



CHANNEL
MARKETING GROUP

Q1 2026

Pulse of Industrial Supply

March 28, 2026

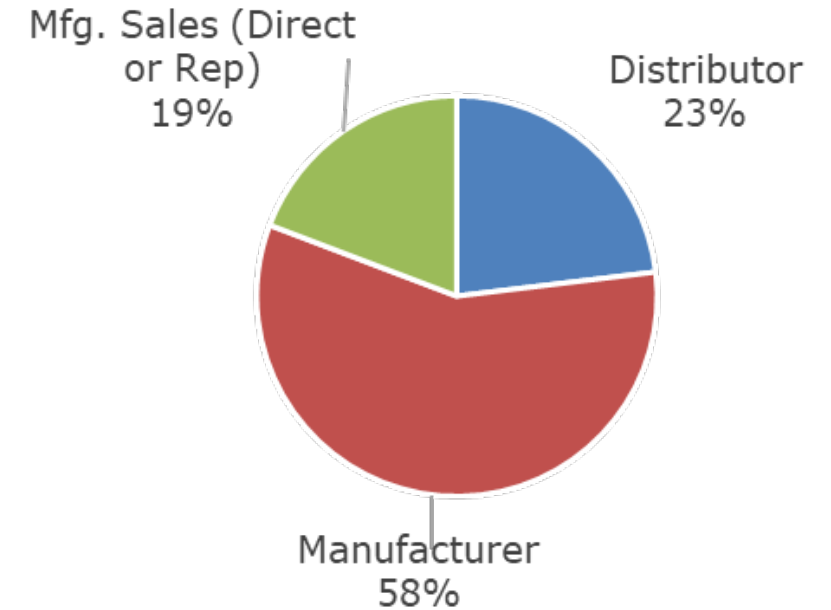


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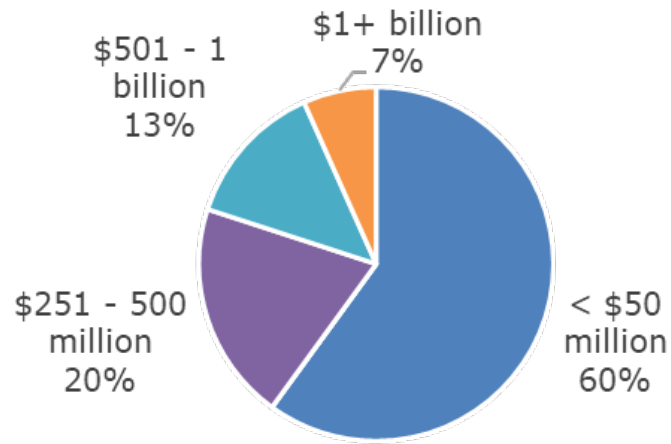
William Blair

Report Methodology

- Channel Marketing Group launched its Pulse of Industrial Supply quarterly business survey via www.industrialsupplytrends.com in late December to solicit input from its readership.
- This survey results are not determinative; however, they are directional. Distributors respondents represented almost \$10 billion in sales.
- Respondents came from industrial supply distributors and manufacturers. Respondents were offered access to the report as an inducement.
- Survey respondents received a complimentary copy of the results and a copy of Channel Marketing Group's "The AI-Enabled Distributor" eBook.



Distributor Profile

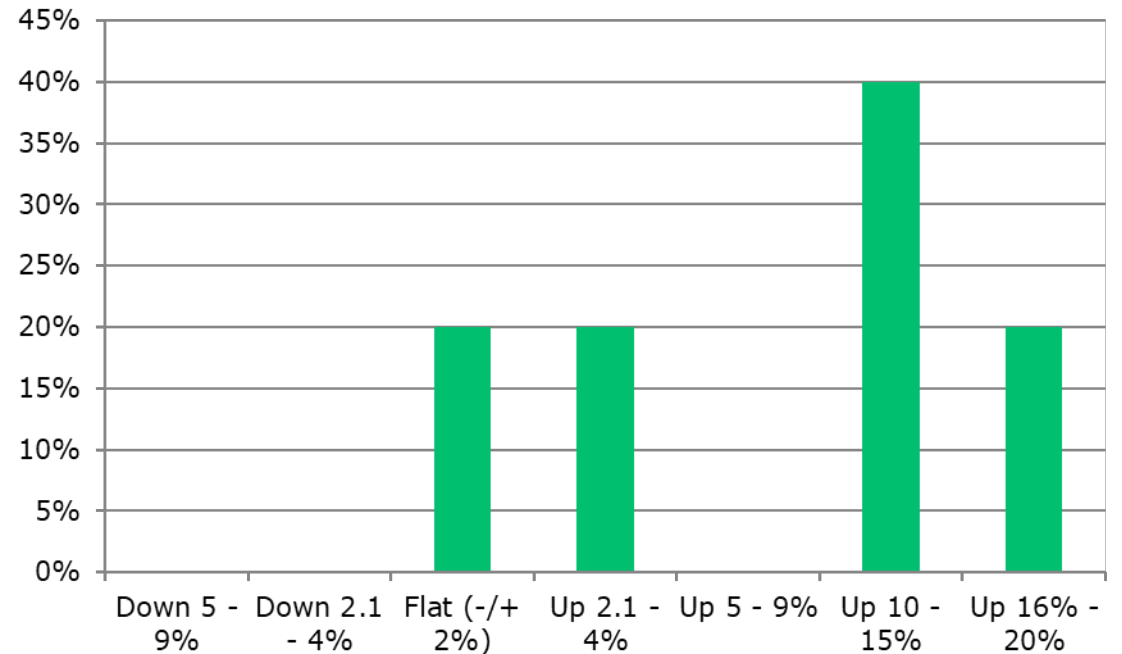


- The industry consists of many “smaller” distributors and some large companies. The respondent mix is indicative of this.
- Distributors serve many market segments. As can be seen the predominance were in the heavy industrial segments where there is historically higher industrial supply usage.

Customer Segment	%
Industrial Manufacturing	80%
Industrial Safety	80%
Metal Working	80%
OEM	80%
Food Processing	40%
Aerospace	20%
Heavy Equipment	20%
Petro- Chem Oil and Gas	20%

Q1 Distributor Performance

- Q1 Sales 9.2% vs a projected 6% in Q4. Q4 reported sales were up 3.09%
 - 20% were flat (+/- 4%)
 - 20% grew 5+%
 - 60% were down more than 5%
- Q2 2026 Sales are projected to be up 9.2%
 - 80% expect some growth
 - 20% expect their market to be flat



NetPlus 2026 Outlook

- 400+ Member Buying / Marketing Group
- \$600+M in COGS Through Group
- Est \$2 – 3B in Member Sales

- Weighted, Non-Revenue, Avg 2026 Growth
 - 5.75%

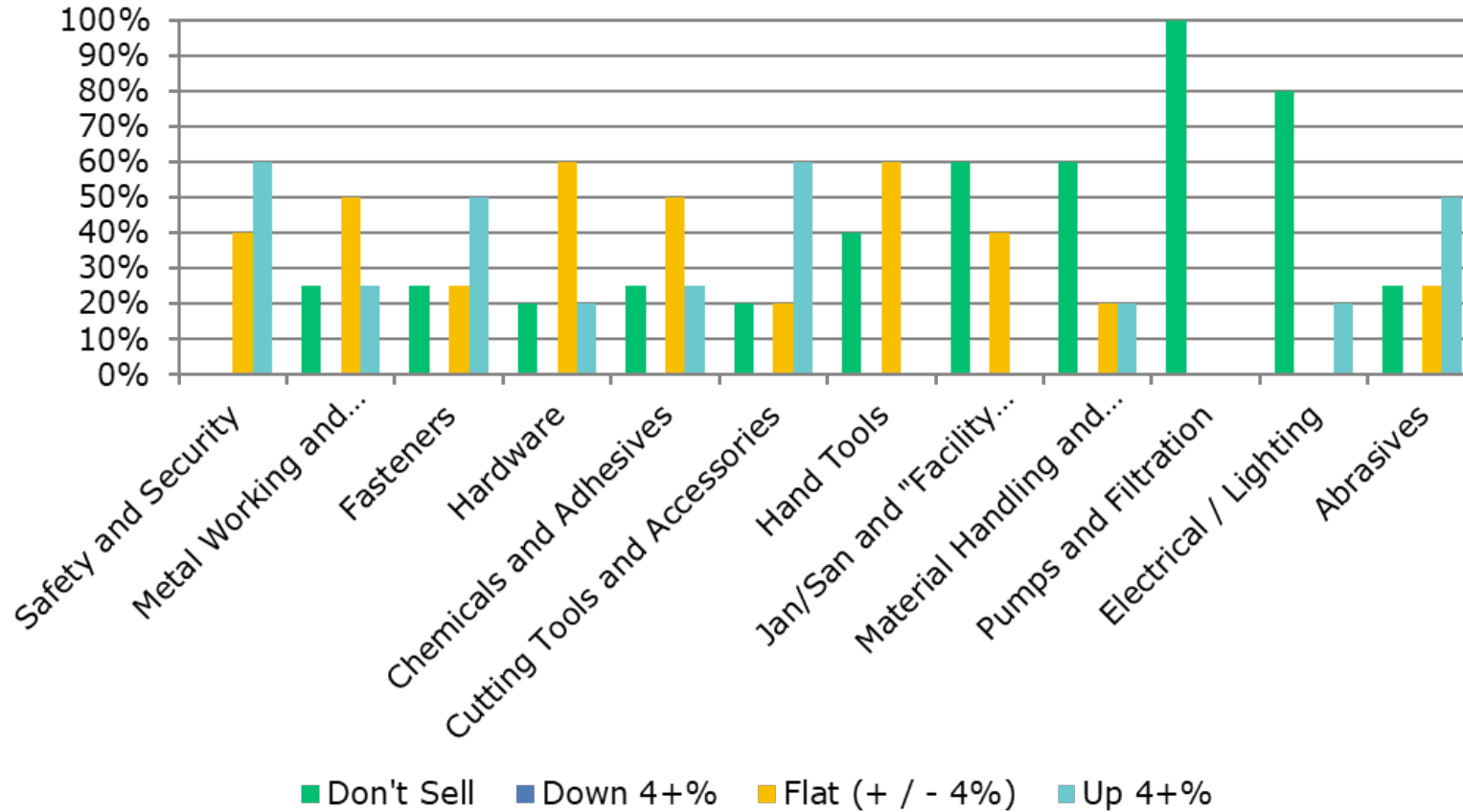
- Note – Industrial Supply Trends 2026 projection in Q4 was 6%



2026 v 2025	% Members
-8+%	1%
-3 - -7%	2%
-/+ 3%	16%
3-7%	51%
8+%	30%

Data provided by NetPlus per their 2026 Outlook survey

Product Category Performance



Additional Insights

- Distributors were asked:
 - What % of your business is generated digitally (website, EDI, vending machines, eProcurement, etc.)?
 - On average, only 11.5% of sales are generated digitally, down from 15.8%.
 - 80% generate <10% and 20% generate 25%+.

While there may appear to be a dichotomy in reported results from companies like Grainger and Fastenal, this is due to a difference in customer focus, business application, and technology investment as well as sales initiatives.

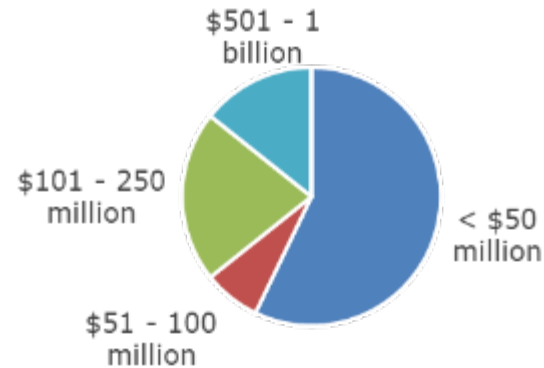
Access to quality data, cost-effectively, also plagues many segments of the market.

- Distributors were asked about their inventory levels.
 - 40% reported that they are stocking less down from 63.6% in Q4. This may be due to end of year inventory returns.
 - 20% reported more and 40% reported less (up from 9%) .

Additional Distributor Market Insights

- From Distributors
 - “Price increases due to increasing cost of tungsten carbide
 - Weather impacted Q1 as lost a few billing days
 - Concerned about war as fuel costs increasing, making delivery more expensive.
 - Q2 and Q3 are becoming murky as customers say their business is slowing
 - Manufacturers talking about freight surcharges.”
- Pricing
 - Q1 pricing impact estimated at 2.5%.

Manufacturer Profile



- Manufacturer respondents were focused in a few product categories which are important to distributors. The lack of supplier diversity could impact results.
- Manufacturers are agnostic in their customer segment focus.
- Manufacturer respondents have channel sales <\$1 billion.

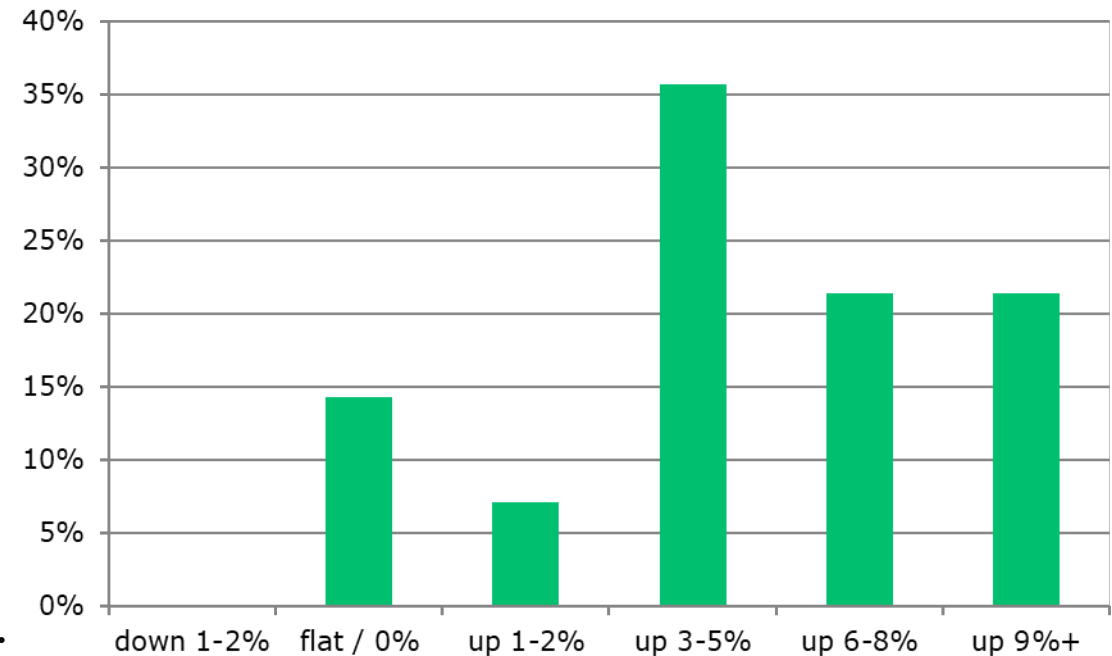
Market Segment	% Responses
Industrial Manufacturing	93%
Aerospace	79%
Automotive	71%
Heavy Equipment	57%
Metal Working	57%
Medical - Pharmaceuticals - Life Sciences	43%
Transportation	43%
Mining	36%
Petro- Chem Oil and Gas	36%
Data Centers	29%
Food Processing	29%
Industrial Safety	21%
OEM	21%
Chemical Manufacturing	0%

Product Categories	% Responses
Cutting Tools and Accessories	50%
Electrical / Lighting	14%
Abrasives	7%
Fasteners	7%
Hand Tools	7%
Metal Working and Fabrication	7%
Safety and Security	7%
Chemicals and Adhesives	0%
Hardware	0%
Jan/San and "Facility Maintenance"	0%
Material Handling and Storage	0%
Pumps and Filtration	0%

Manufacturer Q1 Performance

- Q1 Sales were up 7.9%
 - 64.3% grew 5+%
 - 14% were 2-4%
 - 21.5% were flat or down
 - In Q4, sales were flat (up .3%)
- Q2 2026 Sales are projected to be up 10.1%
 - All% expect some growth
 - 78.6% expect more than 5%.

Manufacturers were also asked about price increases. The average price increase was 5.2% with 42% reporting a 3-5% increase.

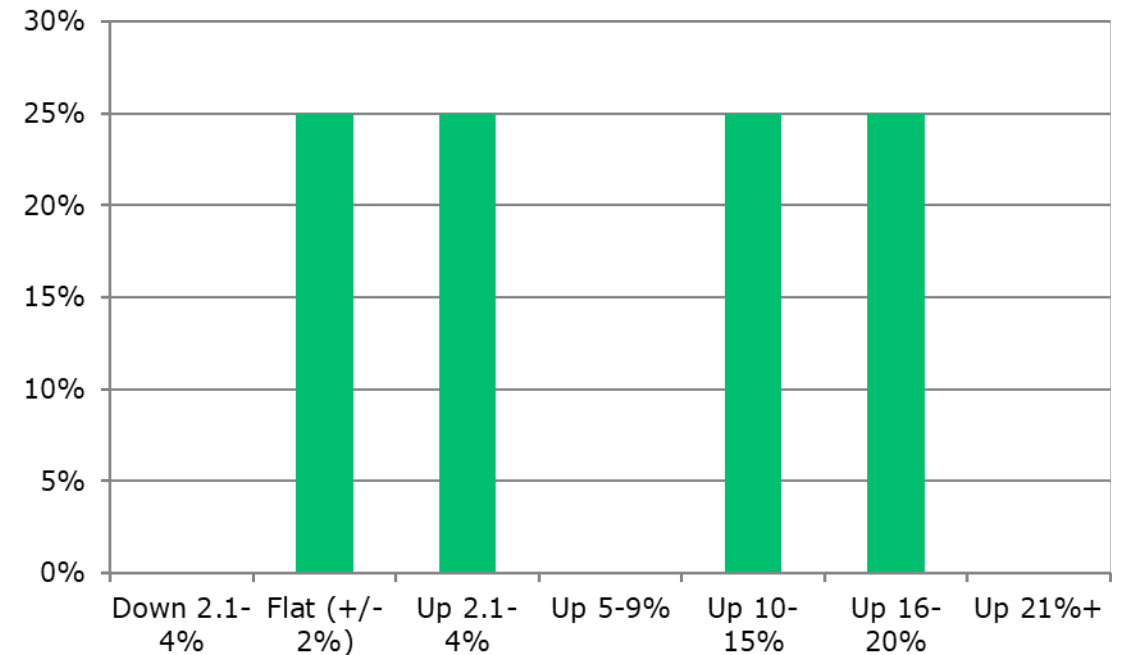


Market Insights

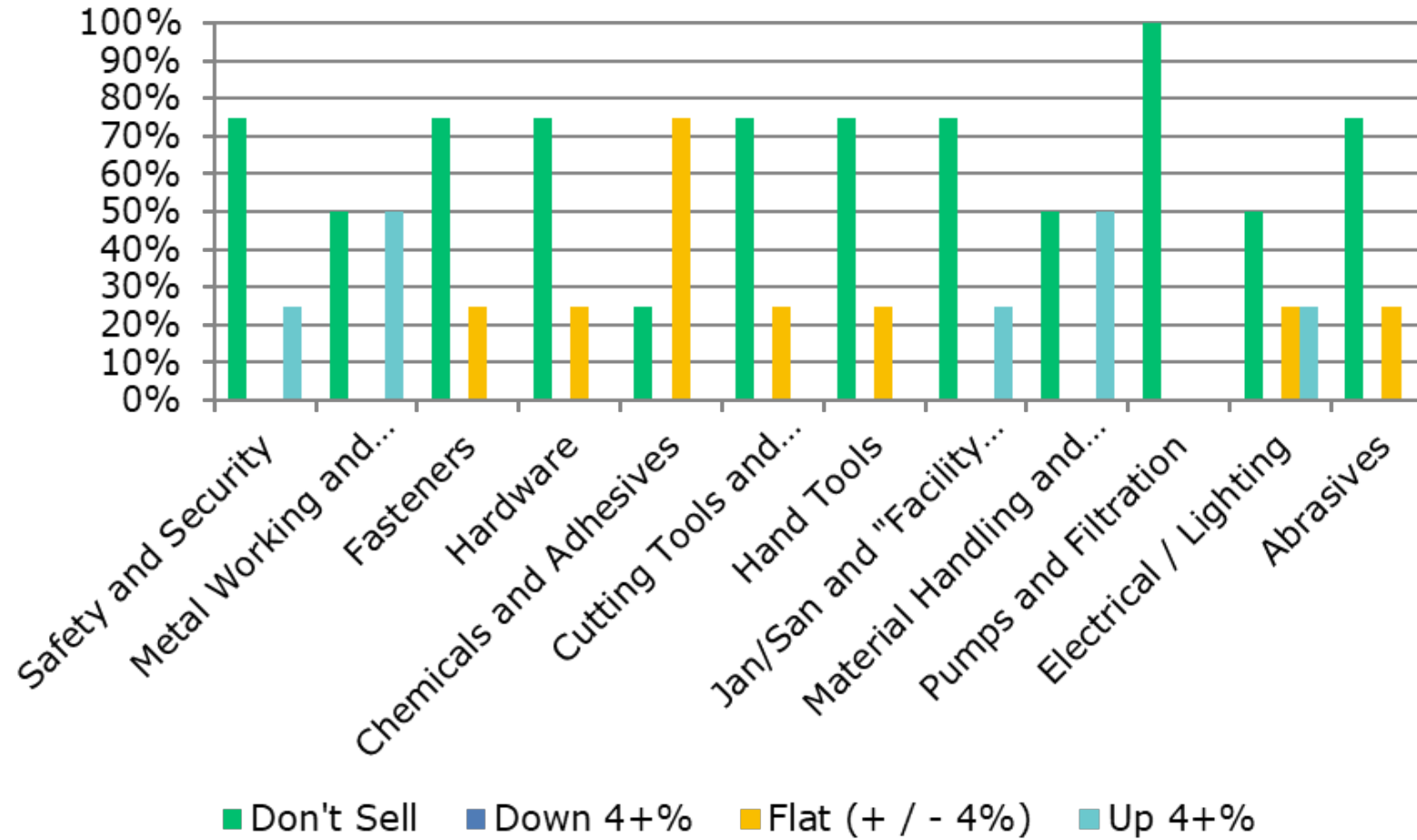
- Manufacturers were also asked:
 - Based upon their interactions with end-users, what is their feedback regarding future industrial activity?
 - 21% are very busy, 72% feel that their business will be “steady” and 7% expressed concern.
 - Their feedback on the market:
 - “We are looking at new products.
 - Data Centers and Solar
 - Building or revamping warehouses and facilities
 - Warehouses, factories, oil & gas
 - So many engineering groups are balls deep in data center work. This pulls in BESS/Solar and other "bring your own" power sources. The competition is strong and the questions are, in this order: what is your lead time, what is your price and who are you.
 - New product development and product improvement projects.
 - tariffs, rising raw material prices
 - Price increases and supply shortages.
 - Must have product in-stock to grow the business - we see competitors being more conservative which is our gain.
 - Q1 has been steady, but there are rising concerns of instability with changes in tariffs and the War in Iran
 - Concerns on product shortages due to raw material
 - Tariffs continue to remain a daily operational constraint, directly affecting how we buy, price, and position inventory.
 - Raw material cost increases in the supply chain
 - Carbide prices are wreaking havoc. People are spooked potential scarcity.
 - Seeing more distributors making stock decisions to have product on the shelf as an advantage over their competition. Not just ferrules. Several are beginning to stock MV cable and PV wire since it typically is gone a few days after the material hits their floor. smart move.
 - Our main concern is with tungsten carbide price volatility. It has skyrocketed in the last year but especially in the past few months.”

Q1 Rep Performance

- Q1 Sales were up 8.83%
 - 50% grew 10+%
 - 25% were 2-4%
 - 25% were up 5-9%
- Pricing was up 4.13% in Q1 for their lines.
- 2026 Q2 Sales are projected to be up 6.75%
 - 25% expect more than 10% growth
 - 75% expect 2-4%
- In talking to some, there is concern for the economy due to the impact of the current “military operation” and the impact on fuel costs and an expectation of inflation which will hinder investments and industrial output.
- The rep response rate is low and may not be indicative of the national market as we do not know geographic focus. Further, their feedback is based upon differing suppliers and product categories, which is not consistent.



Category Performance



Additional Insights

- Reps / salespeople were asked:
 - Based upon your interactions with end-users, what is their feedback regarding future industrial activity?
 - 75% feel that their business will be “steady,” 25% were very busy looking out over the next 6 months.
 - This is up from 60% and 20% (steady) and 20% concerned from last quarter
 - The optimism is targeted to specific types of projects – data centers, roadway and bridge work
 - Their feedback on the market:
 - Optimistic going forward
 - Mid Atlantic and UPNY data center sites as well as large jobs, NYCFC/citi field
 - Fluctuations.
 - The renewables and data center market still driving heavy demands.”

AI in the Industrial Supply Channel

- AI is discussed regularly within the channel as a productivity enhancement, business research, and profit improvement tool that can help companies scale, address consequences of employment dynamics, and respond quickly to market changes in unique ways.
- To support distributors, Channel Marketing Group wrote “The AI-Enabled Distributor” a \$39 practical guide to starting, and traveling, the AI journey and includes over 30 AI-powered tools.
- Manufacturers and reps are also using AI tools in various aspects of their business.
- We asked each audience about their implementation of AI and if they have an AI governance policy.
- Response by audience is on the right.
- For more information on our eBook and services, contact David Gordon at dgordon@channelmkt.com or 919-488-8635

AI Application	Distributor	Rep	Manufacturer
Pricing	20%	0%	13%
Inventory Management	20%	0%	13%
Built into CRM	0%	100%	13%
Writing Emails	60%	100%	63%
Research via ChatGPT, Claude, Gemini, CoPilot, and/or Perplexity	100%	100%	100%
Order Quotation	20%	0%	0%
Sales Order Entry	0%	50%	13%
HR	20%	0%	25%
Analysis	60%	50%	50%
Have Governance Policy	0%	0%	31%

Some are also utilizing AI to automate some accounting functions, especially AP

Conclusion

- Overall, distributors and manufacturers reported being up high single digits, ranging from 7-10%. Pricing, dependent upon audience, accounted for 2.5-6% of this
- Q2 projection is for comparable performance and end-users appear to be optimistic, however, distributors expressed some concerns about the macroeconomic environment emanating from the military operation in Iran and the impact on rising fuel costs, pending inflation, and the concern about a slowing economy.
- Respondent end-user markets, for this issue, were more heavy industrial-oriented, indicating that those markets are still strong. Data centers and the power generation aspect of them was mentioned a number of times.
- AI appears to be gaining traction with a variety of applications. Essentially the industry is “dipping its toe into the water.” While there is “talk” of AI governance policies, most do not have written ones and anecdotally, are talking about the issues and utilizing internal or 3rd party tools where data is stored, with less concern about confidential information in public LLMs.
- Overall, the channel is rebounded well from a slow Q4 in spite of headwinds caused by weather in January / February in parts of the country and March impacted by higher fuel costs, which have not been seen since Q2 2022.