Building Successful Channel Marketing Collaborations:

Best Practices for the Industrial Channel

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DORN

ALLIES IN GROWTH™

The Power of Partnership

How to build bigger and stronger moats around customers through partnerships

1

The Landscape is Ever Changing

2

The Customer is At the Center of the Universe

3

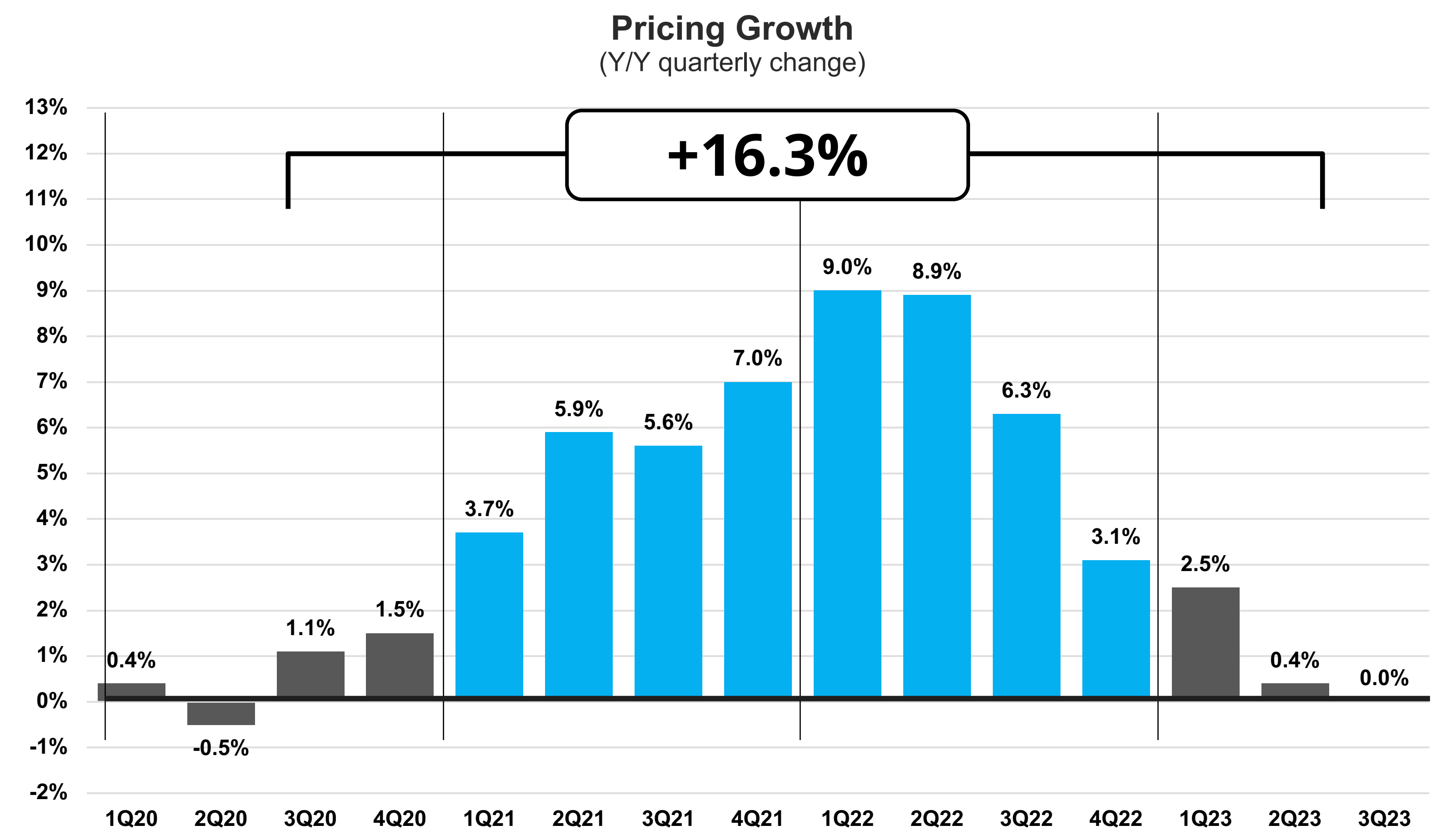
The Power of Partnerships In Action

1

THE LANDSCAPE IS EVER CHANGING

12 Consecutive Quarters of Price Increases

Price increases have slowed and returning to historical levels

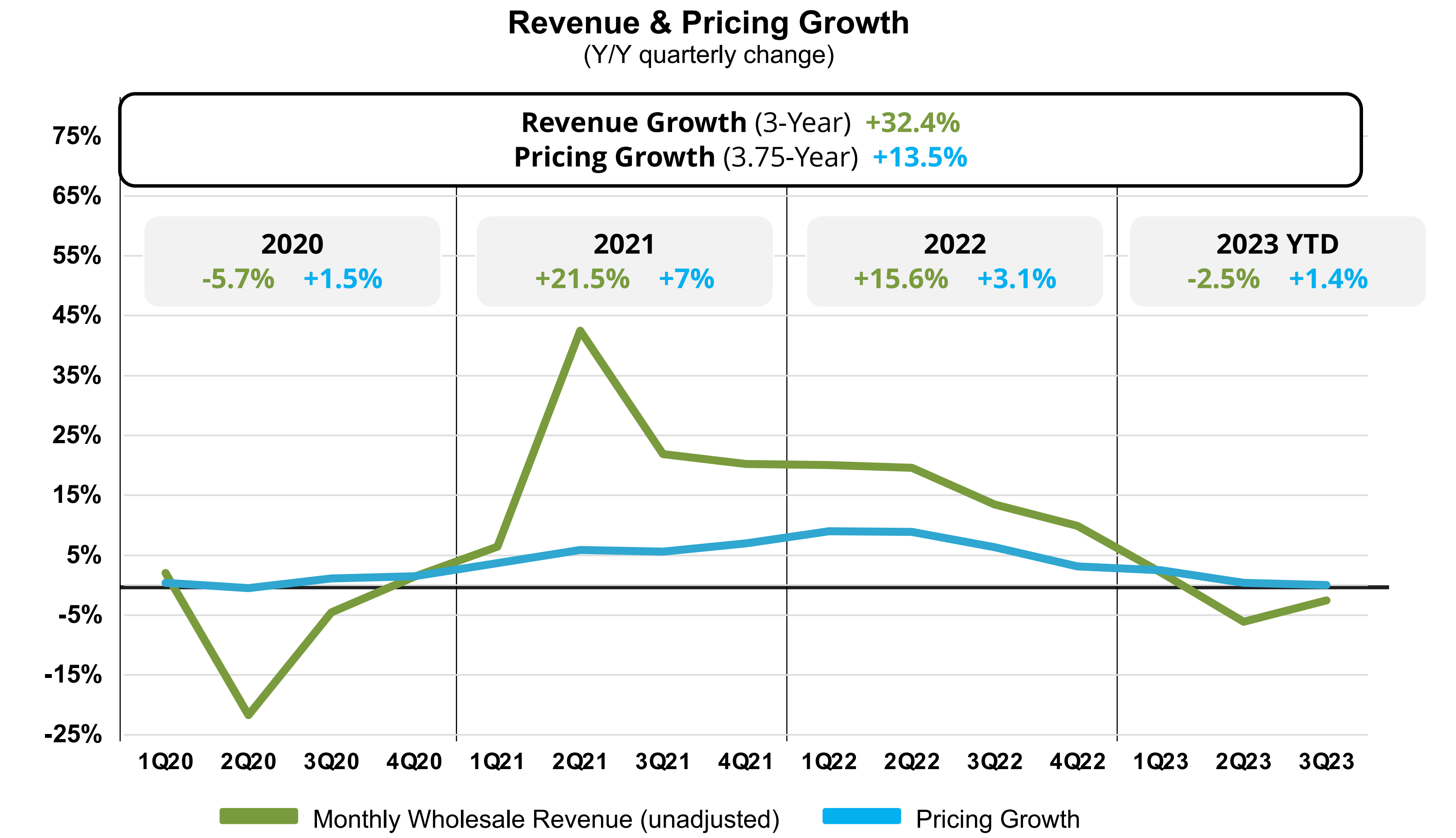


Source: Baird-MDM Industrial Distribution Survey

- Price increase wave over 12 consecutive quarters accounting for +16.3% from 3Q20-2Q23
- Price increase peek – the first half of 2022 experienced the highest y/y growth in pricing
- Price increases from are slowing and returning to 2019 levels (1-2%)
- 3Q23 negative pricing in 4 of 20 sectors – Electrical (-0.8%) vs Industrial +2.0%

Price Increases Fueled Revenue Growth

A large percentage of revenue growth was driven by price increases

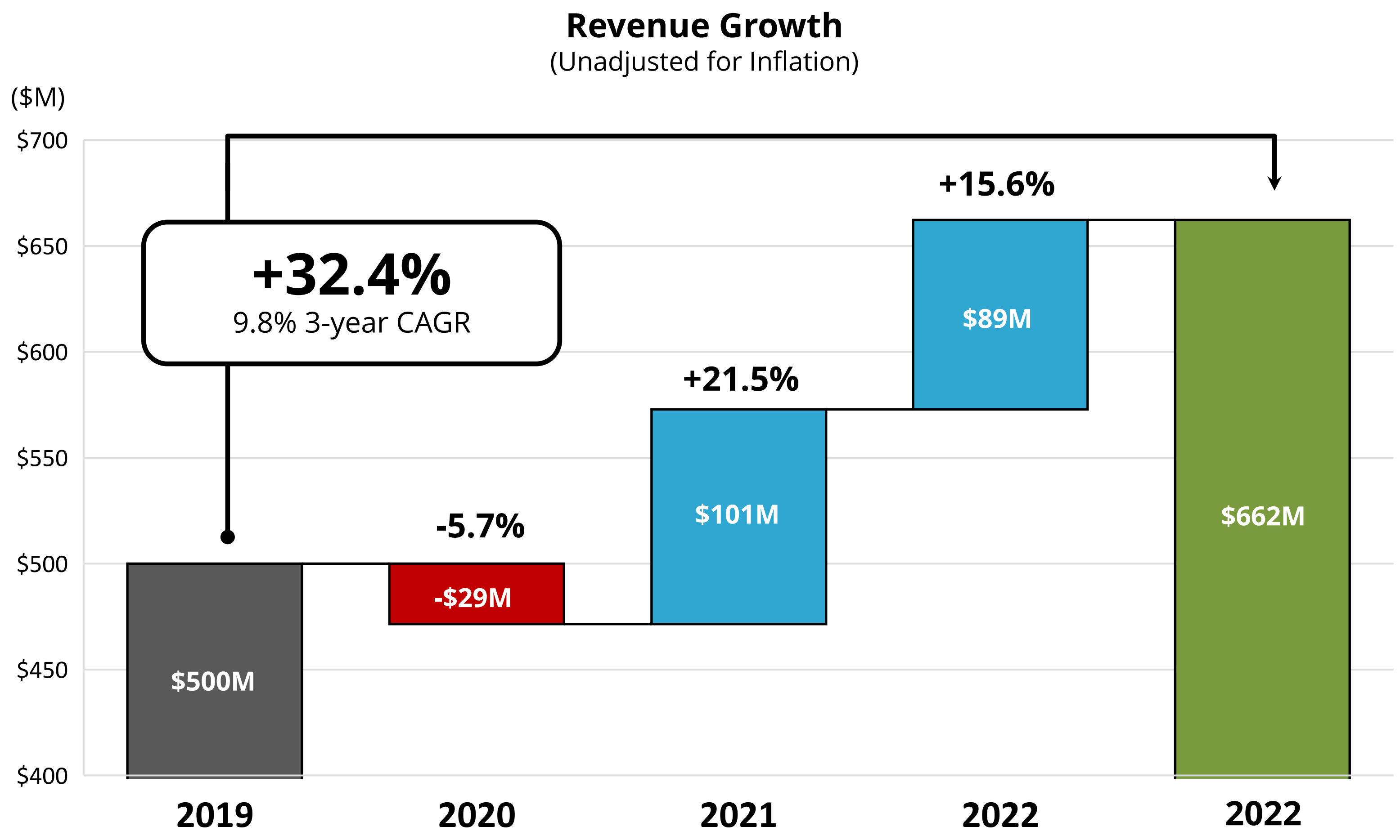


Source: U.S. Census Bureau, Monthly Wholesale Trade, Baird-MDM Industrial Distribution Survey

- Price increases have driven the majority of revenue growth
- Supply chain issues made end customer negotiation decline (low price sensitive)
- Frequency of price increases from manufacturers reducing to historic levels (i.e. 4 increase to 1 per year)
- Price increase acceptance will become harder to implement (partial acceptance)

Revenue Growth Reaches Unprecedented Levels

Average growth (across 19 major sectors) for a B2B distributor

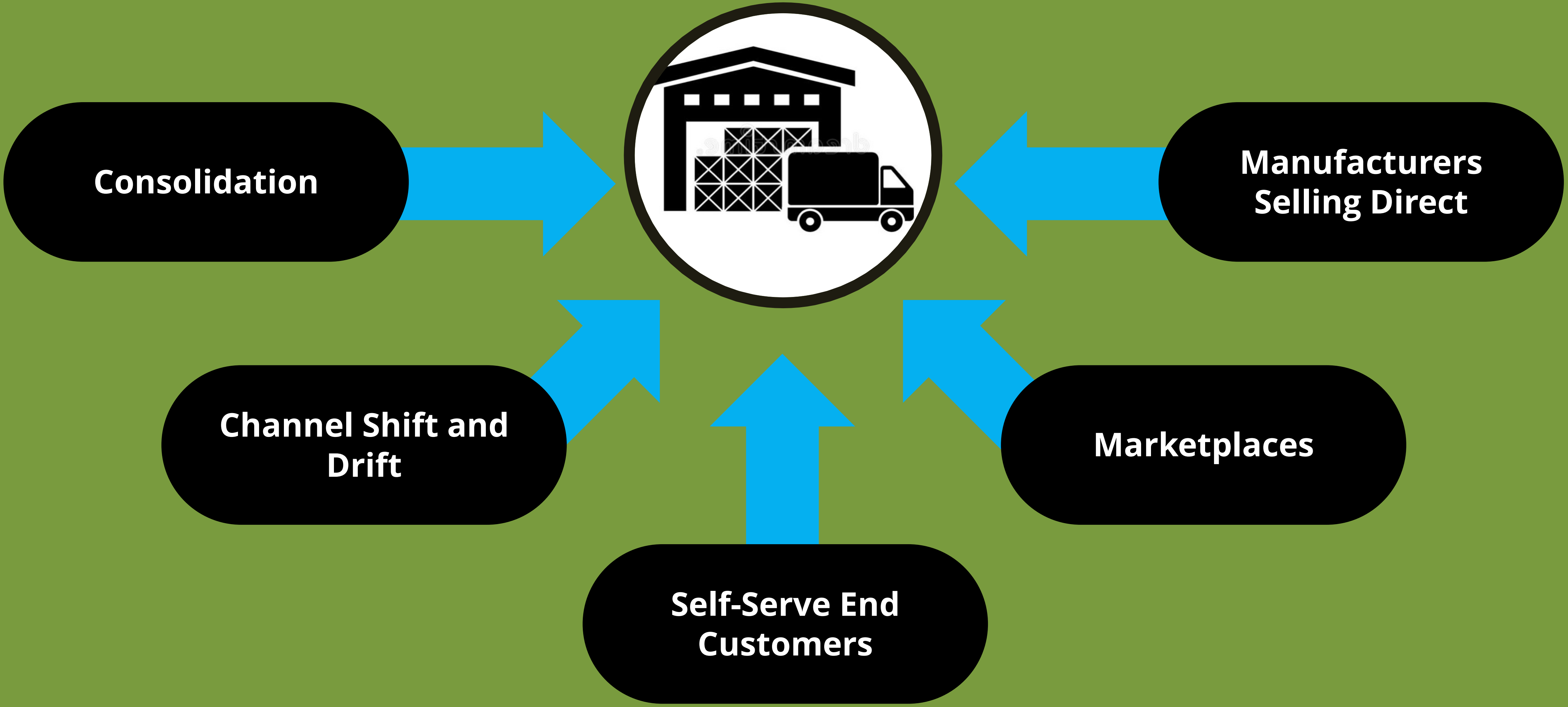


Source: U.S. Census Bureau, Monthly Wholesale Trade

- Any slowing in market demand is based off record high numbers
- Market growth—rising tide has lifted all boats
- 32.4% growth is consistent with publicly traded companies—Grainger (32.6%), Fastenal (30.9%)
- Graybar, Wesco demonstrated higher growth % than average

The Legacy Distributor Business Model is Under Siege

The landscape is being redefined by new business models, consolidation, buyer behavioral shifts and technology



Positive Trends in the Channel Countered By Unprecedented Competitive Threats

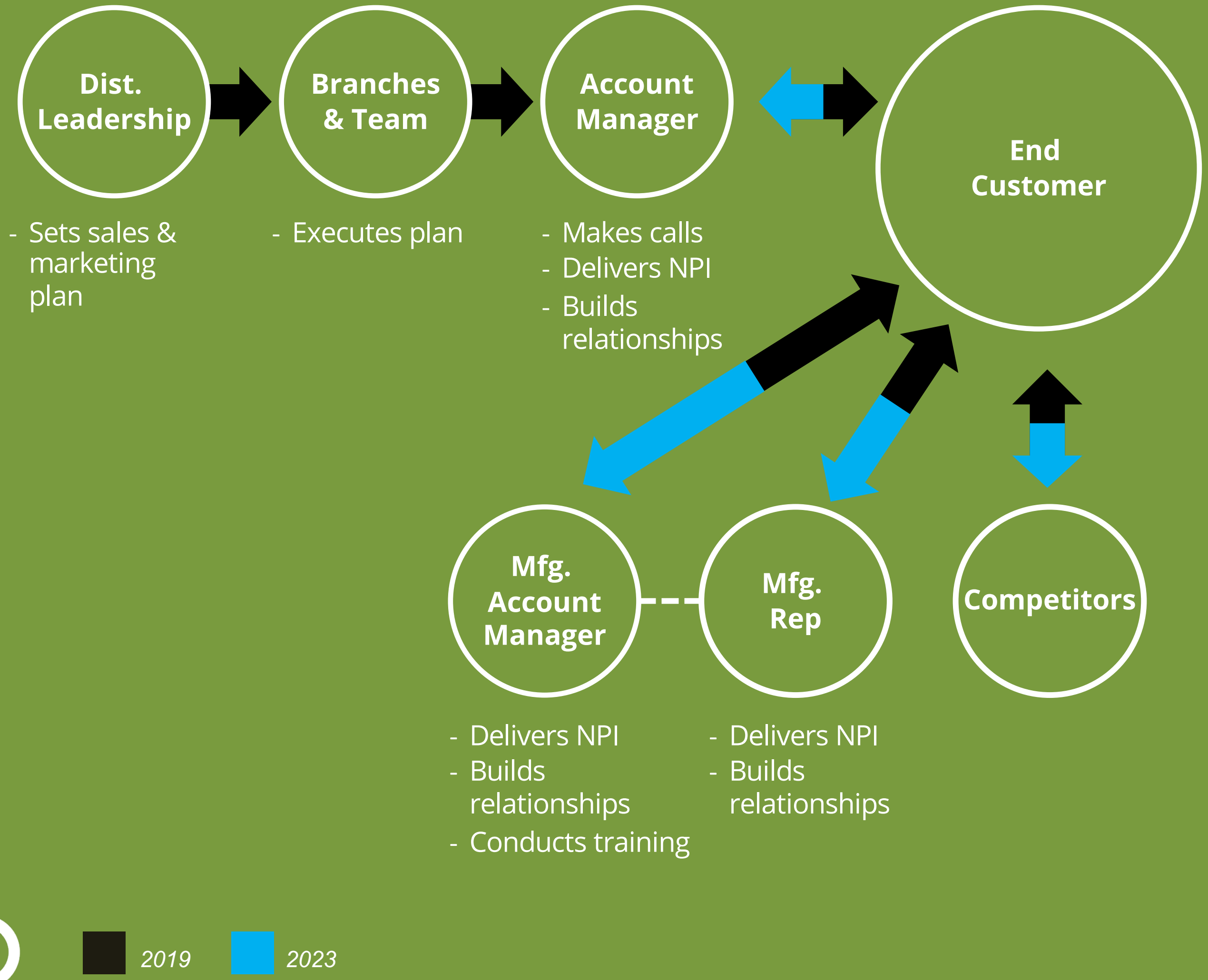
TAILWINDS	HEADWINDS
Nearshoring & Reshoring	Marketplaces
Sustainability & ESG	Talent Shortages & Retirement
Infrastructure Investment	Disintermediation
Artificial Intelligence	Consolidation
Labor Automation	Self-Serve End Customers
Digital Transformation (Industry 4.0)	Logistics-as-a-Service
Green Energy & Renewables	Inflation & Deflation
Electrification	Slowing Market Demand
24/7/365 Connectivity	

2

THE CUSTOMER IS AT THE CENTER OF THE UNIVERSE

Control has Shifted to the End Customer

Distributors have less influence — end customer is increasingly in control & seeking knowledge



2019

End Customer

- Product support
- Technical support
- Lunch & learns
- Personal relationships
- Channel dependent
- Love/hate need for branches
- Face-to-face selling rules

Business Development Influence - Account Manager

- Control of relationship
- Critical customer-facing role for NPI, knowledge and problem solving
- Face-to-face selling dominates
- Manufacturers, reps and leadership must "Kiss the AM's Ring" to get access to the customer

2023

End Customer

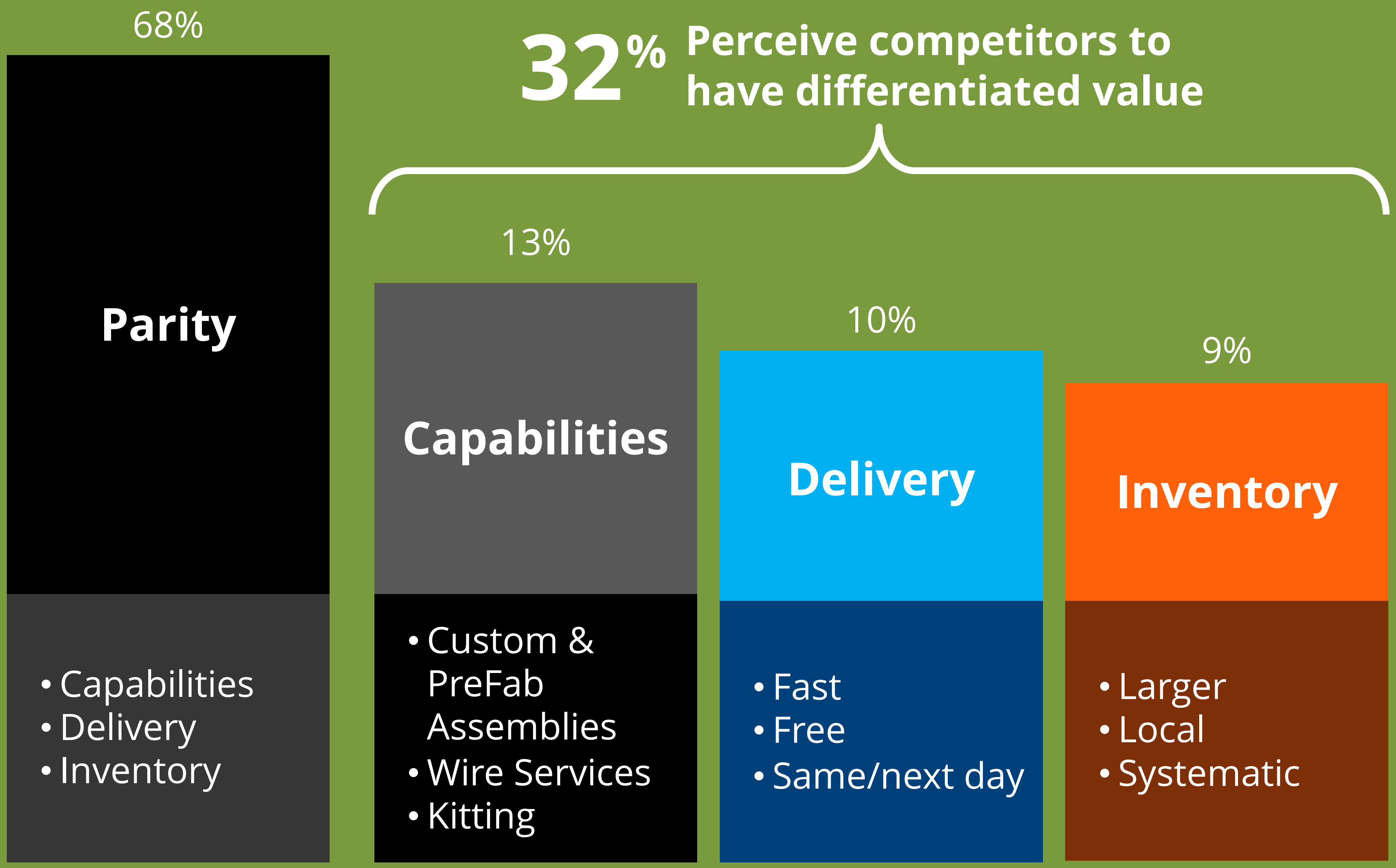
- Self-service mindset
- Discover product info online
- Only calls when online fails
- Price transparency
- Not as dependent on the channel or account manager
- Growing desire to communicate or purchase from manufacturer or online providers

Business Development Influence – End Customer

- Control of the relationship
- Gets knowledge and solutions online
- Face-to-face contact declining
- All parties must put the customer first
- Cost savings & availability preferred and personal relationship less important

What is Competition Doing That We Are Not?

Associate responses are focused on the competitors' capabilities, delivery and inventory management services



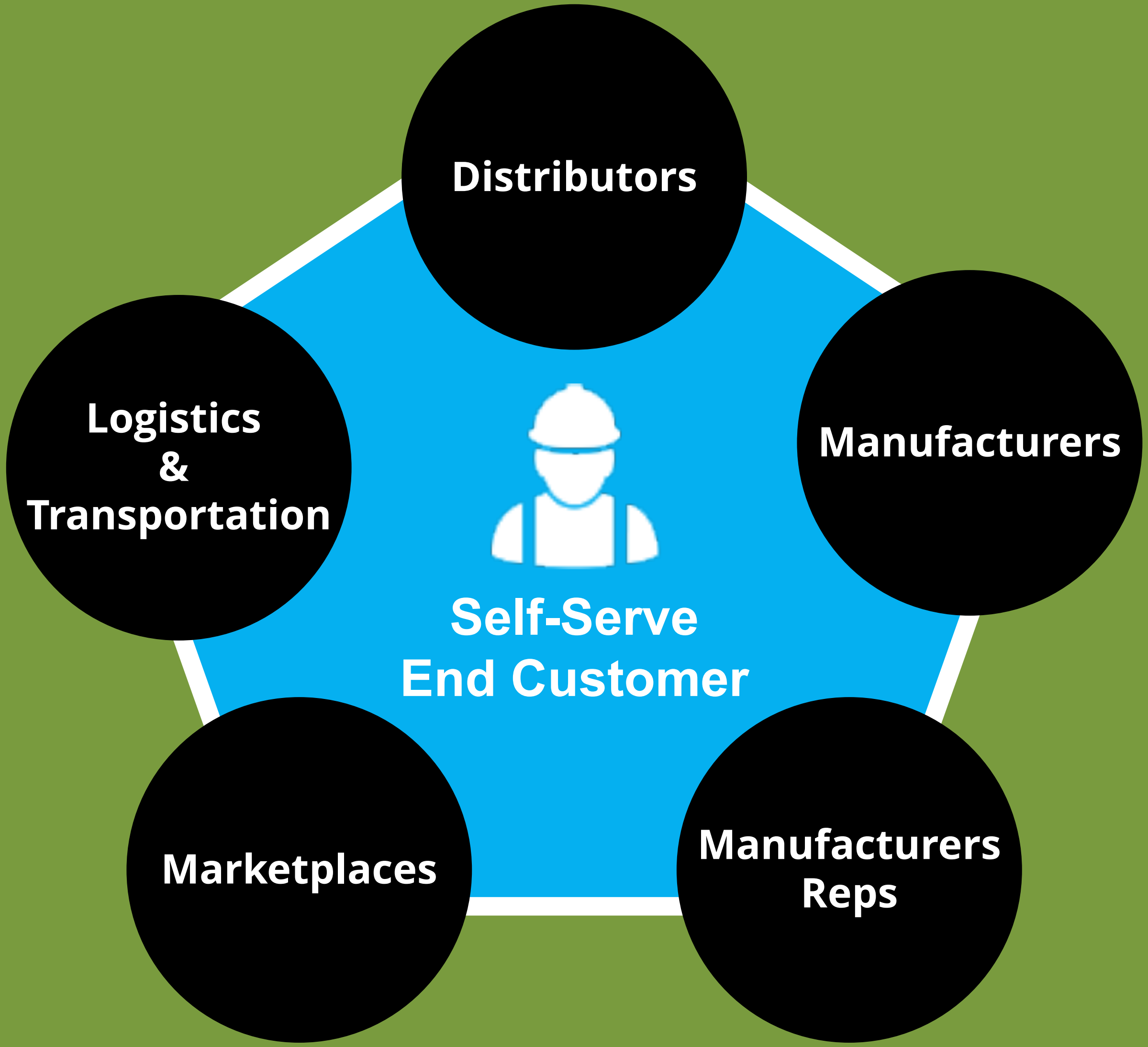
"They have the right materials in stock or close by"

"Delivery is a bit more consistent and reliable from our competition"

"They have 3X the inventory we have with daily deliveries from their satellites to support that inventory"

Critical Trends in 2023

Self-Serve Ecosystem: hub and spoke model centered around and controlled by the end customer

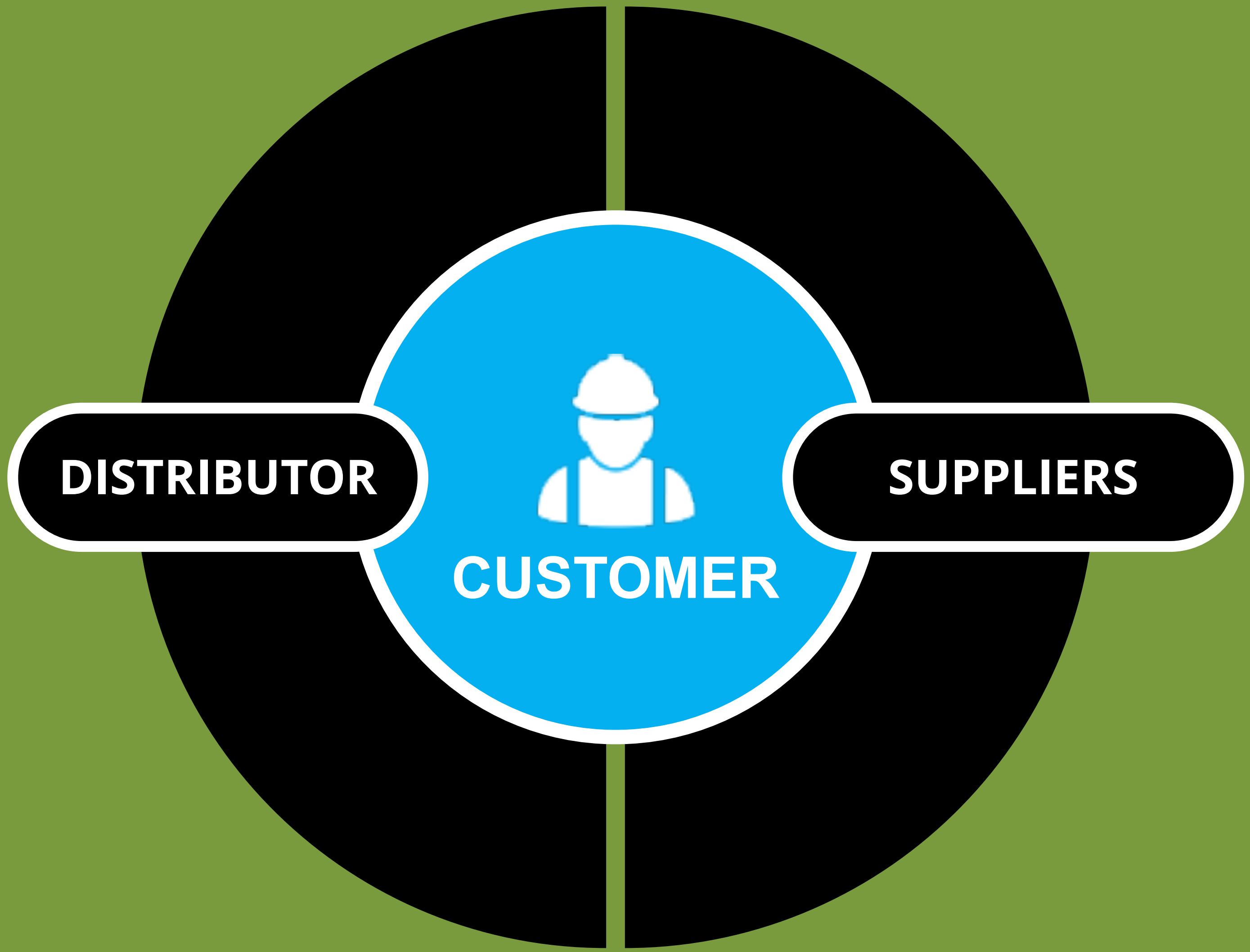


- Price increase fatigue has set in – end customers seeking cost-reduction solutions
- Lack of time and resources (end customers are short staffed) is making it harder to get quality appointments with customers
- Installation time is precious for end customers. Deliver it to me, don't make me waste money picking it up
- Digital interaction are growing, and face-to-face interactions are declining
- In-person training is declining – lack of time and desire. On-demand training on the rise
- Relationships still matter, but they matter less today. Transactional experience is becoming differentiator.

3 THE POWER OF PARTNERSHIPS IN ACTION

The Power of Partnerships

How Distributors are creating 'Seller Advantage'



Deeper partnerships within & between:

1. **DISTRIBUTOR**
2. **CUSTOMERS**
3. **SUPPLIERS**

- Harnessing data, systemwide best practice intelligence and supplier leverage
- Distributors who partner with suppliers and leverage data and analytics at the customer level increase stock sales and and win more projects
- Increasing stock sales raising overall GM% for the business
- All of this makes you more commission and money

Innovation & Business Transformation

As the marketplace gets more competitive, distributors are getting more strategic and intentional on how they will win (Strategic Roadmaps, Business Model Design & Digital Transformation)

Profit Model	Partners	Structure	Processes	Products & Categories	Value-Added Services	Service	Channels	Brand	Customer Engagement
MODEL				OFFERING		EXPERIENCE			

Distributors are investing in Innovation across their business system to deliver higher shareholder returns

**The 10 Types of Innovation Framework is a trademark of the Doblin Group*

Building Solutions to Solve End-User Pain

Targeted product and service solutions by vertical market & persona

Products

Product-Based Solutions

Solutions

Market Vertical

Persona

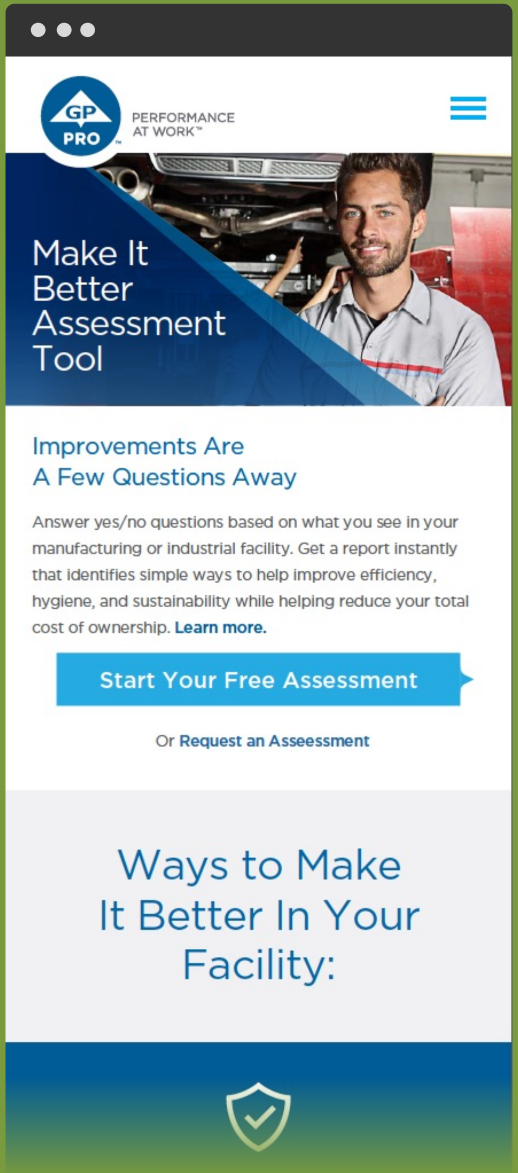
User Pain

Product-Based Solutions

Measurable Impact

Production Manager	Safety Manager	Maintenance Manager	Operator
• Output and operational uptime and efficiency	• Safety and liability of workforce and facility	• Operational effectiveness and efficiency	• Effectiveness and productivity of tasks
• Focus on productivity	• Focus on safety	• Focus on uptime	• Focus on efficiency
• Facility output	• Days since last incident	• Hours uptime	• Cycle times

Example: On-Site Assessment



Distributor-Supplier Partnerships: Laddering Preference

Supplier # 1 - Strategic

Sales	$1.30M
Margin	XX.X%
SG&A/CTS	XXX%

Best T&C's and Support

Supplier # 2 - Preferred

Sales	$800K
Margin	XX.X%
SG&A/CTS	XXX%

Better T&C's and support

Other Suppliers #3

Sales	$400K
Margin	XX.X%
SG&A/CTS	XXX%

Minimal T&C's and support

Best Sales GM% Profit

Best Terms and Conditions

Best Support SPAs

Improved Man. Rep Support

STOCK Support

THE MORE IMPORTANT WE ARE TO STRATEGIC SUPPLIERS. THE MORE SUPPORT YOU WILL GET TO GROW BUSINESS

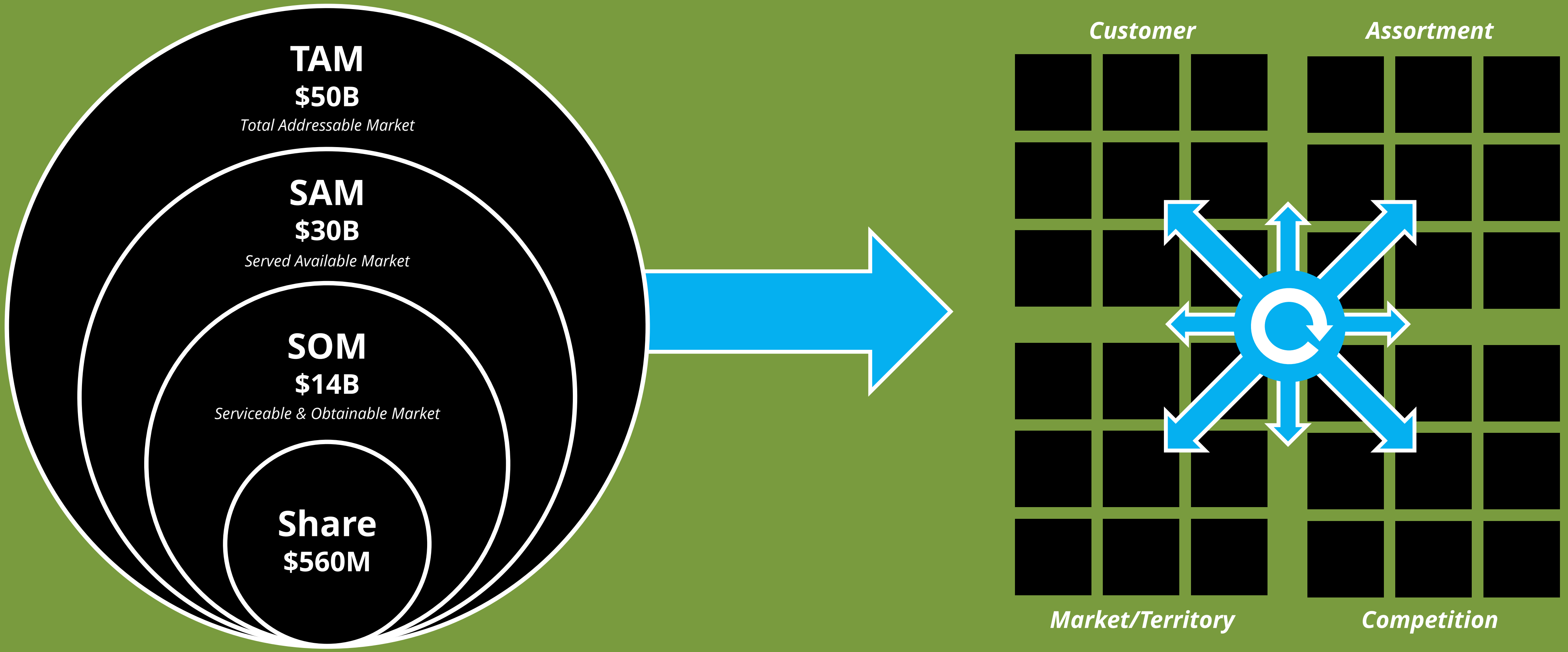
Evolution of Data & Analytics in Distribution

The next frontier is Customer & Product

GEN-3	Customer & Product	• Product and Customer Gap Analysis • Branch and Market Level Analysis • Line Item Profitability
GEN-2	Profitability	• Price Optimization • Special Pricing Agreements (SPAs) • Supplier Rebates
GEN-1	Operational	• Inventory Data: Fill Rate, Backlog, Turns • Sales Data: Lines Per Order, Average Order Size • AP Data: Days Sales Outstanding (DSO)

Using Data to Quantify the Best Opportunities

Using demand calculations across multiple segmentation schemas and stratification use cases

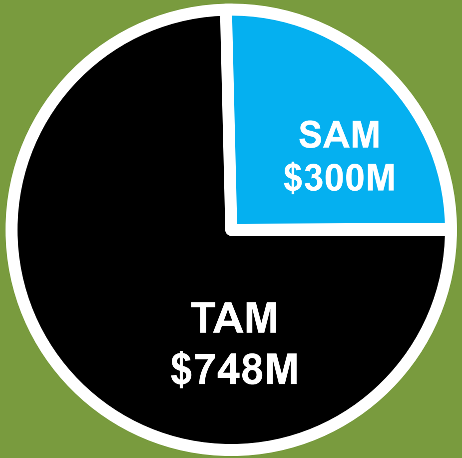


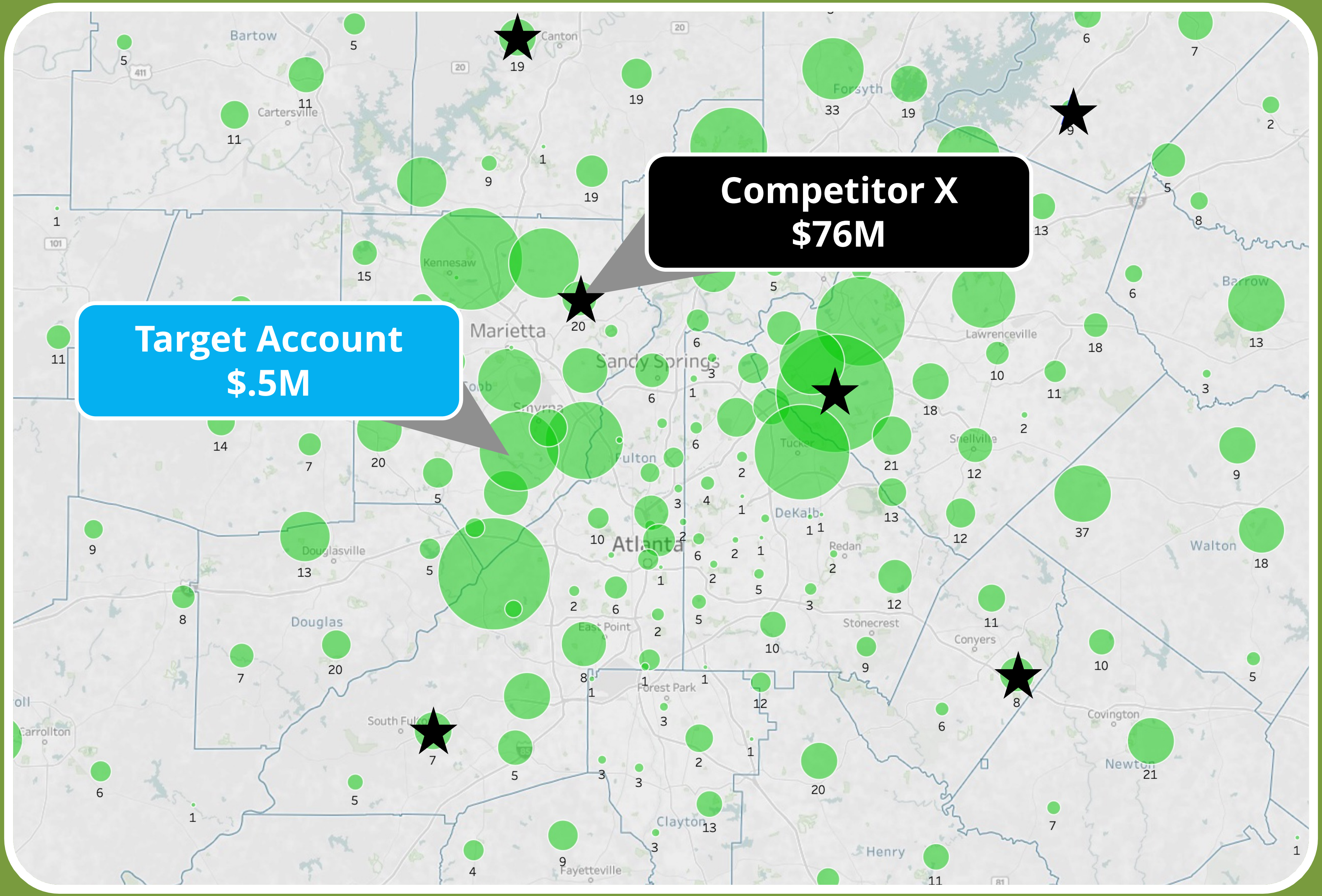
Quantify Market Demand

Segment Market Demand Across the Opportunity Matrix

Mapping Competition with Local Market Data

**MSA:
Atlanta, GA**





Target Account Demand ($) & Count (#) ★ Competitor Location

Account-Level Gap Analysis

JOHN DEERE

12345 Belle Ave.
Smyrna, GA 30082
(404) 555-1234

26%
Penetration

Opportunity
$3.7M

Product A

91%
Penetration

Opportunity
$9,000

Actual
$78,530

Product B

46%
Penetration

Opportunity
$21,000

Actual
$18,210

Product C

19%
Penetration

Opportunity
$67,000

Actual
$9,750

Joint Planning & Selling — Using Shared Data

Take planning beyond the promise of joint sales calls (which rarely occur)

Customer Gap Analysis

Distributor identifies a segment of customers that are not buying key product categories from key suppliers based on look-alike and market demand data

Key product category and customer gaps

Supplier Gap Analysis

Supplier provides data on what look-alike customers are buying from them in the local market

Local look-alike customer intelligence

Customer Scorecard

Distributor develops a scorecard based on historic success with customer (needs, projects, won/lost, stock sales support)

Customer needs & preference analysis

Customer Playbook

Distributor and supplier develop new solutions through joint planning (playbook and plan, joint selling, training, SPAs)

Optimized solutions & support programs

Using shared data within strategic joint-planning sessions identifies new solutions and value for the end customer

Key Takeaways & Actions

TAKEAWAYS

1

The End Customer is in Control

2

Disruption = Opportunity

3

DIST > MFG > IMR

Partner in New Ways

ACTIONS

- Relationships still matter, but new contacts and changing buyer preferences are increasing
- Ensure suppliers and IMRs have direct access and active roles to build value with users

- Play offense
- Find opportunities: develop capabilities on how to continually identity customer pain points – the "solutions" rule
- Identify ways to partner to deliver more customer value

- Build stronger customer moats through partnership
- Focus on strategic joint planning that shares data
- Build joint-selling playbooks using: value-added solutions, data, conversion programs, tools, SPAs, training, etc.

Q&A

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