the U.S. Likewise, the report forecasts that warehouse automation orders will resume growth late in 2023, continue in 2024 and hit double-digit growth in 2025. The research attributes anticipated growth to the development of greenfield warehouse sites, which are likely to rise in 2024 after a considerable decline this year.

"With eCommerce at the tail end of the post-Covid correction, coupled with the trend away from just-in-time inventory management towards just-in-case supply chains, warehouse construction is forecast to return to growth from the end of this year, fueling demand for automation solutions during 2024 and into 2025," the report's author wrote.




Source: Interact Analysis

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# Industry News Digest: July 2023

*Click on the link in each news item to read the full report*

## Distribution & Manufacturing News

Independent distributor organization AD announced that member sales in the first half of 2023 reached $37.8 billion, an increase of 5% across its 14 divisions.

North America's third largest for-hire truck carriers ceased operations, Yellow Corp. notified union employees that the less-than-truckload giant was filing for bankruptcy.

Salem, New Hampshire-based Standex International Corporation announced that it has acquired privately-held, South Dakota-based Minntronix for approximately $30 million in cash.

France-based electrical distributor Rexel reported its 2023 second-quarter earnings, which showed that year-to-year sales growth in North America slowed to 4.4%.

Specialty component manufacturer Bracalente Manufacturing Group announced the purchase of Millennium Manufacturing to help bolster the company's specialized CNC milling, turning and multi-spindle manufacturing capabilities as it expands its footprint to serve the aerospace, electric vehicle, electromechanical automation and tactical markets.

Raleigh, North Carolina-based supply chain consulting firm Tompkins Solutions announced July 26 that Dan Bryan has joined the company as Vice President of Sales.

Paris-based industrial gases and services provider Air Liquide reported its 2023 first half financial results on July 27, showing modest year-over-year growth in its Americas segment.

Charlotte, North Carolina-based industrial manufacturing conglomerate Honeywell announced its 2023 second-quarter earnings, year-over-year sales growth of 2% and organic sales growth of 3%, both down from the same period last year.

Pipe manufacturer Romac Industries announced on July 24 it has leased a new manufacturing and distribution facility in Goodyear, Arizona, to increase efficiency and streamline operations.

On July 26, industrial supplies distributor Grainger announced that it had named George Davis to the company's board of directors, effective that same day.

St. Louis, Missouri-based Marcone — a distributor of appliance repair, HVAC, plumbing, commercial kitchen and pool/spa parts and equipment — announced July 25 that it has added three seasoned executives to its team.

Houston-based Evantic — a portfolio company of Edgewater Capital Partners — announced that it has acquired Plastic Distributors and Fabricators LLC, a manufacturer and fabricator of high-precision, difficult to machine plastic components.

Wire and cable product manufacturer Southwire announced on July 26 that it will open a customer service center in Fort Worth, Texas, next year to help streamline the company's product offering to the Southwest and Midwest U.S.

Chicago-based gypsum wallboard and building materials distributor L&W Supply Corporation announced that it has completed the acquisition of the assets of Oswego Building Supplies, a distributor of residential and commercial gypsum, metal studs and related accessories headquartered in Illinois.

Paint and coating manufacturer Sherwin-Williams Company announced its 2023 second-quarter earnings, which included a modest 0.3% increase in sales for its Performance Coatings Group.

Structural connector and building solution manufacturer Simpson Manufacturing recorded consolidated net sales of $597.6 million, an increase of 0.7% from $593.2 in the same quarter last year, but down significantly from first-quarter's 8.3% growth.

K-C Professional (KCP) — the professional workplace solutions segment of Texas-based supplier Kimberly-Clark — posted second-quarter sales of $887 million, an 11% increase year-over-year and 13% organic sales growth increase.

Manufacturer 3M reported its second-quarter 2023 earnings, which included sales of $8.0 billion, down 4.7% year-over-year, with organic sales declining of 2.5% year-over-year.

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Midwest electrical, plumbing and HVAC distributor Dakota Supply Group on July 19 celebrated the grand opening of a new location in Mankato, Minnesota.

Amazon plans to move some of its corporate employees working remotely or in smaller offices to the eCommerce giant's hub locations in major cities.

Electrical and industrial supplies distributor Turtle placed in the top 16% of companies in its industry for demonstrating a commitment to sustainability, as assessed by Ecovadis.

Protective materials manufacturer Chase Corporation announced that it has entered into a definitive agreement to be acquired by an affiliate of investment funds managed by global investment firm KKR for $1.3 billion.

On July 19, Mooresville, North Carolina-based home improvement retailer Lowe's announced it will expand its same-day delivery service for orders placed on Lowes.com and the Lowe's mobile app.

Lewis Center, Ohio-based superabrasive grinding wheel and tool manufacturer Abrasive Technology announced earlier this month that it has acquired the Swiss machining and milling company Precision Swiss.

Highlands Ranch, Colorado-based Kodiak Building Partners announced that Chief Operating Officer Mark Garboski will take on a Strategic Advisor position within the company after "taking a step back for health-related reasons."

Parts Town company Encompass Supply Chain Solutions announced the opening of a new service warehouse in Lawrenceville, Georgia.

On July 18, independent industrial hose parts distributor co-op IDCO announced Charter Industrial Supply as its newest member.

Crawford Electric, a subsidiary of global electrical products distributor Sonepar, has opened its seventh location in the Dallas-Fort Worth Metropolitan Area.

The Labor Department said it is seeking people who have been employed by a national auto parts distributor and its delivery company because they could be owed a share of more than $5.6 million in back wages and damages recovered on behalf of more than 1,300 drivers.

Tools and tool storage manufacturer Snap-on reported its 2023 second quarter financial results on July 20, showing a sequential deceleration in year-over-year sales growth while profit margins improved.

Genuine Parts Company reported its 2023 second-quarter financial results, with the figures reflecting an industrial demand slowdown that has been forecasted for most of the year.

Sonepar announced that its U.S. subsidiary, Cooper Electric, had completed its acquisition of Billows Electric Supply.

Sweden-based bearings manufacturer SKF reported its 2023 second quarter financial results, which were led by record company sales and expanded operating margin despite slower organic growth compared to past quarters.

Fargo, North Dakota-based electrical distributor Border States joined the U.S. Army Partnership for Your Success (PaYS) program to provide America's military personnel an opportunity to interview for possible employment while in the National Guard.

**Economic & Trends News**

Contradicting some economic sentiment that the U.S. is already in a recession, the Department of Commerce's first report of the nation's second quarter GDP showed that economic output accelerated in April-June 2023.

New data shows that Chinese manufacturing activity contracted for a fourth straight month in July, in large part because the country's largest economic drivers continued to wrestle with weakened demand and dips in private spending.

The Conference Board Consumer Confidence Index rose again in July to 117.0, up from 110.1 in June and to the highest level since July 2021.

June orders increased $13.6 billion from May to $302.5 billion, according to advance data released by the U.S. Census Bureau.

Virginia Beach-based outdoor power tool maker STIHL Inc. announced July 14 that Senior Vice President of Sales and Marketing Chris Keffer has been promoted to President and CEO.


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QUARTERLY MDM-BAIRD DISTRIBUTION SURVEY

# What Can Manufacturers Do to Reduce Distributor-Supplier Friction?

In the latest Baird-MDM quarterly industrial distribution survey, we asked how manufacturers could make partnerships more efficient. See our analysis and plenty of respondent commentary.

*By Mark Powell*

Even as the effects of the COVID-19 pandemic have waned and supply chain issues have somewhat improved, there are still instances of friction when it comes to relationships between industrial distributors and manufacturers. Distributor-supplier relations is a topic we are always interested in covering. Whether it's improving communications, making supply chains more efficient or sharing invaluable data, there are myriad ways these partnerships can be improved, executives from industrial distributors have told us. And the onset of the digital age has made making these improvements a priority for many.

Back in May, Consight Marketing Group President Alan Hale told MDM that this friction often centers on a lack of understanding between both parties — and he suggested that stubbornness and emotion tend to play a central role when it should instead be centered on actionable customer insights. "It seems like a war," Hale said. "They don't recognize the other party's ability to influence the equation. They don't like to share point-of-sale data. They don't share marketing. And it's just a strange phenomenon that I think needs to be addressed."

Fast forward to today. In the latest Baird-MDM Industrial Distribution Survey — conducted in early July, we asked its pool of approximately 500 respondents — comprised mostly of distributors — what manufacturers could do to better reduce friction in supplier-distributor partnerships. Below is an analysis of common themes that came up among the responses, as well as a collection of direct quotes from the 300+ respondents who replied to the survey. And to read more about the 2Q23 Baird-MDM Industrial Distribution Survey, MDM Premium members can download the 2Q23 MarketPulse Survey Report here.

**"From your perspective, what is the biggest thing manufacturers could do better at to reduce friction in the distributor-manufacturer relationship?"**

From analyzing approximately 300 survey responses, several themes and key areas emerge that manufacturers could focus on to reduce friction in the distributor-manufacturer relationship:

- Communication: Improved and transparent communication emerges as one of the most critical factors. This includes sharing product updates, lead times, supply chain challenges, and strategic plans. Open dialogue and information sharing can lead to better alignment and understanding between both parties.
- Supply Chain Management: Manufacturers should work on improving supply chain visibility, lead times, and on-time shipping performance. Accurate demand forecasting and real-time information about inventory availability are essential to prevent stockouts and meet customer expectations.
- Partnership Mindset: Cultivating a partnership mindset and investing in strategic alliances with distributors can foster trust and stronger relationships. Both parties need to collaborate and align their goals to better serve the end customer.
- Data Sharing: Manufacturers should provide distributors with access to accurate product data and pricing information. Transparent sharing of market data and insights can lead to more efficient business processes.
- Pricing and Margins: Manufacturers could work on clear and more transparent pricing structures. Some distributors also request higher distributor margins to support their business operations.
- Quality Control: Ensuring consistent product quality is crucial to reducing returns and maintaining brand reputation. Manufacturers should focus on implementing advanced quality assurance measures.
- Distributor Selection: Manufacturers may benefit from being more selective when adding new distributors to their customer list. This can help avoid channel conflicts and foster stronger relationships with existing partners.
- End-User Engagement: Involving distributors in on-site visits and cost-reduction activities can help strengthen the partnership and provide valuable insights into market challenges.
- eCommerce and Technology: Embracing digital and eCommerce platforms, as well as investing in AI and technology, can improve efficiency and communication in the distributor-manufacturer relationship.
- Loyalty and Commitment: Both parties should demonstrate loyalty and commitment to each other's success, fostering trust and a long-term perspective.

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It's important to note that the specific areas of improvement may vary based on the industry, market dynamics, and the unique needs of each distributor-manufacturer relationship. Our survey respondents indicated that manufacturers should proactively engage with their distributors, listen to their feedback and tailor their strategies accordingly to build stronger partnerships.

**Hear it From Them**

Here is a collection of the more thought-out submissions that our survey respondents provided to the question of, "From your perspective, what is the biggest thing manufacturers could do better at to reduce friction in the distributor-manufacturer relationship?"

- "Invest further in strategic partnerships with their distributors. Many seem afraid to make a strategic decision about alignment."
- "Limit our distributor partners. Generally speaking, distributors have no loyalty to manufacturers, they are simply order-takers. They have stopped selling, or promoting brands. We're focusing on developing online sales platforms as future buyers will use on-line services."
- "Enable the ability to activate eCommerce on both sides and provide instant credit approval at the B2B level with companies like TreviPay. Customers no longer want to wait to execute orders."
- "Transparent communication with partnership mindset. Supply chain agility and cost/efficiency improvements require collaboration with mutual beneficial activities."
- "Explain the cost structure on why prices are increasing, and measures taken to improve the product — communicate, have discussions."
- "Invite distributors on-site to firsthand witness challenges with raw materials and labor. Further, witness the cost reduction activities and continuous improvement activities."
- "Ensure accurate estimates of order delivery and communicate changes in schedule; accurate demand forecasts and agreements on outlook — impacts inventory and order rates."
- "Get better aligned with supply chain issues. The bull whip of the last few years, first no supply then too much inventory are very expensive for the channel."
- "Manufacturers could be better at selecting distributor partners and not adding every distributor to their customer list."
- "Embrace their distributor partners. Most publicly traded companies put more emphasis on developing a relationship with Wall Street than embracing the people that got them to the point of being publicly traded. Embrace your customers!"
- "Better communication and goal alignment. What key areas of growth area you focused on and how can we best build synergies to create stronger, more sustainable growth."
- "Raise the distributor margins (just not their list price) on national contract pricing they have with large companies. They are good about getting an increase for themselves but not so good about getting one for their distributors supporting the account and carrying the paper. These 15% national contracts will not work anymore for distributions, especially when large companies seem to want to pay in 60 or even 90 days. On top of that every distributor has increased costs, just like the manufacturer, especially in salaries to keep their good employees."
- "More sharing of data to ensure seamless administrative communication and focusing on larger, business impacting conversations."
- "Manufacturers can improve the distributor-manufacturer relationship by: further reducing the product cost increases by improving processes; increasing efficiencies and looking at additional ways to reduce their internal cost, therefore minimizing the impact of price increases to distributors and end-users; and limiting or being more discretionary when setting up new distributors."
- "Reshoring manufacturing as well as balancing out supply with demand, especially with season HVAC equipment."
- "Not steal our talent."
- "Consistent approach to the market. The constant reorganizations, realignments, and turnover hamper creation of meaningful relationships. It almost gets to the point where people in my business say 'why bother' engaging with supplier personnel. They'll be gone before a productive relationship can develop."
- "Hire people that know the business instead of people with a college degree that have no experience in our industry."
- "Hire, train, retain and hold accountable people. Particularly since COVID, employee output and quality at the manufacturer level has become very poor. Starting with customer service teams, but also ops and sales staff. Probably the largest single reason for this is industry consolidation over the last 10-15 years. Much less competition out there and manufactures have become complacent as a result. Additionally, most employees seem to view manufacturing jobs as just a stopping-off point until the next thing pops up."
- "Quit inflating the prices. We are pretty sure there are suppliers of ours that could halt price increases immediately."
- "Continue to improve electronic integration and data

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exchange. This includes improving EDI connections, sharing product data, and providing order/delivery status in real time."
- "Get very clear on mutual expectations. Build plans together that will achieve the parties' desired outcomes and monitor progress to plan, adjusting as necessary while holding people accountable. (Only works for larger strategic relationships)."
- "Make sure manufacturers' supply chains are well diversified and more transparent."
- "Work towards greater transparency of market goals and strategies so distribution expectations of their role and place in the market are clear and attainable."
- "Improved demand forecasting. Recent experience is that production is shut down as soon as demand softens, if even for a short time. Then when demand starts to pick up, supply does not keep place because idled or partial shut down facilities are brought back up too late."
- "Listen to what distributors are telling us. They're the voice of the customer and we need to listen. Doesn't mean we'll change what we're doing but we sure can tweak a few things where needed."
- "Clearly enforce boundaries for potential customers as to whether they will be serviced directly by the manufacturing source or serviced via their distributor partners."
- "Focus on product development and innovation, leave the distribution to distributors. Manufacturers just set up too many distributors these days."
- "Have a defined go-to-market strategy — you are going exclusively through distribution or are your harvesting our business once we grow it large enough?"
- "What friction?"

**Final Thought**

It's important to keep in mind that this survey question was asked to a respondent pool primarily consisting of distributors. If we asked a pool of predominantly manufacturing executives, I'm sure they would have their own gripes about what distributors could do better in this relationship, and perhaps many of what was quoted above would apply just as well.

Click here *for web version. Associate Editor Mark Powell can be reached at* mark@mdm.com.

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**ECOMMERCE**

# Mutual Gains: ARG Industrial & Midland Industries Both Win by Sharing Product Data

Product information sharing can be hard to come by. Here, Mike Hockett details a partnership between ARG Industrial and Midland Industries as a winning example.

*By Mike Hockett*

I attended Digital Commerce 360's EnvisionB2B conference over June 20-22 in downtown Chicago, which featured a wealth of educational sessions on eCommerce, marketplaces and other digital sales and marketing topics for both distributors and manufacturers.

One session I found particularly interesting was a panel discussion titled, "Sharing Digital Data – Manufacturer/ Distributor Collaboration" which discussed how those two parties and other channel partners collaborate online.

The panel featured the following executives:
- Dan Banks, a B2B consultant to helps distributors and technology vendors "bridge the technology gap" between the two as Founder of Domani Strategies, who moderated the discussion.
- Mike Powers, Director of eCommerce & Digital at Anchorage, Alaska-based hose and rubber products distributor ARG Industrial.
- Jordan Nussbaum, Chief Information Officer at Midland Industries — a manufacturer and master distributor of fittings, pneumatics, hydraulics and accessories via a family of brands.
- Joe Thomas, Sr. Associate Product Manager – Catalog MDM at Genuine Parts Company, a major distributor of automotive and industrial parts under its NAPA Auto Parts and Motion Industries subsidiaries.

This aforementioned collaboration often involves sharing digital product data to increase the accuracy and effectiveness of product displays; upgrading the customer experience; fostering online commerce; and enhancing

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branded images.

This data sharing is often hard to come by in the greater distributor-manufacturer, as both sides understand how the other could benefit from sharing product data with them, but also don't want to give everything away. My mid-May MDM Podcast with Consight Marketing's Alan Hale emphasized how a perceived data-sharing stubbornness in that relationship keeps both sides from achieving additional sales volume and margin growth as distributors and manufacturers would rather safeguard their data and play it close to the vest.

That doesn't mean there aren't good examples of distributor-manufacturer data sharing. The EnvisionB2B panel provided exactly that. Here, I want to recap some key takeaways from Powers' commentary, since it was the most directly relevant for MDM's readership.

**Getting Rid of Bad Data**

Powers touched on how ARG began its journey to launch an eCommerce website in 2020, and it began with overhauling the "bad" product data that existed in the distributor's ERP system — most of which was descriptions and information that was manually keyed in by a lot of different staff. In some cases, that bad data caused returns and issues with end users because it was incorrect.

"As we were launching a new eCommerce platform, we realized the taxonomy and attribute filters that were going to be on the website had to meet the needs of different users, including search and how they buy product," Powers explained. "It was imperative for us to align with our suppliers and manufacturers."

Midland Industries is one of those ARG suppliers.

Powers acknowledged that ARG Industrial doesn't have anyone on staff who is a taxonomist or knows how to get, say, 15-26 product specification fields — something I'm sure the vast majority of small-to-medium-sized distributors can identify with. So, it was crucial for ARG to find a technology partner that would allow it to have a product information management system (PIM) and enable that PIM to be introduced to the company's manufacturing partners.

**eCommerce = Digital Catalog**

Powers said he thinks manufacturers are just now realizing they have to develop a data strategy after a prolonged period where they would simply produce a print catalog that, in most cases, would end at the salesperson's desk and they would bring it to the end user.

"Now, our website is a digital catalog," Powers said. "We have customers that may use it, take pictures, text, call in orders. At the end of the day, we need that product data to come all the way through. In working with Midland and some of our other key suppliers and sharing the format and system we have, we're finding synergies between their system and ours to get that data."

With the amount of work involved, getting an eCommerce website launched and hoping customers like and utilize it isn't fruitful. Doing the necessary voice of customer research helps distributors know what features to prioritize and ensure that the new buying platform will pay off. And that continues post-launch. Powers said ARG Industrial continuously surveys its customers to gather feedback on what can be improved. When it comes to that voice of customer research, he advises not to overthink it.

**Finding Help and Sharing Costs**

Many of MDM's technology-oriented webcasts emphasize that "you don't have to do it alone" when it comes to adopting tools and processes — whether internal or customer-facing — but it bears frequent repeating. The majority of SMB distributors don't have the staffing resources to implement the taxonomy and general product information management required to provide customers with the buying experience they expect today. MDM's latest whitepaper details our research on that fact. Thankfully, there are plenty of vendors who have deep distribution industry experience that can take on the heavy lifting for these projects.

But that's not the only option out there. Combining forces with fellow distributors can also be a viable path, as it was for ARG.

Powers detailed how in 2020, ARG partnered with two other distributors on an eCommerce journey, sharing the cost and investment to enrich around 50,000 SKUs and the taxonomy for them. Together, they developed a hose & fitting taxonomy. The first area they went after was the shared suppliers those three distributors had. Midland was such a supplier that all three partnering distributors represented.

All three distributors are also part of the same buying group, IDCO, in which Powers noted many distributors still haven't implemented eCommerce, but have voiced that they have bad product data. He added there are use cases of distributors getting Midland industry product data and importing it into their ERP. Or, they have a sales rep tool that puts product images, descriptions or tear sheets all in one place for reps to have on-hand so that they're not running out to their car to come up with a quote.

"That product data is right there for them," Powers said. "And that's without eCommerce."

As a result of the distributor trio's collaboration with Midland, they now have an industry PIM that Midland and a

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bunch of other suppliers are pushing product data to. Other distributors are now leveraging the product data for print catalogs, sales tools or for their ERP.

"It's opening their eyes to things like decreasing returns and the ability of sales reps to grow average order size because now he's selling 55 to 60 items every visit instead of 16," Powers said.

Looking at the big picture, Powers said the democratized exposure to product data is spurring more distributors to pursue the journey to eCommerce.

**Where to Get Started**

As with any technology or data initiative, distributors want to know what the first step is on that path. Powers said that as more manufacturers learn about what fellow industry distributors have done on the PIM front, it's led to inquiries from manufacturers asking how they can get involved with ARG once they've found out the company is ahead of them on the organic search front.

"'How do we do that? You're telling me we can push data to one source to go to all registered or authorized dealers?' Absolutely," Powers recounted.

He elaborated that for ARG, the journey is all about the buyer, and it's no secret that having the right products in stock at a good price with rich data is the cocktail recipe. He gave the example of an engineering firm customer in Montreal that ordered earth anchors out of ARG's Anchorage warehouse and shipped them to Key West, Florida — 5,100 miles apart.

"The freight was unbelievable," he acknowledged, 'but the buyer said it was something they needed. They saw the quantity, the pricing, the freight cost. They knew when it was going to get there, and it fit their needs. The product information for that was really important."

**Ongoing Product Data Maintenance**

Having rich product data isn't a one-time project that becomes hands-off after implementation. To maintain that data quality and its constant flow, ARG has a digital product specialist whose primary responsibility is to manage relationships with suppliers and watch that its PIM has the right taxonomy rules in place at all times. This ensures when Nussbaum uploads new product data from Midland on Friday, the specialist can log into the PIM first thing Monday morning, refresh it and see within seconds that it displays properly. Accompanying that specialist is a data analyst who measures the analytics involved with that process.

**Benefits Beyond the Shopping Cart**

Powers emphasized that enriching product data won't be a 100% translation to improved eCommerce sales, but the benefits go far beyond it. He provided the example of one of ARG's customers at which someone consistently logs into the ARG web store approximately 400 times per month, yet has never placed a single order through its shopping cart. But when looking at the ERP front-end analysis of part numbers that this customer has never purchased before, ARG is in the 60-70% range of new revenue from new products. ARG then reached out to this customer to ask how they like the web store experience, expecting them to say they hate it. It was the complete opposite.

"He said, 'I love it. It's amazing. Our company just has a procurement system where we're supposed to place all orders through,'" Powers recounted.

That example brings up another question of how distributors can integrate procurement systems, which could be done with a punch-out catalog, but that's another discussion.

"Regardless, not all of the benefit of this journey is going to happen through your shopping cart," Powers said. "Whether at our front counters or from a snippet of a product detail page taken and sent via email — you're able to see it's impacting the business."

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QUARTERLY MDM-BAIRD DISTRIBUTION SURVEY

# Data: Distributors Gauge Potential Impact of Government Programs, Reshoring

We distill results of the 2Q23 Baird-MDM Industrial Distribution Survey's polling of respondent expectations for the impact of government programs and reshoring in the next 5-10 years.

*Vesna Brajkovic*

More than half of the distributors surveyed by Baird and MDM in early July indicated they believe the Infrastructure Investment and Jobs Act (IIJA) and the reshoring trend will positively impact the wholesale distribution business in the next five to 10 years.

In the 2Q23 Baird-MDM Industrial Distribution Survey of approximately 500 respondents — mostly distributors — executives across verticals weighed in on the potential impact of three government programs and the reshoring/nearshoring trend on their businesses and/or the industry in the next five to 10 years.

Reshoring/nearshoring is a rising trend in which companies look to shorten their supply chain by moving production from China and other overseas production hubs nearer to the countries where their goods are sold. Several government programs, such as the IIJA, Inflation Reduction Act and the CHIPS and Science Act, are aiming to accelerate these moves through financial incentives and providing direction.

Below are the results of the survey:

**Reshoring/Nearshoring**

- More than 60% of distributors believe reshoring/nearshoring will have a slight positive (37%) or significant positive (25%) impact on their wholesale distribution business and/or the industry as a whole in the next five to 10 years.
- 21% believe reshoring/nearshoring will have no impact on their business.
- 2% believe it will have a significant negative (1%) or slight negative (1%) impact on their business and/or the industry.
- 16% did not answer the question.

**Infrastructure Investment and Jobs Act (IIJA)**

- Nearly 60% of distributors believe the Infrastructure Investment and Jobs Act will have a slight positive (40%) or significant positive (17%) impact on their wholesale distribution business and/or the industry as a whole in the next five to 10 years.
- 23% believe IIJA will have no impact on their business.
- 4% believe it will have a significant negative (1%) or slight negative (3%) impact on their business and/or the industry.
- 16% did not answer the question.

**Inflation Reduction Act**

- 29% of distributors believe the Inflation Reduction Act is relevant but are not expecting an impact on their wholesale distribution business and/or the industry as a whole in the next five to 10 years.
- Nearly 40% believe the Inflation Reduction Act will have a slight positive (29%) or significant positive (9%) impact.
- 15% believe it will have a significant negative (4%) or slight negative (11%) impact on their business and/or the industry.
- 18% did not answer the question.

**CHIPS and Science Act**

- 35% of distributors believe the CHIPS and Science Act is relevant but are not expecting an impact on their wholesale distribution business and/or the industry as a whole in the next five to 10 years.
- 33% believe the CHIPS and Science Act will have a slight positive (24%) or significant positive (9%) impact.
- 4% believe it will have a significant negative (1%) or slight negative (3%) impact on their business and/or the industry.
- 29% did not answer the question.

To see an in-depth summary of the 2Q23 Baird-MDM Survey, check out MDM's 2Q23 MarketPulse Report.

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MARKET ANALYSIS

# MSC Voices 'Leveling' Market Tone

'The tone on the ground is one of leveling rather than significant declines,' said MSC CEO Erik Gershwind during a June 29 3Q earning call.

*By Vesna Brajkovic*

Regarding demand and pricing, MRO and metalworking supplies distributor MSC Industrial Supply officials say the market environment is leveling.

During a June 29 earnings call in which the company presented double-digit sales growth for the fifth consecutive quarter, MSC CEO Erik Gershwind said the company is seeing stable volume and customer activity levels, favorable conditions in end markets such as automotive and aerospace, and moderating pricing conditions.

"We have seen some more softening across some areas of the business during the fiscal third quarter, but the tone on the ground is one of leveling rather than significant declines," Gershwind said, who later said while there's been moderation, there's not a "big change" from where MSC was six to nine months ago.

The biggest change from 2Q to 3Q was a step-down in the company's national accounts' growth rate.

"Despite the sequential step-down in national accounts growth since last quarter, we feel good about our prospects for ongoing growth based upon new customer wins," said MSC Chief Financial Officer Kristen Actis-Grande said in the earnings call.

She highlighted several growth opportunities, including:

- Ability to Improve Customer Productivity: MSC's technical expertise, product breadth, and service levels continue to drive competitive differentiation in the metalworking arena, she said.
- Growing Vending and In-Plant Solutions: Vending machine ADS continued to grow 10% year-over-year and represented 15.3% of total company sales, compared to 15.5% in the prior year.
- In-plant signings remained strong in Q3, and sales grew 13% year-over-year, representing 13% of total sales, an improvement of 40 basis points sequentially.
- eCommerce: MSC accelerated investments in its eCommerce platform, adding an advanced search and product discovery functionality. The enhancements are expected to help growth with smaller customers and spot buys.

Melville, New York-based MSC is the No. 6 MRO distributor, No. 5 fastener distributor and No. 13 industrial distributor on MDM's 2023 Top Distributors list.

Gershwind said the company believes three dynamics will also be a long-term benefit to MSC, including:

- Reshoring: An increased number of new plant construction projects will drive incremental domestic manufacturing activity.
- Production backlogs: "Elongated production backlogs in commercial aerospace, driven by increased post-COVID demand, provide a long runway of growth in that end market."
- New markets: "We see opportunities to further penetrate new higher-growth end markets, such as medical and electric vehicles, by leveraging our technical expertise and new capabilities from recent acquisitions."

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MARKET ANALYSIS

# Home Depot's Plan to Serve the Untapped Contractor Market

Vesna Brajkovic details how Home Depot targets a market typically served by wholesale distributors with its plans to be a one-stop-shop for complex contractor projects.

*By Vesna Brajkovic*

The Home Depot estimates it has about 17% of North America's large and fragmented home improvement market, which the company estimates to be a $950 billion opportunity. About half of the market is made up of its professional customers, and Home Depot has an idea.

Pro customers — which are largely made up of contractors — are served by a collection of suppliers, and none of them, Home Depot officials say, have the capability to service full complex projects across all categories at scale. That's where Home Depot wants to come in, in a plan its executive team says has the potential to be transformative for their business long-term.

### Home Depot to Tap Underserved Pro Customer Market

About $375 billion of the total addressable $475 billion Pro market opportunity are Home Depot's "core professional customer," which is traditionally served through stores and associated with larger more complex project types.

Complex projects typically involve multiple products, advance orders, and quantities not consistently available in a single store location. Currently, simple projects — those that can be served by store assets — make up the bulk of Home Depot's Pro customer sales, said Hector Padilla, Executive Vice President of Outside Sales and Service for The Home Depot, during a June 13 investor call. Home Depot hopes to tap into the underserved "complex Pro" market.

"The Pro we aim to serve more effectively is the Renovator Remodeler or the R&R Pro working on more complex projects," explained Senior Vice President of Outside Sales Chip Devine. He said the market represents about $200 billion in opportunity.

These complex Pros are traditionally served by wholesale distributors, and they rely on 10 or more suppliers to provide products for a single project, such as lumber, building materials, paint, cabinets, countertops, etc.

"Given this complexity, Pros have told us that they would welcome a one-stop-shop in the marketplace today," Devine said. "The Home Depot is well-positioned to fill this void."

He added: "Historically, we just didn't have the assets to service their broader needs in the ways that they require. Over the last several years, we've been building an ecosystem that can deliver a differentiated end-to-end experience."

### Characteristics of Home Depot's New Pro Target

- Spend concentrated on planned and advanced order purchases.
- Traditionally served by wholesale distributors with a narrow category focus.
- Rely on 10+ suppliers for a single project.
- Value relationships and reliable delivery.
- Partner with suppliers to plan their jobs and bill of materials.

### Home Depot Builds "Ecosystem" for Pro Customers

The ecosystem to support Home Depot's new emphasis on Pro customers with complex projects is "multifaceted and is in varying stages of development and maturity depending on the specific market."

In general, the ecosystem will include:

- An exclusive B2B hub with quoting, personalized pricing and administrative account management.
- A dedicated salesforce.
- Reliable delivery.
- Localized product assortment for each market.
- An order management system capable of managing advance orders, reserving inventory and scheduling deliveries
- A trade credit, similar to how Pros do business with wholesale distributors: place an order, receive an invoice when the order is delivered and pay in a scheduled time period.

"Nobody has done this before. Our journey is well underway, and our efforts are resonating," said Home Depot Chairman, President and CEO Ted Decker during a June 13 investor call. "Building the ecosystem needed to fully capitalize on this opportunity is hard, and it takes time, but that also means it's very difficult to replicate."

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TECHNOLOGY

# How Much Do Distributors Leverage AI Today, and Where?

We examine the quantitative and qualitative aspects of that question, which was asked in the new 2Q23 Baird-MDM Distribution Survey.

*By Mike Hockett*

I and my fellow MDM editors have written a fair amount about AI's potential in distribution in recent months. This includes recapping how Walmart is using it to negotiate smaller contracts with suppliers that provide the retailer with the equipment it uses; how the technology is changing customer engagement; how it can be used for problem-solving; and how ChatGPT can be applied by distributors.

With ChatGPT-4 — the latest artificial intelligence language model from OpenAI — released just this past March, most of the content in those MDM pieces focused on AI's potential in distribution, and for good reason. Even in the consumer retail space, the vast majority of that sector is still learning how to make use of AI to improve business operations. And this is even more true across B2B distribution, which has typically followed retail's lead when it comes to technology adoption.

While some tech-savvy distributors have been leveraging AI in some capacity for years, the vast majority are just starting to test its waters. How do we know? It's likewise been a focus of MDM's audience research in these past few months.

Most recently, the 2Q23 Baird-MDM Industrial Distribution Survey of approximately 500 private wholesale distributors conducted in early July asked respondents the question of: "To what extent is your company utilizing AI technology in its operations (internal or customer facing)?" We also collected plenty of interesting commentary so that we could analyze this question from both a quantitative and qualitative perspective.

## Quantitative

Here's the quantitative results:

To no surprise, 62% of respondents indicated they have yet to use AI, while one quarter of them said they're applying it in one activity. Only 14% of respondents (combined) said it's being utilized in at least several operational areas.

These results are within the ballpark of those of a survey MDM conducted this past spring in partnership with Infor, in which a handful of questions asked about AI usage. Most directly relatable, that survey similarly asked a pool of 130+ distributors, "To what extent do you leverage AI or automation in your business?" to which 50.4% of respondents indicated they don't leverage the technology at all yet.

You can find much more valuable survey results and analysis in our free June 22 webcast that can be viewed here on-demand, and in an accompanying whitepaper you can download from here.

These results correspond to the overall sentiment I've heard across the industry of there being plenty of interest and curiosity about AI's potential, but not much action yet. Despite major media hype surrounding AI and how it can be used, it's still too new for distributors — most of which have very limited staffing resources — to dive in.

## Qualitative

So that's the quantitative side of that "To what extent…" AI question in Baird-MDM 2Q23 survey. What about that commentary? Getting the data points above is great as a snapshot, but I was particularly interested to see what distributors actually had to say about their AI adoption or lack thereof. We gave respondents to the question above the option to leave a written response, and more than 130 of them did. Some responses were much more thought out than others.

This article would be a mile long if I listed out all of them, so here 45 responses I found most valuable:

- "Not using AI at this point, however, considering options for use in forecasting and demand planning."
- "We are researching how we can use AI. Not seeing the relevancy at this time."
- "Marketing, content and contact management utilization. Creative and product information pages and website content."
- "Completing research and investigation while looking for one activity to implement."
- "Focused on customer service improvements and supply chain management."
- "Still closer to "if … then" program rather than AI. We have worked upon demand forecasting. We do use ChatGPT sometimes for marketing."
- "We're working on migrating to a new software platform that has some AI built in, so looking forward to it giving us a better look at all of the big data we

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produce daily."

- "This will be driven by component and finished goods producers."
- "Our CRM system is AI-based and we are using AI to help generate content for marketing."
- "In the finance office, we use for various tasks from polishing up letters and for VBA or DAX scripts. As we continue to roll out SAP globally, we roll out more RPA (automatic processes) to save time. We have automated credit card reconciliations and our bank processing. We are currently focusing on MS Power Automate for our AP side, tapping into Microsoft tools."
- "We are playing with it right now, trying to figure out how to best use it. It is a work in process."
- "Trying to explore using AI to help write website content and product specifications."
- "At this point, we have not put much time or effort into AI. However, with the increasing popularity it is something we have to look into to determine if there are and what benefits there may be in our business."
- "We're still learning ways to leverage AI and how it can best impact our business and the model we're moving towards. We are already seeing positive impact as we build out our online store."
- "Have yet to find a way to cost justify the AI investment."
- "We are simply using Chat GPT to help draft some letters and as an enhanced search tool."
- "Implemented & utilizing in marketing & IT. Expect to utilize in operations, sales & finance during Q3. We have taken a proactive educational approach throughout the company to leverage AI capabilities."
- "We have been focusing on supply chain challenges the last few years. Until AI is proven to have an impact on our business/industry, we have higher priorities."
- "Being a medium size company, we can't see how we can even begin to utilize this technology at this early stage, too costly and time required, no personnel to take on a project like this."
- "Still at the discussion stage other than playing around with Chat GPT. Once we get our current round of IT projects bedded down, we will start to seriously look at how we can use AI."
- "Still attempting to wrap our arms around all its applications in our business."
- "We have tasked our technology teams to test and learn. An early win as been automation of Various shared email inboxes. We have been able to use AI to fully segregate all incoming mail into our accounts payable Inbox to segregate Invoices for OCR, route vendor statements, eliminate general out-of-office/"Thank you's" and track full performance of a standard inbox."
- "Working with AI to identify customer requests (quoting) and shorten the learning curve for new employees and also reduce the amount of time it takes to return customer quotations."
- "In discussions but no actionable outcomes as of yet."
- "Too early in the game, but AI will come into play sooner than later."
- "It's an interesting prospect, but not something we're putting our time into at this point."
- "Large testing project allowing online quoting and ordering. Second project to track orders electronically in the workshop."
- "We are using AI in our systems to make intelligent product recommendations with customers and also using it to automate the A/P process. Additionally, our team is creating marketing materials, warranty forms, product descriptions and form documents using AI."
- "AI is being used predominately to supplement legal and accounting back office functions."
- "This is going to be as big as the Internet but current apprehension is causing slow adoption."
- "Currently just using in copywriting and social media. Plans in place to use more in innovation and growth strategies."
- "We feel AI still needs to improve to become more useful for us."
- "Adoption of natural language AI tools has been swift by office workers."
- "A lot of data work to get ready to be more effective in this space."
- "Our IT Department is in the stone ages and can't even get automated billing set up."
- "We have no plans to use AI in the near future unless it becomes prevalent within any of the market segments we Serve."
- "We are just beginning to understand the business implications and application of AI in our operations and customer-facing processes."
- "Actively researching potential applications but balancing against security risks."
- "We just have not initiated it but will likely do something over the next year."
- "Technical papers and marketing verbiage as a base point from which we can make adjustments to final verbiage."
- "Still in its infancy, but looking at Chat GPT in some areas of the business (Marketing, job postings)."
- "Only using for some communications where writing the entire communication piece is burdensome."
- "Use it for customer churn and some pricing negotiation applications."

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- "As of right now, we have only been able to keep expanding our data capabilities. AI — not yet. Still not clear on how to invest resources on AI."
- "We've made significant investments into cloud data infrastructure, modern data stack technologies, data governance programs, and data literacy programs. We are setting the foundations for our evolution and maturity into AI, but we are still immature with AI in particular."

**Analysis**

Overall, the responses showed a mix of enthusiasm, curiosity and cautiousness toward AI adoption by distributors. While some of them have already integrated AI into their operations in specific areas, others are just exploring its potential, and other still are waiting to see the relevancy of it.

Marketing and customer service domains appear to be popular areas where AI is being applied, while other areas like supply chain management and data analytics also show promising use cases. Numerous distributors noted using AI for marketing content generation, customer service, market research and sales prospecting.

Like with any new technology, some respondents expressed caution or hesitation in adopting AI due to concerns about cost, lack of personnel or uncertainty about its impact on their specific business.

In the end, it was promising to see an overwhelming positive respondent view toward AI — both in current applications and its potential. Most of the respondents who commented that they haven't started utilizing AI indicated that they're looking into it.

As AI technology continues to advance, we can expect more businesses to consider and implement AI solutions to improve efficiency, customer experience and decision-making processes. But it won't be overnight. If I had to describe what the quantitative and quantitative results of our question told me in three words, it'd be: "Wait and see."

Click here for web version. *Executive Editor Mike Hockett can be reached at mike@mdm.com.*

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**ECONOMIC TRENDS**

# July Wholesale Data: Expectations Weaken for 2023 2H and 2024

Full-year revenue expectations soured for a second-straight month, falling from a slight gain to decline. Mike Hockett recaps those figures and more.

*By Mike Hockett*

As we at MDM continue to hear more distributor sentiment of cooling demand for industrial, commercial and construction/building supply products, the latest wholesale trade data from the U.S. Census Bureau indicates weakened revenue expectations for the second half of 2023 and 2024.

That Bureau data, released July 10 and compiled for MDM by Brian Lewandowski, Executive Director of the Business Research Division at the Leeds School of Business, University of Colorado Boulder, showed a second consecutive month-to-month regression, and a considerably bigger one.

Reflecting wholesale trade expectations through May 2023, the new data shows that wholesale distributors — as a whole — now expect 2023 full-year baseline revenues to be down 0.8% vs. 2022. That's a notable flip from a month earlier when expectations were for a 0.6% 2023 revenue increase.

Of the 19 wholesale trade industries the Bureau tracks, 14 saw 2023 expectations move more pessimistic during the month of May vs. April. Of the four others, one was flat, two moved slightly more optimistic (+0.1 to 2.0 percentage points) and one grew moderately more optimistic (+2.1 to 4.0). (See chart on pg. 16.)

Meanwhile, the overall outlook for 2024 revenues likewise moved less cheerful. The Bureau's data shows that, through May, the wholesale trade sector now expects 2024 revenues to increase 3.5%, down from 4.5% through April. Of the 19 verticals, 16 moved more pessimistic in May vs. April.

**Monthly Revenues & Inventories Update**

The Census Bureau's monthly wholesale trade report showed that May 2023 sales of merchant wholesalers — except manufacturers' sales branches and officers, after adjustment for seasonal variations and trading day differences but not for prices changes — were $650.2 billion, down 0.2% from the revised April level and were down 4.0% year-over-year.

The Census Bureau's "Real Dollar" estimates for the wholesale trade sector — which factor in price indexes from the Bureau of Labor Statistics — showed that May 2023's "real" revenue was $565.2 billion, up 1.1% from

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## Expectations by Sector – Through May 2023

| Major Sector (Largest to Smallest Sector Revenues) | 2020 Revenue | 2021 Revenue | 2022 Forecast | 2023 Forecast | 2024 Forecast |
|---|---|---|---|---|---|
| Oil and Gas Products Wholesale Distributors | -29.8% | 61.6% | 40.3% | -10.9% | 5.0% |
| Pharmaceutical Wholesalers | 6.0% | 8.1% | 11.4% | 11.3% | 7.9% |
| Grocery and Foodservice Wholesale Distributors | -1.5% | 12.6% | 12.7% | 2.5% | 2.2% |
| Electrical and Electronics Wholesalers | 1.0% | 18.8% | 9.5% | -0.7% | 5.0% |
| Industrial Distributors | -3.3% | 12.2% | 15.8% | 7.6% | 1.0% |
| Motor Vehicles and Motor Vehicle Parts Wholesale Distributors | -8.8% | 11.1% | 10.1% | 10.0% | 9.1% |
| Miscellaneous Durable Goods Wholesale Distributors | 7.8% | 30.7% | 0.7% | -7.8% | 2.8% |
| Other Consumer Products Wholesale Distributors | 2.0% | 16.7% | 11.7% | -4.2% | 2.1% |
| Computer Equipment and Software Wholesale Distributors | 1.1% | 11.1% | 6.8% | -5.9% | 2.2% |
| Commercial Equipment and Supplies Wholesale Distributors | -2.9% | 13.8% | 5.0% | 1.7% | 2.9% |
| Agricultural Products Wholesale Distributors | 3.0% | 29.4% | 25.7% | -2.3% | -0.3% |
| Metal Service Centers | -19.7% | 52.4% | 15.6% | -9.5% | 3.5% |
| Building Material and Construction Wholesale Distributors | 5.1% | 29.3% | 15.3% | -13.7% | -4.8% |
| Hardware, Plumbing, and Heating Equipment/Supplies Wholesalers | 2.7% | 18.5% | 14.7% | 0.6% | -2.2% |
| Beer, Wine and Liquor Wholesalers | 7.5% | 9.4% | 2.1% | 0.8% | 6.3% |
| Apparel and Piece Goods Wholesale Distributors | -22.2% | 24.6% | 4.3% | -7.1% | 1.4% |
| Chemicals and Plastics Wholesale Distributors | -8.5% | 26.1% | 20.8% | -6.0% | 1.0% |
| Furniture and Home Furnishing Wholesale Distributors | -1.3% | 14.8% | 15.1% | -3.2% | -9.3% |
| Office Product Wholesalers and Paper Merchants | -7.4% | 9.4% | 14.9% | -6.7% | -2.1% |
| **Total Wholesale Distribution Industry** | -4.5% | 20.5% | 14.8% | -0.8% | 3.5% |

Leeds School of Business

Source: U.S. Census Bureau, Monthly Wholesale Trade; MDM 2023 Wholesale Distribution Economic Trends Report.

April and up 2.0% year-over-year. The monthly gain snapped two-straight months of decline (-0.7% March to April, -2.2% February to March). Real revenues of durable goods improved 0.7% from April to May, while nondurable goods real revenues improved 1.4%.

On the inventory side, the Bureau said total inventories of merchant wholesalers were $913.7 billion at the end of May, virtually unchanged from the revised April level. Total inventories were up 3.7% from the revised May 2022 level.

The May 2023 inventories/sales ratio for merchant wholesalers was 1.41, down from 1.40 in April and up considerably from 1.30 in May 2022.

**Employment Update**

According to the U.S. Bureau of Labor Statistics, June wholesale employment decreased 0.59% vs. May, compared to gains of 0.54% in manufacturing's and 0.29% in construction. That put wholesale trade at 16th out of the 20 sectors it tracks for employment.

On a year-over-year basis, June wholesale trade employment was up 1.35%, narrowly ahead of manufacturing's 1.33% and trailing construction's 2.55%. That placed wholesale trade at 13th out of 20 sectors.

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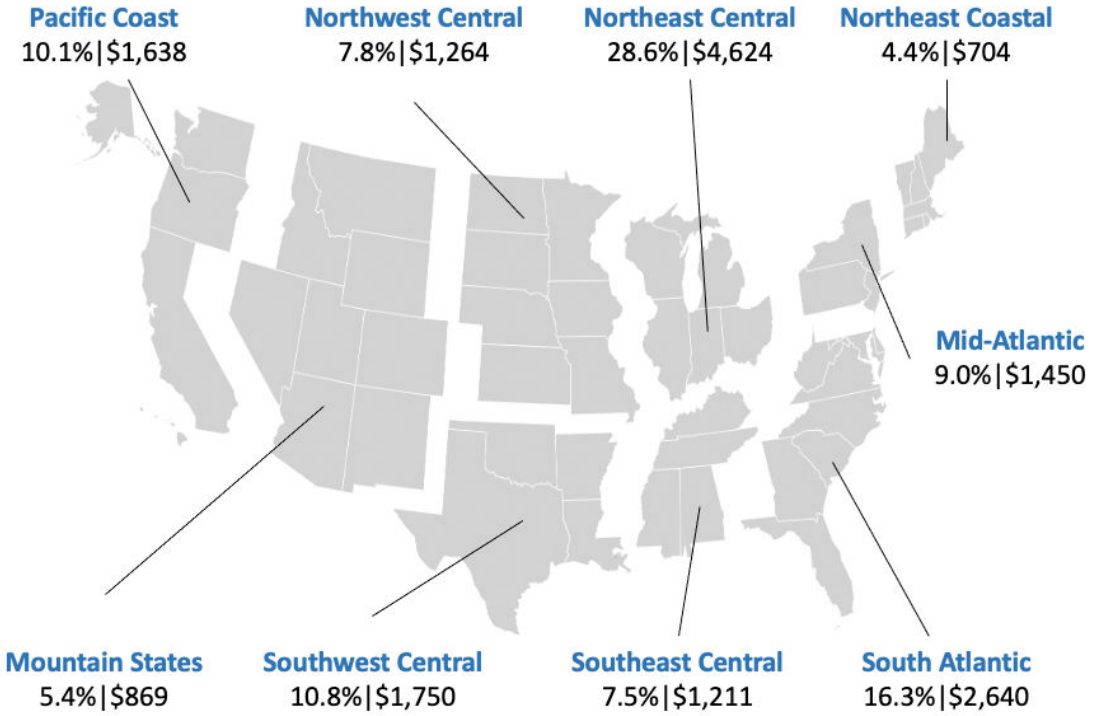
U.S. MARKET PROFILE

# Bearings Demand Totals $16.1 Billion

Market demand for bearings totaled $16.1 billion, according to MDM Analytics data. Estimates are end-user demand, in U.S. dollars, including distributor margin.

## Market Demand for Bearings by Region, $Millions (2023)

mdmanalytics




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| NAICS 6 | Description | Total Demand | Accounts |
|---|---|---|---|
| 336390 | Other Motor Vehicle Parts Manufacturing | $2,305,307,065 | 5,795 |
| 238210 | Electrical Contractors/Other Wiring Installation Contractors | $883,931,401 | 117,662 |
| 336412 | Aircraft Engine and Engine Parts Manufacturing | $753,826,336 | 1,301 |
| 322120 | Paper Mills | $682,887,773 | 2,122 |
| 336110 | Automobile and Light Duty Motor Vehicle Manufacturing | $462,931,198 | 1,511 |
| 333111 | Farm Machinery and Equipment Manufacturing | $425,144,653 | 3,179 |
| 333120 | Construction Machinery Manufacturing | $421,699,002 | 3,998 |
| 237310 | Highway, Street, and Bridge Construction | $415,390,333 | 29,059 |
| 333415 | Air-Conditioning and Warm Air Heating Equipment | $336,322,417 | 2,678 |
| 238110 | Poured Concrete Foundation and Structure Contractors | $298,031,752 | 38,579 |

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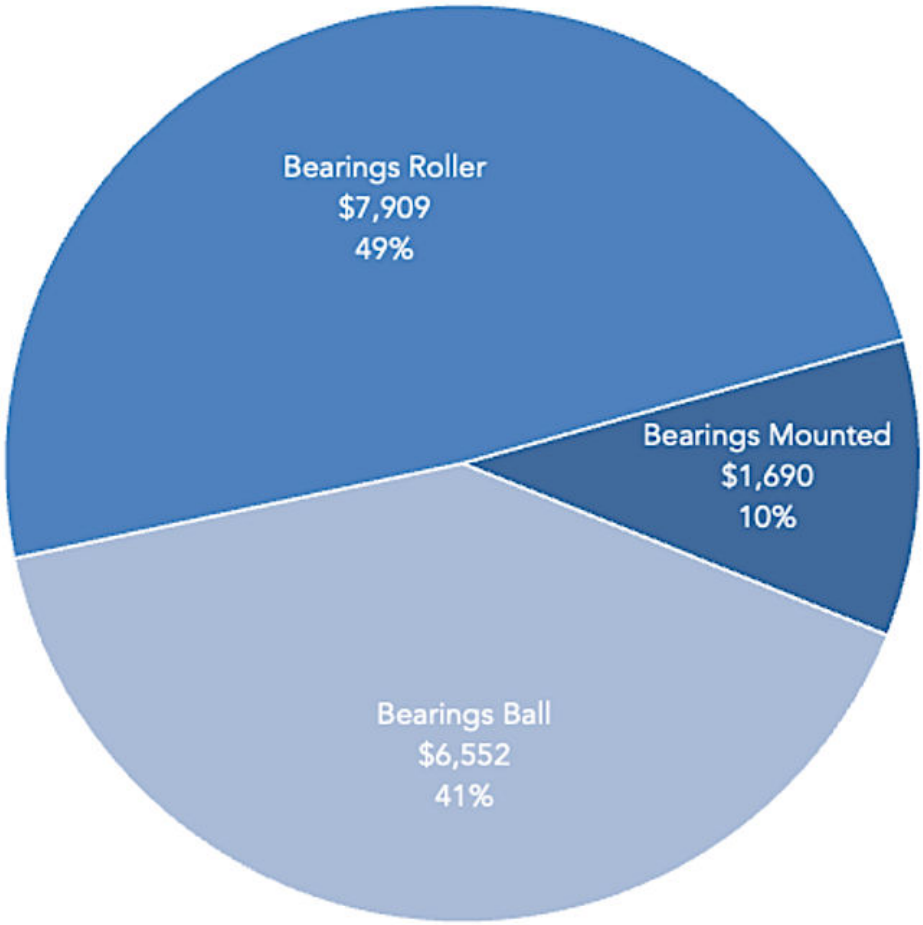
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*Continued on next page*

**U.S. MARKET PROFILE**

# U.S. Bearings Total $16.1 billion (Demand in Millions)




| NAICS-3 | NAICS-3 Industry Segment | Total Demand | Demand Million | % of Total |
|---|---|---|---|---|
| 336 | Transportation Equipment Manufacturing | $5,005,186,810 | $5,005 | 31.0% |
| 333 | Machinery Manufacturing | $2,989,094,322 | $2,989 | 18.5% |
| 238 | Specialty Trade Contractors | $1,728,431,534 | $1,728 | 10.7% |
| 322 | Paper Manufacturing | $1,177,507,812 | $1,178 | 7.3% |
| 237 | Heavy and Civil Engineering Construction | $729,664,214 | $730 | 4.5% |
| 325 | Chemical Manufacturing | $459,587,673 | $460 | 2.8% |
| 236 | Construction of Buildings | $384,471,017 | $384 | 2.4% |
| 327 | Nonmetallic Mineral Product Manufacturing | $321,819,213 | $322 | 2.0% |
| 311 | Food Manufacturing | $317,245,533 | $317 | 2.0% |
| 331 | Primary Metal Manufacturing | $314,796,649 | $315 | 1.9% |

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Hundreds of distributors, manufacturers, global consultants and private equity firms have made MDM Analytics their #1 strategic planning partner to provide the most comprehensive market sizing, segmentation and forecasting down to postal code and discrete product category levels. No other resource maps the unique demand patterns at postal/metro levels as precisely as MDM's proprietary models for the United States, Canada and Mexico.


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