

The EQUALIZER

Berkshire eSupply builds out its capabilities to help independent distributors.

By Mike Hockett

In December 2017, newly-formed master distributor Berkshire eSupply made its market entrance announcement via an exclusive Q&A granted to *Industrial Distribution* that was published in February 2018.

Started as a master wholesaler aimed to empower independent distributors, eSupply was only six months old at the time of that interview.

Since then, the company has rapidly scaled up its breadth of product and digital offerings and is currently building out several distribution centers, one of which will be a new headquarters in Novi, MI that will open this summer.



Beaudoin

It's been all-go for the wholesale unit of Berkshire Hathaway since it was formed through an acquisition, and in less

than three years since, it's already been quite the ride.

"It's been exciting, exhilarating and fulfilling," said John Beaudoin, eSupply's CEO. "The vision was always there, but the resources, the funding was not. But now we have a whole different perspective on things and the process."

Build-Out

Berkshire eSupply was formed through the summer 2017 acquisition and rebranding of Warren, MI-based Production Tool Supply — a full-line industrial distributor that last charted on *ID's* Big 50 List in 2017 at No. 34.

PTS provided eSupply with the infrastructure it needed to fast-track a new master distributorship offering. It was one of *ID's* most-read stories of 2018, and in an industrial distribution landscape that isn't used to big, sudden change, Beaudoin was glad the new company was embraced.

"I wouldn't say they came right out and applauded, but they were very pleased because the strategy was concise and clear for our distributor partners when we became eSupply," Beaudoin said. "Our sales force canvassed the countryside from Canada to Mexico presenting us, and the response in general was very, very positive. They appreciated the clarity, the separation and, more than anything else, the direction of a pure wholesaler right now."

Beaudoin added that besides the distributor partners that were in place from PTS, many new companies came on-board through continued advertising, along with suppliers that wanted to be a part of the eSupply program.



Berkshire eSupply's new Novi, MI headquarters under construction in December.

From there, it wasn't long before the company began rolling out its expansion plan. In early 2018, eSupply's plans for a 210,000-square-foot headquarters and e-commerce fulfillment center in Novi, MI were approved by the city's planning commission, and the highly-anticipated facility is on track to open this summer, consisting of a two-story office building and a multi-level fulfillment center. Even sooner, another new distribution center is set to open near Los Angeles this May. Both new facilities will be highly-automated, "Industry 4.0 warehouses," according to Beaudoin, joining existing DCs in Detroit, Houston and Los Angeles. Once complete, the new DC locations will enable eSupply to provide same-, one- or two-day shipping to the entire United States.

Not Slowing Down

Berkshire eSupply launched on a cloud-based web platform, providing services of private label e-commerce, vending solutions and marketing support options, and

the company has already transitioned to a new and improved platform that has significantly improved its search engine. The old platform had 1.2 million SKUs of inventory in early 2019, and the new version now has well over 2 million a year later, with plans to add significantly more. Berkshire eSupply now has hundreds of independent distributor partners on the platform, supported by thousands of suppliers.

Alongside scaling up its inventory, eSupply is expanding its product categories. Beaudoin estimates there are about 26 MROP product categories, and the company wants to be involved in all of them.

"We're already building out these verticals behind the scenes," Beaudoin explained. "The taxonomy is already sitting, waiting to be populated on the back-end of the web application. Meanwhile, we are building out the electrical categories. We're building out pipe, valve and fittings. We're going to build out HVAC. We're going to build out these and other verticals so we can help support whatever category the distributor has."

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At Your e-Service

One of Berkshire eSupply's key selling points for distributors to join their program is their e-commerce capabilities. In ID's 2019 Survey of Distributor Operations, 69 percent of respondents indicated that e-commerce is a priority for them — 2 percentage points higher than in 2018 — and of technologies distributors don't currently have in place, respondents picked online web ordering as the top choice (29 percent) as the one they plan to add in the next two years. While those are positive trends, it means there's still almost one-third of industrial distributors who aren't involved in e-commerce or don't plan to be anytime soon.

Often, distributors without e-commerce will cite a lack of in-house resources or capital to launch an online purchasing platform or buy one from a provider, but that's where eSupply comes in. The master wholesaler's comprehensive e-commerce channel removes members'

barrier of entry cost, and is operated as their own website. Berkshire has no access to that member distributor's information, but eSupply takes care of managing that member's product content and updating their webstore with product updates and expansions via the cloud-based platform.

Besides providing

e-commerce for distributors, eSupply also has a vast library of constantly-updated banner ads that members can pick and choose from to put on their website. For any supplier's banner ad not in the library that a distributor wants, Berkshire's onboarding team will reach out to that supplier on behalf of the distributor and design such an ad or a series of them. On the supplier marketing side, eSupply can deploy supplier promotions to hundreds of distributors.

On the Horizon

With the backing of conglomerate Berkshire Hathaway, eSupply was able to make a major splash in the industrial supply sector right out of the gate.



Keeping its foot on the gas, the company is expecting to become an even bigger resource for independent distributors as its two new distribution centers open later this year, making 2020 a landmark year for the company. Berkshire's website states that by digitizing and optimizing the supply chain, its goal is to remove costly redundancies for distributors and enable them to sell more, and more profitably. It's the meaning behind the company's "Harness the Power of e" tagline.

"What you can expect is a significant expansion within other verticals and a great sourcing vehicle for the distributor community," Beaudoin said. "You can expect more competitive pricing happening for the seller community that lets them better compete in the marketplace. You can also expect numerous enhancements. In 2020, we're going to have three major technology enhancements released for our distributor partners. So this is a continuously developing system. We have a lot of resources being put toward it. The platform is going to be the great equalizer for independent distributors."

The industrial supply sector is often slow to adapt to technological change, but amid numerous market factors such as competition from fellow distributors, suppliers wanting to sell direct to end-users and having to navigate tariffs, perhaps Berkshire eSupply arrived at the right moment. With its 1951 roots as Production Tool Supply and now a master distribution model that was born digital-ready, the company's background is a potent combination.

"The build-out is going to lead to higher fill rates and a fast-paced market to the end customer via the distributor," Beaudoin said. "It's going to be very seamless. We're going to be a fulfillment partner. We want to be a web partner. We're also going to be a logistics and 'e-chain' partner all the way through the pipeline. The technology is the equalizer, and the people at eSupply really create the moat — something that gives each independent distributor extra product expertise, extra fulfillment capabilities and more margin that leads to the kind of profit they wouldn't be able to achieve on their own." **ID**

