



Epicor Success Story

Oliver H. Van Horn Company, Inc.

Industrial distributor sees increased profit with Epicor Prophet 21 and Strategic Pricing

Company Facts

- ▶ Location: New Orleans, Louisiana
- ▶ Industry: Industrial tools, safety products, abrasives, and adhesives
- ▶ Number of Employees: 70
- ▶ Web site: www.ohvanhorn.com



Success Highlights

Challenges

- ▶ Help a Southern industrial distributor establish a rule-based pricing structure, reduce price overrides and increase profits

Solution

- ▶ Epicor Prophet 21 with Strategic Pricing

Benefits

- ▶ Increased overall profit by 12%
- ▶ Reduced price overrides by 65%

Oliver H. Van Horn Company, Inc. (OVH) was founded by its namesake in 1903 in New Orleans, Louisiana. Realizing the need to service Southern industry, OVH grew to include other locations, and now operates eight full-service facilities in Louisiana; Jackson, Mississippi; and Mobile, Alabama. With 70 employees and \$30 million in annual revenues, the company is committed to continuous quality and efficiency.

In 2004, Oliver H. Van Horn Co. converted from the Epicor Acclaim enterprise resource planning (ERP) solution to Epicor Prophet 21® ERP. "We selected Prophet 21 for its ease of data retrieval, integration with other software products, and expected ROI," states Kelly Latham, IT Manager. To further enhance the benefits of the Epicor Prophet 21 system, OVH began implementing Strategic Pricing three years ago.

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 is often different 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. It 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 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.

Reducing price overrides

To prepare for the implementation of Strategic Pricing at Oliver H. Van Horn Co., Latham loaded the company's customer and pricing data into the system, and assigned customer sizes and types. OVH started with Strategic Pricing in the home office, and then expanded it to all branches. (However, in hindsight, Latham recommends making the switch to Strategic Pricing for all branches simultaneously, on day one. She notes, "If you do it for one branch and not another, it leaves the door open for internal uncertainty, as well as potential comparison price-shopping by customers.")

While some internal salespeople were worried that customers would complain about a lack of transparency (e.g., no longer knowing what OVH had paid initially for a product), those fears proved largely unfounded. Observes Latham, "Most of the customers didn't even know or care that we'd made the switch to Strategic Pricing; the salespeople were more concerned about the potential for negative customer reactions than they actually occurred."

Ultimately, Oliver H. Van Horn Co. was able to decrease its price overrides by 65 percent. "There was some initial pushback from employees who'd been with us for years—who previously had the ability to set their own prices at an individual customer level—but once they understood Strategic Pricing and saw the benefits, they came around," says Latham. "We will still have some overrides, but we've assigned a single person to control them, and we have built in incentives to get everyone on board (to keep the number of overrides to a minimum). Anyone who requests an override has to provide justification for it; this encourages accountability." OVH also periodically rotates the role of override "enforcer," switching this responsibility among different people at each branch, so that it never becomes "rote."

Partnering for greater profit and ROI

After introducing Strategic Pricing for all but its contract customers, Oliver H. Van Horn Co. has seen a 12 percent increase in profit. According to Latham, "Products like Strategic Pricing enable us to reach a wider customer base and gain greater profits. The product grows with us. With our software keeping up with current trends, we are able to be a competitive player in our market. Also, the ease of use of the system facilitates training our employees."

In addition, she notes that Epicor and SPA are always willing to help: "The staff is consistently helpful and knowledgeable about the products; for example, sending us new reports to use in Strategic Pricing."

Concludes Latham, "Strategic Pricing has the ROI—you just can't argue with the numbers. If you keep your data up to date, implement the system correctly and follow the rules, there's no way you can't make money. We are very, very pleased with it."



About Epicor

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