



AN INDUSTRY BRIEFING FROM GRAIL

What's Changing in the Margin You Defend

Your next €10M of capital. The gross margin you sign. The thesis your board can recite back. Three questions that look separate, but are actually one. A briefing for CFOs at mid-market European specialty technical distributors.

PREPARED BY

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FOR

European mid-market
specialty-distribution finance
leaders

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Thursday morning, board pack due next Thursday

Every CFO at a mid-sized European specialty technical distributor has had the same Thursday morning. Four things on the screen at 8:30. Q3 gross margin printed 120 basis points below plan, driven almost entirely by catalogue categories while the advisory categories held. Two of your three best application engineers in the northern region have given notice; a third is already in retirement conversations. Your CIO wants €2M next quarter for an AI-and-data platform, and the one-page routes through the IT budget. Your sponsor's partner forwarded the Bloomberg story on Amazon Business hitting industrial distribution yesterday with one line: "curious to hear your thinking on margin defence before Monday."

You have signed twelve gross-margin forecasts for this board. The pattern used to be simple. Hold the category markup, hold the inventory turns, grow through the next bolt-on. Close the quarter clean. Keep the auditor happy on rebate accruals. The business was understandable.

Something changed. Your catalogue GM is drifting and your team cannot reconstruct which SKU classes drove the drift. Your AI capital is running through the IT budget as a productivity line. Amazon Business is now the sixth-largest distributor in the US, with autonomous procurement filtering before human buyers intervene. Your three best application engineers carry the margin premium in their heads, and the replacement pipeline is not keeping up. The close is clean. The gross-margin story underneath it is not.

The job has not changed in fifty years. The bar has risen on every measure of doing it, simultaneously, and the gross-margin moat you have been carrying as a personal asset in three senior reps' heads is suddenly a firm-level capital-allocation decision you can actually make. The CFOs who treat it that way run the offensive play. The ones who treat it as a retention problem lose capital-allocation authority to the CIO within eighteen months.

This briefing covers what is happening in your sector, what it means for the finance function you run, and the three questions your team should answer before the next board pack.

Specialty distribution just lost the equation that priced the sector for a decade

Your product-availability margin is compressing structurally. Amazon Business serves eight million organisations at \$35B in annualised gross sales, now the sixth-largest distributor in the United States. Autonomous procurement is already filtering, validating, and recommending before a human buyer intervenes in half the catalogue categories that used to be safely yours. The manufacturers who quietly funded your growth for twenty years are investing in direct digital channels, and procurement teams at your best accounts are now putting your catalogue line next to three other quotes inside a single afternoon. Across the catalogue side of the book the mechanical difference is 80 to 150 basis points of gross margin a year, and it is already showing up in the quarterly prints.

The margin premium that still works sits on the advisory side. The application engineer who knows which product fails at 80°C in a washdown area, which configuration survives a seven-year continuous-service specification, which substitute the design engineer at the OEM will actually accept. Ten to twenty basis points above the catalogue number on advisory-heavy accounts. Real. Defensible. Entirely personal. The three people who carry it in your firm are in their late fifties. When they retire, the accounts they managed start shopping competitive quotes within months. The margin premium leaves with them.

The product-availability margin is dying. The application-engineering margin is real but walks out at retirement. Your board cannot tell which one the firm is valued on.

The sector is repricing underneath everyone at the same time. Nordic groups like Addtech, Indutrade, and Lagercrantz compound through disciplined bolt-ons of niche leaders with founder-seller earn-outs. A smaller set are quietly encoding their senior reps' knowledge into firm-level infrastructure so the advisory premium survives the next retirement wave. The rest of the sector is defending availability against Amazon Business with nothing structural underneath it, and wondering why every annual account review produces the same question from procurement.

Your capital, your forecast, and your narrative are feeling it every day

Your capital allocation. Your CIO's €2M AI-and-data-platform request is sitting in the IT budget, routed through the same mechanism you use to approve laptops and licences. It is not a tooling request. It is the largest single capital-allocation decision you will make this decade about who owns the gross-margin moat, and it deserves the same discipline you bring to bolt-on acquisitions. The finance seats that ship this as a capital line to the board, with alternatives analysis and an ROIC hurdle, keep the authorship. The ones that sign the requisition hand the gross-margin-moat authority to the CIO.

Your forecast. The team built the annual plan on a 36.5% group GM assumption. The Q3 print came in at 34.8%. Your Head of FP&A cannot reconstruct which SKU classes drove the drift because the advisory signal lives in rep CRM notes, the price-leakage signal lives in quote-history data the finance team cannot easily query, and the Amazon Business pricing pressure sits in customer procurement benchmarks the firm has never had structured access to. The plan is not wrong because the forecast was aggressive. It is exposed because the data architecture underneath was built for monthly category roll-up, not for continuous reconstruction of the gross-margin story by SKU class.

Your advisory-premium architecture. The board voted on a margin plan that assumed the three senior reps would stay two more years. One has given notice. The advisory-premium accounts they managed are already on the quarterly competitive-quote list. Your rate card is flat percentage markup by category. The advisory premium is not priced as advisory, it is priced as product markup. When the rep leaves, the accounts cannot tell the difference and migrate to whoever quotes cheapest on availability.

Your controller and FP&A bench. The journal entries, reconciliations, rebate accruals, standard variance decomposition, and first-draft board-pack generation that used to train a junior controller into a Senior Controller into a Group CFO are now running on agents. The Q1 headcount win is real. The 2031 succession bench is empty. The finance function that cuts the junior layer without rebuilding the entry pathway has a cheaper quarter this year and no internal Group CFO candidate in five.

Your economic thesis. Your board has asked for the strategy-day preview. Your sponsor's partner has asked for an AI-and-headcount note. Your chair has asked how the firm defends its margin against Amazon Business and direct channels. Three audiences, three different documents, each drafted by a different team, none anchored in the same data. The CFOs pulling ahead write the thesis once and let the three audiences draw from the same architecture. The ones behind them are editing three decks and hoping the gross-margin numbers reconcile.

You do not have three scorecard problems. You have one.

Your sector is repricing from below because Amazon Business and autonomous procurement are compressing the catalogue margin while the advisory margin sits fragile in three people's heads. Your finance function is stretched because the forecast credibility, the capital-allocation authority, and the economic thesis are each being managed as a separate programme, each drawing on a different data layer, each drafted by a different team. Same force, two altitudes. But there is a third thing happening that most specialty-distribution CFOs have not named yet, and it is the one that matters most.

Capital allocation without gross-margin forecast credibility is guessing. Forecast credibility without a narrative is scorekeeping. A narrative without a data architecture underneath is marketing. The finance seat that holds all three holds one integrated asset, not three separate programmes. Every capital-allocation question, every SKU-class forecast gap, every narrative weakness is a symptom of the same missing layer: the application-engineering-and-gross-margin infrastructure that feeds all three from the same data, the same governance, the same discipline.

This is the ERP decision of this decade. Every CFO in your cohort is making it right now, whether they see it or not. The ones who personally owned the 1993-1998 ERP decision kept capital-allocation authority for the next twenty years. The ones who signed the IT requisition because "that was an IT decision" watched the CIO take a board seat and the next CFO hire come from outside. The shape is the same. The asset under decision is different, and it is the one thing that makes specialty distribution different from catalogue.

You can tell which camp a firm is in from a single question. When your best application engineer retires next year, does the GM premium walk with them, or does it stay in the firm? Most mid-market specialty distributors cannot answer this in writing. The ones that can have already made the shift, and they are the ones the board is already promoting.

You have twelve to eighteen months. The retirement wave in Nordic and DACH specialty distribution is already visible in the HR data. The CFOs who own this decision personally run the offensive play. The ones who do not become the CFO the board replaces when the successor walks in with a thesis.

What most firms are doing. What the winners are doing instead.

Every specialty-distribution CFO has had the AI conversation. Most are making the same four decisions. A smaller group is making different ones. Default looks cleaner for three quarters. Winners compound from month fifteen.

THE DEFAULT PATH

Route AI capital through the IT budget

Sign the CIO's requisition. Productivity line in the annual plan. CIO owns the roadmap within eighteen months.

Treat senior-rep retirement as an HR problem

Recruit replacements. Two years for them to reach advisory depth. Accounts shop competitive quotes in the meantime.

Run the GM forecast as monthly category roll-up

Three scenarios take a week. Below-plan quarters produce no SKU-class story until the post-mortem after the audit committee.

Cut the controller layer for the Q1 win

Headcount down fifteen to twenty-five percent. Empty succession bench in 2031. External Group CFO hire the year after.

THE WINNERS' PATH

Route AI capital through the M&A hurdle

Alternatives analysis against bolt-on targets, working capital, supplier-rebate rebuild, buyback. Board sees one capital line with five options.

Encode senior-rep expertise as firm infrastructure

Capture the knowledge before they retire. Every mid-rep gets the depth of your best three. Advisory premium survives the retirement.

Rebuild the forecast as a live SKU-class driver graph

Ten scenarios in an afternoon. Below-plan quarters produce the SKU-class story in the same meeting as the audit committee.

Redesign the junior pathway around judgment

New hires pair with agents on scenarios, capital exposure, rebate governance. Bench rebuilds faster than it would have grown.

The default path shows a cleaner Q1. The winners' path has visible friction for three quarters and compounds from month fifteen. The difference is whether the CFO is authoring the margin or administering it.

Capital Allocation. Forecast Credibility. Value-Creation Narrative.

Three questions every specialty-distribution CFO is tracking. The first is the crux. The other two are how you earn the right to answer it.

01 · CAPITAL ALLOCATION

Where does the next €10M actually compound?

AI-augmented sales-force infrastructure that encodes the advisory premium? Bolt-on acquisition of a specialist niche with a founder-seller earn-out? Working-capital extension to hold specialty-inventory positions? Supplier-rebate-system rebuild? Share buyback? Today's default: the CIO asks, the IT budget funds, the requisition gets signed, and the gross-margin-moat authority slides away from the seat. The question is not which tool. The question is whose decision this is.

02 · FORECAST CREDIBILITY

Why did the gross margin print below plan, and what is the SKU-class story?

Your board voted on 36.5% group GM. Your firm is printing 34.8%. Your Head of FP&A cannot walk the audit committee through which categories drove the drift because the advisory signal sits in rep CRM notes, the price-leakage signal sits in quote history, and the Amazon Business pressure sits in procurement benchmarks the finance team has never seen. Three scenarios used to take a week. They now run in an afternoon. The bar has risen on what credible means.

03 · VALUE-CREATION NARRATIVE

What does this firm do that compounds faster than peers?

Your board wants the strategy-day preview. Your sponsor wants the AI-and-headcount note. Your chair wants the how-we-defend-the-margin answer. Three audiences, three documents, three teams, and the gross-margin numbers underneath do not reconcile. The CFOs pulling ahead write the thesis once and refresh it continuously from the same data architecture that runs the forecast. The three audiences read excerpts of the same document.

What the firms winning this play are actually doing

Four concrete moves any specialty-distribution CFO can start this quarter. Each addresses one lever. Pulled together, they become one gross-margin-and-advisory asset the firm runs on.

1

Capital: route the AI-and-data decision through the M&A hurdle, not the IT requisition

Your CIO's €2M request is a capital-allocation decision about who owns the gross-margin moat. Treat it like one. Present the alternatives on one page: AI-augmented sales-force infrastructure, bolt-on of a niche-leader firm, working-capital extension on specialty inventory, supplier-rebate rebuild, share buyback. ROIC-scored against the same five-year horizon you use for bolt-ons. Name what you are choosing not to fund to protect the thing you are funding.

2

Forecast: rebuild the gross-margin forecast as a live SKU-class driver graph, not a monthly roll-up

Your GM model should draw from live quote history, live rep CRM activity, live inventory turns, live supplier-rebate mechanics, and live competitive-price signals as one graph rather than five spreadsheets stitched together. Three scenarios compress from a week to an afternoon. Below-plan quarters produce the SKU-class story in the same audit committee, not in the post-mortem. The forecast stops being a deliverable on a cadence.

3

Advisory: encode the application-engineering expertise into firm infrastructure

Your top three senior reps carry the margin premium in their heads. Capture what they know before they retire. Every mid-rep operates with the advisory depth of your best three. The retirement wave becomes a zero-impact event on the advisory-premium accounts. Treat this as firm-level capital infrastructure that makes the gross-margin moat institutional, not as a training programme the commercial team runs alongside other priorities. The CFO authors it because the gross-margin moat is a capital-allocation question, not an HR one.

4

Narrative: write the gross-margin-moat thesis once, refresh continuously

Three sentences on one page. What does this firm do that compounds faster than peers when Amazon Business eats the catalogue margin? What capital gets starved to protect it? What gets fed? Refresh the thesis continuously off the same driver graph that runs the forecast. Sponsor-monthly excerpts the thesis. Audit committee excerpts the thesis. Strategy-day deck excerpts the thesis. Three audiences, one artefact, four registers. The CFO authors. The board recites it back.

The only firm that joins margin authorship to working infrastructure

The specialty-distribution CFO has four places to go. None can do what we do.

The big finance transformation practices will sell a twelve-to-twenty-four-month close-acceleration programme staffed by a partner and analysts billing hours. Their audit arm constrains their governance advice. Their billable-day model requires selling substrate that agents commoditise. They ship a tighter close, not authorship of the margin moat.

The finance-tech vendors will sell platform licences and a long implementation. Your margin moat has to sit on firm-owned infrastructure or it becomes a vendor asset at renegotiation. The CFO who builds the advisory-knowledge asset on a vendor stack builds it for the vendor.

The FP&A and planning specialists will sell a point solution for one layer: scenario planning, close-acceleration, reporting. None can run the capital-allocation-plus-narrative conversation the seat requires.

The distribution-industry ERP and data vendors will sell a platform that every competitor on the same platform can replicate. A cleaner catalogue, the same margin-moat erosion.

The market offers four things you have already said no to. GRAIL is the fifth option.

WHAT YOU GET

Senior advisory that speaks board-room, not deck-room

Working infrastructure your team uses the same week

Custom agents built on your categories, your reps, your data

The start of an advisory-knowledge asset your FP&A owns

No vendor lock-in at any phase of the engagement

WHY IT MATTERS

Founded by operators who have carried CFO-adjacent seats

Business first, technology second

Three weeks from first meeting to working infrastructure

Your team keeps the infrastructure, you own the IP

Every next step earned by what just shipped, never assumed

Three sessions with your finance leadership. Working infrastructure from week one.

We start with your finance leadership team because the change cannot outrun the team's personal understanding of what is possible. Three workshops. Each delivers standalone value. Each earns the right to the next.

WORKSHOP 01

How to think

Walk through what is happening in your sector and inside your finance function. Build the first piece of infrastructure in the room: a live gross-margin driver agent on your real GM model, running against your real quote-history, inventory, and rebate-accrual data. Your leadership team leaves with a shared view of what to do next and the first piece of working infrastructure already in their hands.

WORKSHOP 02

Your finance infrastructure

A half-day build. Your Controller, Head of FP&A, Treasurer, and Head of IR each leave with five to ten pieces of working infrastructure tuned to their function. Close-cycle agents. Continuous SKU-class scenario generation. Covenant-and-working-capital monitoring. Board-pack narrative drafting. Infrastructure your team is using the same week, not decks about infrastructure.

WORKSHOP 03

Ready to run

Refined infrastructure based on real use. The rollout plan to the wider finance organisation. The capital-allocation-thesis document for the next board meeting. The advisory-premium-capture roadmap for the commercial team. And the CEO and sponsor conversation with numbers they can check: ROIC alternatives, SKU-class ranges, moat measurement.

Three weeks. No IT project. No board approval needed to start. The infrastructure your finance function is already running on when we finish.

For your next gross-margin review

The questions where your finance leadership cannot agree on an answer are the ones worth an hour on the agenda. Ask these honestly.

Your CIO wants €2M for an AI-and-data platform. Is it in the IT budget as a productivity line, or on the capital page as one option among five? If the former, what would it take to move it before the next board cycle?

Your board voted on a 36.5% GM plan. Your print is 34.8%. Can your team walk the audit committee through the SKU-class story in the same meeting, or does it take a post-mortem? If the latter, what data architecture is missing?

When your best application engineer retires next year, does the advisory premium walk with them, or does it stay in the firm? What are you doing this quarter to make that answer stay?

Your sponsor, your chair, and your CEO have each asked for a different AI-and-margin document in the last ninety days. Are they excerpting the same thesis, or are your teams drafting three documents that do not reconcile?

Of the junior controllers and FP&A analysts you are cutting to agents this year, how many are the people who would have made your 2031 Group CFO bench? What are you doing instead to build that bench?

If any of these produces a disagreement in your finance leadership, that is the conversation worth having before the board asks.

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