

12 Trends in Wholesale Distribution in 2013

Economic, technology & competitive shifts affecting distribution channels

The year 2012 was marked by uncertainty. But despite that uncertainty, we saw movement in several areas. Mergers and acquisition activity picked up significantly in wholesale distribution, and technology was a key driver of many of the top trends going into 2013.

Here are 12 trends affecting distribution in 2013:

1. Uncertainty is driving the market. An ongoing stalemate in Washington, D.C. over tax rates and regulations had many business owners in a holding pattern when it came to investing in expansion – whether capital investment or investment in hiring, according to the MDM-Baird Quarterly Benchmarking Survey.

Economists and experts agree that business needs to move out of the holding pattern even in the face of uncertainty. The key is to be realistic about current conditions and to stay focused on what's next for your company. Uncertainty will always have a place in business.

2. A generational shift is taking hold. Up-and-coming leaders are increasingly making an appearance at industry association events and playing a bigger part in changing the face of their businesses.

The generational shift at the customer level is also having an impact on how distributors do business. Distributors are forced to rethink how they interact with customers that may want to only do business online or prefer email to a phone call. Social media is now critical in some areas to stay connected and build brand. In fact, a number of distributors now have Facebook pages, as well, wanting to be where their customers are.

3. E-Commerce is gaining critical mass. The wave of distributors upgrading their websites was apparent when 85 percent of distribu-

tor respondents in an MDM survey halfway through 2012 said they had plans to improve their websites over the next 12 months. Upgrading e-commerce functionality was one of the top improvements, including catalog updates and full online ordering capabilities. More and more, B-to-C practices are spilling over into the B-to-B world, and distributors can no longer look the other way.

4. Mobile is becoming a 'game-changer.' By 2015, according to a report from John Sonnhalter, experts expect more than 150 million smartphone users and 90 million tablet users.

Distributors are taking advantage of this trend not only to provide a platform for purchasing, but also to increase mindshare with their customers. Beyond customers, distributors are using mobile devices to allow their salespeople to be more productive.

5. Analytics is taking center stage. Technology has advanced to a point where distributors are able to take the data they already have in their systems and very quickly discern trends and opportunities for growth. Doing so is easier said than done, of course, but at the core, that is a big part of what is driving the Big Data trend. The demand for more information is definitely there, and the hype around Big Data and analytics certainly increased over the past year. But before many distributors can benefit from this trend, they need to take steps to improve processes and prioritize clean data.

In the next few years, we should see top distributors prioritizing the answers to these questions; when they do, the competitive advantage they gain will widen the gap between the best distributors and those that are stuck standing still.

6. Distributors are facing a competitive shift. E-commerce, mobile and other technological

advances have contributed to a new competitive landscape. These tools have not only allowed distributors who use them to compete more effectively and through more channels, but they've also opened the door to new competitors.

7. Vending is continuing explosive growth.

While not a new trend, vending services continued its "explosive" growth in 2012, with greater adoption by a broader range of distributors. Still, some distributors say they aren't interested in competing with vending because it doesn't fit their high-service business models. Customer demand for easier and more accurate control over products that can be provided by vending solutions will continue to drive the increase in demand, Effective Inventory Management's Jon Schreibfeder told MDM.

8. Product technology is changing the nature of channels. Power transmission/bearing distributor Kaman Industrial Technologies' recent announcement it would carry Schneider Electric's line of industrial automation and control products, as well as select power control and protection products is an example of how shifts in product technology are changing product mix at the distributor level.

With a shift in product mix comes a need to train employees. Schneider Electric plans to work closely with Kaman on its new product lines, providing specialists at several branches nationwide.

9. M&A activity is returning.

As the economy continues to improve, so has

the M&A climate for wholesale distribution in North America. Private equity-to-private equity transactions are on the rise again. Distributors are looking to continue expanding their product capabilities. And several manufacturer deals that will affect distribution markets have gone down over the past year. Cross-border transactions are also increasing in frequency.

10. More distributors are going global. International expansion seemed to pick up even more steam for many distributors and manufacturers. Manufacturers and distributors across the sectors announced acquisitions or joint ventures around the globe. In addition, companies that previously had limited capability to take advantage of global opportunities found ways to collaborate with one another to become a bigger player in that arena.

And more international companies are targeting the U.S. for growth.

11. Distributors are targeting Canada for growth. Distributors and manufacturers also saw a lot of opportunity for expansion in Canada, particularly in the electrical and safety sectors.

12. Manufacturing is coming home. Signs in early 2012 pointed to a conscious move by many manufacturers to move operations closer to home or at least closer to the markets they serve.

That said, global manufacturing won't completely disappear. Rather it will focus on providing products and services to geographically closer areas, allowing for flexibility to meet changing demand and supply in those markets.

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Founded in 1967
by J. Van Ness Philip

Publisher

Thomas P. Gale
tom@mdm.com

Editor

Lindsay Konzak
lindsay@mdm.com

Associate Publisher

Craig Riley
craig@mdm.com

Associate Editor

Jenel Stelton-Holtmeier
jenel@mdm.com

Gale Media, Inc.
3100 Arapahoe Avenue, Ste 201, Boulder, CO 80303
Tel: 303-443-5060 Fax: 303-443-5059
Website: <http://www.mdm.com>

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