



EXECUTIVE REPORT

distributors are losing margin in the middle

Why pricing control is now essential between supplier cost changes and customer price execution

introduction

Distributors sit in the middle of economic volatility.

Costs are moving on one side of the business, while customer pricing often moves more slowly on the other. When changes in supplier pricing, freight, tariffs, and competitive pressure outpace negotiated customer terms, branch-level practices, and sales-led exceptions, margin can erode before leaders can see or control the impact.

Distributors do not just face volatility. They absorb it between suppliers and customers.

That position makes pricing one of the most important financial levers in distribution.

McKinsey has described pricing as a “critical value creation lever” for distributors amid ongoing pressures such as inflation, commodity deflation, tariffs, and geopolitical disruption. In this environment, pricing is no longer just a commercial function. It is central to how distributors protect profitability and outperform in volatile conditions.

150 senior
distribution
executives
SURVEYED

But pricing activity is not the same as pricing control. Many distributors are adjusting prices in response to volatility, but execution still often depends on disconnected systems, manual workflows, branch-level practices, and customer-specific exceptions that make consistency difficult to enforce.

Based on a survey of 150 senior distribution executives, this report examines how economic volatility is exposing pricing execution gaps that put realized margin at risk. The findings point to a clear conclusion: distributors cannot rely on reactive pricing to protect profitability. Pricing control is now a financial requirement.

economic volatility is squeezing distributors from both sides

Distributors are facing a pricing environment shaped by pressure from multiple directions. No single factor is driving volatility. Competitive intensity, policy shifts, freight exposure, and fuel costs are all testing pricing discipline at the same time.

For distributors, volatility is amplified by their position in the value chain. Supplier price changes arrive from one side, while customer price resistance comes from the other. Margin becomes exposed when distributors cannot translate cost movement into consistent, defensible customer pricing.

top pricing pressures facing distributors

32% cite **price wars**

29% cite **geopolitical instability**

29% cite **tariff changes**

28% cite **fuel cost spikes**

price changes are happening, but price realization is harder to control

Distributors are changing prices in response to economic volatility, and those changes are material. But list price movement is not the same as price realization.

A price change only protects margin if it carries through from supplier cost update to customer invoice. When discounts, rebates, freight recovery, customer-specific terms, or branch-level decisions interrupt that path, the intended increase may never fully reach realized margin.

Price movement is not the same as pricing control. The gap between them is where distributor margin leaks.

Price movement without pricing control can create leakage, weaken realized margin, and make profitability harder to explain.



price increases are
widespread and material

53% raised prices
by 6% to 10%

47% raised prices
by 11% to 20%

cost response is fragmented across vendors, branches, and customers

Economic volatility is forcing distributors to make commercial and operational trade-offs across the business. Some cost increases are passed through to customers, while others are absorbed to protect strategic accounts, preserve volume, or defend market share.

That flexibility is commercially necessary. Distributors need room to respond to local market conditions, supplier dynamics, customer relationships, and product availability. But without pricing control, those decisions become difficult to measure and govern.

What looks practical at the local level can become inconsistent at the enterprise level. Without visibility into how those choices add up, variability becomes hidden margin risk instead of managed pricing strategy.

distributors are balancing **cost recovery with margin protection**

46% **pass costs** to customers

45% **adjust** offerings or supply sources

40% **reduce** operational expenses

39% **absorb costs** to maintain pricing



margin becomes the shock absorber when pricing execution lags

For distributors, margin leakage often happens after the price is set. The issue is not only list price or target price. It is whether the intended margin survives discounts, rebates, freight recovery, cost-to-serve differences, and local exceptions.

This is where local pricing flexibility can become enterprise risk. Branch managers and sales reps need room to respond to customer relationships, urgent orders, and local market realities. But without guardrails, those decisions can create inconsistent

treatment, turn exceptions into precedent, and quietly reshape margin performance across the business.

In distribution, margin rarely disappears at the list price. It leaks through the layers between price and pocket margin.

Competitive pressure may start outside the organization, but internal execution gaps determine how much margin is ultimately lost. Operational inefficiencies, pricing wars, inconsistent discounting, and weak governance all become part of the same margin control problem.

execution gaps are driving margin leakage

37% cite **operational or labor inefficiencies**

34% cite **pricing wars**

33% cite **discounting inconsistencies**

27% cite **inconsistent governance**

faster pricing is creating customer risk

Speed matters in a volatile economy, but speed without consistency creates risk.

Without execution control, pricing agility can look like unpredictability to customers.

Distributors are relationship-driven businesses. Customers may accept price changes when they are clear, timely, and defensible. But when pricing varies by branch, rep, channel, or customer, those changes can feel inconsistent or arbitrary.

The data shows the tension: distributors can move pricing relatively quickly, but many are still seeing negative customer reactions and customer loss. Faster pricing may be necessary, but without transparency and control, it can create friction instead of confidence.

faster pricing is creating customer friction

83% can adjust pricing within three months

65% report mostly **negative** customer reactions

99% lost customers after price changes

pricing technology is advancing, but execution control is still fragmented

Many distributors are investing in pricing tools, analytics, and AI. But investment alone does not create control.

AI can surface pricing opportunities, identify margin erosion, and recommend changes. But those recommendations only protect margin when they can be applied consistently across branches, reps, customers, contracts, channels, and transactions.

When pricing tools, spreadsheets, ERP workflows, branch processes, and manual approvals operate in parallel, pricing may become more active without becoming more controlled.

Technology can improve pricing intelligence. Pricing control is what turns that intelligence into consistent execution.



technology adoption is rising, but
execution control is still missing

98%

say **AI-driven pricing** has
helped or is expected to help

21%

can point to a **clear payoff**

16%

still **rely on spreadsheets**

what this means for distributors

Economic volatility is exposing pricing execution gaps that affect price realization, pocket margin, customer profitability, and earnings predictability.

Distributors are responding with price changes, cost pass-through, supplier shifts, product adjustments, discounting decisions, and branch-level execution. But when those responses happen through fragmented tools and distributed workflows, pricing becomes harder to govern.

Without pricing control

- **margins are harder to see**
- **cost recovery is harder to execute**
- **pricing decisions are harder to govern**
- **customer profitability is harder to protect**

The risk is not only external. Market volatility creates the pressure, but internal execution determines whether that pressure is absorbed, passed through, or amplified.



conclusion

Distributors cannot make volatility disappear. Cost pressure, policy shifts, freight exposure, labor constraints, and competitive moves will continue to test pricing discipline.

But volatility does not have to dictate margin outcomes. The distributors best positioned to protect profitability will treat pricing as a controlled system, not a series of reactive decisions.

Margin is being lost in the middle. Pricing control is how distributors stop the leak.

In practice, pricing control means governed cost updates, margin visibility before volatility reaches the P&L, and consistent execution across the many branches, teams, customer agreements, rebates, freight terms, discounts, and exceptions that shape realized margin.

In today's distribution environment, pricing control is no longer an operational improvement. It is a financial requirement. Without it, volatility does not simply pressure the business from the outside. It moves inside the business through delayed cost updates, unmanaged exceptions, and inconsistent pricing decisions. Over time, that leakage becomes harder to see, harder to explain, and harder to reverse.





about zilliant

Zilliant helps B2B enterprises execute pricing consistently, confidently, and at scale. We bring control, visibility, and explainable AI to pricing decisions across the business so companies can move faster, respond to change, and drive profitable growth. Learn how to make pricing your power at zilliant.com.