RESEARCH REPORT I 2026

Inventory trends in wholesale distribution

Hear from 100+ global distributors on staying competitive, key benchmarks and making inventory management more data-driven.

Phocas.

From our CEO

Inventory management is changing, and data and demand planning are at the center of it.

With more than 20 years serving wholesale distribution businesses, Phocas has a strong understanding of the operational and financial challenges facing the industry. Inventory management is not just about products. It's about keeping customers, managing costs and staying flexible when market conditions change.

We spoke with 100+ distribution professionals from around the world to report on what is most important to the industry, right now. We hope these trends and benchmarks spark action in your companies and give you something solid to compare with your own practices. Inventory challenges rarely belong to one team, so being more collaborative will help you adapt your strategies.

Thanks to the everyone in the industry who contributed to this report. Enjoy the insights.

Myles Glashier

Co-founder and CEO, Phocas Software

5 inventory trends in wholesale distribution

Our latest research and our industry experts have identified five key inventory trends for 2026 and beyond.

1. **Competitive pressure is increasing supply chain complexity**
2. **Inventory strategies are adapting to economic uncertainty**
3. **Stock availability is being prioritized over cash flow**
4. **Demand planning is the #1 performance differentiator**
5. **Trusted data is resulting in better supplier performance**

The core attributes of inventory management such as customer demand and supply lead times haven't changed much in decades. What has changed is the market, which is more disrupted and volatile, requiring these fundamentals to be managed more closely. To gain a better understanding of how distributors are dealing with this operating environment and where the industry is heading, Phocas Software surveyed 100+ global distribution professionals across 12 sub-verticals.

The survey findings highlighted 5 key trends which we dive into in this report. Ongoing economic uncertainty and increasing competition are key challenges. We're seeing many holding more stock as a means to not lose sales. We look into how demand forecasting, automation and product segmentation are part of distributors' forward plans.

Who we spoke with

This report is based on findings from the Phocas Industry Trends Survey conducted in December 2025. It was designed to unearth both current best practice in inventory management and emerging expectations across sub-verticals. Respondents had to be a working professional in wholesale distribution to qualify for the survey.

Job titles

Survey participants represented a broad mix of roles and seniority levels, capturing both strategic and operational perspectives. Responses reflected the structure of distribution businesses globally, spanning leadership, commercial, technology, data and operations functions responsible for inventory, systems and service.

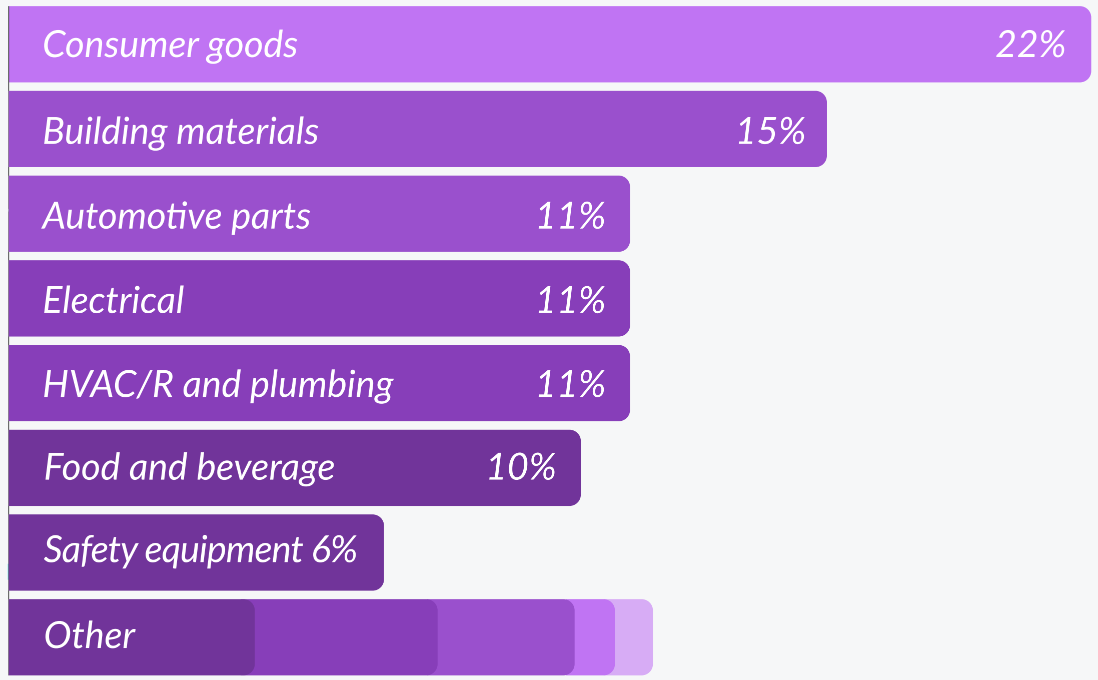
Industry sub-verticals

Industries represented in high numbers included consumer goods, building materials, automotive parts, electrical, HVAC/R and plumbing, food and beverage and safety equipment as well as a small proportion across industrial supplies, medical supplies, cleaning and janitorial and paper and forest products.

Size of organizations

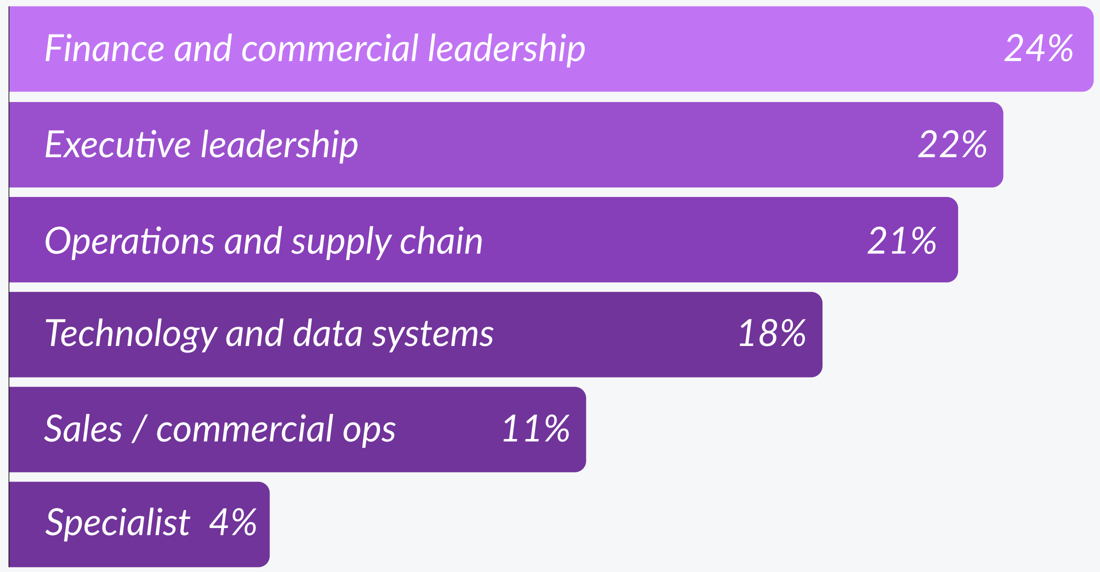
Organizations surveyed also ranged in size. Most respondents came from the middle-market with 50% employing 51-200 people and a further 29% with more than 200 employees. Annual revenues ranged from under $10M to over $500M with the most common range being $50-100M at 19%. All revenue and stock value figures are quoted in USD.

Industry vertical



Other consists of a breakdown of: Industrial supplies 5%, Medical supplies 4%, Steel and metal supplies 3%, Cleaning and janitorial 1% and Paper and forest products 1%.

Job title



Who we spoke with

Geographies and markets

Respondents are headquartered across North America (NOAM) 33%, Europe (EMEA) 19% and Asia Pacific (APAC) 48% with many operating nationally and internationally as well as across multiple local regions.

Stock turnover

1 in 5 distributors surveyed turnover between $10M-$25M worth of stock per annum with consistent representation of turnover from eight different bands ranging from under $1M to over $250M.

Subject matter experts

To complement the quantitative data, the findings were further validated by Phocas in-house subject matter experts who all worked in wholesale distribution businesses before moving into technology for these industries. These experts contributed practical knowledge, helping interpret the results against their own industry and customer experience.

Bands for scale of operation

Throughout this report you'll see the results banded by scale to enable analysis and quick understanding of the results.

SMALLER DISTRIBUTORS <50 EMPLOYEES / <$10M - $50M

MIDDLE-MARKET 51-200 EMPLOYEES / $51M - $250M

LARGER DISTRIBUTORS >201 EMPLOYEES / >$251M - $500M+

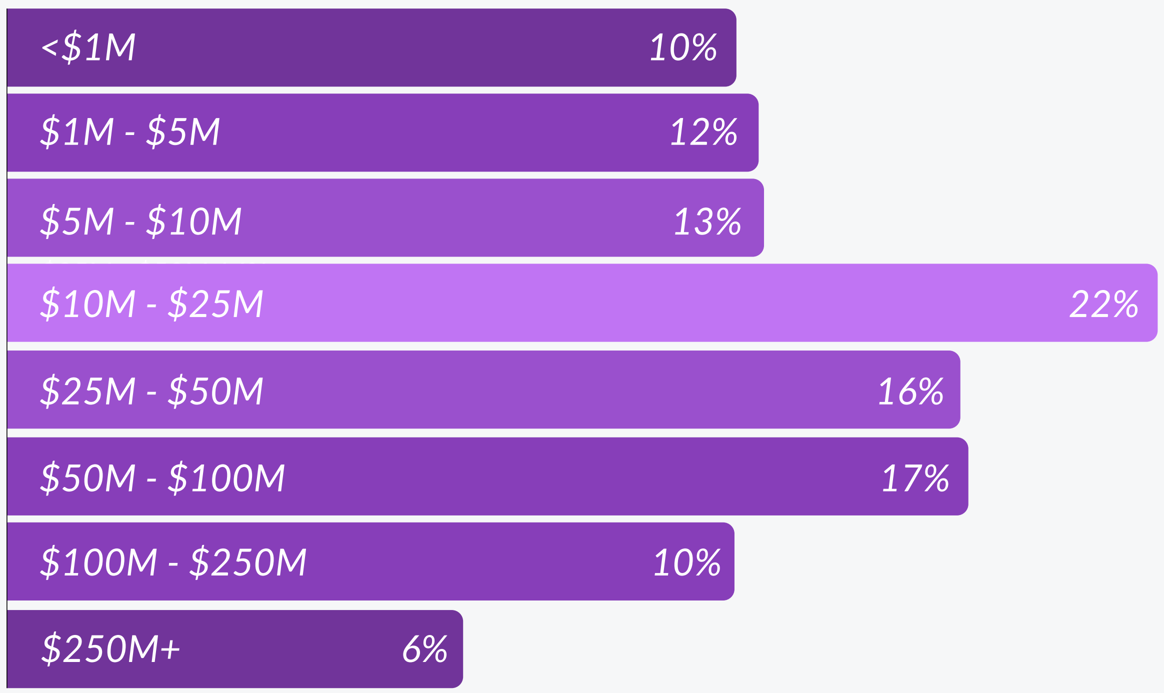
Distribution footprints

38% Local

56% National

32% International

Stock turnover per annum



TREND 1

Competitive pressure is increasing supply chain complexity

Research findings that support this trend:

#2
challenge is 'greater competition'

70%
carrying more than 5,000 SKUs

50+
suppliers reported across business sizes

#1
priority is 'improving efficiency'

Smaller distributors taking on larger SKU ranges to compete

One of the most visible findings is Stock Keeping Unit (SKU) expansion. The survey responses reveal a more demanding landscape, with 70% of all respondents carrying more than 5,000 SKUs and 39% of smaller distributors managing inventories up to 50,000 SKUs.

In value terms, 55% hold between $10M–$100M of stock and 16% turn over more than $100M annually. While this scale increases forecasting complexity and risk, it also reflects a deliberate strategy. Carrying broader inventory enables distributors to protect service levels, reduce lost sales and respond to supplier volatility and shifting demand. The challenge is ensuring the right mix and depth of stock, as managing thousands of SKUs requires a level of analytical discipline that many distributors are still developing.

70%

of respondents carrying more than 5,000 SKUs indicates that retention focused purchasing strategies are commonplace.

SMALLER DISTRIBUTORS <50 EMPLOYEES

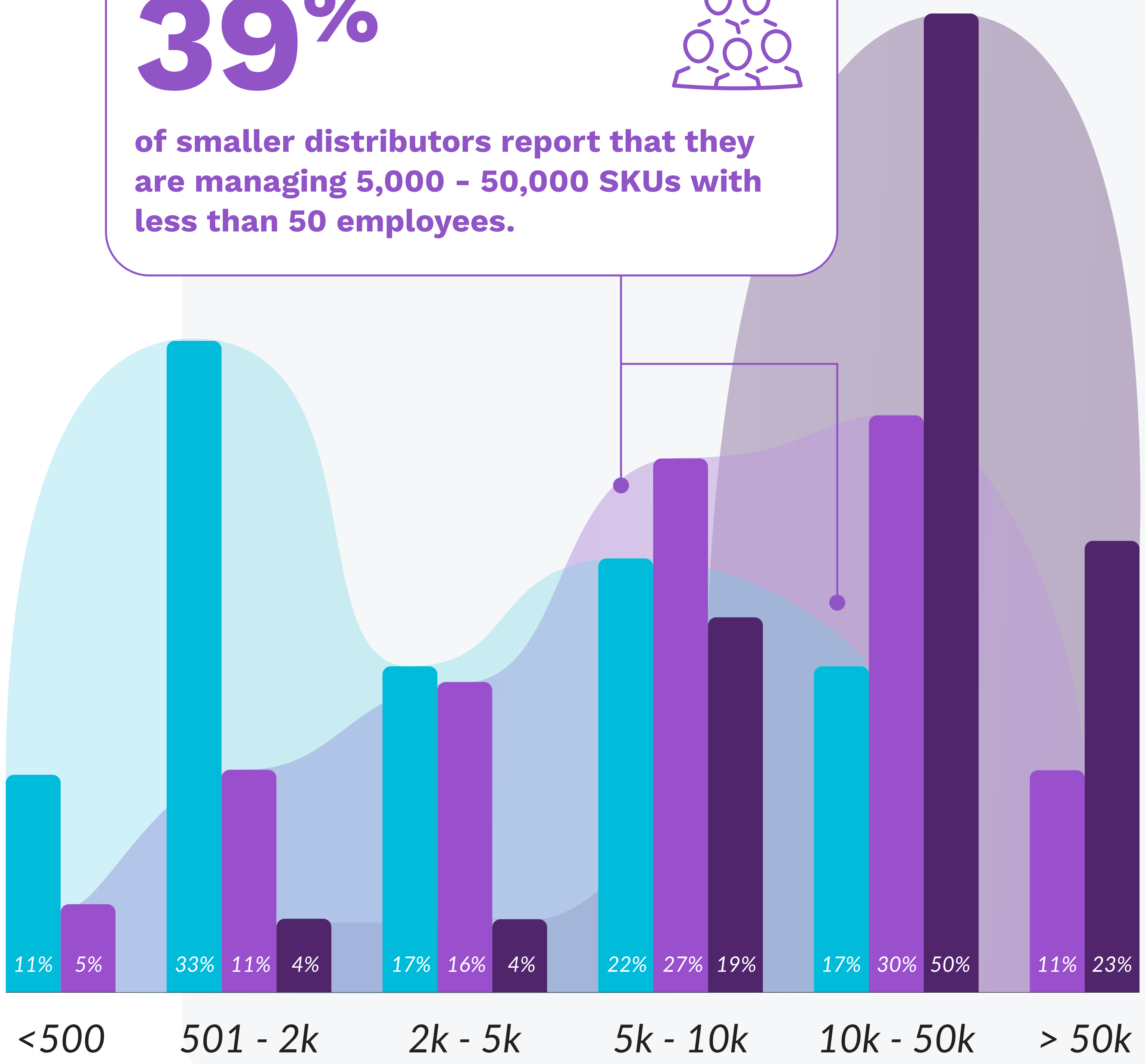
MIDDLE-MARKET 51-200 EMPLOYEES

LARGER DISTRIBUTORS >201 EMPLOYEES

How many unique SKUs does your company manage per annum?

39%

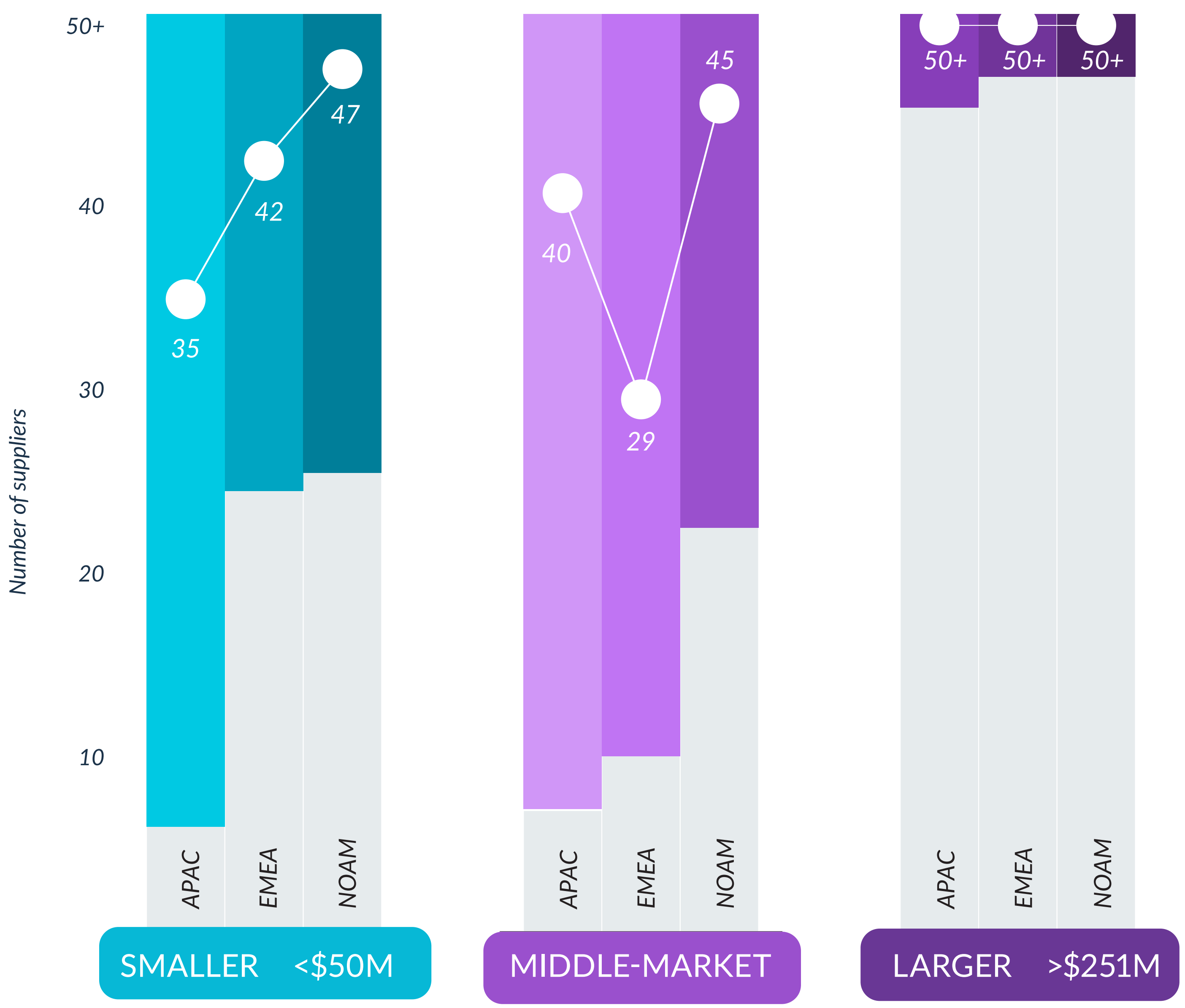
of smaller distributors report that they are managing 5,000 - 50,000 SKUs with less than 50 employees.



Diverse supplier networks present across revenue bands and markets

The regional groupings show consistent supplier depth is present across all revenue levels, not just enterprise distributors. North America clusters more consistently at higher supplier counts while EMEA shows some variation. Small to middle-market distributors in APAC include several supplier-heavy outliers, pointing to more supply chain variability.

Annual revenue bands compared to supplier ranges with average by region



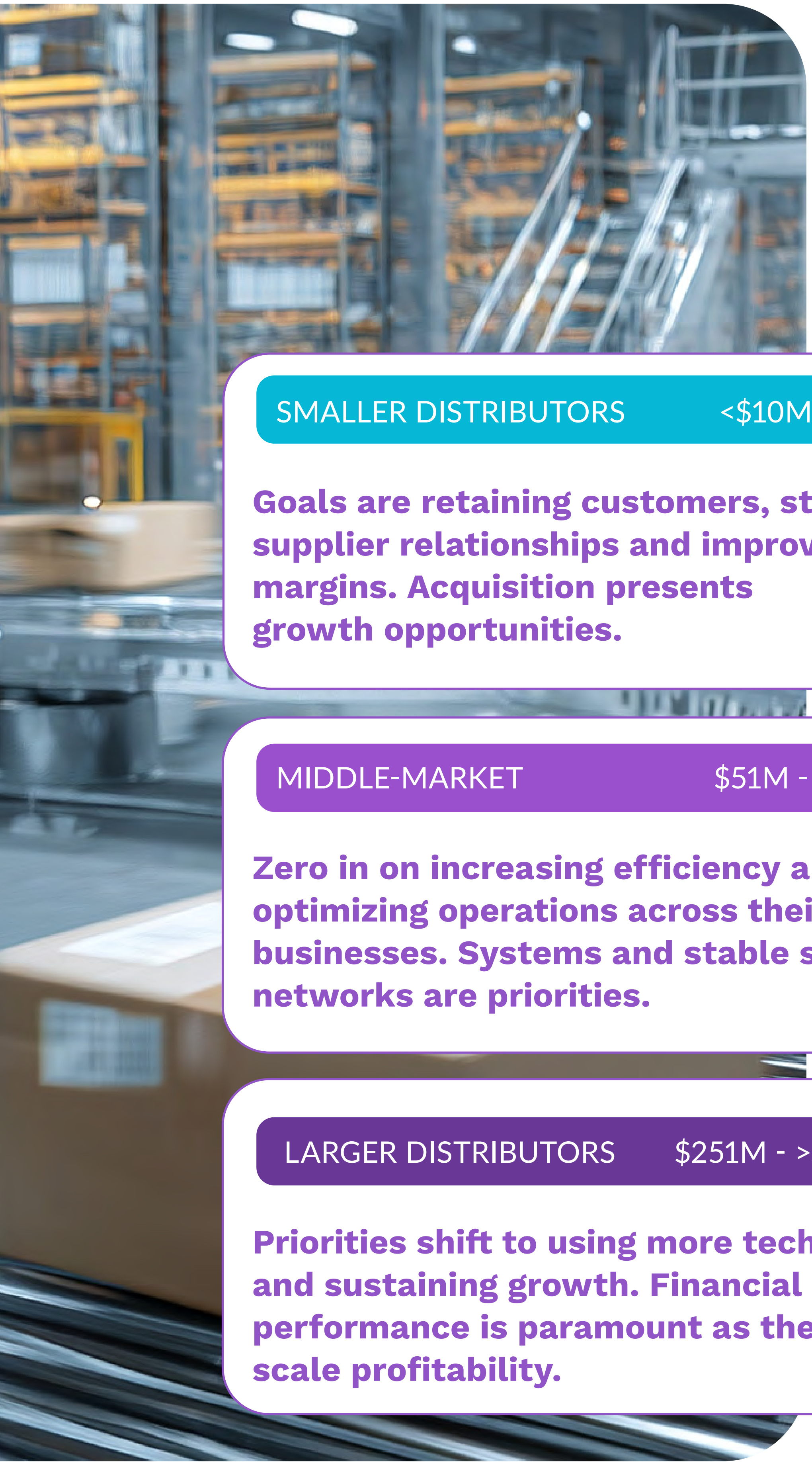
29%

of respondents report they intend to further diversify their supplier network in 2026.

North American supplier networks average higher than other regions.

50+

suppliers reported across all segments shows how supply chain volatility has impacted sourcing models and risk-aversion globally.



Inventory management priorities change with scale

The top three priorities across the board are efficiency, margins and growth but specifics of strategic focus shifts across business scale.

SMALLER DISTRIBUTORS <$10M -$50M

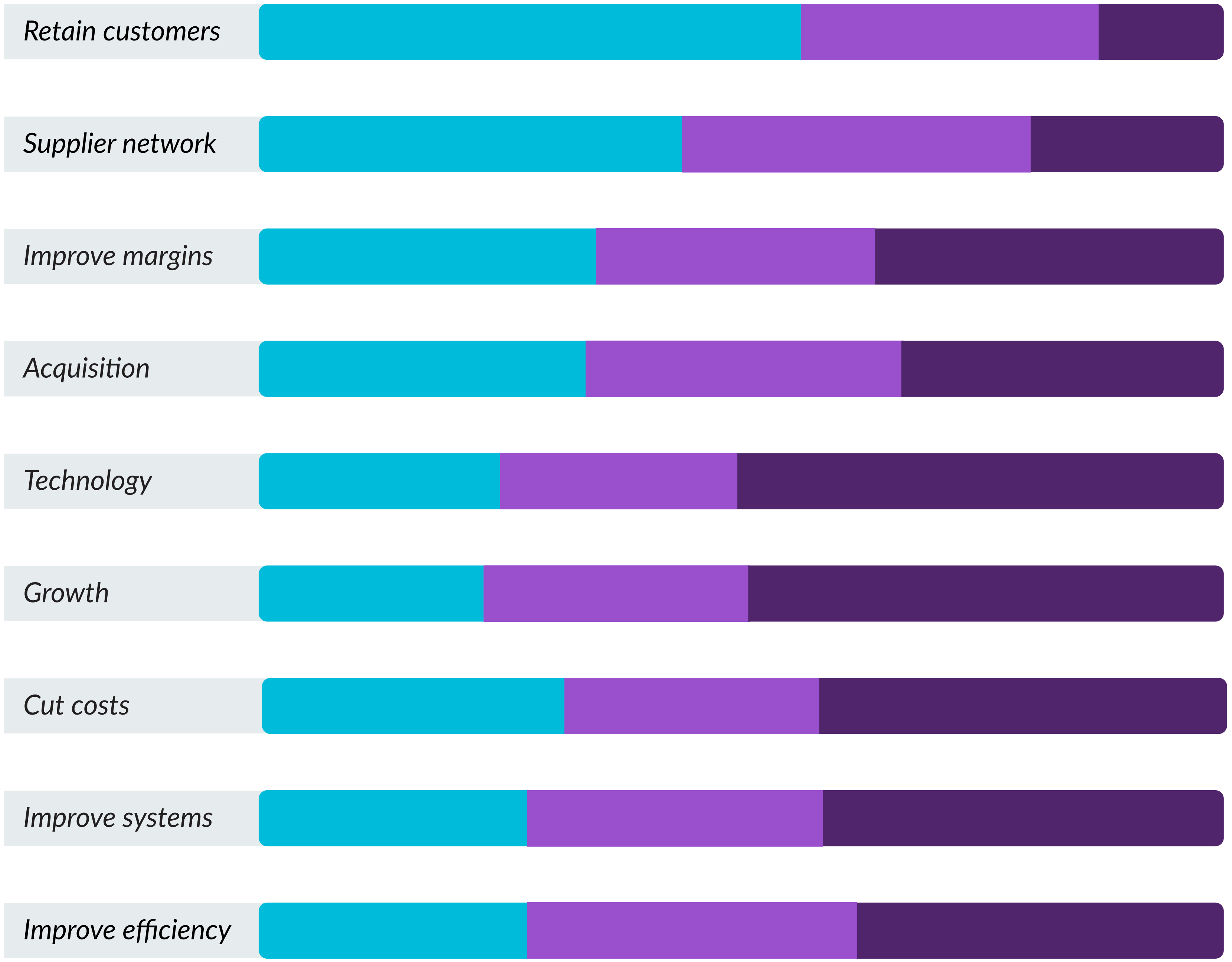
Goals are retaining customers, strong supplier relationships and improving margins. Acquisition presents growth opportunities.

MIDDLE-MARKET $51M - $250M

Zero in on increasing efficiency and optimizing operations across their businesses. Systems and stable supplier networks are priorities.

LARGER DISTRIBUTORS $251M - >$500M+

Priorities shift to using more technology and sustaining growth. Financial performance is paramount as they scale profitability.



The above chart shows the indexed aggregate results of the top three identified priorities from each respondent for 2026 charted by which revenue band their business operated.

Top business challenges ranked by impact

5.0

Economic uncertainty - shows financial risk such as inflation is influencing inventory decisions.

4.4

Greater competition - across all variables including price, channel and product lines.

3.8

Supply chain disruption - extended lead times make delivery schedules longer.

3.2

Demand volatility - customer buyer behavior is cautious and less predictable.

2.7

Trade policy and regulations - from tariffs to new sustainability laws, affects costs and planning.

1.6

Labor shortages - impacts overtime costs and customer service levels.

Respondents were asked to rank future challenges by impact from 1-6. Scores are aggregate values.

TREND 2

Inventory strategies are adapting to economic uncertainty

Research findings that support this trend:

54% adopting new demand planning approach

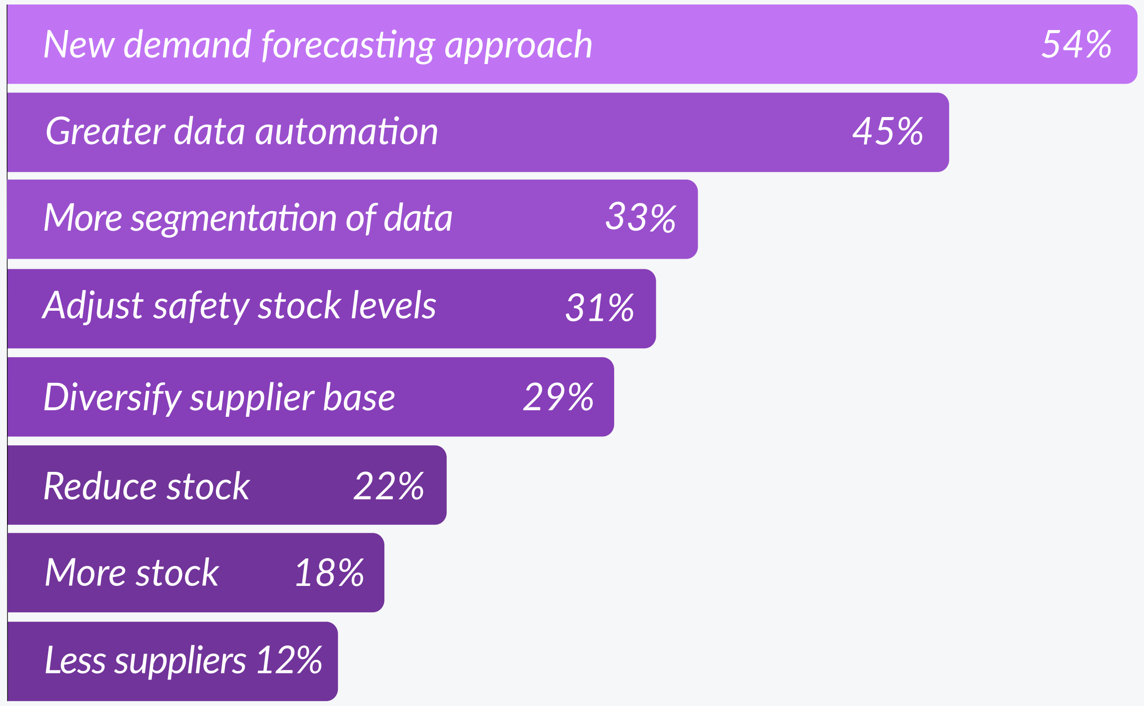
45% adding more data and warehouse automation

33% segmenting products and customers more

31% adjusting safety stock levels

How inventory strategies are shifting in 2026

How do you expect your inventory strategy to change?



We are constantly watching for changes in trends related to specific products and take action to adjust inventory up/down accordingly.”

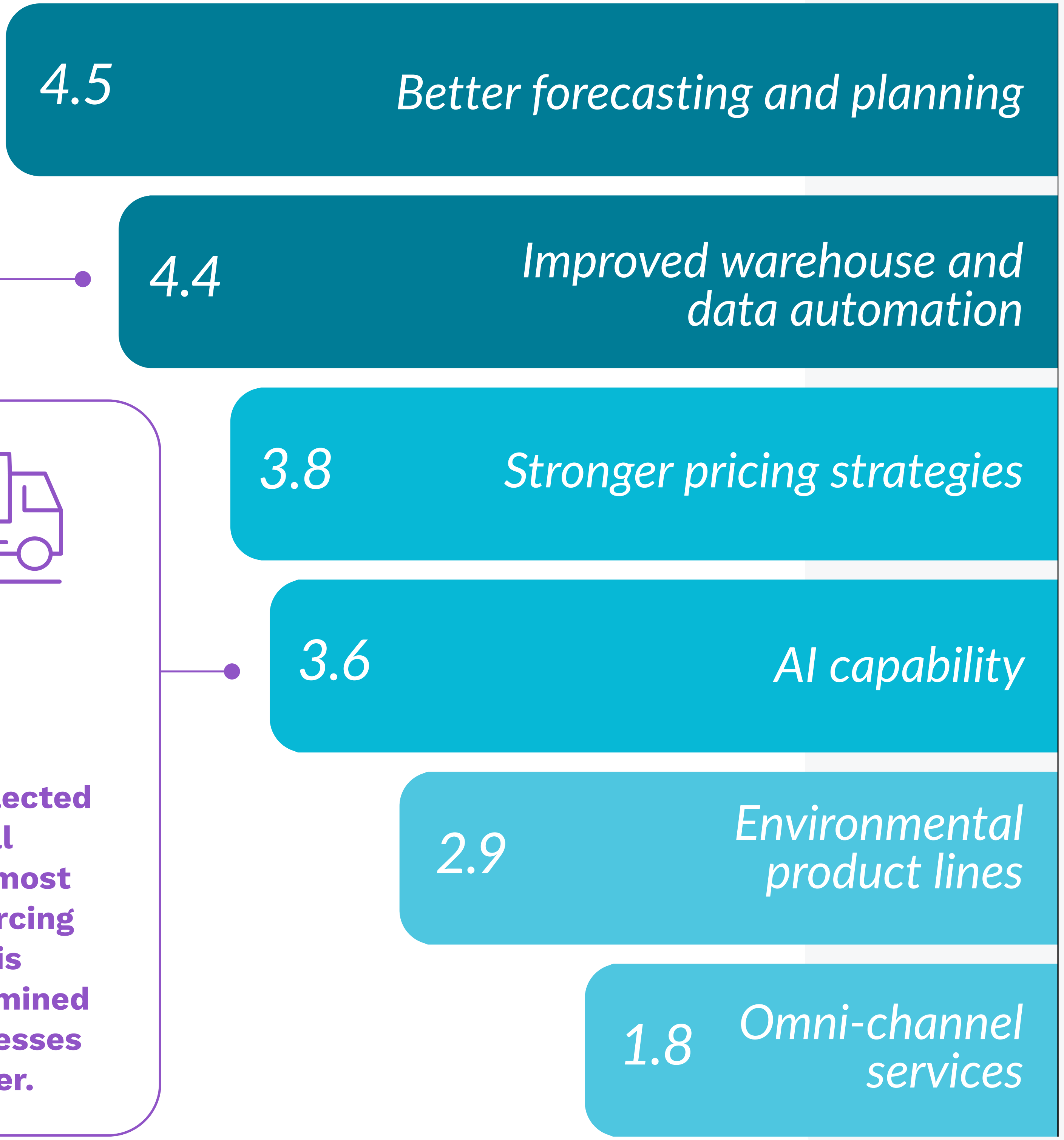
- VP Sales, Safety equipment, North America

The survey results show how wholesale distributors are planning to manage inventory over the next two years — it's about building resilience and precision into the way stock is analyzed and replenished.

The strongest signal is a move toward forecasting. Just over half of respondents (54%) said they expect to adopt a new demand forecasting approach. This suggests many distributors recognize that they need a way to get ahead of volatile buying patterns. Many distributors (45%) are also expecting to increase automation. Another major trend is the move to more segmented inventory strategies. Almost a third plan to introduce more product and customer segmentation. This signals a shift away from “one-size-fits-all” replenishment rules toward differentiated service levels and smarter stocking policies. 31% expect to adjust safety stock levels, reflecting continued uncertainty in supply reliability and a more deliberate approach to buffering risk. Supply-side strategy is changing too. 29% plan to diversify their supplier base, showing a clear focus on reducing reliance on a few supply partners. At the same time, less respondents plan to reduce suppliers (11.2%), suggesting diversification is a stronger theme than consolidation.

Overall, the results signify moves toward more data-driven, responsive inventory management, where forecasting, automation and segmentation protect service levels in a complex market.

Ranked capabilities needed to remain competitive



73%

of respondents selected these 3 operational capabilities as #1 most important - reinforcing that performance is increasingly determined by how well businesses can plan and deliver.

61%

of distributors are prioritizing stronger pricing strategies due to the highly competitive environment. This reflects a shift toward greater margin discipline in a tougher market.

56%

rate the need to better meet customer preferences in the mid-range. Environmental offerings skewing higher as a key capability to meet both customer demand and government regulations.

Respondents were asked to rank capabilities needed to compete effectively in 2026, from 1-6.

TREND 3

Stock availability is being prioritized over cash flow

Research findings that support this trend:

22% hold more than 90 days of stock

26% hold 6-10% of dead stock

63% report losing sales by not having the right stock

18% don't know their Inventory days of supply

Distributors are holding more stock for longer

Distributors are increasingly prioritizing stock availability over cash efficiency to avoid lost sales. 63% of respondents believe they lose sales because they do not have the right stock available, compared with just 23% who believe this is not an issue - 17% are unsure. This focus on availability is reflected in the inventory levels distributors are carrying.

Nearly half (47%) hold between one and three months of stock, with the most common range being 61–90 days of inventory, and a further 13% carry more than 120 days of supply. These higher stock levels point to more risk-averse inventory strategies as distributors respond to longer supplier lead times and ongoing demand volatility, with only 11% operating with less than 30 days of inventory.

This trend aligns with other external research, including Netstock's 2025 Supply Chain Planning Benchmark Report, which found that 45% of SMBs are intentionally building excess inventory to protect against tariff uncertainty and supply disruption.

The shift toward prioritizing stock availability over cash efficiency stood out in the results. While not surprising given recent supply chain volatility and pricing changes, it clearly reflects the trade-offs distributors are making to protect service levels.

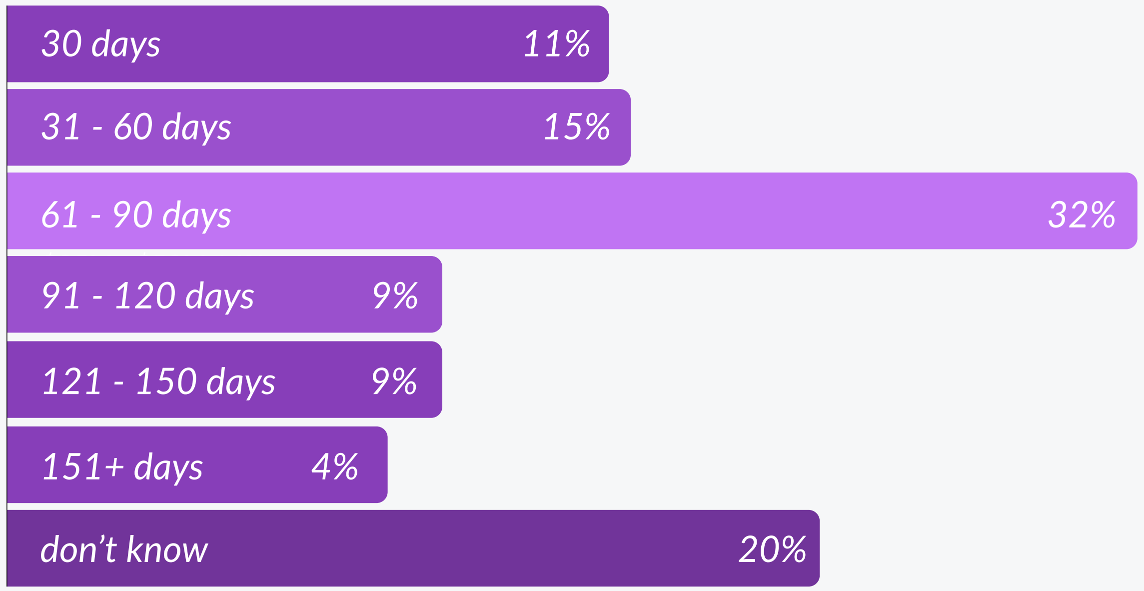
45% **building excess inventory as a protective measure against tariff uncertainty and supply disruption.**

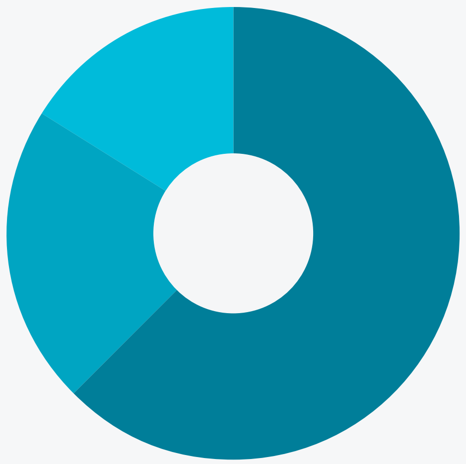
The above figure is from Netstock's 2025 Supply Chain Planning Benchmark Report, which found that 45% of SMBs are intentionally building excess inventory to protect against tariff uncertainty and supply disruption.

Because we now analyze our inventory data, we are able to identify obsolete inventory."

- Financial controller, Industrial supplies distributor, North America

What is the average Days of Supply in your business? (DOS)





Do you believe you are losing sales due to not having the right stock?

- *63% – Yes*
- *23% – No*
- *17% – Not sure*

Stock optimization dependent on key metric visibility

When asked what percentage of inventory is considered dead or obsolete per annum, the most common response was 6–10% (26%), followed by 2–5% (20%) and less than 2% (19%). A further 9% reported 11–15% dead stock, while 3% reported more than 20%. Notably, 22% of respondents said they don't know their dead stock percentage — a visibility gap that presents a significant leakage risk.

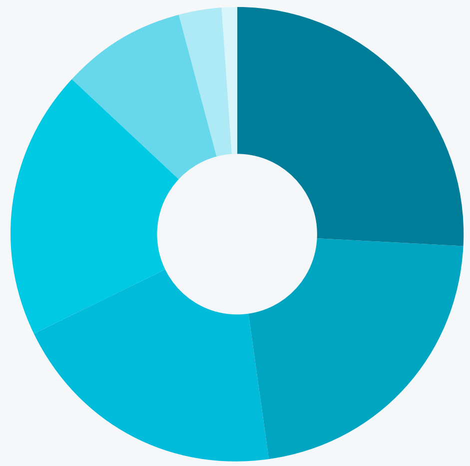
For wholesalers managing large product ranges, discounting is a strategic tool to manage inventory flow and customer demand. 55% of distributors operate with low to moderate discounting under 5%. Discounting is a controlled tool alongside strong inventory management, while 9% report no need to discount at all. Discounts above 10% are far less common and often indicate margin pressure or structural issues in inventory management. Notably, 19% of distributors lack clear visibility into how discounting impacts overall performance.

The underlying challenge is that inventory decisions are being made in an environment where both supply and demand are harder to predict. When businesses respond to uncertainty by increasing stock levels, they often improve service continuity in the short term, but they also increase exposure to aging inventory, write-offs and future discounting. This creates a fragile trade-off, the same buffer stock that protects against stock-outs can become tomorrow's dead stock if demand softens. Over time, this dynamic can quietly erode profitability, even while availability metrics appear healthy.

What stands out in the results is that many distributors are still managing this tension without a clear view of the true cost of inefficiency. The proportion of respondents who don't know their dead stock and discounting rates suggests that inventory leakage is often hidden.

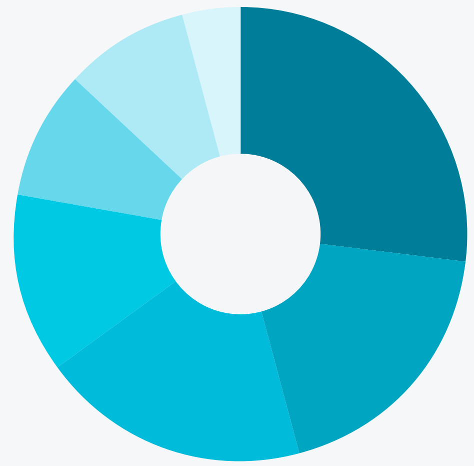
22%

report being unaware of the amount of dead stock they carry.



Amount of dead stock per annum

- 26% – 6-10%
- 20% – 2-5%
- 9% – 11-15%
- 1% – none
- 22% – don't know
- 19% – <2%
- 3% – >20%



Amount of discounted stock per annum

- 27% – 2-5%
- 19% – <2%
- 9% – none
- 4% – >20%
- 19% – don't know
- 13% – 6-10%
- 9% – 11-20%

9%

report having no need for discounting.

TREND 4

Demand planning is the #1 performance differentiator

Research findings that support this trend:

14% have increased revenue

34% have reduced inventory costs

24% improved service levels

12% have better terms with suppliers

Accurate planning delivers significant performance lift

Demand planning has emerged as the strongest performance differentiator for wholesale distributors because it directly links inventory decisions to customer service, inventory cost control and revenue growth.

The results show that 11% of distributors rate their demand planning as very accurate with the rest of the respondents reporting poor to only somewhat accurate demand planning. The accuracy gap also highlights how having the right data and systems to carry out demand planning is a huge time saver and delivers benefits.

Distributors that accurately demand plan report reducing inventory costs (34%) as the major benefit. 24% of respondents also say they improved service levels. With better insight into what products customers want, they can plan accordingly and strengthen loyalty and retention.

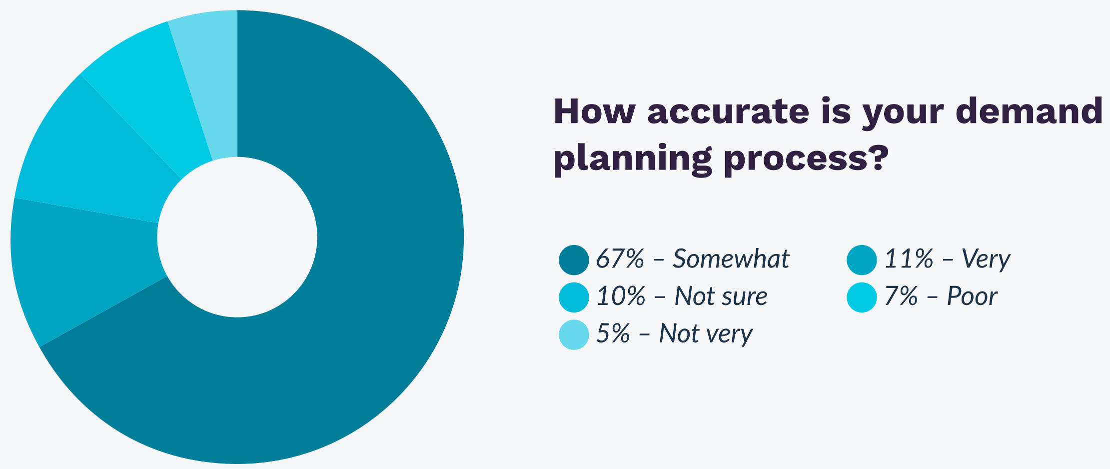
Demand planning also enables revenue growth for 14% of participants. Wholesalers that demand plan are also experiencing flow on effects across strategic initiatives such as better pricing, rebates and terms with suppliers (12%), stronger alignment with budgets (9%) and reduced discounting (7%).

These strong outcomes show that demand planning is becoming a core capability that drives financial and customer performance. It is therefore no surprise that demand planning and forecasting is cited by respondents as the number one capability required to compete in 2026 and beyond.

1 in 6 turnover annual stock valued over $100M

By analyzing our forecast accuracy, we've reduced inventory value on the balance sheet, optimized the mix and managed slow moving inventory, leading to operational and financial improvements.

– Commercial finance manager, Paper and forest products, Asia Pacific"



11%

report very accurate demand planning.

Benefits experienced with accurate demand planning

Ranked benefits by the 11% of survey respondents who reported 'very accurate' demand planning processes

Inventory cost reduction	*34%*
Service levels improved	*24%*
Increased revenue	*14%*
Better pricing, rebates and terms	*12%*
Better budget alignment	*9%*
Less discounting	*7%*

58%

report planning maturity first stabilizes stock levels and service performance before translating into top-line growth. The early gains are operational discipline and cash efficiency.

Fewer distributors attribute direct commercial uplift to accurate demand planning which shows many are still maturing in their ability to translate planning accuracy into broader margin and pricing gains.

Respondents were asked to rank the benefits they experienced by demand planning, from 1-6.

TREND 5

Trusted data results in better supplier performance

Research findings that support this trend:

87%
say data helps manage supplier performance

31%
have high trust in their inventory data

9%
improve lead time accuracy by sharing data

8%
joint plan with suppliers

Data trust and visibility

When asked to nominate how trustworthy inventory data is within their wholesale distribution businesses 31% say their inventory data is very trustworthy and 49% indicate it is mostly trustworthy which accounts for 81% of the respondents.

When these trust scores are correlated with sharing analysis with suppliers the results show distributors with higher trust in their inventory data are more likely to demonstrate data helping them manage supplier performance.

Those who rate their data as 'very' or 'mostly' trustworthy strongly report positive supplier outcomes, while confidence drops among distributors who have less reliable data. The results show that when distributors share trusted performance data with suppliers, the benefits are felt immediately in operational reliability rather than financial outcomes. Improvements in lead-time accuracy, joint forecasting and on-time delivery rank higher than pricing or rebate gains, indicating that data sharing initially strengthens execution and planning.

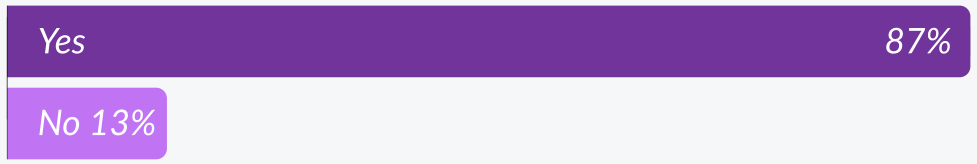
This suggests that suppliers respond most effectively when data is used to align expectations and reduce uncertainty. As forecasting improves and service becomes more predictable, distributors are better positioned to negotiate pricing, rebates and terms from a position of credibility and mutual trust.

> **The biggest impact of analyzing our inventory data is having the correct amount of stock available at the correct time."**
>
> *- EVP Operations, Automotive parts, Europe*

How trustworthy is your inventory data?

31% *Very trusted*	**49%** *Mostly trusted*
20% *Somewhat trusted*	**0%** *Not trusted*

Does data help you manage supplier performance?



Among distributors who share data with suppliers, the most common reported benefits are:

Cross-functional collaboration

Responses show that when distributors analyze inventory data cross-functionally (across sales, finance and operations), it directly changes behavior. Respondents describe using shared insights to improve stock availability and service levels, while also tightening cash control through better replenishment rules and more disciplined purchasing.

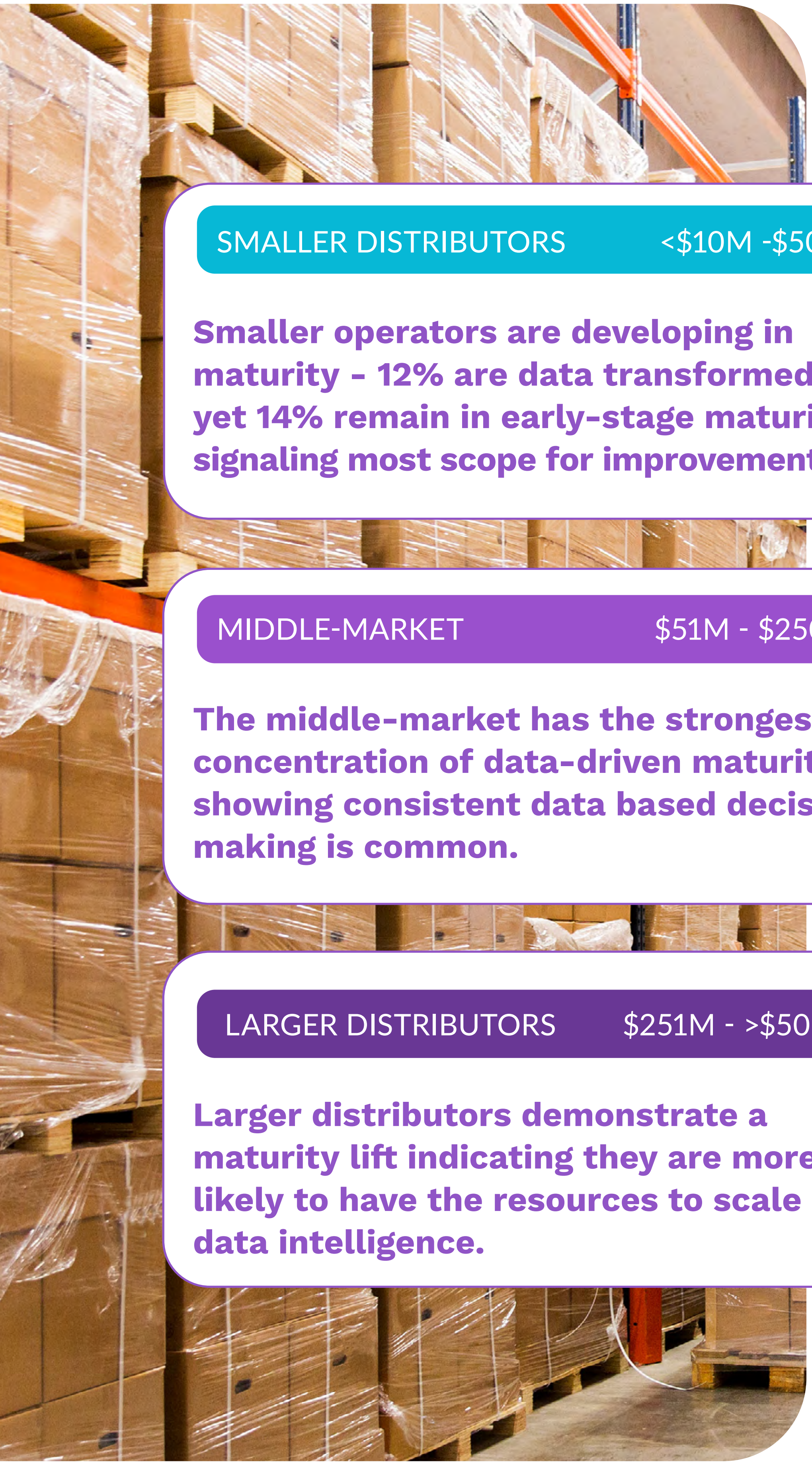
They also point to improved alignment between sales forecasts and purchasing decisions, helping to reduce over-ordering and to minimize slow-moving inventory. Others reference clearer accountability and faster decision cycles once inventory data is shared across departments.

Overall, the responses indicate that cross-functional analysis helps businesses strike a better balance between customer service and cash efficiency: operations gain clearer priorities, finance gains stronger control over inventory investment and sales teams benefit from improved availability on high-demand lines. The broader takeaway is that inventory intelligence delivers the biggest impact when it becomes a shared resource across the organization.

Do you share data across departments?

We have updated information every day that everyone can access, so no one is waiting for an email with spreadsheets."

- Supply chain manager, Building materials, Asia Pacific



SMALLER DISTRIBUTORS <$10M -$50M

Smaller operators are developing in maturity - 12% are data transformed, yet 14% remain in early-stage maturity signaling most scope for improvement.

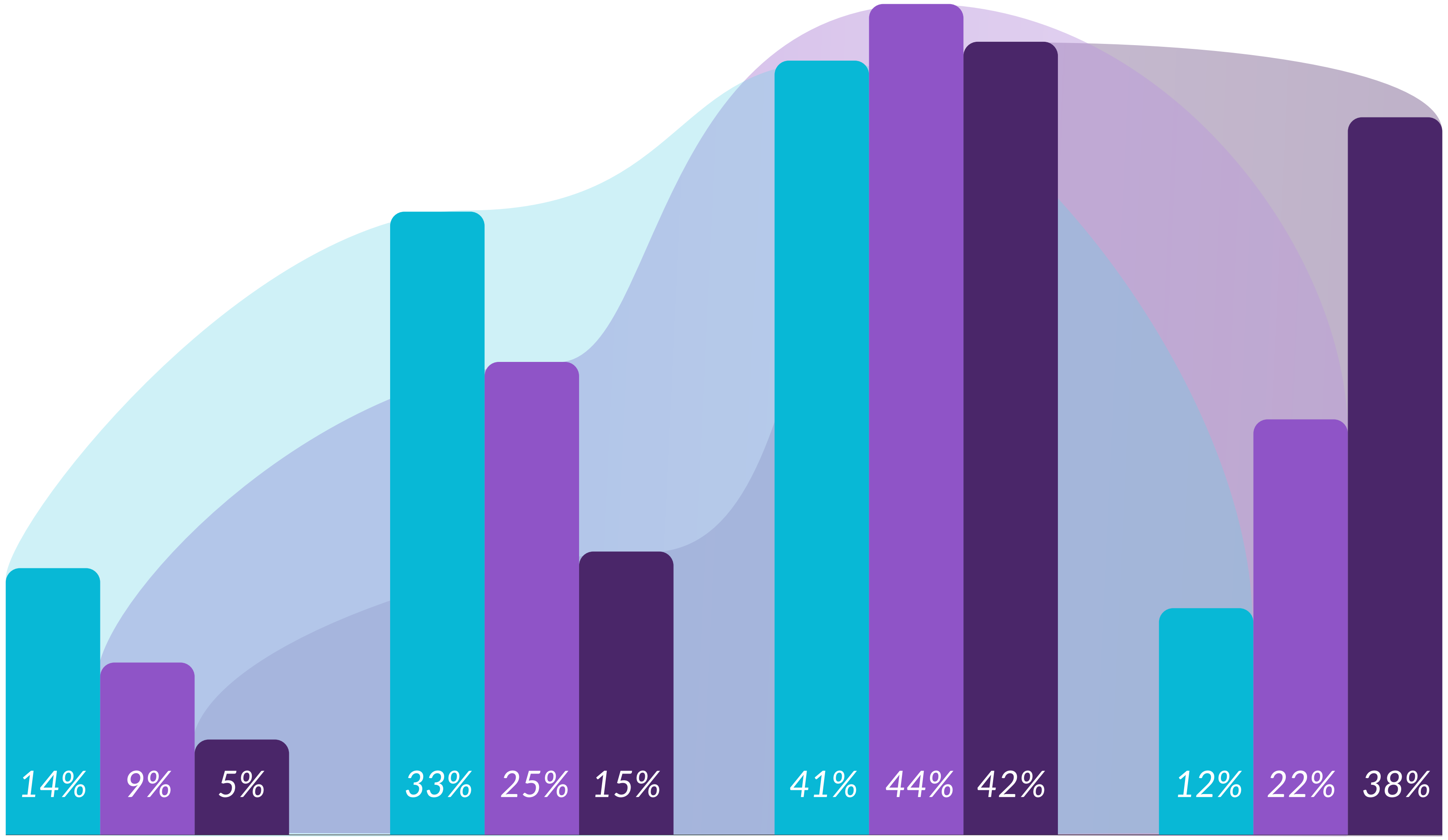
MIDDLE-MARKET $51M - $250M

The middle-market has the strongest concentration of data-driven maturity showing consistent data based decision making is common.

LARGER DISTRIBUTORS $251M - >$500M

Larger distributors demonstrate a maturity lift indicating they are more likely to have the resources to scale data intelligence.

Distributor data maturity by revenue



LEVEL 1

Data exploring

Teams use data, but still depend on manual workarounds, spreadsheets, or inconsistent processes to get answers.

LEVEL 2

Data informed

Teams are just beginning to analyze their inventory data, with limited visibility and early-stage reporting maturity.

LEVEL 3

Data driven

Teams run the business from connected, automated data, with consistent reporting and insights embedded into decision-making.

LEVEL 4

Data transformed

Teams rely on trusted data and dashboards to guide decisions, with regular review rhythms and clear performance visibility.

The above chart shows the self-described data maturity level from each respondent charted by which revenue band their business operated.

Distributors' technology adoption

Which technology systems are you currently using for inventory management and analysis?

69% use one or more enterprise resource planning system (ERP)

49% are working with Excel spreadsheets

47% use a warehouse management system (WMS)

57% use business intelligence or data analytics software

15% use dedicated financial planning software

9% use rebate management software

The above results are from a multiple choice question where respondents were able to pick as many of the options as relevant.

Key metrics and benchmarks

The metrics providing insights

The metrics wholesalers choose to track demonstrate a strong focus on financial efficiency. Inventory days of supply is the most tracked metric (73%), helping businesses understand how long their stock will last and how much cash is tied up in it.

Gross Margin Return on Inventory (61%) helps businesses see which products are delivering the most profit for the money tied up in inventory, not just which ones sell the most.

Service-level metrics are less consistently tracked. DIFOT (41%) indicates that fewer than half of wholesalers are actively measuring service reliability, despite its direct link to customer satisfaction and lost sales. This suggests that service impacts may be felt before they are seen in the data.

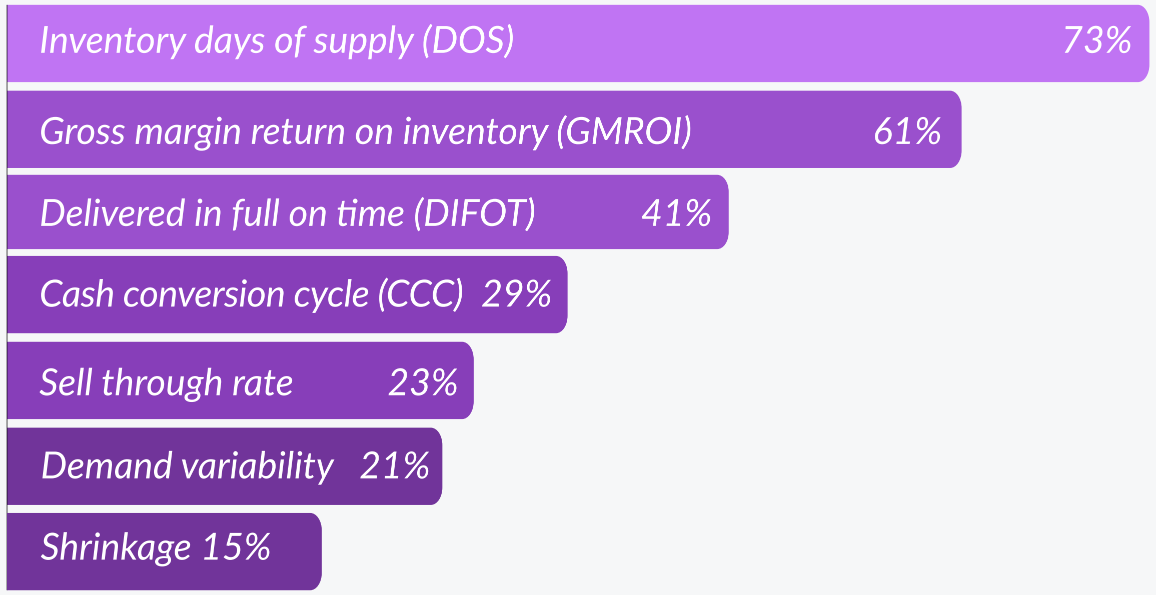
Cash Conversion Cycle (29%) shows how long it takes for a business to turn cash spent on stock back into cash from sales, but it's still not widely used despite being very important in wholesale.

The results show inventory performance is being monitored at a high cadence, reflecting how central stock has become to day-to-day decision-making. Nearly half of distributors (45%) review inventory daily or multiple times per week, while a further 29% report weekly or several times per month.

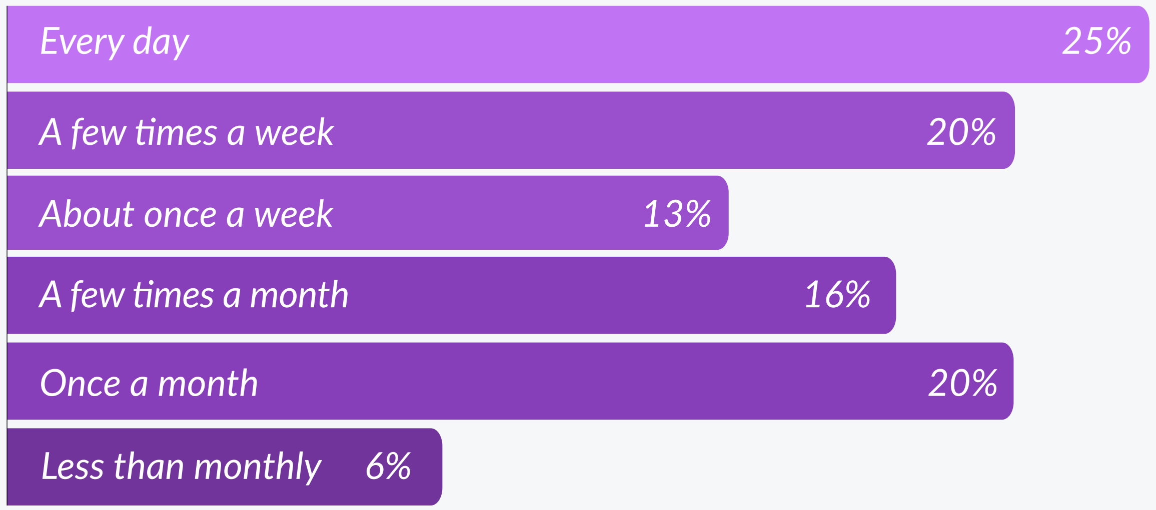
45%

of distributors report analyzing inventory with a high frequency – either daily or multiple times per week.

Common metrics being tracked



How often do you review/ report on inventory performance?



Industry benchmarks guide

Dead stock carried per annum

The majority of distributors (46%) cluster between 2–10% dead stock, making this the realistic operating norm. Yet 12% of them report more than 10% of dead stock. One in five also lack visibility into dead stock.

No dead stock	**1%**	Very rare. Almost all distributors carry at least some dead stock each year.
< 2%	**19%**	Indicates strong inventory discipline and data-driven product lifecycle management.
2–5%	**20%**	A common and relatively healthy operating range, reflecting manageable levels of stock obsolescence.
6–10%	**26%**	The largest group. At this level, dead stock becomes a cash flow and storage space issue.
11–15%	**9%**	Can signal inventory risk and weaker alignment between internal teams and customer preferences.
> 20%	**3%**	Indicates structural inventory management issues.
Don't know	**22%**	A significant proportion of distributors cannot quantify dead stock, highlighting inventory visibility and measurement gaps.

Discounted stock per annum

Most distributors report low-to-moderate discounting, using it as a controlled lever to maintain inventory flow without sacrificing margin. Higher discounting is less common, while some still lack visibility of impact.

No discounting	**9%**	Many distributors have strong inventory management and pricing and report no need to discount.
< 2%	**19%**	Represents distributors with tight inventory control where discounting is used only occasionally.
2-5%	**27%**	A common operating range, suggesting discounting is routine but controlled.
6-10%	**13%**	At this level, discounting becomes a regular inventory-management tool.
11-20%	**9%**	Indicates growing inventory pressure and increasing margin erosion.
>20%	**4%**	Reflects structural inventory problems where discounting is relied on to clear stock.
Don't know	**19%**	Highlights a visibility gap in how discounting impacts inventory and margins.

Industry benchmarks guide

Inventory leakage - dead stock + discounting impacts

The portion of inventory that doesn't deliver full margin, either because it becomes dead stock or is discounted. Some distributors refer to it as, 'margin we didn't realize we were losing'. Overall inventory leakage is widespread, with 39% of distributors experiencing moderate to high leakage and 21% lack the visibility to quantify it.

0-2%	**20%**	Minimal obsolescence and little to no reliance on discounting.
2-5%	**20%**	Dead stock and discounting are present but planned and manageable.
6-10%	**26%**	Regular discounting and dead stock starting to impact cash flow and margins.
10-20%	**9%**	Misaligned buying and demand, resulting in sustained margin erosion and excess stock.
>20%	**4%**	Discounting is the primary clearance mechanism and large amounts of cash tied up.
Don't know	**21%**	Lack of inventory visibility represents a significant risk.

Cash conversion cycle (CCC)

Shows how long cash is tied up in stock and receivables before returning to the business. Many distributors operate in the moderate burden range, while a significant share still don't measure CCC at all, signaling a major visibility gap in working capital performance.

< 30 days	**11%**	Very strong cash efficiency and fast conversion.
31-40 days	**9%**	Healthy cycle with good control of stock and receivables.
41-50 days	**14%**	Moderate cash tied up as complexity increases.
51-60 days	**16%**	Higher working capital pressure and slower conversion.
61-80 days	**9%**	Cash locked up longer due to slow stock or longer terms.
81-100 days	**4%**	Significant drag from inventory or collections delays.
101-120+ days	**5%**	High risk of cash constraint and inefficiency.
Don't know	**31%**	Limited visibility into working capital performance.

Industry benchmarks guide

Days of supply (DOS)

Many distributors are carrying buffer stock to protect service levels. This points to ongoing uncertainty, slower stock movement and increased working capital pressure, while a share still lacks clear visibility into this metric.

30 days	11%	Lean inventory and faster stock movement.
31-60 days	15%	Balanced stock levels with manageable cash impact.
61-90 days	32%	Most common is moderate-to-high inventory holding and slower turns.
91-120 days	9%	Stock held longer, increasing working capital pressure.
120-150 days	9%	Significant cash tied up and higher aging risk.
> 150 days	4%	Very slow-moving inventory and high obsolescence risk.
Don't know	19%	Limited visibility into inventory efficiency.

How to calculate key inventory metrics

Cash Conversion Cycle (CCC)

CCC = DOS + DSO − DPO

DOS = Days of Supply (Average Inventory ÷ COGS) × 365
DSO = Days Sales Outstanding Average Accounts Receivable ÷ Revenue) × 365
DPO = Days Payables Outstanding (Average Accounts Payable ÷ COGS) × 365

Inventory Days of Supply (DOS)

Days of Supply (DOS) = (Average Inventory ÷ COGS) × 365

Gross Margin Return on Inventory (GMROI)

GMROI = Gross Margin ($) ÷ Average Inventory Cost ($)

Dead Stock %

Dead Stock (%) = (Value of Dead / Obsolete Stock ÷ Total Inventory Value) × 100

Discounted Stock %

Discounted Stock (%) = (Value of Stock Sold at a Discount ÷ Total Stock Sold Value) × 100

Inventory Leakage

Inventory Leakage (%) = (Total Inventory Losses ÷ Total Inventory Value) × 100

Sell-Through Rate

Sell-Through Rate (%) = (Units Sold ÷ Units Received) × 100

Inventory Turnover

Inventory Turnover = COGS ÷ Average Inventory

Conclusion

Inventory trends in wholesale distribution 2026 analysis reflects a continued move to resilience and controlled efficiency in the volatile global environment.

Across regions, distributors are holding more inventory and prioritizing stock availability to protect sales against demand uncertainty, longer lead times and supply chain disruption. Carrying one to three months of stock has become the norm, signaling a move away from lean inventory models that once defined best practice. Keeping hard earned customers loyal is the key goal of inventory management for wholesale distributors.

‘Being able to tell the customer if we have the product ASAP makes the difference in orders,’ expresses the sentiment of many distributors who want to keep their customers close. To best serve customers, 70% of distributors are carrying more than 5,000 SKUs and 13% are managing inventories exceeding 50,000 SKUs. These product mixes mean distributors, from HVAC to water filtration, turn over tens of millions in stock, manage multiple warehouses and suppliers, and run complex, sophisticated operations. Strong inventory performance visibility across the business is important with 45% saying they review performance at least a few times a week, even daily.

Interestingly, more than one-third of distributors carry over 5% dead stock annually, while a considerable proportion lack visibility into dead stock altogether. Discounting is more controlled as 27% of distributors discount less than 2% of their stock each year. Carrying out demand planning and measuring GMROI with accurate data also keeps discounting in check.

31% have high trust in their data which allows them to make nuanced decisions relating to their business and carry out data-reliant tasks like segmentation and margin analysis. What differentiates the most resilient distributors is their use of data-driven inventory strategies, with demand planning being a critical capability.

The results show distributors with more accurate demand planning are reducing inventory costs, improving service levels and achieving revenue growth. While demand planning is paying off for some distributors, many also want to carry out this type of forecasting more accurately or in more detail. This capability is designated as the top priority for 54% of distribution professionals working across sales, finance and the supply chain.

The ability to plan extensively across a broad product range offsets the risks of carrying more stock. In 2026, inventory management excellence is about using trusted data and forecasting reliability to balance availability and profitability in uncertain global markets.

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