

■ 2020 MDM Market Movers

Sonepar USA Doesn't Miss a Beat

9

Data analytics and strong digital presence contribute to success

With its parent company headquartered in Paris, France, Sonepar USA got an intimate look at how the COVID-19 pandemic was impacting European business weeks before the coronavirus gained a strong foothold in the U.S.

By Elizabeth Galentine

The advanced intel from Sonepar Group gave Sonepar USA a leg up on U.S. market preparation — “It helped us to be aware from a really early stage that it was coming so that we could start preparing early,” says Peter Bruhn, general counsel and SVP.

However, one could say the electrical, industrial and safety product distributor has been preparing for such disruption for years. “In addition to our global network, we rely heavily on data analytics to inform our strategy and decisions. This is key to our mission of becoming a fully digital enterprise by 2025 but it’s also enabled us to adapt quickly throughout this crisis,” says Rob Taylor, president, North America.

When COVID-19 hit, Sonepar was able to go from roughly zero to nearly 4,000 VPN users within about a week, says Mike Smith, CIO and VP of operations. Most employees remain remote. “Nobody’s missed a beat,” he says.

Technology building blocks for such a smooth transition were put in place back in 2016, when Smith initiated a strategic plan to revamp the company’s old tech to create a more modern, standardized digital platform powered by cloud technology.

Key Moves in 2019

No. 1 on MDM’s 2020 Market Leaders electrical, data and security list that is ranked by 2019 revenues, Sonepar excelled with a range of business highlights in 2019. Taylor addresses five accomplishments in particular that helped to put the company in a position of strength:

1. North Coast Integration. “After finalizing the acquisition of North Coast in early 2019, we moved very quickly on completing the full integration. A lot of hard work and effort went into completing the integration by October of last year and we couldn’t be happier to have added North Coast to the Sonepar USA family.”

2. Utility Business. “We’ve gone to market

for the first time in the U.S. under one brand with our new combined utility business, Irby Technology and Communication Group. We’ve seen strong performance so far this year and we’re looking forward to continued growth.”

3. Pros Need Pros. “We’d begun developing our Pros Need Pros marketing campaign earlier this year, but when COVID-19 hit, the messaging became more relevant than ever and we decided to push up the rollout. We have the specialists, customizable solutions and extensive services that our customers need to not only get the job done, but to help grow their business. Pros Need Pros shows our customers, who are the best at what they do, that they have the full support they need when partnering with us.”

4. Point A Partnership, Innovation Team. “Innovation is a key focus area for us right now and has only been strengthened by our need to adapt during the global pandemic. Along with our digital capabilities, it is key to enabling us to continue meeting our customers’ needs and offering solutions that they may not even realize they need yet. We entered into an exciting partnership with Point A in February, a solution center that brings together leading companies, start-ups and academic institutions in a world-class innovation hub. We’ve also created an internal innovation team consisting of cross-functional participants from all areas of the business focused on the adoption and implementation of the latest tools and technology to support our mission to become a leader in innovation.”

5. Logistics Transformation. “Over the past year, we’ve made great strides in our logistics transformation with the successful implementation of automated guided vehicles (AGVs), Vertical Lift Modules (VLMs) and other tools and processes to improve the efficiency of our warehouse and distribution centers.”

COVID-19 Impacts

While the company has faced a lot of challenges in the last six months, Taylor credits the strength of his team for their ability to keep Sonepar running safely. “Our primary focus from the start has been the health and well-being of our associates, customers and vendor partners,” he says.

The company is emphasizing social distanc-

continued on p. 12 of this section

2Q20 Pricing Trends Report

Inflation trends for core industrial/construction products

These select product groups provide a snapshot of inflation trends based on the Producer Price Index from the U.S. Bureau of Labor Statistics.

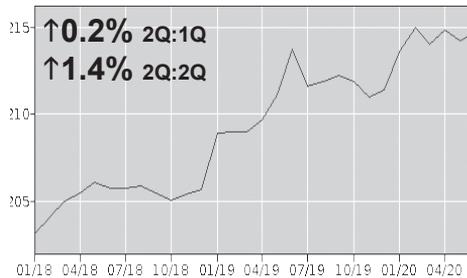
Key

↑X.X% 2Q:1Q (2Q '20 with 1Q '20)

↑X.X% 2Q:2Q (2Q '20 with 2Q '19)

Industrial

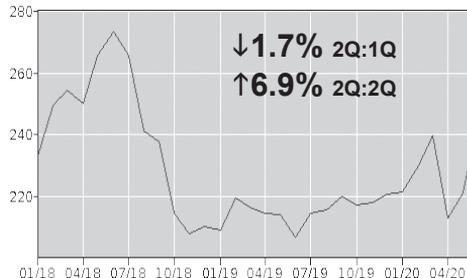
Abrasives



Product Group	2Q:1Q	2Q:2Q
Adhesives/Sealants	0.3%	1.1%
Ind. Mat Handling Eqmt	0.4%	1.7%
Industrial Rubber Products nec	0.2%	1.5%
Metal Cutting Machine Tools	0.2%	1.2%
Metal Forming Machine Tools	0.3%	2.4%
Metal Valves (not FP)	1.1%	2.0%
Personal Safety Eqmt & Clothing	0.1%	0.9%
Pumps & Compressors	0.2%	1.6%
Rubber & Plastic Belts & Belting	0.4%	3.2%
Rubber & Plastic Hose	0.0%	1.4%
Steel Mill Products	-2.2%	-12.1%

Construction

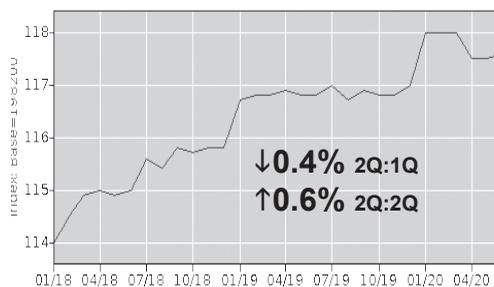
Softwood Lumber



Product Group	2Q:1Q	2Q:2Q
Plastic Construction Products	0.1%	0.4%
General Millwork	0.9%	1.5%
Gypsum Products	-1.8%	-0.6%
Hardboard, Particlebd, Fiberbd	-0.4%	5.4%
Hardwood Lumber	-0.5%	-7.7%
Plywood	0.9%	-4.8%
Wood Ties, Siding, Shingles, etc.	-0.7%	-0.9%

Electrical

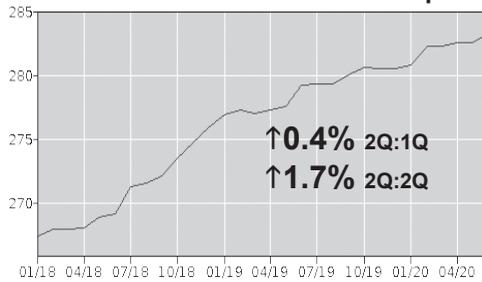
Electrical Machinery & Eqmt*



Product Group	2Q:1Q	2Q:2Q
Communications/Related Eqmt	-0.1%	2.9%
Electric Lamp Bulbs and Tubes	0.2%	-19.0%
Electronic Components & Accs.	-1.2%	-0.7%
Integrating/Measuring Instrumts	0.3%	0.8%
Lighting Fixtures	0.2%	2.6%
Motors, Generators, etc.	-0.2%	0.5%
Switchgear, Switchbd, etc. Eqmt	0.0%	2.2%
Transformers/Power Regulators	-1.5%	0.4%
Wiring Devices	0.2%	1.1%
Fab. Ferrous Wire Products	0.3%	-2.0%
Nonferrous Wire & Cable	-1.7%	-4.3%

*Category includes products in table to right

Mech. Power Transmission Eqmt*

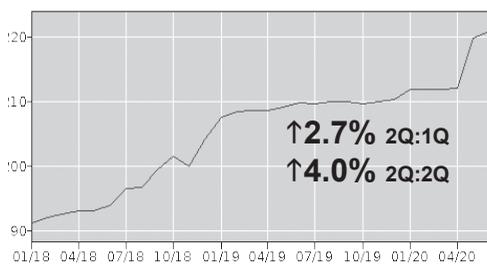


*Category encompasses first three (PT) products in table.

Product Group	2Q:1Q	2Q:2Q
Ball & Roller Bearings	0.1%	1.3%
Plain Bearings & Bushings	0.5%	1.4%
Speed Changers/Drives/Gears	0.4%	1.1%
Fluid Power Equipment	0.3%	1.8%
FP Cylinders, Actuators, Accum.	0.2%	2.2%
FP Hose & Tube Fittings	0.0%	0.2%
Fluid Power Pumps & Parts	0.1%	1.3%
Fluid Power Valves	0.8%	2.9%

Fasteners

Nuts, Bolts, Screws, Rivets, Washers*

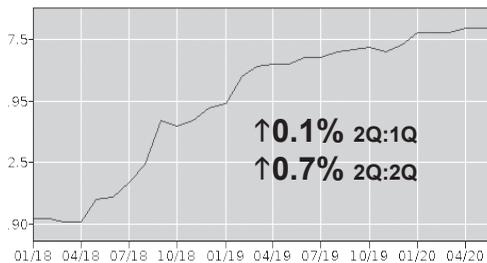


Product Group	2Q:1Q	2Q:2Q
Aircraft Fasteners	3.0%	2.8%
Externally Thread. Fasteners**	5.0%	5.9%
Internally Thread. Fasteners**	-1.3%	6.3%
Nonthreaded Metal Fasteners**	-1.3%	-0.2%

*Category encompasses products in table above
 **Excludes aircraft fasteners.

Tools

Cutting Tools & Accessories*

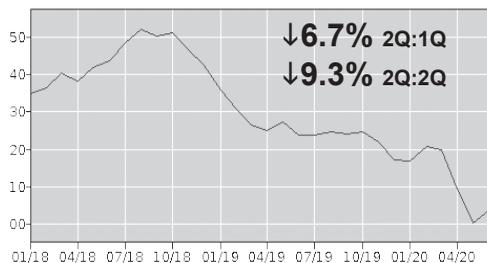


*Category encompasses some of the products in table.

Product Group	2Q:1Q	2Q:2Q
Hand & Edge Tools	0.4%	1.7%
Power-Driven Hand Tools	0.1%	1.3%
Precision Measuring Tools	0.0%	0.0%
Small Cutting Tools	0.0%	0.3%
Tools, Dies, Jigs, Molds, Fixture	-0.2%	-1.6%

Other

Plastic Resins and Materials

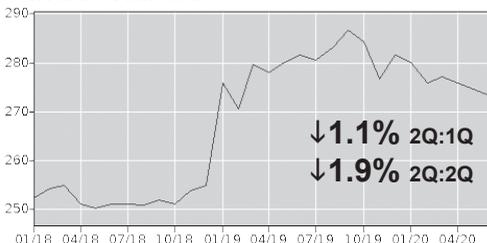


Product Group	2Q:1Q	2Q:2Q
Hardware*	0.3%	1.5%
Builders Hardware	0.0%	2.3%
Air Cond. & Refrigeration Eqmt	1.3%	1.5%
Heating Eqmt	0.5%	2.0%
Plumbing Fixtures & Fittings	-0.4%	1.5%
Plastic Products (overall)	-0.4%	-1.0%
Pkging Products from Plastics	-0.8%	-3.6%
Welding Machinery & Eqmt	0.7%	1.0%
Office Supplies & Accessories	-0.6%	-1.7%
Pulp, Paper & Allied Products**	0.9%	-0.5%
Boxes	-0.4%	-0.9%
Sanitary Paper Products	-0.2%	0.5%

*This category includes builders' hardware & other product groups

**Category includes boxes, sanitary paper products & office supplies & other groups

Industrial Gases



SONEPAR USA

Continued from page 9

12

ing both at work and outside of work, according to Bernadette Palumbo, SVP of HR. “We established working guidelines and that cover temperature taking, cleaning and sanitizing, wearing of masks, restriction of visitors,” she says. “This is all in order that our associates feel safe to come to work.”

Sonepar’s decentralized structure allows for a more comprehensive view of associates’ needs, says Taylor. “We heavily leaned on that as we prepared for the pandemic to hit in the U.S. and it has continued to shape our response,” he added. “The key to any of this working, of course, is communication. We rely on these open channels across the global and national organization, but it’s also important that we provide an open channel from a leadership perspective, especially during such difficult times.”

The company provided employees with resources to assist with everything from insurance and billing issues, locating legal, financial and childcare resources, to managing stress and anxiety. “All of these things are really important because we’ve been all been living through this for so many months, it’s not only taken a toll on us physically, but I think also mentally,” Palumbo says. “We need to acknowledge that and continue support our associates.”

Guidelines and safety protocols are in place to ensure employees who have been exposed to COVID-19 take appropriate measures to avoid spread of the illness, according to Bruhn. “I don’t think we’re out of the COVID crisis, but today we’ve managed to effectively deal with many of these issues in a way that hasn’t impacted our business maybe as significantly as other companies,” he says. “And as a result of that, we feel like we’re in a very strong position right now to continue to service our customers and work well with vendor communities.”

Digital is Critical

Leveraging its size and scale helped Sonepar to adjust quickly to pandemic business practices like curbside pickup and contactless payment, says Taylor. The IT and digital teams leveraged technology already in place at one of Sonepar’s companies to give customers across the U.S. the ability to pick up materials with little contact.

Although the company “took swift action on cost controls” as the pandemic hit, Sonepar maintained strong investment in its digital capabilities, Taylor adds. The latest stage of Sonepar’s digital development is continuing to move toward a true omnichannel experience for

customers, so that their experience is the same on mobile platforms, online, in person — however they choose to interact with the company. The last four to five months have been very productive for Sonepar’s team of five architects and 12 developers, according to Smith.

The mobile and digital platform search functions are now backed up by artificial intelligence that learns the way individual users like to search, learning from their behaviors and customizing product displays in response. “It’s really pretty slick,” he says.

In bringing the technology to the field, the company created a digital playbook for the sales team. Inside and outside sales receive training and then go through a competency test to ensure they have a basic understanding. Every operating company also has at least one or two digital specialists who partner with the sales team.

A top goal for the near future from an IT perspective is to have every one of Sonepar’s operating companies on the same web platform. The Sonepar Group, in 42 countries, is also making a major effort to complete its global data lake by the end of the year that will house one central data source for the company, according to Smith. The master data management team continues to refine customer and product files to help the customer experience and better understand who Sonepar’s customers are and how much of their wallet share the company is getting. Logistics projects around warehouse automation and delivery scheduling notifications are also refining and improving customer touch points. “I expect us to get to the end of this year with much stronger information systems — a world-class digital experience that really supports true omnichannel,” says Smith.

Taylor expects the remainder of the year to be a challenge, not just for Sonepar, but for the industry as a whole. Still, he feels the company is in a position to emerge from the COVID-19 disruption in a position of strength. “Like most everyone, we’ve had to put some things on hold and readjust timelines,” he says. “But we’ve also fast tracked the initiatives that will help us continue providing the best possible omnichannel experience to our customers as we continue to navigate these unprecedented times. Our financial strength affords us the ability to continue reviewing potential acquisitions and look for opportunities to grow and expand to meet our customers where the need us. While we’ve certainly had to shift priorities in some areas, the hard work, dedication and agility of our associates have set us up to stay on track for the future.”