IN THIS ISSUE

2 **Datum:** The Most Overworked Industries in the U.S.

3 Industry News Digest

6 **Mind Over Metrics: How Cognitive Biases Hinder Analytics ROI:** This piece explains how to root out six cognitive biases within your distribution business to better incorporate analytics and data-driven decision-making.

8 **Distributors' Top Business Risks & Concerns:** We polled hundreds of distributors during April to determine what they see as top risks facing their business, and collected plenty of commentary.

11 **Case Study: Sonepar's North American Acquisition Journey:** This piece explores how the electrical distributor scaled its presence in the U.S. and beyond, and where it may be headed next.

14 **Thinking of Adding Rooftop Solar? Here's What Distributors Should Know:** This piece presents a ROI-based case study of a small distributor currently seeing results from a recent solar installation.

18 **Market Profile:** Motors Fractional Demand in U.S.

19 **Market Profile:** Motors Integral Demand in U.S.

MDM's Top Distributors Caps Industry's Rocky 2024 1st Half

June is Top Distributors month here at MDM, highlighted by the June 13 launch of our 2024 feature that serves as the industry's definitive snapshot of the top market movers across 20 different industrial, commercial and building supply product verticals. With it now live, you can view and download it from **mdm.com/top_distributors/**.

This year's feature expands from 17 to 20 verticals, adding Pharmaceuticals & Healthcare, Food & Beverage, Lubricants & Fuels. Doing so pushed the total number of companies represented to just over 200. You can learn all about the feature in the PDF's methodology explanation.

The PDF and web listings feature is accompanied by our Top Distributors webcast that also aired June 13 and featured guest panelists John Gunderson of Dorn Group, David Gordon of Electrical Trends and Craig Webb of Webb Analytics. Those three were invaluable in helping triangulate numerous revenue figures and estimates and offer a wealth of industry knowledge. I moderated the program and was joined by MDM's Tom Gale for additional insights.

Besides our analysis of what shaped this year's Top Distributors Lists, our webcast discussion highlighted strategic moves some key players have made to better position themselves for when industrial demand eventually climbs from its current soft cycle.

'When' is the keyword there. Distributors have been waiting since at least late 2023 for a more widespread flip back to growth, with many publicly traded firms reporting sluggish year-over-year and sequential revenue and profit figures since. Meanwhile, the U.S. Federal Reserve's holding pattern for interest rates amid stubbornly high inflation leaves much of the industry in a sort of limbo when it comes to capital investment.

While the industrial hard goods recovery period is pushing out later than expected, almost all distributors MDM have spoken with over the past month indicate they still expect a better 2024 second half than its first. Overall, after robust revenue years in 2021 and 2022, 2024 looks to be a second straight year of relatively flat to low-single-digit growth for most sectors on MDM's radar.

Of course, this isn't the case across the board. Many of the Top Distributors on our feature logged strong growth in 2023 that has carried into 2024 — outperforming their market average.

A number of those top distributors will be represented at a pair of upcoming MDM events that I highly encourage you to attend to sharpen your business's competitive edge. The first is our **July 10 Virtual Sales Summit** (free!). Further out is our annual marquee in-person event, **SHIFT, set for Sept. 11-13 in Denver**. This 2.5-day event has proven extremely valuable for distribution leadership teams to equip themselves with education around strategic levers to pull around pillars of hybrid sales, digital transformation, data analytics and talent. In the meantime, here's wishing our readers a strong second half of 2024.

– Mike Hockett, Executive Editor

DATUM

The Most Overworked Industries in the U.S.

New research conducted by law firm Schmidt & Clark examined data on the average number of weekly hours worked in each industry in February 2024, as reported by the U.S. Census Bureau. The industries with the highest percentage increase from the national average were named the most overworked by the firm, while the opposite methodology was used to name the most underworked industries.

Rank	U.S. Industry	Average weekly hours (Feb 2024)	% Above national average
1	Mining and Logging	45	22.90%
2	Utilities	42.1	15.05%
3	Durable Goods	40.5	10.68%
4	Manufacturing	40	9.31%
5	Goods-Producing	39.7	8.4%
6	Nondurable Goods	39.1	6.85%
7	Construction	38.9	6.31%
8	Transportation and Warehousing	38	3.85%
9	Financial Activities	37.5	2.48%
10	Information	36.5	0.2%

Mining & Logging takes the stop spot for the most overworked industry, working more hours than any other. In total, the industry works 45 hours per week on average — 22.9% above the national average of 36.7 hours.

In second is utilities at 42.1 hours worked per week — 1% above the national average.

Durable goods was third at 40.5 hours and 10.7% above the national average; while manufacturing clocks in at 40 hours per week at 9.3% above average.

Goods-producing and nondurable products were fifth and sixth, followed by construction and transportation & warehousing. A spokesperson at Schmidt & Clark commented on the findings:

"In April 2024, 161.49 million people were employed in the U.S., 0.33% more than the previous year. This study highlights the industries working the longest hours in February 2024, increasing the risk of burnout, with mining and logging coming out on top. Therefore, as an essential industry for the nation and the wider world, business leaders within the sector must take the steps needed to support these workers, including investing in mental health support and encouraging the use of vacations."

On the opposite side, leisure & hospitality was named the most underworked industry in the U.S., with an average of 25.6 hours worked per week that is 30% below the national average. Retail was second at 29.8 hours and -18.6%, followed by other services at 32.3/-11.7%.

Source: **Schmidt & Clark** and **U.S. Bureau of Labor Statistics**

mdmpremium monthly

MDM Premium Monthly (ISSN 0544-6538) is published monthly by Modern Distribution Management, a brand of Gale Media, Inc., 6309 Monarch Park Place, Suite 201, Niwot, CO 80503. Annual MDM Premium Membership price is $395; this individual use license provides access to MDM Premium Monthly, exclusive industry reports and discounts on MDM's other proprietary market intelligence and conferences.

Site licenses and multi-user pricing are available for those who wish to distribute MDM Premium Monthly and Premium reports throughout their firms. Contact us for details at **info@mdm.com**, call (303) 443-5060 or visit our website at **www.mdm.com**.

Mike Hockett, Executive Editor
Vesna Brajkovic, Senior Editor
Tish Drake, Publisher
Tom Gale, CEO
Hadley Fable, Operations
Marlyn Forberg, Customer Service

This PDF is licensed for individual use only.
All other distribution prohibited without permission.

MDM Editorial Advisory Board

Chester Collier, SVP, Walter Surface Technologies
Ted Cowie, VP of Sales, Safety & Industrial Products, Motion Industries
Larry Davis, CEO & Founder, AgoNow
Julia Klein, Director, Federal Reserve Bank of Philadelphia
Ted Stark, Division Advisor, Dalco Enterprises
Michelle Pecak, Sr. Director of Strategic Pricing, Nature's Touch Frozen Foods
David Ruggles, President, Martin Inc.
Terry Albrecht, Founder & CEO, Packer Fastener
Robyn Pollina, CEO, Palmer Donavin
Dennis Shaw, Manager of Strategic Planning, Graybar
Craig Osborne, President & CEO, Singer Industrial

© 2024 Modern Distribution Management. All rights reserved. Individual use license only.

INDUSTRY NEWS DIGEST

Distribution News

Genuine Parts Company COO Will Stengel will succeed Paul Donahue as President and CEO on June 3, and serve on the company's board. Donahue will transition from Chairman to Executive Chairman.

San Jose, CA-based industrial distributor **Valin Corp.** acquired Irvine, CA-based Dynamic Solutions to strengthen its robust motion control and automation product portfolio.

Specialty building products distributor **GMS** (Tucker, GA) acquired Pomona, CA-based wallboard and steel framing distributor Howard & Sons Building Materials.

MRO and automotive OEM parts distributor **Lawson Products** acquired S&S Automotive Inc., an automotive and industrial parts supplier based in Woodridge, IL about 30 miles south of Lawson's Chicago headquarters.

Packaging solutions distributor **TricorBraun** will expand its Australia and New Zealand presence and packaging capabilities with the acquisition of two specialty packaging distributors: UniquePak and Alplas Products.

Zelienople, PA-based industrial and fluid power distributor **Motion & Control Enterprises** (MCE) marked its 11th acquisition since the start of 2023 with the addition of General Machinery Company in Birmingham, AL.

Imperial Dade's Canada unit gained more scale with the acquisition of Wolfpack Packaging, a distributor of industrial products and janitorial supplies throughout Ontario.

Specialty building materials distribution giant **US LBM** acquired Better Built Truss, a manufacturer and supplier of structural roof and floor components in Northern California.

Singer Industrial-owned **Summers Rubber** added a sixth location, opening a storefront in Columbus, OH. It expands Singer's North American footprint to over 100 locations and 1,400 employees.

Electrical products distribution giant **Sonepar** completed its acquisitions of Madison Electric and Standard Electric, adding a combined 550+ associates across 36 locations and 2023 sales of about $400 million.

Marietta, GA-based conveyor system belting and component distributor **Belt Power** expanded in the Southwest with the acquisition of Phoenix-based Avtech Industrial Products.

France-based electrical supplies distributor **Rexel** is set to make a major addition to its U.S. telecommunications unit with the acquisition of Talley Inc., which has 300+ employees, 11 warehouses and expected 2024 sales of about $360 million.

Insulation installer and specialty distributor **TopBuild** (Daytona Beach, FL) is set to acquire Insulation Works, a Wickes, AR-based provider of insulation services for residential and light commercial markets.

Industrial and metalworking supplies distributor **BlackHawk Industrial** acquired Richardson, TX-based Factory Outlet Tooling, a like manufacturing tool distributor.

Foodservice packaging supplies, industrial products and JanSan supplies distributor **Imperial Dade** shared acquired R.D. McMillen, a JanSan and industrial supplies distributor based in Decatur, IL.

Stelpro Group and Innovair Solutions — two family-owned HVAC solutions providers based in Quebec — have formed a "strategic alliance" that the firms said will leverage their combined expertise, manufacturing and distribution capabilities.

Electrical and industrial supplies distributor **Graybar** named Steven Bourbeau as the company's new District Vice President for Chicago, effective June 1.

Kodiak Building Partners strengthened its northern U.S. mountain presence with the acquisition of Valley Lumber & Rental, a distributor of hardware and building supplies to contractors and homeowners in Victor, ID and surrounding areas.

Pembroke, NH-based **Abrasives & Tools of N.H. Inc.** (ATNH) will merge with Gorham, ME-based Northern Tool Supply Co., which will rebrand as Northern Tool Supply, a division of ATNH.

Atlanta-based **White Cap** will acquire Michigan-based safety product and equipment distributor National Ladder & Scaffold Co.

Electrical distributor **Van Meter Inc.** will expand its presence in Cedar Rapids, IA with a 60,000-square-foot building to support increased customer demand for value-added services and specialized inventory.

PVF products distributor **The Macomb Group** (Sterling Heights, MI) acquired the operations of Woodhill Supply, a 66-year-old distributor of PVF supplies, bathroom and kitchen fixtures and HVAC equipment.

Ficodis — the Canadian-based industrial distribution group owned by France-based distributor Descours & Cabaud — acquired tool and fastener distributor Dorson to boost its service offering to Quebec's residential and commercial construction sector.

Taylor, MI-based automotive paint and specialty coating distributor **Painters Supply & Equipment Co.** (PSE) acquired Maple Shade, NJ-based AeroCoat Source to further diversify its specialty coating business.

© 2024 Modern Distribution Management. All rights reserved. Individual use license only.

In June, eCommerce-based industrial fastener distributor **Fastener SuperStore** will open a new headquarters and primary distribution center in Downers Grove, IL to allow for new and expanded product lines.

Garfield, NJ-based Industrial parts distributor **HVH Industrial Solutions** acquired Metro Industrial Supply to broaden its product range of power transmission and motion control parts in the New Jersey area.

MRO parts distribution **Motion** acquired Allied Circuits (Buffalo, NY), a designer, manufacturer and servicer of industrial control panels, electro-mechanical assemblies, robotic automation and integrated solutions. Allied serves western and upstate New York and into Ontario.

Lifting and rigging products distributor **Bishop Lifting** (Houston) acquired Oceanside Equipment, a like distributor of rigging and mooring products based in Dartmouth, Nova Scotia, with a second location in Mount Pearl, Newfoundland.

Specialty building products distributor **GMS** will expand its presence in southern Ontario, Canada with the acquisition of Yvon Building Supply and its affiliated companies for $144 million.

Foodservice packaging supplies, industrial products and JanSan supplies distributor **Imperial Dade** will surpass 10 acquisitions in 2024 with the addition of two packaging supplies distributors — Canpaco in Woodbridge, Ontario and 3G Packaging in Rochester, NY.

Germany-based Würth Group appointed Yana Popa as CEO of **Würth Canada**. She joined the company in 2013.

AgoNow — a master distributor of industrial MRO, commercial construction, welding and safety products — is ceasing operations and was in the process of liquidation as of late May.

Fasteners and industrial supplies distributor **AFC Industries** acquired Meg Technologies Inc. (Huntington Beach, CA), a provider of military standard aerospace fasteners to OEMs, maintenance facilities, Department of Defense customers and other aerospace distributors.

Specialty fastener master distributor **LindFast Solutions** (Blaine, MN) entered a new adjacent product category with the addition of Merco Tape (Hillburn, NY), a long-standing master distributor of tape and related accessories.

Plumbing, PVF, HVACR and industrial supplies distributor **Winsupply** acquired Meter Service & Supply Co., gaining a single-location distributor of plumbing, pumps and waterworks supplies in Memphis, TN.

St. Louis-based **Marcone** — a distributor of kitchen appliances, HVAC, plumbing and pool & spa parts and equipment — has partnered with local commerce platform DoorDash to offer nationwide on-demand parts delivery.

Middletown, CT-based **U.S. Electrical Services** (USESI) is set to boost its northeast presence with the acquisition of Askco Electric Supply — a single-location IMARK distributor in Glens Falls, NY. Specialty construction supplies and safety products distributor

White Cap acquired WWJ Rebar — a provider of customized reinforcing steel solutions based in Aiken, SC.

Ferguson announced in May that it inked four new acquisitions: Southwest Geo-Solutions, AVCO Supply, GAR Engineering and Safe Step Tubs of Minnesota.

New publicly-traded building materials distributor **QXO** appointed Barclays veteran Ihsan Essaid as the company's CFO.

Aluminum products supplier **Eastern Metal Supply** (Lake Worth, FL) acquired Eagle Metal Distributors (Orlando, FL) — a distributor of aluminum products, patio screens and other offerings used in the installation and repair of pool enclosures and screen rooms.

Greenville, SC-based roofing and building products distributor **Cameron Ashley Building Products** opened a new distribution center in Milwaukee, marking its third such facility in Wisconsin.

Cordatus Capital formed a group to specifically pursue acquisitions of packaged gas distributors, and made its first move with investment in Lubbock, TX-based independent packaged gas distributor **B&J Welding Supply**.

Flow control and process equipment distributor **Tencarva Machinery** acquired Tri-State Coating & Machine — a Salt Rock, WV-based distributor of specialized thermal coating services and related parts to the industrial market.

Sonepar subsidiary **Northeast Electrical** is set to acquire New England-based Electric Supply Center — a distributor with six branches between Massachusetts and New Hampshire.

Manufacturer News

Manufacturing conglomerate **DuPont** plans to split into three standalone, publicly traded companies — Electronics, Water, and New DuPont in a transformation it expects to execute by mid-2026. DuPont also named current CFO Lori Koch as its new CEO, succeeding Ed Breen.

Machining components manufacturer **Bishop-Wisecarver** (Pittsburg, CA) promoted Bill LeBeau to Senior Manager of Distribution to help expand its market presence and drive innovation in linear and rotary motion solutions.

© 2024 Modern Distribution Management. All rights reserved. Individual use license only.

Mission-critical material handling equipment maker **Oshkosh Corporation** is set to acquire Spain-based AUSACROP S.L., a privately-held like maker of wheeled dumpers, rough terrain forklifts and telehandlers.

Frankfurt, Germany-based KPS Capital Partners will acquire global electric motor and large drive system supplier Innomotics from **Siemens** AG for $3.8 billion.

To expand its extensive adhesive application expertise, adhesives maker **H.B. Fuller** (St. Paul, MN) acquired specialty adhesives and fastener locking and sealing solutions provider ND Industries (Detroit, MI).

Sweden-based fasteners manufacturer **BUMAX** has boosted its North American presence with the appointment of Fuller Fasteners (Surrey, British Columbia) as its master distribution partner for Canada.

Private equity firm Blue Point Capital Partners acquired Cleveland-based PPE manufacturer **National Safety Apparel** (NSA).

Electrical and automation products **Schneider Electric** and engineering software solutions provider Bentley Systems have mutually ended talks about a potential transaction.

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

AD owners/members elected Scott Weaver, President & CEO of APR Supply (Boulevard, PA) as a new board director for 2024, while Stellar Industrial Supply (Tacoma, WA) President & CEO John Wiborg and DSG (Plymouth, MN) President & CEO Paul Kennedy were re-elected as directors. Border States President & CEO Jason Seger was also appointed as a board director to fill the vacant seat created by the retirement of former Border States CEO David White. AD also **appointed** Horizon Distribution CEO Alex Hodge and GT Midwest President Matt Onofrio to its Industrial and Safety - U.S. Board of Directors.

San Francisco-based **SugarCRM** acquired sales-i in a move that both companies say will help B2B businesses maximize their revenue and profitability.

Houston-based fluid power products distributor **Hydraquip** joined IDCO as a new member.

Economic News

The U.S. Federal Reserve elected to maintain its benchmark **interest rate** of 5.25%-5.50% at its Open Market Committee on May 1, citing a lack of inflation progress toward the group's long-term 2% objective.

U.S. 1Q24 GDP growth was revised down from the 1.6% estimate issued April 25 to 1.3% — the slowest rate since 2Q22 and a major slowdown from 4Q23's 3.4%.

U.S. Census Bureau data showed that March **sales of merchant wholesalers** were down 1.3% from the February mark which was revised up from +2.0% to +2.3%. Year-over-year, March sales were up 1.4%. March inventories ended the month down 0.4% from February and down 2.3% year-over-year.

New **orders for U.S. metal cutting, forming and fabricating machinery** jumped nearly 25% from February, according to the Association for Manufacturing Technology. Year-over-year, March orders were down 21.3%. Orders were down 18.6% through the first three months of the year compared to the same period in 2023.

The U.S. Bureau of Labor Statistics' monthly **Producer Price Index** (PPI) showed that the seasonally adjusted PPI for final demand rose 0.5% during April month-to-month. March's reading was revised downward from 0.2% to 0.1%. On an annual basis, the April index for final demand increased 2.2% — its largest increase in a year. Core inflation rose 0.4% in April and 2.2% year-over-year.

April **U.S. industrial production** was unchanged vs. March, missing a 0.1% uptick expected from economists surveyed by the Wall Street Journal, weighed down by a 0.3% decline in manufacturing output and a 0.6% drop in mining, while utilities jumped 2.8%. Year-over-year, industrial production fell 0.4%.

Manufacturing executives surveyed by the Institute for Supply Management **expect their 2024 annual revenues to increase by 2.1% vs. 2023** — a considerably lower rate than the 5.6% growth foreseen when polled in December.

March **U.S. cutting tool consumption** was down 1.1% from February and down 5.8% year-over-year. 2024's first quarter consumption was up 2% year-over-year.

U.S. durable goods orders were up 0.7% month-to-month in April to $284.1 billion, following gains of 0.8% in March and 1.2% in February. It marked the first time orders increased in three straight months since April-May-June 2023.

© 2024 Modern Distribution Management. All rights reserved. Individual use license only.

DATA & ANALYTICS

Mind Over Metrics: How Cognitive Biases Hinder Analytics ROI

By Senthil Gunasekaran

Despite the known benefits for distributors to make their decision-making be data-driven, some are still hesitant to apply advanced analytics due to unknowns about the ROI. This piece explains how to root out six cognitive biases within your distribution business to better incorporate analytics and data-driven decision-making.

Click for web version with original graphics

Through two decades of research, education and best practice implementation across inventory, pricing, supplier and category analytics, we at ACTvantage have seen a recurring pattern: many distributors are hesitant to implement cutting-edge analytics.

Why?

Forward-thinking distributors actively leverage the power of data through applications ranging from cutting-edge artificial intelligence tools to must-have analytics scorecards. At this point, most distributors recognize the need to push beyond "go-to" spreadsheet analyses. However, many are hesitate to implement the latest AI tools or advanced analytics applications because they haven't seen convincing ROI from data-driven efforts in the past.

The Subtle Art of Self-Deception

We recently walked through the current practices of an industrial distributor to understand decision-making in its sales, purchasing and supplier teams and unpack frustrations with existing analytics initiatives.

The discussion led officials at the company to express their disappointment with the implementation of one of the most essential best practices in distribution: customer stratification.

Customer stratification is the process of segmenting customers using 360-degree analysis of their purchasing behavior.

The distributor claimed they had already implemented this best practice but had not achieved the expected return on investment (ROI). To understand their frustration, we dove into the customer stratification model and how the use cases were customized and implemented.

The CFO launched customer stratification efforts shortly after he heard about the concept in a seminar he had attended. He crafted intricate customer stratification models using spreadsheets. He then set up Excel macros to rerun the model twice a year. In diving deeper into their desired use cases for the customer stratification model, the CFO explained to us that they had planned to use it in pricing applications, but it had been stuck on their internal to-do list for the past two years.

Staying the Distance

We've encountered similar frustrations from many other distributors in terms of not achieving ROI on analytics initiatives.

A vice president of IT at an electrical distributor cited challenges with executing customer stratification analysis he designed using the best practice book, "Customer Stratification: Best Practices for Boosting Profitability."

He shared results with C-level executives and incorporated ranks into their standard quarterly reports. However, they never followed through and educated the sales, pricing or inventory teams on the underlying concepts of stratification. This oversight meant their teams weren't comfortable discussing performance ranks with customers or using them in tactical decision-making. They also failed to integrate the results in core use cases such as pricing or inventory management.

They went the first mile in creating the customer stratification analytics, but they failed in the last mile in terms of sales or inventory team usage; hence, they failed to see ROI from what could have been an invaluable data-driven analytics initiative.

During our educational sessions, we've encountered many instances of distributors' anguish over not getting traction or ROI from analytics. We believe the common root cause often lies within.

Behavioral economists believe human beings are unknowingly hamstrung by limited attention, cognitive biases, overconfidence and other psychological factors that inevitably cause judgment errors. The investigation of these instances uncovered a common thread: the chasm between developing and then using analytics often goes unacknowledged. There is a cognitive misstep where the illusion of progress masks actual achievement.

There are several critical cognitive biases that often keep distribution executives from achieving their data's full potential and harnessing powerful, actionable insights.

Customer stratification is one of several potentially game-changing analytics in which cognitive bias can make or break ROI. It is essential for distribution leaders to understand and root

© 2024 Modern Distribution Management. All rights reserved. Individual use license only.

out cognitive biases to successfully launch and integrate analytics and data-driven decision-making in day-to-day best practice.

6 Common Cognitive Biases in Distribution

1. The Illusory Progress in Analytics — ***Illusory progress is a cognitive bias that lulls businesses into a false sense of completion.*** By merely developing a stratification model, firms often believe they fully utilize its insights. However, its potency remains unrealized without integrating this model into the operational fabric of pricing, inventory and sales management.

2. The Dunning-Kruger Effect in Play — ***The Dunning–Kruger effect is a cognitive bias in which people with limited competence in a particular domain overestimate their abilities.*** A profound understanding of customer stratification or similar analytics requires more than the model — it demands practical application. The Dunning-Kruger effect is often at play here, where executives may overestimate their mastery of stratification due to their proficiency in creating a model. The actual depth of customer stratification is grasped only when the analytics inform real-time business decisions, something a static spreadsheet or standard quarterly report can never accomplish.

3. Checklist Mentality vs. Strategic Integration — Executives often fall prey to the checklist mentality, in which distributors treat the implementation of customer stratification or inventory analytics as a box to be ticked. This mentality overlooks the necessity for strategic integration, mistaking a rudimentary first step for the entire journey.

4. Satisficing: 'Good Enough' Is Not Enough — The strategy of ***satisficing***, or ***settling for what seems "good enough,"*** often dictates the premature halt in implementing a thorough stratification approach. It is vital to recognize that good enough in today's rapidly evolving marketplace is a mirage that obscures the pursuit of excellence.

5. Overcoming Inertia with Advanced Analytics — Resistance to change and inertia is a common psychological hurdle. The shift from spreadsheets to dynamic analytics scorecards can seem daunting. Yet, it is through this transition that data is transformed from static figures into dynamic, strategic assets.

6. The Value Perception Gap: Recognize What's Unseen — ***The value perception gap, in which you understand the worth of something in theory but do not recognize its practical benefits***, needs to be closed for distributors to realize the full potential of their data. The gap is created due to the unbalanced focus on two key components of analytics implementation: analytics development vs. analytics usage.

Typically, as you embark on data-driven initiatives, analytics development (which includes understanding the methodology, customizing the model, identifying and extracting the data, cleansing, pre-processing, analyzing, and creating visualizations) gets more attention than the last mile. The last mile entails using the analytics, which includes establishing use cases, educating stakeholders, integrating analytics into workflows, aligning stakeholders with the performance incentives, applying course corrections and more.

Distributors with this blind spot fall into one of two categories: those that simply mistake analytics development for analytics usage, as mentioned in our examples above, or those that underestimate the importance of the last mile of driving adoption of analytics. Distributors in either category routinely fall well short of expected analytics ROI. A dual approach to analytics implementation bridges the analytics development vs. usage gap by making the theoretical benefits of analytics (such as customer stratification) tangible and actionable.

Invitation to a Cognitive Reappraisal

Regardless of which cognitive bias resonated with you, the remedies are multifold:

1. Focus on the Foundation — Often, distribution executives appreciate the value of data but get overwhelmed by technology offerings and wonder where to start the analytics journey. Group all your data-driven or analytics needs into two groups:

I) must-have core analytics, such as inventory optimization, pricing optimization, customer stratification and supplier stratification, and;

II) supporting analytics.

This categorization of analytics needs can help distributors start on the right foot. When asked how one successful distribution CEO leverages data and adopts new technologies, he responded: "Clean your house before decorating."

2. Understand the Road to ROI — Recognize the dual aspects of analytics implementation — the first mile (analytics development) and the last mile (analytics usage or adoption) – and their impact on ROI. Understanding these two components will help distributors learn what it takes and set the right ROI expectations. Without these best practices, distributors become more susceptible to cognitive biases, leading to sub-optimal decision-making.

3. Recalibrate Your Approach to Analytics — We extend an invitation for a cognitive reappraisal, a deliberate reevaluation of how distributors view and use must-have analytics such as customer stratification, inventory stratification or vendor stratification. Perform a deliberate reevaluation of core analytics in the first mile (analytics development) compared to the last mile (analytics usage or adoption).

Have you traveled the last mile in customer, inventory, pricing or supplier analytics? If not, get out, research, and witness the transformative power of integrated analytics that goes beyond the superficiality of spreadsheets.

© 2024 Modern Distribution Management. All rights reserved. Individual use license only.

4. Deploy Internal Resources Where They Matter — Plan scarce internal resources wisely by deploying them where they matter — the last mile.

The accessibility and affordability of technology or analytics tools have significantly improved in the last decade. Distributors don't have to reinvent the wheel by manually creating core analytics from scratch in spreadsheets. Instead, collaborate with external resources or tools to expedite the first mile while actively preserving your stretched internal resources for the last mile.

For instance, a distribution executive deployed one of their emerging leaders to lead the last-mile journey while collaborating with the service provider for the first-mile journey. This became a win-win move for the distributor.

While getting the ROI from analytics initiatives, the emerging leader has learned what it takes to travel the last mile.

A Journey Towards Data-Driven Distributorship

The first step towards truly mastering must-have analytics, such as customer stratification, is to understand and overcome cognitive biases. By embracing a dual approach (first and last miles) to advanced analytics, distributors can refine their view of their business (across customer, supplier and inventory insights) and supercharge all aspects of business strategy.

Are you ready to challenge your perceptions and unleash the true potential of your data?

Senthil Gunasekaran is a co-founder of ActVantage and has over 20 years of experience helping hundreds of distributors and manufacturers drive profitable growth. He can be reached at **senthil@actvantage.com** *or visit* **actvantage.com**

QUARTERLY MDM-BAIRD DISTRIBUTION SURVEY

Research: Distributors' Top Business Risks & Concerns

By Mike Hockett

Distributors are dealing with more potential business risks today than ever before. The 1Q24 Baird-MDM Distribution Survey polled hundreds of them in April to determine what they see as the top risks for their business, and dissected plenty of interesting commentary. **Click for web version with original graphics**

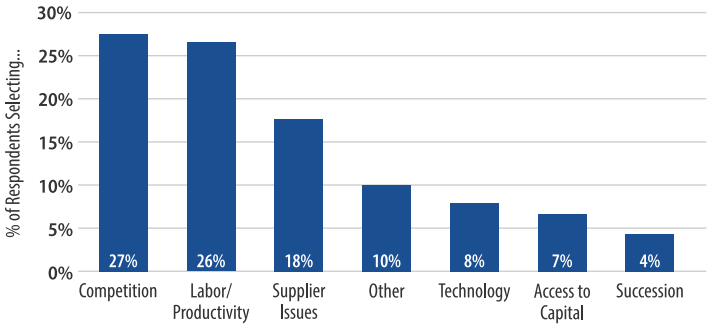
In an **April '19 Premium piece**, I analyzed the results of a question from our Baird-MDM 1Q24 Distribution Survey that asked its respondents about the impacts of geopolitical issues on their supply chain operations. It produced a wealth of interesting qualitative insights.

Similarly, that survey asked respondents about ongoing business risks and concerns to learn more about the issues that are top-of-mind. We gave them options to choose from, but also left it open-ended given the amount of possibilities here.

In this piece, we'll analyze the results of that poll question, and then dive into the written responses that produced a wealth of insights from the industry. Doing so will help provide you with a snapshot of what the concerns and issues that distributors have indicated are firmly on their radar as of early April 2024.

First, let's look at the raw polling results from the following question:

"What do you consider to be the biggest risk or concern for your business regardless of the economic or political climate?"



Analyzing Respondents' Business Risks

Respondents could pick only one, and of the available options to pick from, two — competition, and labor/productivity — stood out at the top, nearly tying at 27% and 26% of voting, respectively.

This isn't necessarily surprising, as our conversations with distribution leaders indicate that competition in the industry has never been tougher, whether amongst fellow distributors, against manufacturers selling direct, against non-traditional competitors like Amazon, Home Depot and other retailers/e-tailers, or other channels. Similarly, at nearly every industry event we've attended post-COVID, distributors and event hosts have repeated the notion that labor/talent remains the industry's top challenge. It has been for at least three years

© 2024 Modern Distribution Management. All rights reserved. Individual use license only.

now, and figures to remain so for the near future. "Supplier issues" was third at a semi-distant 18%, while our other four options were between 10% to 4%.

Business Risk Influences

Further on the qualitative side, we asked respondents to comment on what informs their view for what they consider to be their top business risk(s). We received far too many well-thought out answers for me to show in full, so here are the key takeaways and common items mentioned across their collective input:

Labor Challenges:
- Difficulty finding qualified workers
- Lack of applicants passing pre-employment drug tests
- Retention issues due to retirement and lack of motivation among employees
- Tight labor market and rising wages
- Inability to hire and retain top talent
- Increasing demands and unrealistic expectations from candidates
- Aging workforce and challenges in attracting younger talent
- Concerns about DOT driver shortages

Supply Chain Issues:
- Delays in construction projects and supply chain disruptions
- Quality, reliability and capacity issues with suppliers
- Lead time problems and unpredictable supply
- Uncertainty in global supply chains
- Suppliers reducing product lines or halting production of crucial components
- Inaccurate information on lead times and missed delivery dates from major suppliers
- Transition challenges in suppliers' manufacturing decisions

Competition and Pricing Pressures:
- General competition becoming more aggressive
- Pricing pressure from competitors to gain market share
- Competitors investing heavily in marketing
- Price drops affecting margins and gross profit
- Low-margin deals or rebate offers from competitors
- Pricing pressure from retailers' cost-cutting initiatives
- Increased competition from online sales and e-commerce platforms
- Consolidation in the industry, leading to dominance by larger players

Technology and Innovation:
- Need to accelerate technology adoption for automation
- Pressure to innovate and remain competitive
- Challenges in keeping up with technological advancements
- Dependence on technology for growth and sustainability
- Impact of AI on business decisions and operations

Regulatory and Economic Factors:
- Legal and insurance market constraints
- Interest rate hikes affecting consumer behavior and capital access
- Economic uncertainties due to geopolitical tensions and global trends
- Regulatory challenges, such as FDA regulations affecting certain industries
- Economic shifts impacting traditional markets and growth strategies

Customer and Market Dynamics:
- Changing customer preferences and behaviors
- Increased price sensitivity among customers
- Shifts in demand and market share loss to competitors
- Challenges in switching customers or winning back lost business
- Expansion into new markets and export opportunities

Other Miscellaneous Risks:
- Weather-related risks affecting operations
- Security threats and increased spending on security measures
- Funding challenges for growth initiatives
- Inflationary pressures on raw materials and freight costs
- Lack of differentiation in the eCommerce space

Overall, the responses highlighted a complex landscape of challenges encompassing labor shortages, supply chain disruptions, competitive pressures, technological advancements, regulatory concerns and shifting market dynamics. Respondents alluded that addressing these risks will require a multi-faceted approach that involves strategic planning; investment in technology and innovation; robust supply chain management; and adaptation to changing market conditions.

Responses to Highlight

Again, since we received 130 write-in responses to this request for business risks influences input, we can't share them all. But, I did want to include some answers that were particularly well thought out, insightful or just interesting. Many of them emphasized labor/talent struggles:

"There is a lack of applicants for job openings that can pass the pre-employment drug test."

"A few things here: 1) Finding enough good people for our growing services business; 2) Productivity not growing the way we would like and going backward when we lose long-service employees to retirement; 3) The complexity of managing a large and growing workforce – getting enough supervisors/managers up to speed and aligned with our culture."

© 2024 Modern Distribution Management. All rights reserved. Individual use license only.

"Waste and inefficiencies are creeping in, and not taking advantage of technology to analyze data for improvement."

"As I see a flat first half of this year, we are already seeing the competition in the gutter with pricing."

"The willingness of young talent to put in the time to make industrial distribution a career is waning."

"As demand decreases across the board and costs continue to rise, competition for existing business will continue to increase. This usually leads to more price sensitivity for the customers as negotiation avenues open and become more viable with several suitors working for the business."

"It is still difficult finding the right people that are motivated and want to actually learn and become experts with their jobs."

"The Fed hiked rates once by an additional 25 basis points and the Fed Funds rate is in the 5.25-5.50% range. Despite this, mortgage rates remain elevated and despite recently easing down to 7%, they remain much higher than pandemic-era lows, giving pause to recent memory for consumers on the cost of capital. Without affordable access to capital, repair & remodel projects tend to be delayed by homeowners in anticipation of more favorable rates. Not surprising, large builders continue to gain share as smaller builders struggle with 11-15% interest rates on land and construction financing."

"Retailers have pushed significantly to drive 'cost out' initiatives putting pressure on our pricing. Given the capital invested by competitors in our industry, we expect increased competition in the market through lower pricing from our competitors in order to gain market share."

"News – Current trends in world history. Governments in West are being challenged by Russia and China and USA politics uncertainty about maintaining Strong Western stance against future economic and political threats. If China starts acting like Russia, the threat to the Western economies will likely be detrimental to stability."

"Technology is the lifeblood of our growth strategy. We believe continuous innovation is required to ensure business sustainability and avoid commoditization."

"Technology changes are escalating, which puts extreme pressure on our organizational infrastructure; seems as if we are in a constant state of upgrade which impacts reliability and accuracy of information."

"Revenues continue to erode due to raw material prices and manufacturer increases. Customers are looking for more single-source suppliers and aggregated shipments. With some manufacturers still having supply delays, we carry more transitional inventory that we are required to pay for 60-90 days before our customers pay."

"SRS/Home Depot acquisition. Speculation that HD will become the insurance MRP/DRP arm and force homeowners to use them and HD/SRS will onboard PE contractors nationally as their army and circumvent non-PE contractors and lower the insurance payout by forcing homeowners to use HD and write MRP/DRP programs ONLY. This is terrible for the contractors and a savior for insurance."

"We have concerns with suppliers making the right manufacturing decisions related to the transition to low GWP"

"Industry is in a shift mode. Last 10 years technology development has enabled totally new competitors to enter the market with new business models. Traditional providers are struggling to keep up."

"The supply chain continues to be broken. Mostly it occurs randomly but is almost always a critical component that cannot be sourced elsewhere."

"PE has been buying contractors in my market and squeezing pricing and limiting which brands can be sold. They operate off pricing only and are not making healthy or intelligent business decisions."

"The big are getting bigger and the small and mid-size distributors struggle to compete. In addition, only the large distributors have the money to fund technology tools like eCommerce which will ultimately play a bigger role in our industry."

"Major suppliers are not providing accurate information on lead time and continually miss delivery dates. Trust is eroding quickly."

"Other" Insights

Given that our poll option for "Other" could comprise numerous write-in responses, let's explore that further. Here are some of the answers provided for it. Numerous respondents noted geopolitical issues covered in my aforementioned April piece:

"Weather" (1)

Inflation/Pricing (2)
"Price deflation"
"Inflation"

Economic Conditions (4)
"World Economic Forum and the banking system"
"Interest rates for poultry housing investment. If they rise, building slows"
"Cost to access cash/lines of credit"
"Continued economic slowdown"

Regulations (3)
"Political volleyball regarding the oil industry and the lack of permits"

© 2024 Modern Distribution Management. All rights reserved. Individual use license only.

"Uncertainty with transition to low GWP refrigerant and supplier production plans"

Legal (1)
"The greatest risk continues to be the propensity for legal action by consumers. Coupled with a rapidly increasing hard market for insurance, it is with great challenge and difficulty that appropriate insurance coverages are available."

Demand (5)
"Stagnant to negative demand beyond 2Q"
"Industrial demand & domestic factory volumes and investments"
"Growing revenue in a soft market with the glut of customer inventory makes for a tough next 3-6 months"
"Residential construction slowdown"
"Delay on construction yard due to labor shortage and sometimes high interest rate"

"Consolidator activity in my region" (1)

The Presidential election (2)
"Indecision of customers due to uncertainty during an election year"

Cybersecurity (2)

Labor/Talent (3)
"The inability to staff employees at any and all levels"
"Hiring the right people"
"Return to office % of workers"

Geopolitics (2)
"Slowdown in economies due to disruption in the world order. Ukraine War, China aggression, Middle-East and USA politics and challenge to democracy scaring world stability."
"Four more years of democratic leadership!"

Technology (2)
"AI and lack of service technicians"
"ERP upgrade"

Internal (3)
"Lack of visibility into and accountability by the sales team"
"Go-to-market strategy, navigating towards an open strategy versus an exclusive manufacturers rep strategy"
"Budget"

MERGERS & ACQUISITIONS

A Study of Sonepar's North American Acquisition Journey

By Mike Hockett

France-based Sonepar first entered the North American market in 1998, and the ensuing 26 years have taken the electrical distributor to $15 billion in annual revenue on the continent. This piece explores how Sonepar scaled its presence in the U.S. and beyond — especially since 2020 — and looks ahead to where the company may target next.

Click for web version with original graphics

Paris, France-based Sonepar has frequented MDM's headlines over the past decade, but at a heightened pace in these past several years. As the world's largest electrical supplies distributor — and second-largest in North America by revenue — news out of Sonepar is always of high interest to our audience.

The company's website states that, over the past 20 years, acquisitions represent 60% of Sonepar's total growth and that the group has made over 200 acquisitions in that time which have accounted for nearly $11 billion in added sales.

It's the company's recent North American acquisition moves over the past 18 months that this Premium piece will examine. Shedding more light on them besides just one-off news briefs will help explain Sonepar's acquisition and expansion strategy, and where it might be heading.

Sonepar Today

Let's begin with Sonepar's overall facts and figures. The company posted 2023 global sales of $36 billion, with North America accounting for $15.2 billion of that (43%). Other geographies of Western Europe (29%) and Central & Nordic Europe (21%) are far behind. That overall revenue figure has jumped about 38% since 2019.

Worldwide, Sonepar has approximately 45,000 employees, 2,400 branches and 180 distribution centers. The company's website states that it operates in 40 countries.

The U.S. represents the largest chunk of that operation, with the company seeing $13.3 billion in U.S. sales during 2023. Sonepar has approximately 11,000 employees nationwide across 491 branches and 38 distribution centers. At the end of 2023, Sonepar had approximately 202,000 U.S. customers.

© 2024 Modern Distribution Management. All rights reserved. Individual use license only.

The company's U.S. headquarters are in Charleston, SC, with Rob Taylor as President of Sonepar Americas.

Sonepar's 2024 Panorama (essentially a company at-a-glance document) showed that its product mix for 2023 was as follows:

Electricity & Energy Distribution – 30%
Cables and Wires – 18%
Lighting – 12%
Building Automation & Construction – 9%
Industry – 7%
Others – 7%
Renewable Energy – 6%
Safety, Tools & Engineering Supplies – 5%
HVAC – 4%
Specialties – 2%

Sonepar was formed in 1969 but didn't enter the U.S. market until 1998. It gained rapid initial expansion with New Jersey's Cooper Electric Supply and Florida's World Electric Supply in 1999. Capital Tristate, Brook Electrical Supply and Viking joined soon after, pushing Sonepar's U.S. revenue to $1 billion by 2004. It continued to gain steam with adding Irby, Friedman Electric and Crawford Electric over the next several years. Pacific Northwest-based North Coast Electric joined the fold in 2019 — Sonepar's 50th anniversary year. A key Midwest piece was added in 2021 with Illnois-based Springfield Electric Supply.

Recent Moves

Given all that activity noted above, Sonepar was already well-positioned at or near the top of the North American electrical distribution market. These past couple of years have solidified that further.

In 2022, Sonepar sold off its largest industrial distribution unit — Vallen — to private equity firm Nautic Partners. While terms weren't shared for that Sonepar's Vallen sale that completed in mid-2022, it would have been a nice proceeds gain given that Vallen had nearly $1.8 billion in 2021 sales. Sonepar has undoubtedly used those proceeds to fuel its acquisition activity since.

"Sonepar will focus going forward on the core electrical distribution businesses around the world, increasing investments to grow organically and through acquisitions," CEO Phillippe Delpech remarked upon the completion of that divestment.

It was interesting to see how Wesco — Sonepar's biggest North American competitor — followed suit by selling its MRO supplies distribution unit (Wesco Integrated Supply) to Vallen in a move (completed April 1) that likewise positions Wesco to focus purely on its core electrical business.

Since divesting Vallen, Sonepar's U.S. acquisition activity has been robust. In 2023 alone, Sonepar acquired 13 companies



Photo credit: Sonepar

globally that represented $1.08 billion in sales across 59 branch locations, with the company noting that the 1,140 new associates it gained from those deals were mainly in the U.S.

Those 2023 additions incorporated both generalist and specialist companies into the Sonepar portfolio, with the latter across industrial automation, industrial software, utilities, photovoltaic, HVAC and panel builder). In North America, Sonepar added the following in 2023:

HOLT Electrical Supply (St. Louis, MO)
Billows Electric Supply (Delran, NJ)
Butler's Electric Supply (Wilmington, NC)
Electric Supply of Tampa (Tampa, FL)
Sunrise Electric Supply (Chicago, IL)
Accuflo (an electrical panel maker in Brampton, Ontario, Canada)

"Sonepar is unquestionably the largest consolidator in the sector," CEO Philippe Delpech said in the company's 2024 Panorama report released March 25.

Sonepar began 2024 by merging segments of its Independent Electric (San Leandro, CA) subsidiary into three fellow West Coast company brands — OneSource Distributors, QED and Irby. That was followed by the creation of a new organizational structure at Crawford Electric — one of Sonepar's largest U.S. companies — to create four primary geographies that span eight states, 60+ branch locations and 1,300+ employees.

The company's biggest U.S. additions so far in 2024 has been the acquisitions of Madison Electric and Standard Electric — two Michigan-based distributors that have a combined 36 locations across the state, approximately $400 million in 2023 revenue and 550+ employees. That deal closed at the end of April, giving Sonepar a major boost to its Midwest presence alongside Springfield Electric in Illinois.

"Madison and Standard have achieved a position as one of the leaders within the 10th largest electrical distribution market in the U.S.," Sonepar Americas President Rob Taylor said in a March 20 news release.

Two weeks later, Sonepar announced the purchase of Rockwell authorized distributor Electrozad in Windsor, Ontario, which added 100+ employees.

© 2024 Modern Distribution Management. All rights reserved. Individual use license only.

All of this acquisition expansion has come amid a major five-year, $1 billion digital transformation initiative that Sonepar first announced in April 2023.
Much of Sonepar's recent North American expansion was spearheaded by Scott Schuenke, who served as the company's Vice President of Strategic Development for 16 years before retiring in June 2023.

Schuenke was featured on the MDM Podcast that same month, which had him reflect on the distributor's remarkable U.S. growth during his time there.

"I remember when I first went to the (Charleston, SC) headquarters in 2008. We didn't need a very big room for all of us," Scheunke recalled. "It's been remarkable to watch us grow and what an organization needs to look like to support a $12 billion business (U.S.) versus a $2 billion business. It's been fascinating to be part of the whole journey of growth."

Where Will Sonepar Grow Next?

Sonepar's string of North American expansion history suggests the company has no intention of slowing down on the acquisition front.

Let's take a geographic look at Sonepar's North American footprint today. Below is the company's map of branch and distribution center locations:

Besides what's seen here, Sonepar also has one DC and two branches in Hawaii, and three branches in Alaska. In Canada, Sonepar's website says the company is represented by nine locally-managed electrical and industrial distributors with over 90 locations with coverage in eight provinces.

In Mexico, Sonepar's website says the company has over 20 branches in 11 states that facilitate coverage across the country.

It's hard to find any considerable gaps on the U.S. map that aren't already served by a Sonepar branch or DC. The only regional gaps I see without a branch or DC within 100 miles would be the central plains cities of Kansas City, MO; Omaha, NE; Lincoln, NE; Wichita, KS; and Amarillo, TX. Those metro areas are surely currently served by the closest subsidiary branch or DC, but they may be the best candidates to see a forthcoming Sonepar acquisition announcement for.

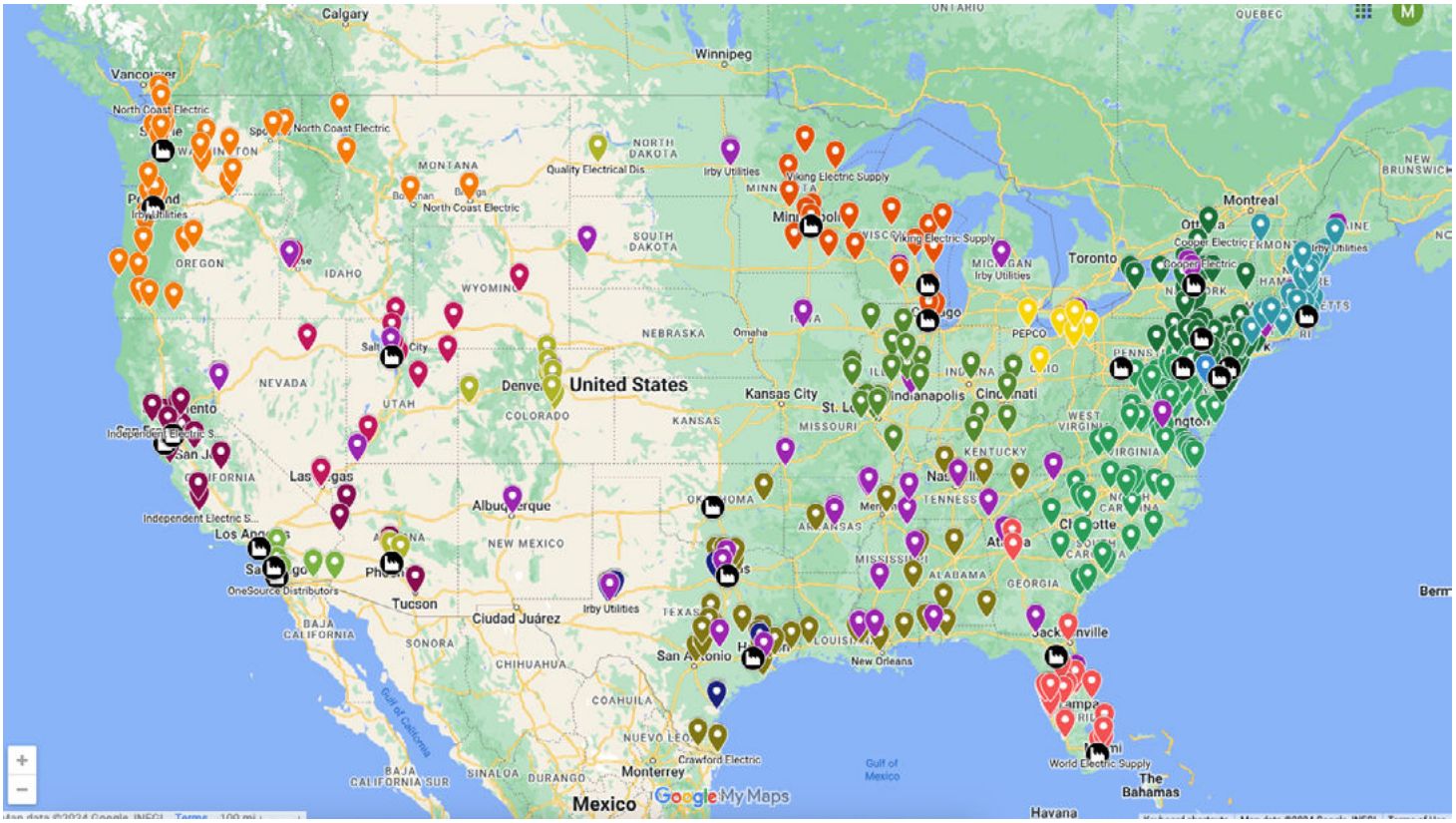


Image credit: Sonepar.com location's map

© 2024 Modern Distribution Management. All rights reserved. Individual use license only.

OPERATIONS

Thinking of Adding Rooftop Solar? Here's What Distributors Should Know

By Mike Hockett

Warehouses offer immense potential for rooftop energy production, enabling companies to produce much of their own electricity and reduce their carbon footprint. This piece examines the outlook that rooftop solar has for distributors' ROI, and reviews a case study of a small distributor getting results from recent installations.

Click for web version with original graphics

For distributors, any capital project has to follow through with its return on investment, and some have found adding rooftop solar to their facilities is a worthy pursuit.

The warehouses and distribution centers these companies operate are naturally ideal candidates for solar installations. They're typically big, boxy, flat, open and unobstructed from sunlight.

Environmental advocacy organization Environment America calculated that, as of 2022, the U.S. has more than 450,000 medium and large warehouses that cover over 16 billion square feet of space, and those figures are rapidly expanding. That represents immense potential for solar power — **the fastest-growing source** of renewable energy source in the U.S.

According to a **2023 study by Environment America**, U.S. warehouses could produce, on average, 176% of their annual electricity use by fully building out their rooftop with solar. The group adds that such installations reduce energy loss that happens during electricity transmission and distribution — losses that totaled 5.2% of gross electricity generation in 2020.

California, Florida, Illinois, Texas and Georgia have the most warehouse solar generation potential, according to the study. Some distribution companies that lease their facilities don't have a say in whether they can add solar to their rooftop. But for those that own their facilities, it could be worth a discussion.

Case Study: AIS Industrial & Construction Supply

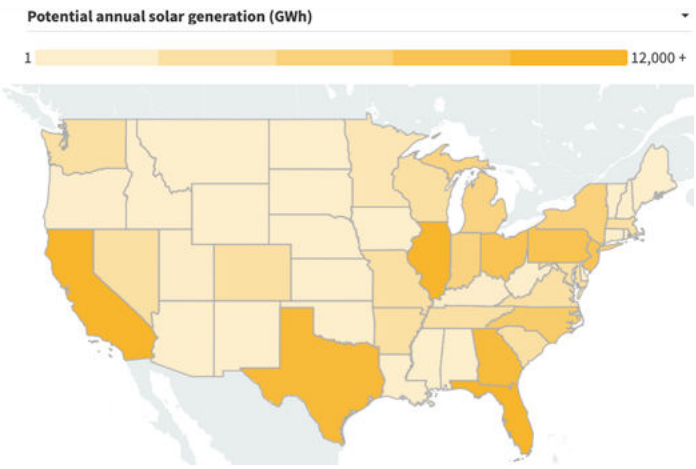
During a panel session at the November 2023 STAFDA Convention in San Antonio, I heard **Dale Hahs** — Owner, President and CEO of Denver-based AIS Industrial & Construction Supply — mention his company's rooftop solar installation that went live in 2019 in time for the company's 75th anniversary.

As a residential solar owner, this piqued my curiosity. So, I followed up by interviewing Hahs to get the details of that project, the overall experience and if he'd recommend it to other distributors that own their facilities. I think sharing it as a case study can inform other distributors who are currently considering solar, or previously hadn't. I also invited Hahs onto the MDM Podcast to discuss his company's interesting non-solar developments, **which you can find here**.

Why Solar for AIS?

The impetus for Hahs considering rooftop solar was that AIS needed a solution for backup power. The distributor had experienced regular power outages of 2 to 3 hours in recent years that would take operations essentially completely down about one day per month, putting it 'dead in the water' as Hahs described to me as far as staff and customer access.

First, Hahs looked at gas and diesel-powered generators, which would come with a price tag of around $60,000. As he was collecting quotes for that, Hahs talked with AIS' information technology consultant, who asked if Hahs had ever considered a solar battery backup. That consultant had a contact who owns a residential and commercial solar consultancy — Andrew Ehernstein with Solar for Planet A — that partners with installation company Photon Brothers.



Environment America graphic showing the potential annual warehouse solar generation by U.S. state. Image Credit: OpenMapTiles.

© 2024 Modern Distribution Management. All rights reserved. Individual use license only.



AIS Construction & Industrial Supply's Denver, CO headquarters. Source: AIS

From there, Hahs enlisted the Solar for Planet A and Photon Brothers to come up with a solution. What they came up with was a combination of a rooftop solar installation plus four Tesla solar storage batteries.

Batteries themselves store a finite amount of power, but alongside a solar installation, they can recharge continually. This tends to be a better solution in cases of long power outages as opposed to generators, he said.

The Process

One of the first things anyone interested in going solar — residential or commercial — will want to research is what credits are available. Currently, the U.S. offers a 30% federal tax credit, which is an immediate major savings on any project. Beyond that, many states and even local municipalities offer further credits or rebates.

Next was calculating the ROI. Solar for Planet A determined that the solution proposed for AIS would likely pay for itself in less than 7 years, and anything after that would be legacy savings as rates for electricity would likely continually increase. This is why considering what electric rates will be 5 to 10 years down the road is an important part of the ROI math.



Dale Hahs

With the three AIS buildings set to have rooftop solar installed being nearly 80 years old and with outdated electrical systems, some infrastructure upgrades were required to support the solar and battery system.

The overall cost of AIS' installation was $260,000 — not including tax credits and rebates. It was turned on in December 2020. Early on after it went live, when AIS had a power outage in the summer of 2021, its air conditioners were drawing more power than the solar project could actively produce, resulting in a complete power outage once the system failed. However, going forward, AIS was able to get around this by installing an automatic shutoff so that the air conditioner would not be included in what gets powered back on by solar and the reserve batteries. Such shutoffs enable users to prioritize which systems are essential for powering through an outage.

The End Result

With fully charged batteries and using only essential power draws like computers, phones and lights AIS' solar installation can keep the company on from 1 to 2 days during a prolonged outage, Hahs told me.

While the cost savings from eliminating lost revenue from disruptions isn't easy to calculate, Hahs estimates that his solar and battery system saves him about $22,000 in profit for each outage.

Here are the specifics of AIS' solar and battery installation:

Total installation cost: $260,000
Credits & rebates: Federal – 30%; Accelerated Depreciation Expense cash value of approximately 18%; Colorado Enterprise Zone 0.6% credit of the total system cost.
Installation type: Roof-mounted on three buildings
Installation size: 90.4kW
Battery storage: 44kW
Projected return on investment: 6.4 years
Projected annual savings: $17,100
10-year internal rate of return: 12%
30-year Electricity Savings: $552,463
30-year ROI: 105.7%
Environmental impacts: Equivalent to saving 2,579 acres of trees; 245,552 gallons of gas; and 12 railcars of coal burned.
In 2023, 91% of AIS' electricity came from its solar panels
As of March 22, 2024, AIS' system has produced over 414,000 kWH of clean power.



A bird's-eye look at AIS' 90.4 kWH solar installation on one of the five buildings at its Denver, CO headquarters. Source: AIS

© 2024 Modern Distribution Management. All rights reserved. Individual use license only.

So, Was it Worth it?



Source: AIS

That was my key question for Hahs after learning everything about the project, as well as if he'd recommend other distributors look into doing something similar.

"Oh, totally," Hahs says without hesitation. "I don't think they're going to ever get hurt by it. If you figure out how to make it happen, it's just another good way to differentiate yourself and show that you care, and you're going to save money. Nobody's ever going to do any of this stuff unless it makes good business sense and unless it saves you money. That is the dry run of it. And then it's just nice to be a good steward of resources."

Hahs added that the installation gives AIS something impressive to show off to customers, job candidates and suppliers during facility tours.

"The Tesla batteries are one of the highlights of tours here. When people walk by, they go, 'What in the world is that? It looks like Star Wars.' It's really cool."

Words of Advice

Like with any major business investment, certain factors can make it a much more difficult process if not properly addressed — no matter how good the solution is. For solar, Hahs says part of what made the project smooth for AIS was having great partners. He noted that Solar for Planet A and Photon Brothers didn't hesitate to stop by and reconfigure AIS' system after every power outage to ensure its staff was using it correctly.

"You've got to have really good partners. Otherwise, it could be a nightmare if you have people who are not trustworthy and don't do what they say they will," Hahs notes.

Solar for Planet A and Photon Brothers have completed projects for several other distributors in California and Colorado, including Granite Imports and Anheuser-Busch distributor Advanced Beverage Company.

You can find a quick video from Photon Brothers **showing off the AIS installation here**.

Feeding More Sustainability Efforts

Hahs detailed that the solar installation led AIS to pursue more on the sustainability front. Shortly after the project was complete and turned on, a fellow distributor who was starting up a business consultancy informed Hahs about Certifiably Green Denver, which is a city-funded program that helps businesses receive a designation — upon evaluation. The designation allows companies to receive thousands of dollars in funds to make building upgrades that will reduce energy, waste and water usage.

From there, the AIS leadership team created a sustainability manual that the company follows in its journey to continue saving money while being environmental stewards. It's formed a 'Green Team' that meets once per month to discuss different aspects of adhering to Certifiably Green Denver's requirements.

Part of being Certified Green Denver includes an audit that helps businesses find ways to save energy. This includes a "Switch It Out" program that replaces old fluorescent light bulbs to LEDs. For AIS, it resulted in swapping LED bulbs and fixtures into all four of its five buildings — approximately $10,000 worth including labor — all paid by the program. There are undoubtedly numerous other locally-funded energy savings programs that distributors can take advantage of but not currently on their radar.

"That was an Xcel Energy program that we otherwise never would've known of," Hahs says. "There's a lot of money out there waiting in the wings for people to use. So you might as well figure out what programs there are and use it."

Other Distributor Solar Installations

Of course, AIS is hardly the only industrial distributor that has a rooftop solar installation. Here are a few examples from the large end of the company spectrum:

Grainger — The MRO supplies distributor has 7 megawatts worth of direct current solar panel installations at its U.S. distribution centers, according to its 2023 ESG Report. Those installations have resulted in more than 8,000 MW hours of renewable energy produced in 2022. And Grainger isn't satisfied with that. The report noted that in 2023 it added more large-scale solar installations, in addition to piloting smaller installations within the company's branch network.

"We believe sustainability and strong business performance are connected. That's why we are committed to investing in projects like solar panels, building management systems and hydrogen fuel cell-powered material handling equipment in our DCs," Grainger Senior Vice President and CFO Dee Merriwether said in the company's 2023 ESG report. "These initiatives both contribute to a greener planet and generate measurable financial results."

Grainger's 2023 ESG report was released on July 10, 2023, so the 2024 version is likely to release around that same date and provide an update on these installations and solar investments.

© 2024 Modern Distribution Management. All rights reserved. Individual use license only.



Source: AIS

Ferguson — The plumbing, HVAC, PVF and industrial supplies distributor's 2023 ESG report (released Oct. 11, 2023) stated that during the company's fiscal 2022 (Aug. 1 to July 31, 2022), Ferguson bought and installed a 1.1 MW solar array at its Perris, CA distribution center. It was the first instance of Ferguson owning renewable energy assets within its distribution network, and in its first year, the project offset 1,089 metric tons of CO2 emissions — equivalent to removing about 242 passenger cars from the road annually. Additionally, Ferguson purchased a solar array for its Phoenix DC that was expected to go online during the company's fiscal 2024 (which ends July 31).

Fastenal — The industrial and construction supplies distributor operates two large buildings equipped with solar power technology: one owned at the company's headquarters campus in Winona, MN and one leased in Dordrecht, Netherlands, according to the company's 2024 ESG report (released March 28).

Fastenal added that in 2024, the company expects to participate in the Environmental Protection Agency's Green Power Partnership to purchase and use solar and wind energy within its DCs and manufacturing locations.

The Final Word

Again, solar isn't for everyone. For some, it just doesn't make sense — based upon the amount of sun hours they receive per year and the kind of weather they get, particularly in winter. Numerous free calculators help determine this. Just Google 'solar calculator'. Facility roof type and the age of the facility are also determining factors. And especially important is what tax credits or rebates might be available to reduce the overall cost of the project.

But, distributors won't know if solar makes sense until they look into it. From what I can tell, it's at least worth checking out.

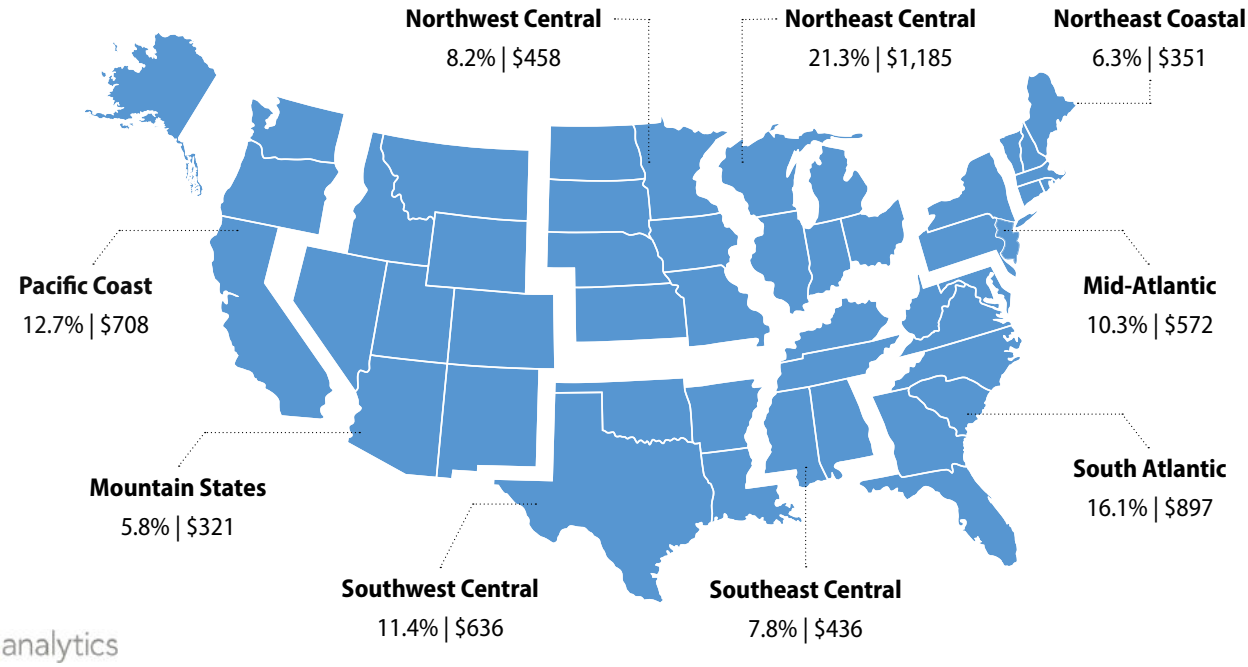
© 2024 Modern Distribution Management. All rights reserved. Individual use license only.

U.S. MARKET PROFILE

Motors Fractional

The estimated demand for Motors - Fractional in the U.S. in 2024 is $5.57 billion, according to MDM Analytics data. Estimates are end-user demand, in U.S. dollars, including distributor margin. The following segmentations show demand by the nine geographic regions, and the top 10 end-user customer segments driving demand for these products, as well as the number of accounts in each of the NAICS-code defined segments.

U.S. END-USER MARKET DEMAND FOR MOTORS FRACTIONAL BY REGION, $ MILLIONS (2024 EST.)



mdmanalytics

U.S. END-USER MARKET DEMAND FOR MOTORS FRACTIONAL: TOP 10 END MARKETS

Top 10 end markets in $ volume, by NAICS code and number of accounts, consuming motors fractional products (2024 est.)

NAICS	Customer Segment	Estimated Demand	Number of Accounts
333415	Air-Conditioning and Warm Air Heating Equipment and Commercial and Industrial Refrigeration Equipment Manufacturing	$988,195,488	2,665
238210	Electrical Contractors and Other Wiring Installation Contractors	$584,099,962	116,357
333310	Commercial and Service Industry Machinery Manufacturing	$408,835,994	8,246
335220	Major Household Appliance Manufacturing	$297,621,346	885
333914	Measuring, Dispensing, and Other Pumping Equipment Manufacturing	$236,057,167	1,373
334118	Computer Terminal and Other Computer Peripheral Equipment Manufacturing	$158,716,854	2,858
238220	Plumbing, Heating, and Air-Conditioning Contractors	$147,537,394	196,963
335210	Small Electrical Appliance Manufacturing	$144,789,382	929
333413	Industrial and Commercial Fan and Blower and Air Purification Equipment Manufacturing	$112,226,158	1,151
336390	Other Motor Vehicle Parts Manufacturing	$87,799,352	5,990

This market profile and segmentation was compiled by MDM Analytics, Niwot, CO. Learn more about MDM Analytics at www.mdm.com/analytics.
Source: www.mdm.com/mdm-analytics. © 2024 MDM Analytics. All rights reserved. Permission to reprint/share: info@mdm.com

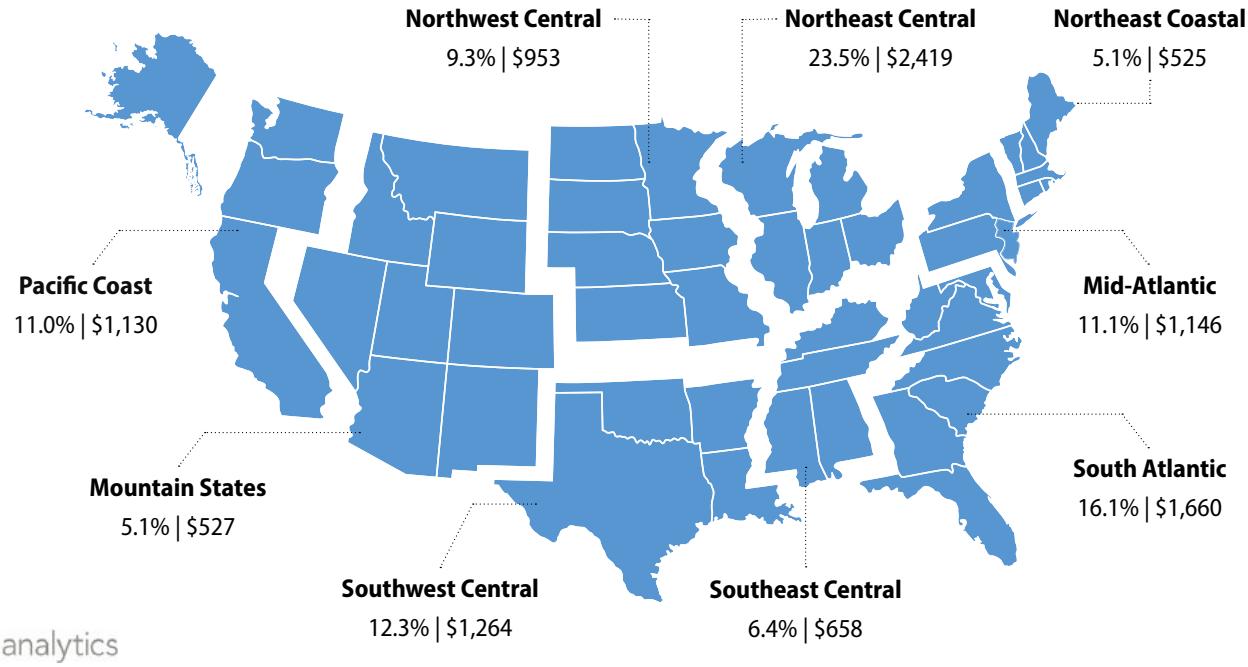
© 2024 Modern Distribution Management. All rights reserved. Individual use license only.

U.S. MARKET PROFILE

Motors Integral

The estimated demand for Motors - Integral in the U.S. in 2023 is $10.28 billion, according to MDM Analytics data. Estimates are end-user demand, in U.S. dollars, including distributor margin. The following segmentations show demand by the nine geographic regions, and the top 10 end-user customer segments driving demand for these products, as well as the number of accounts in each of the NAICS-code defined segments.

U.S. END-USER MARKET DEMAND FOR MOTORS INTEGRAL BY REGION, $ MILLIONS (2024 EST.)



mdmanalytics

U.S. END-USER MARKET DEMAND FOR MOTORS INTEGRAL: TOP 10 END MARKETS

Top 10 end markets in $ volume, by NAICS code and number of accounts, consuming motors integral products (2024 est.)

NAICS	Customer Segment	Estimated Demand	Number of Accounts
333415	Air-Conditioning and Warm Air Heating Equipment and Commercial and Industrial Refrigeration Equipment Manufacturing	$1,393,126,683	2,665
238210	Electrical Contractors and Other Wiring Installation Contractors	$1,344,177,731	116,357
333914	Measuring, Dispensing, and Other Pumping Equipment Manufacturing	$702,030,393	1,373
333120	Construction Machinery Manufacturing	$698,413,567	3,912
333248	All Other Industrial Machinery Manufacturing	$486,703,284	3,946
322120	Paper Mills	$397,704,998	2,129
333413	Industrial and Commercial Fan and Blower and Air Purification Equipment Manufacturing	$383,439,862	1,151
333310	Commercial and Service Industry Machinery Manufacturing	$272,608,878	8,246
238220	Plumbing, Heating, and Air-Conditioning Contractors	$260,247,015	196,963
333912	Air and Gas Compressor Manufacturing	$247,628,375	727

This market profile and segmentation was compiled by MDM Analytics, Niwot, CO. Learn more about MDM Analytics at **www.mdm.com/analytics**.
Source: **www.mdm.com/mdm-analytics.** © 2024 MDM Analytics. All rights reserved. Permission to reprint/share: **info@mdm.com**

© 2024 Modern Distribution Management. All rights reserved. Individual use license only.