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LEGAL ISSUES IN WHOLESALE DISTRIBUTION

Q&A: What Distributors Should Know about Extended Producer Responsibility Laws

By MDM Staff

NAW's Brian Wild explains why the group is challenging Oregon's recycling mandate and what distributors need to know about emerging EPR laws nationwide. Read the full Q&A here. **Click for web version with original graphics**

On July 1, Oregon began enforcing a recycling mandate requiring distributors of packaged goods to pay fees under the state's Plastic Pollution and Recycling Modernization Act.

That act passed in 2022, with its recycling component in effect on July 1. The law aims to modernize recycling and promote a circular economy through an extended producer responsibility (EPR) program which makes producers, including distributors, responsible for managing waste from their products.

On July 30, the National Association of Wholesaler-Distributors (NAW) filed a lawsuit challenging the mandate. NAW argues that the law, known in the industry as the "Oregon EPR Law," places an unfair burden on distributors, especially smaller businesses that have limited control over packaging decisions. While supporting the goal of sustainability, NAW claims the mandate is overly restrictive and fails to distribute responsibilities fairly across the supply chain.

The lawsuit alleges constitutional violations, including improper delegation of authority to a private group — the Circular Action Alliance — without oversight and restrictions on interstate commerce. NAW also argues the law forces producers into exclusive contracts and subjects them to fees without adequate transparency or due process.

Beyond the facts of the lawsuit, we wanted to get analysis from the source, so we spoke with NAW's Chief Government Relations Officer, Brian Wild, on what distributors should know about EPR laws and the ramifications of this one in Oregon.

See our conversation below:

MDM: What was the catalyst for pursuing a lawsuit against this state law?

Brian Wild: As the states began to implement these EPR laws, there has been a lot of confusion and questions about what products are covered under the laws and who has to register. And the penalties that come with non-compliance are quite significant. As members have had to go through the process of registering and being invoiced in Oregon for example, its initial fees are retroactive which places

a significant financial burden on the distributor. Additionally, the fees that are assessed by the Producer Responsibility Organization may be greater than the margins on the product or even the price of the product.

As we looked into the Oregon EPR law and its implementing regulations, we found that they are unconstitutional under the U.S. Constitution and Oregon Constitution, which led us to file the lawsuit.

MDM: From your perspective, why are distributors being looped into the state's definition of a "producer"? Sure, some distributors partake in manufacturing, but typically just very small-scale. The vast majority don't actually "produce" anything.

Wild: While I can't speak to the exact reasons (you would need to ask the authors of legislation) I can say that proponents of the laws are intentionally trying to spread the responsibility of recycling away from the consumer and up the supply chain. Unfortunately, distributors are a part of the supply chain that has little if any control over decisions on how a product is designed or if it can or will be eventually recycled.

MDM: What types of distributors are most impacted by this mandate, and how significant are the financial burdens they're facing?

Wild: The EPR law covers packaging, plastic and paper. Under Oregon law, the only approved PRO is the Circular Action Alliance, and CAA claims that their fee structure is confidential and, therefore, not publicly available, which makes it hard for a distributor to even know how much a financial strain this would put on their company.

MDM: Are there other states with similar extended producer responsibility laws that distributors should be monitoring?

Wild: To date, six other states (CA, CO, MD, ME, MN, WA) have passed packaging EPR laws, with more legislatures around the country looking at this model. Oregon is the first state to implement its law; the other six states are following in its path.

MDM: You said NAW supports a circular economy, but that this law failed its primary goal. What do you think went wrong with the design of this environmental regulation?


Brian Wild

Wild: Rather than placing the responsibility on the three key stages of circularity that would have the most direct impact; consumers, retailers and manufacturers, many EPR laws shift the burden away from these key decision-makers and enact mandates and fines on parts of the supply chain that have little to no control over decisions to design, reduce, reuse or recycle a product. The laws shield consumers and companies that would have the greatest impact on sustainability and consumer behavior.

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INDUSTRY NEWS DIGEST

Distributor News

Foodservice products distributor **McLane** opened a new technology hub in Austin, TX to expand its growing IT&D team.

Water and wastewater products distributor **Scruggs Company** acquired **Mid-American Valve**.

Optimas Solutions appointed Mark Korba as COO for Optimas Americas.

Winsupply welcomed a new local company with the opening of Winsupply Midlothian, TX.

AmeriLux International and **Brett Martin** announced the launch of a new distribution and manufacturing company: **American Polycarbonate Company**.

Builders FirstSource acquired Utah-based **St. George Truss**.

Aerospace products distributor **Bron Tapes** acquired **NSL Aerospace**.

Residential and commercial roofing distributor **ABC Supply** acquired **Exterior Home Products**.

Industrial gases and services supplier **Air Liquide** is set to buy South Korea-based **DIG Airgas** for $3.3 billion.

Wesco appointed Daniel Castillo as EVP and GM of the company's EES unit.

RS Group appointed Erick Moreira as Director of RS PRO in the Americas.

Distributor Wire & Cable opened a new warehouse in Canal Winchester, OH.

Canada-based automation and instrumentation products distributor **Contrôles Laurentide** expanded its partnership with **Danfoss**.

Home improvement retailer **Lowe's** agreed to acquire **Foundation Building Materials** for approximately $8.8 billion.

Beverage alcohol distributor **Southern Glazer's** is buying **Anheuser-Busch's InBev's** New York City distribution unit.

Fasteners, tools and sealants distributor **Triangle Fastener Corporation** acquired **DB Building Fasteners**.

Hydraulic and fluid connector products manufacturer and distributor **Brennan Industries** acquired **Aussie Adaptors & Hydraulics P/L**.

Electronic and electrical components master wholesaler **Waldom Electronics** partnered with **Phoenix Contact USA** to resell distributors' excess inventory.

AllClear Aerospace & Defense appointed Bill Boucek as CEO.

Medical supplies distribution startup **Orise Distribution** expanded in St. Louis with an investment of $6.2 million.

Building materials distributor **SRS Distribution** acquired **Roadrunner Roofing Supply**.

Industrial supplies and services distributor **Haggard & Stocking** is acquiring **MRO Supply**.

Food and related products distributor **Performance Food Group** rebuffed takover interest from US Foods.

First Supply relocated its Twin Cities area branch in Champlin, MN to nearby St. Louis Park.

Hardlines distributor **Orgill** appointed Julie Albrecht as EVP and CFO.

Health and specialty foods distributor **UNFI** appointed David Best as President and CEO of Retail.

Diversified Foodservice Supply appointed Lev Peker as CEO.

Motion and control technologies distributor **Aberdeen Dynamics** acquired **Southwest Seal & Supply**.

Sonepar appointed **Charlie Bradburn** as President of Viking Electric and **Régis Chouinard** as President of fellow subsidiary Lumen.

Industrial equipment distributor **OTC Industrial Technologies** acquired partner companies **Fleetwood Industrial Products** and **P-M Industrial**.

Wire and cable products redistributor **OmbiCable** appointed Wade Buick as SVP of Distribution and Operations.

Foodservice, JanSan and industrial packaging distributors **Imperial Dade** and **BradyPLUS** plan to merge.

MRO supplies distributor **Stellar Industrial Supply** promoted Jamison Dohn to VP of Supply Chain.

Construction and industrial supplies distributor **White Cap** acquired **Beaver's Source** and appointed **Christine Reddy** as General Counsel.

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Electronic components specialty distributor **TTI** appointed former Endries International CEO Michael Knight as SVP of Strategy.

Ferguson closed four deals in its May-July quarter, marking a total of nine acquisitions in the company's completed fiscal 2025.

GME Supply appointed John Molidor as VP of Product Management.

Network infrastructure products distributor **Talley** — a subsidiary of Rexel USA — acquired **Connectronics**.

Private equity firm **CREO Capital Partners** acquired produce sales and distribution platform **Bova Fresh**.

Automotive aftermarket and recycled parts distributor **LKQ Corporation** sold its **Self Service segment** for $410 million to an affiliate of **Pacific Avenue Capital Partners**.

Climate-control systems manufacturer **Lennox** agreed to acquire the **HVAC division of NSI Industries** for $550 million.

Capstone Holding Corporation agreed to acquire stone building materials distributor **Carolina Stone Products**.

Capstone Green Energy Holdings acquired one of its distributors, **Cal Microturbine**, and its exclusive territory.

Manufacturer News

Germany-based automotive solutions manufacturing conglomerate **Continental AG** is selling the **OESL arm of ContiTech** to U.S. private equity firm **Regent**.

Packaging products maker **Sealed Air Corporation** appointed former MSC Industrial Supply CFO Kristen Actis-Grande to that same position.

The CEO of PPE manufacturer **Ansell** said the company will continue to make its products predominantly in Asia after its distributors said they wouldn't pay a premium for U.S.-made products.

Paper products manufacturer **International Paper** announced a series of consolidation changes as part of its ongoing transformation.

Steel manufacturer **Steel Dynamics** agreed to acquire the remaining 55% equity interest in **New Process Steel**.

Electrical Components International was sold to **Rosebank Industries** for $1.9 billion.

Electrical connectors manufacturer **Amphenol** will acquire **Trexon** for approximately $1 billion in cash.

GE Appliances plans to invest over $3 billion in its U.S. operations over the next five years.

Rockwell Automation plans to invest $2 billion in U.S. manufacturing plants, talent and digital infrastructure.

Industrial manufacturing conglomerate **Bosch** completed its $8 billion purchase of **Johnson Controls' HVAC unit**.

Black Hills and **NorthWestern Energy** announced that they plan to combine, creating a $15.4 billion regulated electric and natural gas utility company.

Association/Buying Group/Co-op/Retail/Service Provider News

NAW created six distribution-led advisory groups; launched an AI assistant called **Nucleus**; announced that its annual Executive Summit will feature a conversation with **former President George W. Bush**; and **released a new study** on the effectiveness of two major union organizations.

Lawless Group shared its founder and owner, Richard Lawless, died on Aug. 24 after a battle with cancer.

AI-powered distribution automation platform **InstaLILY** closed on a $25 million Series A funding.

Meriton acquired fellow manufacturers rep agencies **Engineered Equipment Sales and Testing** and **Field Mechanical and Specialty Air**.

AI-powered food distributor revenue platform **Pepper** acquired fellow SaaS provider **Kimelo**.

Distribution-oriented and AI-powered sales and eCommerce platform **WizCommerce** raised $8 million in Series A funding.

B2B products marketplace **Amazon Business** shared fresh stats about its current stature.

PTDA welcomed two new distributor members and a new manufacturer member.

AI-powered sales order automation software provider **Conexiom** appointed Darren Bonnstetter as its new CEO.

ERP provider **SYSPRO** acquired U.S.-based Warehouse Management System provider **DATASCOPE**.

B2B eCommerce platform **BigCommerce** rebranded as Commerce and announced a partnership PROS.

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Economic & Regulatory News

July U.S. wholesale inventories accelerated to a 0.3% monthly gain, up from June's 0.1% uptick.

U.S. 2Q25 real GDP growth was revised up to 3.3% in a second estimate after an initial 3.0%. estimate.

Canada's wholesale sales appear to have gained momentum this summer after plummeting when U.S. tariffs hit in the spring.

U.S. Industrial Production decreased in July following a June improvement, while factory output was flat.

U.S. monthly **manufactured durable goods** orders declined 2.8% in July from June.

The Warehouse Safety Tornado Preparedness Act was signed into law by Illinois Governor JB Pritzker.

Fed Chair Jerome Powell suggested that the central bank is likely to **cut its benchmark interest rate as soon as mid-September**.

Manufacturers of metalformed products show a slight decline in optimism for economic activity over the next three months.

The Trump administration will work to **eliminate one-third of regulatory requirements from future government procurement contracts** that aren't mandated by law.

U.S. cutting tool consumption fell 1.8% during June and was down 3.9% year-over-year.

The standoff between **Airgas** and the union representing some of its tankhaul workers reached the litigation level.

U.S. producer prices rose drastically in July, marking the biggest monthly gain since June 2022.

The **Consumer Price Index** showed that its all-items index increased 2.7% for the 12 months ending July.

The **U.S. Chamber of Commerce** estimates that American small businesses face at least $200 billion in annual tariff costs.

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SALES COMPENSATION

Future-Proofing Sales Comp: Smarter Strategies for a Volatile Market

By Mike Emerson

Rising tariffs and inflation can silently inflate your sales payroll, making it essential to proactively rethink and realign your compensation strategy to stay in control. How's how to proactively reevaluate your compensation strategy so that you keep it fair, performance-based and aligned with your broader financial goals. **Click for web version with original graphics**

The ability to stay calm and take a levelheaded approach during times of volatility is a crucial survival skill for businesses, especially those in the industrial sector.

In an era of rising and unpredictable tariffs, you have one element you can control to rein in costs – sales compensation. If not carefully monitored and managed, sales compensations can quickly spiral out of control, compounding the challenges created by market volatility.

It's simple cause and effect: if sales rep compensation is directly tied to sales commissions, rising prices due to tariffs will likely lead to inflated compensation — resulting in a skyrocketing sales payroll. This can lead to a range of negative outcomes, including pressure on your profit margins and internal tension as your compensation structure becomes unbalanced and misaligned with actual performance.

Manufacturing and distribution companies are particularly susceptible to the disruptions caused by tariffs, making it all the more important to take control where you can. That's why it's smart to proactively reevaluate your compensation strategy — keeping it fair, performance-based and aligned with your broader financial goals.

How Inflation Can Lead to Overblown Compensation

Tariffs are intended to increase the cost of imported goods, giving domestic products a competitive edge. However, domestic producers often respond by raising the price of their own goods as well. Historically, this has led to broad inflation, driving up prices across the board.

An expensive side effect is an automatic increase in pay for sales reps with commissions based on sales or gross margin. Their compensation will rise along with the rising inflation, regardless of whether they're bringing in additional business.

Consider the case of a sales rep whose earnings jumped from $250K to $350K a few years ago — not because of any extra effort or new customer acquisitions, but simply because of a spike in inflation. Those inflated prices automatically triggered inflated commissions as well, creating dissension among company employees who didn't receive such generous pay increases.

Reining in Runaway Commissions by Rethinking Compensation Models

There are two primary approaches for sales compensation, and which path you take can make all the difference during inflationary periods.

- **Commission-based pay** is easy to administer and easy to understand. It's commonly adopted due its ability to drive sales growth. However, the downside is it's more challenging to predict and manage, as pay increases with price inflation, regardless of performance.
- **Goal or Bonus-based pay**, by contrast, can be tricky to implement because it requires planning and clear communication. The advantage is that it allows you to factor in inflation when setting sales targets and has the flexibility to adjust your compensation structure as conditions change.

How to Get Ahead of the Upward Curve for Commissions

Fortunately, even if you're reliant on a commission-based pay structure, you have two highly effective levers to adjust commissions as needed.

1. Reduce the Rate

This approach has the advantage because it's straightforward. Suppose inflation has raised prices by 30%. If you respond by reducing your commission rate from, say, 10% to 7%, that can put your total payroll back in sync with past expectations.

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The risk is that it can have a negative impact on morale. Sales reps might hold the expectation that you'll raise the rate again if prices decrease, which is unlikely. And there's a limit to how far you can take this — at a certain point you'll hit a floor on how much you can lower the rate.

2. Redefine the Basis

A more effective approach may be to change which sales are eligible for commission. For instance, you could establish a non-commissionable threshold, only paying commission on sales that exceed, say, 70% of the previous year's benchmark.

This strategy lets you maintain a motivating commission rate while preventing unearned windfalls. It also ties rewards more directly to actual performance. To further encourage growth, you may consider increasing the commission rate for sales that surpass your target threshold.

This approach may be the most straightforward to justify to your team, and most effective at keeping them motivated, since it's clearly tied to performance.

Proactive Inflation-Response Policies Pay Off

Implementing a solid inflation-response policy helps to insulate against future volatility by ensuring your approach is established before it's actually needed. These key pillars are required for a successful inflation-response policy:

A Clear Trigger for Activation: Start with a measurable benchmark that triggers the adjustment, such as an increase in the average cost per unit. As an example, you might specify that if the average unit cost of goods sold goes up by more than 6% in any given quarter, the inflation adjustment policy kicks in.

An Objective Formula for Adjustment: Next, establish a clear-cut formula for how sales goals or bonus targets will adjust when a trigger is activated. For example, if costs rise by 10% and your threshold is 6%, targets increase by the 4% difference. This approach ensures adjustments are based on objective metrics and predefined rules and changes don't feel arbitrary or unfair.

Communication in Advance

For this approach to be effective, your team must be well educated about the policy and how it will be implemented. Creating buy-in well ahead of pricing changes fosters trust and ensures that no one is caught off guard when adjustments kick in.

Design Your Plan to Address Changing Roles

It's increasingly common for businesses to place the inside sales team in charge of repeat business, freeing up outside sales reps to put their energies into finding new business and expanding the customer base.

If that's the case for your company, you'll want your compensation models to reflect those shifting roles. For example:

- **Outside reps** who are pursuing new customers may need higher premiums at the beginning of their tenure, because they're building from scratch.
- **Inside sales reps**, on the other hand, can follow the same basic comp structure as outside reps, but with lower base pay and target bonuses since they've got a stable of established customers to work with.

Action Items: Four Steps to Fortify Your Sales Comp Plan

There are four basic steps to prepare your business with a compensation structure that can flex to adapt to the changes.

1. **Review.** Do a thorough audit of your current compensation structure.

2. **Consider.** Model contingencies to see how inflation spikes will affect your business and compensation. What happens if prices go up 10, 20%, or 30%?

3. **Plan.** Lay out a clear and objective adjustment policy to respond to the scenarios above. Base it on a formula your team can understand in advance.

4. **Communicate.** Discuss with your team, answer questions, and clarify as needed so your team is on the same page.

Tariffs and inflation create unpredictability — but they don't have to cause instability. With well-considered policies in place, your organization has the agility to weather what's ahead.

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STRATEGY

Ahead of Spinoff, Digital Drives ADI's Growth Objectives

By John Gunderson

Part 2 of our deep dive on ADI Global Distribution centers on digital as the company's growth engine as it prepares to become an independent public company in 2026. **Click for web version with original graphics**

***Editor's Note**: This is the second in a three-part series. **See part 1 here**.*

I delayed writing Part 2 of this series a while, as when pouring over recent quarterly financials for residential and commercial smart products maker and distributor Resideo, it was apparent that a lot was changing for its ADI Global Distribution subsidiary.

It actually started back in April 2024 when Resideo announced it would buy fellow electrical products supplier Snap One in a $1.4 billion deal, which closed two months later. That, plus information and messaging in subsequent Resideo presentations gave us the hunch something bigger was afoot, prompting us to wait and see what might be coming.

ADI Global Sales & Margin Jump on Acquisition & Organic Strength (Aug. 5)

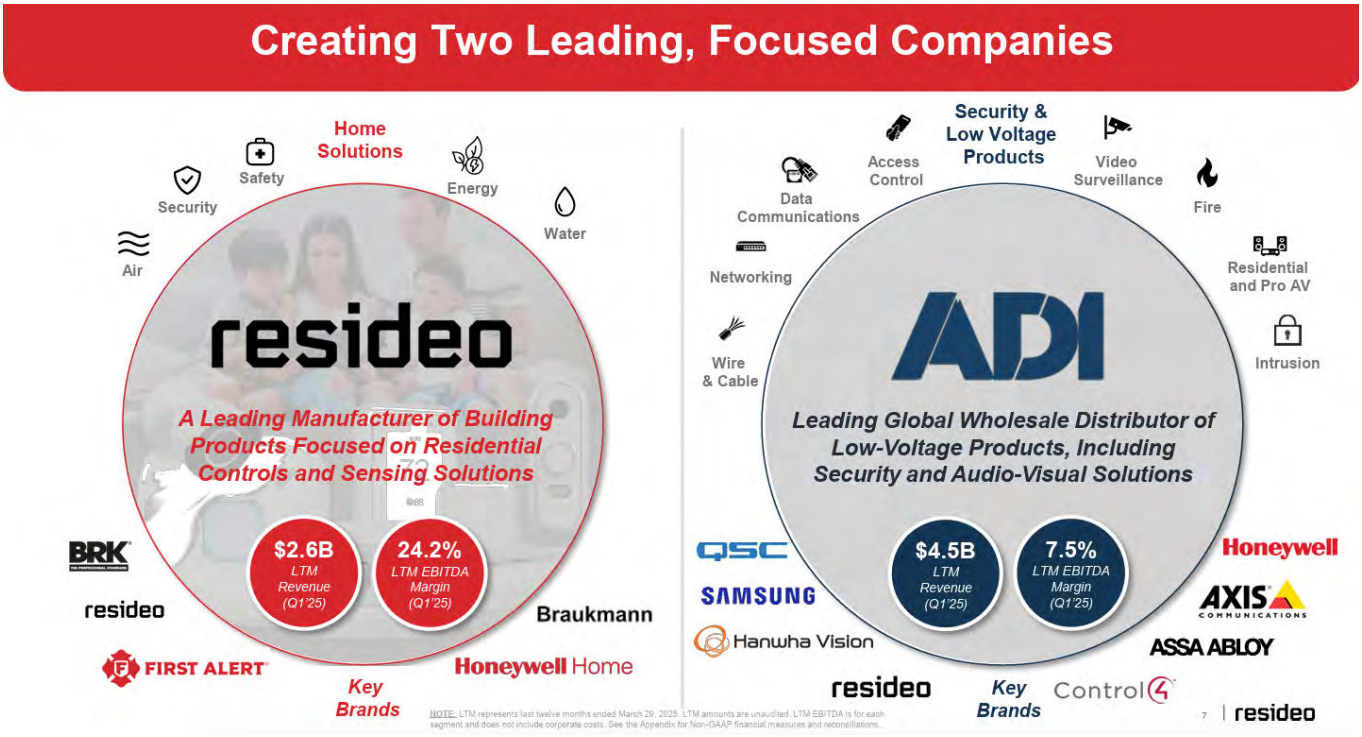
Our intuition was proven right at the end of July, when Resideo announced its plan to spin off ADI in the second half of 2026, resulting in two independent public companies.

I won't cover all the details of that divestment, as MDM has detailed all the essential info and context surrounding the transaction. Instead, this article will discuss how ADI's digital initiatives well-positioned that business unit for this next chapter as an independent organization.

Ready for Independent Life

From my outside perspective, when other distributors have gone through a spin-off process, it usually delivers strong returns over the first 18 to 24 months after they begin operating independently. Note, this is not a financial endorsement, as there are plenty of trusted financial institutions to provide that. This is merely my observation and my experience, having been "spun off" once or twice in my distribution career.

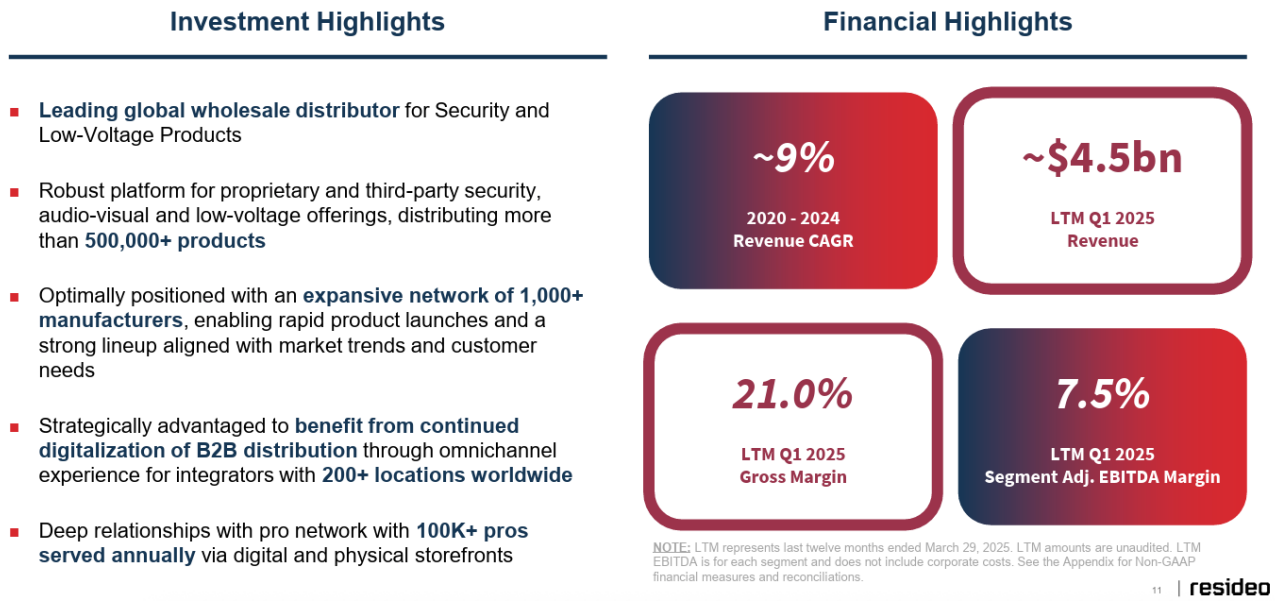
Above all else, this gives the ADI team focus and energy on one goal.



Credit: Resideo July 30 investor presentation

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ADI: Leading Global Wholesale Distributor of Low-Voltage Products, Including Security and Audio-Visual Solutions



Credit: Resideo July 30 investor presentation

Resideo is one heck of a company, but what does the team working with The Home Depot on BRK Electronics, First Alert and Honeywell-branded residential product sales have in common with the team selling security and low voltage products to contractors? The realistic answer is not much. As a consultant (or novelist and poet Gertrude Stein, to be precise) might say, "There is not a lot of there, there," which means those are very distinct and separate business models without much commonality. An analyst might struggle to find synergies.

I am excited as an observer to watch what the distribution arm of Resideo does with the unit that will become a new publicly-traded entity as ADI Global Distribution.

During the July 30 Resideo presentation announcing ADI's spinoff, one investment highlight jumped out to me (see presentation slide above) and was exactly what I had originally set out to write about in this second part of our MDM Premium series: "Strategically advantaged to benefit from continued digitalization of B2B distribution through omnichannel experience for integrators with 200+ locations worldwide."

That statement ties directly into the public statements that Stu Tisdale, ADI's Senior Vice President and Chief Experience Officer shared about the organization's "continued digitization" efforts. He shared great insight on this in a **March 2025 interview with DigitalCommerce360**.

The Challenges of "Continued Digitization"

"Serving contractors both online and offline presents several challenges," Tisdale shared in that interview. "In B2B, especially with distributors, your website often functions as a window into your ERP system."

An ERP system is typically the heartbeat of any distribution business, but they were built for manual order entry. Much of the industry still operates ERP systems that are well over a decade old, which aren't modern enough for the new end customer-focused world of communicating and ordering.



Stu Tisdale

Modern commerce demands have lit a fire under distributors to upgrade or overhaul their ERP system — or change providers entirely — and it's often a long, painful, expensive and resource-intensive project. My condolences to any reader in the middle of such an endeavor. Most ERP systems aren't flexible unless they undergo customization — also not easy or cheap. This lack of flexibility limits how quickly you can resolve poor customer experiences that stem from ERP-related issues. If the root of the problem lies within an inflexible ERP, improving customer experience can be slow and difficult.

"Another major challenge is maintaining consistent pricing across all channels," Tisdale stressed. "B2B companies that serve contractors typically allow sales teams to adjust contract

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pricing-based on factors like purchase volume, product mix and project size."

In short, to meet today's B2B buyer expectations of consistency, your website must have a pricing solution that shows the same price in your ERP and website. That sounds elementary, of course, but ADI sells to more than 100,000 customers (see bullet No. 5 in the aforementioned slide) and sells millions of distinct SKUs. That represents millions upon millions of pricing decisions that have to have near-perfect consistency and accuracy. It is one of the toughest things to get right in B2B distribution.

This summer, ADI directly addressed **laying its long-aged but always reliable AS400 Adonis ERP to rest**. That ancient system was the heart of ADI's commerce in the Americas for 40 years and is now running on a much more modern commerce mainframe ERP.

ADI's leaders have consistently stated during recent earnings calls that the company is addressing challenges in pricing and ERP flexibility.



ADI employees at the company's grand reopening of its offices in Louisville, KY in the spring of 2023. (ADI photo)

What is ADI Doing to Serve its Customers?

I liked what ADI shared about its three essential eCommerce capabilities.

The shopping experience must be fast and highly optimized. The construction cycle for every project is organized chaos in the best of times. Has the electrical contractor hooked up the power? Has the HVACR contractor finished their job? Has the material arrived on time? And so on.

It is the ultimate "get me what I need NOW, and I often find out what I actually need when I get there" business. Speed is everything and one of the biggest difference makers between taking or losing market share.

A powerful on-site search function is critical. As Tisdale shared, "Contractors expect to find exactly what they need quickly, even if their search terms are complex or partially incomplete."

I'll share an example: I went to ADI's website and started typing in the search window for CAT 6 Riser and Plenum cable (trust me, ADI customers buy this often by the pallet load). I typed in all sorts of variables in the search bar... Cat ^, CT6, Cat Riser, Cat Plenum, CAT6 r, etc. I tried for fun to see how fast the search was and how it might autocorrect me if I was doing it on mobile. The speed and autocorrect was impressive. I would give that test search my personal two thumbs up.

Accurate product availability and delivery times are more important than just fast shipping.

Tell a contractor exactly how many units are available at each location and then tell them when they will be receiving it accurately — That's underlined on page one of my personal playbook on how to take share from the competition.

Seeing what is actually in stock and then knowing when it will show up is crucial and it is apparent from Tisdale's comments that ADI gets it.

One quote from him that that I wanted to share verbatim was: "Success in B2B eCommerce is often measured by shopping cart revenue, but this metric tends to understate the actual influence of the website. Many contractors use the website to gather information about products, inventory levels and pricing before completing the purchase through other channels."

Omnichannel can often be an overused term in distribution. Having all the tools to allow your customers to order the way they want to at that moment is everything. No matter what method they use to place the order — via your website, your app, via text or good-old stopping by a local branch — you should follow with the same methodical process:

Find a way to take that order seamlessly, accurately and with speed. Then confirm you got the order with details they can review, along with shipping and delivery timeframes.

That's the process that modern B2B distribution commerce demands, regardless of whether:

- The contractor is at the jobsite. They voice text your inside team to find him/her items X, Y and Z.
- The contractor calls your team directly on the phone or through email
- The contractor finds that the item is on stock and orders it 100% self-service online

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Resideo/ADI's offices in Louisville, KY. (ADI photo)

Almost nothing in distribution is a one-size-fits-all response to any situation. There's always nuance, but convenience, speed, accuracy and consistency are what every customer is looking for.

If a customer wants to order by sending you a picture of their product list written on a napkin, find a way to take that order seamlessly.

There are so many foundational elements to make the omnichannel experience the best you can for customers. This includes some foundational elements such as:

- **World-class data management** — If you send them the wrong product because of poor data, you then must credit, fix and rebill to process. If that happens repeatedly, eventually that customer is no longer yours.
- **Technology integrations** — ERP, digital platform, search, pricing and more are crucial. As Tisdale stressed, it has to be seamless. Your customers want results. Don't make your problems their problems.
- **Integrating digital self-service functions with your full-service human team** (or as HR would say, change management). Your people have that next-level problem solving and product and engineering expertise your customers count on. Make sure you get them on board and in the loop. Tech is only part of the equation. People complete it.

There are so many additional tactical and workflow elements to build and manage for all the above foundational elements that there is no way to list all of them in one article.

So, What can you learn from ADI?

This is pure conjecture on my part, but my guess is that ADI has ongoing customer research (surveys, feedback, etc.) or has leaders and sales teams so close to the end customer who understand the buying journey. Other leading distributors have shared how they emphasize this, and I would be surprised if it isn't essential to ADI's feedback loop.

It sounds simple, but it is complex. The ADI business model is unique to it, like I believe every distribution business is different. If you understand your customer, your people, your culture and your capabilities, then you can forge a path to close the gaps.

The equation is simple, but more difficult in practice: Make it easy to buy from you + deliver when expected = happy customers who stick around + market share growth.

The execution requires a digital plan that is in sync with your associates who serve the customers every day. The execution is always difficult, but that is what makes this channel fun.

Up next

In Part 3 of our series, we'll examine more details on what ADI has shared about its technology integration efforts and current go-to-market strategies. We'll identify key takeaways that might work for your unique distribution business.

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ECONOMIC TRENDS

MDM Forecast: August 2025 Update

By Anna Debiec

The August MDM Forecast shows a modest downgrade in 2025 and 2026 revenue projections, with overall growth still near historical norms. As always, results vary across the 19 industry sectors tracked by the U.S. Census Bureau. Get your sector-specific insights here. **Click for web version with original graphics**

The latest monthly MDM Forecast reflects a modest downward revision in projected year revenues for 2025, while our 2026 projection likewise declined vs. our July update. Still, we project annual 2025 growth for all but one of the 19 industry sectors tracked by the U.S. Census Bureau — unchanged from July. As always, the key value in the MDM Forecast comes from the sector-specific forecasts it provides.

The MDM Forecast model uses the U.S. Census Bureau's revenue data but strips out the broader inclusions of agents and brokers, manufacturers' sales branches and offices, importers and exporters — focusing exclusively on wholesale distributors. The MDM Forecast utilizes the baseline economic forecast modeling from analysis firm Moody's Analytics and applies wholesale distribution government data to it.

August 2025 MDM Forecast: U.S. Wholesale Distribution Revenue Expectations by Sector

Reflecting U.S. Census Bureau data through March – released August 7.

Click on the chart for a hi-res version.

Industry Sector (large to small)	2023	2024	2025	2026
Oil & Gas Products	-11.5%	-5.1%	-5.3%	1.5%
Pharmaceutical	12.6%	8.2%	9.7%	10.0%
Grocery & Foodservice	0.9%	3.8%	4.8%	4.8%
Electrical & Electronics	-0.7%	11.4%	12.7%	7.1%
Industrial Supplies	5.2%	0.6%	3.5%	1.6%
Motor Vehicles & Parts	8.5%	5.3%	0.4%	6.7%
Miscellaneous Durable Goods	-8.9%	0.7%	6.3%	3.1%
Other Consumer Products	-5.5%	-3.8%	5.0%	4.9%
Computer Equipment & Software	-8.4%	6.3%	13.1%	3.3%
Commercial Equipment & Supplies	1.2%	5.5%	1.9%	3.5%
Agricultural Products	-10.9%	-12.1%	4.0%	9.6%
Metal Service Centers	-11.1%	-10.1%	3.1%	8.9%
Building Material & Construction	-13.6%	-2.7%	0.7%	3.9%
Hardware, Plumbing & Heating Equip.	-0.3%	6.1%	4.4%	1.4%
Beer, Wine & Liquor	-1.5%	-1.5%	1.4%	9.2%
Apparel & Piece Goods	-9.3%	3.6%	8.0%	9.3%
Chemicals & Plastics	-6.9%	-2.0%	0.5%	0.7%
Furniture & Home Furnishing	-4.9%	-1.8%	0.3%	3.1%
Office Product & Paper	-7.0%	-2.1%	0.0%	0.8%
Total Wholesale Distribution Industry	**-1.9%**	**2.0%**	**4.6%**	**5.4%**

Data for the MDM Forecast is compiled by the Business Research Division at the Leeds School of Business of the University of Colorado Boulder.

The Big Picture

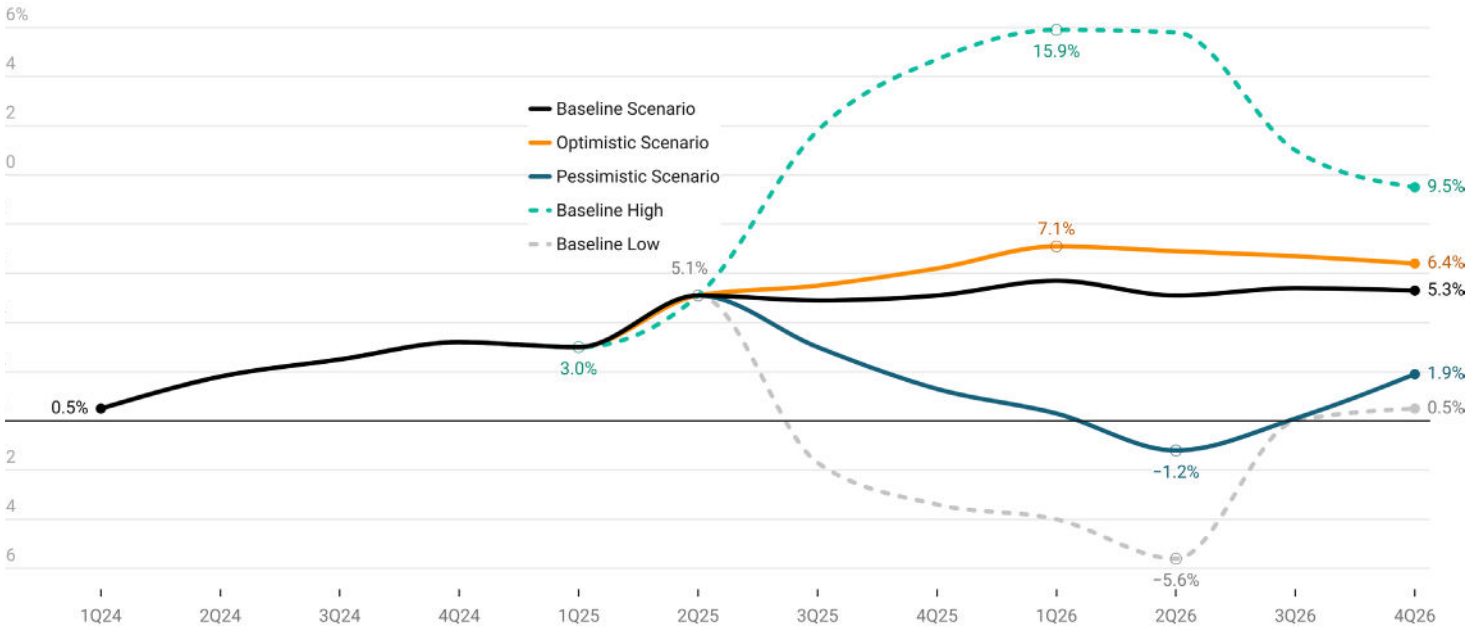
Updated with the Bureau's Aug. 7 wholesale trade report release that reflects industry figures through June 2025, our outlook for the U.S. wholesale distribution annual revenue for continuesto show solid 2025 growth, but at a slower pace what we called for a month earlier. We now forecast a 4.6% industry revenue increase for 2025 vs. 2024 — down from the 5.1% forecast in July, but still above the historical average.

For context, the revised 2025 figure continues to represent strong industry growth compared to 2024's 2.0% gain and 2023's 1.7% decline.

Further out, the industry's updated overall 2026 revenue projection is for 5.4% growth — down 20 basis points from July.

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August 2025 U.S. Wholesale Distribution Revenue Growth Scenarios



August's downward revision included a considerable 280-point decline in the 2025 outlook for its largest sector — Oil & Gas — which dragged on the overall figure, but it wasn't alone, as 13 other sectors also moved more pessimistic month-over-month for 2025, while 10 did for 2026.

Key Context

The overall industry revenue forecast should always be taken with a grain of salt since the broad numbers are heavily influenced by the largest industries — Oil & Gas and Pharmaceuticals — which combined represent north of one-fourth of the industry's total revenue.

The much bigger value of this forecast is the industry-specific outlooks as a more granular gauge for your markets.

Revenue Scenarios

Here is our latest projection for alternative revenue scenarios in U.S. wholesale distribution, reflecting scenarior for baseline, optimistic, pessimistic, baseline high and baseline low.

August's 2025 Month-Over-Month Differences

Of the 19 wholesale trade major verticals that the MDM Forecast tracks (like the U.S. Census Bureau), four industry sectors moved more optimistically month-over-month in our August update, while 14 moved pessimistically and one remained unchanged. The industry's largest sector — Oil & Gas — moved down to -5.3% in August vs. -2.5% in July, while Pharmaceuticals moved up 0.3-points to 9.7%. The industry's biggest movers were Apparel & Piece Goods (+0.4), Grocery & Foodservice (+0.4), Oil & Gas (-2.8) and Agricultural Products (-1.5).

August's 2026 Month-Over-Month Differences

Further ahead to 2026, seven sectors moved more optimistically in August vs. July, 10 moved more pessimistically and two were unchanged. The biggest movers were Metal Service Centers at +1.5 points; Apparel & Piece Goods +1.5; Oil & Gas -1.9; and Agricultural Products -0.8.

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MARKET ANALYSIS

Analysis: Inside Distribution's Inflation Delay

By Mike Hockett

Front-loaded inventories have buffered industrial buyers from sticker shock at distributors' branch and digital shelves …for now. We examine if inflation finally showed up in July, and what large distributors are saying about pricing and inventory plans for the rest of 2025. **Click for web version with original graphics**

July's wholesale inflation jump may be the first real sign of tariff-driven inflation showing up in economic indicators after months of relatively muted figures, but further analysis indicates that industrial buyers may still avoid sticker shock until at least later this fall.

July's U.S. Producer Price Index saw its biggest one-month increase in more than three years, following an unexpectedly flat June, though June's 0.6% core inflation gain was seen as a warning sign.

But with distributors still selling through inventory stocks they built up from January-March ahead of President Trump's "Liberation Day" tariff implementation on April 2, end customers have largely been spared paying considerably higher prices from distributors who have been able to absorb tariff costs… for now.

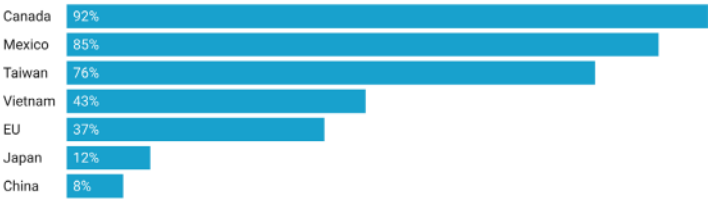
Here, we'll examine what's causing the long-expected inflation delay when it comes to industrial goods and what some prominent distributors are saying about their pricing and inventory actions.

The 2025 Wholesale Inflation Gap

An **Aug. 15 Wall Street Journal report** analyzed the results of a Barclays economists study that found May's weighted-average tariff rate for all U.S. imports — adjusted for volume from each country — was about 9%. That's far below the 12% rate Barclays and others expected based on White House announcements.

Barclays determined that the key reason for the gap is that more than half of May's U.S. imports were duty-free and/or bought from countries with lower tariffs. Just take a look at the June U.S. import data:

Origin Share of June U.S. Imports That Were Duty-Free



Figures are approximate.

Chart: MDM • Source: Barclays Research analysis of U.S. Census Bureau data • Created with Datawrapper

But beyond spring tariff dodging, the bigger reason for the wholesale inflation delay until August is the inventory front-loading distributors did during January-March, and in stints since. July was the busiest month on record in the Port of Los Angeles' 117-year history — up 8.5% year-over-year.

"Shippers have been frontloading their cargo for months to get ahead of tariffs and recent activity at America's top port really tells that story," Port Executive Director Gene Seroka said in an Aug. 13 news release. "Port terminals in July were jam-packed with ships loaded with cargo, processed without any delay — much to the credit of our dedicated longshore workers, terminal and rail operators, truckers and supply chain partners."

Distributors have been able to lean on that pre-tariffed inventory as a means of avoiding higher cost of goods sold (COGS). MDM's research from early April **found that 71% of distributors were expecting their 2025 COGS to increase between 1-10% annually**. A few weeks later, our research with the National Association of Wholesaler-Distributors (NAW) **found one-third of distributors were already facing price hikes of 25% or more by late April**.

But at that time, those higher-priced goods were months away from hitting branch and digital shelves.

"Consumers haven't seen the really big impact of any inflation yet because it is sitting in the middle mile (warehouses)," said Zachary Rogers, the lead author of the Logistics Managers' Index and an assistant professor of supply chain management at Colorado State University, in the port's August Cargo News Briefing. "I would expect that we will see inventories move down in September."

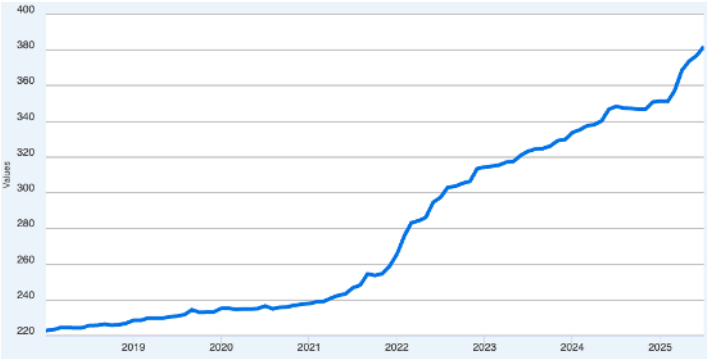
U.S. wholesale trade inventories had increased at a decelerating rate each month since January before plunging 0.3% in May year-over-year, but then registered a 0.1% increase in June, lifted by higher motor vehicle stocks. **Wholesale sales likewise rebounded** with a 0.3% gain in June (+5.5% year-over-year) after a 0.4% decline in May.

These two charts showing inflation in two particular U.S,. product categories, switchgear & industrial controls and hardware, illustrates the lengthy time delay that occurred during the pandemic years and now in the summer after

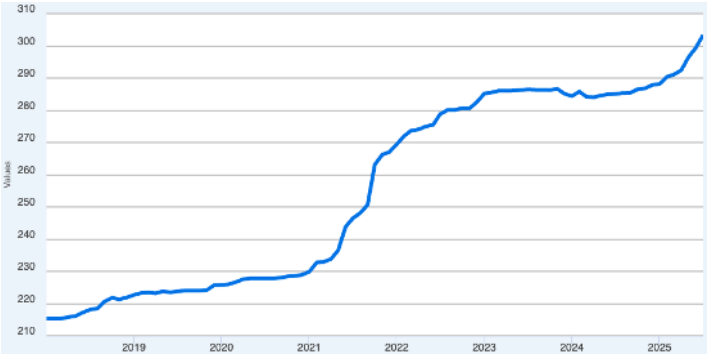
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2025 tariffs arrived. **This was first pointed out by Jason Miller** — Endowed Professor at Michigan State University's Eli Broad College of Business.

U.S. PPI for Switchgear: 2018-July 2025



U.S. PPI for Hardware: 2018-July 2025



What Major Distributors Are Saying

To get a better idea of when to expect inflation to show up in distributors' financial reports, here's a roundup of what a handful of publicly traded industrial distributors said between mid-July and mid-August regarding their pricing and inventory actions.

Applied Industrial Technologies

In its Aug. 14 financials presentation, Applied Industrial Technologies noted that price contribution was over 100 basis points in its fiscal fourth quarter (April-June) and is expected to slowly increase in its fiscal 2026 (started July 1) as recent supplier price increases take effect and "continue to evolve with the fluid tariff backdrop."

Responding to an analyst's question, CEO Neil Schrimsher said that Applied expects pricing's impact will ramp to 150-200 bps over the next 12 months, but the impact could be higher if the demand environment is strong and incurs additional supplier inflation.

"As expected, we received a greater level of price increase notifications from our suppliers during the fourth quarter. Our teams are proactively and effectively managing through this and in short, we remain highly confident in our ability to execute as the tariff backdrop continues to evolve. … The overall price impact to our sales was limited in the fourth quarter, but we expect it to slowly increase moving forward as supplier price increases take effect."

Given that **Applied's organic sales had a long-awaited return to growth in 2Q** — albeit modest at +0.2% year-over-year — it may give the company enough demand confidence to slow-play any pricing actions, at least for now.

Fastenal

In reporting its 2Q results on July 14, Fastenal showed a bigger pricing impact than for Applied and Global, noting a 140-170 bps impact, compared to a 30-60-point decline a year earlier. That pricing bump was alongside accelerating organic daily sales growth, **which reached 12.8% during July** — the best growth month Fastenal has had since inflation-driven October 2022.

In the company's 2Q earnings call, Chief Accounting Officer, Treasurer and Interim CFO Cheryl Lisowski noted three separate pricing actions implemented during April-June and the rollout expectation for the rest of 2025:

"Additional pricing actions will be necessary in the second half of 2025 with the potential to double the impact of pricing, depending upon where the deferred tariffs ultimately settle and the pace and execution of our actions."

If underlying demand is as strong as Fastenal's organic figures indicate, the company should be able to avoid relying on further pricing actions to maintain margins, but it's interesting that the company already enacted a trio of them during the spring months.

Fastenal said it invested in increased inventory during 2Q to improve product availability and picking efficiency at its distribution centers, which added to costs, though cash generation was above traditional company 2Q levels.

"We have added stock to support customer growth, and we accelerated some inventory schedule for future delivery into current periods ahead of potential tariffs," Lisowski detailed. "Inventory growth may remain elevated in 2025 as we continue to navigate tariffs and as more inflation builds in."

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Global Industrial

MRO supplies distributor **Global Industrial Company saw its 2Q gross margin jump by 190 basis points year-over-year** to a 2Q company record of 37.1%, of which about half was attributed to pricing actions. Like with Applied, Global indicated that July preliminary results showed organic momentum, particularly with strategic accounts. That may likewise lead Global to hold off on any considerable pricing actions for the rest of the July-September period.

In an earnings call on Aug. 6, the company said it has seen the tailwind of pre-tariff inventory frontloading fade as the third quarter has progressed and that Global anticipates additional pricing actions as tariff-impacted inventory moves through its cost of sales.

Watsco

Over in the weather-influenced HVACR market, its largest North American distributor — Watsco — said that slower demand during April-June led to higher inventory on-hand than the company would've preferred — peaking at about $2 billion value — but that Watsco has been able to reduce that to $1.8 billion by the end of July.

"The demand just wasn't there to be able to take the inventory back down (during 2Q)," Watsco CFO Paul Johnson said in an earnings call on July 30. "That you're going to see come down at the end of the third quarter (July-September)."

Wajax

Inventory discipline hasn't just helped U.S.-based distributors hold off on more substantial price increases so far. Mississauga, Ontario-based Wajax Corp. — a distributor of heavy construction equipment, industrial parts and service with a Canadian customer base — reported its 2Q25 fiscal results on Aug. 7. The figures showed that the company's total inventory value on June 30 was 8.5% lower than it was on March 31 and down 19.7% from the peak in March 2024, and that ongoing discipline drove a significant improvement in 2Q cash flow.

"We're quite pleased with our progress on inventory. In the last five quarters, we brought inventory down 147 million (CAD), which is something I think our team is proud of," Wajax President and CEO Iggy Domagalski said in the company's 2Q earnings call. "We still think there's some opportunities to continue to improve on our inventory, but we're pretty happy with the big lift we've already done." Domagalski added that Wajax is confident that its inventory reduction activities have not materially impacted sales, leading to that cash flow improvement.

MDM's Take

Analyzing the different examples above exemplifies that each distributor's inventory-to-pricing situation is different. Some are actively trying to work through the pre-tariff inventory they built during 1Q; while others like Fastenal will continue to beef up inventory to help service levels. Meanwhile, it's reasonable to assume distributors of all sizes and markets enacted some form of price increase during 2Q, but the size of those increases is likely to be dependent on underlying sales demand.

Distributors and manufacturers have had at least four months to find their 2025 tariff sea legs. It wasn't surprising to see major suppliers like Stanley Black & Decker hike prices by high single-digits in April, but the company said July 29 that it was discussing a "more modest" round of price increases starting in 4Q this year amid operational adjustments and ongoing trade negotiations. While macroeconomic uncertainty still abounds, manufacturers may be feeling a bit more confident in business conditions for the remainder of 2025.

More Inflation-Tariffs Research & Analysis from MDM

- **Chamber: U.S. Small Business Importers Face at Least $200B in Tariff Costs** (Aug. 12)
- **New Reports Detail Tariffs' Major Impact on SMBs in Wholesale Trade** (July 7)
- **Analysis: Major Distributors Eye Diversification and Decoupling from China** (Premium, June 5)
- **How Rockstar CFOs Master Tariff Turbulence** (Premium, May 21)
- **New NAW & MDM Research Shows Tariffs' Growing Impact on Supply Chain** (April 30)
- **Distributors Forecast Shaky 1-10% COGS Increase with Tariffs Influence** (Premium, April 21)
- **How Are Distributors Combatting Higher Costs from Tariffs? Here's What They Told Us** (Premium, April 18)
- **A Few Words on Elasticity, the Future of Tariffs and Distributors' Response** (Premium, April 9)

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MERGERS & ACQUISITIONS

Home Depot Shares the Why Behind GMS Purchase

By Mike Hockett

With the deal set to close by the end of January, we discuss HD's newest commentary about why it is buying wallboard distributor GMS for $4.3 billion just 14 months after acquiring SRS Distribution for $18 billion in its largest transaction ever. **Click for web version with original graphics**

The Home Depot — long known as the world's largest home improvement retailer — has made it quite clear that it's also all-in on being a wholesale distributor. With 325 distribution centers in its footprint, the company is serving contractor customers (Pros) just as extensively as do-it-yourselfers, and hasn't been shy about its role as a distributor.

CEO Ted Decker spoke at length about this during his keynote at the National Association of Wholesaler-Distributors' 2024 Innovators Summit, and the company continues to reference its B2B market role in earnings calls and presentations. It doesn't just want to be a distributor — it is a leading distributor in the contractor supply markets it serves. On **MDM's 2025 Top Distributors Lists**, HD's Pro component ranks No. 6 for Industrial Supplies, No. 4 for MRO, No. 3 for Building Materials and No. 9 for JanSan.

Home Depot Comps Improved in May-July; Pro & DIY Both Positive (Aug. 19)

This isn't new — **MDM has written extensively** about HD's role as a distribution non-traditional disruptor — but the company's enhanced investment into the industry over the past two years is worth a deeper analysis.

Here, let's explore HD's newest commentary about why it is **buying wallboard distributor GMS for $4.3 billion** just 14 months after **acquiring SRS Distribution for $18 billion** in its largest transaction ever.

GMS Was a Longer Play



Ted Decker

In HD's 2Q earnings call on Aug. 19, Decker emphasized that the GMS deal wasn't a quick development, but rather culminated a longer discussion about synergies between the two.

"We believe GMS is the best property, the best asset in that (drywall) space, and we've been talking to them for some time," he said. "(CEO) Dan Tinker in the SRS team had been in contact with John Turner in the leadership at GMS for some time. This was not something that happened overnight. This is something we've been engaging with them and thinking about how these two businesses could add value working together."

Decker added that GMS' management teams, cultures, approach to single ERP systems and go-to-market strategies at the branch level are very similar to that of SRS.

"We think this will be a seamless integration under that SRS platform," he noted. "We're just super excited on how we can take incremental share bringing this unified capability set together."

Driving Sustainable Pro Growth

The pending GMS deal — valued at $5.5 billion — emphasizes that HD is committed to building out a Pro ecosystem, and SRS appears to be the foundation for it. During HD's 2Q25 earnings call, Decker noted how SRS served as the "platform for growth," enabling the company to deliver synergies though cross-selling new products and services, extending enterprise trade credit and enhancing operational efficiencies.

"Over the past year SRS has exceeded driving market-leading growth, accelerating our organic ecosystem efforts and driving revenue synergies. We could not be more pleased with their performance," Decker said in HD's 2Q earnings call on Aug. 19.

GMS advances this strategy by adding a complementary building materials vertical — drywall, ceilings, steel framing and related products — to SRS' exterior-focused portfolio. Once completed, the transaction means HD will have rapidly established a leading multi-category building materials unit to solidify its reach across a broader range of contractor needs and helping it serve "the complex pro" the company has termed to describe a buyer who is likely to consider buying products across multiple adjacent categories they'll need on a housing or commercial facility project.

"This (GMS) acquisition will add a highly complementary adjacent vertical to SRS's business with differentiated capabilities, product categories and customer relationships. It will also broaden SRS' distribution footprint across The U.S. and Canada," Decker added.

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Complementary Scale, Network and Service Capability

Decker went on to note that the GMS deal will push SRS' network figures to include more than 1,200 locations, over 3,500 sales associates and a fleet of nearly 8,000 trucks making tens of thousands of job site deliveries daily.

It's not surprising that fellow major building materials distributor QXO also made a play for GMS. It announced an offer valued at $5 billion on June 18, and news of HD's $5.5 billion offer broke just a day later. On June 30, HD and GMS announced their agreement.

"The combination of GMS and SRS will provide the residential and commercial professional contractor customer with more fulfillment and service options than ever before," SRS Chief Executive Dan Tinker said a June 18 news release.

Having just acquired Beacon at the end of April for $11 billion, QXO was likewise looking for a complementary piece that would cater to complex pros. Its hunt for that continues after missing out on GMS.

Other Intangibles

HD's 2Q25 financial report maintained the company's full fiscal year (ends Jan. 31, 2026) guidance and noted that it does not assume any benefit from the pending GMS deal, indicating that it's a strategic investment aimed at unlocking incremental returns beyond the company's current forecast. HD expects to close the GMS transaction by the end of January, subject to closing conditions.

On Aug. 7, HD announced that it withdrew and refiled its premerger notification and report form to give the U.S. Antitrust Division more time to review the deal, which includes extending the timeline of HD's tender offer from the end of Aug. 8 to the end of Aug. 22.

HD noted that, according to the depositor of the tender offer, approximately 34.7% of GMS shares had been tendered. All other terms of the deal remain unchanged.

Of course, the GMS deal is just the latest mega-transaction in the building materials distribution sector, as Home Depot's SRS deal kicked off a buying frenzy, and we already mentioned QXO's Beacon deal. On Aug. 20, DIY retail rival Lowe's announced that it is set to buy Foundation Building Materials for $8.8 billion.

Home Depot's Distribution Acquisition History

It may seem that HD has only recently leaned into distribution and taken market share, but it's actually been doing it for nearly three decades. Here's a look at the deals its done in the industry, which have escalated in size as of late.

Home Depot: 30 Years of Wholesale Distribution Expansion

Here's a look at the past three decades of HD's acquisitive expansion into wholesale distribution.

Year	Acquired Company / Business	Approx. Transaction Value	Strategic Rationale / Notes
1997	Maintenance Warehouse	~$245 million	Entry into MRO (maintenance, repair, operations) and direct-marketing with delivery network
1999	Apex Supply	Not disclosed	Expanded into plumbing, HVAC, industrial pipe, and fittings
2001	Your Other Warehouse	Not disclosed	Enhanced special-order plumbing distribution capabilities
2006	Hughes Supply	~$3.2 billion	Major construction wholesaler; integrated into HD Supply
2015	Interline Brands (later rebranded as The Home Depot Pro)	~$1.6 billion	Gained MRO distribution across multiple specialty brands (e.g., SupplyWorks, AmSan, JanPak)
2020	HD Supply	~$8 billion	Re-acquired industrial supply and distribution business for multifamily/hospitality markets
2024	SRS Distribution	~$18.25 billion (incl. debt)	Largest acquisition to date; created platform for pro contractors in roofing, landscaping, pool sectors; added 760+ branches and 4,000+ trucks; added ~$50B to addressable market
2025	GMS Inc.* (via SRS)	~$4.3 billion (equity), ~$5.5 billion enterprise value	Adds specialty building products vertical: drywall, ceilings, steel framing; expands to 1,200+ locations and 8,000+ trucks

** Pending. Note: While the HD Supply re-acquisition in 2020 wasn't exclusively wholesale-focused in the current context, it's critical in illustrating Home Depot's strategic expansion into professional and institutional supply channels.*

Table: MDM • Source: The Home Depot investor resources, MDM analysis • Created with Datawrapper

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MERGERS & ACQUISITIONS

Behind the Deal: Why ORS Nasco Acquired R3 Safety & Techniweld

By Anna Debiec

ORS Nasco completed two acquisitions under new ownership by Wynnchurch Capital, expanding its safety and welding product offerings as part of a broader plan to scale operations and better serve distributors across North America. Read more from CEO Kevin Short here. **Click for web version with original graphics**

Following its **August 2024 purchase by private equity firm Wynnchurch Capital**, industrial supplies master wholesaler ORS Nasco has expanded its portfolio with two strategic acquisitions earlier this year.

The company acquired redistributor **R3 Safety in February** and welding supplies distributor and manufacturer **Techniweld USA in May**.

CEO Kevin Short told MDM he is optimistic about the company's new ownership and the early investments in M&A this year. He said the acquisitions are a key part of ORS Nasco's strategy to scale operations and deliver a stronger, more complete value proposition for distributors across North America.

"ORS Nasco has been the industry's largest pureplay wholesaler, but we are not satisfied with this position, and we wanted to improve and scale." – ORS Nasco CEO Kevin Short

Safety and welding have long been ORS Nasco's core product categories. The acquisition of R3 Safety helped fill assortment gaps in safety, particularly in hand protection, while Techniweld strengthened ORS's welding offerings across filler metals, wire, cables and hoses. Both moves enhance the company's ability to serve distributors looking for a one-stop shop to increase supply chain efficiency.

Short noted that many distributors traditionally sourced products directly from manufacturers, but are now shifting more to wholesale due to the added flexibility, service reliability and time savings the industry offers. He described the Techniweld and RS acquisitions as accelerating ORS Nasco's ability to meet those evolving customer needs.



Kevin Short

"The value proposition of the wholesaler is at an all-time high because of all the volatility and uncertainty," Short emphasized. "Many of their customers can and do buy directly from the manufacturer, but at this moment in time, it makes more sense for the distributor to lean into the wholesale and buy exactly what they need and take the uncertainty out of play."

Integration of R3 Safety has been completed, including full transition to ORS Nasco's ERP system. Customers can now place consolidated orders for safety products, with unified billing and support from a single sales representative. The integration of Techniweld is scheduled for 2026, and insights gained from the R3 process will guide the approach.

Short emphasized the strong employee retention from both acquisitions and the importance of cultural alignment. He said key talent from both companies has not only been retained but integrated into the core business, creating new opportunities for growth.

"No company ever said they had too many great associates or salespeople," said Short. "We've done a really good job not just retaining talent but giving individuals the chance to influence the core business." – ORS Nasco CEO Kevin Short

Both acquired companies bring different strengths to ORS Nasco's foundation. R3 Safety — formerly owned by Europe-based Bunzl — offered enterprise-level structure and discipline, while Techniweld brought agility and a loyal customer base as a family-owned business. Short said the cultural fit with both organizations was a critical factor in the success of the deals.

Operations for the acquired distributors remain unchanged, with customers continuing to work with their existing sales representatives. ORS Nasco has also begun rolling out new technologies, most notably through its investment in

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Proton AI, as part of a broader effort to modernize its tech stack and deliver enhanced service capabilities.

Short, who joined ORS Nasco in January 2020, said he had been familiar with both R3 and Techniweld for years and had built early relationships with leadership at both companies. When the opportunity for deals opened in 2024, ORS was well-positioned to act quickly.

Looking forward, Short confirmed the company is actively pursuing additional M&A opportunities aligned with its strategic priorities in MRO, welding, Jan/San, packaging and fasteners. He noted that there remains a robust pipeline of other industrial wholesalers that are both strategic and cultural fits for ORS, with ORS targeting the MRO industrial space.

"We're just getting started," Short said. "No matter how blessed we are to scale, it's important to act smaller because that's what customers value most — reliability and simply doing what you say you'll do."

MERGERS & ACQUISITIONS

August M&A Roundup: 2 Big Deals Lead Another Steady Month

By Anna Debiec

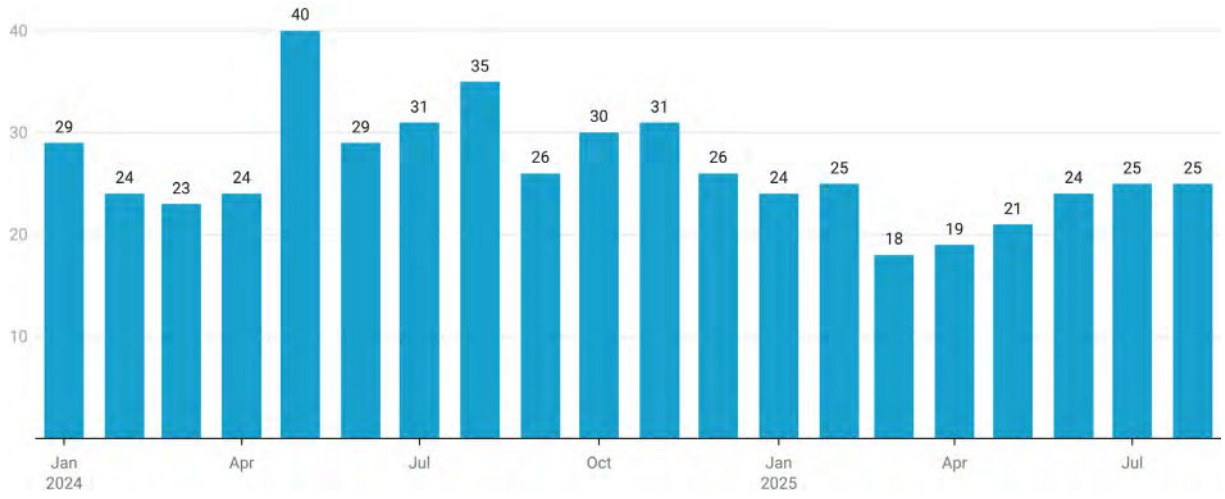
Distributor M&A activity held steady in August with 25 recorded deals in industrial, commercial and building supply verticals, while still below 2024 levels. Get a full recap of August's distributor M&A activity, including year-to-date volume and category breakdowns. **Click for web version with original graphics**

Amid tariff-driven market uncertainty still the predominant theme, MDM tracked 25 distributor M&A transactions during August — either pending or completed — that involved companies primarily in the building materials, industrial or commercial hardgoods sectors. This count was flat compared to July's total of 25 transactions. However, August's M&A activity continued to lag behind the 35 deals recorded in August 2024 and fell short of the 2024 monthly average of 29.3 transactions.

Year-to-date through August, MDM tracked 181 distributor M&A transactions in 2025, with that pace of 22.6 per month considerably behind 2024's. While activity remains relatively subdued year-over-year, the summer of 2025 has been notably consistent in terms of activity after a yearslong lowpoint this past spring as executives awaited the fallout of U.S. tariff policies.

August matched February and July as the strongest months of 2025 so far, driven by major transactions such as Lowe's agreement to acquire Foundation Building Materials for approximately $8.8 billion alongside the planned merger of foodservice, JanSan and industrial packaging distributors Imperial Dade and BradyPLUS.

Distributor Deals Published Per Month by MDM



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Coming Dec. 3: MDM's 2025 Virtual M&A Summit

If you're looking for distribution M&A insights — both buy-side and sell-side — mark your calendars for Dec. 3, as that's when MDM is hosting our 2025 Virtual M&A Summit. The half-day event will be filled with panels and 1-on-1s with experts well-versed in industry dealmaking, including distribution executives involved with buying and selling firms, investment banks with a wealth of knowledge on what private equity is looking for; advisory firms and consultants who have guided distributors through the transaction process; and more. REGISTRATION WILL BE FREE! Stay tuned on MDM for future registration information.

Year-to-Date Deal Count by Product Category

Building Materials/Construction led all product categories in August with six recorded deals, followed by three each in HVACR and Motion/Flow Control & Fluid Power. Notably, Lowe's announced an agreement to acquire Foundation Building Materials from private equity firms American Securities and Clayton Dubilier & Rice for approximately $8.8 billion. FBM was ranked No. 11 on MDM's 2025 Top Distributors List for Building Materials/Construction and reported about $6.5 billion in 2024 revenue and $635 million in adjusted EBITDA.

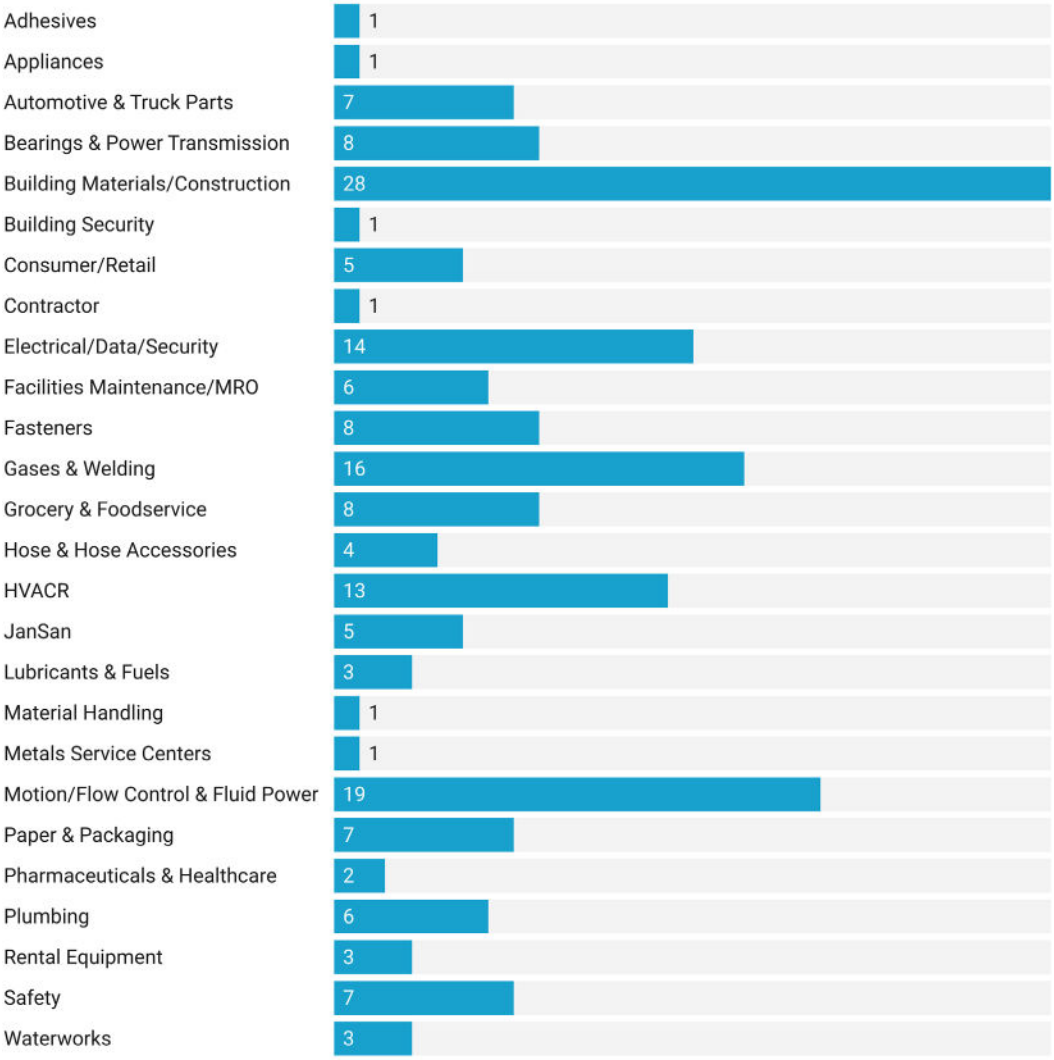
JanSan/packaging saw a major deal in August with the announced merger of Imperial Dade and BradyPlus, combining the Nos. 2 and 3 companies on MDM's 2025 Top Distributors List for JanSan, Packaging & Disposables. The merger is intended to expand customer access to products and services through a broader combined distribution network.

Year-to-date in 2025, Building Materials & Construction remains the most active category with 28 tracked deals, followed by Motion/Flow Control & Fluid Power with 19 and Gases & Welding with 16.

Electrical/Data/Security remains in fourth place with 14 deals year-to-date, including one in August, while HVACR, with three deals in August, has climbed to 13 and is close behind.

2025 Year-to-Date Distributor M&A Count by Product Category

MDM's 2025 year-to-date count for announced M&A deals involving at least one distributor in industrial, commercial and building supply product verticals. MDM counts deals that have been announced as pending or completed, but won't count them in each instance to avoid counting the same deal twice.



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MDM's August 2025 Distributor M&A News Coverage

Find our rundown of August distributor M&A news below, mostly in reverse chronological order.

(click links to view news briefs)

Network infrastructure products distributor **Talley** — a subsidiary of Rexel USA — acquired **Connectronics**.

Ferguson closed four deals in its May-July quarter, marking a total of nine acquisitions in the company's fiscal 2025 that ended July 31.

Construction and industrial supplies distributor **White Cap** acquired **Beaver's Source**.

Foodservice, JanSan and industrial packaging distributors **Imperial Dade** and **BradyPLUS** they plan to merge.

Industrial equipment distributor **OTC Industrial Technologies** acquired **Fleetwood Industrial Products** and **P-M Industrial**.

Motion and control technologies distributor **Aberdeen Dynamics** acquired **Southwest Seal & Supply**.

Industrial supplies and services distributor **Haggard & Stocking** will acquire **MRO Supply**.

Building materials distributor **SRS Distribution** acquired **Roadrunner Roofing Supply**.

Hydraulic and fluid connector products manufacturer and distributor **Brennan Industries** acquired **Aussie Adaptors & Hydraulics P/L**.

Fasteners, tools and sealants distributor **Triangle Fastener Corporation** acquired **DB Building Fasteners**.

Beverage alcohol distributor **Southern Glazer's** will acquire **Anheuser-Busch's NYC distribution arm**.

Aerospace products distributor **Bron Tapes** acquired **NSL Aerospace**.

Residential and commercial roofing distributor **ABC Supply** acquired **Exterior Home Products**.

Builders FirstSource acquired Utah-based **St. George Truss**.

Water and wastewater products distributor **Scruggs Company** acquired **Mid-American Valve**.

Private equity firm **CREO Capital Partners** acquired produce sales and distribution platform **Bova Fresh**.

Automotive aftermarket and recycled parts distributor **LKQ Corporation** will sell its **Self Service segment** for $410 million to an affiliate of **Pacific Avenue Capital Partners**.

Home improvement retailer **Lowe's** is set to buy **Foundation Building Materials** for approximately $8.8 billion.

Capstone Holding Corporation will acquire stone building materials distributor **Carolina Stone Products**.

Capstone Green Energy Holdings acquired one of its distributors, **Cal Microturbine**, and its exclusive territory.

Cardinal Health's specialty management services platform, The Specialty Alliance, will acquire **Solaris Health** for $1.9 billion.

Climate-control systems manufacturer **Lennox** will acquire the **HVAC division of NSI Industries** for $550 million.

What'd We Miss?

Of course, the list above doesn't include every M&A deal announced during August for relevant distributors. There will always be deals that weren't on our radar. If you don't see one here you think should be included, please let us know at **editor@mdm.com**.

MDM's Quarterly and Monthly M&A Reports (free for Premium)

- **Here's our M&A Playbook**
- **Here's our 2Q25 M&A Report**
- **Here's our 1Q25 M&A Report**
- **July 2025 M&A Roundup**
- **June 2025 M&A Roundup**
- **May 2025 M&A Roundup**

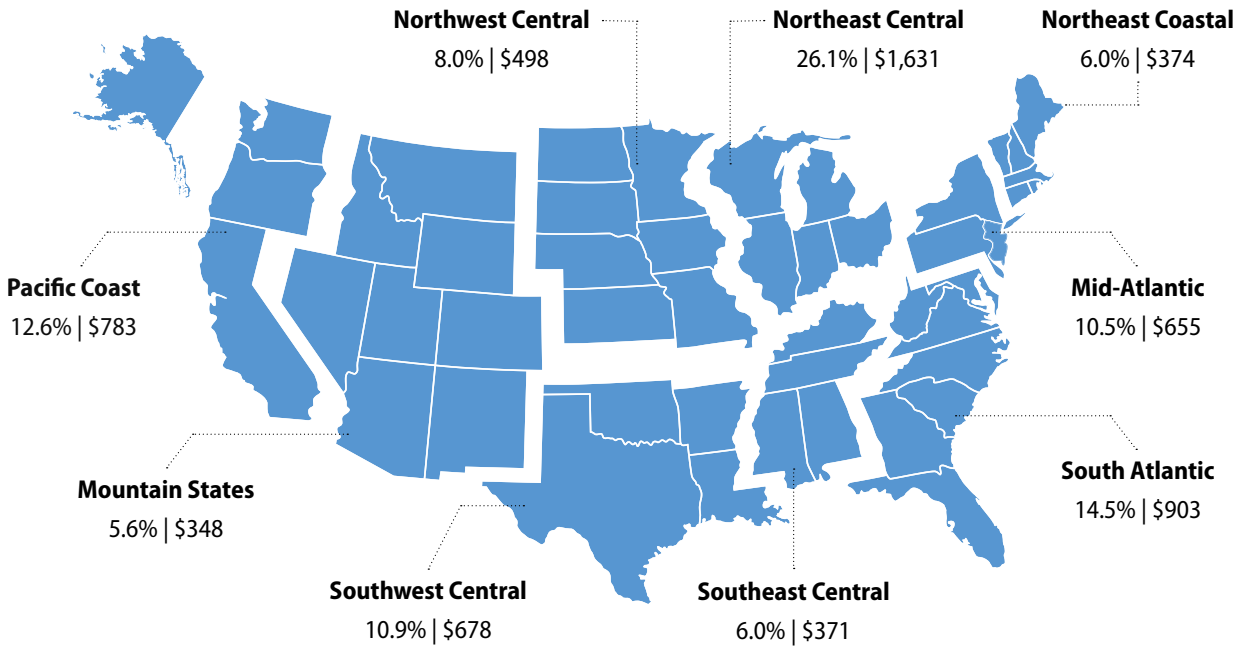
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U.S. MARKET PROFILE

Abrasives

The estimated demand for Abrasives in the U.S. in 2025 is $6.24 billion, according to MDM Analytics data. Estimates are end-user demand, in U.S. dollars, including distributor margin.

U.S. END-USER MARKET DEMAND FOR ABRASIVES BY REGION, $ MILLIONS (2025 EST.)



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U.S. END-USER MARKET DEMAND FOR ELECTRICAL COMPONENT MODULES: TOP 10 END MARKETS

Industry Sector	Total Demand	% of Total	Accounts
Aircraft Engine and Engine Parts Manufacturing	$350.5M	5.6%	1,356
Other Motor Vehicle Parts Manufacturing	$159.1M	2.5%	6,092
Construction Machinery Manufacturing	$155.9M	2.5%	3,839
Machine Shops	$152.4M	2.4%	21,812
Wood Kitchen Cabinet and Countertop Manufacturing	$141.4M	2.3%	11,570
Farm Machinery and Equipment Manufacturing	$141.2M	2.3%	3,137
Other Aircraft Parts and Auxiliary Equipment Manufacturing	$130.8M	2.1%	3,438
Automotive Body, Paint and Interior Repair and Maintenance	$122.8M	2.0%	52,113
Machine Tool Manufacturing	$118.9M	1.9%	2,855
Other Millwork (including Flooring)	$113.3M	1.8%	14,081

This market profile and segmentation was compiled by MDM Analytics, Niwot, CO. Learn more about MDM Analytics at www.mdm.com/analytics.
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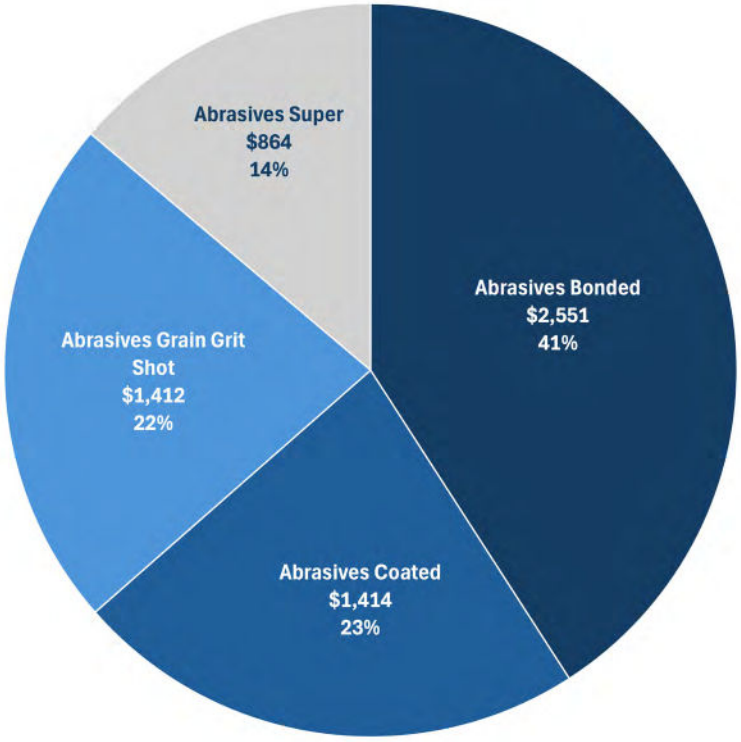
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U.S. MARKET PROFILE

ABRASIVES

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U.S. END-USER MARKET DEMAND FOR ABRASIVES BY PRODUCT CATEGORY, $ MILLIONS (2025 EST.)



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This market profile and segmentation was compiled by MDM Analytics, Niwot, CO. Learn more about MDM Analytics at **www.mdm.com/analytics**.
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