

# Pricing Through Commodity Shocks

## A B2B Distributor Framework



### Why oil shocks demand a different playbook

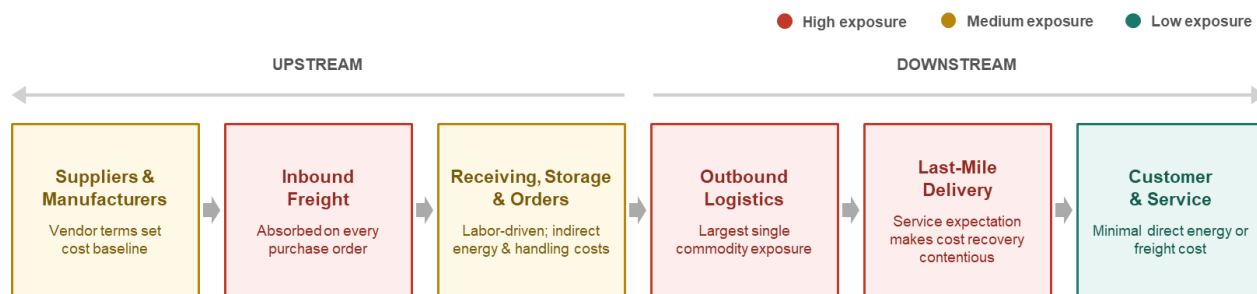
Oil occupies a singular position in distribution cost structures: it is simultaneously embedded in the products sold and the primary input that lands virtually everything else we make, buy, and consume into our customers' hands. A price spike doesn't just raise the freight bill. It flows through packaging materials, petrochemical inputs, warehousing energy costs, and the landed cost of nearly every SKU in your portfolio.

Standard pricing approaches struggle here. Costs rise faster than contracts or customer conversations allow, and distributors absorb the hit while waiting for the right moment to respond. The problem also runs in reverse: when commodity prices fall, customers expect relief immediately while your own costs take longer to follow. Buyers may acknowledge increases are legitimate and still have internal mandates to cut spend, which makes every negotiation harder than economics alone suggest.

Markets often respond poorly to cost shocks, making undisciplined moves like blanket increases that create an opening for distributors prepared to act deliberately. A distributor with strong relationships, broad product depth, and real switching costs has more room to maneuver than one competing primarily on price. Knowing where you sit before the pressure hits is what separates effective responses from reactive ones.

### Know your exposure: The value chain lens

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- **Inbound freight, outbound logistics, and last-mile delivery** carry high direct exposure; difficult to pass through.
- **Receiving, storage, and order handling** sit in the middle tier where energy costs are more indirect.
- **Customer-facing services** carry minimal direct commodity exposure and can be used as retention tool.
- Running a passthrough calculation by product line rather than across the business in aggregate quickly reveals where you have a genuine cost recovery problem and where there is room to hold.

**How long do you have to act?**

- **Spot freight and fuel surcharges:** 1 to 2 weeks. Carriers pass through spot price changes almost immediately.
- **Contract freight and inbound terms:** 30 to 60 days at the next contract review.
- **Supplier input costs:** 45 to 75 days. Manufacturers have less buffer to absorb spikes in 2026 than previously.
- **Customer pricing cycles:** Today to 180 days. Spot quotes reprice now; annual contracts can take 6+ months.

*Distributors who respond in the first 30 to 60 days of a sustained shock have more options.*

**Taking action with disciplined segmentation and partnership**

With the knowledge of where in the value chain cost pressure is applied, distributors need to consider pricing actions. Blanket increases that ignore customer economics and defensive discounting both signal reactive pricing and create openings for distributors with a more deliberate approach. The companies that emerge strongly hold a segmented position while others react. For PE-backed distributors with the balance sheet to absorb a short-term hit, that discipline is a strategic investment. Maintaining service levels and deepening relationships during a down cycle sets up meaningful gains when conditions improve.

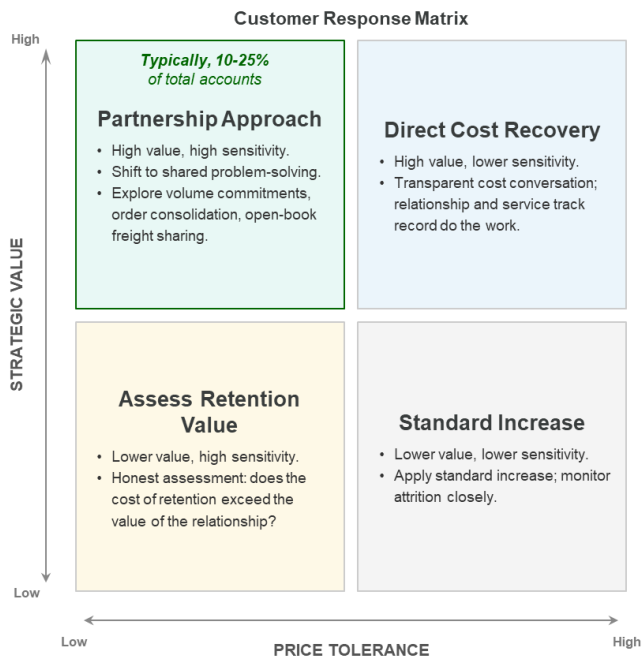
**Segmenting your response**

A more nuanced approach can improve the effectiveness of your pricing decisions *and* your customer retention. Segment on two dimensions: the strategic value of the account and the cost pressure and price sensitivity each customer is currently facing.

**The partnership approach**

For accounts in the high-value, high-sensitivity quadrant, shift the conversation from price negotiation to shared problem-solving. Rather than simply asking them to pay more, work together on a structure that makes sense for both businesses.

- Volume commitments from the customer in exchange for price stability from you.
- Order consolidation that reduces outbound freight cost, with savings shared.
- Extended payment terms that provide cash flow relief without touching unit price.
- Inventory buffering agreements that reduce ordering friction and logistics variability.
- Open-book commodity cost sharing with strategic accounts, reframing the dynamic from adversarial to collaborative.



*A note on fuel surcharges: if competitors are implementing and the market is absorbing them without pushback, a well-structured surcharge can be appropriate. It should be tied to an external index, decrease when that index falls, and include a clearly communicated sunset mechanism. Without these conditions, it's often viewed as a more permanent price increase with positioned differently.*

**The intelligence advantage**

Commodity shocks are temporary. The pricing reputation and customer relationships you build or damage during one are not. Distributors that come out ahead understand what their customers are experiencing and what their competitors are planning before making their own moves. Knowing that a top account is quietly evaluating alternatives, or that a key competitor is holding price while your sales team feels discount pressure, enables you to respond with the right price or retention action.

IGS works with distributors and other PE-backed platforms to build the pricing infrastructure this framework depends on: segmentation models, competitive positioning, and the customer intelligence needed to act before the window closes. We've applied these tools to identify margin leakage and build foundational capabilities that hold up in volatile periods.

## Connect with our Pricing Experts

The distributors that hold margin through a commodity shock don't figure it out under pressure; they've already done the work. IGS partners with distributors and manufacturers to build that foundation: **customer segmentation, value chain cost mapping, competitive analysis, and pricing architectures that hold up when conditions change.** We've applied these tools with clients across the distribution sector in both stable and volatile periods.

Reach out to the authors from our pricing team to learn how our approach can help you.



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