



US Wholesale Sector

NAICS: 42

SIC: 50xx, 51xx

prepared February 18th, 2022

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Coronavirus Update

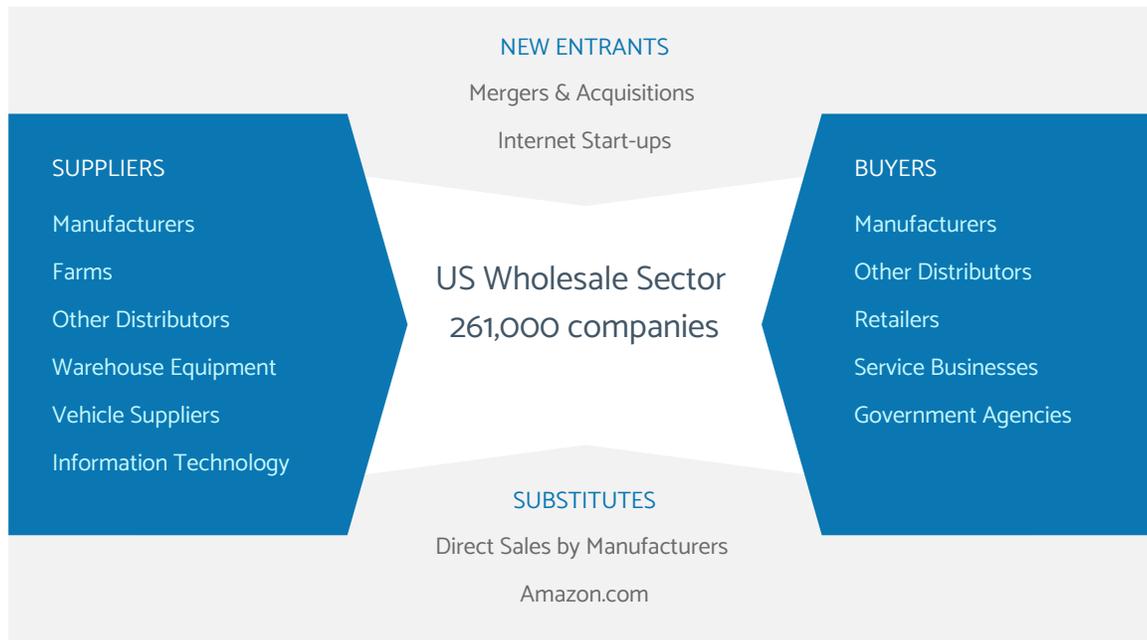
Jan 18, 2022 -- Omicron Variant Brings More Uncertainty for Supply Chains

- US wholesale sales rose a seasonally adjusted 23.3% in November 2021 compared to the same month in 2020. Durable goods sales rose 14.1% in November on a year-over-year basis, while nondurables were up 32.4%. November's total wholesale sales rose 1.3% compared to October. Durable goods sales increased 0.6% month-over-month in November, and nondurables were up 2%. In December, inflation rose 7% compared to year-earlier levels and grew at the fastest pace since 1982. In December, nearly half of US small businesses said they planned to increase their prices in the next three months, according to the National Federation of Independent Businesses. A labor shortage has pushed up labor costs, prompting businesses to increase their prices. Supply chain disruptions and bottlenecks have also driven prices higher.
- Warehousing capacity is tight, according to the January Logistics Manager's Index (LMI) report. The LMI was 70.1 in December, down 3.3 points from the prior month. A reading above 50 indicates logistics expansion, while below 50 suggests a contraction. December's warehousing utilization index fell 0.9 points to 67.3, while the warehousing capacity index rose to 2.5 points 46.5. While warehouse utilization loosened and capacity increased, warehousing prices eased downward but remained high. In December, the warehousing price index reading was 82.1, down 8.2 points from November. For December's LMI report, those surveyed were not optimistic about sufficient warehousing capacity coming online; they also believed warehousing utilization would continue to grow. With demand outstripping supply, LMI respondents believe warehousing prices will continue to go up well into 2022. The LMI is compiled monthly by logistics researchers at five universities and the Council of Supply Chain Management Professionals (CSCMP).
- Industry watchers suggest the rapid shift to e-commerce that took hold during the lockdown will remain even as the pandemic eases. This is expected to increase long-term demand for warehousing space that large e-commerce retailers rent for use as fulfillment centers. To meet the increase in demand stemming from e-commerce growth, the US may need as many as 1 billion additional square feet of warehouse space by 2025, according to commercial real estate services firm JLL. E-commerce requires three times the warehousing and logistics space as brick-and-mortar retail, according to logistics real estate firm Prologis.
- As warehouse space has tightened due to solid consumer spending and e-commerce growth during the pandemic, warehouse lease rates are rising, according to The Wall Street Journal. Industrial property lease prices are up 25% for five-year leases that expired in 2021, according to a December report by real estate firm CBRE. The national vacancy rate for industrial property dropped to 3.6% in the third quarter of 2021, marking the lowest level since 2002, according to CBRE. Warehouse space is even tighter for major distribution hubs like Southern California's Inland Empire, where the vacancy rate was below 1% in Q3.
- The popularity of online grocery shopping has accelerated during the coronavirus pandemic, and the category is expected to boost demand for climate-controlled warehousing space, according to Commercial Property Executive. The majority of current online grocery fulfillment takes place in retail grocery locations, which is likely a temporary solution to meet the sudden spike in demand due to the pandemic. As the online grocery segment grows, more fulfillment is expected to move to warehouse locations that are more efficient and cost-effective. Because cold storage facilities are three times as costly to build, such projects, historically, are rarely built on spec. However, the need for last-mile cold-storage fulfillment in large urban centers is attracting speculative warehouse investment, according to The New York Times.
- In January, a COVID-19 outbreak at the ports of Los Angeles and Long Beach again slowed the clearing of a logjam of containerhips waiting off the West Coast to unload, according to The Wall Street Journal. As of January 10, about 10% of the workforce at the LA and Long Beach ports was away from work due to COVID-19-related reasons, according to the Pacific Maritime Association. Fueled by the Omicron variant, port worker infections have risen sharply. More than 100 containerhips were waiting off the coast on New Year's Day. Before the pandemic, it was unusual for more than one ship to wait for unloading. Omicron is also spreading in China, which has led to factory shut-downs and disruption of port operations, according to The Wall Street Journal. Logistics industry watchers are worried that China's zero-tolerance policy for containing the pandemic could trigger more significant disruptions throughout the world economy.
- In early December, the Organization of Economic Co-Operation and Development (OECD) said the global economy continues to rebound but suggested the emergence of the Omicron variant of the coronavirus points to rising risks and imbalances in the recovery. The OECD expects global GDP to rise 5.6% in 2021, then moderate to 4.5% growth in 2022. However, the threat of continued COVID-19 outbreaks may magnify existing problems, including supply chain disruptions, labor and materials shortages,

and inflation. The OECD said the Omicron variant highlights the need to speed up global vaccine rollouts to prevent the emergence of additional variants. Broader vaccination efforts may also help ease supply chain logjams by enabling a wider reopening of manufacturing facilities, ports, and borders.

- On September 9, the Biden Administration announced that businesses with more than 100 employees will have to require their workers to be vaccinated or be subject to at least weekly COVID-19 testing. The requirements were to be implemented through a temporary standard issued by the Labor Department's Occupational Safety and Health Administration (OSHA). On November 6, the 5th US Circuit Court of Appeals temporarily blocked the OSHA rule due to potential "grave statutory and constitutional issues." More than two dozen states, business groups, individual businesses, labor unions, and religious organizations sued to block the OSHA rule. Due to lawsuits in several circuit courts, federal law required them to be consolidated and heard in a single court chosen by lottery. In mid-November, the lottery was held, and the case was set to be heard in the Sixth US Circuit Court of Appeals. On December 17, the Sixth US Circuit Court of Appeals overturned the lower court's ruling, and some businesses immediately appealed the ruling to the Supreme Court. On January 13, the Supreme Court blocked the vaccine requirement for companies with 100 or more employees. About 3.8% of the 294,000 wholesale trade firms in the US have more than 100 employees, according to the US Census Bureau.

Sector Structure



The average wholesaler employs 19-20 workers and generates about \$20 million in annual revenue.

- The wholesale sector consists of about 299,000 companies that employ over 5.9 million workers and generate \$6 trillion in annual revenue.
- The wholesale sector represents 5-6% of the nation's Gross Domestic Product (GDP).
- About 70% of merchant wholesale firms have fewer than 10 employees. The 50 largest firms control about 27% of sector revenue.
- Large companies include Grainger and HD Supply (industrial supply), Graybar (electrical), Sysco (food), McKesson (pharmaceuticals), ABC Supply (building materials), Central Oil (fuel), Ingram Micro (technology), and Univar (chemicals).

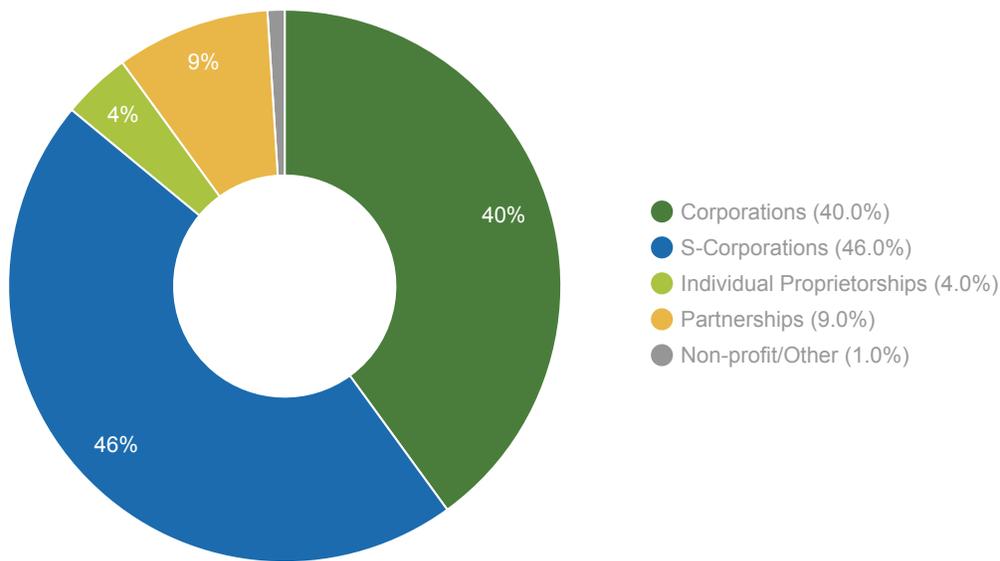
US Wholesale Sector Subsectors

SUBSECTOR	NO. FIRMS	AVG. REVENUE PER FIRM (\$K)	AVG. NO. OF EMPLOYEES / FIRM	AVG. REVENUE / EMPLOYEE (\$K)
Motor Vehicles & Parts (NAICS: 4231)	15,842	\$28,405	23	\$1,229
Furniture & Home Furnishings (NAICS: 4232)	11,214	\$8,190	14	\$566
Lumber & Construction Materials (NAICS: 4233)	10,149	\$14,599	23	\$640
Professional & Commercial Equipment (NAICS: 4234)	23,034	\$20,528	23	\$888
Metals & Minerals (NAICS: 4235)	7,085	\$23,814	20	\$1,210
Household Appliances & Electronics (NAICS: 4236)	19,214	\$30,457	25	\$1,242
HVAC & Plumbing Equipment (NAICS: 4237)	10,472	\$14,316	22	\$641
Machinery & Equipment (NAICS: 4238)	40,712	\$10,434	17	\$603
Miscellaneous Durable Goods (NAICS: 4239)	29,040	\$8,302	115	\$737
Total	297,379	\$29,373	21	\$1,399

SUBSECTOR	NO. FIRMS	AVG. REVENUE PER FIRM (\$K)	AVG. NO. OF EMPLOYEES / FIRM	AVG. REVENUE / EMPLOYEE (\$K)
Paper Products (NAICS: 4241)	7,288	\$12,618	17	\$733
Drugs & Druggists' Sundries (NAICS: 4242)	6,938	\$95,487	32	\$2,992
Apparel, Piece Goods & Notions (NAICS: 4243)	14,505	\$11,511	14	\$813
Grocery Products (NAICS: 4244)	27,487	\$24,034	23	\$1,036
Farm Raw Products (NAICS: 4245)	3,482	\$60,966	19	\$3,245
Chemical Products (NAICS: 4246)	8,177	\$14,768	15	\$968
Petroleum Products (NAICS: 4247)	3,949	\$158,781	22	\$7,091
Beer, Wine & Liquor (NAICS: 4248)	3,524	\$41,249	57	\$728
Miscellaneous Nondurable Goods (NAICS: 4249)	21,875	\$12,839	15	\$878
Electronic Markets & Agents (NAICS: 4251)	35,489	\$19,798	8	\$2,355
Total	297,379	\$29,373	21	\$1,399

Source: Census Bureau

Industry Demographics



Source: US Census Bureau



Female Owned

14.0%



Minority Owned

18.0%



Veteran Owned

9.8%

Source: Census Bureau

Geographic Breakdown

STATE	NO. ESTABLISHMENTS	% OF TOTAL US ESTABLISHMENTS	NET CHANGE 2018	% CHANGE
Alabama	4903	1%	-74	-1.5%
Alaska	703	0%	-8	-1.1%
Arizona	5963	2%	-49	-0.8%
Arkansas	3157	1%	-33	-1.0%
California	53122	14%	-655	-1.2%
Colorado	6517	2%	-106	-1.6%
Connecticut	3824	1%	-84	-2.1%
Delaware	1035	0%	-15	-1.4%
Florida	27880	7%	-461	-1.6%
Georgia	11924	3%	-152	-1.3%
Hawaii	1516	0%	-49	-3.1%
Idaho	1982	1%	-22	-1.1%
Illinois	16382	4%	-419	-2.5%
Indiana	7074	2%	-139	-1.9%
Iowa	4715	1%	-23	-0.5%
Kansas	4074	1%	-121	-2.9%
Kentucky	3939	1%	-92	-2.3%
Louisiana	5046	1%	-87	-1.7%
Maine	1416	0%	-22	-1.5%
Maryland	4994	1%	-151	-2.9%
Massachusetts	7037	2%	-94	-1.3%
Michigan	9925	3%	-202	-2.0%
Minnesota	7215	2%	-153	-2.1%
Mississippi	2586	1%	-40	-1.5%
Missouri	7018	2%	-131	-1.8%
Montana	1487	0%	-13	-0.9%
Nebraska	2970	1%	-48	-1.6%
Nevada	2814	1%	-14	-0.5%

STATE	NO. ESTABLISHMENTS	% OF TOTAL US ESTABLISHMENTS	NET CHANGE 2018	% CHANGE
New Hampshire	1699	0%	-38	-2.2%
New Jersey	12792	3%	-208	-1.6%
New Mexico	1622	0%	-73	-4.3%
New York	27523	7%	-715	-2.5%
North Carolina	10729	3%	-152	-1.4%
North Dakota	1644	0%	-36	-2.1%
Ohio	12736	3%	-248	-1.9%
Oklahoma	4292	1%	-43	-1.0%
Oregon	4890	1%	-80	-1.6%
Pennsylvania	13263	4%	-292	-2.2%
Rhode Island	1217	0%	-35	-2.8%
South Carolina	4681	1%	-9	-0.2%
South Dakota	1443	0%	-13	-0.9%
Tennessee	6362	2%	-107	-1.7%
Texas	30805	8%	-481	-1.5%
Utah	3411	1%	-24	-0.7%
Vermont	734	0%	-21	-2.8%
Virginia	6424	2%	-249	-3.7%
Washington	8457	2%	-183	-2.1%
West Virginia	1353	0%	-27	-2.0%
Wisconsin	6536	2%	-56	-0.8%
Wyoming	767	0%	-17	-2.2%

Source: Census Bureau

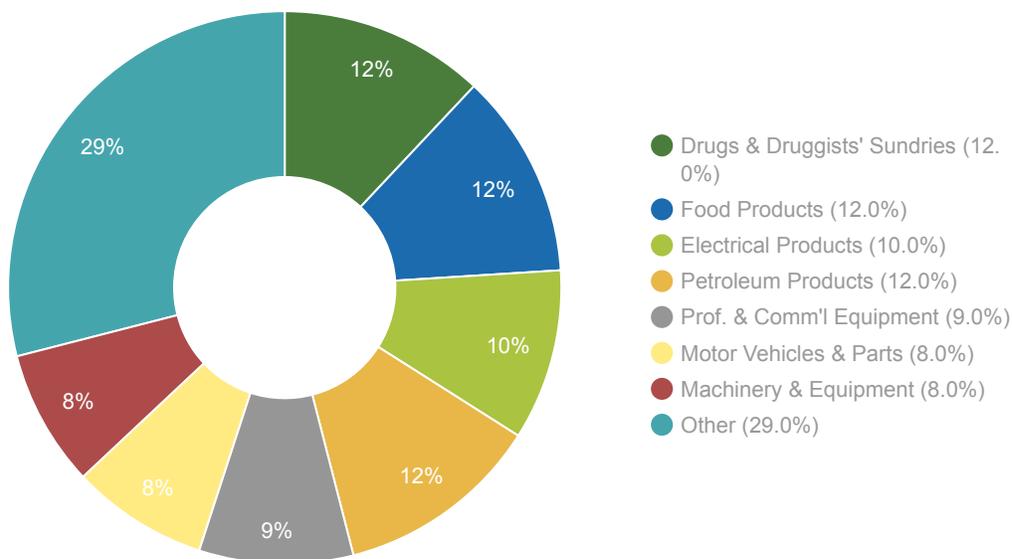
How the Sector Operates

Products and Operations

The typical merchant wholesaler operates 1-2 warehouses where workers receive goods in bulk from suppliers, and then pick and package customer orders for shipping. When a shipment arrives from the supplier, the goods are removed from the manufacturers' shipping containers or pallets, then sorted and shelved. Workers pick from the bulk goods to fulfill customers' orders and package the goods for shipping. Wholesalers typically don't process the goods in any way other than labeling and packaging.

- Durable goods represent about 48% of the value of wholesalers' sales with nondurable goods accounting for 52%.
- The largest wholesale subsectors are groceries and related products (12% of revenue), pharmaceuticals (12%), petroleum products (12%), and electrical goods (10%).
- Distributors are slow to adopt technology. Over half continue to use paper-based picking rather than electronic pick lists.

US Wholesale Sector Revenue



Source: US Census Bureau

Wholesaler warehouses are typically equipped with loading docks, material handling equipment such as conveyors and lift trucks, shelving or racks to store goods, packaging and processing stations, and a sales office. Specialized equipment includes cold storage, cranes, silos, and liquid holding tanks. Wholesalers that deal in large items, such as farm equipment and industrial machinery, may require larger warehouse footprints or open land to store oversized inventory.

Wholesale goods may be transported by truck, rail, water, air, pipeline, or parcel service (i.e. Fedex or Postal Service), but 80-90% tends to move on trucks. Wholesalers may operate their own fleet of vehicles or contract with trucking firms or private truck drivers. Wholesalers with their own tractor-trailers fleets are subject to driver and vehicle operating regulations under the Federal Motor Carrier Safety Administration (FMCSA) and OSHA, including driver licensing, hours of operation limits, and insurance coverage. About half of wholesale goods that are moved by truck are on vehicles operated by the wholesalers themselves. The other half is transported by for-hire truck drivers or trucking firms.

Inventory levels and turnover are closely tracked to minimize spoilage, obsolescence, and damage in the warehouse. Inventory turnover varies by the types of products sold. For example, perishable foods turnover within a week, while farm machinery may turn within a year.

Wholesalers use a variety of technology in their operations, including computer systems, warehouse management systems (WMS)

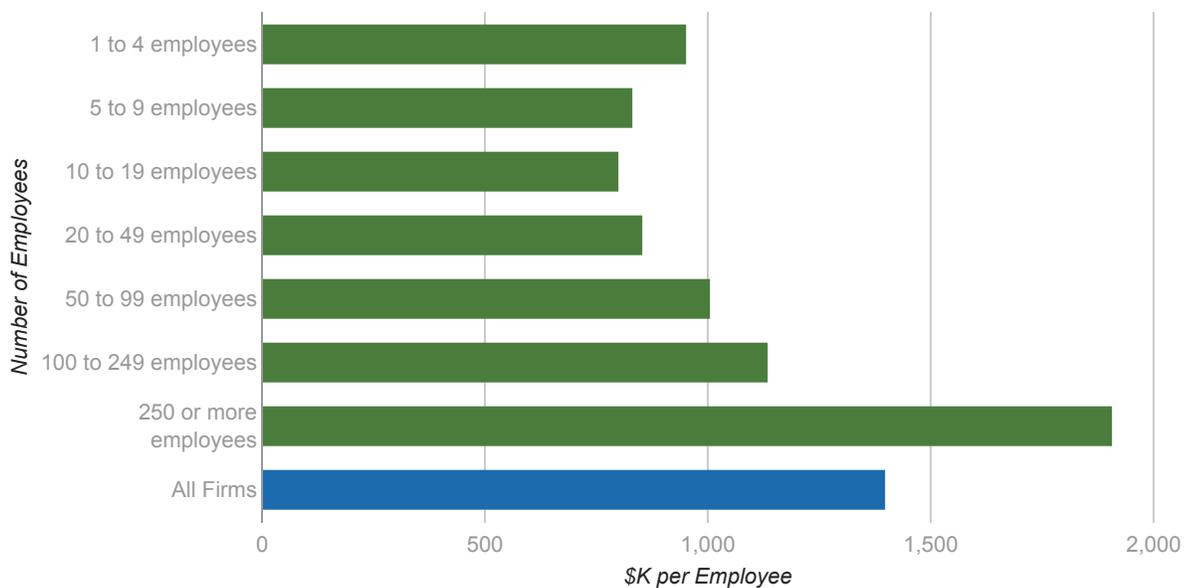
software, enterprise resource planning (ERP) software, electronic data interchange (EDI), radio frequency identification (RFID) tracking equipment, automated conveying systems, and robotics.

WMS, ERP, and EDI help wholesalers track incoming inventory, existing inventory, and outgoing orders within a facility. These systems also allow wholesalers with multiple facilities to electronically check the availability of inventory across their facilities. Wholesalers may connect with suppliers electronically to automatically order a replenishment shipment of commonly sold goods when the wholesaler's inventory drops to a set threshold. Customers may also be connected to the wholesalers' inventory systems so they can see product availability, place orders electronically, or schedule automatic shipments when inventory is low.

Automated material handling equipment reduces worker movement around the facility and speeds order fulfillment. These systems typically involve horizontal or vertical racks, or carousels of bins or shelves. Using an inventory software program, merchandise is requested and the system of shelves or bins rotates until the item is at a retrievable level for a worker. Robotic picking systems may use an arm or tray that electronically locates an item, moves into position, and then the item is grabbed by the robotic arm or pushed into the tray similar to a drink or food vending machine. Light systems or other sensors scan and record the item retrieved and update the inventory log. These parts-to-person systems allow wholesalers to carry more items in a smaller footprint, reduce the risk of workers falling from a height when retrieving items from high shelves, reduce the risk of items falling on workers or becoming damaged, and allow high volume picks to be closer to packing stations.

Salespeople in the wholesale industry earn an average salary of \$71,000 per year. Warehouse workers earn about \$26 per hour. Warehouse employees are at increased risk of injury by working in close proximity to automated material handling equipment and forklifts, lifting inventory, being hit by falling inventory, and climbing to heights to shelve or retrieve inventory.

Revenue per Employee by Firm Size



Source: US Census Bureau

Profit Drivers

Expanding Customer Base

Wholesale trade is a low margin business, so companies rely on high sales volumes to achieve their profit targets. Since most wholesalers carry a limited range of product types, it can be difficult to grow sales volumes with existing customers, so they rely on acquiring new customers for growth. To gain new customers, they may expand into new geographical markets or may take on new suppliers that target new customer segments. Focused marketing campaigns and personal selling can help them grow market share within existing territories.

Effectively Managing Inventory

Wholesalers must carry sufficient inventory to meet customer delivery requirements, but excess inventory ties up cash and increases the risk of inventory write-offs. Wholesalers carrying products that are perishable or subject to fashion trends are especially susceptible to write-offs and must achieve rapid inventory turnover. Firms invest in inventory management systems to help manage the thousands of stock keeping units (SKUs) they carry and minimize inventory levels.

Minimizing Delivery Costs

With low gross margins, wholesalers must minimize operational costs. The cost of delivering goods is one of their largest costs, whether they use their own delivery trucks or contract delivery out to others. Expanding their customer base within a given geographic area can help improve delivery efficiency. Firms may use route planning software to optimize delivery routes and onboard computers to monitor the location and delivery efficiency of truck drivers.

Technology Investment

Wholesale has lagged other sectors in adoption of technology. Firms generally use technology to track inventory, increase productivity, speed order processing and delivery, and update or improve the quality or reliability of their processes or methods. Technology in wholesaling is driven by the need for cost containment, competitive advantage, and fast and accurate order fulfillment given the proliferation of stock keeping units (SKUs). Part of the push to adopt technology is the retirement of older workers who traditionally used handwritten orders and the hiring of tech-savvy young workers that are pushing for the use of technology in the wholesale workplace. Customers and suppliers are also pushing the wholesale sector toward technology adoption in order to increase transparency and streamline their supply chain.

Vehicle Routing and Tracking

The cost of delivering goods is one of wholesalers' largest costs, whether they use their own delivery trucks or contract delivery out to others. Expanding their customer base within a given geographic area can help improve delivery efficiency. Firms may use route planning software to optimize delivery routes and onboard computers with GPS to monitor the location and delivery efficiency of truck drivers.

Process Automation

Wholesalers are increasingly dependent on automation and sophisticated information systems to rapidly fulfill customer orders while minimizing costs. Implementation of warehouse management systems (WMS), enterprise resource planning (ERP), electronic data interchange (EDI) and automated material handling systems are typically complex projects that take many months to complete. In the warehouse, inventory items are tagged and digitally tracked in a database using radio frequency Identification (RFID) equipment. Automation updates inventory in real time and can allow customers to see the quantity of inventory a wholesaler has on-hand. Wholesalers can also use these systems to automatically place orders with suppliers when inventory falls to a predetermined level, which helps to prevent sales losses due to out-of-stock items.

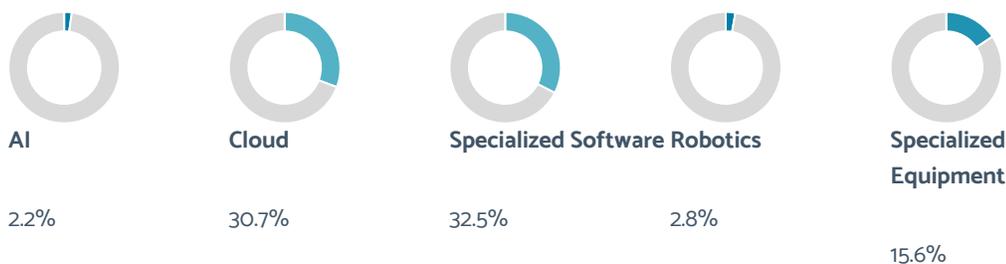
Mobile Communications

Wholesalers may have large staffs of sales representatives scattered across a local, regional, national or international market. The ability for reps to access their sales platform on mobile devices such as smart phones, tablets and laptops is critical, especially when in the field. Placing orders and making customer notes directly in the sales platform helps to reduce errors and omissions.

E-commerce

E-commerce sales are growing in importance for merchant wholesalers. Wholesalers are being forced to use e-commerce to compete as more businesses look to cut out the middleman and buy direct from manufacturers. Wholesalers of finished goods tend to have a greater e-commerce sales mix than wholesalers of raw materials and commodities. The average e-commerce wholesaler carries 13,000-14,000 stock-keeping units (SKUs). E-commerce capabilities allow wholesalers to expand their geographic reach within the US and internationally. However, customers are increasingly expecting a simple interface for searching inventory, placing orders and receiving shipping information; greater product detail (multi-view photos, 3D images, and customer reviews); and faster response time.

Percent of US Wholesale Sector firms investing in technology



Source: Census Bureau

Global Perspective

Global Market Size

The global wholesale sector was valued at more than \$45 trillion in 2020, according to The Business Research Company. The COVID-19 pandemic disrupted manufacturing activity and supply chains worldwide, which slowed wholesale trade. However, as markets recover, global wholesale sales are projected to rise 9.7% in 2020 and reach a value of more than \$49 trillion. Average annual wholesale sales growth is then expected to moderate to 7% through 2025, reaching a value of about \$64 trillion.

Large Companies

COMPANY	HOME COUNTRY
AmerisourceBergen Corporation	US
Arrow Electronics, Inc.	US
COFCO Corporation	China
Itochu Corporation	Japan
McKesson Corporation	US
Mitsubishi Group	Japan
Sinochem Holdings Corporation	China
Sysco Corporation	US
Trafigura Group	Singapore
Xiamen C&D Inc.	China

Key Global Trends

More Cross-Border Trade – Despite the disruption to global supply chains brought on by COVID-19, the pandemic accelerated cross-border wholesale trade. Many B2B businesses expanded their supply chains to source needed products and materials wherever they could be found, often via e-commerce. Industry watchers expect wholesalers will make investments to better serve international markets, including technologies that enable cross-border payments and make B2B business as seamless as B2C experiences. Small-scale wholesalers are also expected to further leverage relationships with massive online marketplaces like Amazon and China-based Alibaba to reach a wider, international customer base.

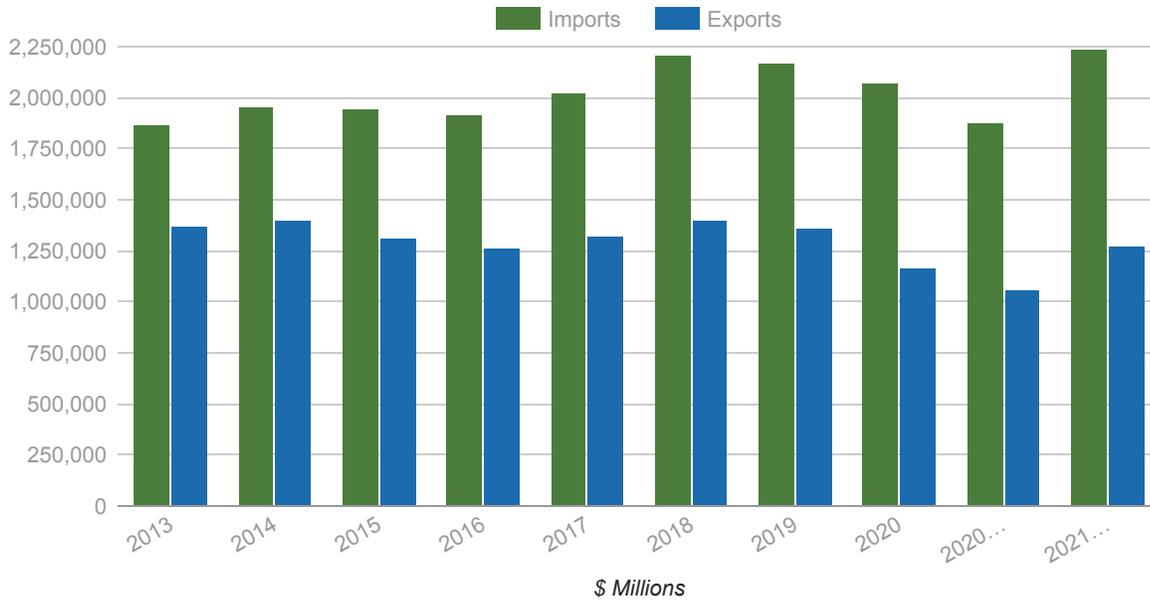
Supply Chain Transparency – The pandemic also intensified awareness about supply chain visibility. Shortages of, and higher prices for, key inputs including agricultural products, semiconductors, and metals drove home the need for increased supply chain transparency as wholesalers' customers tried to balance wild swings in demand. By offering greater supply chain visibility, wholesalers can help their customers make better inventory decisions, which can be a strong competitive differentiator. Better transparency throughout the supply chain also helps wholesalers – and their customers – navigate the global complexity of regulations related to the circular economy, consumer protections, and product traceability.

Uneven Global Recovery – The effects of the pandemic on global wholesale trade are expected to remain in place for a few years, especially in countries hard-hit by COVID-19. Economic outcomes for individual countries will likely depend on timely vaccine distribution and other public health policies that effectively control the spread of coronavirus. In the US, South Korea, Japan, and Germany, per-capita GDP is expected to return to pre-pandemic levels by the end of 2021, according to the Organisation for Economic Co-operation and Development (OECD). China's GDP was fully recovered by mid-2020. Per-capita GDP is not projected to fully recover

before mid-2022 in Canada, Italy, the UK, France, and Brazil. The OECD doesn't expect per-capita GDP in Saudi Arabia and South Africa to rebound until well into 2024. While the OECD forecasts global economic output will rise 5.8% in 2021, worldwide GDP at the end of 2022 is still expected to be \$3 trillion less than it was before the pandemic.

International Trade

US Manufacturing Sector Imports and Exports

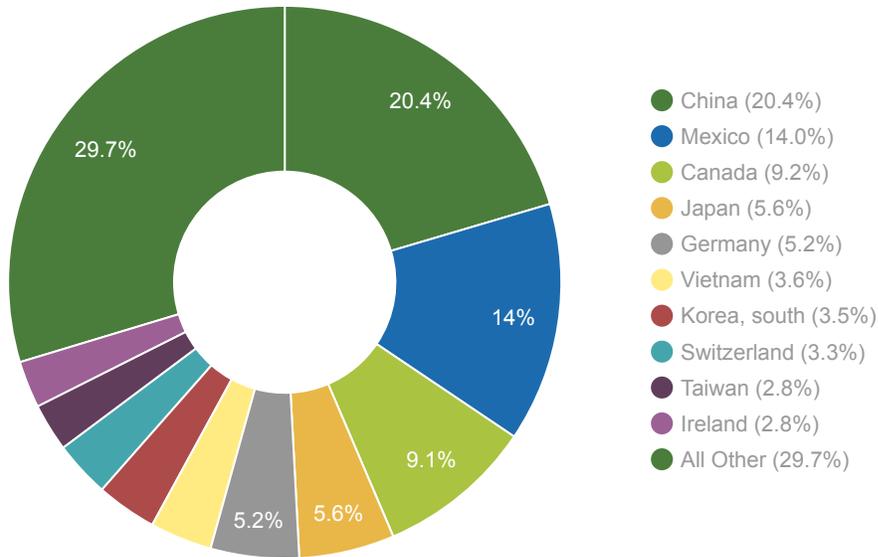


US Manufacturing Sector Year-to-Date Trade Data

NOVEMBER 2021	VALUE (\$MILLIONS)	% CHANGE
Imports	\$2,237,882	16.0%
Exports	\$1,272,745	16.44%
Trade Balance	-\$965,137	

Imports by Country

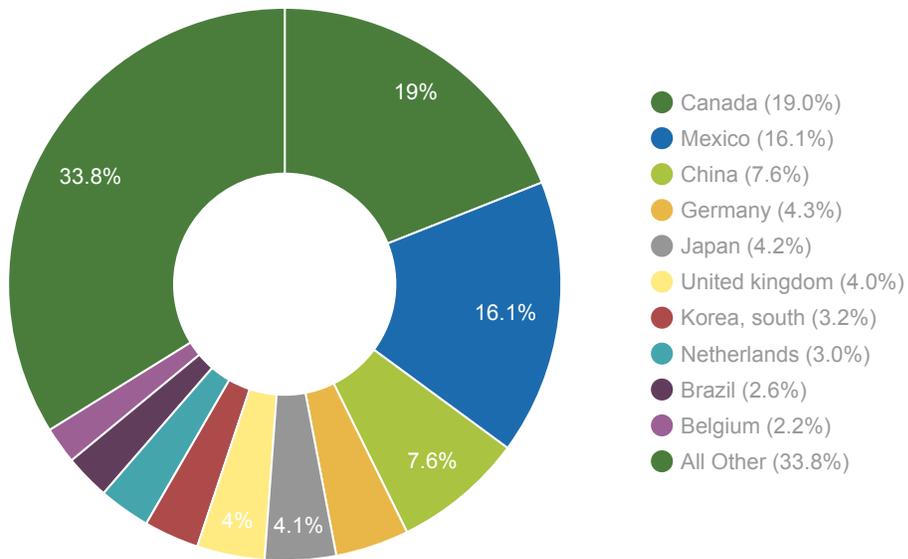
US Manufacturing Sector Imports



COUNTRY	YEAR 2020	% IMPORTS
China	\$423,349,348,886	20.43%
Mexico	\$290,168,075,426	14.0%
Canada	\$189,652,777,455	9.15%
Japan	\$115,546,413,230	5.58%
Germany	\$106,972,112,876	5.16%
Vietnam	\$75,289,771,979	3.63%
Korea, south	\$73,312,055,319	3.54%
Switzerland	\$68,248,845,814	3.29%
Taiwan	\$57,955,284,809	2.8%
Ireland	\$56,904,887,556	2.75%
All Other	-	29.67%

Exports by Country

US Manufacturing Sector Exports



COUNTRY	YEAR 2020	% EXPORTS
Canada	\$221,906,345,050	19.0%
Mexico	\$187,924,849,235	16.09%
China	\$88,971,697,691	7.62%
Germany	\$50,198,767,474	4.3%
Japan	\$48,516,033,039	4.15%
United Kingdom	\$46,277,453,536	3.96%
Korea, South	\$37,672,204,970	3.22%
Netherlands	\$35,249,565,443	3.02%
Brazil	\$30,844,794,079	2.64%
Belgium	\$25,220,025,546	2.16%
All Other	-	33.84%

Sector Trends

Trends are affected by the COVID-19 pandemic.

Changes in revenue, employment, business practices, trade and forecasts are occurring rapidly and data reporting by the government lags the changes. We are tracking changes in the “Coronavirus Update” chapter for those industries most affected and on our [Covid-19 Updates Webpage](#).

Sales Growth Mixed

Wholesalers’ sales can fluctuate significantly from year to year. Wholesalers posted a loss 4% in 2016, but sales returned to growth of 6.3% in 2017, 9.4% in 2018 and 1.3% in 2019 before falling 4.1% in 2020. By major product segment, sales decreased 28.6% in 2020 for petroleum, 20.7% for apparel, 19.3% for metals and minerals, and 9.8% for chemicals. Sales rose 7.3% in 2020 for alcohol, 6.7% for farm products, 6.6% for pharmaceuticals, 5.8% for lumber and other construction materials, and 5.8% for hardware, plumbing and heating equipment and supplies.

E-commerce Opportunities

E-commerce sales are growing in importance for merchant wholesalers. Overall, about 28% of wholesale sales are through e-commerce. E-commerce accounts for 32% of nondurable goods sales and 25% of durable goods sales. Wholesaler subsectors with the highest e-commerce share of total sales include medical equipment (40%), motor vehicles and parts (39%), electrical goods (35%) and groceries (29.5%). On the other end of the spectrum, wholesaler subsectors with the lowest e-commerce share of total sales are alcoholic beverages (7.5%, due largely to regulation), raw farm products (8.5%) metals and minerals (9%), petroleum products (10%) and chemicals (10%). Wholesalers of finished goods tend to have a greater e-commerce sales mix than wholesalers of raw materials and commodities. The average e-commerce wholesaler carries 13,000-14,000 stock-keeping units (SKUs). E-commerce capabilities allow wholesalers to expand their geographic reach within the US and internationally.

Expansion Pressure

Rapid growth in e-commerce and consumer demand for faster order fulfillment are putting pressure on wholesalers to set up distribution facilities closer to major customers and carry a wider range of goods. At the same time, the industry is experiencing competitive pressure to keep operating costs low, and consolidate and optimize their networks of facilities. Distributors are moving to smaller, more frequent shipments from suppliers and to customers to keep inventory-on-hand to a minimum while providing reliable order fulfillment.

Investing in Warehouse Operations

More small and medium-sized distributors are investing in equipment and warehouses. Average capital expenditure by wholesalers was \$1.2 million in 2015, \$1.37 million in 2016, \$1.39 million in 2017, \$1.5 million in 2018, \$1.27 million in 2019 and \$1.45 million in 2020, according to Supply Chain. Median capital spending for the industry is much lower, at about \$450,000. The much lower median expenditure indicates that many smaller wholesalers are now investing in warehouses and equipment to upgrade or expand existing operations, improve efficiency, reduce operating costs, or locate closer to customers.

Sector Challenges

Dependence on the Economy

The wholesale sector is subject to gains and losses in sales resulting from shifts in consumer and business spending. Spending on goods tends to slow during weak economic periods as consumers and businesses conserve cash. During the Great Recession, the wholesale sector lost over 563 million jobs and sales fell 15% in one year (2009). The wholesale sector accounts for 5-6% of the nation's gross domestic product (GDP).

Industry Dependence

Wholesalers often focus their product selection to meet the needs of a specific industry such as HVAC contractors or restaurants. Risk appears when an industry struggles with weak demand, a shift in how it buys supplies, or a period of significant consolidation or loss of businesses.

Global Reach and Competition

E-commerce and expedited shipping are helping wholesalers reach a broader international client base, but trade regulations and tariffs imposed by other countries impact US wholesalers' ability to sell in those countries. US wholesalers export around \$300-400 billion in goods per year with durable goods representing about 70% and nondurable goods accounting for 30%. However, e-commerce and expedited shipping also create increased competition in the US market when foreign distributors are able to undercut prices or better meet US customers' needs.

Competing with Suppliers

The traditional flow of goods from manufacturer to wholesaler and then to retailer or service provider is beginning to break down. E-commerce is allowing manufacturers to bypass wholesalers and sell goods directly to retailers, service providers and end-consumers. By bypassing wholesalers, manufacturers can slightly increase prices and customers still receive a discount compared to the traditional flow, because the wholesale markup is removed from the pricing equation.

Volatile Energy Costs

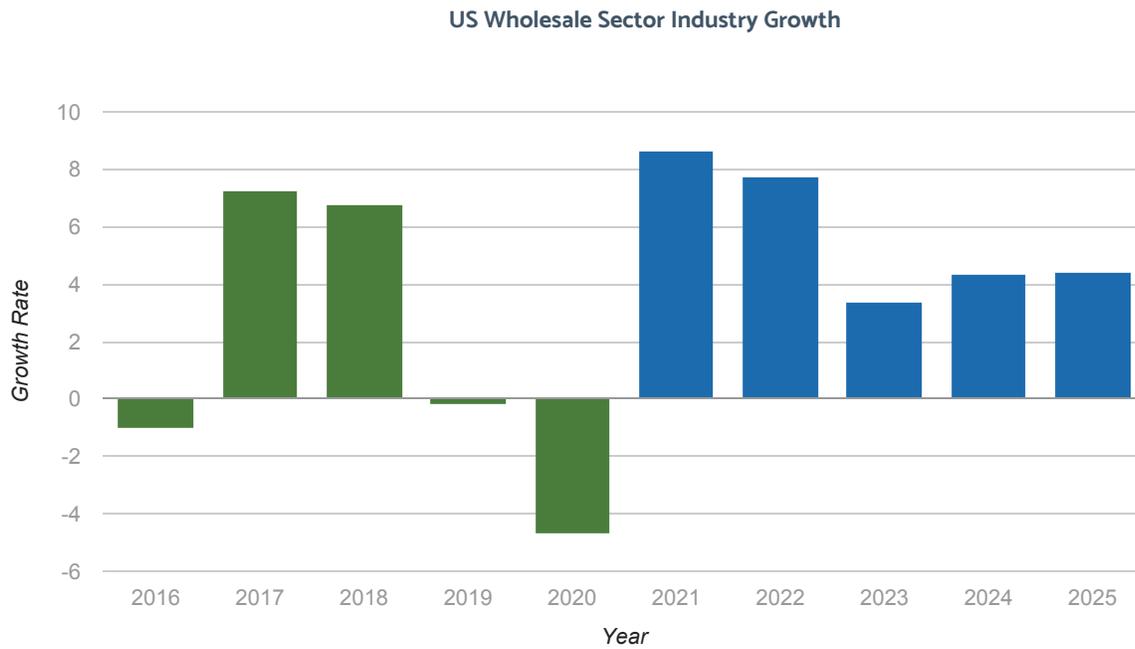
Distributors have costs related to energy including electricity for warehouses and fuel for vehicles. Since 2010, the price of electricity has increased 4% or less per year, with the exception of a 1.2% decline in 2016. Fuel prices are much more volatile. Gasoline prices have risen as much as 12% in a single year and fallen by 26% another. Diesel prices have risen 20% in a single year and fallen by 29% another. Severe increases in energy prices boost operating costs and hurt profit margins.

Sector Forecast

Sales for the US wholesale industry are forecast to grow at a 5.66% compounded annual rate from 2020 to 2025, slower than the growth of the overall economy.

Vertical IQ forecasts are based on the Inforum inter-industry economic model of the US economy. Inforum forecasts were prepared by the Interindustry Economic Research Fund, Inc.

Last Update: August 2021



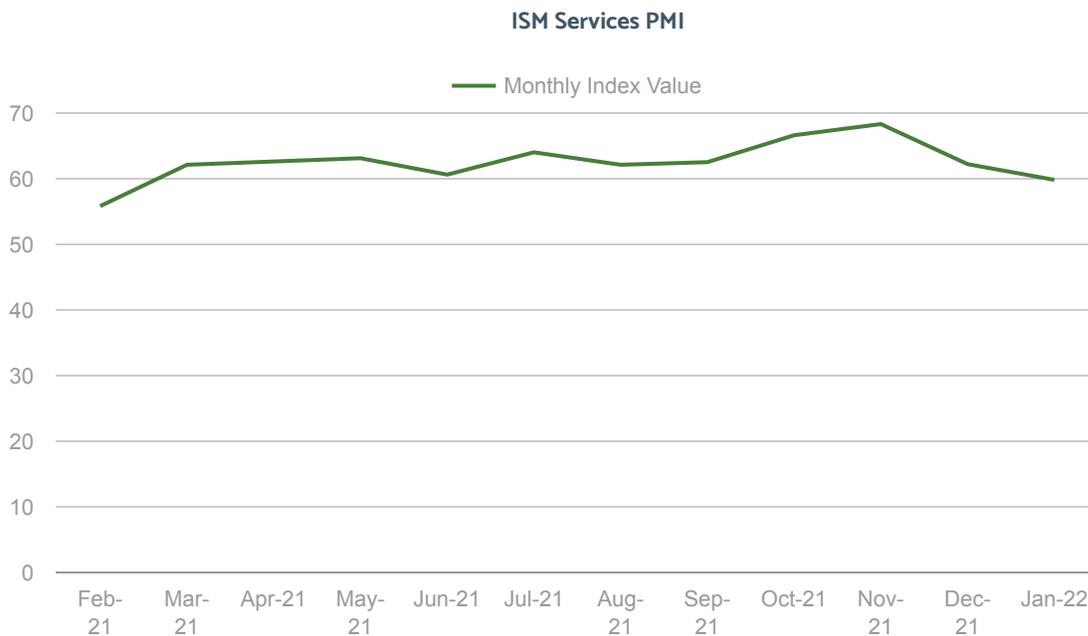
Source: Interindustry Economic Research Fund, Inc.

Sector Indicators and Drivers

ISM Services PMI

In January, the Services PMI® registered 59.9 percent, 2.4 percentage points below December's seasonally adjusted reading of 62.3 percent.

The 15 services industries reporting growth in January – listed in order – are: Construction; Retail Trade; Health Care & Social Assistance; Public Administration; Real Estate, Rental & Leasing; Utilities; Professional, Scientific & Technical Services; Other Services; Educational Services; Finance & Insurance; Mining; Management of Companies & Support Services; Transportation & Warehousing; Wholesale Trade; and Accommodation & Food Services. The three industries reporting a decrease in January are: Agriculture, Forestry, Fishing & Hunting; Arts, Entertainment & Recreation; and Information.



Source: ISM

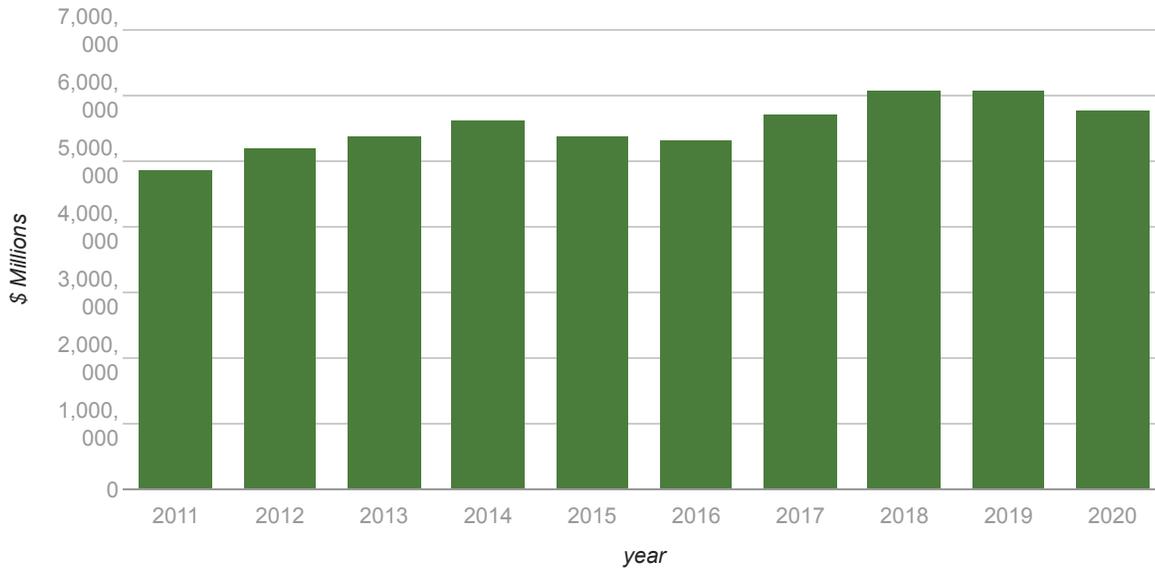
The ISM Services PMI is based on data compiled monthly from purchasing and supply executives nationwide by the Institute for Supply Management. Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change and the scope of change. A Services PMI® reading above 50 percent indicates that the services economy is generally expanding; below 50 percent indicates that it is generally declining.

Sales Trends

Seasonally-adjusted total sales for merchant wholesalers rose from a year ago

Seasonally-adjusted total sales for merchant wholesalers were \$630.8 billion in November 2021, a 23.26% change compared to a year ago and a 1.35% change from the previous month, according to the latest data from the Census Bureau.

Total Wholesale Sales

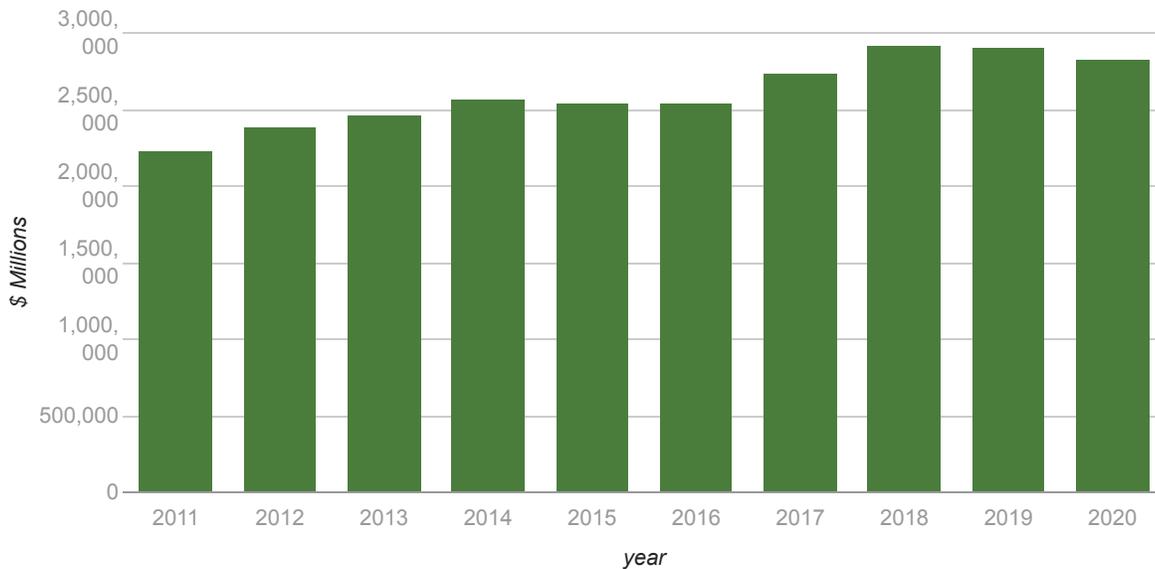


Source: Census Bureau

Seasonally-adjusted sales of durable goods for merchant wholesalers rose from a year ago

Seasonally-adjusted sales of durable goods for merchant wholesalers were \$292.0 billion in November 2021, a 14.13% change compared to a year ago and a 0.59% change from the previous month, according to the latest data from the Census Bureau.

Durable Goods Wholesale Sales

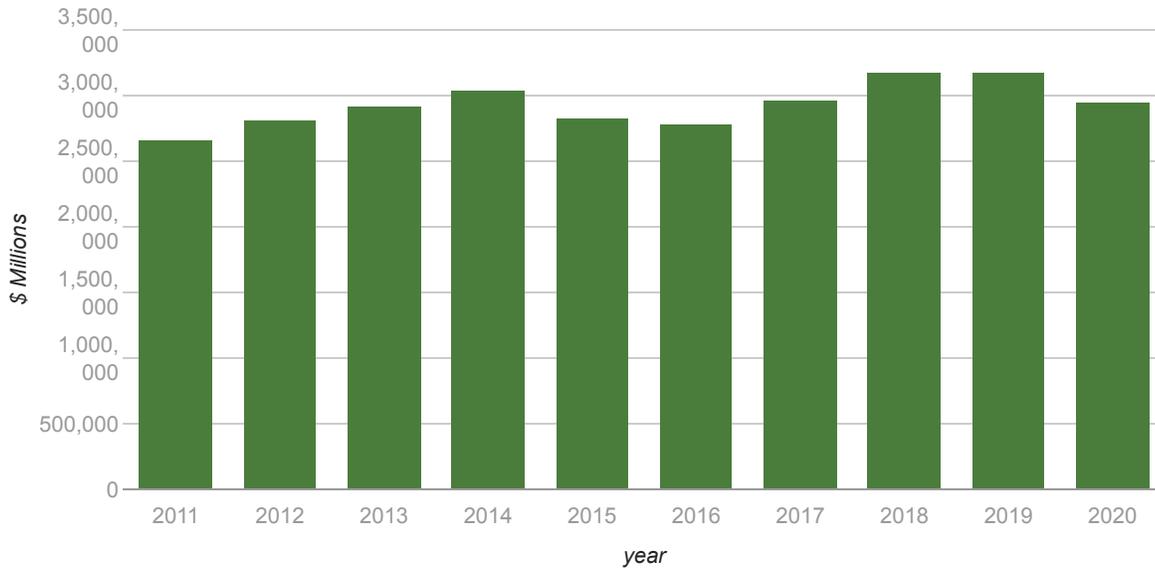


Source: Census Bureau

Seasonally-adjusted sales of nondurable goods for merchant wholesalers rose from a year ago

Seasonally-adjusted sales of nondurable goods for merchant wholesalers were \$338.8 billion in November 2021, a 32.38% change compared to a year ago and a 2% change from the previous month, according to the latest data from the Census Bureau.

Nondurable Goods Wholesale Sales



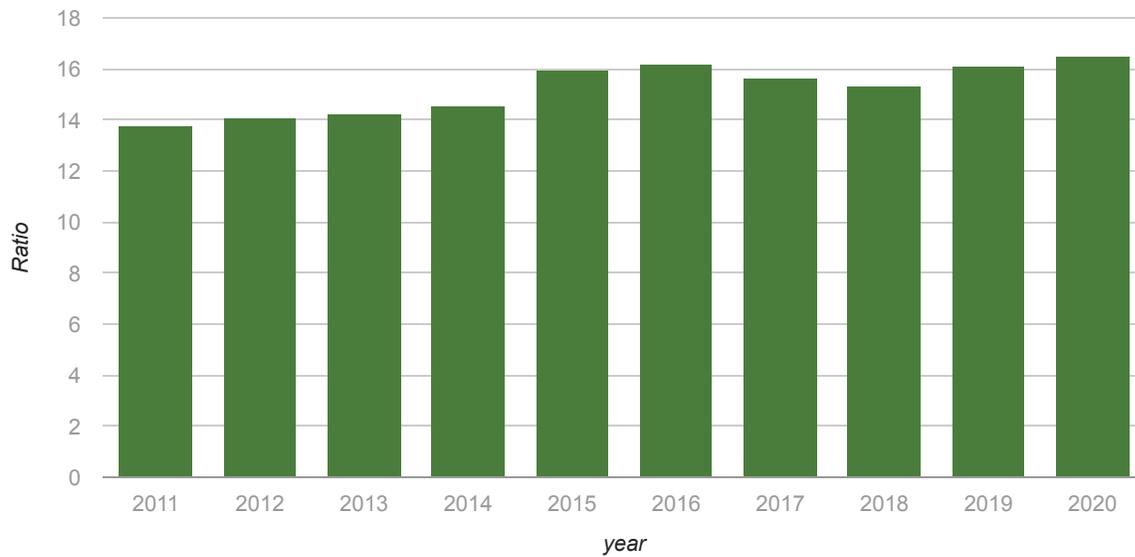
Source: Census Bureau

Inventory Trends

The seasonally-adjusted inventories/sales ratio for merchant wholesalers fell from a year ago

The seasonally-adjusted inventories/sales ratio for merchant wholesalers was 1.22 in November 2021, a -6.15% change compared to a year ago and a 0% change from the previous month, according to the latest data from the Census Bureau.

Wholesale Inventories/Sales Ratio



Source: Census Bureau

Employment and Wage Trends

Employment by wholesalers increases

Overall employment by wholesalers changed 2.6% in December compared to a year ago, according to the latest data from the Bureau of Labor Statistics.



Source: Bureau of Labor Statistics

Wages at wholesalers rise

Average wages for nonsupervisory employees at wholesalers were \$28.42 per hour in December, a 5.1% change compared to a year ago.



Source: Bureau of Labor Statistics

Cash Flow Management

Companies primarily generate revenue by purchasing goods in large quantities or in bulk from suppliers and selling those goods in smaller quantities or mixed batches of merchandise to customers. Suppliers include manufacturers, growers, other distributors and importers. Customer segments include other distributors, retailers, businesses for their own use, manufacturers, exporters, restaurants, hotels and food service, builders, farmers, and governments. Wholesale trade is a low margin business, so companies rely on high sales volumes and acquiring new customers to achieve growth and profit targets.

Collection periods can vary depending on the customer. For example, retailers, institutions and service providers tend to pay receipts faster than builders, growers, and the government, due to cash flow constraints and invoice processing requirements. Wholesalers may extend credit to customers and have strict credit approval policies to minimize the risk of bad debt. If a wholesaler is highly dependent on a few large customers, they may lack leverage when negotiating contract terms and customers may be slow to pay. Wholesalers may offer discounts for prompt or early payment to reduce collection times.

Cash flow may be seasonal depending on the merchandise. Building materials demand is highest in the spring and summer, while clothing demand increases in the fall (back-to-school) and winter (holiday shopping). Firms may experience temporary cash shortfalls during periods of low demand, particularly when they increase inventory prior to a peak selling season. Wholesalers may use lines of credit to supplement working capital needs.

Merchant wholesalers take ownership of the goods they sell and therefore require funds to purchase inventory. Wholesalers must carry sufficient inventory to meet customer delivery requirements, but excess inventory ties up cash and increases the risk of inventory write-offs. Wholesalers may carry 13,000 - 14,000 individual stock-keeping units (SKU). On average, inventory turns 8-9 times per year, but can vary depending on the type of inventory.

Key management metrics include unit costs, inventory turnover, speed to customer, oversold rate, percent of orders returns, picking accuracy and speed, and labor productivity. Common productivity metrics include units or pieces picked per hour, orders picked per hour, cases picked per hour, and lines picked per hour.

Capital and Foreign Investment

The wholesale sector is less capital intensive than other sectors, but requires investment in facilities, machinery and inventory. The sector spends about 4-5% of annual revenue on capital expenditures, which is equivalent to about \$40-44 billion per year. The average wholesaler spends less than \$500,000 per year on capital investments.

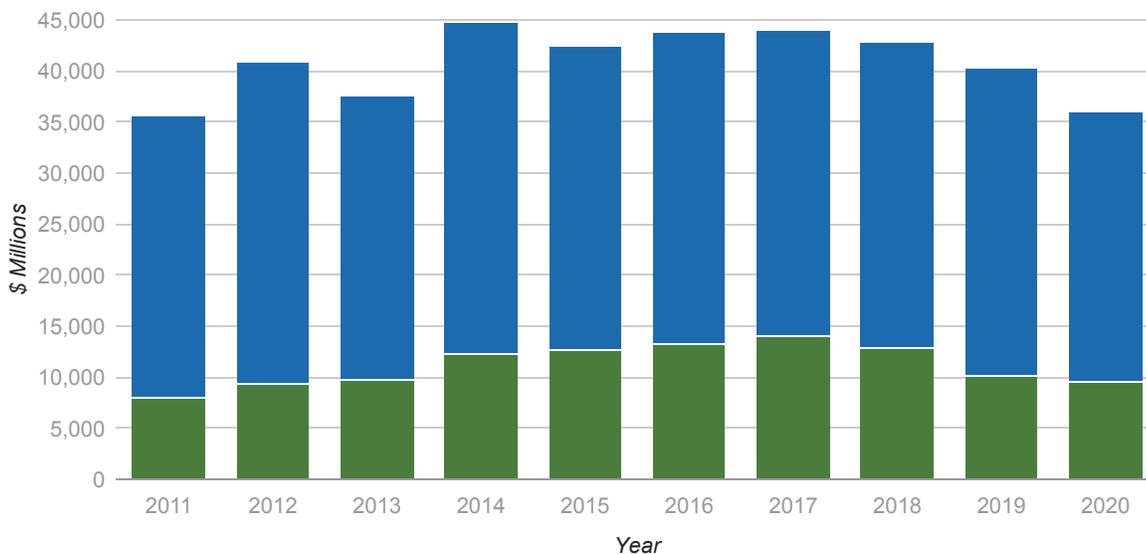
Wholesaler firms invest in a machinery to sort, pick, and pack goods, as well as equipment to store and transport inventory. Common machinery and equipment include forklifts, conveyors, racks and bins, pallets and crates, and delivery vehicles.

Wholesalers may require specialized equipment depending on the types of goods they stock. These include temperature-controlled vehicles and storage equipment in warehouses, cranes to lift and move heavy equipment or containers, silos for dry bulk storage, and liquid holding tanks and piping.

The average size of a distribution facility ranges from 178,000 - 240,000 square feet.

Wholesalers also require capital to fund growth initiatives and acquire other companies. Traditional sources of funding include cash on hand, commercial loans, private investors such as owners and partners, and stockholders. Equipment dealers often provide financing options to wholesalers.

**Total Capital Expenditures by Wholesale Firms
Firms with Employees**



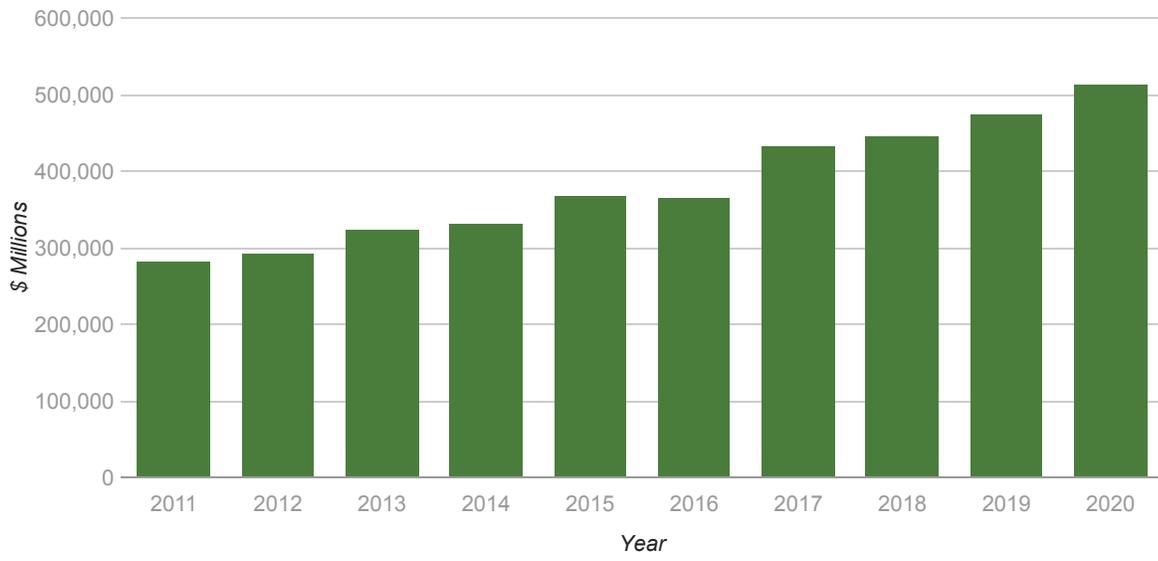
Source: Census Bureau

Foreign Investment

The US is an attractive market for foreign investors. The wholesale sector represents about 11% of total foreign direct investment in the US. Foreign investors use their funds to acquire US firms, finance the establishment of new firms and expand existing operations. Foreign spending to develop new companies from the ground up or to expand existing businesses is called greenfield investment. Within the wholesale sector, foreign direct investment steadily increased over the past decade.

Annual investment in the US wholesale sector by foreign interests rose 8.3% in 2020 to reach \$515 billion. Total FDI in the US rose 4.2% in 2020.

Foreign Direct Investment in US Wholesale Sector



Source: Bureau of Economic Analysis

Financial Benchmarks

The following financial benchmark data is based on annual financial statements submitted by member institutions of the Risk Management Association from Q2 of the first year listed through Q1 of the following year.

Financial Ratios (US Wholesale Sector, Industry-wide)

MEASURE	2018-19	2019-20	2020-21
Current Ratio [?]	1.57	1.59	1.72
Quick Ratio [?]	.71	.70	.83
Days Inventory [?]	57.0	59.0	55.0
Days Receivables [?]	34	33	32
Days Payables [?]	28.0	27.0	28.0
Pre-tax Return on Revenue [?]	2.93%	2.68%	3.65%
Pre-tax Return on Assets [?]	8.03%	7.22%	9.68%
Pre-tax Return on Net Worth [?]	21.36%	18.90%	24.10%
Interest Coverage [?]	7.81	7.32	9.91
Current Liabilities to Net Worth [?]	1.18	1.14	.99
Long Term Liabilities to Net Worth [?]	0.48	0.48	0.49
Total Liabilities to Net Worth [?]	1.66	1.62	1.49
<i>Number of Firms Analyzed</i>	<i>15,937</i>	<i>12,714</i>	<i>7,085</i>

Income Statement (US Wholesale Sector, Industry-wide)

ITEM	2018-19	2019-20	2020-21
Revenue	100.0%	100.0%	100.0%
Cost of Sales	73.0%	73.25%	72.29%
Gross Margin	27.0%	26.75%	27.71%
Officers Compensation	1.07%	0.94%	1.02%
Salaries-Wages	8.3%	7.95%	9.09%
Rent	1.33%	1.31%	1.84%
Taxes Paid	1.27%	1.22%	1.41%
Advertising	1.11%	1.09%	1.37%
Benefits-Pensions	1.19%	1.15%	1.13%
<i>Number of Firms Analyzed</i>	<i>15,937</i>	<i>12,714</i>	<i>7,085</i>

ITEM	2018-19	2019-20	2020-21
Repairs	0.5%	0.46%	0.58%
Bad Debt	0.15%	0.14%	0.16%
Other SG&A Expenses	6.25%	6.7%	4.75%
EBITDA	5.83%	5.79%	6.35%
Amortization-Depreciation	1.51%	1.62%	1.79%
Operating Expenses	22.68%	22.58%	23.14%
Operating Income	4.33%	4.17%	4.57%
Interest Expense	0.73%	0.81%	0.69%
Other Income	-0.27%	-0.3%	-0.99%
Pre-tax Net Profit	3.86%	3.66%	4.86%
Income Tax	0.25%	0.24%	0.2%
After Tax Net Profit	3.61%	3.42%	4.66%
<i>Number of Firms Analyzed</i>	<i>15,937</i>	<i>12,714</i>	<i>7,085</i>

Balance Sheet (US Wholesale Sector, Industry-wide)

ASSETS	2018-19	2019-20	2020-21
Cash	9.9%	9.98%	14.56%
Receivables	27.4%	26.29%	24.83%
Inventory	35.62%	36.11%	32.86%
Other Current Assets	2.88%	2.93%	2.92%
Total Current Assets	75.8%	75.31%	75.17%
Net Fixed Assets	13.82%	14.14%	13.76%
Net Intangible Assets	5.22%	5.06%	5.74%
Other Non-Current Assets	5.16%	5.49%	5.33%
<i>Total Assets</i>	<i>100.0%</i>	<i>100.0%</i>	<i>100.0%</i>
LIABILITIES			
Accounts Payable	19.32%	18.58%	17.2%
Loans/Notes Payable	17.62%	17.15%	14.08%
Other Current Liabilities	10.14%	10.01%	10.31%
<i>Number of Firms Analyzed</i>	<i>15,937</i>	<i>12,714</i>	<i>7,085</i>

LIABILITIES

Total Current Liabilities	47.07%	45.73%	41.6%
Total Long Term Liabilities	15.72%	16.26%	18.94%
Total Liabilities	62.79%	61.99%	60.54%
Net Worth	37.21%	38.01%	39.46%
Total Liabilities & Net Worth	100.0%	100.0%	100.0%
<i>Number of Firms Analyzed</i>	<i>15,937</i>	<i>12,714</i>	<i>7,085</i>

Vertical IQ financial benchmark data is based on data provided by the Risk Management Association (RMA) and Powerlytics, Inc. RMA's Annual Statement Studies provide comparative industry financial benchmarks based on financial statements of small and medium business clients of RMA's member institutions. Additional detail on income statement line items is provided using Powerlytics financial benchmarks, which are based on reporting submitted to the IRS. Additional detail on these data sources can be found at [RMA](#) and [Powerlytics](#).

Quarterly Insight

4th Quarter 2021

Warehousing Prices Hit Record High

Warehousing capacity is tight, according to the December Logistics Manager's Index (LMI) report. The LMI reading was 73.4 in November, up 0.7 percentage points from the prior month. A reading above 50% indicates logistics expansion while a reading below 50% suggests a contraction. November's warehousing utilization index fell 3.1 percentage points to 68.2%, while the warehouse capacity index fell 3.6 percentage points to 44%. With warehousing demand outstripping supply, November's warehousing prices hit a reading of 90.3, up 4.5 percentage points from October and marked the first time the warehousing prices index had passed 90%. Those surveyed for December's LMI report were not optimistic about sufficient warehousing capacity coming online. With demand surpassing supply, LMI respondents believe warehousing prices will continue to go up for the remainder of 2021 and well into 2022. The LMI is compiled monthly by logistics researchers at five universities and the Council of Supply Chain Management Professionals (CSCMP).

3rd Quarter 2021

Strong E-commerce Sales Expected

E-commerce sales will grow 13.7% year over year in 2021, reaching \$908.73 billion, according to research firm eMarketer. The company's pre-pandemic forecast for 2021 was 12.8% growth, reaching \$761.26 billion. E-commerce will also make up a larger portion of total retail spending across product categories. Expected leaders include apparel/accessories at 18.9% expected growth, grocery (+18.1%), and health/personal care/beauty (+16.1%).

2nd Quarter 2021

Competition for Warehouse Space Increases

The demand for warehouses or distribution centers of 200,000 square feet or more hit a record high in North America during 2020, according to commercial real estate services firm CBRE. Transaction volume for warehousing space increased almost 25% to 349.3 million square feet across the top 22 markets. Many analysts expect warehouse space costs to increase, particularly in densely-populated areas, as more e-commerce firms offer same-day or overnight shipping.

1st Quarter 2021

Shift to E-commerce Expected to Continue

Wholesalers will need to adapt to the ongoing shift from bricks-and-mortar commerce to e-commerce. Worldwide retail e-commerce sales posted a 27.6% growth rate year over year in 2020, according to research firm eMarketer. The increase occurred despite a total worldwide retail sales drop of 3%. eMarketer forecasts worldwide e-commerce growth of 14.3% in 2021, which is relatively low compared with 2019's 20.2% and last year's 27.6%, but still represents \$611 billion in additional e-commerce sales.

4th Quarter 2020

Holiday Shopping Will Start Earlier, Consumers Will Spend Less

US consumers are expected to spend 7% less this holiday season, according to accounting and advisory services firm Deloitte. About 61% of people plan to start their holiday shopping before Thanksgiving and spend an average of \$1,537 per household, while 39% will start shopping on or after Thanksgiving, with those shoppers expected to spend an average of \$1,149 per household. The time frame within which people complete their holiday shopping list is expected to be one and a half weeks shorter this year as consumers seek to avoid crowds and stay closer to home. Spending is also expected to make a shift to non-gift purchases like home, holiday furnishings, and non-gift apparel.

3rd Quarter 2020

Warehouse Space in High Demand

The coronavirus pandemic-induced surge in e-commerce is creating additional demand for warehouse space. Commercial real estate services firm JLL said that as much as 50% of its industrial leasing activity is now related to e-commerce, up from about 35% prior to the Covid-19 crisis. "The first quarter was our largest leasing quarter in three years," said Craig Meyer, president of JLL's Americas industrial division. "We're seeing more pressure on [e-commerce companies] than the typical holiday season ... to meet consumer demand."

2nd Quarter 2020

Sales Decline

Wholesalers are seeing slowing demand due to growing economic weakness caused by the coronavirus outbreak. Private payrolls fell by more than 20 million in April, according to payroll company ADP. The decline is the largest in the ADP survey history. The previous record decline in payrolls was 834,665 in February 2009 amid the financial crisis and accompanying Great Recession of 2008. Total US wholesale sales declined 5% in value year over year in March, according to the US Census Bureau. Durable goods sales declined 6% in value year over year in March, while nondurable goods sales declined 5%.

1st Quarter 2020

Sales Flat, Inventories, Ratio of Inventories Increase

Wholesaler sales were virtually flat year over year in December 2019, rising just 0.5%, according to the US Census Bureau. Total inventories rose 2.1% during the period. The ratio of inventories to sales rose to 1.36 from 1.34 in December 2018. The ratio indicates how many months it would take to sell all the inventory on hand, and has been rising since mid-2018.

Sector Terms

Durable Goods

Items that typically last over 3 years, such as furniture and automobiles.

Electronic Data Interchange (EDI)

Software that allows wholesalers to electronically connect to suppliers and customers to view their inventory, place orders, or schedule shipments.

Enterprise Resource Planning (ERP)

Business process management software used to integrate, automate, and manage business functions such as ordering, inventory, sales, service, finance and human resources.

Enterprise Resource Planning (ERP)

Business process management software used to integrate, automate, and manage business functions such as ordering, inventory, sales, service, finance and human resources.

FIFO

First in, first out strategy of inventory management

LIFO

Last in, first out strategy of inventory management

Nondurable Goods

Items that are quickly consumed and replaced, such as food.

Parts-to-Person Systems

Automated inventory storage systems that bring items within reach of workers or retrieve items for workers.

Warehouse Management System (WMS)

Computer software that tracks warehouse operations such as incoming inventory (receiving), outgoing orders (shipping), facility supplies, equipment use and maintenance, and labor.

Web Links

[National Association of Wholesaler-Distributors](#)

News, events, advocacy and resources

[Wholesale & Distribution International](#)

Articles and blog

[Modern Material Handling](#)

News and research

Related Profiles

US Construction Sector

NAICS: 23 SIC: 15, 16,17

US Healthcare Sector

NAICS: 62 SIC:

US Manufacturing Sector

NAICS: 31-33 SIC: 20-39

US Retail Sector

NAICS: 44, 45 SIC: 52, 53, 54, 55, 56, 57, 59

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