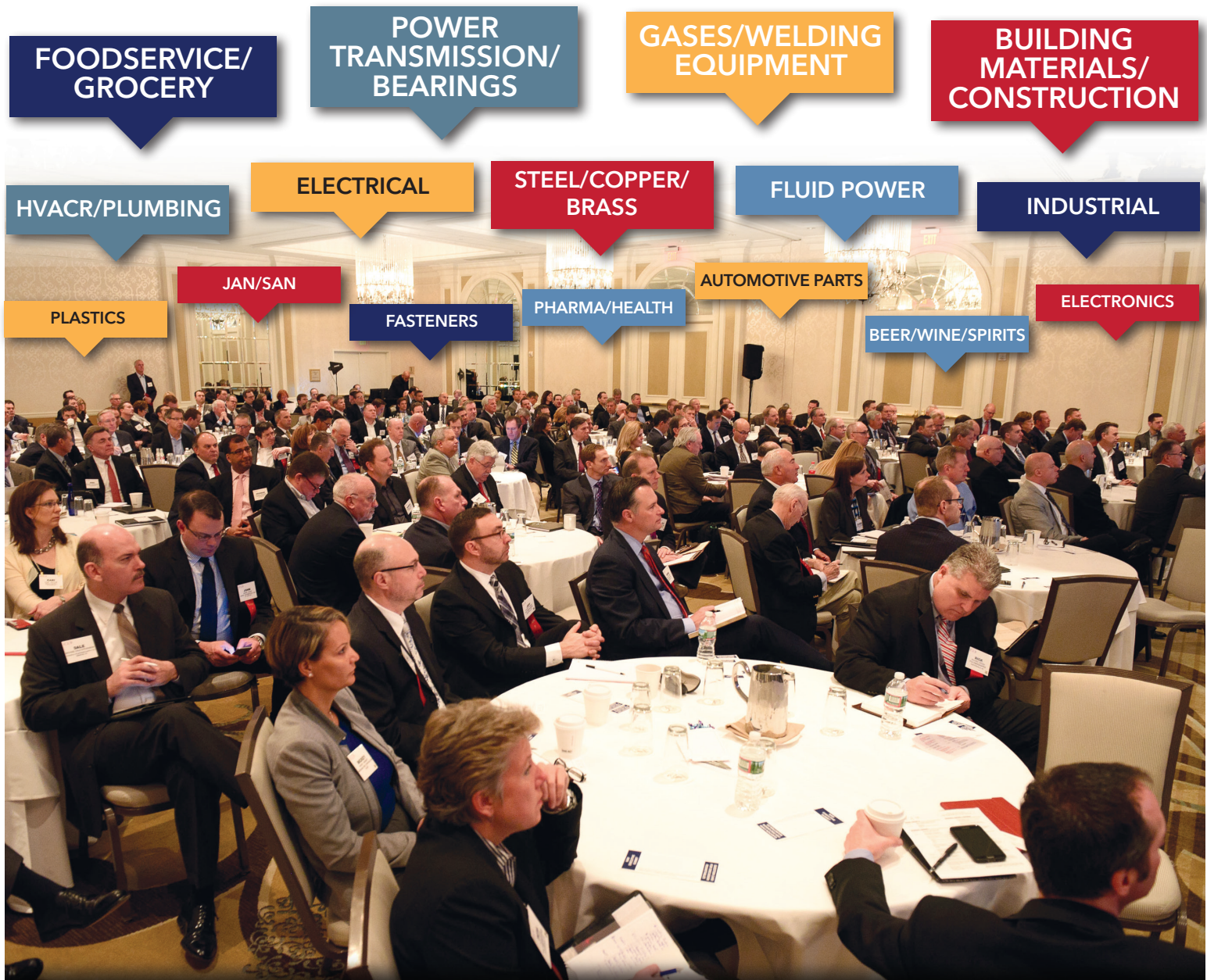


NAW Represents the \$5.3 Trillion Dollar Wholesale Distribution Industry



National Association of Wholesaler-Distributors
ANNUAL REPORT 2016

N · A · W

NATIONAL ASSOCIATION OF
WHOLESALE-DISTRIBUTORS

OUR MISSION STATEMENTS

NATIONAL ASSOCIATION OF WHOLESALE-DISTRIBUTORS

To advocate its members' interests on national public policy issues that affect the entire wholesale distribution industry. NAW assists merchant wholesaler-distributors to be the most efficient channel for bringing goods to market through benchmarking, strategic management information, networking, and high-level conferences. NAW serves as a mechanism, through its Association Executives Council, for the sharing of ideas, programs, and skills among the organization's member national associations.

NAW POLITICAL ACTION COMMITTEE

To advance the election of pro-business candidates to federal office. The NAW Political Action Committee seeks to mobilize the involvement of wholesaler-distributors in the federal electoral process through financial contributions and political education activities, including candidate endorsements and get-out-the-vote programs.

NAW INSTITUTE FOR DISTRIBUTION EXCELLENCE

To sponsor and disseminate research into strategic management issues affecting the wholesale distribution industry. The NAW Institute for Distribution Excellence aims to help merchant wholesaler-distributors remain the most effective and efficient channel in distribution.

NAW SERVICE CORPORATION

To sponsor industry-wide service and product offerings that benefit wholesaler-distributors.

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AS THIS YEAR'S ANNUAL REPORT cover portrays, NAW represents all lines of trade in the \$5.3 trillion dollar wholesale distribution Industry. NAW is uniquely positioned to be your connection with other leading wholesaler-distributors across the industry and across the country. NAW provides you with direct access to wide-ranging industry intelligence and services, and with powerful networking and benchmarking with your peers throughout the industry.

If your company is already an NAW Direct Member, you can be assured that NAW will remain your advocate so that wholesale distribution can continue to be the most efficient and effective channel in the supply chain.

If you're considering Direct Membership in NAW, please know that NAW provides real value to your business in so many ways. In serving your business, NAW

- advocates your interests before the government
- convenes high-level roundtables and conferences where you and your peers across the industry can roll up your sleeves and candidly discuss the business challenges that keep you up at night
- produces groundbreaking, distribution-specific research and strategic management best practices that help you drive higher levels of performance and profitability, and maintain your lead over your competition
- gives you access to leading-edge products and services highly valued by your industry peers.

This Annual Report is in part a recap of the 12 months past. But more important, it is full of ideas, opportunities, and promise for the remainder of 2017.



Richard W. Schwartz, Chairman of the Board of Winsupply Inc., (standing left) served as NAW 2016 Chairman of the Board; **John M. Tracy**, Executive Chairman of Dot Foods, Inc., (seated) serves as NAW 2017 Chairman of the Board; and **Dirk Van Dongen** is NAW President.

On the following pages, we expand upon areas of opportunity and engagement available to NAW Direct Members, including:

- Best-of-the-Best Peer Networking
- Government Relations and Political Action
- Leading-edge Industry Intelligence and Thought Leadership
- Cost-saving Business Services.

Within these covers, you'll find many ways where NAW can assist your company so that you and your team can capture the full benefits of NAW Direct Membership. Bookmark the NAW website and visit it often at <http://www.naw.org>.

Please stay connected with NAW. We look forward to working with you.

A handwritten signature in black ink, reading "Rick Schwartz".

Richard W. Schwartz
NAW 2016
Chairman of the Board

A handwritten signature in black ink, reading "John M. Tracy".

John M. Tracy
NAW 2017
Chairman of the Board

A handwritten signature in black ink, reading "Dirk Van Dongen".

Dirk Van Dongen
NAW President

State of the WHOLESALE DISTRIBUTION INDUSTRY

TOTAL U.S. WHOLESALE TRADE during the 12 months through November 2016 totaled \$5.3 trillion, down 0.9% compared to the level one year ago. Low commodity prices in 2016 created headwinds for many wholesaler-distributors as they felt the pain of declines in the dollar value of revenues related to Wholesale Trade of Petroleum, and Wholesale Trade of Metals and Minerals, down 14.7% and 12.8%, respectively. However, not all wholesaler-distributors shared the same experience. Total U.S. Wholesale Trade excluding Petroleum, Metals, and Minerals (up 1.2% year-over-year) avoided a recession altogether, supported by the growth in consumer-facing segments. Such segments include Wholesale Trade of Lumber and Other Construction Materials (up 6.5% year-over-year), Wholesale Trade of Furniture and Home Furnishings (up 6.2%), and Wholesale Trade of Hardware, Plumbing, and Heating Equipment and Supplies (up 4.3%). U.S. Wholesale Trade Employment averaged

5.9 million workers in 2016 as a whole, up 0.9% from the 2015 level. However, the pace of growth is slowing.

U.S. Wholesale Trade of Durable Goods is 0.3% above the year-ago level. The pace of growth is expected to pick up throughout 2017, supported by generally rising commodity prices and increasing business-to-business (B2B) activity. Annual U.S. Wholesale Trade of Nondurable Goods is rising, but remains 1.9% below the year-ago level. Expected rise in Oil Prices and increasing consumer spending will support Nondurable Goods in 2017.

**FIGURE 1: KEY U.S. INDUSTRIES
SHARE OF GDP**

Finance, Insurance, Real Estate	20.6%
Manufacturing	11.7%
Health Care	7.4%
Wholesale Trade	5.9%
Retail Trade	5.8%
Construction	4.2%
Mining	1.5%

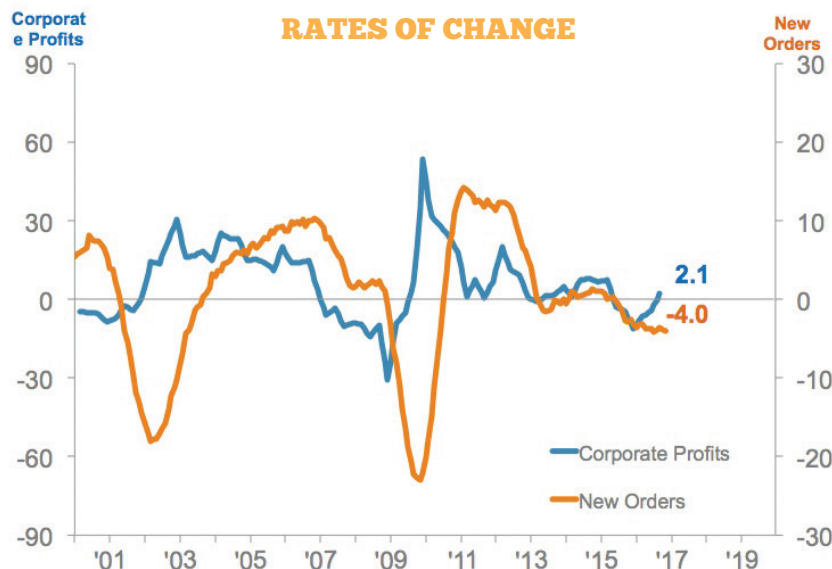
As shown in **Figure 1**, declining commodity prices have caused contraction in Wholesale Trade and Mining, reducing their respective share in the economy, while industries such as Finance, Construction, and Health Care gained share. The Wholesale Trade industry itself accounts for about 5.9% of the overall economy (Source: Bureau of Economic Analysis). Additionally, wholesaler-distributors are an integral part of the supply chain in other, larger sectors of the economy such as Manufacturing and Health Care.

A STRONGER U.S. ECONOMY IN 2017

2016 was not a strong year for many components of the U.S. industrial economy. Average annual U.S. Mining Production, down 9.0% since last year, was depressed by low Oil Prices that stemmed from a supply glut and slower growth in World Industrial Production. Average annual U.S. Electric and Gas Utilities Production, currently down 0.7%, struggled due to unusually warm El Niño weather and slower growth in U.S. Manufacturing Production. This limited growth for many businesses related to the energy and utilities industries. However, consumer strength kept average U.S. Manufacturing Production above the year-ago level throughout 2016; Manufacturing Production for 2016 is up 0.3% from last year. Consumer spending, which accounts for more than two-thirds of U.S. economic activity, kept U.S. Real GDP expanding throughout 2016. GDP is rising at a seasonally adjusted annualized rate of 1.9% despite the negative pressures from U.S. Industrial Production and U.S. Nondefense Capital Goods New Orders, a measure of B2B activity.

The leading indicator evidence is pointing toward a stronger U.S. macroeconomy in 2017. The ITR Leading Indicator rose for the 11th consecutive month in December, signaling that positive business cycle momentum for U.S. Industrial Production is likely to extend into at least the third quarter of 2017. Expect consumer strength to persist throughout 2017, driven by a strong labor market and consumer savings. U.S. Total Retail Sales (deflated) is one way to analyze consumer strength. Retail Sales during the 12 months through December rose 2.0% compared to the previous year. Although the pace of growth in U.S. Total Retail Sales is currently slowing, expect Retail Sales to grow at an accelerating pace from mid 2017 into early 2018. Consumers are benefitting from rising U.S.

FIGURE 2: U.S. CORPORATE PROFITS TO U.S. NONDEFENSE CAPITAL GOODS NEW ORDERS (EXCLUDING AIRCRAFT)



other leading indicators pointing toward improving business conditions. Good things happen within the U.S. economy when Corporate Profits are in a cyclical rising trend. We have been waiting for the U.S. Nondefense Capital Goods New Orders trend (excluding aircraft) to turn definitively upward. **Figure 2** shows that the general cyclical rise in the New Orders rate-of-change since a July 2016 low is likely to continue given the rising Profits trend. Annual rise for New Orders is consistent with our forecast that Nondefense Capital Goods New Orders (excluding aircraft) in 2017 will come in 4.6% higher than during 2016. Additional rise in the New Orders data is projected for the first half of 2018.

Private Sector Employment (up 1.9% from the level one year ago) and increasing U.S. Real Disposable Personal Income (up 2.8%). The rate of U.S. Overall Wage Growth is at 3.5%, which outpaces inflation of 2.1%. Inflation is virtually identical to the Federal Bank's target level of 2.0%. Low inflation, low interest rates, high levels of employment, and general upward momentum in wages suggest increased consumer spending in 2017. In addition, annual U.S. Personal Savings as a Percentage of Disposable Income rose from a December 2013 low to August 2016 thanks in part to a strong labor market and low inflation over that time period. The Savings Percentage leads U.S. Retail Sales by two years, thus the previous period of upward momentum in the Savings Percentage bodes well for U.S. Retail Sales in the coming years. All of this suggests that wholesaler-distributors should be prepared to capitalize on the accelerating growth trend in consumer spending in the majority of 2017 and into early 2018.

Wholesaler-distributors should also prepare for rise in B2B activity and business investment. The Corporate Profits trend is positive and additional rise is probable, which means the potential for ongoing expansion in the U.S. economy is high and more opportunities for those businesses that are positively correlated to Corporate Profits. The profit level is 2.1% higher than this time last year and 8.7% above the December 2015 business cycle low. The rise in quarterly growth rate is not over, which means the cyclical momentum for Profits is positive. Further quarterly growth is probable based on the track record for this data series as well as

Increased consumer spending will support growth in U.S. Total Industrial Production in 2017 and 2018. Rising U.S. Corporate Profits will alleviate negative pressures for B2B activity, allowing for capital investments to rise imminently, ahead of interest rates. Businesses need to be ready to accommodate increased activity to prevent losing market share; monitor your inventory levels and communicate your needs to your suppliers. Hiring, training, and retaining employees will be especially important in the upcoming business cycle as a tight labor market makes it difficult for firms to find and keep qualified employees. Opportunities for market expansion across both consumer and industrial segments of the economy are not always present at the same time. Plan accordingly to catch the windfalls of accelerating growth across most sectors of the U.S. economy in 2017.



This article was written by Alan Beaulieu, NAW Senior Economic Adviser, and President of ITR Economics; and Ben Thompson, an economist at ITR Economics. For additional information, please call 603-796-2500 or visit <http://www.itreconomics.com>.

NAW Networks You with BEST-IN-CLASS PEERS

AS A FEDERATION OF ASSOCIATIONS representing all lines of trade in the wholesale distribution industry, NAW is uniquely positioned to be your gateway to a comprehensive and cooperative exchange of valuable information and services among noncompeting peers within the NAW membership. What makes NAW so different from other associations are the dynamic programs that are individually designed to promote networking and benchmarking for you and your peers across the entire industry.

Understanding wholesaler-distributors' focus on growth, profitability, and operational excellence, NAW provides "best-in-class peer networks," which are designed to find innovative solutions to today's business problems. It is through these NAW networking opportunities that wholesale distribution executives can meet with and learn from noncompeting peers. To learn more, visit <http://www.naw.org/memberbenefits/mindex.php>.

"WHY I AM AN NAW MEMBER" VIDEO INSIGHTS FROM WHOLESALE DISTRIBUTION TOP EXECS

NAW recognizes that the most valuable perspectives come directly from the wholesale distribution leaders who have participated in NAW programs and can explain the value they receive from membership. The Membership Insights page is an excellent resource to hear directly from wholesale distribution CEOs and other C-suite executives on the value they have found in the NAW Membership experience. To learn more, visit: <https://solutions.naw.org/membership-insights/>.

Executives from large and billion dollar companies talk about the challenges and opportunities they tackle every day. Pictured left to right are **Wes Clark**, Chairman of MORSCO; **George Pattee**, Chairman of Parksite Inc.; **Scott Teerlinck**, President of Werner Electric Supply Co.; and **Ron Calhoun**, President and CEO of The Palmer Donavin Mfg. Co.



I loved the NAW Billion Dollar CEO Roundtable and have already signed up for next year! For someone who has spent their entire career in wholesale distribution, it is both an honor and a privilege to have this kind of access to the smartest minds and greatest leaders in the business.

DAN TINKER
President and COO, SRS Distribution Inc.

TARGETED ROUNDTABLES PROMOTE NETWORKING AND BENCHMARKING

NAW Members consistently rate "networking" and "information sharing" with the best minds in the industry as two of the most valuable benefits of NAW Membership. To address the needs of the senior executive leadership in specific sized companies is why NAW created the Billion Dollar Company Program (companies with sales of \$1 billion or greater) and Large Company Program (companies with sales of \$100 million to \$999 million). NAW Members consider benchmarking and networking with noncompetitors from other lines of trade as strategic tools to improve efficiency and effectiveness while driving innovation for their distribution enterprises. This is why you and your peers rely on NAW events for practical, industry-wide knowledge and information from experts in the distribution industry. NAW will find peers who are noncompetitors that have already solved the issues you are currently engaged in. We save you time and money by not reinventing the wheel.

MAKING THE MOST OF YOUR VALUABLE AND LIMITED TIME

Something wholesale distribution executives tell us they have the least of is “time.” NAW events are short and information packed so that a time commitment is minimal. There is enough time built in at NAW events for both learning and networking in a friendly setting that welcomes information exchange. Our Billion Dollar Company and Large Company Roundtables take place at the Hilton O’Hare in Chicago, which allows for quick in-and-out access for Roundtable participants.


The NAW Executive Summit, which is open to all NAW wholesaler-distributors and other interested parties, is held annually at the end of January in Washington, DC.

NAW BILLION DOLLAR COMPANY EXECUTIVE ROUNDTABLES

In 2016, NAW held 11 daylong events for the most-senior executives from our Billion Dollar Company Members. The programming in each of NAW’s Networking Roundtables allows industry executives to overcome today’s business obstacles and tackle tomorrow’s challenges. Our Members tell us they find our unique and exclusive Roundtables invaluable, because they gain business intelligence and real networking with peers who are not competitors. In fact, many top executives from our Member Companies tell us that NAW events are “burned into their calendars” because of the ROI they receive from being an active participant. The many opportunities and challenges within the distribution industry make NAW Roundtables the desired destination among best-in-class Billion Dollar Company executives. There are five semi-annual Billion Dollar Company Roundtables and one annual Billion Dollar Company CEO Roundtable. The 2017 dates are below, and all events are held at the Hilton O’Hare Chicago.

- **Billion Dollar Company CEO Roundtable** (October 11-12, 2017)
- **Billion Dollar Company CFO Roundtable** (June 6-7, 2017 and December 5-6, 2017)
- **Billion Dollar Company CIO Roundtable** (June 6-7, 2017 and December 5-6, 2017)
- **Billion Dollar Company Chief Legal Officer Roundtable** (May 16-17, 2017 and November 14-15, 2017)
- **Billion Dollar Company HR Roundtable** (May 16-17, 2017 and November 14-15, 2017)
- **Billion Dollar Company Operations Roundtable** (May 16-17, 2017 and November 14-15, 2017)

To learn more about the Billion Dollar Executive Roundtables, visit <http://solutions.naw.org/events>.

 The most valuable 24 hours NAW provides each year. This NAW Large Company CEO Roundtable provides instant action on good ideas.

MARK KRAMER
President and CEO, Laird Plastics

NAW LARGE COMPANY EXECUTIVE ROUNDTABLES

NAW Large Company Executive Roundtables (for NAW Member Companies with sales of \$100 million to \$999 million) attract wholesale distribution executives looking to augment networking opportunities beyond their traditional industry segment.

The NAW Large Company CEO Roundtable is the leading event for companies of this size, and the CEO community has a vested interest in the Roundtable’s content, since meeting topics are derived from survey responses from Large Company CEOs. This investment in content selection ensures that Roundtable Members are fully engaged and the issues of highest priority are addressed.

NAW also holds the Large Company CFO Roundtable, which focuses on specific needs of CFOs and the most senior financial executives, and the Large Company Operations Roundtable, which tackles the pressing issues of improving warehouse and logistics operations.

The Large Company CEO Roundtable is held annually, and the Large Company CFO and Operations Roundtables are held semi-annually. The 2017 dates are below, and all events are held at the Hilton O’Hare in Chicago.

- **Large Company CEO Roundtable** (September 26-27, 2017)
- **Large Company CFO Roundtable** (May 2-3, 2017 and November 1-2, 2017)
- **Large Company Operations Roundtable** (May 2-3, 2017 and November 1-2, 2017)

To learn more about the Large Company Executive Roundtables, visit <http://solutions.naw.org/events>.

"ASKNAW"®: BRING THE VALUE OF PEER NETWORKING TO YOUR DESKTOP

AskNAW is an NAW Direct Members Only online platform that enables Members the ability to receive a clear answer quickly from the top executives within the wholesale distribution industry. As an NAW Member, you will log in, select who you would like to receive your question (for example, Human Resources Executives, CFOs, CIOs, etc.) and pick the best sales volume range that reflects your sales volume. Then you will enter your anonymous question. The advantages of AskNAW over other "online forums" is that questions are anonymous, you pinpoint whom within the wholesale distribution industry you wish to target, and the answers to your question come directly to your inbox almost instantly.

NAW Direct Members who use AskNAW tell us it is one of their most valuable "need-to-know" tools for getting comparison data and real-time information beyond their traditional lines of trade. To learn more, visit <http://www.naw.org/asknaw>.

Here are some typical questions posed by distribution executives who used AskNAW to get answers:

- What kind of average employee turnover numbers are you seeing within your company/industry?
- What do you spend on corporate office occupancy expense (all in) as a percent of top-line sales? I'm seeking some benchmarks, and all areas of wholesale distribution are welcome.
- I am looking for warehouse consultants who can help us in planning/upgrading/improving our current physical facilities to improve our operations. I especially want to talk with folks who have experience with difficult items (bulky, large) mixed with ordinary conventional items. If you could please share contact information and recommendations that would be most appreciated. Also indicate if you distribute bulky and large items.
- We are looking for a trainer or consultant to teach fundamentals of negotiation to our salesforce. Has any NAW Member had a successful experience doing negotiating training, and if so, would you be willing to share that individual's contact information?



Sharing ideas are left to right: **Jonathan Peters**, President and COO of C.H. Briggs Company; **John-Allen Waldrop**, Corporate Counsel of Winsupply Inc.; and **Steen Hansen**, President and CEO of Bossard North America Inc.

I have been attending the NAW Billion Dollar CEO Roundtable for many years. What makes these meetings unique is the chance to learn how other companies are dealing with similar strategy, policy, and operating issues. The agendas are filled with current topics important to all distribution executives, and the outside experts who speak are very insightful.

JIM RYAN
Chairman, W.W. Grainger, Inc



In discussion are **Bob Taylor**, President Emeritus of Do it Best Corp.; and **Jayne Millard**, CEO of Turtle & Hughes Inc.

NAW Networks You with GOVERNMENT AND THE ELECTORAL PROCESS

7



YOUR VOICE IN OUR NATION'S CAPITAL

A PRINCIPAL BENEFIT OF YOUR NAW DIRECT MEMBERSHIP is the networking NAW conducts on your behalf with the federal government. NAW engages the legislative, regulatory, and judicial processes through direct and grassroots advocacy, coalition leadership and participation, and involvement in legal actions in the federal courts. All of these efforts connect the wholesale distribution industry with federal policy makers whose decisions impact the everyday operations of wholesale distribution companies. To learn more, visit <http://www.naw.org/govrelations/gindex.php>.

DIRECT ADVOCACY

The mission of the NAW government relations team is to convey the wholesale distribution industry's views to the legislative and executive branches of the federal government, and to identify opportunities for the advancement of NAW's federal public policy agenda. Despite Republican majorities in the House and Senate, opportunities to advance NAW's pro-business agenda during the Second Session of the 114th Congress were limited by two realities:

- a Republican majority in the Senate that fell six votes short of the 60-vote super-majority needed to limit debate and complete action on legislation
- majorities in both houses that were not nearly sufficient to override presidential vetoes.

Despite the continuing challenges, some legislative progress was made in 2016. The hurdles presented by a politically divided government, exacerbated by an Administration intent on "pushing the envelope" in exerting the president's executive authority, combined to require NAW to focus on restraining executive branch over-reach—that is, the Administration's regulatory activism and liberal use of executive orders to pursue its policy agenda.



NAW's rack of advocacy positions makes the group a lobbying clearinghouse for Washington industry groups and a key member of any pro-business coalition inside the Beltway...

In recent years, the group has become a behind-the-scenes force in business policy debates and major legislation...

CEO UPDATE

COALITIONS: USING THE STRENGTH OF OUR INDUSTRY

NAW is a leader in organizing and managing coalitions to address the wholesale distribution industry's national public policy priorities. Wholesale distribution's economic and political "footprint" is national in scope: NAW-affiliated companies and their employees are present in all 50 states and 435 congressional districts, a uniquely formidable constituency when fully and effectively engaged. When allied through NAW with other like-minded organizations and their networks, the potential for success multiplies several fold.

“NAW's political operation is vast and powerful, tackling issues from health care reform to taxes.

THE HILL NEWSPAPER

GRASSROOTS ADVOCACY: CONSTITUENTS BACK HOME SPEAK TO CONGRESS

Timely involvement in the legislative process from wholesaler-distributors "back home" in the states and districts of Senators and Representatives is indispensable to the achievement of favorable legislative results under the Capitol dome. NAW's principal grassroots advocacy tool is the Internet-based E-Alert Program through which NAW communicates with senior management of both NAW Direct Member companies and member companies of cosponsoring NAW-affiliated Member Associations. They, in turn, communicate with their federal legislators on important issues moving through the legislative process. Distributors can easily identify appropriate federal legislators, conveniently craft a written advocacy message to them, and deliver it quickly when it is needed the most.

The Washington Action Network (WAN) catalogs the personal relationships that exist between individual wholesaler-distributors and Members of both houses of Congress. WAN enables the NAW government relations team to tap the distribution industry's top-level "grass tops" contacts with Representatives and Senators at the most critical points in legislative initiatives. Participation in WAN is also open to NAW Member Associations that opt to cosponsor the WAN program.



The NAW-PAC reception and dinner were well attended with Members of Congress joining in the evening. Here **Rep. Todd Rokita** (R-IN-4) chatted with a resident of his state, **Andre Lacy**, Chairman of LDI Ltd.

POLITICAL ACTION: BECAUSE ELECTIONS HAVE CONSEQUENCES

Pro-business legislative victories depend first and foremost on having women and men in Congress who will cast pro-business votes and lead on business issues. The NAW Political Action Committee (NAW-PAC) exists to make the presence of the wholesale distribution industry distinctly felt in the political process by providing distribution executives with an important avenue for political action on behalf of business-friendly candidates for the Senate and House of Representatives.

NAW-PAC maintains both a Political Action Fund (PAF) and a Corporate Political Education Fund (PEF). The corporate contributions that PEF receives fund wholesaler-distributor voter registration and get-out-the-vote ("GOTV") initiatives, enabling NAW-PAC to contribute to federal candidates every cent of every "hard dollar" that PAF raises.

PAF, which given its purpose, may accept only personal money voluntarily contributed (individuals may contribute up to \$5,000 per year to a trade association's political action committee), will contribute to as many pro-business candidates for federal office as the provided resources will allow. NAW-PAC was committed as always to the election of pro-growth, pro-free enterprise candidates in the 2016 national election cycle with the goal of strengthening the pro-business majorities in both houses of Congress.



U.S. Representative Ann Wagner (R-MO-2) visited with **Mike Medart**, President and CEO of Medart Engine & Marine, which is headquartered in Missouri, during the January 2017 NAW-PAC reception.

POLICY AGENDA: SERVING OUR MEMBERS' INTERESTS

Although Republicans controlled both houses of Congress as the First Session of the 114th Congress gave way to the Second, because 2016 was a presidential and congressional election year, prospects for a legislatively productive congressional session were muted from the start.



Giving special remarks during the NAW-PAC dinner was **Senator Cory Gardner** (R-CO).

“NAW has exceeded my expectations and is probably one of the best values for the money that we’ve invested in a long time.”

W. GRADY ROSIER
President and CEO, McLane Company Inc.

RULEMAKING AND THE REGULATORY AGENDA

With little hope for the advancement of its legislative agenda in a politically hostile Congress in an election year, the Obama Administration continued in 2016 to pursue a regulatory agenda that adversely impacted the ability of wholesaler-distributors to manage their businesses as they see fit. The most vigorous and concerning activity was again mounted by the Department of Labor and the National Labor Relations Board.

In response to the regulatory threat in the labor area, the Coalition for a Democratic Workplace (CDW) and the Partnership for the Protection of Workplace Opportunity (PPWO), business coalitions that NAW helps manage that were organized to push back against the regulatory onslaught, committed extensive time and resources to fighting the regulations and case decisions that threaten employers' ability to manage their own places of business.

NAW and many of our Member Associations have lent their names to amicus briefs, court challenges, and comments on rulemakings. NAW has also worked with Congress on legislation and hearings responding to the labor regulatory agenda. A number of the most onerous regulations, including the so-called “Persuader” rule and the overtime/FLSA rule, were blocked by court-ordered injunctions in 2016.

NAW Networks You with INDUSTRY INTELLIGENCE AND THOUGHT LEADERSHIP

ONLY NAW REGULARLY CONNECTS YOU with the finest industry intelligence and thought leadership so you can benefit from the best thinking about wholesale distribution.

NAW INSTITUTE FOR DISTRIBUTION EXCELLENCE



The NAW Institute for Distribution Excellence is a leading provider of research exclusively for and about the wholesale distribution industry. The NAW Institute conducts research into strategic management issues with best practice distributors, and we publish leading-edge studies, reports, white papers, and other publications with practical application for wholesale distribution firms of all sizes and across all lines of trade. No other organization can replicate across all lines of trade what the NAW Institute offers. To see all NAW Institute publications, visit <http://solutions.naw.org/publications/>.

VIDEO: Learn why wholesale distribution leaders rely on NAW Institute research studies: <https://www.youtube.com/watch?v=r50cx8HCDVc>.

COUNCIL FOR RESEARCH ON DISTRIBUTOR BEST PRACTICES

The NAW Institute for Distribution Excellence and Texas A&M University are engaged in an alliance dedicated to further the understanding and application of best practices in wholesale distribution. This alliance created the Council for Research on Distributor Best

CRDBP

**COUNCIL FOR RESEARCH
ON DISTRIBUTOR BEST PRACTICES**

An Alliance of the NAW Institute & Texas A&M University

Practices (CRDBP). Its mission is to create strategies for competitive advantage for distributors through development of research, tools, and education.

The CRDBP organizes and operates educational consortia on important business topics for interested wholesale distribution companies of all sizes and lines of trade, followed by publication of the in-depth consortia findings. To learn more and view consortia publications, visit <http://www.naw.org/crdbp/about.php>.

NAW BLOG DISTRIBUTING IDEAS

Distributing Ideas

THE NAW BLOG

Another avenue where NAW shares thought leadership with wholesale distribution executives is through the NAW Blog *Distributing Ideas*. Guest bloggers, NAW Institute authors and Fellows, and NAW staff discuss a variety of hot topics specific to wholesale distribution. To read blog posts and subscribe to blog series, visit <https://solutions.naw.org/blog/>.

NAW SmartBrief—YOUR NEED-TO-KNOW NEWS

NAW SmartBrief

NAW SmartBrief is THE smart way to stay on top of wholesale distribution news and trends. This is the free e-newsletter that 25,000 distribution executives depend on for the latest industry information. Delivered daily to your inbox, each issue contains links to full-length business strategic management and trends articles. Sections cover Top Industry Story, Operations and Technology, Sales and Marketing, Hot Topics, The Business Leader, Policy Watch, NAW Insider, and the NAW Career Center. To sign up, visit <http://www.smartbrief.com/naw>.



VIDEO: Learn why distributors count on NAW SmartBrief to stay informed on the latest industry news: <https://www.youtube.com/watch?v=RCtZ3JKKGHY>.

NAW INSTITUTE WEBINARS

NAW Institute Webinars are a short-form method to share valuable industry information with wholesaler-distributors of all sizes and lines of trade on important topics of the day. NAW Institute Webinars feature industry subject matter experts and are free, interactive, and available for viewing live or via on demand. Watch these webinars anytime at <http://www.naw.org/institute/webinars.php>.

- **Navigating the Seas of Disruption to Achieve Profitable Growth: Part 3 - The Science of Pricing**
- **Maximizing Profits: You Get What Your People Can Negotiate**
- **Robotic Process Automation in Wholesale Distribution**
- **Navigating the Seas of Disruption to Achieve Profitable Growth: Part 2 - Leveraging Technology**
- **Digital Transformation in Wholesale Distribution**
- **Navigating the Seas of Disruption to Achieve Profitable Growth: Part 1 - A Modern, Customer-Centric World**
- **Case Study: How PrimeSource Building Products Created a Digital Platform to Empower Their Sales and Support Teams**
- **How to Build an Effective and Proactive Selling Program**
- **Mergers & Acquisitions for Distributors: Realizing Full Value When Selling Your Business**
- **Global Chargebacks for Wholesale Distribution: From Dream to Reality in 13 Months**
- **Reaping the Benefits of Invoice Excellence**
- **Realizing Revenue and Profitability Growth for Wholesaler-Distributors**
- **Getting Results from Your Digital Investments**

Let us know what topics you would like to see become the subject of a future webinar. Write to naw@naw.org.

PROFESSIONAL EDUCATION THAT IS PERFECTLY TUNED FOR DISTRIBUTION RISING STARS

Who Are YOUR Rising Stars?

June 19-23, 2017
The Ohio State University
Columbus, OH

NAW's 2017 Distribution Program for Rising Stars

Professional development is a vital component for your company's success and your own success. When you gain new tools to succeed, you add to your entire team's knowledge and you boost your own job satisfaction. These are two reasons why leading distribution firms send teams to NAW's Distribution Program for Rising Stars, in partnership with The Ohio State University. To learn more, visit <http://www.naw.org/risingstars17>.

VIDEO: Learn why leading distributors use the Rising Stars Program as part of their professional development program: <https://www.youtube.com/watch?v=EgaTWMcjoKI>.



During NAW's Distribution Program for Rising Stars every June, dozens of high-potential leaders come together for one week of comprehensive study with award-winning Ohio State faculty on the business of wholesale distribution.

NAW CAREER CENTER—YOUR FULL-SERVICE PLATFORM FOR FINDING THE BEST TALENT

Through this enhanced NAW Career Center, you can reach the best distribution talent. You may post your jobs online quickly and easily, search the resume database or set up alerts to be e-mailed to you, and manage your applications and receive valuable reporting information. To learn about the advanced features and job-posting packages—including featuring your jobs in *NAW SmartBrief*—visit the NAW Career Center at <http://careers.naw.org/employers/>.

NAW Networks You with BUSINESS SERVICES

NAW NETWORKING also means connecting wholesaler-distributors with business services that reduce their operating costs.

The NAW Service Corporation leverages the collective purchasing power of firms across the wholesale distribution industry to find and offer high-quality business services designed to meet the specific needs of wholesaler-distributors at very favorable prices. To learn more, visit www.naw.org/busservices/bindex.php.

HEALTH CARE BENEFITS AND BUSINESS INSURANCE



NAW offers a partnership that brings innovative employee benefits, and property and casualty insurance solutions to firms in the wholesale distribution industry through its strategic partnership with Arthur J. Gallagher & Co., one of the largest insurance brokerages in the world. Developed over an 18-month period, this partnership offers your firm benefit solutions—including a private health care exchange option—that incorporates unique products designed exclusively for wholesaler-distributors. Participating companies will be able to provide their employees benefit options that best suit their individual needs, while better managing the associated costs.

The NAW/Gallagher Partnership also provides you with property and casualty insurance options typically available only to large companies. By leveraging the power of Gallagher's marketplace relationships, NAW offers custom solutions to mid-market firms, which describes the vast majority of the nation's wholesaler-distributors.

FINANCIAL INTELLIGENCE



Through the NAW/Cortera Program, you have access to the most accurate information about customers and business partners. Cortera provides the insights you need into your riskiest and most collectible accounts and lets you pinpoint areas of growth. Cortera PULSE, the flagship product, lets you see your entire customer portfolio through daily e-mail alerts. It also shows you where there is growth within your existing customer base. Cortera's products and solutions provide powerful intelligence for wholesaler-distributors of all sizes.



CASH MANAGEMENT

Through the NAW/TSYS Program, you can gain access to a much-improved payment processing system called TSYS SmartPay. SmartPay is a web-based solution that helps your firm process your e-commerce and online payments, to include credit cards, ACH and debit, on the web, and over the phone. In addition, TSYS provides you with easy ways to begin taking eChecks; and to set up recurring payments, e-mail invoicing, and potentially reducing the fees you pay by implementing now mandated Level 3 Security.



CAR RENTAL

Under the NAW/Hertz Business Account Program, enrolled distribution firms receive special, low NAW-negotiated rates. In addition, your company's rental activity is tracked, and your company will earn one Free Rental Day Certificate for every 15 days of qualifying rentals—in effect, earning an additional discount. And Hertz is offering a one-year complimentary Hertz #1 Club Gold® membership for all employees who travel using your company's premier car rental service, a \$50 annual value per membership. Periodic mailings from Hertz will provide you with special added benefits, such as one-car class upgrades.



FREIGHT AND AIR SHIPPING

NAW understands the importance of keeping operating costs down, which is why we are pleased to extend the NAW/UPS Savings Program to you. This program is designed specifically to meet your shipping needs and to offer a savings solution that helps increase your bottom line. Through this program, you have more service options, superior ground delivery coverage, more than 60,000 drop-off points, and overnight delivery by 10:30 a.m. to more zip codes than any other carrier. You will enjoy the convenience of the same drop-off location and the same driver for your air and ground packages, eliminating the need to separate your packages.

You will receive some of the most competitive rates available on shipping services: up to 36% off UPS Air letters*, up to 24% off UPS ground shipments, and 70%–84% off Freight LTL shipments in excess of 150 lbs. Enrollment is easy and there are no fees or minimum shipping requirements. Plus, you can receive these discounts even if you have an existing UPS account.

Highlights from the NAW 2017 EXECUTIVE SUMMIT

ONE OF THE LARGEST GATHERINGS OF LEADERS from diverse wholesale distribution lines of trade came together to Washington, DC, in late January for the NAW Executive Summit. Senior distribution executives attend every year to discuss industry issues with each other and with other leaders in business, government, and wholesale distribution.

The NAW 2018 Executive Summit will be held January 30–February 1, 2018, in Washington, DC.

Here are highlights from the NAW 2017 Executive Summit. To see more photos and view the speakers' presentations, visit <http://www.naw.org/es17>.



Paul St. Germain, chief author of NAW's trends report, *Facing the Forces of Change®: Navigating the Seas of Disruption*, (left) provided a concise overview of the study. He was joined by **Jeff McLendon**, President and COO of U.S. Lumber Group; and **Kathy Mazzarella**, Chairman, President, and CEO of Graybar Electric Co.; who were interviewed for the report, to discuss the work they are doing at their companies that tie to the forces discussed in the report.



It was a full house at the NAW 2017 Executive Summit.



Alan Beaulieu, NAW Senior Economic Adviser and President of ITR Economics, delivered the NAW Economic Forecast for 2017-18, providing both a macro forecast for the U.S. Economy and a more focused forecast for various parts of the wholesale distribution industry.



Between Business and Public Policy Sessions, attendees had ample opportunity to network with other wholesale distribution leaders across the industry.

Jade West, NAW Senior Vice President-Government Relations, spoke about policy implications of the new government in Washington, DC in 2017.



Discussion Roundtables were held on both days. Pictured are **Chris Nelson**, President and COO, Pipeline Packaging; and **Anne Vranicic**, Vice President of Marketing at Valin Corporation.

NAW MEMBER NATIONAL and INTERNATIONAL ASSOCIATIONS

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The NAW AEC Meetings are incredibly valuable. They allow us the time to slow down, catch our breath, and learn from each other.

MARC SARRACCO

North American Wholesale Lumber Association, Inc. (NAWLA)

American Supply Association ASA
 American Veterinary Distributors Association AVDA
 Associated Equipment Distributors AED
 Association for Hose & Accessories Distribution (The) NAHAD
 Association for Manufacturing Technology (The) AMT
 Association of Pool & Spa Professionals (The) APSP
 Auto Care Association ACA
 Bearing Specialists Association BSA
 Business Solutions Association BSOL
 Ceramic Tile Distributors Association CTDA
 Commercial Vehicle Solutions Network CVS
 Convenience Distribution Association CDA
 Copper & Brass Servicenter Association CBSA
 Door & Hardware Institute DHI
 Education Market Association EMA
 Energy Equipment & Infrastructure Alliance EEIA
 Equipment Marketing & Distribution Association EMDA
 Fertilizer Institute (The) TFI
 Food Industry Suppliers Association FISA
 Food Marketing Institute FMI
 Foodservice Equipment Distributors Association FEDA
 FPDA Motion & Control Network (The) FPDA
 Gases and Welding Distributors Association GAWDA
 Global Market Development Center GMDC
 Health Industry Distributors Association HIDA
 Healthcare Distribution Alliance HDA
 Heating, Airconditioning & Refrigeration Distributors International HARDI
 Industrial Supply Association ISA
 International Association of Plastics Distribution IAPD
 International Foodservice Distributors Association IFDA
 International Sanitary Supply Association ISSA
 Irrigation Association IA
 Material Handling Equipment Distributors Association MHEDA
 Metals Service Center Institute MSC
 Motorcycle Industry Council MIC

National Association of Container Distributors NACD
 National Association of Electrical Distributors NAED
 National Association of Flour Distributors, Inc. NAFD
 National Association of Sign Supply Distributors NASSD
 National Association of Sporting Goods Wholesalers NASGW
 National Beer Wholesalers Association NBWA
 National Fastener Distributors Association NFDA
 National Grocers Association NGA
 National Insulation Association NIA
 National Marine Distributors Association NMDA
 NIBA-The Belting Association NIBA
 North American Association of Floor Covering Distributors NAFCD
 North American Association of Utility Distributors NAAUD
 North American Building Material Distribution Association NBMDA
 North American Wholesale Lumber Association, Inc. NAWLA
 NPES The Association for Suppliers of Printing, Publishing & Converting Technologies NPES
 NPTA Alliance NPTA
 Outdoor Power Equipment & Engine Service Association Inc. OPEESA
 Pet Industry Distributors Association PIDA
 Petroleum Equipment Institute PEI
 Power Transmission Distributors Association PTDA
 Professional Beauty Association PBA
 Secondary Materials and Recycled Textiles Association SMART
 Security Hardware Distributors Association SHDA
 Textile Care Allied Trades Association TCATA
 Water and Sewer Distributors of America WASDA
 Wholesale Florist & Florist Supplier Association WF&FSA
 Wine & Spirits Wholesalers of America, Inc. WSWA
 Woodworking Machinery Industry Association WMIA
 World Millwork Alliance WMA



Even though my major association event starts four days after the NAW AEC Summer Meeting, I won't miss THIS meeting! The time with my peers and the take-home value, make this a 'must-do' event!

NANCY CUERONI

National Marine Distributors Association (NMDA)

NAW MEMBER ASSOCIATE ASSOCIATIONS

Associated Beer Distributors of Illinois ABDI
 Association of Ingersoll-Rand Distributors AIRD
 Canadian Association for Pharmacy Distribution
 Management CAPDM
 Canadian Institute of Plumbing & Heating CIPH
 Electro-Federation Canada, Inc. EFC
 Heating, Refrigeration and Air Conditioning Institute
 of Canada HRAI
 Maryland Association of Wholesaler-Distributors, Inc. MAW
 Midwest Distributors Association MDA
 Mississippi Malt Beverage Association MMBA

New York State Beer Wholesalers Association NYSBW
 North Central Wholesalers Association NCWA
 Ohio Association of Wholesaler-Distributors OAWD
 Pacific Southwest Distributors Association PSDA
 Pacific-West Fastener Association PWFA
 Southern Wholesalers Association SWA
 Western Suppliers Association WSA
 Wholesale Beer Distributors of Texas WBDT
 Wholesale Beer & Wine Association of Ohio WBWAO
 Wholesalers Association of the Northeast WANE



Sharing ideas and gaining insights from other association executives are key reasons that NAW Association Executives Council (AEC) leaders come together for the NAW AEC Winter and Summer Meetings each year. In the left photo are **Ed Gerber** of the Industrial Supply Association (ISA) and **Emily Saving** of Heating, Airconditioning & Refrigeration Distributors International (HARDI).



In the right photo are **Rick Long** of the Petroleum Equipment Institute (PEI) and **Kimberly Bolin** of the Convenience Distribution Association (CDA).

TREASURER'S REPORT: DECEMBER 1, 2015 - NOVEMBER 30, 2016

Revenue Total:	\$7,903,000	
NAW:	\$6,502,000	Includes dues, publications, seminars, annual meeting, coalitions
NAW/SC:	\$925,000	Includes health and business insurance, car rental, freight and air shipping, cash management, other programs
NAW-PAC:	\$333,000	Includes Political Action Fund, Corporate Political Education Fund
NAW Institute for Distribution Excellence:	\$143,000	Includes contributions, publications royalties
Expenses Total:	\$7,903,000	
NAW:	\$6,154,000	Includes publications, seminars, annual meeting, operations, provision for reserves and government relations
NAW/SC:	\$1,181,000	Includes health and business insurance, car rental, freight and air shipping, cash management, other programs
NAW-PAC:	\$403,000	Includes candidate contributions, operations
NAW Institute for Distribution Excellence:	\$165,000	Includes project grants, operations

Dan Blaylock, NAW 2016 Treasurer

NAW 2017 BOARD OF DIRECTORS

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Ewing Irrigation Products

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Winsupply Inc.

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Medart Engine & Medart Marine

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on Budget and Finance,
and Treasurer
MANUEL PEREZ DE LA MESA
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Heating, Airconditioning &
Refrigeration Distributors
International

Chair-Elect of the AEC

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Irrigation Association

Past Chairman of the AEC

MATTHEW J. ROWAN
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Association

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National Association of
Wholesaler-Distributors

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National Association of Electrical
Distributors

GEORGE PATTEE

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The Association for Hose &
Accessories Distribution

DOUGLAS W. YORK

Ewing Irrigation Products

• • •

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Executive Director

PATRICIA A. LILLY
National Association of
Wholesaler-Distributors

President and Treasurer

DIRK VAN DONGEN
National Association of
Wholesaler-Distributors

ABOUT NAW

NAW STAFF

THE NATIONAL ASSOCIATION OF WHOLESALER-DISTRIBUTORS is composed of direct member companies and a federation of international, national, regional, state, and local associations and their member companies, which collectively total more than 30,000 companies.

In addition to its government relations program, NAW's scope encompasses the activities of the NAW Political Action Committee, the NAW Institute for Distribution Excellence, and the NAW Service Corporation.

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N · A · W

NATIONAL ASSOCIATION OF
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