Industrial Market Information™

A Brief Analysis of the Industrial Distribution Sector

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Industrial Distribution Landscape Shifts

Contact IMI today to learn about how market data can inform your sales and marketing decisions.

Here is an overview of key trends in industrial distribution markets as part of the MDM Market Leaders and Distribution Landscape Report found at www.mdm.com/marketleaders.

Product Expansion
Large distributors in this sector continued to expand their product selection to meet more of their customers' needs. Grainger added 64,000 products to its catalog, a 33 percent increase over the prior year. Some distributors launched specialty catalogs, focused on product areas such as safety. "Green" products were the order of the day over the past several years, with distributors putting out green product catalogs, including Grainger, HD Supply, MSC Industrial Supply and Barnes Distribution.

Inventory Reduction
Industrial distributors slashed inventory to historic lows in 2009. Inventory is starting to build back up again, but most are still cautious and are being more strategic about inventory management going forward.

Cost-Cutting Initiatives
Distributors in this sector, like in most, cut staff and costs across the board in 2009. Few distributors were able to make it through the year without cutting jobs. Since then, the focus has been on implementing productivity initiatives and taking a smarter approach to rebuilding the work force.

Shrinking Customer Base
In some areas of the U.S., industrial distributors that have traditionally supplied manufacturing facilities continue to face a shrinking customer base. That has been magnified with the recent recession, which forced major production cutbacks and facility closures. In response, some distributors have diversified their focus. Some have looked to government customers, where demand has been relatively steady, if not strong; and others have diversified into alternative energy sectors such as geothermal and wind power. Or distributors are increasing their focus on institutional customers such as schools or health care facilities, which are less cyclical than their traditional customer bases.

e-Commerce
This is becoming a much bigger and more important part of many industrial distributors' sales and marketing strategies. Many distributors in this sector have launched revamped websites in recent years, with a focus on e-commerce capabilities. Grainger and Hagemeyer are some of the largest distributors to announce big redesigns of their site. More distributors big and small are also considering or are moving their catalogs online, recognizing that a new generation of buyers wants information in different ways.

Mergers & Acquisitions
The year 2009 was a slow one on the mergers and acquisitions front in the industrial sector. But in the first half of 2010, M&A has ramped up again; 2011 has seen a strong resurgence of consolidation in this sector.

Top 20 Industrial Distributors

1. **Wolseley**
Headquarters: Zug, Switzerland
2009 Revenues: $22.9 billion

2. **HD Supply**
Headquarters: Atlanta, GA
2009 Revenues: $7.4 billion

3. **Grainger**
Headquarters: Lake Forest, IL
2009 Revenues: $6.2 billion

4. **Airgas**
Headquarters: Radnor, PA
2009 Revenues: $3.9 billion

5. **McJunkin Red Man Corp.**
Headquarters: Houston, TX
2009 Revenues: $3.7 billion

6. **Motion Industries**
Headquarters: Birmingham, AL
2009 Revenues: $2.9 billion

7. **McMaster Carr**
Headquarters: Chicago, IL
2009 Revenues: N/A

8. **Applied Industrial Technologies**
Headquarters: Cleveland, OH
2009 Revenues: $1.9 billion

9. **Fastenal**
Headquarters: Winona, MN
2009 Revenues: $1.8 billion

10. **Wilson Industries**
Headquarters: Houston, TX
2009 Revenues: $1.8 billion

11. **Sonepar Industrial (w/Hagemeyer)**
Headquarters: Philadelphia, PA (industrial)
2009 Revenues: $1.8 billion

12. **WinWholesale Inc.**
Headquarters: Dayton, OH
2009 Revenues: $1.6 billion

13. **MSC Industrial Supply Co.**
Headquarters: Melville, NY
2009 Revenues: $1.5

14. **Interline Brands**
Headquarters: Jacksonville, FL
2009 Revenues: $1.06 billion

15. **Wurth - Americas**
Headquarters: Ramsey, NJ
2009 Revenues: $866.7 million

16. **Kaman Industrial Technologies**
Headquarters: Bloomfield, CT
2009 Revenues: $645 million

17. **F.W. Webb**
Headquarters: Bedford, MA
2009 Revenues: $601 million

18. **DXP Enterprises**
Headquarters: Houston, TX
2009 Revenues: $583.2 million

19. **Barnes Distribution**
Headquarters: Bristol, CT
2009 Revenues: $539.1 million

20. **BDI**
Headquarters: Cleveland, OH
2009 Revenues: $396 million

Industrial MRO Markets: 2009

Industrial Market Information

End-User Consumption by Region for U.S. & Canada

Pacific Coast
14%
Ind Prod MRO....$70,500.8
Mfg/Util.............$34,473.2
Const/Mine........$16,682.6

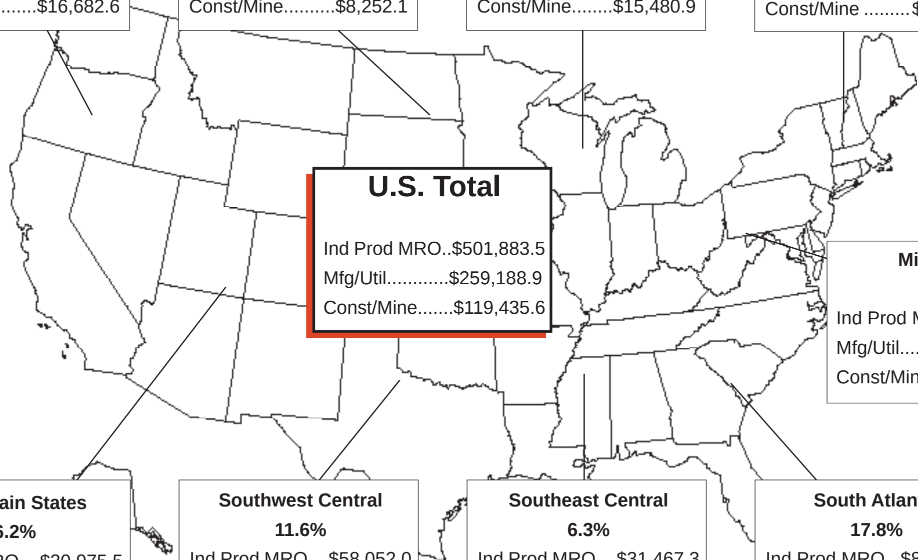
Northwest Central
7.7%
Ind Prod MRO....$38,679.2
Mfg/Util.............$21,265.3
Const/Mine..........$8,252.1

Northeast Central
18.3%
Ind Prod MRO....$91,820.7
Mfg/Util.............$57,534.1
Const/Mine........$15,480.9

Northeast Coastal
4.9%
Ind Prod MRO...$24,815.8
Mfg/Util.............$12,913.0
Const/Mine $5,352.7

Note: Percent of total market for Industrial Products MRO.

Note: The top line total for each region includes additional industries and service sectors beyond the Manufacturing/Utilities and Construction/Mining groupings provided below. Therefore the top line IS **NOT** the sum of the lower two lines.



U.S. Total
Ind Prod MRO..$501,883.5
Mfg/Util...........$259,188.9
Const/Mine.......$119,435.6

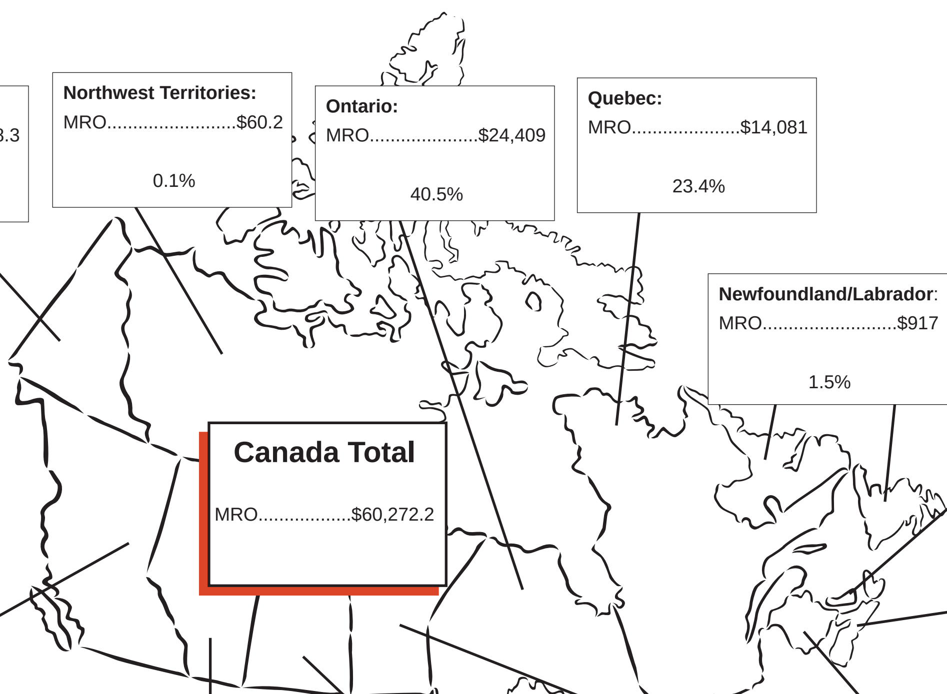
Mid-Atlantic
13.2%
Ind Prod MRO...$66,367.5
Mfg/Util.............$35,115.9
Const/Mine $13,458.3

Mountain States
6.2%
Ind Prod MRO....$30,975.5
Mfg/Util..............$11,918.9
Const/Mine $11,021.5

Southwest Central
11.6%
Ind Prod MRO....$58,052.0
Mfg/Util.............$28,707.7
Const/Mine........$16,235.3

Southeast Central
6.3%
Ind Prod MRO....$31,467.3
Mfg/Util.............$17,607.7
Const/Mine..........$7,088.4

South Atlantic
17.8%
Ind Prod MRO...$89,204.4
Mfg/Util.............$39,652.9
Const/Mine........$25,863.7



Yukon Territories:
MRO........................$38.3
0.1%

Northwest Territories:
MRO........................$60.2
0.1%

Ontario:
MRO....................$24,409
40.5%

Quebec:
MRO....................$14,081
23.4%

Newfoundland/Labrador:
MRO.........................$917
1.5%

Prince Edward Island:
MRO......................$224.8
0.4%

Canada Total
MRO.................$60,272.2

Nova Scotia:
MRO...................$1,439.7
2.4%

British Columbia:
MRO...................$7,150.1
11.9%

Alberta:
MRO...................$7,084.1
11.8%

Saskatchewan:
MRO...................$1,542.1
2.6%

Manitoba:
MRO...................$1,773.8
2.9%

New Brunswick:
MRO......................$1,551
2.6%

IMI Services

Industrial Market Information

Optimize Sales Resources in Industrial Markets

Industrial Market Information is an industrial markets research firm. For more than 25 years, we've helped manufacturers, distributors and others make data-based decisions for market planning, product analysis, territory management, strategic planning, account management and potential analysis, joint distributor/vendor planning, and competitive analysis. We provide cost-effective market demand estimates, account potential reports and customer prospect lists based on estimated usage for more than 200 MRO/OEM product groups.

View sample reports of the below products & services at www.imidata.com/samples.

Market Demand Reports

When you order a Market Demand Report, you will receive the following:

1. Estimated Product Potential by Geographic Area Specified (national, state, county, ZIP in the U.S. / national, province, FSA in Canada)
2. Estimated Product Potential by Customer Segment (4-digit SIC code)
3. Customer Demographics by SIC (size by employees and number of accounts)

Customer Prospect Lists

Optimize your sales resources with a list of prospects and contact information by SIC code in your specified geography. This service includes prospective customer consumption by product category.

Customer Segmentation Analysis

Industrial Market Information will take your customer lists and append the appropriate SIC/NAICS codes so that you can better analyze your market penetration by customer and product type.

Annual IMI Database Subscription

For ongoing research needs, IMI offers a subscription service with unlimited access to the IMI database for the U.S. and Canadian markets. This service includes access to data for more than 200 MRO/OEM product classes. This allows your staff 24/7 IMI database access at the zip/postal code level. Your staff will be able to create custom reports to meet your company's sales and marketing needs.

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