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TECHNOLOGY

Inside the AI Strategies of Turtle and Endries

By Mike Hockett

Through a discussion with the CIO of each company, we get into the weeds of the what, why and how behind the electrical and fastener distributors' AI journey and the decisions that led to success with the technology. **Click for web version with original graphics**

If 2023 was the year of AI exploration in distribution, 2024 may have been the year of adoption. We detailed this past July how the industry's AI adoption rate took a considerable leap in 2024, with our research indicating a 15 percentage-point increase in distributors that are using AI in at least one facet of their business compared to a year prior.

That kind of technology adoption rate increase is rare in distribution. Extrapolating that result further, the industry may already be north of the 60% participation mark if we ran that same survey today — we will in mid-2025.

Given the specific nuances of distribution and unique challenges that each of its product sectors entails, AI probably isn't as much of the Wild West as some assume. As detailed in this **Dec. 18 MDM Premium piece**, distributors are finding success with tailored solutions that use their data or manufacturers' data, rather than a public AI tool that they're feeding info to (ChatGPT and the like).

At Infor's Velocity Summit in Las Vegas this past fall, I sat down with David Magee and Todd Fischer — the respective Chief Information Officer at electrical distributor Turtle and fasteners distributor Endries International — for an in-the-weeds discussion on how these two companies approach AI and have scaled success with it.

I made sure to have Magee and Fischer address the biggest barrier to distributors' AI adoption — the notion that their data is ready or clean enough for it. We also explored how Turtle and Endries prioritized what they wanted to achieve with AI; successes and failures along the way; and where they're looking to drive the technology toward.

Check out our conversation below:

Mike Hockett, MDM: AI means a lot of different things to a lot of different people, but broadly, when your company is looking at AI and how it wants to use it, what are the strategic questions you and the leadership team are asking yourselves?

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DATUM

U.S. Consumer Confidence Pulls Back to End 2024

Think tank The Conference Board published its monthly Consumer Confidence Index on Dec. 23, showing a notable downshift in overall sentiment that signals continued U.S. market uncertainty despite the completed general election in early November.

The overall index declined by 8.1 percentage points in December to 104.7. The Present Situation Index — based on consumers' assessment of current business and labor market conditions — fell 1.2 points to 140.2. The Expectations Index — a rating of short-term outlook for income, business and labor market conditions — sunk 12.6 points to 81.1, just above the threshold of 80 that The Conference Board says typically indicates a forthcoming recession.



The index measures consumers' attitudes and confidence in the economy, business conditions and labor markets. The cutoff for December's results was Dec. 16.

Present Situation

- 19.1% of consumers said business conditions were "good" (21.6% in Nov.)
- 16.7% said business conditions were "bad" (15.3% in Nov.)
- 37.0% of consumers said jobs were "plentiful" (33.6% in Nov.)
- 14.8% of consumers said jobs were "hard to get")15.2% in Nov.)

Six-Months Expectations

- 21.7% of consumers expected business conditions to improve (24.7% in Nov.)
- 18.3% expected business conditions to worsen, (15.9% in Nov.)
- 19.1% of consumers expected more jobs to be available (22.8% in Nov.)
- 21.3% anticipated fewer jobs, up from 17.9%
- 17.2% of consumers expected their incomes to increase (20.7% in Nov.)
- 14.3% expected their incomes to decrease (12.1% in Nov.)

"The recent rebound in consumer confidence was not sustained in December as the Index dropped back to the middle of the range that has prevailed over the past two years," said Dana Peterson, The Conference Board Chief Economist. "While weaker consumer assessments of the present situation and expectations contributed to the decline, the expectations component saw the sharpest drop."

Source: **The Conference Board**

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INDUSTRY NEWS DIGEST

Distributor News

Compressed gases, dry ice and welding equipment distributor **CK Supply** will invest over $10 million to expand its Riverside, MO facility.

Fluid power, automation and industrial supplies distributor **Motion & Control Enterprises** acquired **North East Technical Sales**.

Knoxville, TN-based hardware distributor **House-Hassan Hardware** appointed Dave Doering as SVP of Sales.

On-line industrial leak repair solutions distributor **The Colt Group** acquired **Plant Services**.

MRO replacement parts distributor **Motion** is set to acquire U.S.-based **International Conveyor and Rubber**.

Metalworking and MRO supplies distributor **BlackHawk Industrial** appointed **Jay Dykstra and Chad Patterson as Sales Managers** for the company's Lake Michigan region and **Jay Costa to General Manager** of the company's Manufacturing Group.

Jacksonville, FL-based electrical distributor **World Electric** — a Sonepar Company — opened a regional distribution center in Hialeah Gardens, FL.

Building materials distributor **Kodiak Building Partners** acquired Colorado-based **Liberty Doors & Windows**. The company also **promoted** Cliff Shimer to EVP of Business Transformation and Mark Garboski to Southeast EVP.

Pittsburgh, PA-based electrical supplies distributor **Wesco** completed its acquisition of **Ascent** for $185 million.

The Woodlands, TX-based MRO and industrial supplies distributor **NorthSky Supply** launched operations on its eCommerce platform.

Universal City, TX-based HVACR components master distributor **Global** and its subsidiary AmRad Manufacturing integrated with **Motors & Armatures** through a private acquisition by global investment firm Platinum Equity.

Farmers Branch, TX-based hydraulic, electromechanical and automation technologies distributor **Evolution Motion Solutions** opened a new facility in Wilmington, MA.

Packaging solutions distributor **TricorBraun** acquired **Veritiv Containers**, previously called All American Containers.

Irving, TX-based residential building products distributor **PrimeSource** acquired **Harney Hardware**.

Road safety device distributor **RoadBlock Solutions** acquired five brands in the road safety sector to merge into their brand.

Cincinnati, OH-based distribution of industrial management and related products platform **Thermal Technology Distribution Solutions** acquired Minneapolis-based **Applied Thermal Systems**.

OEM foodservice, HVAC and residential appliance parts distributor **Parts Town Unlimited** opened a global fulfillment center in Litchfield Park, AZ.

Midlothian, TX-based heavy-duty truck aftermarket parts distributor **Commercial Truck and Trailer Parts** partnered with **Fleet Services** to expand its physical footprint in the Southern California market.

Jackson, MS-based fulfillment and solutions provider **Irby Utilities** — a Sonepar U.S. subsidiary — acquired the assets and software capabilities of Ireland-based **Azotel Technologies Limited**.

Akron, OH-based HVAC, plumbing, PFV and building products distributor **Famous Supply** will open a fifth distribution center in Maple Heights, OH.

London-based industrial products and solutions distributor **Rubix** acquired Italy-based **Somi**.

Alanta-based specialty packaging distributor **Veritiv** acquired **Arjay Company**, including all assets of packaging equipment distributor PPE Sales.

Three months after Sonepar said it would acquire **Summit Electric Supply**, the latter distributor appointed Dwayne Roberts as its president, effective Jan. 3.

PVF and infrastructure products distributor **MRC Global** will sell its Canada operations to **Emco Corporation**.

Dallas, TX-based electrical wholesale distributor **City Electric Supply** opened its first sixth fulfillment center in North America, and first in Canada.

Birmingham, AL-based electrical distributor **Mayer** — a Rexel company — appointed Pat Daley to President of Mayer, effective Jan 2.

Health care investment firm **Patient Square Capital** will buy Minnesota-based dental and animal health distributor **Patterson Companies** for approximately $4.1 billion.

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Irving, TX-based residential building products distributor **PrimeSource** acquired **CityPost**.

Construction and industrial supplies distributor **White Cap** acquired **Site Supply**.

Roofing, exterior and interior parts distributor **ABC Supply** opened its ABC Supply Learning Center in Beloit, WI. The company also promoted **Mike Jost to President and COO**, effective Jan. 1.

Specialty building materials supplier **SRS Distribution** partnered with the contractor networking platform **ToolBelt**.

Fort Wayne, IN-based automotive and industrial paint and supply distributor **Automotive Color & Supply** — a portfolio company of WILsquare Capital — acquired **Paint Works**.

Builders FirstSource acquired Englewood, CO-based **Alpine Lumber Company** in a move set to add considerable Rocky Mountain lumber dealing resources to the building materials distributor.

Food and foodservice products distributor **Performance Food Group** will invest approximately $33 million in an East Tennessee expansion, and approved two changes to its leadership.

A Texas-based healthcare products distributor is **set to pay $1.67 million to settle allegations of kickback violations** that involved providing inventory management systems to clients at no cost in return for drug purchases over a six-year span.

Dallas-based private equity firm **Crossplane Capital** acquired **Distributor Wire and Cable**.

Warwickshire-based **TECHSil** acquired **Viking Industrial Products** in a deal between two U.K.-based adhesives distributors.

Fasteners distributor and manufacturer **Optimas Solutions** achieved the emission reduction goals it initially set for the end of 2025.

Electrical process materials and parts distributor **EIS** has new leadership, with the company announcing a CEO transition this past November.

The Federal Trade Commission filed a lawsuit against **Southern Glazer's Wine & Spirits**, alleging that the alcohol beverage distributor company violated the Robinson-Patman Act by engaging in unlawful price discrimination.

Specialty fastener master distributor **LindFast Solutions Group** acquired specialty fasteners manufacturer **Big Bolt**.

Electrical products distributor **Schaedler Yesco Distribution** purchased a new corporate headquarters office in Harrisburg, PA.

B2B office supplies distributor **The ODP Corporation** appointed Max Hood and Adam Haggard to Co-CFO and Co-Principal Financial Officer.

A Nashville-based automotive aftermarket parts distributor is **set to pay $320,000 in civil penalties for selling illegal defeat devices** that disable vehicle emission controls, violating the Clean Air Act.

Construction and contractor supply distributor **NEFCO** expanded its services with the acquisition of **Unistrut Midwest**.

Electrical supplies distributor **Sonepar** sold **Vallen Asia** to the latter's leadership team in a management buyout.

Private equity firm **Sycamore Partners** and home improvement retailer RONA will acquire one of the largest building solutions providers in Canada.

Manufacturer News

The Department of Justice is investigating price-fixing in the PVC pipe market following a class action lawsuit filed in August which alleges manufacturers conspired to fix, raise, maintain and stabilize the price of PVC products used for drinking water and to house bundled wires.

Pittsburgh, PA-based paints, coating and specialty materials maker **PPG** completed the sale of its silicas business to **QEMETICA** for approximately $310 million.

Plastic packaging products manufacturer **Berry Global** will sell its specialty tapes business to private equity firm **Nautic Partners** for approximately $540 million.

Minneapolis, MN-based water treatment supplier **Pentair** acquired **G&F Manufacturing** for about $108 million in cash.

Following a series of actioned and planned divestments and acquisitions, manufacturing conglomerate **Honeywell** is continuing a portfolio review, including a potential separation of its Aerospace business unit.

Zeeland, MI-based automotive electronics manufacturer **Gentex Corporation** is acquiring **VOXX International Corporation** in a deal valued at $196 million.

Motion control and power solutions manufacturer **Allient** launched its Allient Defense Solutions (ADS) business unit.

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Economic & Regulatory News

The U.S. Census Bureau released its monthly wholesale trade report for October on Dec. 9 showing industry sales decreased month-over-month but increased year-over-year.

New orders for U.S. metal cutting, forming and fabricating machinery (manufacturing technology) totaled $385 million in October 2024, according to the Association for Manufacturing Technology (AMT).

October 2024 U.S. cutting tool consumption totaled $212.5 million, according to the latest **Cutting Tool Market Report** published by the U.S. Cutting Tool Institute and AMT.

U.S. wholesale inflation increased by the most in the five months ended November, and likewise increased 3% year-over-year, the largest annual rise since February 2023.

U.S. industrial production decreased slightly in November, following a sharp decline in October.

The U.S. Federal Reserve **lowered its benchmark interest rate** by a quarter point on Dec. 18, citing further expansion in economic activity.

Manufacturing executives surveyed by the **Institute for Supply Management** expect their 2025 annual revenue to increase throughout the year, with expansion accelerating in the second half.

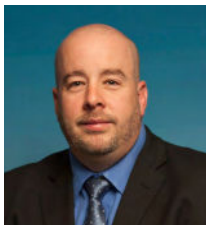
NetPlus Alliance members are optimistic about full-year sales for 2024, and anticipate further growth in 2025, according to the buying group's latest Industry Outlook report.

U.S. economic growth accelerated in the third quarter of 2024, meeting economists' expectations and surpassing the previous estimates.

The economic activity forecast from manufacturers of metalformed products has increased, following a modest improvement outlook. There has been optimism toward manufacturing growth, according to the monthly **Business Conditions Report from the Precision Metalforming Association**.

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Continued from page 1



David Magee

David Magee, Turtle: We always try to put it in one of two flavors: Is this an efficiency/ operational matter? Does it make us better? The second part is, can we monetize it? Those are the two litmus tests we go through from a strategic perspective because it means different things. From an organizational perspective, we want to maximize margin. So right now, I'd say 75 to 80% of our focus is on operational efficiencies. Being better, smarter, generating better margins and bottom line growth. But we have an incubator organization called Turtle X. It's an organization that we fund from Turtle, and they're focused on driving AI to be a revenue stream to monetize the ability to use AI for outcomes for customers — not just ourselves. So that's where we start. The other key thing is we want to make sure we always have metrics around it. In a previous iteration of Turtle, about three years ago, [we] went heavy into AI and it didn't get the outcomes we wanted. A lot of that was because we didn't have the right metrics in terms of what success looks like. And we found ourselves in that conundrum of solutions looking for problems. So we try to make sure that we work with the business to articulate the need and figure out, 'is this going to help the bottom line, or is this a monetization opportunity?' That determines the working group and the ownership of how it gets taken from idea to inception.



Todd Fischer

Todd Fischer, Endries: We needed to get into AI, but the problem was, where do you start? (President and CEO Michael Knight) came to me saying that we need to be using it. At that point, everybody's familiarity was only with ChatGPT, which doesn't have any of your data, so it's not going to be used much in the business. We started looking at different areas of the business and asking where we could apply it. We created a list. We actually sat down and brainstormed a list, and pricing was number one. We kind of fell on our face on that one because when we got into the room, it seemed like there were 20 different ways of pricing. None of them were wrong, but it became such a complex beast in our world that we decided to back off and start with part matching. But we created a list, and it included customer forecasting, lead time, improvement — all kinds of things where we believe AI could help us. That's how we started. And now we're starting to work through that list.

Hockett, MDM: When we talk with distributors about AI, we find that their interest far outweighs their current application of it. And when we ask why there's hesitancy, they most commonly say their data isn't ready — it's not nearly organized and clean enough to start layering on AI. How did Endries and Turtle approach that?

Magee, Turtle: It becomes a work in progress. If you wait till your data is ready, then you'll never be ready, because your data will never be ready. So there's a point in time where you've got to launch, right? You've got to accept the data as it is and get the best value out of it. And what we see is this perpetuating value. We look at a subset of data; we're making decisions about AI; which makes better decisions; which makes better data; which drives better decisions. So it becomes that iterative process that continues.

Fischer, Endries: We weren't too worried about the data. The data is there. I did, though, identify areas where there were problems and maybe we needed to clean up. So the next thing, for example, we wanted to look at costing. We thought we had all our weights in the system and that they were accurate. We ran AI against it and found out that wasn't so. So we put a project in place to fix the weights in the system. It's a good thing, but we needed to fix the weights because the system was calculating costs wrong, so it was something that had to be done. But we didn't go in worrying about if our data was good or bad. We went in with the mindset of what data do we need? And then let's start refining it.

Magee, Turtle: There is a data quality improvement through the process. As you run it through the system, you find gaps, you find efficiencies, you fix it, you run it through, you get better outcomes. So you're going to organically touch your data. To be crass a little bit, if you wait to have kids until you feel ready, you'll never have kids. You'll never feel ready. It's the same thing, if you wait until your data is ready for AI, then you probably don't need AI because you've done all the other necessary steps and you've missed a significant opportunity by waiting.

Hockett, MDM: Besides the whole AI component, what is the biggest digital challenge that your company is looking to solve or make headway on in 2025?

Fischer, Endries: The thing that sticks out the most for us is non-value-added work. If our people are doing super basic task-y work, having them do it just because it needs to get done isn't a good reason. We need to figure out how to get rid of it. So when we're looking at things, it's about how to free people's time to do higher value tasks. Our customers are demanding, they have complex requests, and that's OK because it makes them sticky with us if we can solve their problems. But we need to do it in a way that's effective for us. And so that's the big thing, getting rid of the waste in the business.

Magee, Turtle: Digital transformation for us is about the customer experience. We don't want it to be sticky because it's complex or sticky because we know the process. We want it to be streamlined. Want it to be easy. So we're leveraging it towards order fulfillment, pricing, backlog, history, shipping, parts availability — all of that. So we're using AI to help predict

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that and figure out how we can improve everything about the customer experience and customer journey. Through that, we assume we're going to develop the operational efficiencies to drive that experience. The experience is the direct and indirect experience of the customer, and the indirect will be organic, but the direct will be purposeful.

Fischer, Endries: It's the same for us. We're providing that customer experience today but at a very high cost. I think right now, our customers say "We had a great experience with you." That's why they're sticky. How the heck do you do it without too high of cost?

Magee, Turtle: That's what we're trying to do. If you look at the number of people and technologies that have to touch a customer to deliver that whole journey. AI has to be able to fix and improve that, and we're seeing it. We're just careful and cautious in bite-sized chunks. We're not trying to reimagine the entire life cycle overnight. It's "OK, let's handle this part of it, and then that part of it" and finding wins. If I get a win today, then I get enough leverage to get to try for my second win tomorrow.

Fischer, Endries: The biggest thing probably most distributors assume is that if you need data science, you need to bring in a data scientist. I mean, if you're thinking that way, you're probably thinking about it wrong, because you probably don't want to bring a data scientist on staff. I mean, first of all, if they leave, you got a problem anyway, you want to have somebody behind it. And the cost to get into it with Infor is probably the cost of what a data scientist would be.

Magee, Turtle: We had a data scientist, so this is our second foray. Three years ago, our prior IT leadership went heavy in AI. We invested in tools, technology and people, but just couldn't get there. And then when I came onboard, we changed course and relied on partnerships, and our plan was in commercialized AI solutions that could be configured and customized to our needs. Folks like Infor have a framework and understand our operations; they understand our ERP; they understand our data. I want them to take the burden of the heavy lift of the data science of the process automation and continue to be a value-add contributor. I don't necessarily need them to reimagine the wheel. I just need to go to them and tell them how big and how many spokes.

Fischer, Endries: That's well said. I think a lot of distributors assume you need to do it alone to save on costs. Don't. You'll get stuck if you try to do it all yourself and build it in-house. You're dead before you get started.

MARKET ANALYSIS

Wholesale Distribution Dominates HVAC Contractor Sales

By Vesna Brajkovic

The average HVAC contractor makes nearly 70% of its purchases through wholesale distribution, according to a HARDI Voice of Contractor survey. **Click for web version with original graphics**

Understanding the purchasing preferences of HVAC contractors, who primarily purchase parts and equipment through wholesale distributors, can help inform how best to respond to the changing business environment.

HARDI, the national association for HVACR distributors, commissioned market research firm Farmington Consulting Group (FCG) to survey over 1,000 HVAC contractors on buying preferences, current inventory levels, brand preferences, rebates and more.

During a presentation at HARDI's annual conference held in Atlanta Dec. 7-10, FCG President TJ O'Conner shared the results of the survey which was conducted in October and November.

The survey responses presented in HARDI's "2024 Voice of Contractor Report" were largely from contractor business owners/executives (61%). About 71% of the survey respondents are made up of residential contractors, while 28% of the survey respondents are made up of commercial contractors.

About 21% of the respondents have annual sales revenue of between $1-$1.9 million, with the average contractor logging 65% of sales revenue from residential HVAC, 30% from commercial HVAC and 5% from commercial refrigeration. Compared to 2023, over half of the contractors reported "positive growth" in each segment: residential HVAC sales (62%), commercial HVAC (59%) and commercial/industrial refrigeration (54%).

Where do these HVAC contractors choose to make their purchases, and why?

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Changes in HVAC Contractor Purchasing Patters

HARDI's Voice of Contractor Report, conducted by Farmington Consulting Group, surveyed 1,097 HVAC contractors on purchasing preferences between Oct. and Nov. 2024. This chart illustrates the changes in purchasing patterns by these contractors within the past five years.

Purchasing Channel	Purchasing More Products	Purchasing Same Amount	Purchasing Fewer Products
Wholesale Distribution	38%	50%	12%
Factory Stores	19%	55%	26%
Manufacturer Direct	17%	53%	30%
Online Marketplaces	38%	37%	25%
Big Box Retail	14%	53%	34%

Source: HARDI 2024 Voice of Contractor Report via FCG • Created with Datawrapper

HVAC Contractor Purchasing Preference

The average HVAC Contractor makes approximately two-thirds (68%) of their total HVAC purchases from their primary distributor.

- The "smallest-sized contractors" (contractors with a single service truck/van) surveyed make 74% of their total HVAC purchases from their primary distributor.
- The "largest-sized contractors" (20 or more service trucks/vans) make 58% of their total HVAC purchases from their primary distributor.
- Residential contractors make 71% of their total HVAC purchases from their primary distributor.
- Commercial contractors make 58% of their total HVAC purchases from their primary distributor.

Interestingly, 42% of HVAC contractors buy the majority of their parts and supplies from a different distributor than the distributor they buy the majority of their equipment from.

Which Channel Do HVAC Contractors Prefer to Buy From?

Wholesale Distribution: The average HVAC contractor makes 69% of their total HVAC purchases through wholesale distribution. Since HARDI's initial 2020 Voice of Contractor Report, there has been a four-percentage point increase in wholesale distribution's total market share with contractors.

- Residential contractors make a higher percentage of their total HVAC purchases through wholesale distribution (72%) than commercial contractors do (61%).
- Heavy commercial contractors make 54% of total HVAC purchases through wholesale distribution.

Factory Stores and Manufacturer Direct: Commercial contractors make a significant percentage (31%) of their total HVAC purchases through factory stores/directly from the manufacturer.

Online Marketplaces: The average HVAC contractor makes 5% of their total HVAC purchases through online marketplaces, such as Amazon, Parts Town, SupplyHouse.com, HVACDirect.com and more. There has been a two-percentage point increase in the online marketplace's total market share with contractors since HARDI's 2020 report.

Contractors' Top 5 Factors When Selecting a Distributor

1. Product availability/inventory levels
2. Pricing
3. Delivery service (timely & accurate)
4. Counter/branch association service & relationship
5. Equipment manufacturer/brand represented

According to the report, the attribute over the past year that increased the most in importance to contractors when selecting a distributor to purchase from was the counter/branch associate service & relationship.

Approximately two-thirds of HVAC contractors (68%) said the counter salesperson/inside salesperson most influenced their purchasing decisions on parts and supplies, largely because of their product and industry knowledge, followed by response time.

The attribute over the past year that decreased the most in importance to contractors when selecting a distributor to purchase from was equipment manufacturer brand.

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ECONOMIC TRENDS

MDM Forecast: December Update Offers First Look at 2026

By Anna Debiec

Along with updated projections for full-year 2024 and 2025, our latest forecast shows 2026 sector-specific expectations. **Click for web version with original graphics**

The latest monthly update to the MDM Forecast reveals a slight increase in 2024 full-year sentiment, with most of the industry's 19 sectors reporting continued increases in their 2024 revenue outlooks compared to November. Per usual at the end of the year, the overall outlook for 2024 didn't have a major month-to-month change, while 2025's held steady. As always, the key value in the MDM Forecast comes from the sector-specific forecasts it provides.

December's iteration also provided our first look at 2026's revenue outlook, while we will no longer include 2020's tumultuous year in our routine charting.

The MDM's Forecast model uses the U.S. Census Bureau's revenue data but strips out the broader inclusions of agents and brokers, manufacturer's sales branches and offices, importers and exporters — focusing exclusively on wholesale distributors.

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

Updated with the U.S. Census Bureau's Dec. 10 wholesale trade report release, our outlook for U.S. wholesale distribution revenue now calls for 2024 revenue to increase 2.2% annually compared with 2023 — up 0.3 percentage points from November.

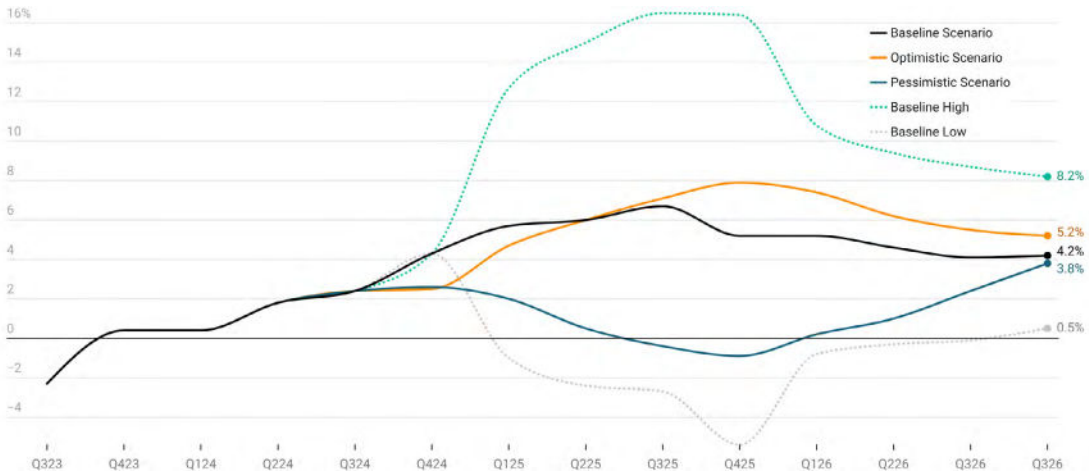
That's still down considerably from the 3.6% forecast we had in January, but soft industrial demand has prolonged much further than anyone expected at the start of the year, as cited by numerous publicly traded distributors in the latest quarterly financial reporting period (3Q24 for most).

MDM Forecast - December 2024: U.S. Wholesale Distribution Revenue Expectations by Sector

	2021	2022	2023	2024	2025	2026
Oil & Gas Products	61.8%	38.8%	-11.3%	-4.0%	2.1%	3.1%
Pharmaceutical	7.9%	10.3%	12.8%	8.8%	9.5%	8.1%
Grocery & Foodservice	13.1%	13.3%	1.5%	3.4%	4.5%	3.4%
Electrical & Electronics	18.7%	12.8%	0.1%	11.6%	12.5%	3.7%
Industrial Supplies	12.1%	17.3%	5.7%	0.6%	4.2%	1.4%
Motor Vehicles & Parts	11.0%	13.4%	8.1%	6.3%	9.3%	6.2%
Miscellaneous Durable Goods	31.3%	3.6%	-9.4%	0.4%	3.6%	4.3%
Other Consumer Products	16.0%	14.1%	-5.2%	-3.1%	2.3%	3.5%
Computer Equipment & Software	9.7%	4.8%	-8.3%	3.3%	6.6%	5.0%
Commercial Equipment & Supplies	13.3%	5.7%	1.5%	6.5%	4.3%	3.9%
Agricultural Products	29.1%	22.3%	-10.1%	-11.7%	4.7%	4.7%
Metal Service Centers	53.3%	18.4%	-10.5%	-9.8%	-0.7%	7.1%
Building Material & Construction	29.6%	13.6%	-13.3%	-2.9%	5.0%	5.9%
Hardware, Plumbing & Heating	18.6%	12.9%	-0.1%	5.7%	4.5%	2.3%
Beer, Wine & Liquor	9.4%	2.3%	-1.7%	-0.6%	7.6%	9.2%
Apparel & Piece Goods	25.0%	6.7%	-9.0%	3.9%	5.8%	1.7%
Chemicals & Plastics	26.0%	16.4%	-7.3%	-2.4%	-0.1%	1.5%
Furniture & Home Furnishing	15.7%	2.9%	-5.0%	-2.9%	0.5%	3.2%
Office Product & Paper	9.4%	12.6%	-7.0%	-2.2%	3.6%	3.7%
Total Wholesale Distribution Industry	**20.5%**	**15.1%**	**-1.7%**	**2.2%**	**5.9%**	**4.5%**

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U.S. Wholesale Trade Alternative Revenue Scenarios



biggest movers were Metal Services Center (-3.7), Agricultural (+3.9) and Oil & Gas Products (+1.6).

See the full one-month percentage point changes for all industry verticals in MDM's December Forecast for wholesale trade revenues below:

Further out, our projection for 2025 revenue has been revised down to 5.9% — a decrease of 0.1 percentage points from November. Additionally, this update marks the first MDM Forecast to extend projections through 2026, while excluding 2020 from the analysis. The 2026 revenue growth forecast for the wholesale distribution industry is projected at 4.5%, which would be a strong growth year by historical standards.

Since these forecast figures are for the entire distribution industry, they should always be taken with a grain of salt since the figures are always heavily influenced by the largest industries — Oil & Gas and Pharmaceuticals — which combined to represent north of one-fourth of the industry's total revenue. In our December update, Oil & Gas saw its 2024 outlook slide by 1.0 percentage points from November, while Pharmaceuticals rose 0.3.

See your industry-specific forecast in the charts and data below for a much more granular forecast. Click on the charts for a hi-res version.

December's 2024 Month-to-Month Differences

Of the 19 wholesale trade major verticals that the MDM Forecast tracks (like the U.S. Census Bureau), 11 moved more optimistic month-to-month in our December update. The industry's largest sector — Oil & Gas — regressed another 1.0 points for a second straight month and has fallen 5.3 points since June to a -4.0% full-year outlook vs. 2023. The industry's biggest movers in December were Electrical and Electronics (+1.6), Metal Services (-0.7), Agricultural (+2.5) and Beer, Wine & Liquor (-0.7).

December's 2025 Month-to-Month Differences

Looking further out, 9 of the 19 sectors likewise trended upward in our December update for 2025's forecast. The

Wholesale Distribution Vertical (largest to smallest)	2024 Revenue Forecast: Dec. vs. Nov.	2025 Revenue Forecast: Dec. vs. Nov.
Oil & Gas Products	-1.0%	-3.4%
Pharmaceuticals	0.3%	0.9%
Grocery & Foodservice	0.7%	0.9%
Electrical & Electronics	1.6%	1.6%
Industrial Supplies	0.4%	0.5%
Motor Vehicles & Parts	0.0%	-0.2%
Miscellaneous Durable Goods	0.4%	1.0%
Other Consumer Products	0.0%	-0.1%
Computer Equipment & Software	0.4%	-0.7%
Commercial Equipment & Supplies	-0.2%	0.3%
Agricultural Products	-0.6%	3.9%
Metal Service Centers	-0.7%	-3.7%
Building Materials & Construction	0.3%	-1.2%
Hardware, Plumbing & Heating Equipment/ Supplies	0.0%	-0.6%
Beer, Wine & Liquor	-0.7%	-0.8%
Apparel & Piece Goods	1.4%	1.7%
Chemicals & Plastics	-0.5%	-2.9%
Furniture & Home Furnishing	-0.6%	-2.1%
Office Products & Paper	-0.6%	0.0%
Total Wholesale Distribution	**0.3%**	**0.0%**

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TECHNOLOGY

How One Distributor Embraced Cloud Tech to Tackle Unique Industry Challenges

By Mike Hockett

One-size-fits-all technology has never sat well in distribution. Here, we share how a flooring distributor prioritized industry specificity when selecting a cloud ERP platform. **Click for web version with original graphics**

You've heard many times by now that one-size-fits-all isn't a great approach for an industry as diverse as wholesale distribution.

The U.S. Census Bureau identifies 19 product sectors in the industry that are segmented into 109 discrete subsectors — each with challenges, quirks and nuances that make broad-based technology solutions suboptimal.

I recently sat down with **Mitch Dancik**, who spent more than three decades designing ERP systems that were specific to the flooring industry before serving as an industry technology consultant.

He recently worked with the **Bravo Group** — a North American consortium of a dozen flooring master distributors formed in 2000 that Dancik described as a very sophisticated group of distributors that work cooperatively while also competing with each other.

He's an expert on all the intricacies and needs of the flooring industry when it comes to technology, and we discussed how Bravo evaluated and prioritized its needs when it was looking for a cloud-based ERP system.

Industry-Specific

At the forefront, Dancik explained, was Bravo's need for an industry-specific solution that would address the complexities of the flooring business. He highlighted challenges like managing shades, dye lots and the high waste factor associated with mismatched orders — issues that are far more pronounced in flooring than in most other distribution sectors.



Mitch Dancik

"A lot of the pick, pack and ship aspects are not unique to flooring. It's more of the product nuances," he explained. ***"You have ceramic tile and natural product where every shade could be different, yet you could actually have a shade that matches months after the original shade. So, it's not a serial number, it's more of something that says, 'can this be installed on the same floor as that other lot number?'"***

For example, if you have a customer service staffer who takes an order for 100 square feet of tile but mistakenly pickles the wrong lot, they may have screwed up the next sale that is for 5,000 square feet — resulting in tremendous waste. With the cloud-based system Bravo now uses, that order-lot matching is automated, eliminating that factor.

"They're actually able to make a living on a tough product to manage," he said of Bravo.

Additionally, there are ongoing supply chain challenges involved with importing. Bravo sources domestically and internationally and have long had issues with sourcing private label because a lot of those products are Bravo's own labels as distributors. Because they are regional, there are issues with different humidity in different parts of the country, and humidity impacts performance of different types of tiles.

Dancik elaborated that the executives at Bravo knew they were overdue for a modern cloud-based ERP system. Many industries have a legacy system built for their industry that operated wonderfully for several decades.

"After 20, 30 years, they're not built on a modern foundation, or they're owned by venture capital and there's no money for developing updates for everything that's changed in the industry," he noted.

Dancik said it was vital for Bravo to find a provider that had a true cloud system, not just a hosted system, and one that was also interested in the niche industry of flooring. Dancik led the company in the selection process of the vendor it chose, and now helping guide them through its implementation.

Looking to AI

While Bravo is currently focused on the implementation of its new cloud-based ERP, Dancik shared that it is also exploring practical applications of AI, such as using closed-system AI

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The Bravo Group's locations map for its 12 distribution companies. (Photo courtesy of Bravo Group).

to identify data anomalies and improve data cleanliness. It is looking into voice-activated inquiries that help determine solutions. For example, if Bravo has an order that doesn't have to ship for two weeks, can it instead go to a customer who needs the same order today? Can the system run the same background APIs as usual but without the user having to navigate menus?

"A lot of people get swept up with AI thinking about the public versions that are looking at the Internet, whereas the real opportunity is with closed-system AI, where it's only looking at your data or a manufacturer's data that is allowing you to tap into it," Dancik said. ***"It's not as Wild West as you might think."***

Modern Talent Requires Modern Tech

Beyond core operational improvements, Dancik noted that a move to a modern, cloud-based ERP system also addresses culture and talent-related challenges. As younger generations of workers expect real-time data and intuitive dashboards, the Bravo Group recognized the need to modernize its technology stack to remain competitive in attracting and retaining talent.

"Unfortunately, there are a lot of businesses out there that are just coasting on these legacy systems, not understanding that every year it's going to get harder to replace," Dancik lamented. ***"They might not even know why they're losing business to a competitor. They might think it's the market, and not realize their tools are antiquated."***

He emphasized that the Bravo Group's cooperative approach to technology, even among competitors, is a unique aspect that can serve as a model for the industry.

The Final Word

The Bravo Group example is one that illustrates the value of having an expert in your industry to help advise on technology selection and implementation. Sure, you might have a wealth of expertise on your current team — including longtime staffers who have seen and done it all — but as long as they understand your pain points, nuances and market-specific challenges — looking outside your four walls for help can ensure you're making the right decisions when it comes to big-ticket investments like ERP.

While distributors and manufacturers like to keep their technology strategy close to the vest, Bravo's collaborative approach to it — even among competitors — is somewhat of a unique aspect that perhaps can serve as a winning model for a hyper-fragmented wholesale distribution industry.

Lastly, while the possibilities with AI technology are certainly endless and fascinating to ponder, its practical applications in distribution are targeted and gaining traction, making it much less of a Wild West situation. In the 2Q23 Baird-MDM Distribution Survey conducted this past July, 54% of respondents indicated they were using AI tech in some capacity — **up 15-percentage-points from just a year earlier**. This indicates that considerably more distributors are progressing from the watch-and-learn phase to actively adopting it in their business. AI's infusion into modern ERP solutions is set to play a major role here.

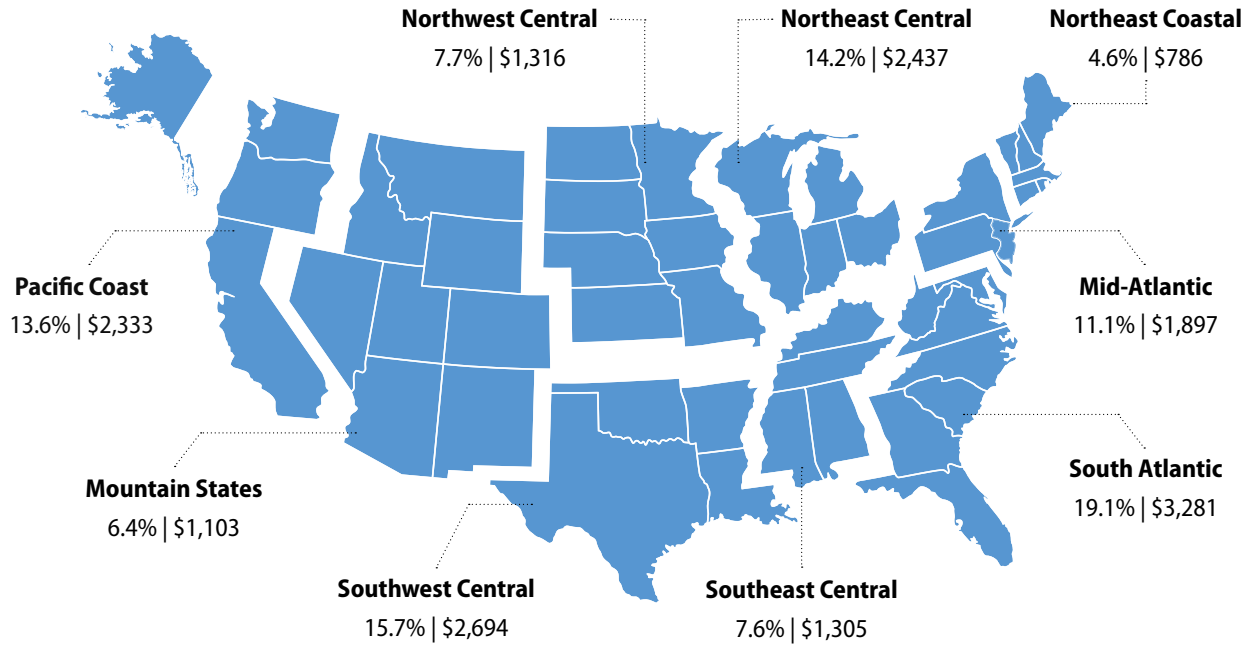
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U.S. MARKET PROFILE

Switchgear Equipment

The estimated demand for Switch Gear Equipment products in the U.S. in late 2024 is $17.1 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 SWITCHGEAR EQUIPMENT BY REGION, $ MILLIONS (2024 EST.)



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U.S. END-USER MARKET DEMAND FOR SWITCHGEAR EQUIPMENT: TOP 10 END MARKETS

Industry Sector	Estimated Demand	% of Total
Electrical Contractors and Other Wiring Installation Contractors	$4,743,649,064	27.7%
Other Electric Power Generation	$3,776,229,363	22.0%
Electric Power Distribution	$2,842,803,553	16.6%
Commercial and Institutional Building Construction	$456,792,201	2.7%
Ship Building and Repairing	$379,832,402	2.2%
Nuclear Electric Power Generation	$243,119,582	1.4%
Motor and Generator Manufacturing	$238,177,565	1.4%
Switchgear and Switchboard Apparatus Manufacturing	$228,143,675	1.3%
Electric Bulk Power Transmission and Control	$213,849,698	1.2%
Telecommunications Resellers	$196,501,736	1.1%

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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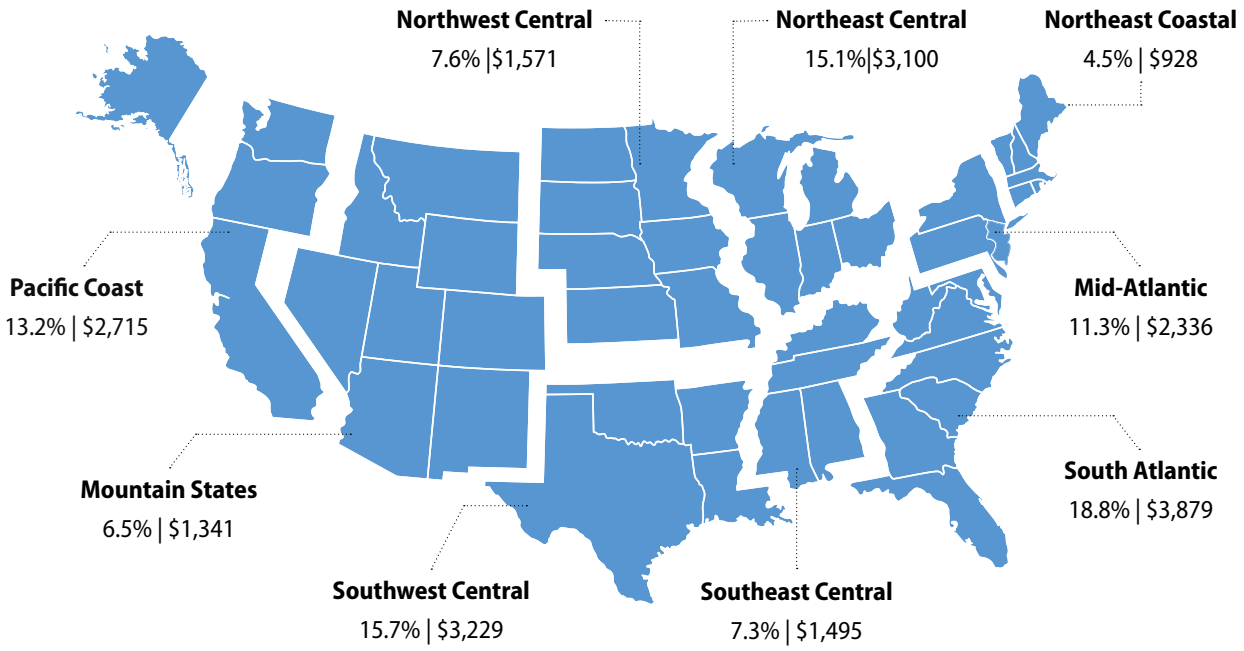
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U.S. MARKET PROFILE

Power & Distribution Transformers

The estimated demand for Power & Distribution Transformers in the U.S. in late 2024 is $20.6 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 POWER & DISTRIBUTION TRANSFORMERS BY REGION, $ MILLIONS (2024 EST.)



mdmanalytics

U.S. END-USER MARKET DEMAND FOR POWER & DISTRIBUTION TRANSFORMERS: TOP 10 END MARKETS

Customer Sector	Estimated Total	% of Total
Other Electric Power Generation	$3,684,230,026	17.9%
Electrical Contractors and Other Wiring Installation Contractors	$3,285,281,574	15.9%
Electric Power Distribution	$2,773,051,945	13.5%
Commercial and Institutional Building Construction	$1,285,683,186	6.2%
Ship Building and Repairing	$352,159,156	1.7%
General Medical and Surgical Hospitals	$326,631,516	1.6%
Paper Mills	$319,154,476	1.5%
New Single-Family Housing Construction (except For-Sale Builders)	$308,003,353	1.5%
Plumbing, Heating, and Air-Conditioning Contractors	$253,669,224	1.2%
Industrial Building Construction	$242,442,688	1.2%

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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