HARDI + SPARXiQ

Next Steps in HARDI Benchmarking

Current Benchmarking Programs

- Trends Report - CoMetrics
- Unitary Market Report – D+R International
- Distributor Performance Dashboards - CoMetrics
- Biennial Compensation Survey – Industry Insights

Why SPARXiQ?

- With 3 benchmarking vendors in the mix, why add a fourth?
  - SPARXiQ will simplify current processes, through creation of unbranded, ERP-agnostic platform for automated data submissions.
- So, SPARXiQ is a partner now *just* to simplify participation?
  - No way! SPARXiQ will help HARDI expand the point-of-sale data we already collect further into the commercial and parts markets.
- Why do you care about those markets?
  - Beyond helping members benchmark against products/sales in new markets, access to more data enriches HARDI market analyses and allows us to deliver more targeted research (e.g., refrigerant trends on an MSA-level).

Why SPARXiQ?

1. Consider the changing business landscape from pre-COVID to today
2. Understand various HARDI analytics programs will integrate and augment via strategic partnership with SPARXiQ
3. Plan to migrate beyond descriptive analytics to prescriptive analytics
4. Plan your data-driven future

DATA-DRIVEN SALES & PROFIT ACCELERATION: HARDI'S NEW ANALYTICS & AUGMENTED PROGRAMS

David S. Bauders, CEO SPARXiQ

Goals of this session

- With 3 benchmarking vendors in the mix, why add a fourth?
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SPARXiQ

Your Intelligent Sales & Profit Acceleration Partner

SPARXiQ helps clients:

- Buy low, sell high, sell more, align expenses
- Drive industry-leading profitability
- Continuously improve profit
- Approach price and profit goals holistically with tools and organizational support

Over 600 Distributors

APR Supply Co.
ETNA Supply Company
MORSCO — Your Local Contractor Supply Source
Motion Industries — Keeping Industry in Motion
Johnstone Supply
Grainger — For the Ones Who Get It Done
WinWholesale — The WIN Group of Companies

Over 200 Manufacturers

EATON
Rockwell
GE
nVent
Tyco Electronics
Parker
SIEMENS
Atkore
Regal Rexnord

SPARXiQ, Your Partner in Profitable Growth

- World-class analytics
- Channel collaboration platforms
- Sales force training & effectiveness
- Proven industry expertise

Visit us: **SPARXiQ.com**
Let's talk: hello@sparxiq.com



Data Is the New Gold:

Data & Analytics Drive Continuous Improvement



Within your transactional data is the DNA of your Business:

- Where You Came From
- Who You Are Today
- Who You Can Become

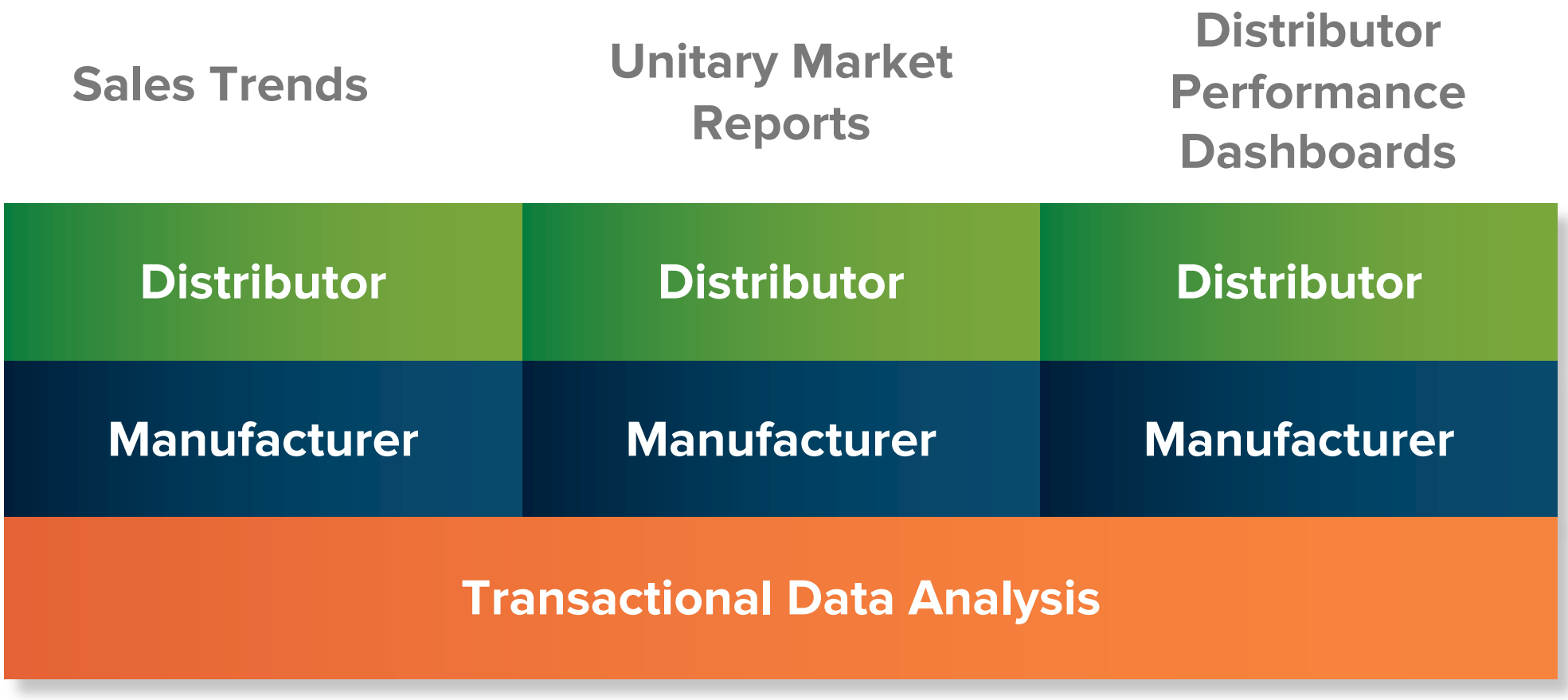
- **Will you use that DNA to plot your future?**

HARDI x SPARXiQ
Data-Driven Market Intelligence

HARDI's Benchmarking and Market Analytics Programs: Mastering the Metrics Behind the Metrics

Sales Trends	Unitary Market Reports	Distributor Performance Dashboards
Distributor	Distributor	Distributor

HARDI x SPARXiQ = New Analytics Initiatives: Mastering the Metrics Behind the Metrics



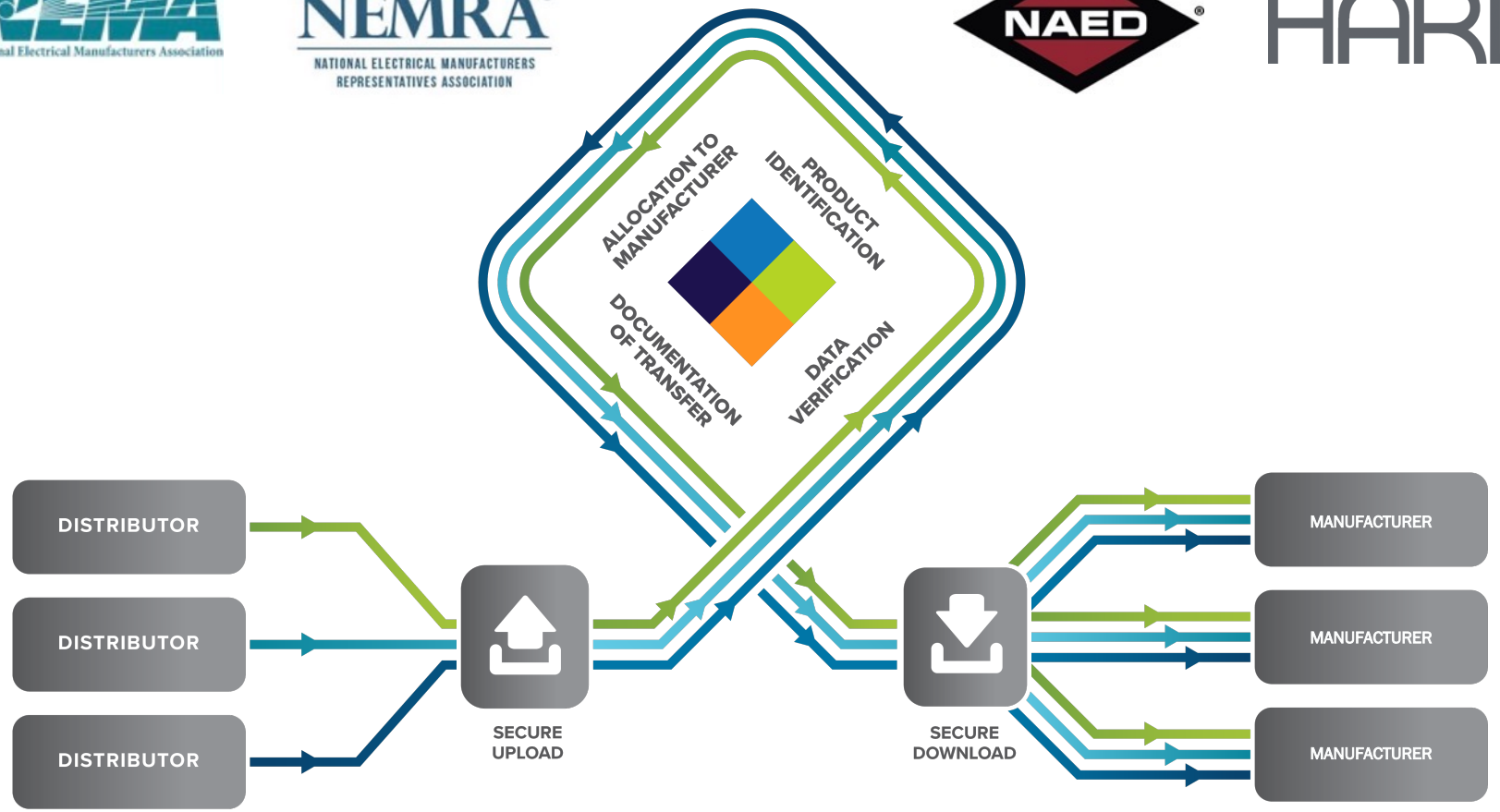
Financial Benchmarking Analysis: How Do I Compare to Peers?

	Year to Date			H2 2021 Performance Quintile
	CY 2020	H2 2020	H2 2021	
Revenue **% Growth Y/Y**	$100 million 10%	$50 million n/a	$57.5 million 15%	Q2
Gross Margin **% Margin**	$25 million 25%	$12.5 million 25%	$15.25 million 27% (+2.0%)	Q3
SG&A **% SG&A**	$20 million 20%	$10 million 20%	$10.5 million 18.3% (-1.7%)	Q4
EBITDA **% EBITDA**	$5 million 5.0%	$2.55 million 5.0%	$4.75 million 8.3% (+3.3%)	Q2

Target Selection & Opportunity Conversion
HARDI's Current Programs

Target Selection		Opportunity Conversion
Quarterly Unitary Market	**Monthly Sales Trends**	**Financial Benchmarking**
"For a given geography, what is the size/composition of addressable market for my company?"	What's changing in the markets we serve?	How does our financial performance compare?
"How is my company performing compared to others?"	How can we better align sales and operational resources to adapt to change?	Can we get better?
"Should we reprioritize what we try to sell to whom?"	What should we change? By how much? When?	How much better can we get?
"How to allocate investment and resources to drive gains?"		What would it take to get better?
		How long would that take?

SPARXiQ's Transactional Data Platforms



- Permissions by Vendor
- Authentication
- Standardization
- Secure Transfer

Standard Export Scripts for Epicor, Infor and Other ERP Systems

Data-driven Channel Partner Collaboration

A Secure, streamlined, standardized data collection and reporting platform that allows distributors efficiently transfer POS data & get actionable insights to grow market share

1. Understand product line utilization within different customer segments
2. Identify pockets of over- and under-performance within the business
3. Benchmark distributor sales trends relative to the market
4. Leverage market intelligence to est. Share of wallet by customer segment/geography/product line
5. Pinpoint highest relevance products for each customer vertical



6. Discover underserved, high potential markets
7. Co-create go-to-market plans to grow share
8. Launch & track targeted sales & marketing programs
9. Align locally available inventory to distributor demand
10. Allow Manufacturers to plan for new and future products

Distributors participate in HARDI POS Hub by sharing data at one of three levels

Data-Sharing Level	Data Fields	Benefit

Fair
(SKU + SIC/NAICS)
	• Trx. Date
	• Part #
	• End Customer SIC/NAICS
	• COGS
		• Time Series analysis of distributor volume
		  – Index relative to market
		  – Top/Bottom trend lists (e.g. product categories)
		• Share of wallet estimates by product category, SIC/NAICS for US

Good (Branch + SKU + SIC/NAICS + ZIP)	• All data fields from Fair Tier, plus… • Distributor Branch • Ship-To ZIP Code • Distributor Product Category (Optional)	Everything in Fair Tier, plus… • ZIP code-level trends and share of wallet estimates • Trends and gaps broken out in distributor's product categories • Overdue product analysis by ZIP code • Elemental branch Health Score
Better (Cust + SKU + SIC/NAICS + ZIP)	• All data fields from Good Tier, plus… • Ship-To Account Number	Everything in Good Tier, plus… • Customer attrition risk score • Customer-level share of wallet estimates • Advanced account health scoring • Customer Overdue Product rec's

Best
(Cust + SKU + SIC/NAICS + ZIP + Ship-To Name + Ship-To Address)
	• All data fields from Better Tier, plus…
	• Ship-To Name
	• Ship-To Address
		Everything in Better Tier, plus…
		• Leverage 3rd party market data to
		  • Fine-Tune Customer Segmentation
		  • Sharpen Share of Wallet Estimates
		• Customer Up-Sell and Cross-Sell rec's
		• 360 View of Customer Channel Spend

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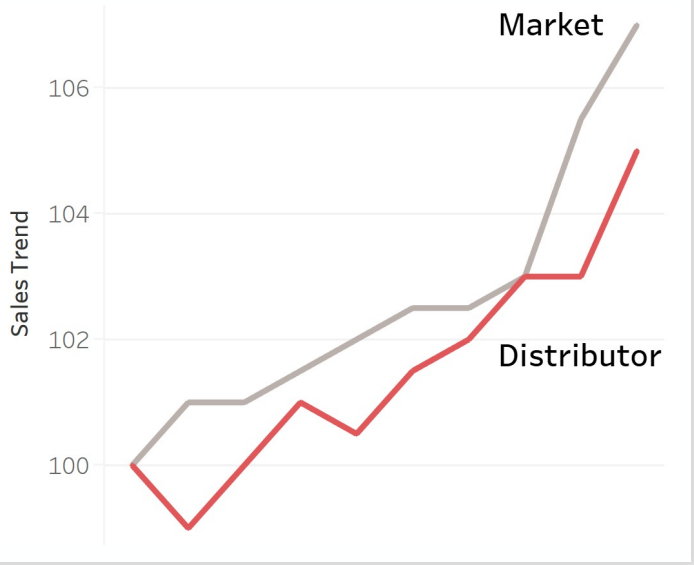
Sharing more data with the HARDI POS Hub brings greater benefits

	Benefit	Fair	Good	Better	Best
SKU & SIC Code	Time series analysis of distributor volume	●	●	●	●
	Share of Wallet estimates by Prod. Cat. and SIC/NAICS	●	●	●	●
Branch & ZIP	Trends and Share of Wallet estimates by zip code		●	●	●
	Branch trends and gaps broken out by distributor's product categories		●	●	●
	Overdue product analysis by zip code		●	●	●
	Branch Health Score		●	●	●
Account ID	Customer-level attrition risk assessment			●	●
	Customer-level Share of Wallet estimates			●	●
	Account Health Score			●	●
	Customer-level Overdue Product analysis			●	●
Customer Name and Address	Fine-Tuned customer segmentation				●
	Sharper Share of Wallet estimates				●
	Up-Sell and Cross-Sell product recommendations by customer				●
	360 View of customer channel spend				●

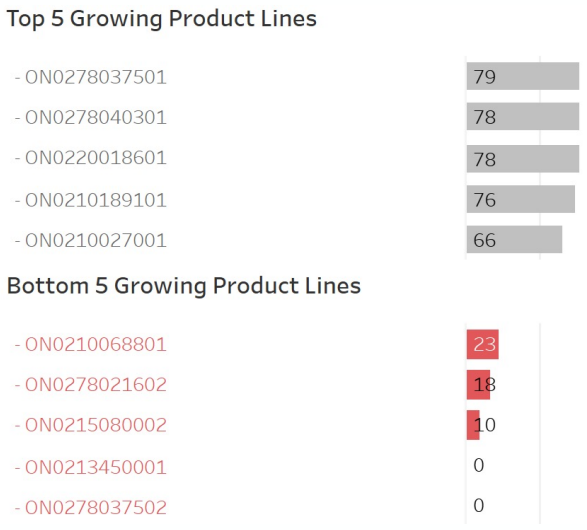
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Fair data-sharing tier:
Aggregate trend and spend potential assessments

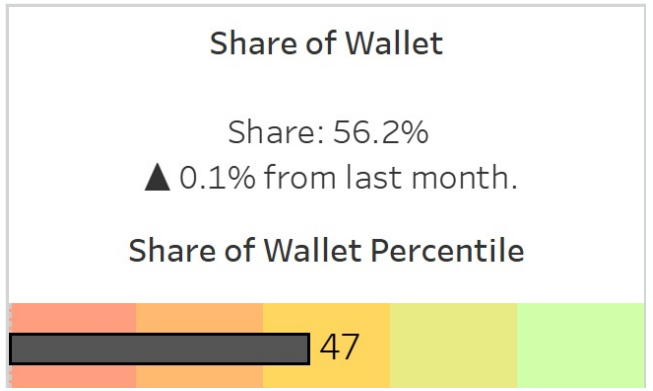
Time series analysis of distributor volume
Track your Vendors sales volume relative to other distributors



Top Growing/Shrinking Products
Identify the best and worst performing pockets of your business



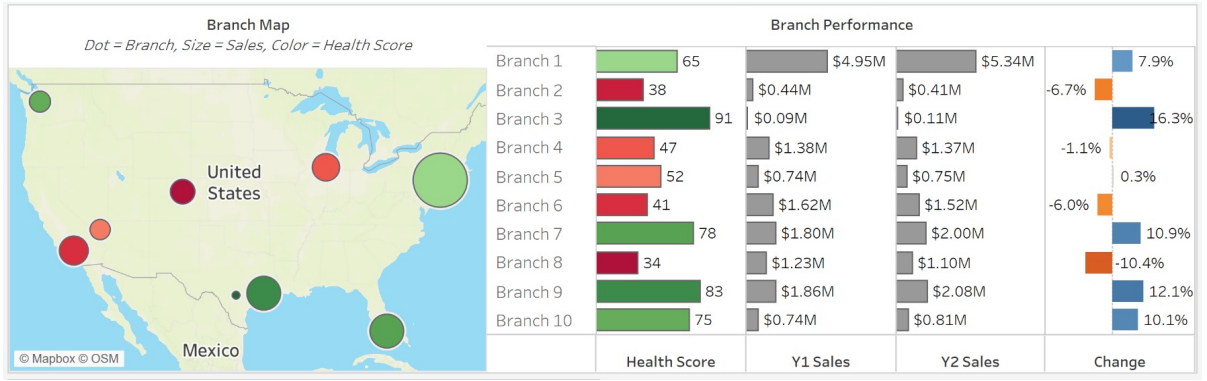
Share of Wallet estimates by Vendor Prod. Cat. and SIC/NAICS
Place volume in context with market size estimates



Good data-sharing tier: Improves the granularity of distributor insights to the ZIP and Branch level

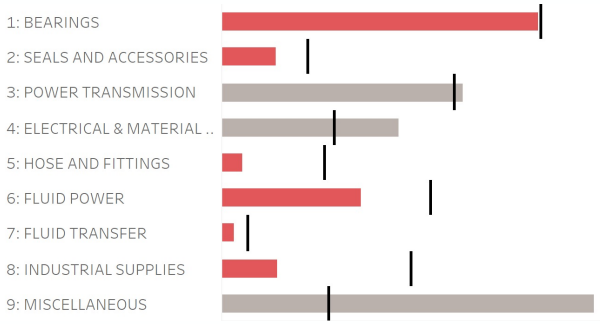
Branch trends and gaps broken out by distributor's product categories, and Branch Health Score

See top growing and declining Product Categories and by SIC/NAICS



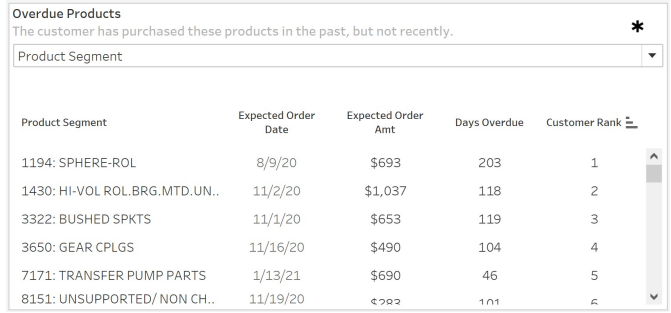
ZIP trends and Share of Wallet estimates

Trends and Share of Wallet broken out by distributor product categories.



Overdue product analysis by ZIP Code

Identify "should have bought" products by Branch and/or ZIP Code

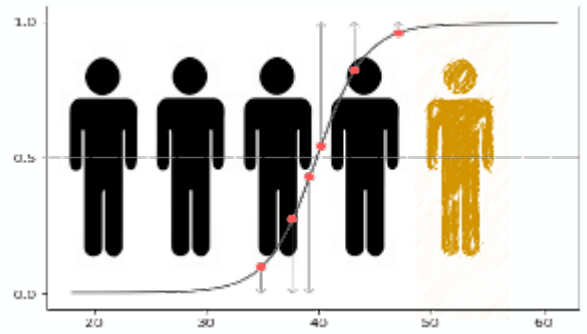


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Better data-sharing tier: Provides insights at the customer level

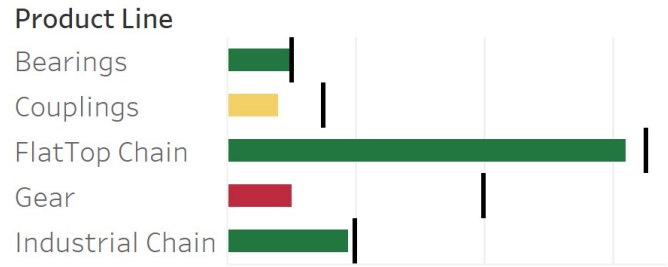
Customer-level attrition risk score

Pinpoints which customers are most likely to leave before they defect based on transaction data



Customer-level Share of Wallet estimates

Scores the share of wallet for each customer at the Product Line level of detail



Account Health Score

Holistic view of a customer's health. Considers sales, order trends, market basket breadth & more

- Order Frequency
- Sales
- Share of Wallet
- Product Breadth
- ...and more!



Overdue Opportunities

Identifies orders that should have happened (based on previous order trends) but did not transact.



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Best data-sharing tier: leverages external data sources to provide the highest value analytics to distributors

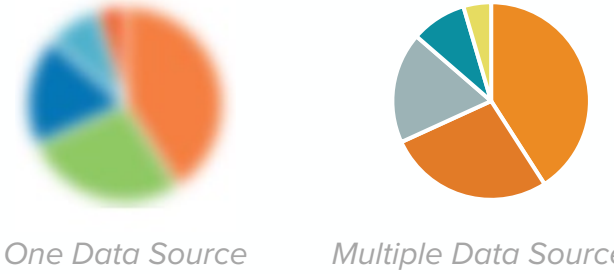
Fine-tuned Customer Segmentation

Accurate customer segmentation will produce the best Up-Sell and Cross-Sell Recommendations



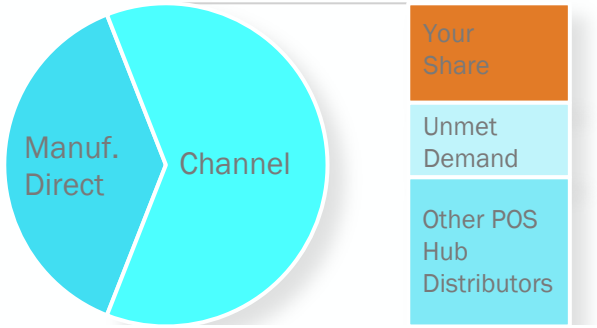
Sharper Share of Wallet Estimates

Data from multiple points of view will produce better estimates of potential wallet size



360 View of Customer Channel Spend

Understand how your customers spend across the entire channel



Up-Sell and Cross-Sell Recommendations

Customers purchase a product, but not as much as expected OR customers don't purchase at all.



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Review Of Data & Attributes

Order	Field Name	Field Description	Sample Data
1	Distributor Entity	Distributor Name	ABC Electric
2	Primary Key	Primary Key (key for PSUB file)	1214579~56852~58989~1235
3	Invoice Number	Distributor invoice #	43881-1
4	Invoice Date	Date order invoiced	2/21/2020
5	Pricing/Selling Branch Number	Identifying branch number where sold	01
6	Pricing/Selling Branch Name	Branch name where sold	ABC-Dallas
7	Pricing/Selling Branch City	City of selling branch	Dallas
8	Pricing/Selling Branch State	State of selling branch	TX
9	Pricing/Selling Branch Zip	Zip of selling branch	56789
10	Pricing/Selling Branch Country	Country of selling branch	US
11	Shipping Branch Number	Number of branch shipped from	02
12	Shipping Branch Name	Name of branch shipped from	ABC-Austin
13	Shipping Branch City	City of shipping branch	Austin
14	Shipping Branch State	State of shipping branch	TX
15	Shipping Branch Zip	Zip of shipping branch	56712
16	Shipping Branch Country	Country of shipping branch	US
17	Customer ID	Identifying number of customer sold to (BillTo)	0056
18	Customer Name	Customer sold to name	OKC Electric
19	Customer Add 1	Address of customer sold to	1234 Sierra Rd
20	Customer Add 2	Address of customer sold to	Suite 220
21	Customer City	City of sold to	Grapevine
22	Customer State	State of sold to	TX
23	Customer 5 digit Zip	Zip of sold to	56713
24	Customer Country	Country of sold to	US
33	Home/Billing Branch Number	Branch number billed from	02
34	Home/Billing Branch Name	Name of branch billed from	ABC-Austin
35	Home/Billing Branch City	City of billing branch	Austin
36	Home/Billing Branch State	State of billing branch	TX
37	Home/Billing Branch Zip	Zip of billing branch	56712
38	Home/Billing Branch Country	Country of billing branch	US
39	Buy Line Code	Name of Manufacturer Code	SQD
40	Buy Line Code Desc	Name of Manufacturer Name	Square D
41	Product ID	Distributor SKU Number/ Product ID	ABC-WRM123
42	Product Description	Description of product	LTG Raceway CONT
43	UPC	Product UPC Code	123456789012
44	Manufacturer Part Number	Manufacturer catalog number	WRMR123
45	Quantity	Number of items sold	12
46	Unit of Measure	Alpha description of the unit of sale (ea,ft,pc)	ea
47	Unit Net Cost	Cost to distributor (net of SPAs)	1.95
48	Unit Price	Sell Price to customer	2.12
49	Extended Cost	Distributor cost x qty	23.4
50	Extended Price	Sell Price x qty	25.44
51	Stock Vs Direct Indicator	Stock (S) or Direct (D) Indicator	S

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Target Selection & Opportunity Conversion
HARDI x SPARXiQ's Augmented Benchmarking Programs

Target Selection	Opportunity Conversion
Quarterly Unitary Market	

"For a given geography, what is the size/composition of addressable market for my company?"
- *Which are the best-fit products, customers, vendors? Where are the adjacent market opportunities?*

"How is my company performing compared to others?"
- *Why is my company performing this way? Customer Mix, Product Mix, Price, Volume?*

"Should we reprioritize what we try to sell to whom?"
- *Which are the best-fit products, customers, vendors?*

"How to allocate resources to drive gains?"
- *Branches, inside vs outside reps, inventory, demand-gen*

Target Selection & Opportunity Conversion
HARDI x SPARXiQ's Augmented Benchmarking Programs

Target Selection	Opportunity Conversion

Monthly Sales Trends

What's changing in the markets we serve?
- *Are we changing similarly to others?*
- *Is it due to macro or micro variables?*
- *Is it due to customer mix, product mix, customer churn/share-of-wallet, new-customer acquisitions vs. defections?*

How can we better align sales and operational resources to adapt to change
- *Branches, inside vs outside reps, inventory, demand-gen*

What should we change? By how much? When?
- *Sales coverage, inventory, pricing, quoting?*
- *Who does what differently? When? For how long?*

Target Selection & Opportunity Conversion
HARDI x SPARXiQ's Augmented Benchmarking Programs

Target Selection	Opportunity Conversion
	Distributor Performance Dashboards

How does our financial performance compare?

- *Why is our relative overall performance what it is? What is the role of key business levers in driving our performance? Pricing, Product Mix, Customer Mix, Customer Acquisition vs. Defection, Customer Share-of-Wallet, Sales Coverage Model, Inventory Positions, Service Model, Cost-to-Serve, Channel Competitiveness, SG&A Efficiency*

Can we get better?

- *What are the Best-in-Class targets for each profit lever, controlling for our distinctive business characteristics?*

How much better can we get?

- *What are the KPIs of the Current State vs. Desired Future State for each performance lever? What is the dollar value of closing the gaps in each lever? What is the total dollar value of closing all gaps? What is the change in Enterprise Value?*

What would it take to get better?

- *Who needs to do what differently? What are the highest-value campaigns to accelerate business performance? How do we drive consistent execution of campaigns?*

How long would that take?

- *How to prioritize, resource and stage change campaigns? How to build a Six-Sigma approach to continuous improvement in the Metrics-Behind-the-Metrics that drive business outcomes?*

Financial Benchmarking plus Transactional Analysis: The Why Behind the What?

	Year to Date			H2 2021 Performance Quintile	With Transactional Data Analysis	
	CY 2020	H2 2020	H2 2021			
Revenue **% Growth Y/Y**	$100 million 10%	$50 million n/a	$57.5 million 15%	Q2	New Business Defections Geography Customer MIA Product MIA Wallet Share	Q1 Q2 Q1 Q3 Q2 Q4
Gross Margin **% Margin**	$25 million 25%	$12.5 million 25%	$15.25 million 27% (+2.0%)	Q3	Pricing Purchasing Product Mix Customer Mix	Q4 Q1 Q2 Q3
SG&A **% SG&A**	$20 million 20%	$10 million 20%	$10.5 million 18.3% (-1.7%)	Q4	Sales Force Cost Freight Revenue Branch Ops Customer Efficacy Corporate	Q4 Q5 Q1 Q4 Q3
EBITDA **% EBITDA**	$5 million 5.0%	$2.55 million 5.0%	$4.75 million 8.3% (+3.3%)	Q2	Sales (Volume, Quality) Purchasing (COGS) Pricing SG&A	Q2 Q1 Q4 Q4

Distributor Profit Diamond

Your optimal bottom-line profitability depends on several factors:

- Are we optimizing revenue from new accounts and account retention, growing wallet share and improving product mix with existing accounts?
- Are we selling at appropriate prices?
- Are we securing best vendor costs aligned by Customer Segment?
- Are we optimizing our customer cost to serve and service model?



Benchmarking: High-Resolution

Distributor X

Total Sales

$24,132,869

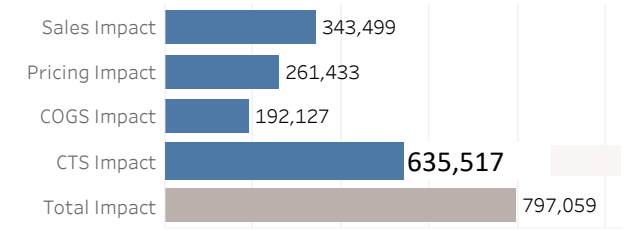
Total GM%

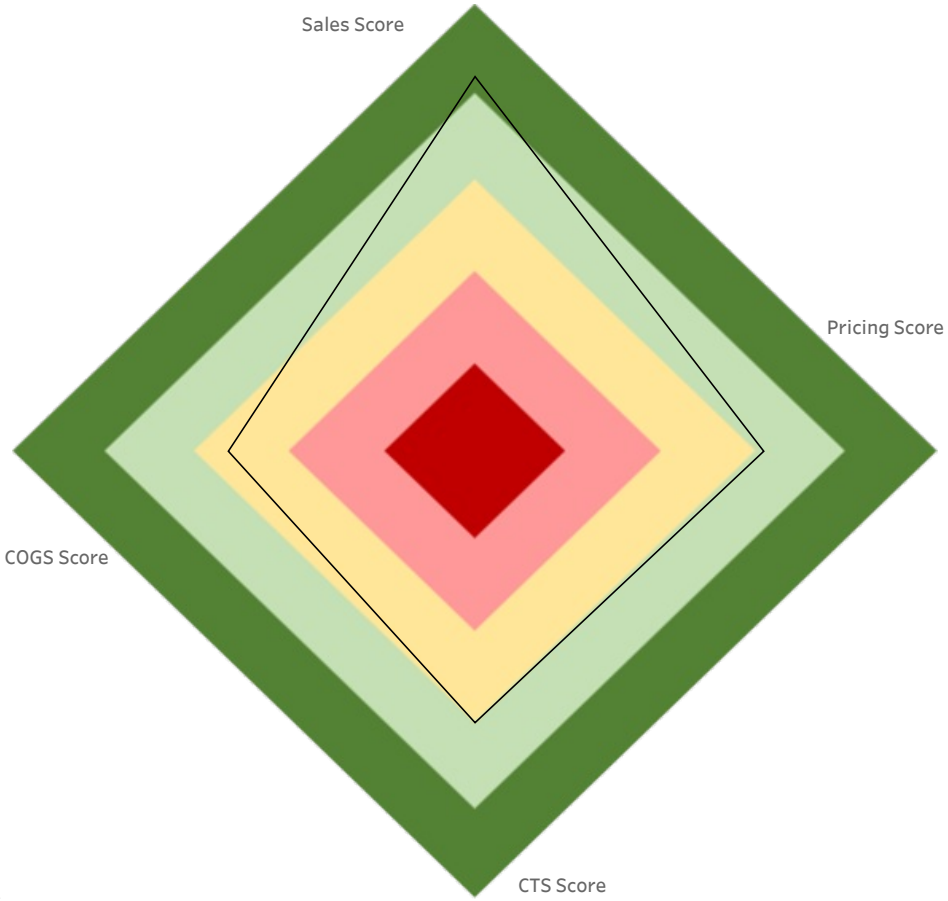
20.7%

Total Score

13.0

Impact

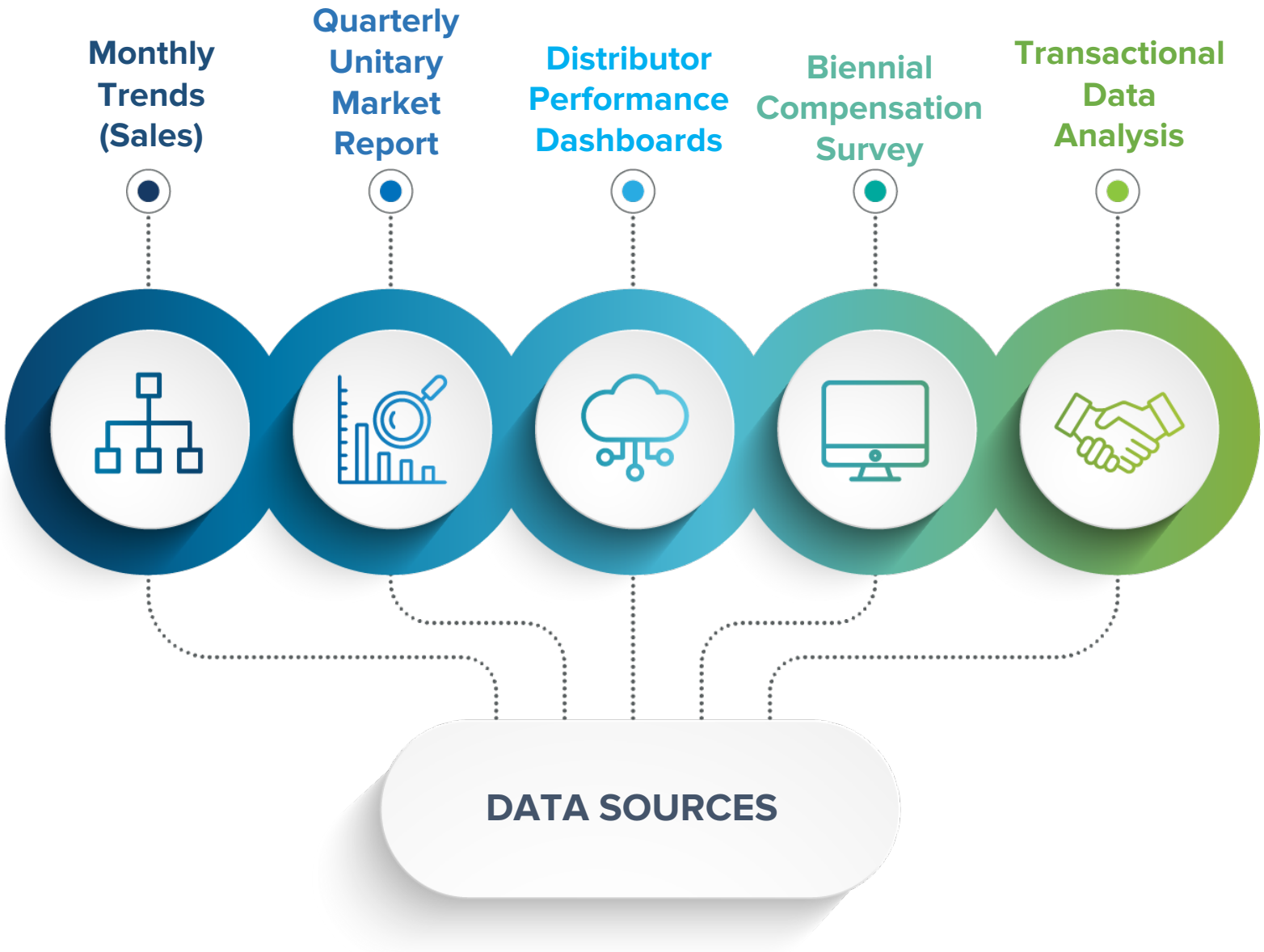






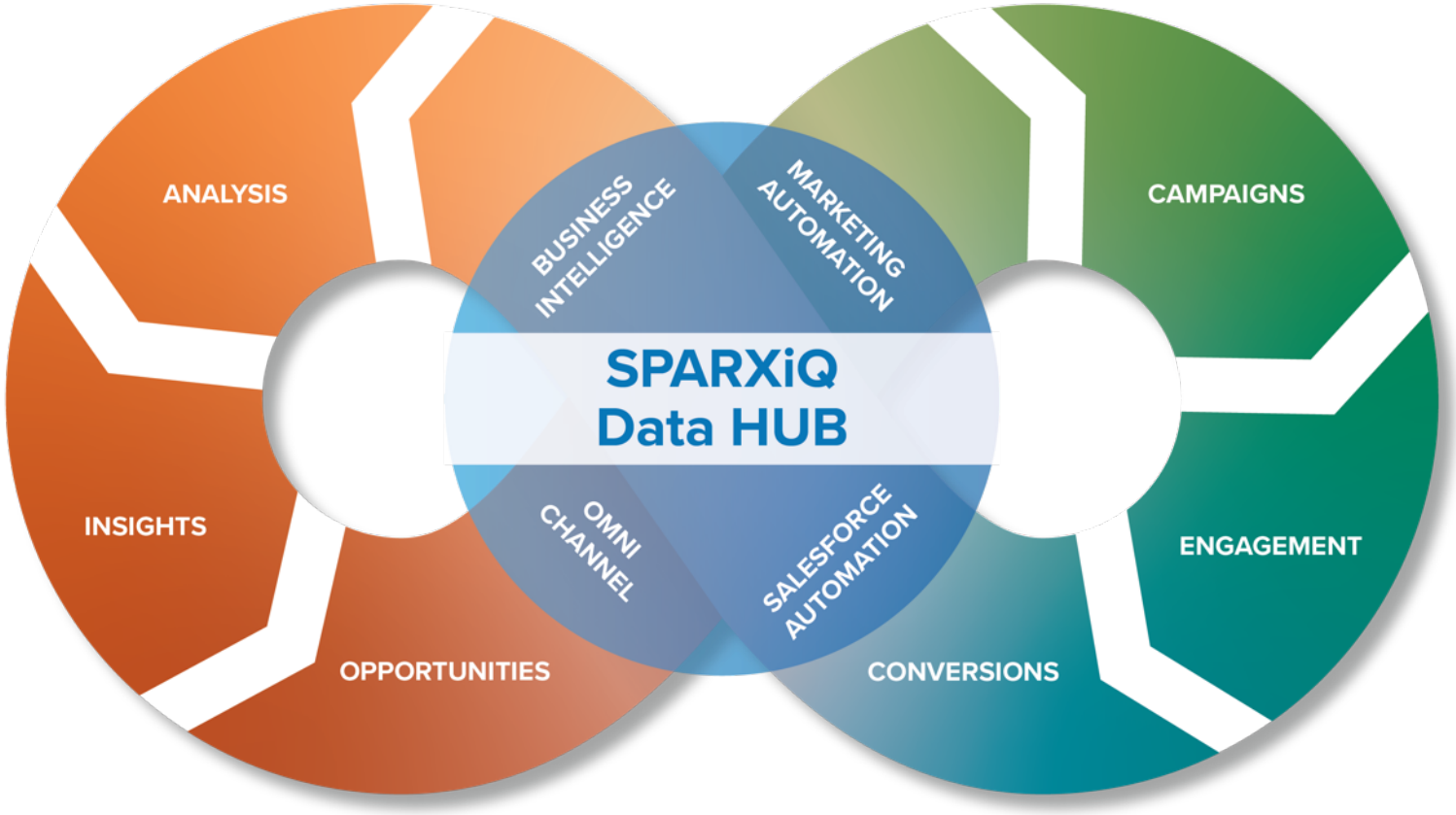
Beyond Benchmarking:
Optimization & Strategic Applications

HARDI x SPARXiQ Analytics Services



Integrated, Data-Driven Sales & Marketing Loop

Target Selection



Opportunity Conversion

Target Selection & Opportunity Conversion

	Target Selection	Opportunity Conversion
	What should we sell to whom?	How do we maximize Best-fit New Customers, Share-of-Wallet, & Profitability?
Manufacturer	• Product Development • Pricing Strategy • Digital Marketing/E-Commerce/Website • Buyer Insights • Vertical Market Selection/Prioritization • Geographic Market Selection/Prioritization • GTM Model	• Rep Agencies • Distribution Coverage • SPA's & Rebate Targeting/Optimization • Channel Sales Support • Formalized/Optimized Call Planning • Digital Sales Rooms • Quote Tracking, Nurturing, Conversion
Distributor	• Market Selection & Prioritization • Inventory Optimization • Stock vs. Direct • Branch/DC Footprint • Logistics Optimization • Sales Resourcing • Vendor Alignment • Pricing Strategy	• Sales Territory Optimization • Sales Process, Formalized Call Planning • Specialist Sales Roles • Inside/Outside Hybrid Coverage Models • New Account BDR Specialists • Existing Account Growth Upsell/Cross-sell/Overdue/Substitution • Quote Tracking, Nurturing, Conversion • Account – Management Disciplines

Integrated Market Data: Who It's For

FUNCTION	Strategic Marketing	Product Management	Commercial Operations	Sales Operations	Digital Marketing	Sales & Customer Care	Business Intelligence
USE CASE	Market sizing & current share, product demand by product/industry	CFI process – NPD opportunity sizing by company, VOC targets	Sales forecasting	Quota development, integrated COGS process across all channel partners – omni-channel incremental v. swirl	Campaigns targeting focus, ROI opportunity, customer purchase behavior/recovery	X-Sell, Up-Sell identification by account	KPIs informed by both market data & PMC Sales through all channels
DATA-DRIVEN INSIGHTS	End-customer visibility/size/share, "level 2" product group demand informed by sales & market data	Identify adjacent product groups and vertical markets Identify and prioritize product/application digital content needs and plans	Data-driven, market-data informed account quota development	Data-driven, market-data informed account quota development. True churn vs. channel partner shift visibility. Optimized channel price multipliers based on "end-customer"	True end-customer churn/size/share Repeated product purchase patterns (overdue products)	Distributor-level or end-customer level X-sell, Up-sell opportunity at product group and SKU level	End-customer share/gap Market Basket Diversity Index (MBDI)
SOLUTION	● ● ● ○ ○	○ ● ● ○ ●	● ● ● ○ ○	● ● ● ● ○	● ● ● ○ ○	● ● ● ○ ○	● ● ● ○ ○

SPARXiQ Solutions:

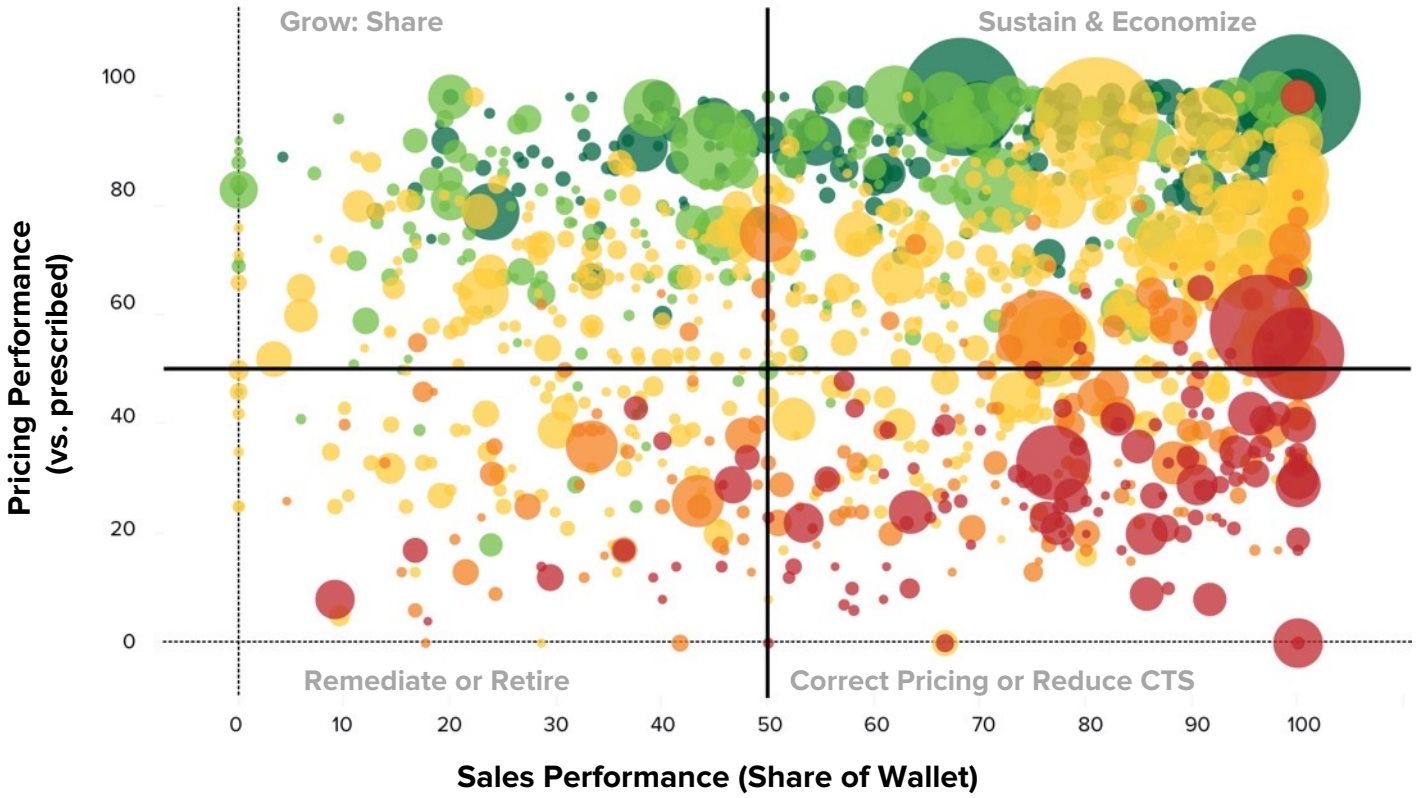
- **Prescriptive Sales Recommendations**
- **End Customer View**
- **Transactional Data Capture**
- **Price Analytics**
- **Lead Recommendations**

4D Vision: Building a Playbook

Isolating variables helps identify the way forward on a per-account basis.

Merging Pricing & Sales Performance

Bubble Size Represents R12 Sales Dollars



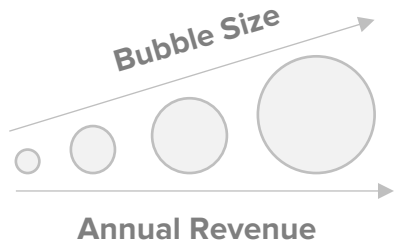
Profitability

How profitable is a particular account?

- Very High
- High
- Modest
- Low
- Very Low

Bubble Size

Bubble size corresponds to Annual Revenue.



Pricing Performance- Y Axis

Compared with prescribed pricing of peer accounts, how does the account perform?

Sales Performance - X Axis



Few SKUs and/or Product Categories **Low MBDI**



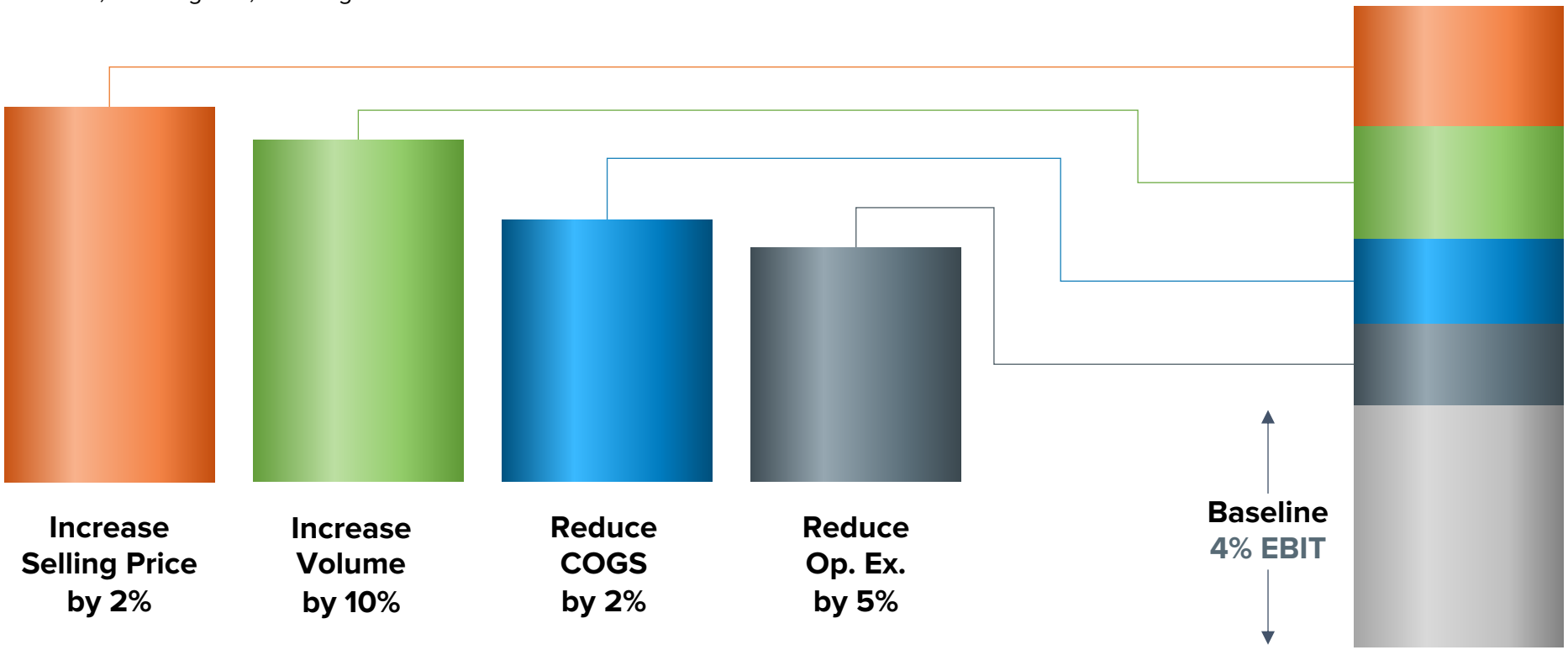
Many SKUs and/or Product Categories **High MBDI**

What Happens If...?



Improvements in each profit driver can transform a company's bottom line.

Assumes 4% ROS, 30% Avg. GM, 26% Avg. SG&A

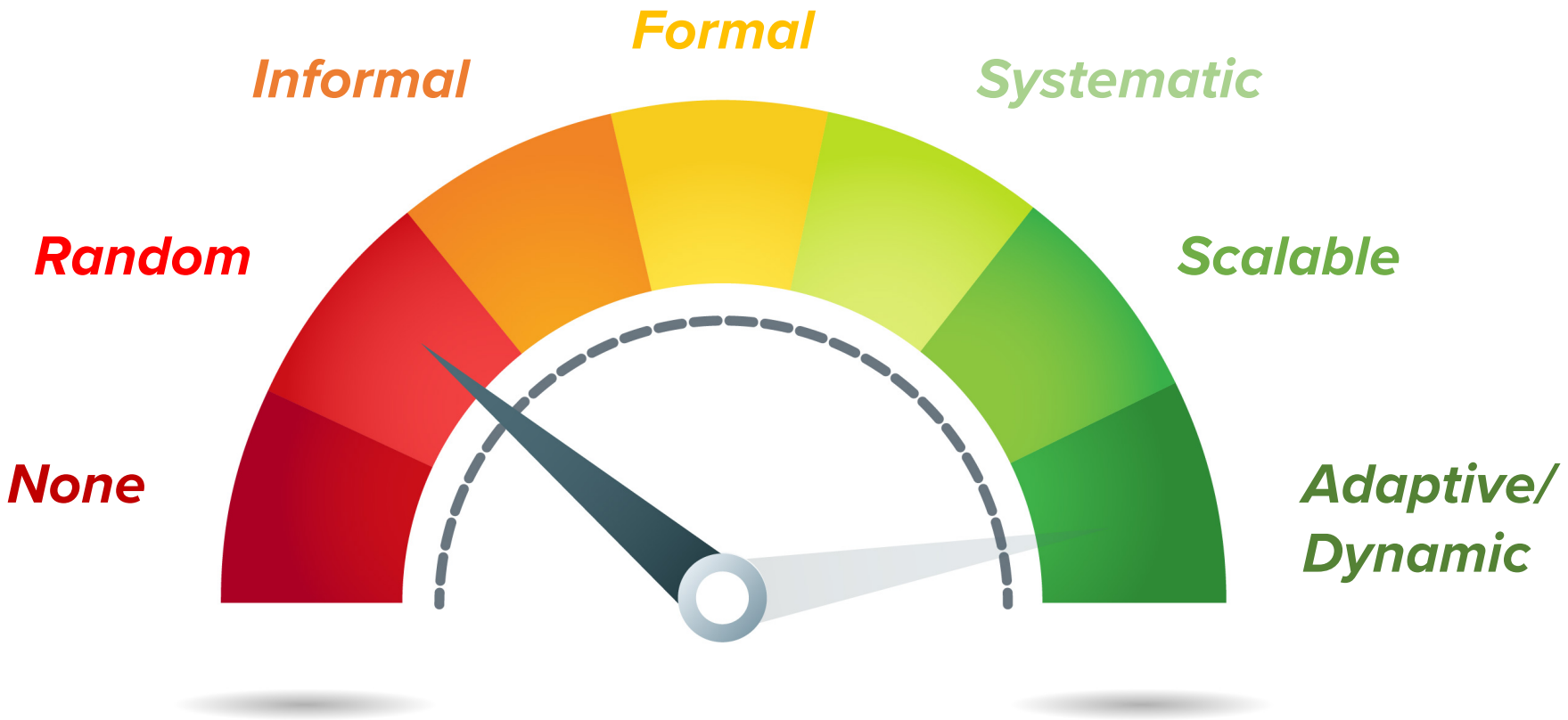




The Path Chosen:

What's Next for Your Company?

Prioritizing Change



Your company has more sales, market, customer, and operational data available than ever before.

How are you using it to

- Make it better to be your customer?
- Make it harder to be your competitor?
- Make it better to be your shareholder or stakeholder?

What's Next?

Enroll in all 5 HARDI Analytics Programs, Especially the POS

When you're in all 5, the synergies are real. You'll know the why behind your performance metrics. The effort required is modest

Manufacturers can provide stock sales and/or rebate/SPA sales data

Enroll in Transactional Data Program

Export scripts available for Epicor Eclipse, P21 as well as Infor and many other ERPs

Contact Tim Fisher at HARDI to complete full data program enrollment:

tfisher@hardinet.org