



## Granite City Electric Supply Company

### Company Facts

- Location: Quincy, Massachusetts
- Industry: Electrical
- Number of Employees: 240
- Web site: [www.granitecityelectric.com](http://www.granitecityelectric.com)



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Gregory Smith, Vice President of Marketing | Granite City Electric Supply Company

### Success Highlights

#### Challenges

- Help a New England electrical distributor establish a data-driven pricing structure, reduce price overrides and improve margins

#### Solution

- Epicor Eclipse with Strategic Pricing

#### Benefits

- Increased overall margins by 2 points, and margins for customers on Strategic Pricing by approximately 4 points
- Reduced override ratio on a monthly basis to 2½%, down from 30-40%
- Increased commissions earned by the Sales team

Granite City Electric Supply Company was founded in 1923 in Quincy, Massachusetts. Over the years, the company has expanded into four other New England states, serving thousands of electrical contractors and the general public from 28 locations and distribution centers. With 240 employees and annual revenues over \$130 million, Granite City Electric is best known as the “Official Distributor of Electrical Supplies to the Boston Red Sox.”

According to Gregory Smith, Vice President of Marketing, Granite City Electric has been using the Epicor Eclipse enterprise resource planning (ERP) solution since about 2003. Smith’s previous company, JG Temple Electric, was running Eclipse when Granite City purchased it, and CEO Steve Helle also came from another Eclipse environment. Says Smith, “The best thing about Eclipse is its powerful, in-depth data collection and analytics.” Granite City Electric added to that power in 2011-2012, when the company rolled out Strategic Pricing.

### Strategic Pricing: The Basics

For every product/customer sale combination, there is an optimal price—the highest price a distributor can obtain while retaining the customer’s business. Strategic Pricing is a pricing architecture that involves detailed segmentation of a distributor’s customers by size (from “tiny” to “huge”) and type (“core” and “non-core”), profiling of their price sensitivity, analysis of past pricing performance, definition of new pricing standards, and development of metrics to support pricing processes and compensation.

Recognizing the value that Strategic Pricing would provide to distributors, Epicor formed an exclusive relationship with Strategic Pricing Associates (SPA) to seamlessly integrate a Strategic Pricing module into its Eclipse, Prophet 21, and Prelude products. Epicor customers can easily export the data for analysis and then load the resulting pricing structures/files into the ERP system.

## A Cultural Change

Granite City Electric started with Strategic Pricing 2½ years ago. Explains Smith, "It took six months to go through our sales data as the first step. It's very important to make sure your database is pristine before you begin. We initially launched Strategic Pricing with a small group of our 'tiny' customers for a year, then added most of the rest of the customers. The final rollout was completed in January 2012."

Smith advises that Strategic Pricing entails significant culture change among a distributor's salespeople. "The pushback from Sales was even more than we expected; when they're used to setting pricing themselves, it can be a very painful adjustment," he states. "Strategic Pricing requires full-time, ongoing monitoring to control overrides. You have to begin by seeing how many tickets were overridden previously, categorized by salespeople and by order, and then monitor that every month. This is the only way to get results... if you're going to invest in Strategic Pricing, constant vigilance is required to succeed with it."

According to Smith, salespeople don't necessarily set out to contravene the Strategic Pricing system, but they tend to generalize knowledge of one customer to the entire market for a given product. To encourage their buy-in, he invited Granite City's sales team to help identify the correct price based on the Strategic Pricing matrix. "They have to trust the system, and understand that it's impossible for any one person to understand 40 million potential pricing combinations," he explains. "We asked them to find out what the 6-12 'hot button' items were for each customer; but for all others, we want them to leave things alone and let the system price it."

## Results and Recommendations

In spite of the initial resistance from Sales, Granite City Electric has been able to execute Strategic Pricing and reap the benefits. Smith estimates that the company has seen a 2-point increase in its overall margins due to Strategic Pricing, and for customers that are on the system, it has been closer to a 4-point improvement. The salespeople themselves have directly benefited through this increased profitability, as their commissions are based on actual cost. In addition, Granite City is now maintaining a 2½ percent override ratio, as compared to 30-40 percent before Strategic Pricing.

For other distributors who are considering implementing Strategic Pricing, Smith's recommendations are: "Find an internal champion who believes in data-driven pricing, and doesn't care about winning a popularity contest. You must put metrics in place, and then stay on it—let the system do its magic."

He concludes, "I wish the entire industry were on Strategic Pricing; that would actually make our lives so much easier. We need to change the pricing mindset of electrical distributors from 'cost-plus' to 'what the market will bear' (which varies by customer). As the saying goes, 'A rising tide lifts all boats.' At Granite City Electric, we consider ourselves to be pretty innovative, but at the end of the day, if we could get every electrical distributor on this software, all of us would be more profitable!"

## About Epicor

Epicor Software Corporation is a global leader delivering business software solutions to the manufacturing, distribution, retail, and service industries. With more than 40 years of experience, Epicor has more than 20,000 customers in over 150 countries. Epicor solutions enable companies to drive increased efficiency and improve profitability. With a history of innovation, industry expertise, and passion for excellence, Epicor inspires customers to build lasting competitive advantage. Epicor provides the single point of accountability that local, regional, and global businesses demand. For more information, visit [www.epicor.com](http://www.epicor.com).



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