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Industrial Manufacturing Outlook

A Tale of Two Models

Executive Summary

U.S. industrial manufacturing is entering 2026 with moderate topline growth expectations, but beneath the surface, performance is increasingly polarized. While many manufacturers remain constrained by low-margin products and underinvested commercial models, a distinct cohort is pulling away with double-digit growth.

Our research shows that the gap is not driven by macro conditions alone. Instead, it reflects a set of deliberate strategic choices around where to compete, how to invest, and which customers and markets warrant disproportionate focus. The manufacturers outperforming the market are aligning around three core areas:

- **Upgrading the product and service portfolio** by prioritizing higher-margin offerings, engineered solutions, and structurally attractive end markets.
- **Increasing and sharpening commercial investment** across sales, marketing, pricing, and revenue operations to drive sustained, multi-channel growth.
- **Expanding through strategic customers and international markets,** reinforcing scale, capability depth, and long-term growth ceiling.

This article explores the two distinct commercial models emerging in industrial manufacturing today and outlines the specific actions companies can take in 2026 to position themselves to materially outgrow the market – while improving margins and reinvestment capacity in the process.

U.S. Growth Outlook

The overall outlook for U.S. manufacturing revenue growth is moderately optimistic, with most forecasts clustering in the 4–7% range[1] for 2025–2026, depending on sector mix and exposure to commodity versus advanced manufacturing. Beneath that headline, however, performance is becoming increasingly bifurcated. Our research into industrial manufacturing commercial models found a widening gap between low- and high-growth companies – one that macro conditions alone cannot explain.

This divergence is echoed in recent ISM survey data[2], where more than half of respondents expect flat or declining growth, while the remaining cohort anticipates double-digit revenue expansion in 2026. In other words, manufacturers are entering the same market environment with dramatically different outcomes.

[1] Range is composed of revenue growth forecasts from Institute for Supply Management (4.4%) and a Blue Ridge Partners Survey of US Manufacturers (6.9%)

[2] Institute for Supply Management (ISM), *Manufacturing PMI Monthly Reports* and *Semiannual Economic Forecast*, 2025

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In large part, it comes down to two factors: product and commercial sophistication. Growth leaders are not simply riding demand – they are creating a virtuous loop of high-margin products and services paired with substantial and multi-faceted commercial investment.

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On average, our research[3] found that roughly 25% of manufacturers achieved both 10%+ revenue growth and 40%+ gross margins, and this group expects even stronger growth next year. By contrast, laggards delivered approximately 2.5% growth with sub-30% margins, leaving them structurally constrained in their ability to invest for future growth.

So the real question is not whether the market will grow, but how your company can be positioned to outgrow it. How do you move into high gear for 2026? It starts with three key components:

Component One: Evaluate and upgrade product and service portfolio

Our research[3] shows that low-margin, commodity-oriented manufacturers tend to deliver the weakest growth. These businesses face relentless price pressure from offshore competitors, and buyers perceive minimal risk in switching vendors. As a result, price becomes the primary, often only, basis of competition.

Thin margins starve the commercial engine, compounding the problem. Lower-cost competitors steadily take share, while incumbent manufacturers struggle to justify the very product and commercial investments needed to break out of stagnation.

By contrast, smart, growth-oriented manufacturers – even in structurally lower-margin industries – change the game by pushing relentlessly into higher-margin products, services, and customer segments.

This shift starts with a hard, strategic evaluation of the product and service portfolio, guided by three primary objectives.

1. **Clearly define growth products and priority segments**

   Leaders are explicit about where growth should come from. Rather than spreading investment thinly across the portfolio, they identify a small set of:

   - High-margin product families or engineered variants
   - End-markets with structural growth and complexity
   - Customers that value reliability, performance, and partnership over price

   These become the focal point for product development, pricing strategy, sales specialization, and marketing investment, creating the virtuous loop between margin expansion and commercial effectiveness.

2. **Re-price and reduce focus on the lowest-margin customers**

   Few manufacturers rigorously analyze profitability by customer, channel, and lifecycle. When they do, the results are often stark: a significant portion of customers are structurally unprofitable once discounts, service burden, customization, and volatility are fully accounted for.

[3] Insights from US Manufacturing Survey, *Blue Ridge Partners*, 2025

Growth leaders take decisive action – repricing, redefining service levels, migrating customers to lower-cost channels, or exiting altogether, freeing capacity and commercial focus for more attractive segments. Done smartly, better management of the lowest margin customers can result in minimal or no impact to revenue growth for these segments. Re-pricing may yield revenue expansion, and alternative sales channels may actually provide better service and support.

3. **Swap low-margin businesses for high-margin ones**

   Most established manufacturers ($100M+ in revenue) operate with a highly heterogeneous portfolio of products, end-markets, and production footprints, often shaped by decades of incremental decisions. A disciplined evaluation of growth, margin, and strategic fit will quickly highlight which businesses consistently dilute returns.

   For growth leaders, this analysis informs:

   - Which product lines or facilities to exit or wind down
   - Which segments to deprioritize for growth investment
   - What types of higher-margin adjacencies would make attractive acquisition targets

   A parallel focus on divestiture and acquisition can result in net growth overall, with better-aligned product and market segments.

Component Two: Hypercharge and Focus Commercial Investments

Top-growth manufacturers embrace and invest in commercial strategy, significantly outpacing average growers and laggards. They bolster their solid foundation of higher-value, higher-margin products with greater investment in both sales and marketing, resulting in approximately 2% higher overall spend in each of these areas.[3] Given their higher baseline product margins, however, these high growers achieve this with equal or lower spend relative to margin. This increased investment also supports a 10%+ growth premium versus the slowest-growth cohorts.

However, increased investment alone is only part of the picture. Top-growth firms actively embrace multiple commercial levers, compared to just two for other companies. These include new logo acquisition, cross-sell, pipeline discipline, sales/revenue operations, sales talent, and pricing. All other growth cohorts focus primarily on just pricing and sales talent.

In addition, marketing is the unsung hero in industrial manufacturing, with top-growth firms investing 5%+ of revenue. This spend is strategically allocated to high-priority areas:

- Market & customer insights
- Product & portfolio marketing
- Demand generation and pipeline management
- Revenue operations (enablement, reporting, tools, and systems)
- Channel & partner marketing

Component Three: Prioritize Strategic Customers and International Expansion

While manufacturers have many potential growth paths, our research[3] found that two are strongly aligned with superior growth. Nearly 100% of the top-growth firms we surveyed actively focus on strategic customers, and they also generate a significantly higher share of revenue internationally – nearly 40% of total sales.

In fact, top accounts highly value international presence and fulfillment, creating a symbiotic loop between strategic accounts and international expansion. Both growth avenues force manufacturers to elevate performance across the board, including commercial sophistication, operational integration, and product and service innovation. In a recent Blue Ridge Partners engagement, an automation equipment manufacturer greatly expanded both its European and North American footprint through innovative technology acquired from a Northern European company.

Closer to home, and despite recent trade frictions, the Canadian and Mexican economies have become highly integrated with the United States. Manufacturers miss both clear growth opportunities and meaningful operational efficiencies if they lack an active presence and growth strategy in either country.

Putting it All Together

Every industrial manufacturer will start 2026 from a different position, but most can make the right moves to materially improve both growth and profitability. For those struggling to grow, we suggest several key actions for 2026:

- Identify your top customers, core market segments, and high-value products that warrant investment, and actively begin to de-emphasize those that do not.
- Prioritize 2-3 additional areas of commercial investment beyond pricing and sales talent alone. In particular, focus on the capabilities required to drive and sustain new-logo growth.
- Critically assess marketing investment and commit an additional 1–2% of revenue to high-impact, high-need programs.
- Evaluate international expansion opportunities, with an initial emphasis on North American markets and potential acquisition targets that can deliver both growth and innovation.

There are two distinct manufacturing commercial models today: one that is frequently cited as being in persistent decline, and another that is thriving by doubling down on innovation and commercial sophistication. In 2026, the gap between these two paths is likely to widen.

Against this backdrop, leadership teams are increasingly pressure-testing their commercial models for 2026. Blue Ridge Partners works with industrial manufacturers to benchmark their performance against growth leaders and clarify priorities across portfolio focus, commercial investment, and international expansion.

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Why Blue Ridge Partners?

At Blue Ridge Partners, we focus exclusively on helping companies accelerate profitable revenue growth – the #1 driver of value creation. We've earned high marks from private equity firms by delivering material, rapid, and cost-effective results for their portfolio companies.

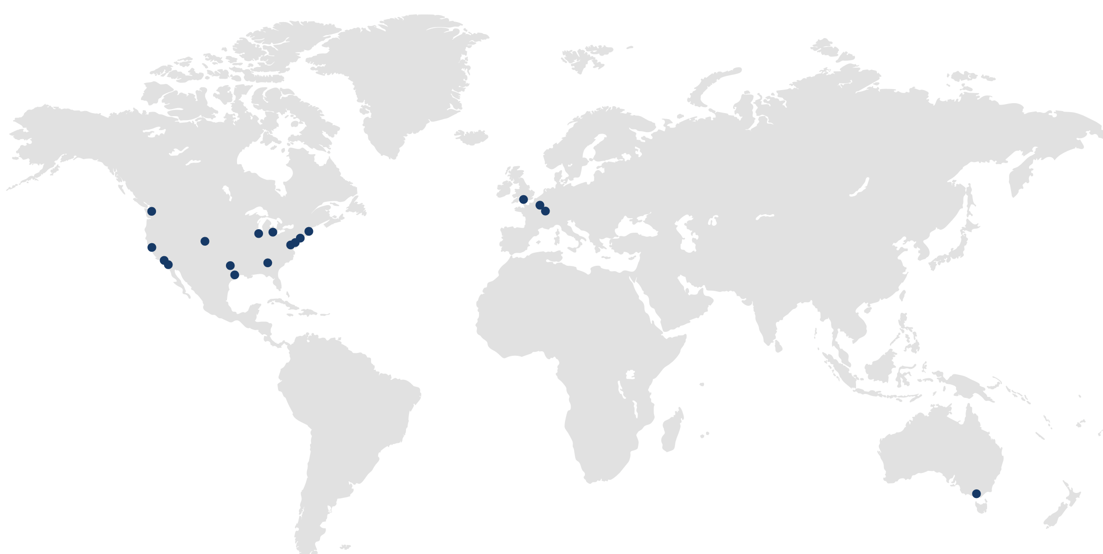
Our work spans value creation planning, commercial model transitions, strategic pricing, sales effectiveness, and commercial due diligence. Our Managing Directors combine top-tier strategy consulting and operating experience, and we're known for rolling up our sleeves, taking a pragmatic, hands-on approach, and focusing on the "how" of execution to drive measurable P&L impact.

Increasingly, we help clients leverage Commercial AI to accelerate growth. Through our Commercial AI Center of Excellence (CoE), we guide AI investments toward real business problems and commercial metrics – not just tools – to ensure tangible results.

Since 2002, we've partnered with over 130 top-tier PE firms and 1,300 companies worldwide to create lasting value across the investment lifecycle.

For further information please contact us at info@blueridgepartners.com or visit us at www.blueridgepartners.com.

Our Locations



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