

Granite City Electric Supply Company

New England Electrical Distributor Increases Margins and Improves Pricing With Epicor



Company Facts

Overview

- ▶ Location—Quincy, Massachusetts
- ▶ Industry—Electrical Distribution
- ▶ Number of Employees—240
- ▶ Website—www.granitecityelectric.com

Success Highlights

Challenges

- ▶ Establish a data-driven pricing structure, reduce price overrides, and improve margins

Solution

- ▶ Epicor® Eclipse™ with Strategic Pricing

Benefits

- ▶ Increased overall margins by two points and margins for customers on Strategic Pricing by approximately four points
- ▶ Reduced override ratio on a monthly basis to 2.5%—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. Granite City Electric boasts 240 employees and annual revenues surpassing \$130 million, but it may be best known as the “Official Distributor of Electrical Supplies to the Boston Red Sox.”

Granite City Electric has been using the Epicor Eclipse enterprise resource planning (ERP) solution since about 2003, and many of its executives came from other companies that were also running Eclipse. “The best thing about Eclipse is its powerful, in-depth data collection and analytics,” said Gregory Smith, vice president of marketing for Granite City Electric. The company then added to that power in 2011 and 2012 when it 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 and type, 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.

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

A Cultural Change

Granite City Electric started with Strategic Pricing several years ago. Explained 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 advised 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 elaborated. “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 said. “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 two-point increase in its overall margins thanks to Strategic Pricing, and for customers that are on the system, it has been closer to a four-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 2.5 percent override ratio—compared to 30–40 percent before Strategic Pricing.

For other distributors who are considering implementing Strategic Pricing, Smith recommends that they, “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 concluded, “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 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 45 years of experience with our customers’ unique business processes and operational requirements is built into every solution—in the cloud 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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