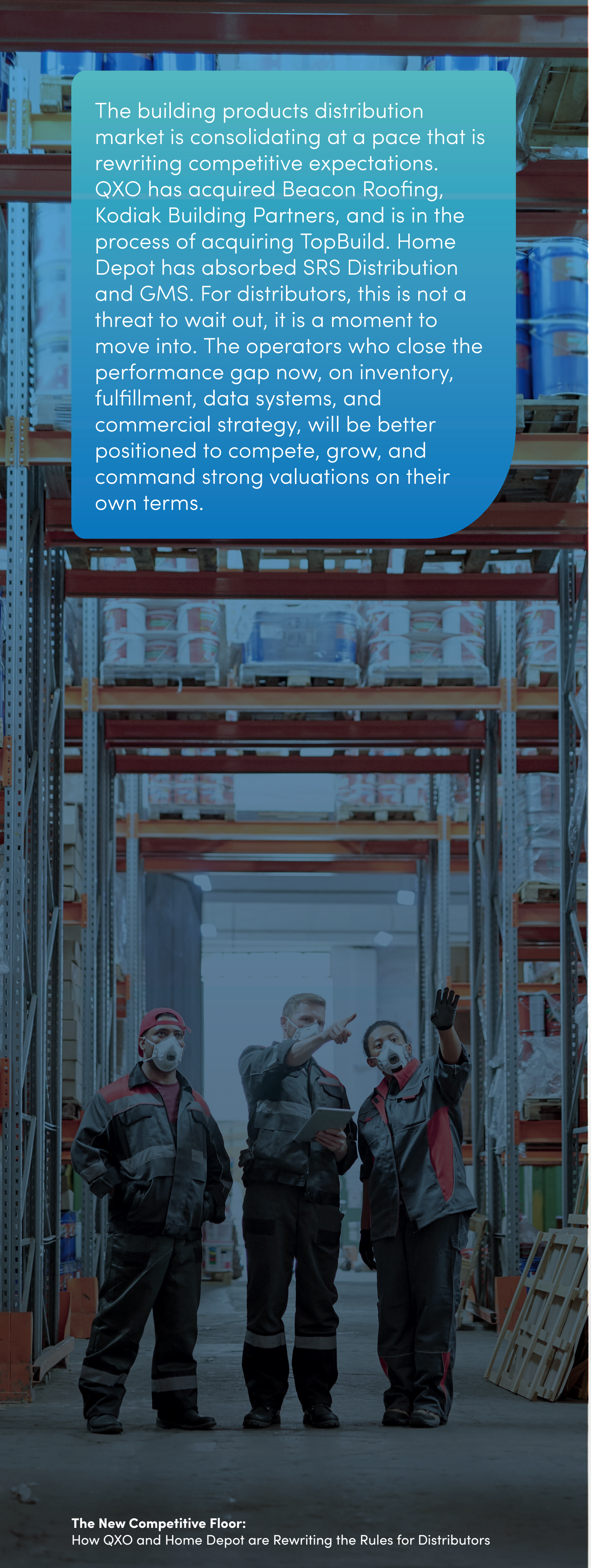
DUCKER CARLISLE

The New Competitive Floor:

How QXO and Home Depot are Rewriting the Rules for Distributors



The building products distribution market is consolidating at a pace that is rewriting competitive expectations. QXO has acquired Beacon Roofing, Kodiak Building Partners, and is in the process of acquiring TopBuild. Home Depot has absorbed SRS Distribution and GMS. For distributors, this is not a threat to wait out, it is a moment to move into. The operators who close the performance gap now, on inventory, fulfillment, data systems, and commercial strategy, will be better positioned to compete, grow, and command strong valuations on their own terms.

Consolidation is Redefining the Distribution Landscape

The building products distribution industry is being reshaped by aggressive moves from private equity and big-box retailers. Brad Jacobs' QXO platform recently acquired Beacon Roofing in a hostile takeover, immediately replacing management and rolling out a performance-driven operating model. It has since moved to acquire Kodiak Building Partners and TopBuild. At Beacon, the entire management team was dismissed within weeks, signaling zero tolerance for inertia and immediate strategic realignment. Six aggressive KPIs were introduced to reshape operations:

- Inventory turns: Drives capital efficiency
- EBITDA per Site: Pushes site-level accountability
- Order-to-Cash Velocity: Shorter cash conversion cycle
- On-Time Delivery: Boosts customer satisfaction
- Digital Penetration: Measures e-commerce and digital engagement
- Cost-to-Serve: Pushes for cost control and operation efficiency

Meanwhile, Home Depot's recent acquisitions of SRS Distribution and GMS signal a serious long-term commitment to pro distribution for its recurring revenue potential. With deep capital, supply chain mastery, and brand power, Home Depot can invest in supply chain modernization and negotiate better supplier terms.

Further consolidation is on the horizon

- QXO is pursuing further consolidation, evidenced by its ~$2.25B acquisition of Kodiak Building Partners and $17B proposed acquisition of TopBuild, which extends QXO's reach from roofing materials into broader building products distribution.
- Home Depot winning a bidding war for GMS points to a shared belief amongst market leaders that a larger player with better technology can win more contractors.
- Potential expansion into adjacent industries, such as electrical distribution, presents unique challenges driven by manufacturers' influence on inventory management and standards.

The strategic picture coming into focus is more than a market update. QXO is now simultaneously present in roofing and general building materials distribution. Home Depot outbid QXO for GMS, signaling that the two most aggressive consolidators are staking out distinct product categories and contractor relationships. For distributors, this convergence has a direct implication: QXO and Home Depot are now setting the operational floor for the entire channel. Distributors who match that floor can compete for the contractors, accounts, and categories these players are targeting. Those who build above it are the ones who will grow, attract capital, and transact on their own terms.

The operational metrics are the entry price, not the end game. What QXO and Home Depot are ultimately competing for is the contractor and builder relationship itself, the ability to control what gets specified on the job site, what gets delivered, and how much of the total project spend flows through a single account. Bundling, pull-through, and cross-category capture are not secondary commercial tactics. In a lower demand environment where market growth cannot be relied upon to carry the business, they are the primary source of margin and account retention. Operational discipline is what makes that commercial model defensible. The two are inseparable.

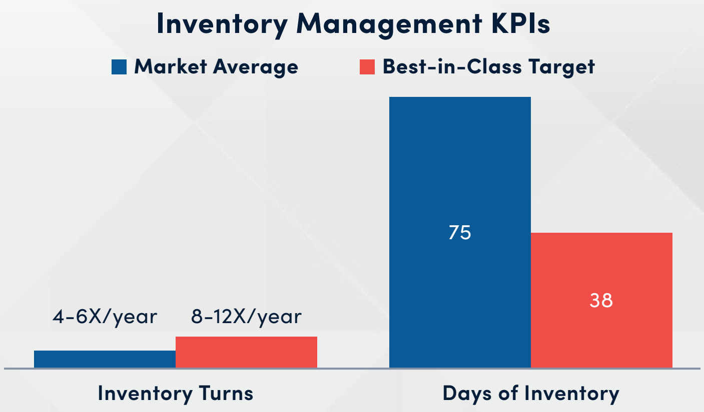
Result: All distributors are under pressure to improve or risk becoming irrelevant, as larger players with greater access to capital invest in technology and infrastructure, and negotiate better terms with suppliers.

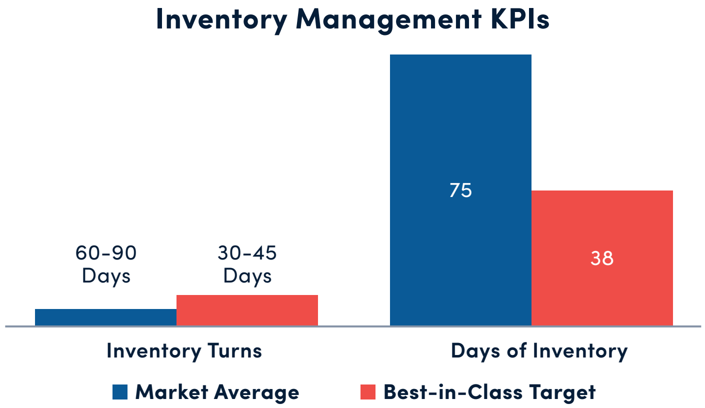
Silent Risks Threatening Distributors' Success

Inventory Management

The performance gaps below are not abstract. QXO explicitly named inventory turns, on-time delivery, order-to-cash velocity, cost-to-serve, EBITDA per site, and digital penetration as its six operational KPIs when it restructured Beacon. These are the same metrics many distributors are failing to meet today. The consolidators are not setting a new bar; they are exposing the bar that has always existed.

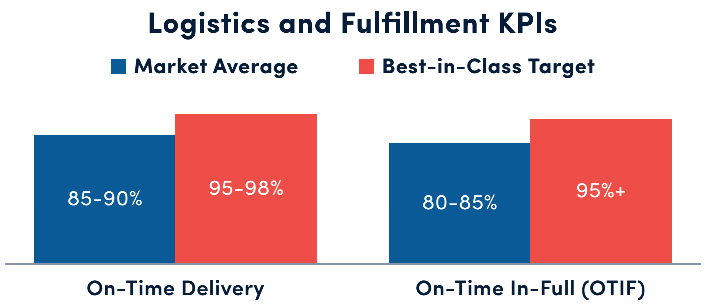
The connection between operational performance and commercial outcome is direct. A distributor who cannot meet fill rate and on-time delivery commitments consistently cannot hold a contractor relationship that is worth holding. The consolidators understand this sequence: operational reliability earns the right to the primary account, the primary account enables cross-sell and bundling, and cross-sell and bundling at scale across hundreds of sites is what produces the EBITDA per site number that justifies the acquisition multiple. Mid-market distributors who address the operational gaps in isolation, without connecting them to a commercial retention and growth model, will close the gap on the wrong metric.





- Many still operate with excess safety stock due to lack of real-time data and rely on outdated replenishment models, increasing holding costs.
- Limited use of demand forecasting and SKU rationalization results in slower reactions to market changes and underoptimized assortments.

Logistics and Fulfillment

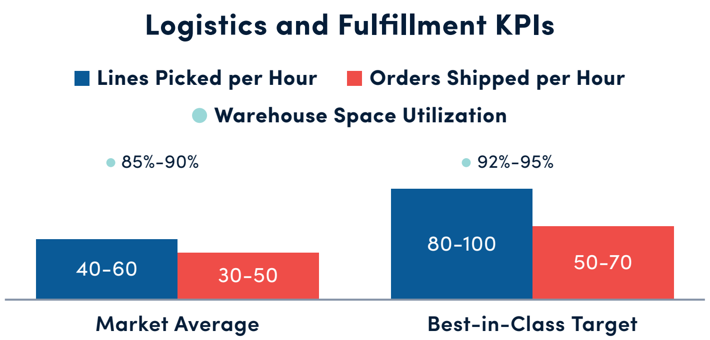


- Poor delivery visibility and inconsistent on-time rates, hurting contractor trust and project timelines.
- No investment in autonomous or tech-enabled last-mile capabilities, due to cost and complexity.

Dependence on Suppliers

- Ongoing supply chain disruptions leave distributors vulnerable to supplier lead times, resulting in on-time delivery issues and excess inventory.
- Limited buying power prevents distributors from enforcing supplier or manufacturer KPIs, creating variability across the supply chain.

Warehouse Productivity



- Little to no automation; highly manual processes limiting throughput and accuracy.
- Disconnected labor tracking and training systems result in suboptimal labor utilization and skill gaps.

Data and Systems

- Fragmented ERP and pricing tools hinder visibility and agility.
- Limited analytics to support contract compliance, procurement savings, or strategic sourcing.

Commercial Strategy

The commercial model is where the consolidators' operational investment ultimately pays off and where distributors face the most direct threat to account retention and margin.

- Pull-through strategies, driving specification and preference upstream with builders, architects, and general contractors, remain underdeveloped in most distributor commercial models. The consolidators are investing in this capability directly.
- Customer segmentation is the foundation of a defensible commercial model. Without it, pricing, service levels, and account investment are applied uniformly across accounts with very different strategic value. Margin leaks accordingly.

- In a compressed demand environment, the distributors who win are those who can demonstrate to their best accounts that they simplify the project, fewer calls, faster delivery, broader product range, and a single point of accountability. That is the commercial model the consolidators are building toward. Distributors need a deliberate response to it.

What Winning Looks Like: The Emerging Playbook

Three Paths Forward

Not every distributor is in the same position, and not every strategic response to consolidation looks the same. Before determining which operational and commercial moves to prioritize, it is worth being clear about which path the business is building toward. There are three realistic options. Each is defensible. Only one of them is passive.

The first is to build for acquisition. Position the business as an attractive target for a consolidator, a PE platform, or a strategic buyer. This means clean systems, scalable processes, strong EBITDA per site, and a customer book that demonstrates retention and wallet share. The buyers are active and paying for operational excellence. A distributor who moves now can transact on its own terms. One that waits will transact on someone else's.

The second is deep specialization. Identify the product category, customer segment, geography, or service model that the consolidators cannot profitably replicate at scale and go deeper into it than any national player would find economical. Local relationships, technical expertise, project complexity, segments too small or too specific to roll up efficiently. This is a durable strategy, but it requires a deliberate choice and early execution. The window for carving a defensible niche narrows as the consolidators' capabilities expand.

The third is to wait. That path leads to margin compression as national players use scale and technology to undercut on cost, slower growth as contractor relationships migrate to better-resourced competitors, and eventually a transaction but on terms set by whoever is buying, not by the business being sold.

The playbook below applies across all three paths. The prioritization of moves, and the pace of execution, will differ depending on which outcome the business is building toward.

Project Level-Segmentation

Not every move carries equal urgency. The strategies below fall into three tiers. Foundational moves; supply chain, inventory, and data systems, must come first; they are the operational floor without which nothing else compounds. Differentiation moves; project segmentation, commercial reinvention, and AI-powered operations, build competitive distance once the foundation is stable. Acquisition readiness is the strategic frame that governs all of it: whether a distributor is building to compete or building to exit, clean systems and scalable processes determine the outcome.

- Segment projects by type (i.e., R&R vs. New) to tailor lead-time, inventory and pricing policies.

- Align targets to each segment's urgency and complexity to meet service expectations and protect profitability.

Close Supplier Collaboration

- Close partnerships with key suppliers enable collaborative forecasting, inventory management and fulfillment strategies.
- Establish joint scorecards, aligning incentives with suppliers to jointly achieve KPIs (on-time delivery, inventory turns).
- Alignment with manufacturers is critical in electrical distribution, where leading players prefer to maintain influence over distributor inventory and operations.

Smarter Supply Chains

- Reduce inventory levels while maintaining service through network optimization.
- Use modular automation (robotics-as-a-service, pick-to-light, WMS add-ons).

AI-Powered Operations

- Deploy AI to evaluate contracts for discounts, discrepancies, and variances.
- Use machine learning models leveraging external data for demand forecasting based on local permitting, weather, and jobsite activity.

Digitized Labor and Delivery Models

- Apply smart routing tools to optimize delivery routes in real time, balancing speed and cost.
- Track productivity at a worker level, benchmarked against industry standards.

Commercial Reinvention

- Introduce SKU bundles tailored to project types (residential, multi-family, commercial) to simplify purchasing and increase basket size.
- Segment customers to apply different service levels and pricing logic to improve margins and retention.

Acquisition Readiness

- Whether the goal is to acquire, grow independently, or sell at a strong multiple, clean systems and scalable processes are what determine enterprise value. Distributors with fragmented ERP, manual warehouse operations, and undifferentiated customer books are not acquisition targets, they are liabilities. At the pace QXO and Home Depot, are moving, the window for operators to set their own terms is narrowing.
- In electrical distribution specifically, alignment with leading manufacturers is a prerequisite, not a negotiation. Manufacturers in that category prefer to maintain direct influence over distributor inventory and operations, and acquirers will evaluate distributor viability through that lens.

The Window Is Narrowing

- QXO has acquired Beacon, Kodiak, and is close to acquiring TopBuild. Home Depot has absorbed SRS and GMS. The pace of consolidation is not slowing, and each deal raises the operational standard the entire channel is measured against. Distributors who move now, closing inventory gaps, modernizing fulfillment, segmenting their customer base, and building acquisition-ready systems, will be better positioned to compete, grow, and determine their own futures. The M&A cycle in this market is not pausing. Each deal that closes narrows the window for independent operators to act before consolidators set the terms for everyone else. The distributors who move now will determine their own futures. Those who wait will have that decision made for them.

Chris Fisher

Managing Principal, Global Construction Lead

cfisher@duckercarlisle.com

Chris Fisher is Managing Principal at Ducker Carlisle, leading the Global Construction Practice. He brings 25 years of experience across construction, building products, and industrial markets, advising executives and investors on growth strategy, operational improvement, and M&A execution. Chris holds a B.S. in Industrial Management from Purdue University and an MBA in Global Economics from Indiana University.

Amy Marzonie

Managing Principal, Supply Chain

amarzonie@duckercarlisle.com

Amy Marzonie is Managing Principal at Ducker Carlisle, leading the firm's Supply Chain practice. She specializes in facility operations, network design, and inventory management, with more than 20 years of experience delivering end-to-end supply chain transformation for industrial and distribution clients. Amy holds a B.S. in Industrial Engineering and an M.S. in Operations Management from Kettering University, and is a certified Lean Management professional and member of the Association for Supply Chain Management.

Kevin Sarb

Principal, Industrials Practice

ksarb@duckercarlisle.com

Kevin Sarb is a Principal at Ducker Carlisle, leading the Industrials Practice with a focus on energy, climate technologies, and commercial excellence. He brings 20 years of management consulting experience helping industrial clients develop growth strategies and build commercial capabilities that deliver measurable results. Kevin holds degrees from the University of Notre Dame, the University of Michigan, and the University of Chicago Booth School of Business.

To discuss how Ducker Carlisle can help your organization navigate the changing distribution landscape, contact our Building & Construction practice at **buildingconstruction@duckercarlisle.com.**

DUCKER CARLISLE

About Ducker Carlisle

Named one of America's Top Management Consulting Firms 2026 by Business Insider, Ducker Carlisle is a global market research, strategy consulting and M&A advisory firm that helps the world's largest companies and private equity firms optimize business performance and accelerate growth. Founded in 1961 with offices across the US, Germany, France, UK, India and China, the firm leverages proprietary data, deep industry knowledge and proven methodologies to deliver tailored, industry-specific insights and recommendations across the automotive, heavy truck & equipment, general industrial, building and construction, and private equity sectors.

For more information,
visit DuckerCarlisle.com | LinkedIn

Corporate headquarters:

1250 Maplelawn Drive
Troy, MI 48084

+1.800.929.0086

European Headquarters:

110 Avenue Victor Hugo 92100
Boulogne-Billancourt, France

+33.1.46.99.59.60