

Overrides & SPAs, What is it costing you?

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The buying experience has changed forever...



Digital, social and mobile are the new front doors



Buyers flow seamlessly across multiple channels



Self service and price transparency are the new normal



Buyers expect frictionless interactions, every time

“50% of buyers choose the vendor that responds first”

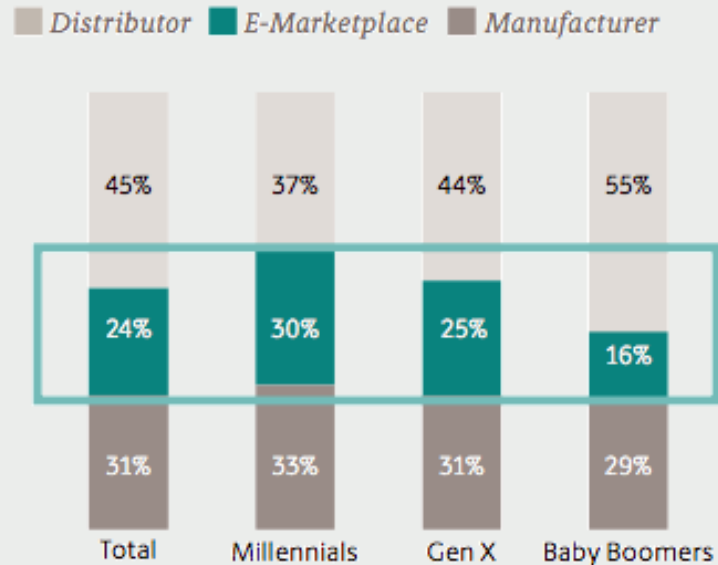
[INSIDESALES.COM](https://www.insidesales.com)

50%

Time is the new Currency: Act Now



A New Generation of Buyers



“The Millennial generation might have the most profound impact on the future of industrial products buying than any other”

2017: UPS study of industrial products buyer behaviors, preferences and perceptions



Buying Moving Rapidly & Significantly Direct & Online

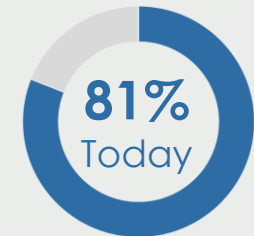
Purchase Through E-marketplaces

Up
55%
in 4 years



Purchase Directly from Manufacturers

Up
17%
in 2 years



“The percentage of buyers who purchased through manufacturers and e-marketplaces has significantly increased”

2017: UPS study of industrial products buyer behaviors, preferences and perceptions

Disruption from Technology Platforms



Amazon Business's marketplace is rapidly growing



20% MoM

Surpassed \$1Bn Sales

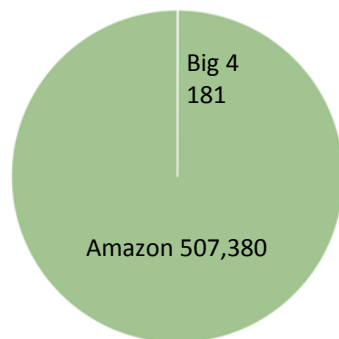
9 Million

Up from 4m last year

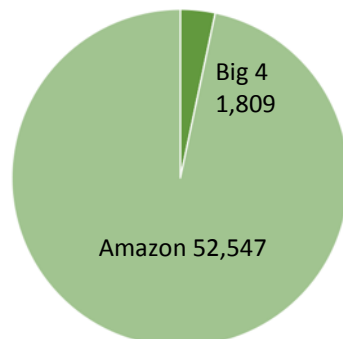


It's product listings are now over 9 million

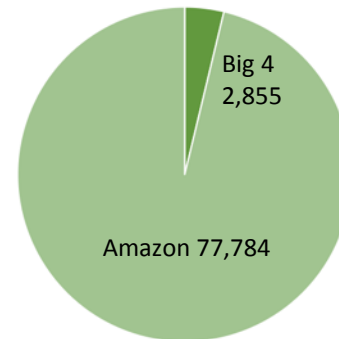
Product catalogue depth – Amazon vs Big 4 Electrical Distributors



Switches & Pushbuttons

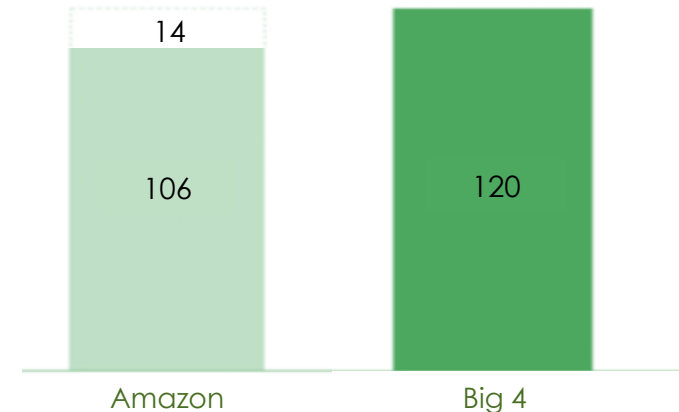


Conduit



Wiring Connectors


Manufacturers on Amazon Business vs Big 4 Electrical Distributors



Dynamic Pricing and Price Transparency



Back to search results for "square D by schneider electric QO3040M200VP"



Roll over image to zoom in

Square D by Schneider Electric

Square D by Schneider Electric QO3040M200VP QO 200-Amp 30-Space 40-Circuit Indoor Main Breaker Load Center with Cover Value Pack

★★★★☆ 29 customer reviews | 11 answered questions

Was: \$258.24

Price: **\$241.26** ✓prime

You Save: \$16.95 (7%)

Get \$70 off instantly: Pay \$171.26 upon approval for the Amazon Prime Rewards Visa Card.

Note: Available at a lower price from other sellers, potentially without free Prime shipping.

Only 12 left in stock (more on the way).

Want it Saturday, Sept. 2? Order within **6 hrs 30 mins** and choose **Two-Day Shipping** at checkout. [Details](#)

Ships from and sold by Amazon.com. Gift-wrap available.

Installation options: [Get expert installation Details](#)

Without expert installation

Expert installation
+ \$1,294.99

[See more](#)

- Includes (3) QO120 QO 20 Amp Single-Pole Circuit Breakers, (2) QO230 QO 30 Amp Double-Pole Circuit Breakers and a combination flush/surface cover
- Accommodates plug-on secondary surge arrestor (sold separately)
- Overhead/underground feed simply by rotating the device before installing
- Single phase
- Rated 120/240 VAC and 22,000 AIR short circuit current rating

[See more product details](#)

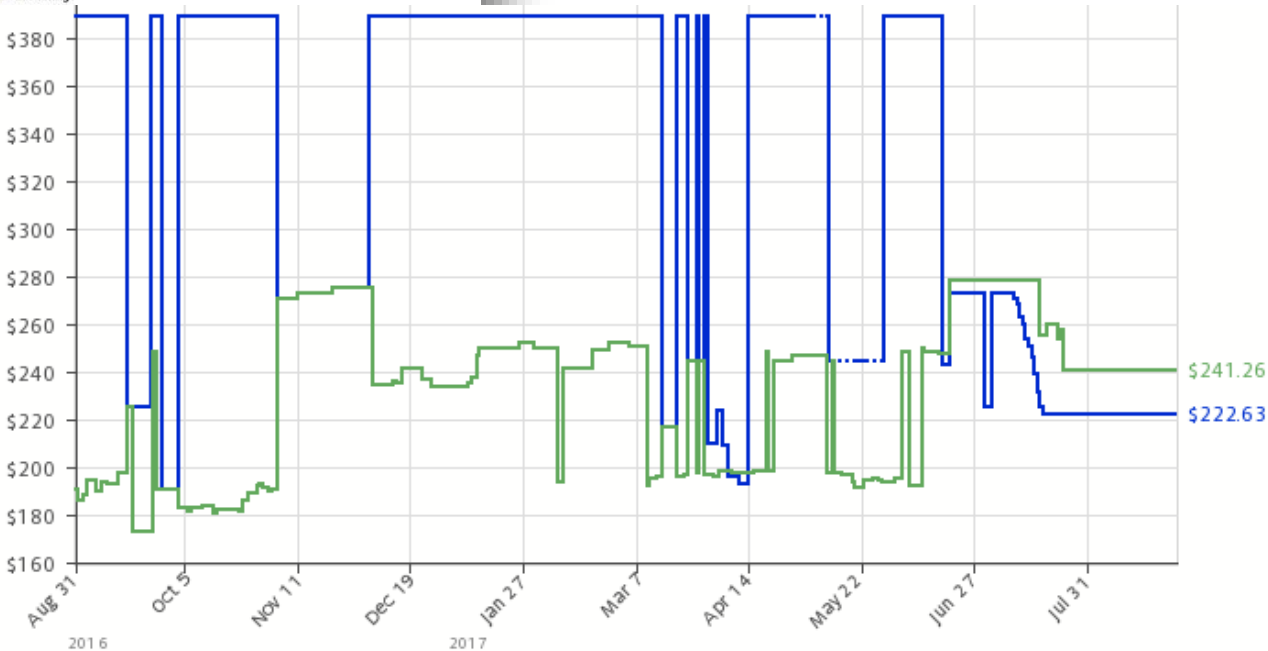
New (4) from \$222.63 & FREE shipping.

[Report incorrect product information.](#)

Now selling high margin services

Price changes in the last 12-months

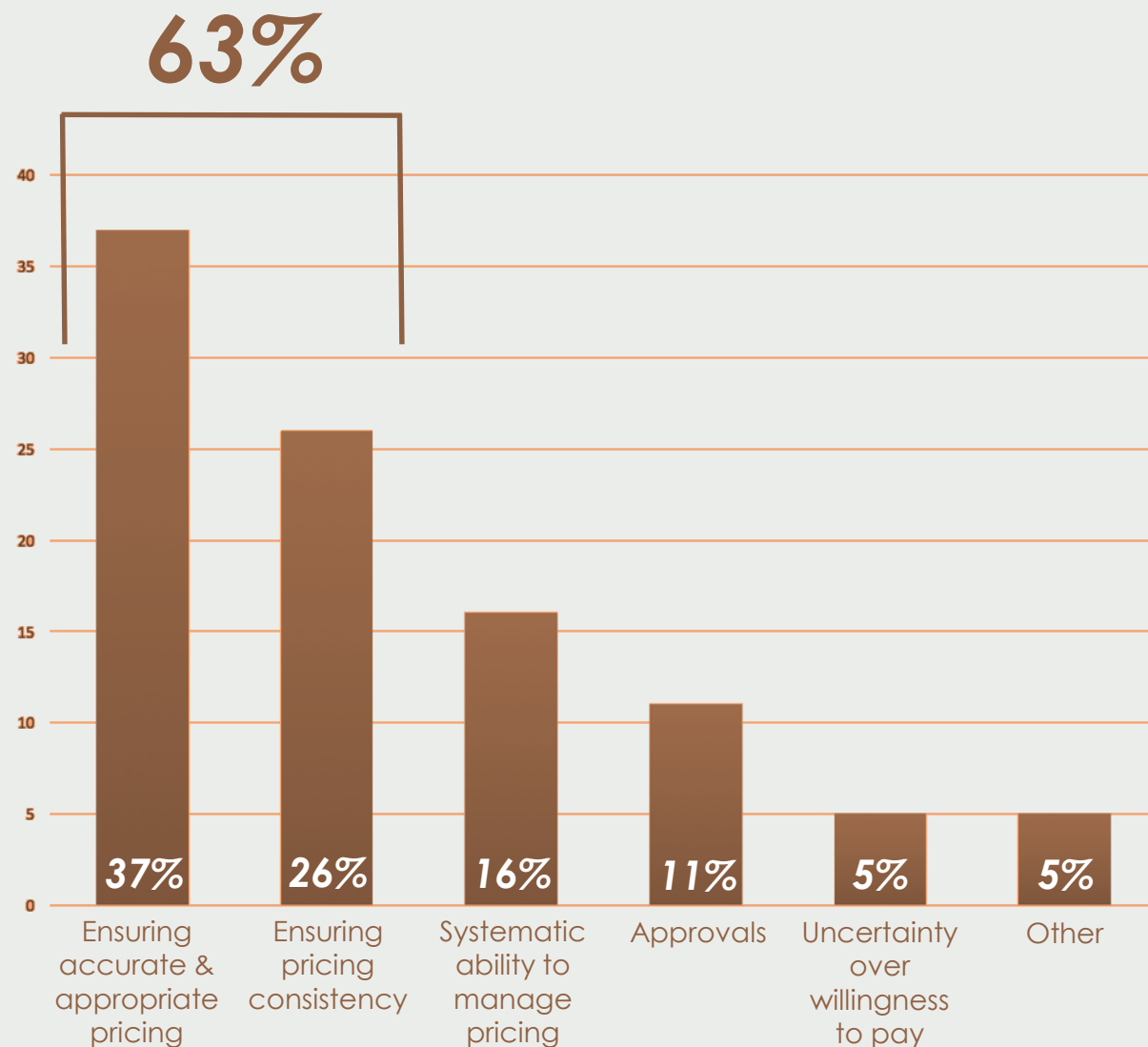
Price type	Lowest	Highest
Amazon	\$173 (Sep 24, 2016)	\$278.54 (Jul 15, 2017)
3rd party new	\$191.28 (Oct 2, 2016)	\$389.35 (Jun 15, 2017)



Pricing is the Challenge



#1 challenge for distributor's pricing strategy is ensuring **accurate & consistent** pricing

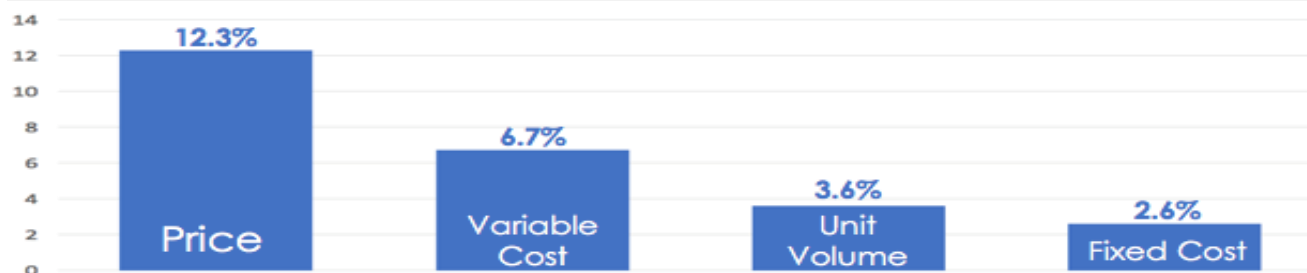


Pricing is key



1% Price improvement equals 12.3% impact on operating profit

A 1% improvement has the following impact on operating profit



3% Margin has same impact as 12% sales increase

Revenue: \$2M

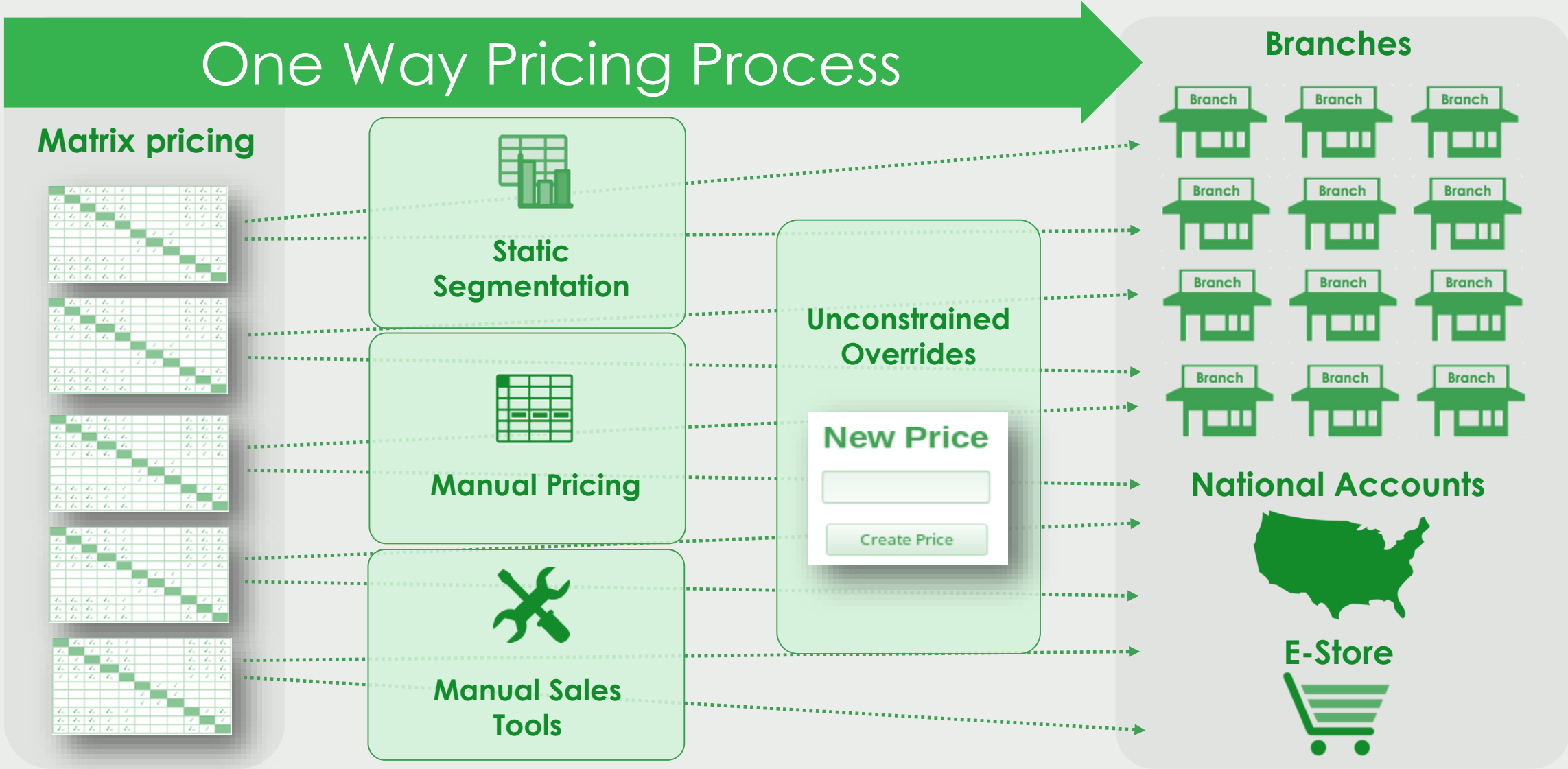
GMP: 25%

GM\$: \$500K

Four Scenarios

	1 Increase Sales, Lower Prices (Margin)	2 Decrease Sales, Raise Prices (Margin)	3 Increase Sales, Hold Prices (Margin)	4 Flat Sales, Raise Prices (Margin)
Margin Change	(-3%)	3%	0%	3%
Sales Change	5%	(-5%)	12%	0%
	▼	▼	▼	▼
GP\$ Change	(-\$38K)	\$32K	\$60K	\$60K

Static segmentation leads to “gut feel” pricing, margin leakage and lost sales



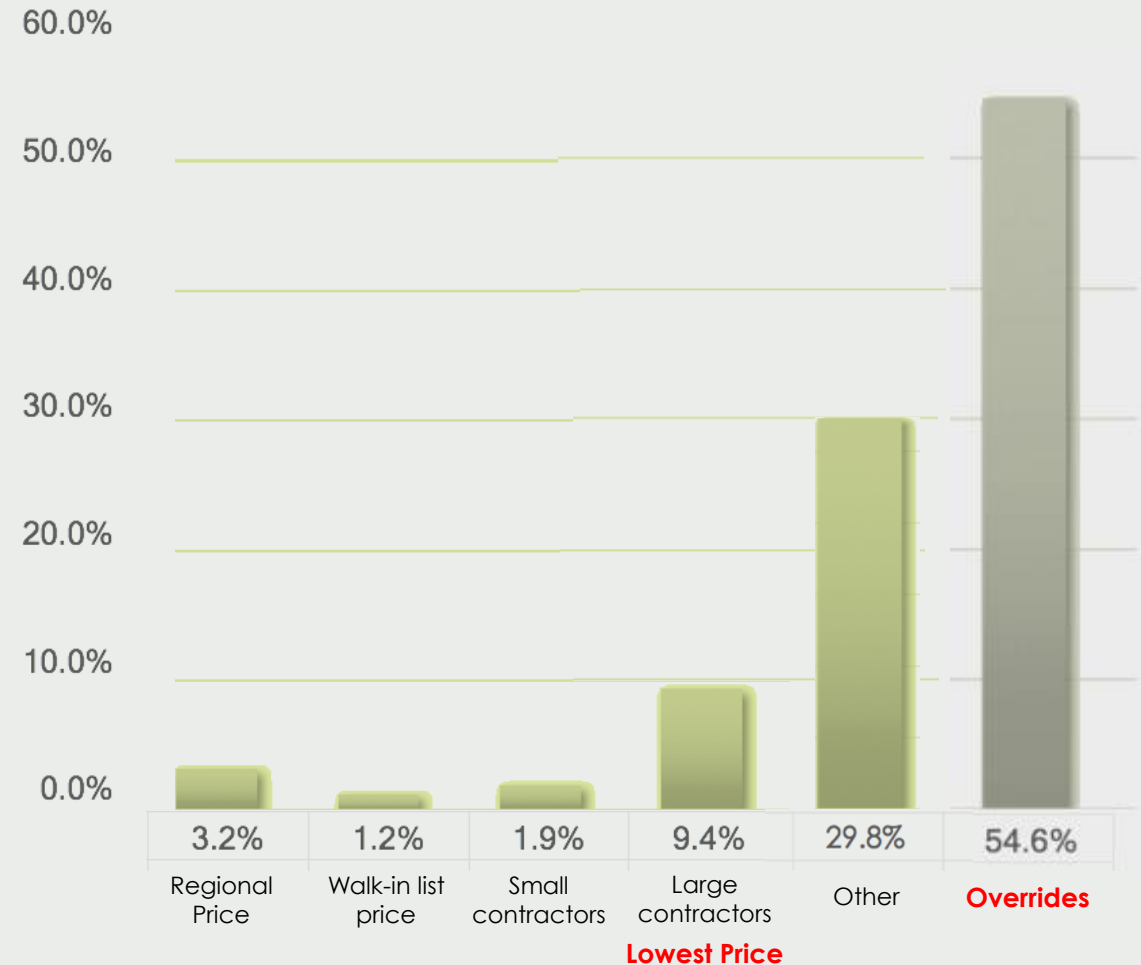
The cost of “gut feel” branch pricing for one distributor



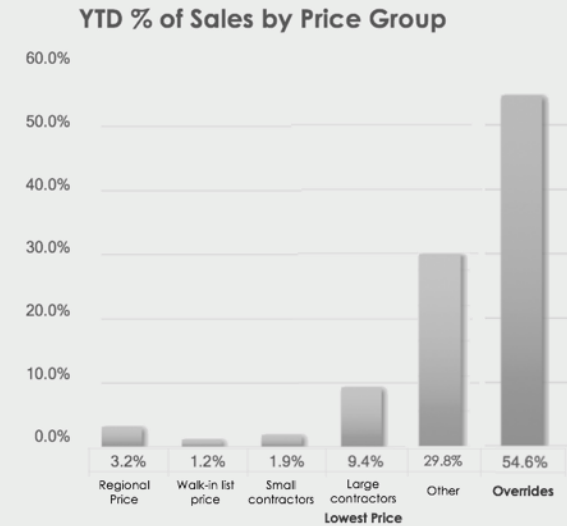
55%

Despite 4 price levels,
over 55% of sales
discounted even
further using overrides

YTD % of Sales by Price Group



The Impact to your Distribution Business



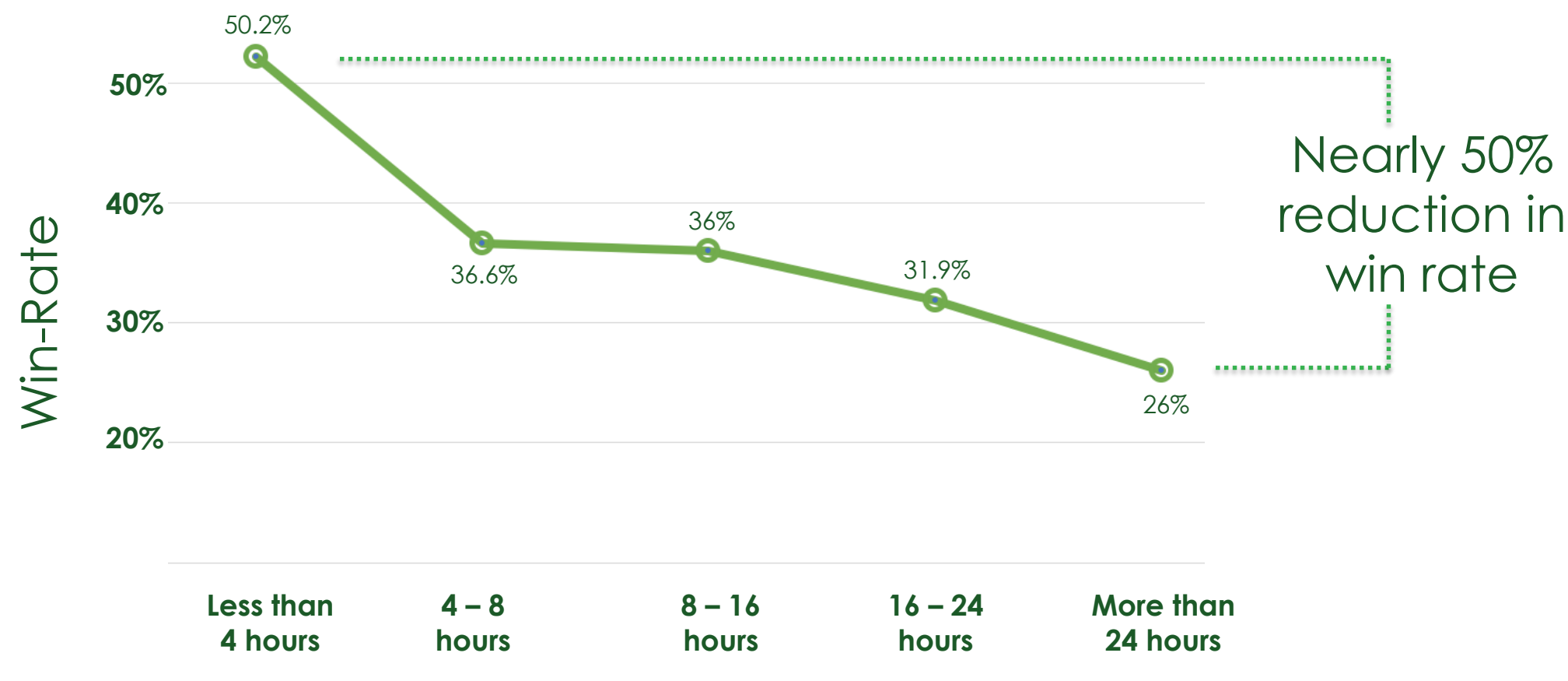
Result was 2-3%
margin leakage



2%-3%



Don't Sacrifice Time for Price



Price challenge & request turn-around time

The new imperative for Industrial Distributors



From:

Traditional commerce

- Inconsistent prices
- Guesswork, selling on gut instinct
- Online/offline silos
- Manual, opaque pricing
- Branches cant react
- Excessive discounting

To:

Modern commerce

- Branch in control, fully informed
- Selling on science, algorithms, machine learning
- Dynamic, transparent pricing (Willingness to pay)
- Analytics that highlight opportunities to increase margin and sales
- Comprehensive analytics that pinpoint the sources of revenue & margin changes



10 Things To Do – Best Practice

Don't try to beat the giants at their own game

Work more closely with Suppliers

Don't settle for Mediocre Profits

Measure Cost to serve

Develop a pricing strategy

Use Strategic Pricing to elevate margins by 100-200 BPs

Redesign your Pricing Process

Ensure ERP system supports your Pricing Strategy & Process

Use customer profitability analysis

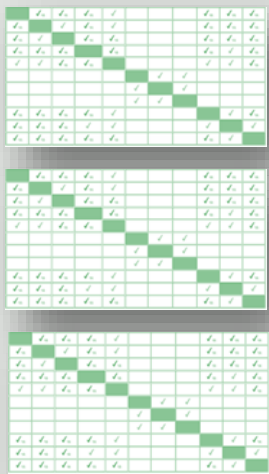
If you need help, find a consultant who knows pricing & distribution

Static segmentation leads to “gut feel” pricing, margin leakage and lost sales

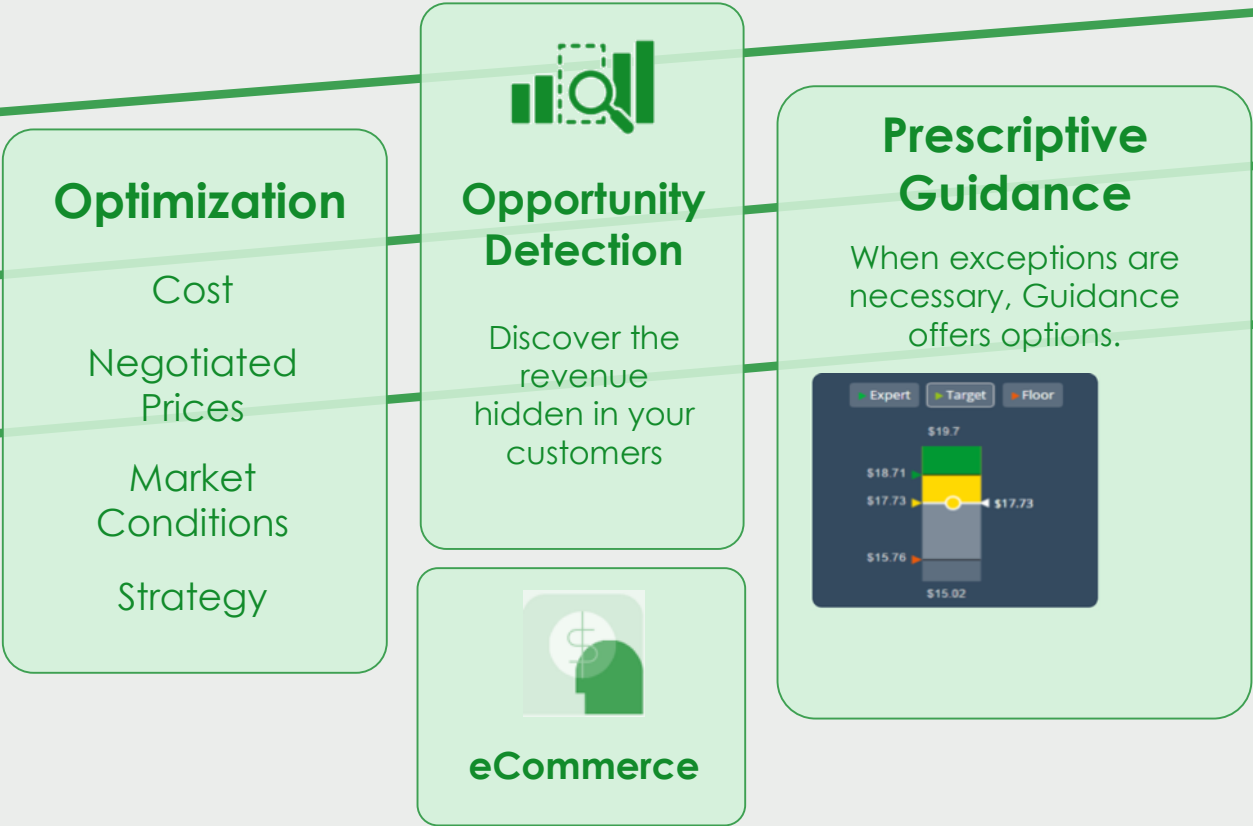


Dynamic Price Optimization

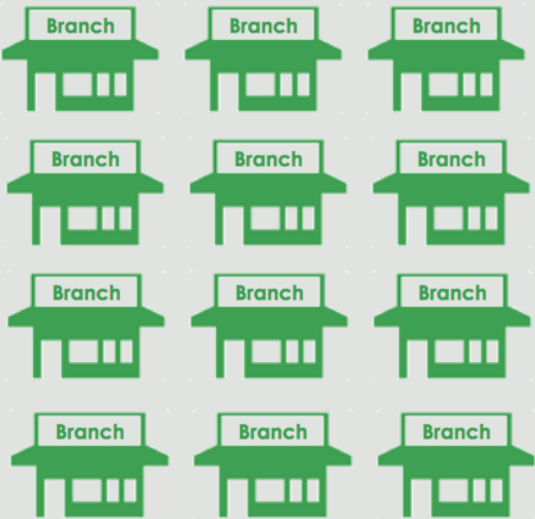
Centralized Price Management



Centralized management enables segmentation & informed pricing personalization alongside governance & optimization in consideration of dynamic market conditions.



Branches



National Accounts



E-Store

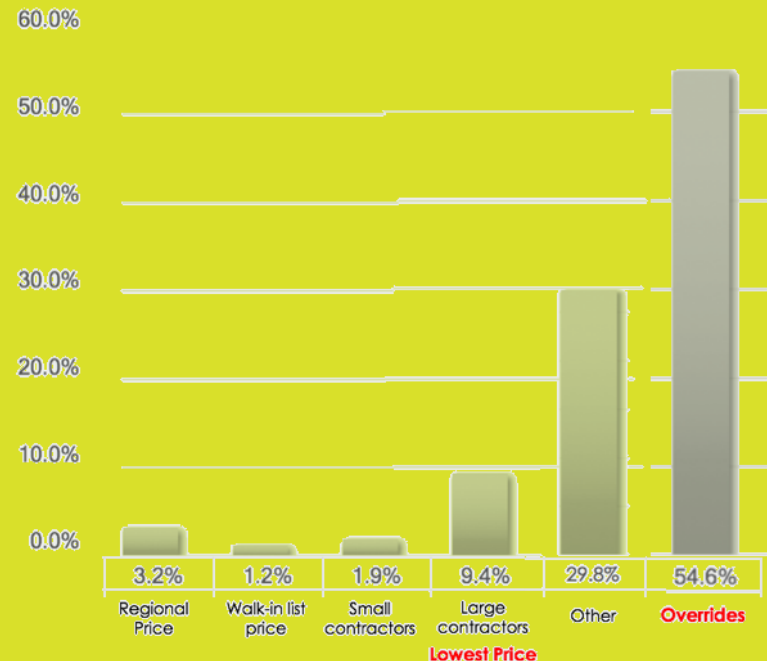




Pilot in 8 branches, results in 3-months: **+240BP**
After 10-months: **+310BP**
Incremental margin: **\$3.5m**
Target uplift after full roll-out: **\$45m - \$60m**

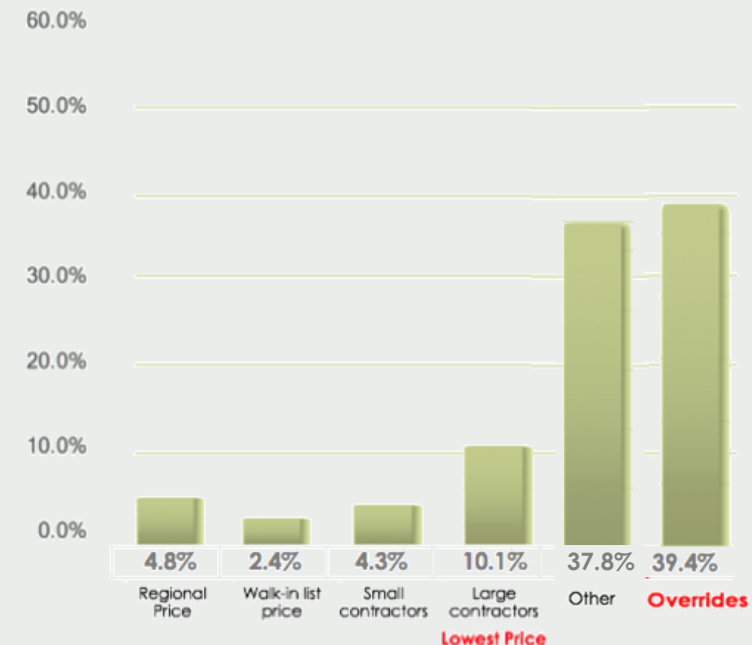
Traditional commerce:

YTD % of Sales by Price Group



Modern commerce:

YTD % of Sales by Price Group





Next Steps

1

PINPOINT THE
SOURCES OF
YOUR LEAKAGE

2

QUANTIFY THE
DOLLAR IMPACT:
KPIs
Margin
Revenue
Overrides/SPAs



Thank You

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Pricing KPI's



Volume

- Development over time and vs. plan
- Per channel/ Product/ customer segment/ store

Price

- Variance to program price (Dealer/Fleet Price)
- Per channel/ Product/ customer segment/ store

Costs

- Excess freight costs
- Net cost (including volume and rebates)
- Cost to serve per customer

Profit

- Development over time and vs. plan
- Per channel/ Product/ customer segment/ store

Price Position

- Internal- positioning vs. merchandising plan
- External- vs. web and field intelligence

Wholesale Margins

- Internal vs. external customers
- Margin by product

Compliance

- Retail selling price vs. recommended price
- Overrides by store / customer

Process Efficiency

- Valuation of strategy change implementation over time
- Lost Sales

Macro Trends

- Crude Prices
- Cass Freight Index
- Active Truck Utilization
- Energy sector performance

Best-in-Class Pricing is a Journey

