



Strategic Pricing for Distributors, Your Pricing Data Base, and You

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Much has been written about how distributors can increase their margins by 2-3% (200 to 300 “basis points”) or more by using strategic pricing methods to raise their prices without alienating customers. I have written some of it, including a new book called *Strategic Pricing for Distributors*, published this summer by the NAW Institute (www.nawpubs.org). Of course nothing truly worthwhile, such as a large and sustainable increase in your company’s profits, is easy to obtain. Success with strategic pricing depends on commitment, hard work, and ongoing effort by the staff. This short article will focus on one specific requirement: a clean pricing data base.

No matter which ERP system you are using, a pristine data base is essential. No area of your system is more prone to clutter and errors than your pricing data. Even a great pricing library structure, such as you’ll find in well-designed systems such as Infor’s products, cannot function properly with bad pricing data. As consultants, we at Evergreen urge our clients to “clean out the pricing data attic” before attempting to launch a strategic pricing project.

Here is a sampling of the situations we encounter:

- THOUSANDS OF EXCEPTION PRICE/COST RECORDS when there should be hundreds. Strategic pricing makes many of those exception records unnecessary.
- OBSOLETE EXCEPTION PRICE/COST RECORDS with special vendor-supported costs that are no longer in effect.

- TOXIC EXCEPTION PRICE/COST RECORDS in which the expiration dates have been carelessly set to “never”.
- BY CUSTOMER, BY ITEM RECORDS WITH DEPRESSED MARGINS left on “autopilot” for years.
- ERRONEOUS ITEM COSTS left in the system indefinitely.
- UNREALISTIC PRICE LISTS / “BOOK” PRICES maintained in the pricing library but ignored by the sales staff as they are totally out of touch with market pricing.

Software providers like EPACube offer solutions to cleanse and synchronize client data bases. Depending on your distribution business, and your profitability goals, outside assistance from resources such as Evergreen Consulting and EPACube can help you get the most from your ERP system, and from your distribution business.

EVERGREEN CONSULTING, LLC is a “boutique” consulting firm focused entirely on the wholesale distribution channel. EVERGREEN CONSULTING provides advice on strategy, growth and profitability improvement – including strategic pricing. Brent is an NAW Distinguished Research Fellow and has written six books and many articles about distribution. He and his partners are all experienced distribution executives. Brent can be reached at brent@evergreen-consulting.com.