



Epicor Success Story

Service Supply of Victoria

Company Facts

- ▶ Location: Victoria, Texas
- ▶ Industry: Plumbing/HVAC/Industrial Tools and Safety Equipment
- ▶ Number of Employees: 60
- ▶ Web site: www.servicesupply.net



Success Highlights

Challenges

- ▶ Provide a Texas distributor with a rule-based pricing system that will automatically generate price pages for a very wide array of products and number of price combinations

Solution

- ▶ Epicor® Prophet 21® with Strategic Pricing

Benefits

- ▶ Currently enjoying 2.9% margin point improvement across business
- ▶ 2012 sales volume is up 40% in first quarter over 2011 levels
- ▶ Profit is up 50% in first quarter
- ▶ Speed of filling orders has increased by 50% or more, according to customers

Service Supply of Victoria is a distributor serving 28 counties in South Texas. In business since 1949, the company has four branches, 60 associates, 1,200 customers, and approximately \$20 million in annual sales.

With roughly 30,000 stock items, plus 50,000 items available on the Web and another million or so accessible on its business system, Service Supply is the largest plumbing, HVAC, and industrial distributor in the markets it serves. This adds up to roughly 60 million potential price combinations.

Dan Rice, CEO of Service Supply, describes the company's inventory as "one mile wide and one inch deep." According to Rice, "Trying to offer a large array of products to many different customer types in a small market is a very difficult pricing problem."

To address this challenge, Service Supply installed Strategic Pricing (SP) as part of its Epicor® Prophet 21® enterprise resource planning (ERP) system in June 2011. Only 90 days elapsed from design to implementation. Explains Rice, "We turned on all of our customers at once, due to the difficulty we perceived in attempting a partial implementation of the new SP pricing strategy."

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. This can often vary for different product/customer combinations. Strategic Pricing is a pricing architecture based on the principle that there are many small margin opportunities which, in aggregate, can yield 2-4 percent in additional pricing margin points for the distributor.

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 Prophet 21, Eclipse™, and Prelude™ products. Since all that is needed is sales history, the data already exists in most distributors' systems. Epicor customers can easily export the data for analysis and then load the resulting pricing structures/files into the system.

Reactions from Sales Team and Customers

The most influential salespeople at Service Supply were included on the SP development team, and the company has had very good acceptance from Sales, based on these informal leaders pushing a "higher margins and commissions" message. (Service Supply pays salespeople on contribution to margin.)

The sales teams can still see costs and edit pricing, but the CEO (as price manager) uses price deviation reports to make them justify price edits. "They get the message pretty quick about when and where to edit prices," comments Rice, "but they do have the authority to make the right decision on the spot."

Meanwhile, customers are very pleased with the consistency of pricing overall. "We have had only a very few 'high price'

complaints, which were dealt with immediately by turning them into contracts, or adjusting the SP rules," Rice notes.

He adds, "We have a large amount of counter traffic, and the speed of filling orders has increased dramatically, now that the counter folks do not need to examine every line's pricing (for last price paid), or check each pricing line for accuracy. Customers are very pleased to be able to get in and get out of the stores quicker...some of them estimate our increased speed at 50 percent or better."

Quantitative Results

Since implementing SP, Service Supply is currently enjoying a 2.9 margin point improvement across its business. Its 2012 sales volume is up 40 percent in the first quarter over 2011 levels, and profit is up 50 percent in the quarter.

"Having a rule-based system that will automatically generate price pages based on our rule settings is something we could only dream about before, especially with our very wide array of products and number of price combinations," comments Rice.

"As we go into our second review cycle for SP, we can see a ton of opportunities to hone our pricing and margins that we missed in the first cycle," he says. "We now understand that total optimized pricing is not an event, but a lifestyle. And this price-optimizing lifestyle will bring more profitability and allow us to serve our customers better...a winning combination."

Concludes Rice, "We are very pleased with the results of SP so far, and look forward to moving up to the next level, where we can exercise more control over pricing to different customer types."

About Epicor

Epicor Software Corporation drives business growth. We provide flexible, industry-specific software that is designed around the needs of our manufacturing, distribution, retail, and service industry customers. More than 40 years of experience with our customers' unique business processes and operational requirements is built into every solution—in the cloud, hosted, or on premises. With a deep understanding of your industry, Epicor solutions spur growth while managing complexity. The result is powerful solutions that free your resources so you can grow your business. For more information, [connect with Epicor](#) or visit www.epicor.com.



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