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In Pursuit of Value

Where 400+ Distributors are Investing in AI Today

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About Our Sponsors

This report would not have been possible without the support and participation of our research sponsors. From the outset, we sought partners who live and breathe the challenges distributors face every day and who are actively building the AI-powered tools that address them. Their involvement went well beyond sponsorship. Each partner opened their doors to in-depth interviews with senior product, engineering, and go-to-market leaders, giving us a practitioner's view into how AI is actually being built, deployed, and scaled within distribution.

For that reason, we created a research partnership with the four sponsors listed on this page: Canals, Descartes, Epicor, and Revalgo. We intentionally assembled a consortium of technology providers who are not only working with distributors daily on AI-powered innovation, but who each bring deep expertise across the five opportunity areas explored in this report: from AI-powered order entry and customer service automation, to logistics optimization, inventory and demand planning, and predictive sales enablement.

By combining the perspectives of these innovators with the insights of over 400 distribution leaders, we have built what we believe to be the most comprehensive picture of AI priorities, progress, and potential in wholesale distribution available today. Read more about our sponsors here.

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Why this research for distribution? Why now?

As artificial intelligence has surged into the distribution sector, executives have found themselves drowning in content and possibilities but starving for direction. In our experience, for every ten pieces published about AI in distribution, only one or two mention a specific use case. Amidst all the hype and excitement, we heard loud and clear that distributors are looking for practical guidance.

Last year, MDM set out to change that with the groundbreaking report In Pursuit of Practicality: 52 Real Use Cases for AI in Distribution. The multi-month research effort cataloged and indexed every known AI use case being deployed in distribution or adjacent industries where adoption in distribution was imminent. Part of the research involved using AI tools to crawl, identify, categorize, describe, and inventory these use cases. Each was meticulously written up with details including the area of the business they impacted, affected value drivers, and real-life case studies with quantifiable outcomes.

The result was the most exhaustive inventory of AI applications available to the distribution sector, at least at the time. For the first time, executives had a practical, searchable, real-world guide to what AI could do for their business.

But mapping 52 use cases raised a natural follow-up question: Where should we focus? Not all use cases are created equal. Some deliver ROI faster, some require less complexity, some align better with distributor strategies. With all the constraints of operating a distribution business today and the mounting pressure to act on AI, we sought to give distributors more than a comprehensive inventory.

Our research in a nutshell

426
distribution leaders surveyed across 19 sectors

80%
of respondents identified as senior leadership (VP+)

In response, we began to evolve our focus from what's possible to where to start, beginning with understanding the AI applications distributors should focus on across five of the highest-value use cases. To do so, we surveyed over 400 distribution leaders to understand where they're investing, what they expect, and what progress they're making.

The report that follows is the result of this effort. We benchmark progress on adoption, returns on investment, and timelines to scale, giving distributors a clear picture of where the sector stands in each area. We are thrilled to present this deep dive into the highest-impact opportunity areas for AI that are driving real growth in real distribution businesses.

1- MDM Research, 2024

Research Participants: Seniority and Sector

To develop the most comprehensive understanding of AI priorities in distribution today, we designed the research to capture the breadth of the sector as well as depth at an executive and firm level. The result was over 400 qualified responses, which we believe to be the largest survey on AI adoption and priorities ever conducted in distribution at the time of writing.

Respondents span 19 distinct sectors, with strong representation from Building Materials & Construction (15%), MRO/Industrial Supplies (11%), and Electrical (10%) but overall broad, representative coverage.

Over 80% of respondents hold leadership positions as Owner/Founder (37%), C-Suite (28%), or Vice President (15%). These are decision-makers who set strategy and we emphasized recruiting these perspectives to reflect actual buying authority and implementation responsibility within firms.

Participants

400+
distribution leaders participated

80%
vice-president or more senior

Question: What is your title at your company? (n=426) Source: MDM Research

Sectors

HVACR & Plumbing

Industrial MRO

Electrical

Safety products

Grocery & Food

Fluid Power

JanSan

Fasteners

Building materials

Electronics

Paper & Packaging

Consumer Products

Question: Which primary sector(s) do you consider your company to be a part of? (n=426) Source: MDM Research

Research Participants: Distributor Size by Revenue

Respondents came from a full spectrum of company sizes, from smaller distributors ($1-20M) to enterprise-scale ($1B+).

Later in this white paper, we explore the relationship between distributor size and their progress on AI implementation to-date, which includes findings on how recent advancements in technology and cost is levelling the playing field for companies of all sizes.

Participating distribution firms by annual revenues, % share of respondents

Question: What is your company's annual revenue? (n=426) Source: MDM Research

In-Focus: Five Opportunity Areas for AI

Our research team short-listed five categories (from the nine laid out in last year's 52 Use Cases report) where distributors are concentrating their AI investments, each representing a set of use cases that are driving margin improvement, operational efficiency, and competitive advantage. In this report, we refer to these categories as *opportunity areas*.

The five areas emerged from MDM and NAW's ongoing work with distributors on the topic of AI and we loosely used three criteria to decide whether an opportunity area was worthy of further exploration in this paper:

1. Do the use cases in this area drive outsized value for the distributor when compared to other opportunity areas?
2. Have we found that the use cases in this area resonated more with our readers, team, members, and audience?
3. Do the use cases in this area align to the patterns and insights we are observing in our day-to-day research, reporting, and membership activities?

Ultimately, we landed on the five areas shown on the right.

Defined: The Five Priority Opportunity Areas for AI in Distribution

1. **Pricing and Margin Optimization**
   AI-driven dynamic pricing, smarter discounting, rebate management, and contract leakage prevention to directly improve margin without increasing volume.

2. **Inventory and Demand Planning**
   AI-powered demand forecasting, reorder optimization, and inventory balancing to free up working capital while maintaining or improving service levels.

3. **AI-Enhanced Customer Service**
   Self-service portals, automated order entry, and intelligent support tools to deliver faster, more convenient customer experiences.

4. **Predictive Sales Enablement**
   AI tools that help sales teams identify opportunities, prioritize accounts, personalize outreach, and close deals more effectively.

5. **Logistics and Delivery**
   Route optimization, fleet management, delivery prediction, and warehouse efficiency tools to reduce costs and improve delivery performance.

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Patterns Across the Five Opportunity Areas

Scroll to the next page to begin reading, or click below to jump to a pattern

1. While Pricing and Inventory lead in AI adoption, opportunity is ripe to be unlocked in Logistics and Delivery
2. Within each opportunity area are standout, winning use cases — signalling a new class of table stakes AI capabilities
3. Returns are real, but most distributors are still on their way to full ROI
4. Distributors are hungry to scale their efforts in 2026
5. AI at scale isn't just for the big guys

PATTERN 1

While Pricing and Inventory lead in AI adoption, opportunity is ripe to be unlocked in Logistics and Delivery

AI adoption varies across opportunity areas. Understanding where each opportunity area sits on the maturity curve is essential for setting realistic expectations and identifying strategic opportunities.

Pricing and Inventory areas lead the pack, with roughly three-quarters of respondents actively engaged (exploring, piloting, or deployed). This should be no surprise to distributors. Both categories are perceived, of course, as having direct, measurable impact on the bottom line, mature vendor ecosystems, and relatively clear implementation and integration paths. When a distributor asks, "where should we start with AI?", pricing and inventory optimization are the safest answers.

Customer Service occupies an interesting middle ground. While a third of respondents haven't placed it on their roadmap yet, those who have moved forward have progressed further than other categories. Customer Service shows the highest "at scale" deployment rate at 5.4%. Part of the reason may be that the AI technologies, like chatbot and self-service technologies, have been matured in other industries before arriving within distribution, meaning they come with more turnkey implementation options, accelerated paths to scale, and a sense of being de-risked by others.

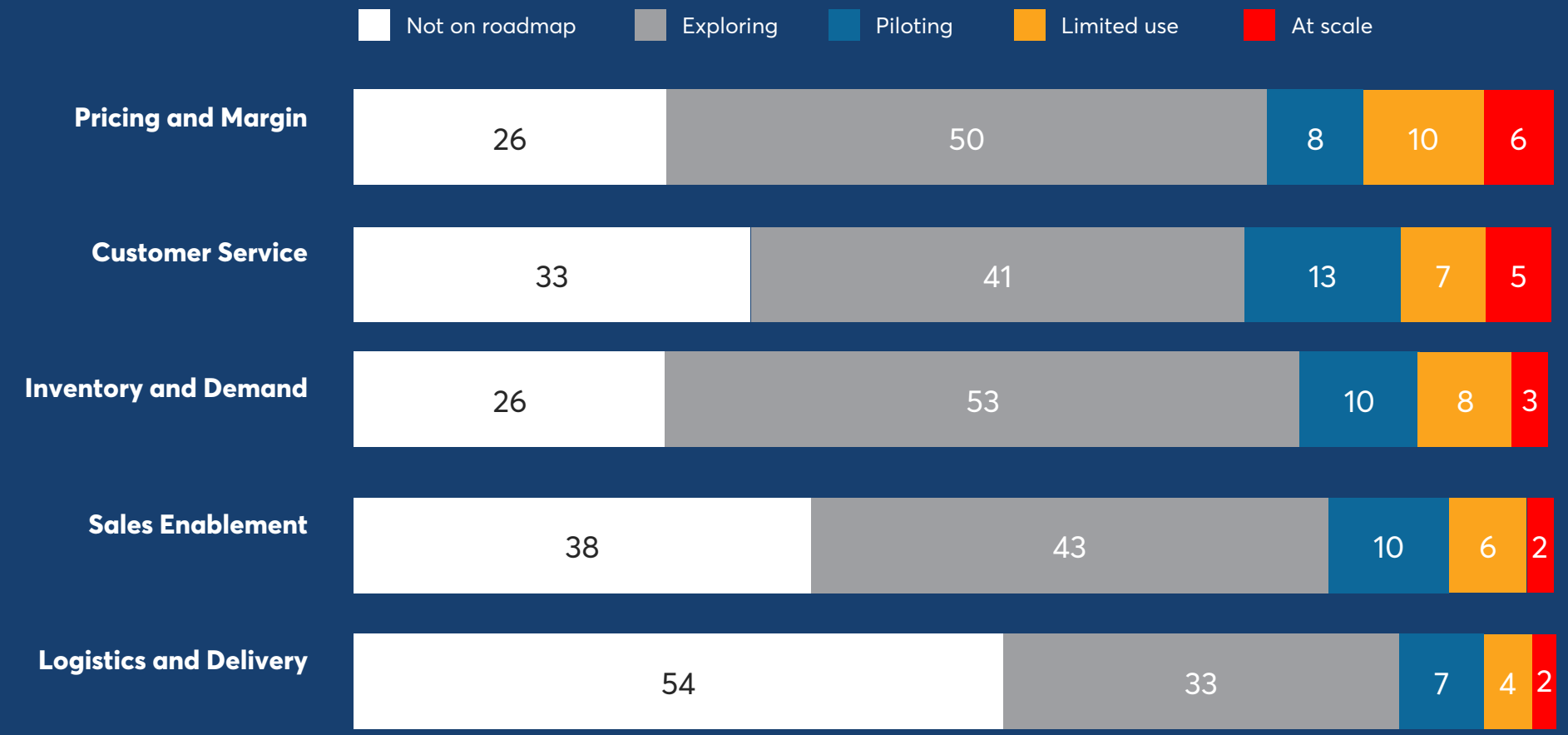
Perhaps more of a surprise to the research team is that Sales Enablement shows slightly lower numbers to-date, relatively speaking. With 38% of distributors telling us these use cases are not yet on the roadmap and only 19% with use cases piloted or deployed, there appears to be some hesitation or barrier here. As we'll see in the next section, this hesitancy may stem from a lack of clear "killer apps" available in this opportunity area. There may also be heightened barriers to adoption, such as skepticism that AI can effectively support and augment high-value sales work traditionally done exclusively by veteran sales reps, or the fear — justified or not — that implementation and installation could be more complex or with greater risk.

Logistics may be the biggest opportunity hiding in plain sight, though. With 54% of respondents not yet placing it on their roadmap, this category offers wide-open territory for early movers. As delivery costs rise and customer expectations for speed and reliability increase, the distributors investing in AI capabilities for logistics now are positioning themselves ahead of the market. While distributors ranked this lowest amongst the five opportunity areas explored in this report, it is important to remember that all five opportunity areas are deemed as high-value. The data shown here reflects respondents' views relative to each other. As shown below, a very significant 13% of distributors reported that Logistics & Delivery is their #1 priority for AI investment in the next 12 months, representing a major swath of the sector.

PATTERN 1

While Pricing and Inventory lead in AI adoption, opportunity is ripe to be unlocked in Logistics and Delivery

Scale of AI deployment, % of respondents



Question: We asked respondents to rank the five opportunity areas overall by priority (for AI) over the next 12 months; percentage shown reflects those who ranked that opportunity area #1. For implementation stages, responders were asked to categorize their current progress in each opportunity area. (n=426) Source: MDM Research

PATTERN 2

Within some opportunity areas are standout, winning use cases — signalling a new class of table stakes AI capabilities

Some opportunity areas have emerged with clear "killer apps," use cases that have captured mainstream attention and established themselves as the obvious starting point. Other opportunity areas see attention and investment spread across multiple applications, with no single use case breaking through.

Inventory & Demand Planning has the clearest winner within its set of use cases: Demand Forecasting commands a whopping 54% adoption rate, the highest single use case across all five areas. This isn't surprising. Demand forecasting addresses a universal, chronic pain point for distributors, has well-established ROI metrics, and benefits from decades of statistical forecasting and data that AI can now dramatically improve. It also leverages a dataset that most distributors can feel relatively confident in: their ERP system. If you're pursuing AI in inventory management, demand forecasting is an obvious place to start.

Pricing & Margin Optimization shows a similar pattern, with Dynamic Pricing being adopted by 46% of distributors, more than double the next closest use case in that opportunity area (Rebate Management at 22%). The 24-point gap between first and second place suggests strong industry consensus on where low-hanging fruit exists. Dynamic pricing tools that evaluate customer behavior, competitor prices, and market trends to optimize deal-by-deal pricing have emerged as the category's defining application.

Customer Service and Logistics show moderate concentration. In Customer Service, CX Improvement leads at 36%, followed by Self-Service at 25%. In Logistics, the use cases are more evenly distributed: Process Efficiency (33%), Transport Management (30%), and Dynamic Routing (30%) are all within a few points of each other, suggesting that distributors see logistics AI as a holistic improvement opportunity rather than having a single breakthrough application.

Sales Enablement tells a different story entirely. The leading use case (Sales Rep Insights) captures only 16% of respondents, barely edging out Intelligent Communications at 15%. Here, we see that distributors haven't yet rallied around a clear starting point for AI in sales. This may explain why Sales Enablement ranks fourth in priority and has the second-highest "not on roadmap" rate.

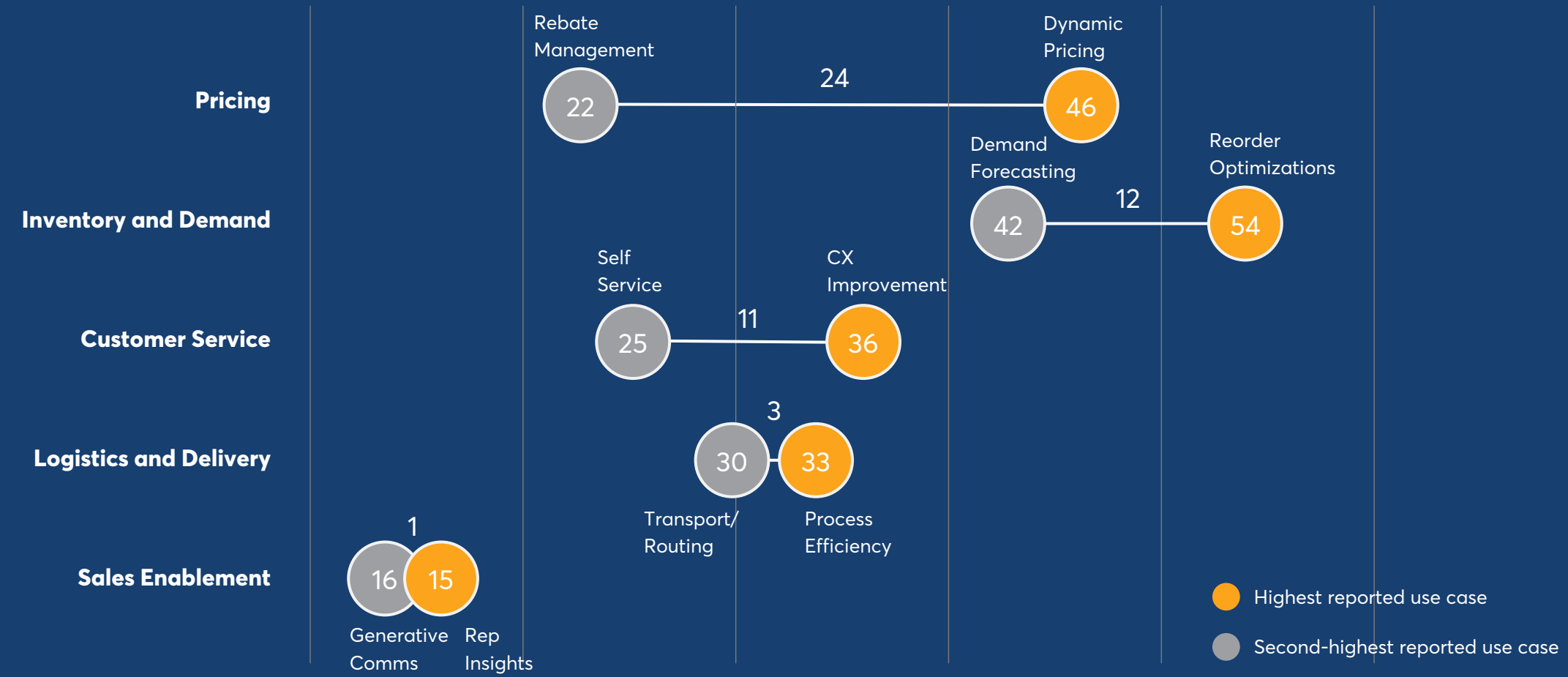
What does this mean for distributors? In opportunity areas with clear winner use cases, like Inventory & Demand Management and Pricing & Margin Optimization, following the crowd might be a reasonable strategy. These uses cases have proven their value, are available through accessible vendors, and have plenty of reference customers.

In many ways their widespread adoption signals that these capabilities are becoming must-haves — and not adopting could be risky. In other areas, such as Sales Enablement, the picture is different. Distributors might opt to wait and see what emerges in time or, depending on their risk appetite and strategy, test their own hypotheses for the future of sales while acknowledging the risks and rewards of doing so.

PATTERN 2

Within some opportunity areas are standout, winning use cases — signalling a new class of table stakes AI capabilities

Use cases: highest-adopted vs second-highest-adopted, % of respondents



Respondents were asked what specific AI use cases they are exploring, at any stage of maturity. Adoption percentage reflects the share of respondents who selected that use case as being adopted in their firm. (n=426)
Source: MDM Research

PATTERN 3

Returns are real, but most distributors are still on their way to full ROI

Perhaps the most striking pattern across all five categories is the consistent gap between what distributors expect from AI and what they've realized so far. This gap persists regardless of category maturity, use case focus, or implementation stage. Understanding it is crucial for two reasons: setting appropriate expectations and understanding the enormous potential of AI in distribution.

In every category, expectations outpace realized returns by a wide margin. In Pricing, 73% of respondents expect 2% or greater margin improvement, but only 16% have achieved it. In Inventory, 53% expect those gains while only 14% have seen them. The pattern holds across Customer Service (46% vs. 8%), Logistics (49% vs. 12%), and Sales (59% vs. 11%). That being said, the other side of this coin is that a significant number of distributors, in early days, are seeing meaningful boosts to the bottom line.

Perhaps even more telling is the "no improvement yet" metric. Across all five categories, between 65% to 77% of respondents report no margin improvement to date. Customer Service has the highest rate at 77%, while Pricing has the lowest at 65%, but the range is narrow. Most distributors pursuing AI, regardless of category, haven't yet seen measurable margin impact.

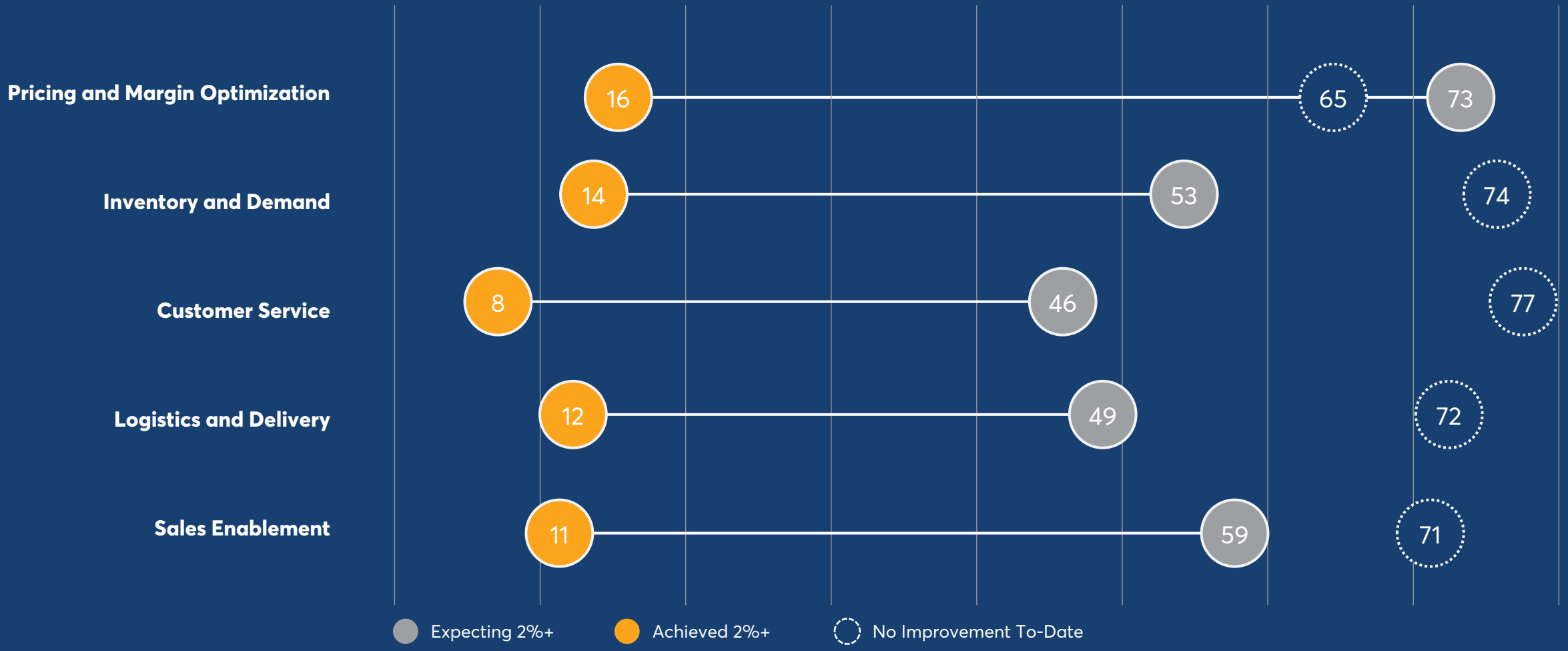
How should distributors interpret this gap? It would be easy to read these numbers as discouraging evidence that AI is overhyped or underdelivering. But that interpretation misses the bigger picture. With 50-53% of respondents still in the "exploring" stage across most categories, many AI initiatives haven't yet reached the point where margin impact would be expected. Our perspective here is that the gap reflects timing, not technology or a lack of potential.

The more important insight is about timeline expectations. If you're evaluating an AI investment today, the data suggests you should plan for a realistic runway to measurable returns. The distributors who succeed will be those who maintain commitment through the implementation journey rather than expecting immediate payoff.

PATTERN 3

Returns are real, but most distributors are still on their way to full benefit realization

Expected vs. realized gross margin improvement from AI, % of respondents



For each category, respondents were asked: "What improvement do you expect to see on gross margins where AI is applied?" and "What improvement have you seen to-date?" (n=426) Source: MDM Research

PATTERN 4

Distributors are hungry to scale their efforts in 2026

For each of the five opportunity areas, we asked respondents, "How long do you anticipate it will take to achieve AI use at scale?" We defined scale for respondents as moving beyond pilots to broad, operationalized use of AI within that opportunity area.

Across all five categories, between 34% and 44% of respondents expect to move from their current state to scaled AI use within the next 6-12 months. Add in those expecting to get there in under 6 months, and the majority (58-61%) in every category anticipate reaching scale within a year.

A small but meaningful group has already arrived at scale in some areas. Customer Service leads at 7% of distributors reporting scaled adoption, consistent with the longer history of chatbot and self-service technologies and the rapid adoption of AI-powered order entry solutions. Pricing and Logistics tie at 5%, with Inventory and Sales close behind at 4%. These early adopters, while relatively small in number today, demonstrate what's achievable for the rest of the industry.

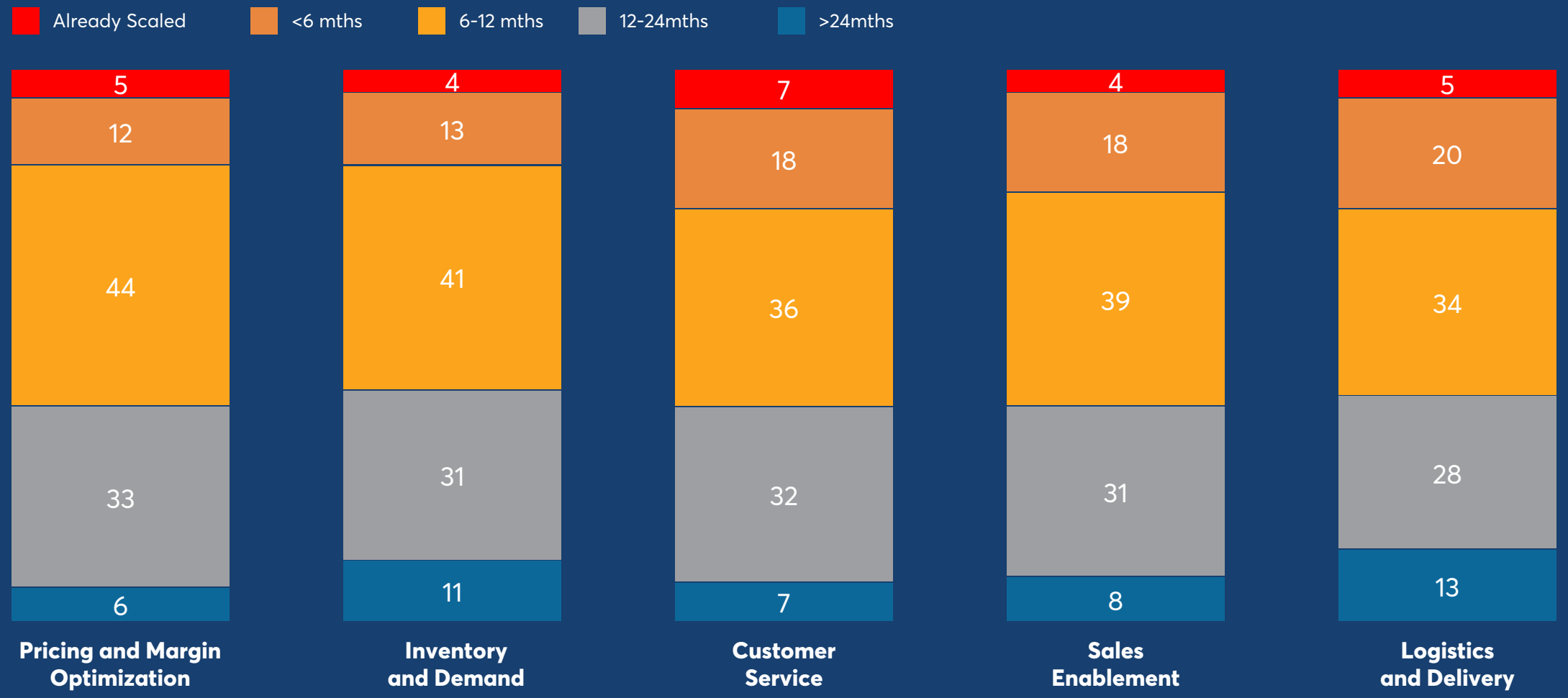
Logistics stands out with 13% of respondents expecting to take more than 24 months to reach scale, the highest of any category, perhaps owing to the partnerships, capital, and physical assets involved. Inventory follows at 11%. These extended timelines likely reflect integration complexity: logistics AI must connect with transportation management systems, telematics, and warehouse platforms, while inventory AI requires tight integration with ERP, supplier systems, and demand signals across the supply chain. Much of our research uncovered ways AI is making these barriers much easier to overcome.

The takeaway: 12 months is a reasonable planning horizon for scaling AI in most categories, but certain opportunity areas may require longer runways. Perhaps more importantly, distributors are making moves. If 2024 and 2025 were about exploring AI, it's safe to say that 2026 is about scaling AI.

PATTERN 4

Distributors are hungry to scale their efforts in 2026

Distributors' anticipated time to scale AI use cases, % of respondents



For each opportunity area, respondents were asked "How long will it take you to achieve AI use at scale?". (n=426) Source: MDM Research

PATTERN 5

AI at scale isn't just for the big guys

A natural question to ask is "Does company size make a difference in AI adoption?" We explored this in the data and found some minor variation, but no significant implications. As expected, larger companies are somewhat more likely to have AI on their roadmap across all five opportunity areas, and they've invested more dollars to date (total dollars – not necessarily relative to revenue or other benchmarks). But we didn't find these differences particularly headline-worthy or actionable, and we made the decision as a research team not to continue exploring correlations between size and AI activity for this reason.

Perhaps the bigger takeaway is this: doing AI right isn't just for the big guys. In several of our interviews we heard this loud and clear. AI, in many ways, might be leveling the playing field in terms of which distributors get access to which types of capabilities and technologies. A $20 million distributor today can access the same AI-powered pricing tools, demand forecasting algorithms, and customer service agents as a billion-dollar enterprise. The barriers that once required massive IT budgets and dedicated data science teams are falling.

Our data backs this up: of the small distributors who told us they have invested $0 in AI, 41% went on to tell us they are actively exploring or piloting AI in at least one category. They're doing it with free tools, their own time, and 'hustle' rather than formal budgets. Small distributors also bring advantages that large organizations often lack: speed of decision-making, willingness to experiment, and the ability to pilot new tools without procurement cycles or IT governance.

There is one vertical-based pattern worth noting, however: large Paper & Packaging and Grocery / Foodservice distributors lead in logistics AI adoption (79% and 63% actively pursuing, respectively). These are delivery-intensive businesses where perishability, time-sensitivity, and high delivery frequency create immediate use cases for route optimization and delivery prediction. Distributors in other sectors looking to understand where logistics AI is headed might look to these industries as early adopters of soon-to-be more distributed capabilities.

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The Five Opportunity Areas

Scroll to the next page to begin reading, or click below to jump to an Opportunity Area:

1. Pricing and Margin Optimization
2. Inventory and Demand Planning
3. AI-Enhanced Customer Service
4. Predictive Sales Enablement
5. Logistics and Delivery

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1 Pricing and Margin Optimization

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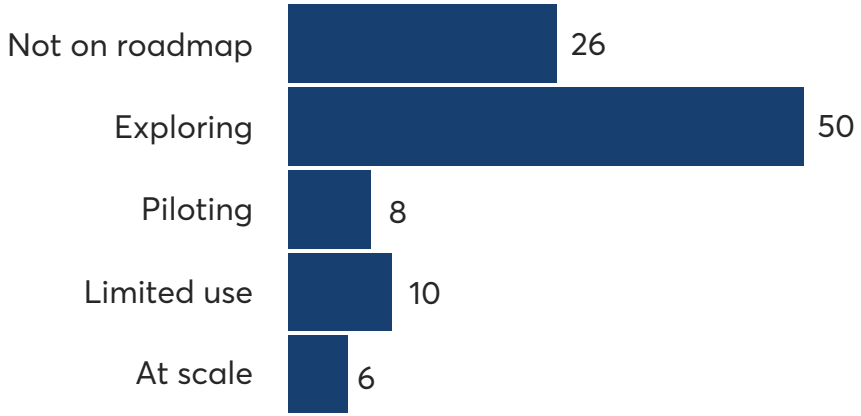
OPPORTUNITY AREA 1

AI for Pricing and Margin Optimization

Pricing is one of the fastest ways to impact the bottom line. AI-driven dynamic pricing, smarter discounting, and contract leakage prevention directly improve margin without increasing volume. Among the five opportunity areas, pricing emerged as the top-ranked category, with 27% of respondents ranked it as their #1 AI priority.

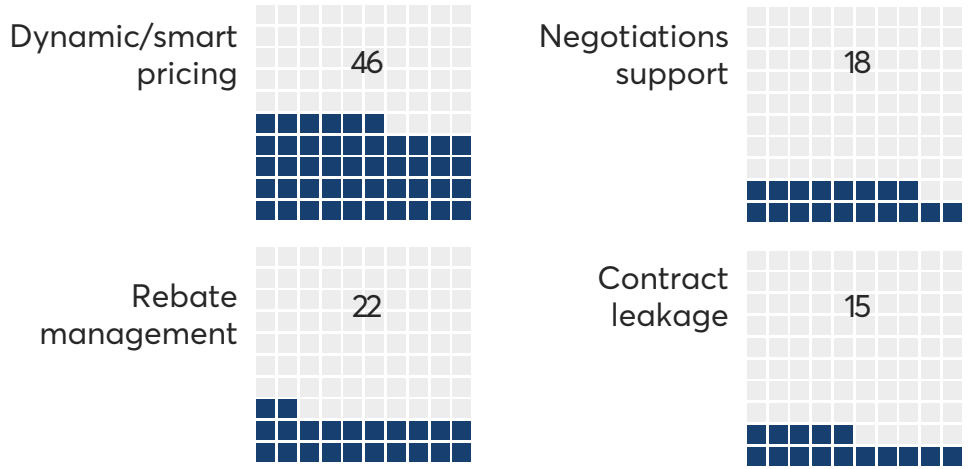
Implementation stage, % of respondents



Half of respondents (50%) are actively exploring AI for pricing, with another 24% already piloting or using it at scale. This makes pricing one of the more mature categories in terms of active engagement. However, 26% still have not placed it on their roadmap, suggesting significant untapped opportunity.

Question: How would you best describe your progress on implementing AI for Pricing and Margin Optimization? (n=412) Source: MDM Research

Top use cases being explored, % of respondents



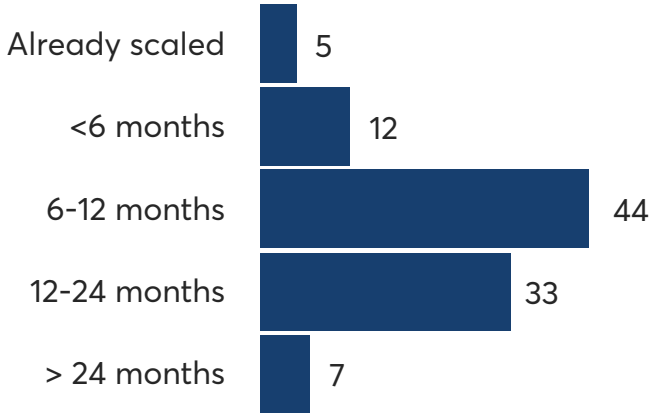
Four primary use cases emerged within pricing and margin optimization. Dynamic/smart pricing leads by a significant margin, with 46% of respondents exploring or implementing it, nearly double the next closest use case.

Question: What specific AI use cases are you exploring for Pricing & Margin Optimization? Select all that apply. (n=304) Source: MDM Research

OPPORTUNITY AREA 1

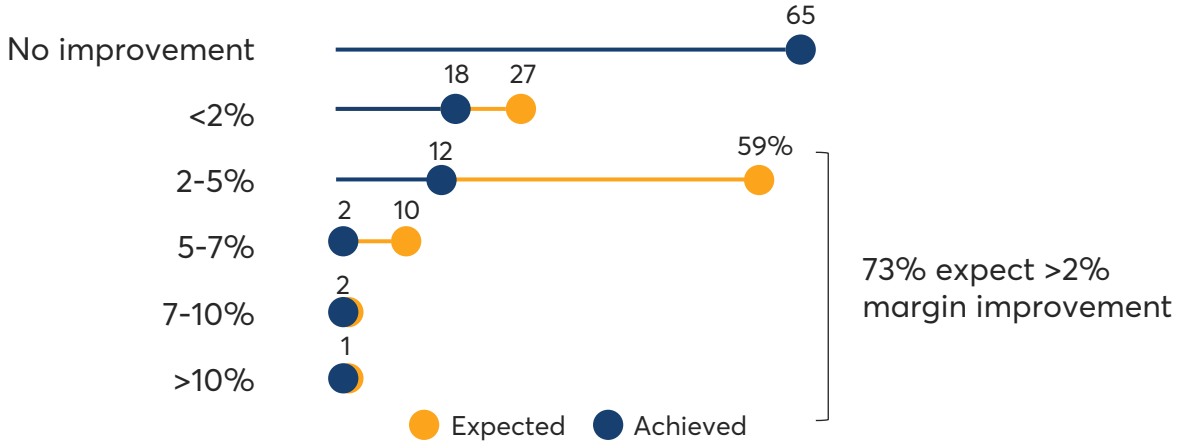
AI for Pricing and Margin Optimization

Anticipated time to scale, % of respondents[1]



Among those pursuing AI in pricing, approximately 60% expect to achieve scale within 12 months (including 5% already scaled and 12% expecting to scale in under 6 months). This aggressive timeline reflects the maturity of available solutions and the direct ROI visibility that pricing improvements provide.

Expected vs. realized gross margin improvement, % of respondents[2]



Pricing shows the highest ROI expectations of any category: 73% of respondents expect 2% or greater margin improvement, with 59% specifically expecting 2-5% improvement. However, the gap between expectations and reality is stark: 65% report no improvement yet, reflecting how early most implementations still are. Among those who have seen results, 16% have achieved measurable margin improvement, with 4% seeing gains of 5% or more.

1- Question: How would you best describe your progress on implementing AI for Pricing and Margin Optimization? (n=412) Source: MDM Research
2- Question: What improvement do you expect to see on gross margins where AI is applied for pricing and margin optimization? What improvement have you seen so far to gross margins where AI has been applied for pricing and margin optimization? (n=271) Source: MDM Research

2 Inventory and Demand Planning

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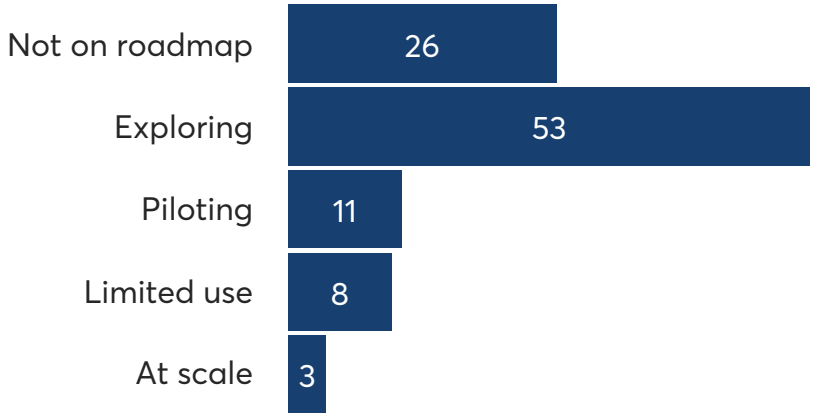
OPPORTUNITY AREA 2

Inventory and Demand Planning

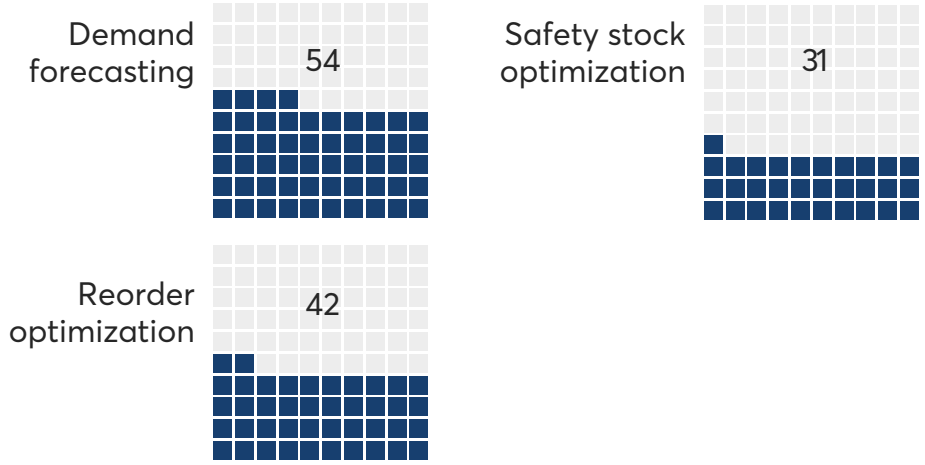
As one of the largest capital drains in distribution, AI that forecasts demand accurately and optimizes reordering can free up millions in working capital while maintaining service levels. This category ranked second in priority, with 21% of respondents ranking it as their #1 AI focus.

Implementation stage, % of respondents[1]



Like pricing, inventory shows strong interest. 53% are exploring AI applications and 22% are already piloting or deployed. Only 26% haven't placed it on their roadmap, making inventory one of the two most actively pursued categories.

Top use cases being explored, % of respondents[2]



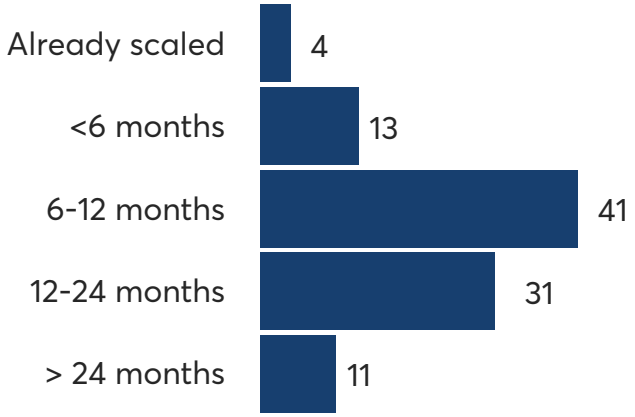
Demand forecasting leads this category with over half of respondents (54%) exploring it, the highest adoption rate of any individual use case across all five categories. Other focus points include reorder optimization (42%) and safety stock (31%).

1- Question: How would you best describe your progress on implementing AI for Inventory and Demand Planning? (n=371) Source: MDM Research
2- Question: What specific AI use cases are you exploring for Inventory and Planning purposes? Select all that apply. (n=275) Source: MDM Research

OPPORTUNITY AREA 2

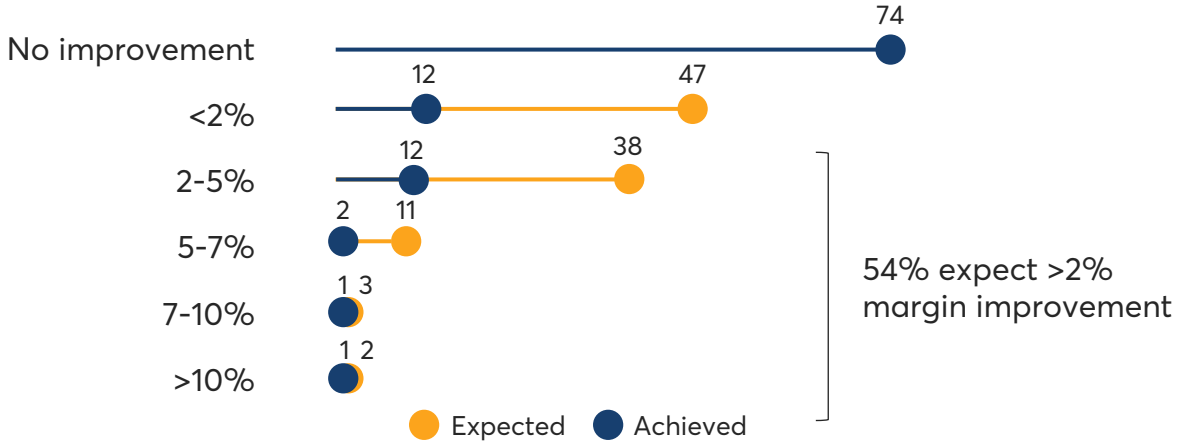
Inventory and Demand Planning

Anticipated time to scale, % of respondents[1]



Timeline expectations are relatively moderate, with 58% expecting to achieve scale within 12 months. However, 11% expect the journey to take more than 24 months, the second-longest tail after logistics. This likely reflects the deeper integration requirements with ERP and supply chain systems that inventory AI often demands.

Expected vs. Realized gross margin improvement, % of respondents[2]



Margin improvement expectations are conservative: 47% expect less than 2% improvement, one of the more modest expectations across all five categories. This reflects the reality that inventory optimization benefits often manifest as working capital reduction, stockout prevention, and service level improvement rather than direct margin gains. The 74% reporting no improvement yet aligns with the exploration-heavy implementation stage.

1- Question: How long do you anticipate it will take to achieve AI use at scale for Inventory and Demand Planning? (n=266) Source: MDM Research

2- Question: What improvement do you expect to see on gross margins specifically caused by AI applied to inventory and planning functions? What improvement have you seen so far to gross margins where AI has been applied to inventory and planning functions? (n=266) Source: MDM Research

OPPORTUNITY AREA 2

Inventory and Demand Planning: In Conversation with Epicor

We spoke with **Dan Kaminstein** (Senior Principal Product Manager, Prophet 21), **Michael Atkisson** (Director of Product Management, AI), and **Krishna Selvaraj** (Product Manager, Inventory Planning and Optimization). What follows is an edited version of our conversation.

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MDM: What's different about AI-powered demand forecasting?

Michael Atkisson: In typical forecast scenarios, you're taking a pattern of data and drawing a trend line into the future. But it doesn't tell you the probability of that trend line being right. AI does scenario modeling for all these different situations. It gives you confidence around what you're optimizing for.

The Monte Carlo simulations we use have been around for a long time, but who could run them at scale? That used to require an army of data scientists. Now we can bring those capabilities to a mid-market distributor.

Krishna Selvaraj: The software shows users the trade-off between service level and inventory value. If you're okay with 80% service level, meaning 20% chance of stockout, we can show you exactly what you'll spend to achieve that. Customers can be proactive instead of reactive.

MDM: Our survey found 53% of distributors expect 2%+ margin improvement from AI in inventory, but only 14% have realized it so far. What's happening?

Dan Kaminstein: Those numbers make sense. Distribution is not a high-margin business, so 2% is significant. AI uptake is still early. People are figuring out how to deploy it and how to reap the benefits. I expect both numbers to increase over time.

Michael Atkisson: The 14% seeing realized gains are probably using traditional machine learning like Monte Carlo simulations that directly impact inventory decisions. The ones who haven't seen improvement yet are probably dabbling in agentic AI, trying to redefine business operations. When the ambition is deeper transformation, a lot of change management and human factors are involved, and that can take time, but the rewards can be much greater.

MDM: Are distributor expectations out of line with reality?

Michael Atkisson: People compare B2B innovation with their personal experience using ChatGPT. It's flexible and helps with one-off tasks. But in a business context, you have complex organizations, legacy processes, and data security issues. The complexity grows exponentially.

In that sense, ERP is different from consumer apps. We must get every step of the customer's business right, not just a few use cases. That's a higher bar. Moving thoughtfully is part of doing this responsibly.

MDM: How fast can distributors actually move with AI?

Michael Atkisson: A customer came to us needing to get off their old ERP in three weeks. The typical timeline for their size was six months or more.

We accepted the challenge. With our AI tooling, we automatically captured all the data, generated recommendations on schema mapping, and made it easy to set up the transformations. We got them live in two and a half weeks with one implementation consultant. That's a 92% reduction in time.

I'm not saying every customer will have that experience tomorrow. But we demonstrated what's possible, and we're redesigning our professional services approach around these AI tools.

3 AI-Enhanced Customer Service

This chapter is sponsored by canals

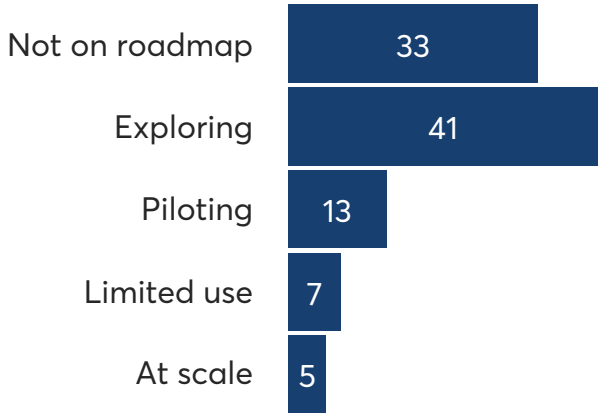
Canals is the end-to-end operating AI for customer-focused distributors, automating workflows across Sales, Customer Service, Accounting, Purchasing, and Receiving to drive speed, accuracy, and consistency. By reducing reliance on manual processes and institutional knowledge, our suite of solutions maximizes operational efficiency and visibility at any scale. Respond to customers faster and free up team members to be more proactive, taking service to the next level and building deeper relationships that ultimately help win, keep, and grow more customers. It's how 100+ distributors already operate and are standing out from the competition. Learn more here.

OPPORTUNITY AREA 3

AI-Enhanced Customer Service

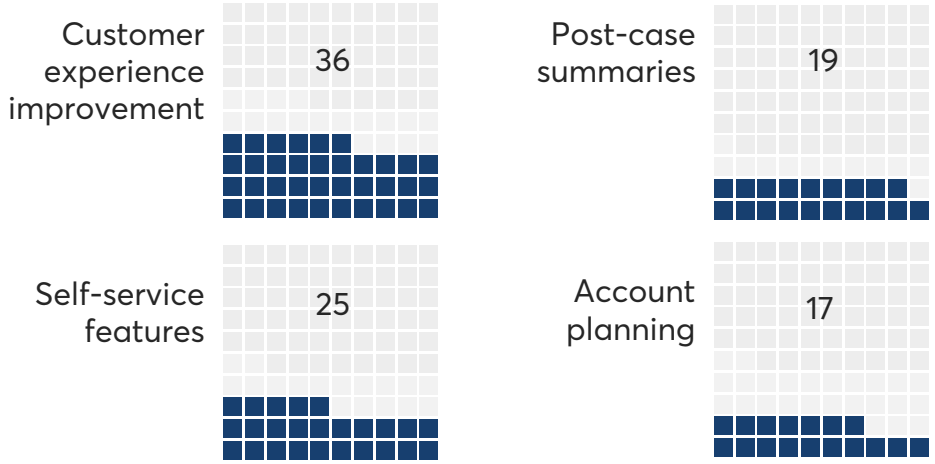
A new generation of buyers and employees is entering the distribution workforce and market, and they expect digital-first, seamless experiences. AI customer service tools help distributors deliver faster responses, self-service options, and memorable experiences that build loyalty. 22% of respondents ranked this opportunity area as their #1 AI focus.

Implementation stage, % of respondents[1]



Customer service shows the highest piloting/deployment rate (25%) of any category, likely because chatbots and self-service tools have relatively straightforward implementation paths. However, 33% have not placed it on their roadmap, the second-highest 'not on roadmap' rate after logistics.

Top use cases being explored, % of respondents[2]



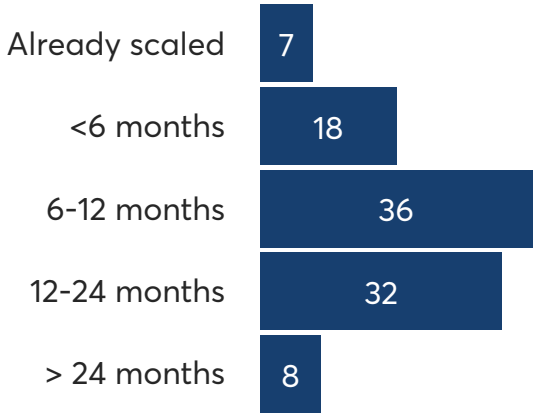
Customer experience improvement leads this category (36%), followed by self-service tools for invoicing, quoting, and support (25%). The focus on post-case summaries (19%) and account planning (17%) reflects interest in AI that supports human agents rather than replacing them.

1- Question: How would you best describe your progress on implementing AI for customer service? (n=354) Source: MDM Research
2- Question: What specific AI use cases are you exploring for customer service? Select all that apply. (n=238) Source: MDM Research

OPPORTUNITY AREA 3

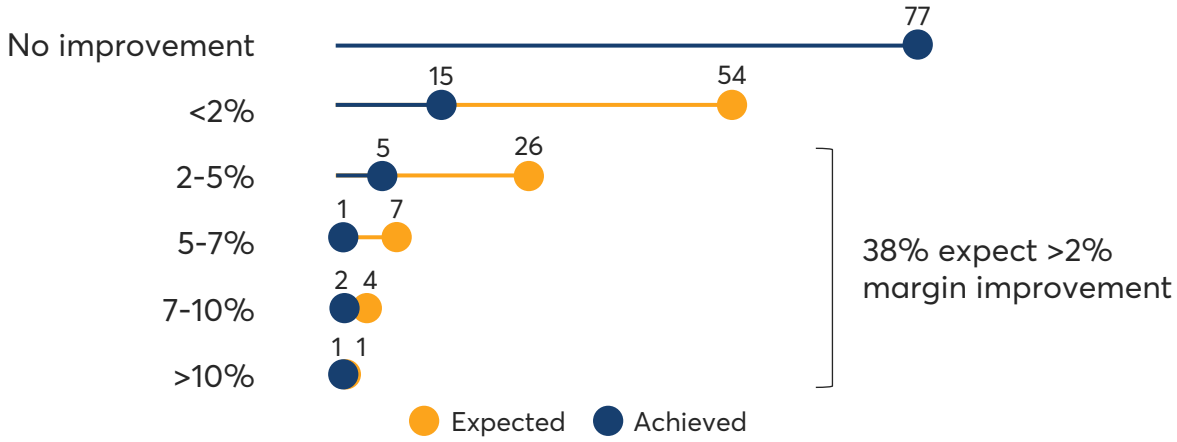
AI-Enhanced Customer Service

Anticipated time to scale, % of respondents[1]



Customer service has the highest 'already scaled' rate (7%) of any category, reflecting the relative maturity of chatbot and self-service solutions, and widespread deployment of AI-powered order entry. A total of 61% expect to be at scale within 12 months.

Expected vs. Realized gross margin improvement, % of respondents[2]



Margin improvement expectations are notably conservative: 54% expect less than 2% improvement. This comes despite being the single-highest at-scale opportunity area, which may be a signal that new AI-powered customer service features are quickly becoming a must-have, and not necessarily competitive differentiators.

1- Question: How long do you anticipate it will take to achieve AI use at scale for customer service? (n=231) Source: MDM Research

2- Question: What improvement do you expect to see on gross margins specifically caused by AI applied to customer service? : What improvement have you seen so far to gross margins where AI has been applied for customer service? (n=231) Source: MDM Research

OPPORTUNITY AREA 3

AI-Enhanced Customer Service

Michael Delgado is Co-Founder and CEO of **Canals**, providing AI-powered automation for distributor workflows including order entry, payables, receivables, and purchasing. He founded the company in December 2022 after observing the manual workflows of sales and customer service teams, including at the distribution business run by his family. What follows is an edited version of our conversation.

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MDM: How did you identify customer service automation as your focus?

Michael Delgado: My wife runs a distribution company. I was visiting her warehouse and my eyes were opened to the sector. It's a huge market that is changing, has some software—but not great software, and wasn't oversaturated with competition. That got me thinking.

I started doing cold outreach to distributors and I found order entry was a huge pain point for them and their customers. I thought, "I think I could do something about that."

MDM: Why wasn't this solved before?

Michael Delgado: This is an AI problem, not a software problem. Take something as simple as "two-and-a-half-inch galvanized rigid conduit." There are over 150 ways to say that. You can't code all the conditional logic. Traditional software is hard-coded: if this, then that. But AI is probabilistic reasoning. It wasn't possible to do this well four years ago. Now it is.

MDM: What does this mean for customers and reps?

Michael Delgado: For a contractor, as an example, speed is everything. The foreman figures out what he needs tomorrow and sends that to his top four or five distributors. You might think he's shopping for the best price. But whoever gets back to him the fastest is probably going to get the order. He's not going to wait hours to save a few dollars. This means he'll get quotes back from distributors faster, so he can make a decision and move on in his day.

For reps, job descriptions often say you'll be building relationships and offering deep product expertise. But what ends up happening? Data entry all day. In a world where AI handles that, reps get back to adding value.

MDM: How do you think about the ROI?

Michael Delgado: Three categories. The first is time: if people spend two-thirds of their time doing order entry, and you cut that by 90%, what's that worth? The second is sales: because you're getting quotes back faster, you see a conversion lift. We have one customer who's seen conversion rates of more than double the traditional rate. And the third is institutional knowledge. A lot of the most knowledgeable folks in distribution are retiring. Our models retain that knowledge so a new hire can learn quickly and get to work.

MDM: Your best advice for distributors?

Michael Delgado: If you've tried to automate manual work in the past and couldn't, especially with software, revisit whether you still can't. Things that couldn't be automated before can be now. Today's competitive advantage is tomorrow's table stakes. You're not going to be able to compete in a market full of players who are innovating if you're not.

MDM: How are you continuing to innovate?

Michael Delgado: We're going beyond order entry to help reduce the manual work involved in responding to all the different types of inquiries customers have, from order status to quantity changes, product availability and alternatives, and general product info. Today answering these requests typically means jumping between multiple systems — email, ERP, product catalogs, internal documentation, and previous orders. We're bringing all that knowledge together to serve up a suggested response to the rep, so they can review it, make any updates, and get back to customers faster.

4 Predictive Sales Enablement

This chapter is sponsored by revalgo

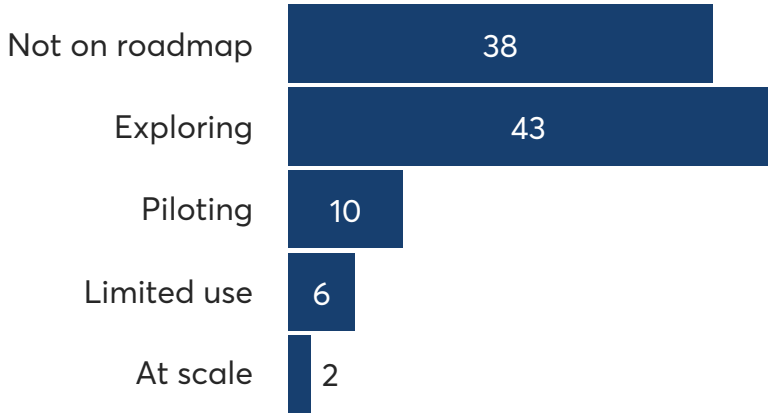
By building a digital workforce and automating the most complex business processes, Revalgo frees up your most valuable resource, your people, to do what they enjoy the most-solving your customer problems. Our AI platforms allow you to engage with your customers where and how they prefer, so you are not limited by your eCommerce or ERP systems. The future of eCommerce is Conversational Commerce. Allow us to help you future-proof your business by creating a digital twin of your physical business. Learn more at Revalgo.ai

OPPORTUNITY AREA 4

Predictive Sales Enablement

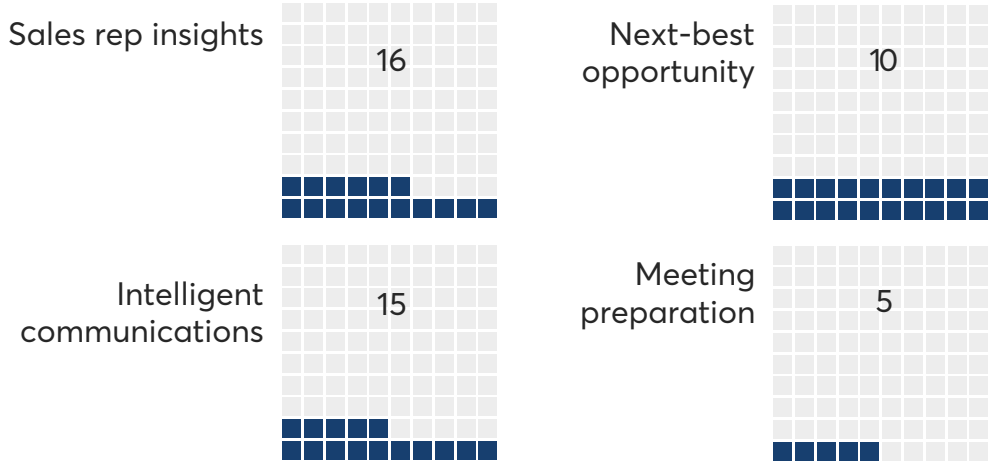
Using AI to tell reps who to call, when, and with what offer can lift sales without adding headcount. Predictive lead scoring and next-best opportunity tools focus effort where it delivers the most return. This category ranked fourth in priority, with 18% of respondents ranking it as their #1 AI focus.

Implementation stage, % of respondents[1]



Sales enablement has the highest 'not on roadmap' rate (38%) among the top four categories, and the lowest 'using at scale' rate (2%). This suggests significant uncertainty about where to start or skepticism about ROI in this space.

Top use cases being explored, % of respondents[2]



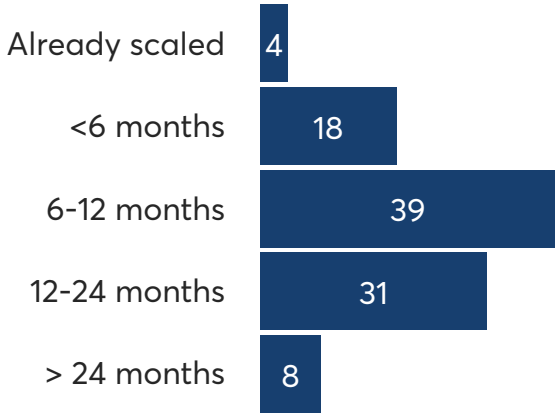
In sales enablement, no single use case has broken through the way dynamic pricing (46%) or demand forecasting (54%) have in their respective opportunity areas. The leader here, sales rep insights, sits at just 16% penetration. Perhaps distributors haven't yet figured out where to start yet, or barriers — whether perceived or real — stand in the way and providers have yet to identify and overcome.

1- Question: How would you best describe your progress on implementing AI for predictive sales enablement? (n=359) Source: MDM Research
2- Question: What specific AI use cases are you exploring for predictive sales enablement? Select all that apply. (n=224) Source: MDM Research

OPPORTUNITY AREA 4

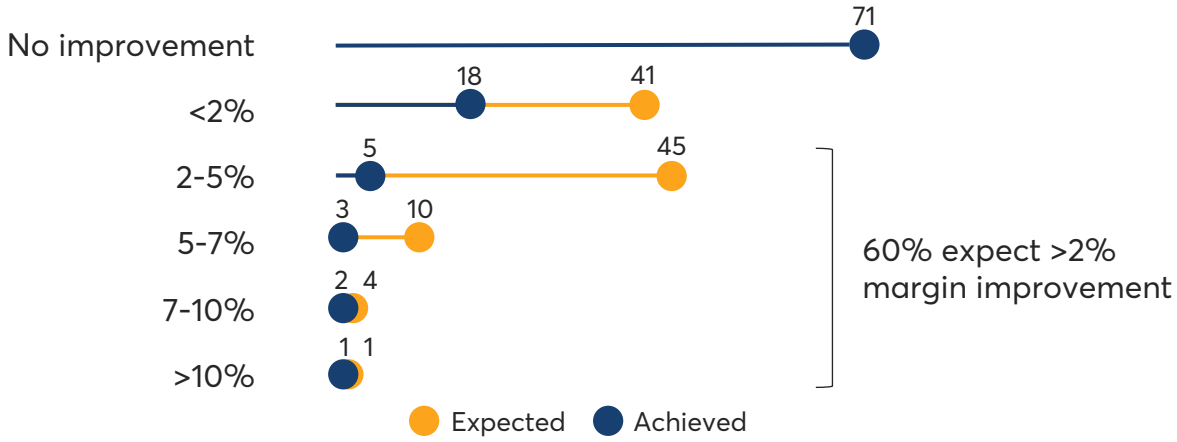
Predictive Sales Enablement

Anticipated time to scale, % of respondents[1]



Despite the lower overall adoption, those who are pursuing sales AI have aggressive timelines: 61% expect to achieve scale within 12 months. The 18% expecting to scale in under 6 months is the highest of any category, suggesting some quick-win opportunities exist.

Expected vs. realized gross margin improvement, % of respondents[2]



Expected returns are relatively moderate, with 60% expecting 2% or greater margin improvement. The 71% reporting no improvement yet is consistent with the exploration-heavy implementation stage across the industry, a number we expect to change quickly through 2026 based on ambitious plans to scale.

1- Question: How long do you anticipate it will take to achieve AI use at scale for predictive sales enablement? (n=217) Source: MDM Research

2- Question: What improvement do you expect to see on gross margins specifically caused by AI applied to predictive sales enablement? What improvement have you seen so far to gross margins where AI has been applied for predictive sales? (n=217) Source: MDM Research

OPPORTUNITY AREA 4

Predictive Sales Enablement

Revalgo provides AI-powered sales automation tools for distributors, including intelligent order processing, CRM automation, and sales team enablement. We spoke with **Ajay Kamble**, founder and CEO, who previously served as CIO at Turtle and Hughes. What follows is an edited version of our conversation.

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MDM: You spent years modernizing distribution. What did you learn?

Ajay Kamble: After spending millions on state-of-the-art e-commerce, we couldn't get more than 1% of sales transacted online. I turned to other CIOs and CEOs who said, "Welcome to the party. We've been trying for the last 15 years."

Supply chain doesn't translate well into a digital experience. Your customers have ERPs, and a PO from those systems is what is convenient for them. Many are looking for price and availability, often via handwritten notes, spreadsheets, emails or even text messages. Their role is to give you the demand. It's your job to figure out how to fulfill it.

If you are a distributor with 300k SKU's, you might only stock 15% of them. When half of a customer's cart is marked as "call for price and availability", that is a frustrating experience. They end up sending the demand to a rep and have them figure out the price and availability.

MDM: So, what's the way forward?

Ajay Kamble: The answer is to automate processes once the demand is received, regardless of the format and using dynamic intelligence. This is meeting the customer where they are and letting AI do the heavy lifting they never see.

The way to think about this is using your ERP as a system of record and AI as a system of interaction. If you try to use your ERP for interaction, you will always fail. Separate the two and you can continue adapting to changing customer needs without having to re-engineer.

MDM: 38% of distributors report not yet exploring AI for sales. Why is that?

Ajay Kamble: Even 38% saying they're exploring is a huge jump from two years ago. Three factors are different now. First, there are expectations from executives/board members. Second, executives themselves are using AI for tasks. They're consumers of the technology. Third, there's grassroots appetite. Users are saying, "ChatGPT can do X, Y, Z. Can it help me with this?"

MDM: Does a distributor need clean data to work with you?

Ajay Kamble: Because I came from the industry, I knew that relying on quality data was a false expectation. We built our models to accommodate bad data. Is having a good ERP to our advantage? The truth is: not really. Several of our customers are planning on skipping upgrading their ERP's which typically are a multi-year, expensive projects. Instead, using our AI platform as a user-centric interaction layer, they are abandoning these painful projects.

MDM: What does the future look like?

Ajay Kamble: Within three years, 80% of B2B transactions will be agentic. A buyer's agent will negotiate with the seller's agent. The 20% that is complex and high-value will be addressed by humans in the loop.

MDM: What's your advice to a CEO?

Ajay Kamble: Make small bets. With AI, it's cost and time-efficient. You're not signing multi-year contracts for six figures before seeing ROI. Small bets cost a fraction of that with results in weeks.

When you do find the right solution, consolidate. If you have five different vendors, and none of these AI tools talk to each other, you are building technology debt and not leveraging the advantages AI has to offer. Go a mile deep in one function, then do the same across the business. That's how you build a digital twin of your business.

5 Logistics and Delivery

This chapter is sponsored by DESCARTES™

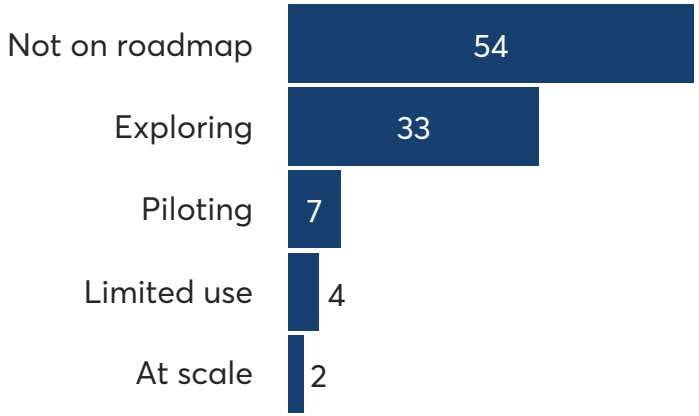
Descartes combines innovative solutions, an extensive network of trading and logistics services providers and powerful trade intelligence services to enable manufacturers and distributors to perform at their best. Descartes comprehensive offering of cloud-based logistics and supply chain management solutions allows manufacturers and distributors to quickly get to the new levels of performance they seek. Learn more at Descartes.com

OPPORTUNITY AREA 5

Logistics and Delivery

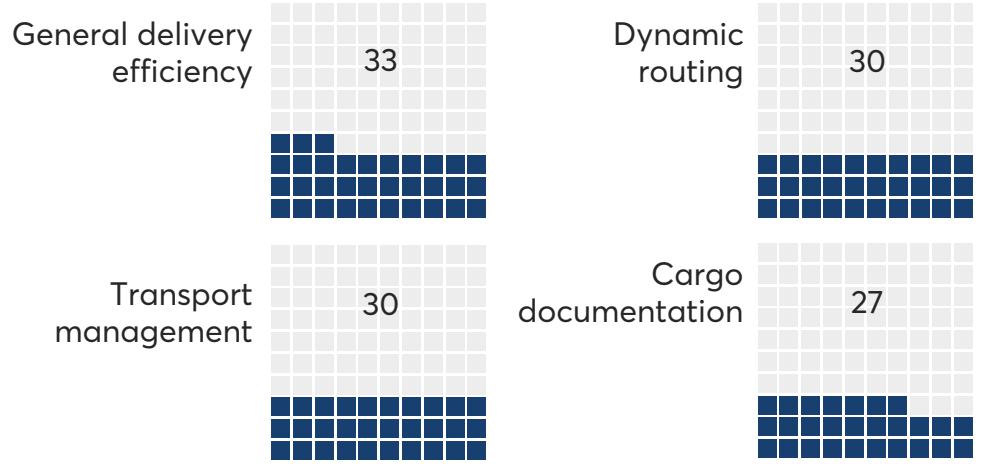
Delivery is a big cost center and a direct customer touchpoint. AI can optimize routing, reduce fuel usage, and improve delivery times, boosting efficiency and satisfaction simultaneously. This opportunity area ranked fifth in priority, with 13% of respondents ranking it as their #1 AI focus.

Implementation stage, % of respondents[1]



54% of distributors have not placed logistics and delivery AI on their roadmap, the most of any opportunity area. Only 13% are further than exploration, the lowest rate across all five opportunity areas. This may reflect capital intensity or perceived integration complexity.

Top use cases being explored, % of respondents[2]



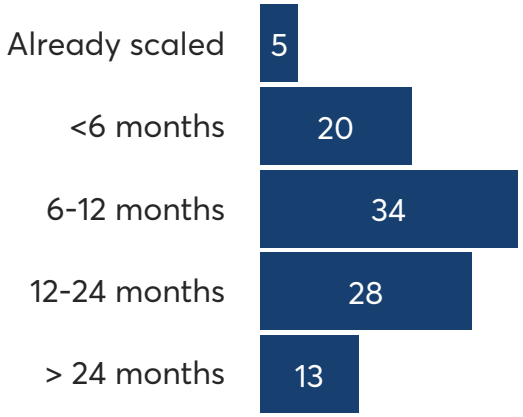
Use case adoption is relatively evenly distributed, with general process efficiency (33%), transport management (30%), dynamic routing (30%), and cargo documentation (27%) all showing similar interest levels. This even distribution may indicate that distributors see logistics AI as a holistic improvement opportunity rather than having clear 'killer apps.'

1- Question: How would you best describe your progress on implementing AI for logistics & delivery? (n=349) Source: MDM Research
2- Question: What specific AI use cases are you exploring for logistics & delivery? Select all that apply. (n=162) Source: MDM Research

OPPORTUNITY AREA 5

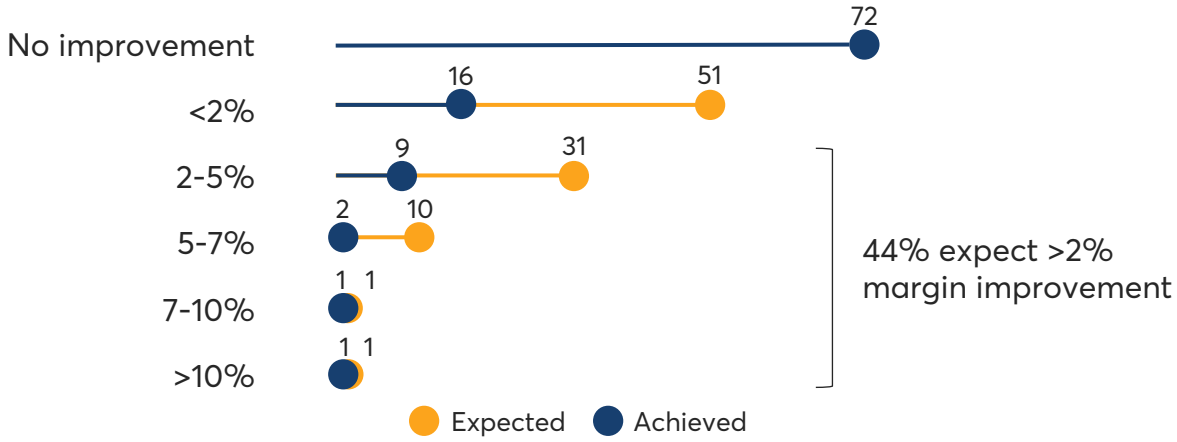
Logistics and Delivery

Anticipated time to scale, % of respondents[1]



Among those pursuing logistics AI, 59% expect to achieve scale within 12 months. The >24 months cohort (13%) is the highest of any category, suggesting distributors are giving themselves time to get these implementations right.

Expected vs. realized gross margin improvement, % of respondents[2]



Margin improvement expectations are the most conservative of any category: 51% expect less than 2% improvement. This may reflect that logistics improvements often manifest as cost reduction and service improvement rather than direct margin gains. The 72% reporting no improvement yet is consistent with the early-stage adoption profile.

1- Question: How long do you anticipate it will take to achieve AI use at scale for logistics & delivery? (n=152) Source: MDM Research

2- Question: What improvement do you expect to see on gross margins specifically caused by AI applied to logistics & delivery? What improvement have you seen so far to gross margins where AI has been applied for logistics & delivery? (n=152) Source: MDM Research

OPPORTUNITY AREA 5

Logistics and Delivery

Descartes provides logistics technology solutions including route optimization, fleet management, telematics, and last-mile delivery tools. We spoke with **Sergio Torres** (Senior Vice President, Product Management) and **Cyndi Brandt** (Vice President, Fleet Solutions). What follows is an edited version of our conversation.

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MDM: What problems are you solving with AI in logistics and delivery?

Sergio Torres: We have a massive amount of data flowing through the Descartes Global Logistics Network: route plans, delivery times, driver behavior, vehicle utilization, and more. And we're constantly comparing what was planned against what happens in reality. That gap is where insight lives.

The power is in what AI can do with that insight. Take service time prediction. AI-powered service time prediction has helped our customers improve route density by up to 30% without adding vehicles or drivers while increasing on-time performance and reducing overtime risk. In the past, you'd manually configure every variable: geography, traffic, weather, urban versus rural, and how the truck is loaded. Now AI discovers those patterns. It looks at your history and tells you how long a delivery will take—not based on a formula someone prescribed but based on what's really happening.

MDM: There's a lot of buzz about AI-assisted routing. What's your take?

Cyndi Brandt: A lot of people are talking about AI adjustments during route execution including accounting for real-time traffic, weather, and other conditions. I appreciate that, but let's talk about reality.

If I have a route with 14 stops, the product is loaded in a specific order. I can't skip stop two to go to stop seven because AI says traffic is better. The product for stop seven is buried.

We're taking a different perspective: AI should make the planning smarter, so you don't have to make as many real-time adjustments. We believe you can incorporate better data before building the route, not just while executing it.

MDM: Only 19% of distributors report measurable returns from AI in logistics. What's holding them back?

Sergio Torres: One of the biggest challenges is accessing the right data. An AI agent is only as good as the context you provide it. If your legacy systems weren't built with AI in mind, getting the right data to the right place is a real obstacle.

That's where we come in. We can take ownership of that with the client, improving their data quality, discovering the patterns, and configuring the system. The AI does the work that used to require a user clicking through dozens of variables. That gets to value faster and overcomes the barriers.

MDM: How should distributors think about the ROI?

Cyndi Brandt: AI isn't about picking dollars up off the floor. It's picking $10 bills off the floor.

The real money is in looking upstream and downstream. If I automate this step, what changes in picking time? In route density? In overall cost per stop? That's the ripple effect. That's where the $10 bills are.

MDM: How fast can distributors move?

Sergio Torres: A few years ago, "start fast and start small" meant a few months. With AI, start fast means code, test, and validate with users within a few days. Then you start thinking about how to scale. None of our AI projects have taken more than three months to get to a prototype. If user feedback is strong, we prioritize the initiative. If not, we keep iterating.

NAW MDM
Distribution Intelligence™

The Path Forward

THE PATH FORWARD

Where do distributors go from here?

Our research on high-value AI opportunity areas leads us to recommend the following for distribution leaders navigating AI:

1. Start with High-ROI Use Cases
Dynamic pricing (46% exploring) and demand forecasting (54% exploring) have emerged as the clear 'must-have' applications. The ROI expectations back this up: 73% of distributors pursuing pricing AI expect margin improvements of 2% or more, and 16% have already achieved those gains. These use cases offer direct, measurable margin impact and have mature vendor ecosystems. If you're not already pursuing these, you risk falling behind competitors who are.

2. Set Realistic Expectations, But Start *Now*
The consistent gap between expected and realized returns reflects early-stage adoption across the industry. Plan for 12-24 month timelines to achieve meaningful results, and measure progress in terms of implementation milestones rather than immediate margin gains. But there's another reason to start now: learning. You must experience AI to understand its potential. The more your people are using it, experimenting with it, and piloting new applications, the smarter and more resilient your organization becomes. That institutional learning compounds over time.

3. Invest in Data Foundations
Every AI use case depends on data quality. Before chasing advanced applications, ensure your foundational data (pricing history, inventory levels, customer transactions, delivery records) is clean, accessible, and integrated. This investment pays dividends across all five opportunity areas.

4. Know the Difference Between Table Stakes and Untapped Opportunity
Some AI applications are quickly becoming competitive requirements. Dynamic pricing and demand forecasting, with nearly half the industry actively pursuing them, are approaching table-stakes status. Falling behind here means losing ground to competitors. But other areas remain wide open. Early movers who invest ahead of the market can build significant advantage. Understand where your competitors are clustering and where the white space lies.

5. Plan for Change Management
Technology is only part of the equation. The most successful AI implementations pair powerful tools with thoughtful change management: training sales teams to trust AI recommendations, helping warehouse staff work alongside automated systems, and building organizational muscle for data-driven decision making.

6. Learn from Peers
The 35% of respondents who have seen measurable margin improvement offer valuable lessons. Seek out case studies from your sector, participate in industry forums, and don't hesitate to learn from adjacent industries, beyond distribution, that are further along in their AI journeys.

About Our Sponsors

canals

Canals is the operating AI of 100+ distributors, automating order entry, accounts payable, accounts receivable, and PO-to-receipt tracking with the fastest and most accurate AI. Our mission is to eliminate the manual data entry that slows teams down and unlock time for more strategic work, like strengthening customer and supplier relationships. Real customer results include up to 90% time savings on quoting, 2.8X higher hit rates, and 96% touchless invoice processing.

DESCARTES™

Descartes combines innovative solutions, an extensive network of trading and logistics services providers and powerful trade intelligence services to enable manufacturers and distributors to perform at their best. Descartes comprehensive offering of cloud-based logistics and supply chain management solutions allows manufacturers and distributors to quickly get to the new levels of performance they seek.

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By building a digital workforce and automating the most complex business processes, Revalgo frees up your most valuable resource, your people, to do what they enjoy the most-solving your customer problems. Our AI platforms allow you to engage with your customers where and how they prefer, so you are not limited by your eCommerce or ERP systems. The future of eCommerce is Conversational Commerce. Allow us to help you future-proof your business by creating a digital twin of your physical business.

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