



## Epicor Success Story

# Dillon Supply Company

## Industrial distributor increases margin percentage with Epicor Prophet 21 and Strategic Pricing

### Company Facts

- ▶ Location: Raleigh, NC
- ▶ Industry: Industrial
- ▶ Number of Employees: 280
- ▶ Web site: [www.dillonsupply.com](http://www.dillonsupply.com)



### Success Highlights

#### Challenges

- ▶ Help a North Carolina-based industrial distributor establish a comprehensive, market-driven pricing structure, reduce price overrides and increase margin percentage.

#### Solution

- ▶ Epicor® Prophet 21® with Strategic Pricing

#### Benefits

- ▶ Increased total margin percentage by over 200 basis points
- ▶ Reduced price overrides by 60%

Dillon Supply Company of Raleigh, North Carolina, is an industrial distributor that has been serving contractors, steel fabricators and other industrial customers since 1914. The company has 26 locations, 280 employees, and annual revenues of approximately \$100 million.

Dillon Supply has been using the Epicor Prophet 21 enterprise resource planning (ERP) solution for 10 years, and recently implemented Strategic Pricing with the system, as well.

#### 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.

At a previous employer, Dillon Supply CFO Joe Zinaich was Director of Strategic Pricing, so he was familiar with the theory, process, and results of pricing analytics. He knew how he wanted it to work at Dillon Supply, and began investigating the capabilities of the Epicor Prophet 21 ERP and SPA.

In late 2011, Dillon Supply analyzed and stratified its customers into "buckets" by size and types of business. The company provided sales history for the previous year to Strategic Pricing Associates, which conducted the analytics and came back with recommendations. After review by the Dillon Supply executive team, the recommended pricing matrices were installed. Zinaich notes, "For a large company like ours, it's very important to have top management's buy-in for Strategic Pricing, from the CEO to the SVP of Sales and CFO. Ultimately, we considered it important enough to create a new position to specifically manage the process."

## **A simplified matrix and reduced price overrides**

Prior to implementing Strategic Pricing, Dillon Supply had over 200 pricing matrices for its 2,000 suppliers and 50,000 priced SKUs in the Epicor Prophet 21 system. Now, the company has one matrix that covers all products.

Price overrides have been reduced by 60 percent. According to Zinaich, implementing Strategic Pricing over a nine-month period gave the Dillon Supply salespeople some flexibility initially; then the price edits were gradually tightened over time. Now, only managers can override prices in the system.

"We made personal visits to the branches and showed the employees the pricing data, to educate them and alleviate any concerns they had," explains Zinaich. He adds, "We have not seen much customer pushback, only a very few anecdotal examples of lost business due to the new pricing structure."

## **Not "leaving margin on the table"**

Dillon Supply determined how much of its business could be impacted by Strategic Pricing. (A certain portion of the company's business is controlled by contract pricing, while an additional portion is project-related business.) "The immediate business we could affect amounted to approximately 60 percent of our revenue," Zinaich notes. "We have used reporting out of Prophet 21, as well as analysis we perform in-house, to monitor Strategic Pricing performance relative to customer profiles, override management, and product/commodity pricing management. Total revenue margin percentage has increased by over 200 basis points. Affected revenue margins grew in excess of 300 basis points."

In addition, Dillon Supply has experienced qualitative benefits. The overall reception to Strategic Pricing has been good, Zinaich says, noting, "Inside Sales especially likes having market-driven pricing. And as a growing company selling a wide range of products, it's also a big win for us to be able to quickly train new hires relating to pricing policies and practices across the board."

He concludes, "I would tell distributors that aren't taking advantage of market-driven strategic pricing, they're leaving margin on the table. The analytics from SPA and the functionality in the Epicor Prophet 21 software are robust enough to get results!"



## 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](http://www.epicor.com).



Contact us for more information on Epicor Products and Services

+1.800.776.7438 info@epicor.com www.epicor.com

### Corporate Office

804 Las Cimas Parkway  
Austin, TX 78746  
USA  
Toll Free: +1.888.448.2636  
Direct: +1.512.328.2300  
Fax: +1.512.278.5590

### Latin America and Caribbean

Bldv. Antonio L. Rodriguez #1882 Int. 104  
Plaza Central, Col. Santa Maria  
Monterrey, Nuevo Leon, CP 64650  
Mexico  
Phone: +52.81.1551.7100  
Fax: +52.81.1551.7117

### Europe, Middle East and Africa

No. 1 The Arena  
Downshire Way  
Bracknell, Berkshire RG12 1PU  
United Kingdom  
Phone: +44.1344.468468  
Fax: +44.1344.468010

### Asia

238A Thomson Road #23-06  
Novena Square Tower A  
Singapore 307684  
Singapore  
Phone: +65.6333.8121  
Fax: +65.6333.8131

### Australia and New Zealand

Suite 2 Level 8,  
100 Pacific Highway  
North Sydney, NSW 2060  
Australia  
Phone: +61.2.9927.6200  
Fax: +61.2.9927.6298

The contents of this document are for informational purposes only and are subject to change without notice. Epicor Software Corporation makes no guarantee, representations or warranties with regard to the enclosed information and specifically disclaims, to the full extent of the law, any applicable implied warranties, such as fitness for a particular purpose, merchantability, satisfactory quality or reasonable skill and care. This document and its contents, including the viewpoints, dates and functional content expressed herein are believed to be accurate as of its date of publication, April, 2013. The usage of any Epicor software shall be pursuant to the applicable end user license agreement and the performance of any consulting services by Epicor personnel shall be pursuant to applicable standard services terms and conditions. Usage of the solution(s) described in this document with other Epicor software or third party products may require the purchase of licenses for such other products. Epicor, the Epicor logo, Eclipse, Prelude and Prophet 21 are trademarks or registered trademarks of Epicor Software Corporation in the United States, certain other countries and/or the EU. All other trademarks mentioned are the property of their respective owners. Copyright © 2013 Epicor Software Corporation. All rights reserved.