



# INTELLIGENT GROWTH STRATEGIES FOR MRO & INDUSTRIAL DISTRIBUTORS

How to Retain and  
Grow Market Share

WHITEPAPER



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## How to Retain and Grow Market Share

### TABLE OF CONTENTS

- I. Complexity, Competition and the Skills Gap in the MRO Market
- II. Growth-Hindering Dynamics
- III. Strategies to Retain Share, Margin and Reps
- IV. Conclusion

## I. COMPLEXITY, COMPETITION AND THE SKILLS GAP IN THE MRO MARKET

Look around any office, auto shop, manufacturing floor, building or other business and you'll see products of the maintenance, repair and overhaul (MRO) and industrial distribution industry in every nook and cranny. MRO distributors have turned the nuts, bolts, cogs, washers, screws, and literal millions of replenishable objects required to power industries of all varieties into a formidable market force.

A massive global industry, it's projected to continue steady year-on-year growth at a CAGR of 2-3%, [according to Beroe Inc.](#), a procurement intelligence firm, which also estimates that the MRO market will reach \$657.23 billion by the end of 2024.

Despite the steady uptick, which certainly is a welcome positive outlook compared to many industries dealing with pandemic-driven disruption, MRO distributors aren't short on their own challenges when it comes to retaining and growing their market share. There are several hinderances in play. Namely:

- Complexity:  
Their large customer counts and behemoth SKU counts render it impossible to give reps market-aligned pricing guidance and sales intelligence
- Competition:  
MRO is ripe for poaching by Amazon, and as a result, traditional distributors continue to see market share slipping away to the online giant
- Skills:  
A massive generational shift in the workforce is resulting in a skills gap that's proving particularly problematic to fill

In this whitepaper, we will discuss how growth is hindered for MRO and industrial products distributors and provide intelligent strategies for retaining and growing share. First, we'll take a closer look at the unique challenges of MRO/industrial distribution.

## II. GROWTH-HINDERING DYNAMICS

### Complexity

MRO distributors are typified by their large customer and SKU counts, with some boasting up to 1 million unique items for sale. SKU counts have grown to epic proportions in part due to growth via acquisition, but also due to variety of product sizes. For example, one single product type, like a washer for instance, may be available in up to 20 sizes. The good news is that inventory and availability are key competitive advantages. Having the right products when customers need them - not earlier or later - forges solid customer relationships over time.

Product and customer complexities are compounded by the many ways orders are priced which include direct bid business, system pricing, customer-specific pricing agreements and deviations or overrides of system prices. These complexities result in an environment where generating relevant prices for each selling circumstance is nearly impossible with the traditional go-to methods of generic manual spreadsheets and tools. Relying on these dated tools often results in overly general pricing, which only pushes sales teams to request more customer-specific pricing and overrides or deviations. Pricing teams then focus on compliance to system pricing, tying up valuable time that could be used devising more sophisticated pricing strategies.

## Competition

Many B2B industries are plagued by online giants, such as Amazon Business. But MRO is particularly threatened, given typically small product sizes that fit neatly into small packages, which is Amazon's logistical wheelhouse. Customers increasingly enjoy the ease of ordering online where they can compare products and pricing as well as get speedy delivery of must-have items. As such, Amazon has put MRO distributors on the defensive when it comes to providing customers with the ease of a B2C-like eCommerce experience.

Remaining competitive in the eCommerce space requires not only modern digital and operational capabilities, but also a level of intelligence in terms of the selling experience. Customers expect to see prices that reflect their unique relationship with the company, as well as a personalized shopping experience based on their needs, which is possible with data science. Additionally, as global economic uncertainty remains, MRO distributors need to ensure all sales channels – online, in-person with a sales rep or otherwise – can grow wallet share, retain more customers and purchase volume, and increase the average size of each transaction from a line-item perspective.

## Skills

If creating relevant pricing and retaining and growing share weren't challenging enough, MRO/industrial distributors have been particularly challenged with a growing skills gap. The inherent challenge with this skills gap is that a veritable wealth of tribal knowledge around pricing, customers, products and various industry dynamics is leaving the company along with its most valuable players. Finding a simple, intuitive solution to get new reps up to speed to sell effectively and profitably will be a critical factor of success in the coming years.

## III. STRATEGIES TO RETAIN SHARE, MARGIN AND REPS

Most pricing discussions center on how to maximize margins. While pricing is certainly the biggest lever to improve margins, in a highly competitive environment it can also be used to maintain, or even win share, and help distributors balance margin and volume goals. Taking a closer look at how pricing decisions are made, how customer-specific price agreements are maintained, and how you infuse personalized pricing and sales guidance into all sales channels, may be the keys to retaining share, margins and reps.

## Price Optimization

When it comes to price-setting, price optimization software, such as **Zilliant Price IQ®**, can produce market-relevant prices to drive volume or margin growth, depending on your goal and the market conditions. True price optimization drives the following benefits:

- Optimizes system prices to ensure they accurately reflect the market reality and will be used by the sales team more frequently
- Provides override guidance with guardrails to reduce over-discounting
- Delivers optimized customer-specific guidance
- Visual analytics to pinpoint and correct where unnecessary price deviations exist
- Enables a more strategic pricing response to cost volatility

## Price Management

Modern price management tools eliminate the guesswork that is typical in manual processes and can help capture more margin and manage cost fluctuations in any environment. Price management software, such as **Zilliant Price Manager™**, provides pricing teams with greater pricing visibility, and the ability to update customer-specific pricing or prompt sales reps to update customers' pricing as market conditions change.

Price management solutions also enable real-time marketing pricing for eCommerce. If a company's eCommerce prices are misaligned with the market or inconsistent with offline channels, buyers will quickly move on to a competitive site. Pairing flexible price management software with a dynamic pricing engine, like **Zilliant's Real-Time Pricing Engine™**, can ensure eCommerce prices reflect current market prices, meet customer expectations for competitive pricing, and achieve desired P&L goals.

## Revenue Operations & Intelligence

A **revenue operations and intelligence** solution uses advanced data science to easily uncover all new relevant opportunities, continually refresh those insights, and systematically deliver them to salespeople within the execution tools they already use on a daily basis.

Consider the typical, large B2B company with thousands of products and customers: Even with an army of analysts, generating guidance for each unique opportunity is an insurmountable task. Equipping sales teams, especially those with newer and less experienced talent, with timely, relevant sales guidance is critical. It's also only possible through a platform that can uncover insights using data science and operationalize them in a closed-loop manner.

A revenue operations and intelligence tool can equip sales with guided actions, which can help:

- Increase wallet-share with new and existing customers
- Identify the best-fit products for prospecting
- Win-back lost business
- Sell excess inventory
- Flag customer agreements that don't meet volume commitments
- Identify and recommend products substitutions or preferred brands
- Deliver actions directly to eCommerce, marketing, and sales-led channels

## IV. CONCLUSION

Legacy methods and systems are hindering profitable growth for many MRO and industrial products distribution companies. When data science-driven software is leveraged to tackle pricing and revenue growth problems, distributors can respond to ever-changing market conditions with the necessary scale and speed. Investing in intelligent pricing and revenue operations and management software is the key to enabling margin growth, ensuring profitability, and staying ahead of the competition in a time of economic uncertainty.

For more information, visit [www.zilliant.com](http://www.zilliant.com)