

Industrial Automation Distributors Project Growth in 2018

By Winn Hardin, Tech B2B Marketing

As 2017 drew to a close, industrial companies heeded an important lesson: automate or stagnate. “If you are not investing in automation, there is no way you are going to compete globally,” says Ed Koza, vice president of H.H. Barnum Company (Brighton, Michigan), which specializes in controls for factory automation. “China is now the leading purchaser of industrial robots in the world. U.S. manufacturers have to automate to improve their productivity and quality.”

From manufacturers to municipalities, industry is poised to take a deeper dive into automation — and it won't just be treading water once it's there. The industrial control and factory automation market is expected to be valued at \$239.11 billion by 2023, representing a CAGR of 7.4 percent over the next five years.

Indeed, high-technology distributors have a large pool in which to swim. Even in the smallest or most specialized markets, AHTD members have good reason to be optimistic about their business prospects in 2018 and beyond.

Paving the Way for Growth

By their very nature, industrial automation distributors are well positioned as manufacturing shifts from heavy industry to high-tech production. “Fifty years ago our biggest customers were glass plants,” says Brian Lepsis, president of Shingle & Gibb Automation (Moorestown, New Jersey) and president of AHTD. “We used to joke internally that we were chasing smokestacks, but that's not the case anymore.”

As technology progresses, so does the factory floor. Ever since the first industrial robots hit factories in the 1970s, the auto manufacturing industry has relied on automation to increase production efficiency and get vehicles to market faster.

Although overall vehicle sales were sluggish in the U.S. in 2017, OEMs — and the tier suppliers providing parts and components — made significant investments in new products and the

infrastructure used to manufacture them. Such investments often translate into opportunity for distributors of high-tech equipment and solutions, such as controls, lighting and HMI panels.

The automotive industry accounts for 80 percent of H.H. Barnum's business. "The type of work we do is not tied to production volume but rather how much automakers are spending on developing new vehicles," says Koza. "Last year, for example, GM redid four of its truck plants, which all rely heavily on automation. Most of our products are being purchased by the integrators building the manufacturing systems going into these facilities."

In fact, 2017 was a record year for H.H. Barnum. Koza expects the first half of 2018 to be similarly strong but forecasts softening in the second half and into 2019. "But past that things will be good again," he says. "Automotive manufacturing tends to go up and down, but it's a good industry to be in long-term."

When it comes to production of heavy industrial trucks, Lepsis predicts "a breakout year" in 2018 or 2019.

Serving a diverse set of verticals has helped Shingle & Gibb grow 8 to 11 percent annually for the last eight years, and the company is forecasting a similar trajectory in 2018. The industrial controls distributor also expanded its workforce by 10 percent in 2017 and expects to do the same this year.

"Food and beverage industry is a perennial favorite because it's very hard to offshore," says Lepsis. "We will see continued growth in pharmaceuticals as well as in the packaging and material handling markets."

Control Point Inc. (Scarborough, Maine) has been making headway in municipal markets, and president Jeff Murray expects steady growth in water and wastewater treatment applications, as well as opportunities in alternative energy.

"We play a niche role in marketplaces, where customers are looking to us for very specific ideas and unique solutions, as opposed to the broad brushwork that used to occur in automation," says Murray, who recently joined the AHTD board of directors. "That will become more important for us going forward."

In the U.S., tax cuts and the federal government's ease of regulations point toward a more business-friendly environment, but industrial automation distributors are treading carefully. "Any time that the burdens on business get lightened or lowered, more business gets done," Lepsis says.

Technology Trends Drive Investment

Several technology trends are enabling expansion in the industrial automation space. With its promise of connecting smart machines, data analytics and people, the Industrial Internet of Things (IIoT) is generating continued interest and investment.

The ability to turn data into action allows a plant manager "to know exactly what is going on — not just in a device [but] on the entire floor," Lepsis says. "They can react more quickly to problems and even predict when they are going to happen."

That's where predictive maintenance comes in. "We are helping customers by monitoring things like vibration and temperatures on motors to predict long in advance when they are going to fail, so technicians can do preventive maintenance early," Lepsis says.

Control Point Inc. distributes a line of hardware that enables a fundamental capability of the IIoT: remote monitoring. One weekend recently, one of Murray's customers, from his kitchen table in Massachusetts, accessed a control system to make programming changes for an installer on a job site in Japan.

"I told him, 'I'm sorry you had to work on a Saturday, but I'm glad you didn't have to travel halfway across the world,'" Murray recalls. "That is the true value of the IIoT — making more information more readily accessible."

One area where Koza has seen significant growth recently is the adoption of IO-Link, the protocol used to communicate with sensors and actuators. "IO-Link can save a manufacturer 30 to 50 percent on the wiring of a machine, depending on the machine," he says.

Membership Benefits

To position themselves for success in a competitive landscape, high-technology distributors have found numerous advantages in AHTD membership.

“The number one reason I belong to the association is networking,” Koza says. “When I go to the spring or fall AHTD meeting, every meal I eat is with one of my suppliers. It’s an effective way to have a lot of meetings in a short period of time.”

As a small business owner, Control Point’s Murray finds value in connecting with like-minded individuals. “Through AHTD, I get to talk to someone about what I do to help me get better at what I do,” he says. “Whether they’re reinforcing what I’m doing or giving me new ideas on how to run my business, it’s all very helpful for me.”

In combination with the knowledgeable speakers at AHTD meetings, “I always walk away with one or two things to start implementing in my business,” Murray says.

Relationship building has financial benefits too. Lepsis reports that Shingle & Gibb, which has been a member of AHTD for nearly 30 years, “has done tens of millions of dollars of business with suppliers we met through the association.”

Lepsis’ 12-year position on the board of directors comes to an end in late 2019, but as an active member of the association, he expects the benefits to resonate for years to come. “My service to the board is one of the best things that happened to my career,” Lepsis says. “I have been very fortunate to have spent so much time with trusted colleagues and industry gurus that I would gladly pay to hear speak, but instead I get to pick their brains for free.”

It’s a sentiment expressed by many AHTD members as they look for ways to improve their business processes and become more profitable.

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