

What's Changing in How You Serve

Specialist Distribution

You have seen this in your accounts

"Your customers' procurement systems are already comparing your price to three alternatives before the buyer opens the quote. The question is whether your application expertise is visible before that comparison runs, or after."

01

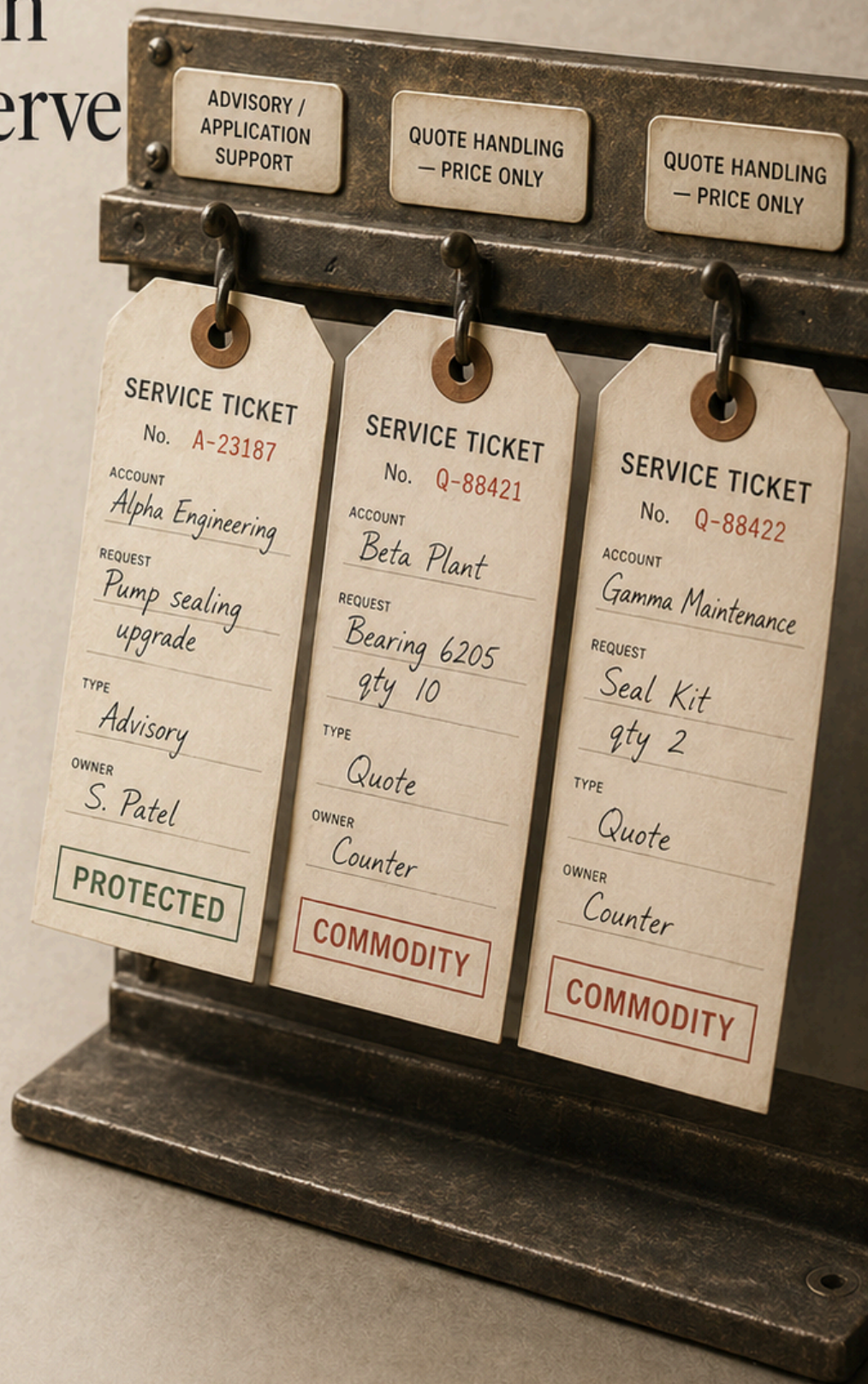
Why is our margin holding on advisory holding on advisory accounts but drifting everywhere else?

02

How much of our customer base is actually getting expert-level service?

03

What happens to our advisory accounts when our senior engineers retire?



You have seen this in your accounts

Every operations leader at a mid-sized specialist distributor in Europe has had a version of the same morning. A sales order came in from Karim at the petrochemical plant. Pump for a washdown area, 80°C operating temperature, chemical-resistant seal, ATEX certification required. Henrik, your senior application engineer, was in Mallorca. Three other sellers looked at the product catalogue. Two suggested pumps that fail the ATEX requirement. One escalated. By Monday afternoon you had either delivered a wrong specification or lost the order to a competitor who caught the combination automatically. The issue sat in your knowledge infrastructure, not in your sales process.

You have run this operation for ten to fifteen years. The pattern used to hold. Hire the best application engineers you could find. Let them build their accounts. Protect the quality of advice. Hold the margin at the number. The business was understandable.

Something changed. Product-availability margin is compressing as digital procurement platforms cover the catalogue at lower cost. Your three most experienced application engineers cover forty accounts between them at advisory depth. The other two hundred accounts get catalogue service whether you know it or not. Your margin on advisory-heavy lines runs fifteen points above your commodity categories, and every account that drifts from advisory-served to catalogue-served is that gap, permanently. And you can name the four specialists whose retirement inside five years will cost you more than any cost-out programme has ever gained you.

This is not a you problem. It is an industry problem and a delivery-function problem, happening at the same time. Most distribution COOs are treating them as two. The ones who see them as one are going to own the next decade of European specialist distribution.

This briefing covers what is happening in your sector, what it means inside your delivery engine, and the three questions your operations team should answer before the next commercial review.

Specialist distribution just lost the margin layer it ran on for thirty years

Every technology wave your sector absorbed over the last generation gave the product-availability business a reason to keep running. E-commerce platforms expanded reach without proportionally expanding cost. ERP systems made inventory management efficient enough to justify broader product catalogues. Digital catalogues reduced the cost of carrying long tails of specialist products. Each layer extended the model. The sector ran on product availability, and it never once broke.

AI and autonomous procurement do not behave the same way. Amazon Business now serves eight million organisations with over thirty billion in annualised sales. Its autonomous procurement trajectory means AI performs the filtering, validation, and recommendation for standard product categories before a human buyer intervenes. For distributors whose margin depended on being the convenient, knowledgeable source for those categories, the convenience advantage has already gone. For the firms that competed on breadth of catalogue rather than depth of application knowledge, the fight is already over.

Your customers' procurement systems are already comparing your price to three alternatives before the buyer opens the quote. The question is whether your application expertise is visible before that comparison runs, or after.

The margin that survives is the margin that cannot be automated away: knowing which product actually works at 80°C in a washdown area, understanding why a specific seal fails in a food-processing environment, advising on the ATEX classification a maintenance buyer did not know to ask for. This is application engineering expertise. It is real, defensible, and worth a fifteen to twenty-point margin premium on every account it reaches. The problem is that it currently reaches only the accounts your senior engineers happen to manage directly. Every account outside that radius gets catalogue service at commodity margin, whether your rate card says otherwise or not.

Your bench, your accounts, and your margin are feeling it every week

Your application engineering team. Your best application engineers carry fifteen to twenty-five years of product and environment knowledge. They know which pump fails at temperature, which seal fails in food processing, which configuration requires ATEX. They built that knowledge over thousands of specification calls. It has never been written down in a form that travels. It lives on their person, answers the phone when they answer the phone, and retires when they retire.

Your seller bench. Most of your sellers are product-catalogue sellers with good intentions. They know the range. They know the most common applications. On the twenty percent of orders with genuine complexity, they ring the application engineer, wait for a callback, and pass the answer on. On the orders where the complexity is not obvious enough to trigger the call, they specify from the catalogue and hope. Those are the Karim orders. Most go undetected until the field failure report arrives.

Your service and support function. Post-sale technical support carries the same structural risk as application engineering: the engineers who know which failures to diagnose from which symptoms are the same people nearing retirement. Standard troubleshooting documentation exists. The non-standard diagnosis does not. When the engineer who recognises the symptom pattern from 2012 is gone, the support team starts again from the field data each time.

Your senior experts. Your three to six most experienced application engineers each carry two to four major accounts built on a decade or more of technical trust. They are the only people in the firm who could walk into those accounts, discuss the plant configuration, and recommend a product change the customer would accept on the same day. The margin premium on those accounts is real. So is the departure risk. The retirement conversations are already in your calendar.

Your account continuity. When a senior application engineer leaves, industry experience shows that one to two advisory-heavy accounts shift to competitive quote requests within eighteen months. At three hundred thousand to eight hundred thousand in annual revenue per account, each departure event puts one to two million at risk. You know which departures are coming. The question is whether the knowledge those engineers carry will stay in the firm when they leave, or leave with them.

KNOWLEDGE. COVERAGE. CONTINUITY.

The firms pulling ahead are building one piece of infrastructure

Your sector is compressing from below because product-availability margin has been commoditised by digital procurement. Your delivery engine is compressing from above because your application expertise is bottlenecked in a handful of people who are, on most orders, the only path to the margin premium your rate card claims. Same structural force, two altitudes. But there is a third thing that most distribution COOs have not named yet, and it is the one that matters most.

Every specialist distributor believes their application expertise is a people advantage. The ones pulling ahead have discovered it is an infrastructure advantage. Your people stay the same. What changes is whether their knowledge travels with them when they leave, or stays in the firm when they arrive. Margin, coverage, and continuity are not three separate problems. They are one. The firm that encodes application expertise into institutional infrastructure competes in a different market from the one that leaves it in individual heads. Every product category those advisors cover becomes addressable at expert level. Every account — not just the forty your seniors manage — gets the specification that justifies the premium.

Look at the firms pulling ahead. They are not running more expensive hiring programmes. They are not hiring faster or paying senior engineers more to stay. They are turning application expertise from biography into infrastructure. Every won/lost specification decision feeds the infrastructure. Every field failure report adds to it. The engineer who retires leaves the firm smarter, not thinner.

You can tell which camp a firm is in from a single question. Can you point to one category where every seller on your bench now specifies correctly without calling the senior? Most distributors cannot. The ones that can are already closing accounts you thought were yours.

You have twelve to eighteen months before the next senior departure. That is the extraction window. The knowledge that takes twenty years to build can be captured as a side-effect of daily work, from the artefacts the engineer already produces. The question is whether you start before the retirement conversation, or after it.

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

Every distribution COO has had the AI conversation. Most are making the same four decisions. A smaller group is making different ones. The difference is architecture, not tooling.

THE DEFAULT PATH

Keep expert knowledge in senior heads

Hire to replace when seniors leave. Watch advisory accounts go to competitive quotes in the eighteen months after each departure.

Serve advisory accounts with experts, catalogue accounts with sellers

Two-tier service at two different margin levels. Most accounts never reach the premium tier.

Defend the rate card on standard lines

Hold the margin on commodity lines against digital procurement pressure. Lose accounts when procurement tests the comparison.

Avoid the conversation about seller-role change

Pretend roles stay the same. Lose the best sellers to firms that moved first. Bench quality thins at the wrong moment.

THE WINNERS' PATH

Encode application knowledge as firm infrastructure

Capture from artefacts seniors already produce. The knowledge stays when they leave. The accounts hold.

Extend expert-level service to every account

Encoded knowledge reaches the full customer base. Advisory margin extends where the firm was previously too thin to reach.

Price expertise explicitly, separate from availability

Advisory-heavy accounts priced as advisory. The premium is justified by the specification outcome, not by the product catalogue.

Redesign the seller role around judgment and escalation

Sellers work with encoded knowledge on standard specifications. Senior time concentrates on complex and strategic advisory.

Same accounts. Same team. Opposite outcomes. The difference is whether your application knowledge is biographical or institutional.

THREE QUESTIONS

Knowledge Margin. Service Coverage. Bench Resilience.

Three questions every specialist distribution COO is tracking. None of them used to be the same question. They are now.

01 · KNOWLEDGE MARGIN

Why is our margin holding on advisory accounts but drifting everywhere else?

Your advisory-heavy accounts run fifteen to twenty points above your commodity lines. The difference is application depth. The accounts where your senior engineers engage directly hold. The accounts where sellers work from the catalogue drift. The product availability margin is compressing under digital procurement pressure. The application-expertise margin is real and defensible. But it only reaches the accounts your seniors happen to manage directly.

02 · SERVICE COVERAGE

How much of our customer base is actually getting expert-level service?

Your three or four most experienced application engineers cover forty accounts between them at advisory depth. The other two hundred accounts get catalogue responses. The gap is not a headcount gap. It is a knowledge-access gap. When application knowledge is encoded as firm capability rather than personal competence, every seller on the bench can give the recommendation that justifies the premium. Coverage expands without adding headcount.

03 · BENCH RESILIENCE

What happens to our advisory accounts when our senior engineers retire?

One to two major accounts shift to competitive quotes within eighteen months of each senior departure. At three hundred thousand to eight hundred thousand in revenue per account, each departure event puts one to two million at risk. You already know which departures are coming. Application-knowledge infrastructure is the only defence that works before the retirement conversation, not after it.

What the firms winning this play are actually doing

Four concrete moves any distribution COO can start this quarter. Each touches one part of the delivery engine. Together they become one architecture the firm runs on.

1

Application engineering: map every product category to a knowledge profile, then close the gaps

Which product categories have application knowledge fully encoded? Which depend on one or two people? Start with the categories where departure risk is highest and advisory margin is thickest. The categories where every seller specifies correctly without calling the senior are the ones where the margin premium is defensible at scale. The ones that still depend on the phone call to Henrik are the ones that cost you accounts when Henrik leaves.

2

Seller bench: give every seller access to encoded senior judgment on complex specifications

Redesign the order-to-advice workflow. On the eighty percent of orders that follow established patterns, the seller gets the specification instantly from encoded knowledge, with the application reasoning behind it. On the twenty percent where genuine complexity exists, they escalate to a senior with the pattern context already loaded. The senior's call is shorter, sharper, and more defensible. Service coverage expands. Specification errors fall.

3

Senior experts: extract application knowledge from daily work, not from documentation sprints

Documentation projects have failed in every distribution firm for twenty years. The knowledge is not articulable in prose on a Friday afternoon. Extract from the artefacts your engineers already produce: specification notes, won/lost decisions, field failure reports, technical support tickets. The firm captures the reasoning patterns as a side-effect of paid work. The senior's role moves from order-answering to escalation and strategic advisory. Their time concentrates on the complex cases only they can handle.

4

Account continuity: treat every major account as an intelligence asset, not a personal relationship

Every advisory-heavy account has a configuration history, a failure pattern history, a regulatory context, and an unwritten set of rules about how the client buys. Build that as a firm asset, not as a seller's memory. When the account owner rotates or retires, the next seller inherits the asset. The relationship holds on the firm's knowledge, not on one person's biography. The margin premium survives the rotation.

Four options. Only one builds what you actually need.

The specialist distribution COO has four places to go for help. None of them can do what we do, and each for a specific reason.

CRM and sales-enablement vendors optimise transaction velocity and win-rate dashboards. They do not encode what your twenty-five-year pump specialist knows about seal failure at temperature.

B2B e-commerce and digital platform vendors build smarter catalogues with better search. They digitise availability. They do not capture the advisory reasoning that justifies the margin premium over buying direct.

McKinsey, BCG, and the Big 4 operations practices diagnose your application-knowledge concentration risk at €400K and twelve weeks. The deck will be correct. Their revenue model is the diagnostic, not the build.

Your internal IT function and ERP vendors optimise what is already in your platform architecture. They do not sit close enough to how your application engineers reason through a specification to encode that reasoning as infrastructure.

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

WHAT YOU GET

Senior advisory that speaks distribution-floor, not consultant-deck

Working knowledge infrastructure your sellers use the same week

Custom agents built on your specifications, accounts, and domain

Application-knowledge asset your best engineers feed over time

No vendor lock-in at any phase of the engagement

WHY IT MATTERS

Founded by operators who have run commercial and service delivery

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 distribution leadership. Working infrastructure from week one.

We start with your operations leadership 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 delivery function. Build the first piece of knowledge infrastructure in the room: a product-category agent for one of your real application-engineering categories, extracted from the specification archive you already have. Your operations 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 delivery infrastructure

A half-day build. Your Head of Application Engineering, Head of Sales Operations, Head of Service, and your senior application engineers each leave with five to ten pieces of working infrastructure tuned to their function. Specification agents. Application assessment workflows. Account intelligence capture. Customer-specific knowledge infrastructure. Tools your teams are using the same week, not decks about tools.

WORKSHOP 03

Ready to run

Refined infrastructure based on real use. The rollout plan to your wider seller and service organisation. The knowledge-extraction plan for your senior application engineers. The account-continuity architecture for your top-fifteen advisory accounts. And the CEO and CFO conversation with numbers: margin by account category, coverage rate by product line, departure-risk exposure by senior engineer.

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

FIVE QUESTIONS

For your next operations review

Ask these honestly in your next operations review.

Of your top twenty advisory-heavy accounts, how many are currently served at expert application depth by your senior engineers versus catalogue depth by your seller bench? If you do not have that number, how would you find it?

When your three most experienced application engineers retire, which accounts are most likely to request competitive quotes within eighteen months? What have you transferred to the rest of the bench in the last twelve months?

In the last quarter, how many specification errors or escalations came from orders where the application complexity was not obvious enough to trigger a senior call? What did those cost in rework, returns, or customer confidence?

Can you point to one product category where every seller on your bench now specifies correctly without calling the senior? If not, what are the next four quarters going to add up to?

Which of your sellers is already working the way the rest of the bench will need to work by 2027, pairing their own judgment with the encoded expertise of the seniors above them? What would it take for that to be the default?

If any of these produces a disagreement in your operations team, that is the conversation worth having before the next account review.

IN THIS SERIES

There's a version of this briefing for every seat at the table.

GRAIL has produced industry briefings calibrated to the specific reality of each C-suite role.

CEO

Revenue. Margin. Valuation.

Three numbers your board reads. AI is rewriting all three in your industry.

CFO

Capital. Forecast. Story.

What you allocate this year is the story your board reads next year.

COO

▶ YOU ARE READING

Cheaper. Better. Faster.

The triple threat that used to be a tradeoff is now table stakes.

CHRO

Capacity. Capability. Promise.

The biggest talent transition of a career. Compete on capacity, not headcount.

CPTO

Moat. Speed. Allocation.

The platform moat that survives 2028 is being chosen this year.

CCO

Margin. Pace. Position.

The whole GTM playbook is being rewritten in real time, across every commercial team at once.

Visit grail.works for the full series.

GRAIL

An AI-native management consultancy helping European mid-market leadership teams figure out what fundamentally changes about their business as AI enters their industry.

www.grail.works