DISTRIBUTION PRICING JOURNAL

The only publication dedicated to helping distributors increase their profit through better pricing.

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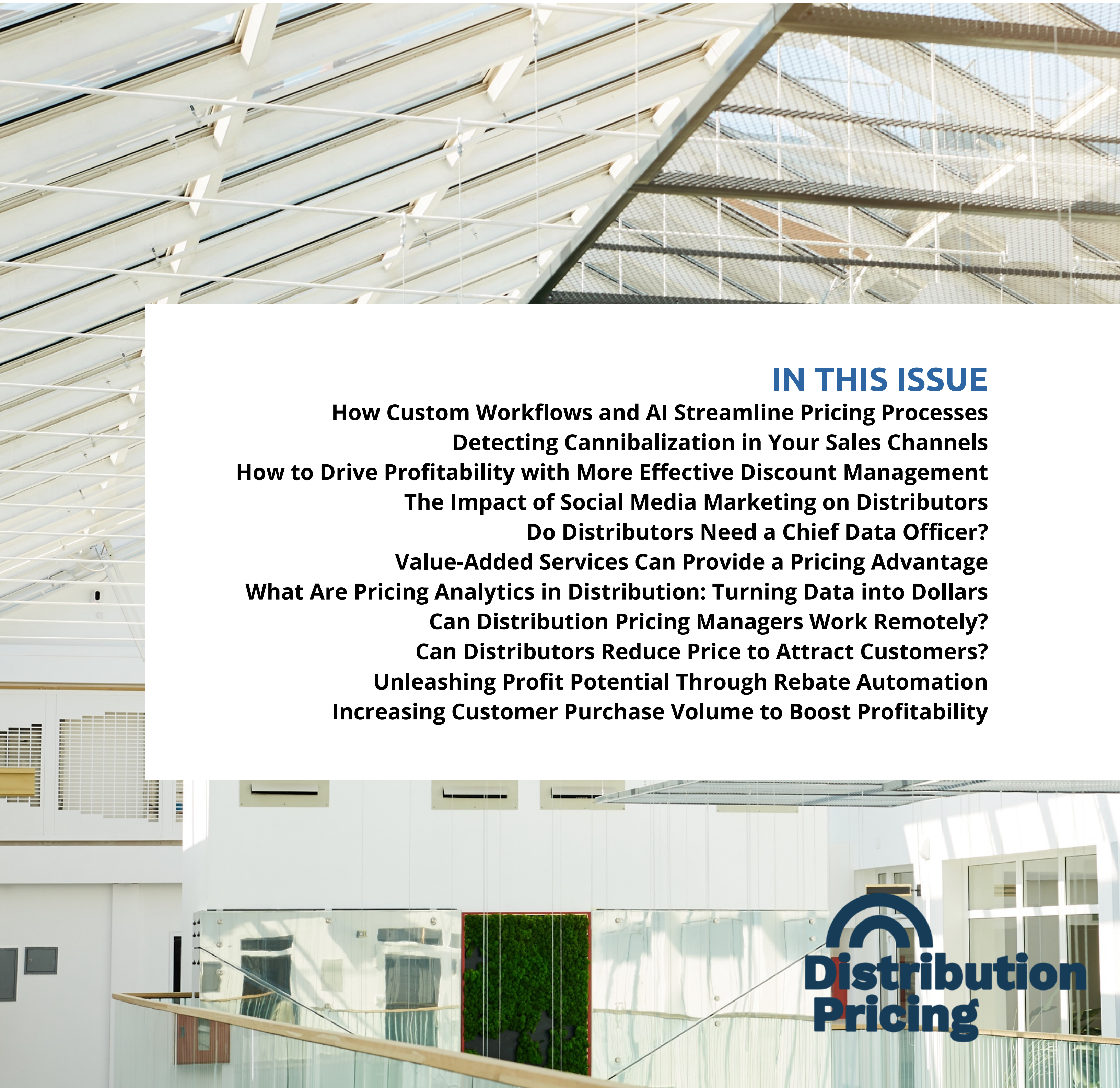

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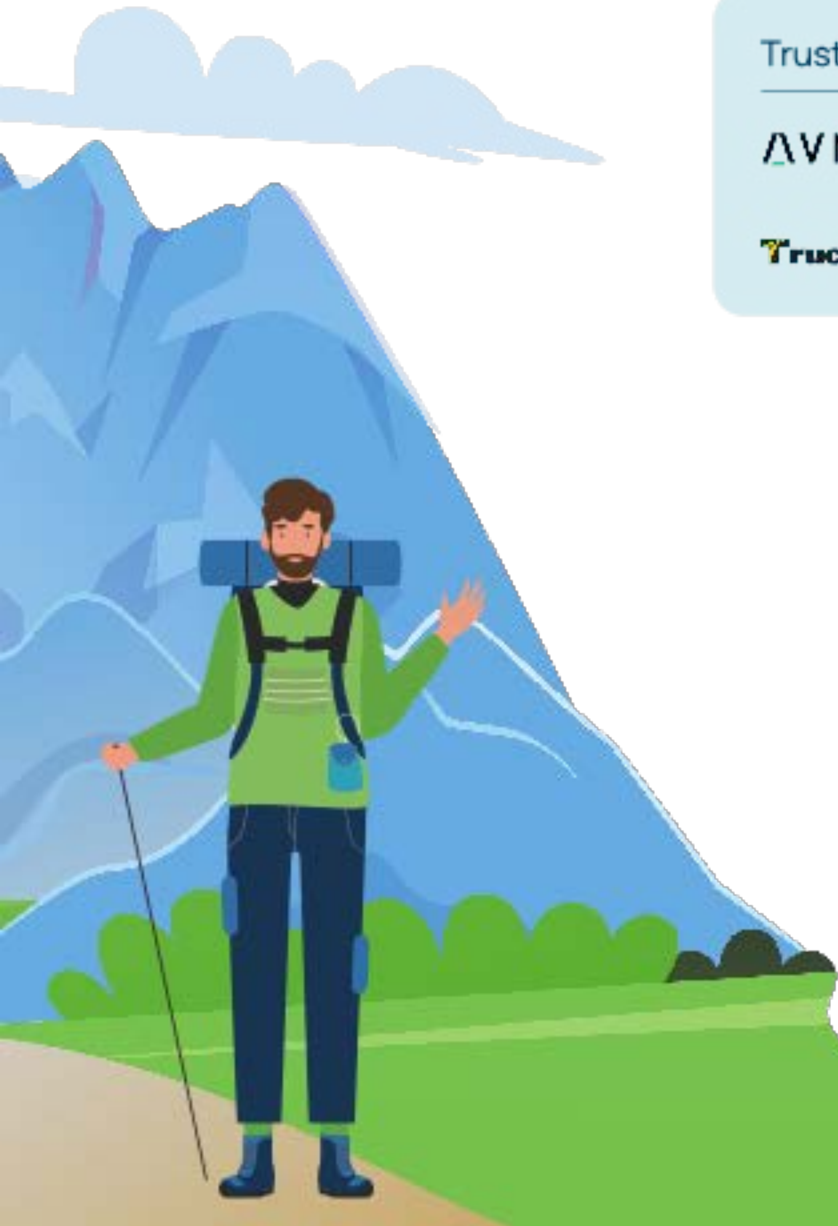

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DISTRIBUTION PRICING
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Welcome

Editor's Letter

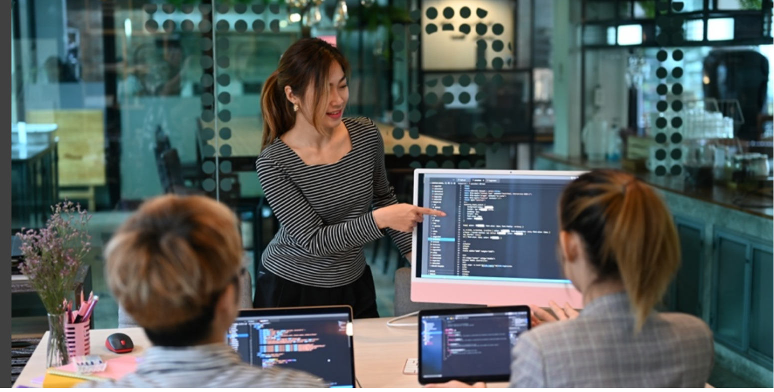
We are thrilled to unveil the latest issue of the Distribution Pricing Journal, marking our most exhaustive edition yet. Lauded by our subscribers as the definitive hub for industry trailblazers, our journal is a treasure trove of insights on cutting-edge trends, strategies, technologies, and effective customer engagement techniques.

Our contributors deliver comprehensive articles, meticulous case studies, and exclusive dialogues with industry stalwarts, equipping professionals like you with the essential tools to remain at the helm of this dynamic sector. Moreover, our editorial team, possessing vast expertise in pricing and distribution, is poised to offer priceless advice and support to our subscribers.

We wish to extend our deepest gratitude to our contributors, editorial board members, and subscribers for your unwavering commitment as we persistently evolve and broaden the scope of this journal.

-- Campbell Frazier, Editor-in-chief

How Custom Workflows and AI Streamline Pricing Processes



By Brandon Watson, Editorial Board Member

Pricing managers juggle a wide range of responsibilities: analysis, trend tracking, contract management, meetings, forecasts, product and customer segmentation, matrix updates and more. Their role is so critical to the profitability and success of a distribution company that it makes sense to explore ways to free up their time to focus on the highest priority, strategic tasks. This is where custom workflows through APIs and artificial intelligence come into play. These tools can help distribution pricing managers streamline pricing processes, increase efficiency, and ultimately drive profit and revenue growth.

The Power of Automated Price Updates

Instead of manually adjusting prices based on changes in market conditions or input data from sales teams, pricing managers can set up systems to automatically update these figures. This not only saves time but also ensures that the organization remains competitive and responsive to market fluctuations.

Distributors often grapple with the challenge of updating their pricing regularly, largely due to the pitfalls associated with manual pricing processes. These issues can create a ripple effect, impacting various aspects of business operations.

Manual pricing updates bring with them the risk of mistakes such as incorrect data entry or calculation errors. These errors can result in significant financial losses and harm customer satisfaction. Additionally, updating prices is time-consuming and resource intensive. It diverts valuable time away from key business tasks and strategic initiatives. This only gets worse as a distributor increases their business with new markets and product lines. Manual updating is simply not scalable.

Because of these issues, even if your analysis is efficient, the inefficiency of manual updating usually leads to suboptimal price optimization. By the time you get your price matrix updated, the market may have changed. Manual pricing updates often overlook real-time market fluctuations, competitor pricing, and changing customer demand. This makes it challenging to stay competitive and responsive to market changes. Manual price updates often lag market changes, giving competitors the upper hand as they can adjust their pricing more swiftly.

Manual updates frustrate everyone: pricing managers, sales reps, customers and partners. Updating prices across multiple channels, products, and locations manually can lead to inconsistencies and discrepancies. This confusion can deter customers and potentially result in lost sales. Updating promotional pricing manually, especially across multiple channels or locations, increases the risk of errors and inconsistencies. Distributors who work closely with their suppliers on pricing and promotions may find themselves out of compliance because of pricing issues.

The introduction of pricing software or AI-powered solutions can help distributors navigate these challenges. Distributors can leverage simulation and modeling to ensure their pricing strategy is truly optimized. By embracing automated price updates, businesses can enhance their pricing strategies and ultimately boost profitability.

Leveraging APIs to Eliminate Manual Processes

Modern and robust APIs play a crucial role in streamlining price updates. They offer a direct, automated communication channel between different software applications, enabling them to interact and share data with one another seamlessly.

ERP APIs facilitate automatic data transfer from one system to another. For example, if a pricing manager needs to update the pricing based on the latest market conditions or sales data, the API can automatically fetch this data from the relevant source (such as your distribution price optimization solution) and update the ERP pricing matrix. By automating data transfer and updates, ERP APIs eliminate manual processes, reducing the risk of human error and increasing efficiency. Pricing managers can focus on strategic tasks rather than spending time on data entry.

APIs can provide real-time updates, ensuring the ERP pricing matrix always reflects the most recent data. This is crucial in dynamic markets where prices can fluctuate rapidly. It also allows for faster data analysis regardless of the tools you use. This becomes even more powerful when your data strategy can be synchronized across all systems, ensuring consistency and accuracy.

Override Alerts

Overrides are common in distribution pricing management and sales, but if a particular item is overridden too often, it might indicate a problem. An automated override alert can flag such instances, triggering a review of the price in question. This helps maintain pricing integrity and alerts pricing managers to potential issues before they escalate.

Automated workflow alerts for pricing overrides offer numerous benefits for a pricing manager. Here are some key reasons why they would want to receive these alerts:

- **Immediate Awareness:** These notifications provide immediate awareness of any pricing changes made outside the established guidelines. This allows for timely intervention, if necessary, and prevents minor issues from escalating into major problems.
- **Maintain Profit Margins:** By being alerted to price overrides, pricing managers can ensure that discounts or changes don't significantly erode profit margins. They can review the override and assess its impact on profitability.
- **Consistency in Pricing:** Alerts help maintain consistency in pricing across all sales channels. If a price is overridden too frequently, it might indicate that the original pricing may need to be reviewed and adjusted.
- **Control Over Pricing Strategy:** Receiving alerts gives pricing managers more control over the pricing strategy. They can ensure that any overrides align with the company's overall pricing objectives and market positioning.

In essence, automated workflow alerts for pricing overrides enable pricing managers to respond proactively to changes, maintain control over the pricing strategy, manage risks, and leverage data for strategic decision-making.

Approval Workflows

Pricing approvals are a critical component in the pricing strategy of any distribution business, and they can take several forms. For example, a pricing manager might want to propose changes to a pricing matrix based on market trends, competitor analysis, or changes in cost structures. Alternatively, a sales representative might want to offer a substantial discount to a large client to close a deal or strengthen the relationship.

Automation speeds up the approval process by cutting down on manual tasks. Instead of waiting for email responses or meetings, the request can be processed immediately through the automated system, saving valuable time for all parties involved. the business grows, so does the volume of pricing changes and discount requests. Automated workflows can easily scale with the business, handling increasing volumes without compromising speed or accuracy.

Managers appreciate the control that automated workflows can give to their approvals. They can set parameters for when sales reps can offer discounts and get instant alerts when those parameters are exceeded, allowing them to intervene when necessary. Sales reps appreciate transparency and consistency in the approval process so they can be more responsive to customers. By setting predefined rules and criteria for approvals, it eliminates the risk of arbitrary decisions or deviations from the company's pricing strategy. And with automated workflows, every approval request, decision, and relevant communication is documented and easily accessible. This transparency can boost accountability, enhance collaboration, and provide valuable data for future reference and analysis.

Forecasting and Analysis

Predictive analytics, powered by AI algorithms or reporting tools, can forecast future pricing trends. By predicting future trends, pricing managers can make proactive decisions that boost profitability and competitiveness. This technology has the power to project future pricing trends with a high degree of accuracy, providing invaluable insights that can be harnessed to refine and optimize pricing strategies.

Predictive analytics provides this crucial edge by enabling businesses to anticipate changes rather than merely reacting to them. By leveraging these predictive insights, pricing managers can formulate proactive strategies that don't just adapt to the market but influence it.

The impact of predictive analytics on pricing strategy is far-reaching. It empowers businesses to make data-driven decisions, reducing reliance on guesswork or intuition. This not only leads to more precise pricing but also enhances profitability. For instance, if predictive analytics indicate an upcoming surge in demand for a product, businesses can adjust their prices accordingly to maximize revenue. Conversely, if a decrease in demand is forecasted, prices can be reduced to stimulate sales and avoid inventory glut.

Moreover, predictive analytics can enhance competitiveness. By predicting future trends, businesses can anticipate their competitor's moves and respond strategically. If a price war is looming, they can prepare by optimizing their cost structure or enhancing the value proposition of their products. These tools make it easier to identify new market opportunities. By analyzing patterns and trends, businesses can uncover potential areas for expansion or diversification.

Contract Management

Too many distributors have a, "set it and forget it," approach to pricing contracts Out of date pricing on out-of-date contracts can bleed your profit. Automating processes like renewals and approvals can significantly streamline contract management. This reduces administrative burden, ensures timely renewals, and keeps the focus on strategic pricing decisions.

One of the frequent pitfalls in managing customer pricing contracts is the lack of visibility over their expiry dates or any alterations that may be implemented regarding the supplier's requirements. This oversight could lead to contracts remaining active significantly past their intended duration, or even agreements becoming obsolete due to external circumstances beyond the company's control.

Contracts that extend beyond their intended period could result in financial losses due to outdated pricing structures. Similarly, agreements that become irrelevant due to changes in the supplier's requirements could lead to compliance issues, potentially inviting legal repercussions or damaging the company's reputation.

If a distributor doesn't pay attention to an old contract, they could find themselves locked into a pricing agreement that no longer aligns with market conditions. This could mean paying more for stock than current rates, or charging customers lower prices than what the market can bear, both of which would impact profitability.

Similarly, if a supplier changes their requirements – such as delivery schedules, minimum order quantities, or quality standards – and the company is not aware of these changes, they might fail to meet these new terms. This could lead to strained supplier relationships, disrupted supply chains, or even breach of contract.

To mitigate these risks, companies should implement a systematic approach to regularly review and update their contracts. This process should involve not only checking expiry dates but also analyzing any changes in the supplier's requirements. Regular contract reviews allow companies to stay abreast of any changes and adapt their strategies accordingly.

In addition to this, companies should consider leveraging technology to manage their contracts. Contract management workflows, for example, can send automated reminders about upcoming expiry dates or flag changes in supplier requirements, ensuring nothing slips through the cracks.

Transforming Pricing Processes: The Impact of Custom Workflows and AI

Distributors already have a plethora of tools within their reach, offered by their solution providers, that can significantly enhance their pricing workflows. These tools, which leverage robust APIs, artificial intelligence, and customizable reporting and analytics capabilities, can be used to optimize various aspects of the pricing process.

By setting up systems that automatically adjust prices in response to changes in market conditions or data inputs from sales teams, businesses can ensure their pricing always stays competitive and aligned with market dynamics.

- Sending alerts when price overrides occur or if a particular item is overridden multiple times can trigger a review of that price, helping to maintain pricing integrity and avoid potential revenue losses.
- Approval workflows ensure that all pricing decisions are made collectively and are in line with the company's strategic objectives.
- Automating the process for evaluating and approving pricing discounts or overrides also contributes to improved workflow efficiency. It ensures consistency, transparency, and reduces the likelihood of human error.
- Forecasting and analysis, powered by predictive analytics, help distributors anticipate future pricing trends and accordingly refine their pricing strategies. This proactive approach, backed by AI algorithms and reporting tools, can result in increased profitability and competitiveness.
- Contract management workflows save time and prevent oversights by streamlining processes like renewals, approvals, and other related tasks.

Detecting Cannibalization in Your Sales Channels

By Joe Raventos, Editorial Board Member

Sales channels in distribution are always evolving. Whether it's more traditional channels such as counter sales, show room sales, job contracts and inside sales or more emerging channels such as e-commerce websites, or a mobile app, each channel offers unique opportunities and challenges. How do you know which one is driving the most growth? Is the surge in one channel eating into the sales of another? These are critical questions every distributor needs to ask.

In this blog post, we'll delve into the importance of analyzing different sales channels, illustrating how this crucial practice can help distributors optimize resources, better understand customer behavior, identify growth opportunities, mitigate risks, and ultimately, enhance profitability.

Sales channel analysis is a critical aspect of business strategy for distributors. If you don't understand how growth in one channel is affecting sales in other channels, it can be difficult to optimize your resource allocation. For instance, if e-commerce is outperforming traditional sales, it might be beneficial to invest more in improving the online shopping experience or digital marketing efforts.

Sales channel analysis can provide insights into shifting customer behaviors. If customers are increasingly moving from traditional sales to e-commerce, it could indicate a preference for online shopping. This could prompt a shift in strategy to cater to these changing consumer preferences. In turn, that helps you highlight your best growth opportunities. If a particular channel is showing significant growth, there may be opportunities to further enhance that growth. For example, if e-commerce sales are booming, expanding product offerings or introducing new online-exclusive promotions could further boost sales.

But without channel analysis, you face the risk of not really understanding the source of your growth. If the growth in one channel is cannibalizing sales in another, it's crucial for distributors to understand this and strategize accordingly. They might need to find ways to revitalize the lagging channel or consider whether a shift in focus to the growing channel might be more beneficial in the long run. Different sales channels can have different costs and profit margins. By analyzing the profitability of each channel, distributors can make informed decisions about where to focus their efforts to maximize overall profitability.

A Modern Approach to Sales Channel Analysis

Sales channel analysis provides valuable insights that can help distributors optimize resource allocation, understand and respond to customer behavior, identify growth opportunities, mitigate risks, and enhance profitability. That's why we built that analysis right into SMP using a data element we call "sales source."

Here are some of the most important ways distributors can analyze their sales data to help with a deeper sales channel analysis.

Channel Attribution Analysis

Channel attribution analysis is an essential component of sales analytics. It involves assessing the sales generated through different channels over a specified period to understand their contribution to overall sales. This way you can uncover shifting sales trends between different channels.

To conduct a channel attribution analysis, you'll need to gather data on your sales from each channel. This might include total sales volume, revenue, number of transactions, average transaction value, customer acquisition costs, and any other metrics relevant to your business. This lets you compare the performance of each channel. Look for trends such as increasing or decreasing sales, changes in the average transaction value, or shifts in the cost of customer acquisition.

For example, if you notice that your e-commerce channel's sales are steadily growing while your traditional store sales are declining, this could indicate a shift in customer behavior towards online shopping. Or, if both channels are growing but e-commerce is growing at a faster rate, this might suggest that your e-commerce efforts are successfully attracting new customers without cannibalizing your traditional sales. It's also important to consider external factors that might be influencing these trends, such as changes in market conditions, competitive activity, or broader consumer trends.

Channel or sales source attribution analysis can help you understand where your sales are coming from and how your different channels are performing. This information can inform strategic decisions about where to invest your resources to maximize sales and profitability.

Customer Segmentation

Different customers have different characteristics. These characteristics can include buying habits, preferences, demographics, lifestyle, geographic location, and more. Understanding your customer segments can help you tailor your products, value-adds and marketing strategies to delight each of your customer groups.

Here's how customer segmentation can help identify if certain customer segments prefer online shopping over traditional shopping:

- **Buying Habits**: By analyzing your customers' purchasing patterns, you can identify trends that indicate a preference for one channel over another. For instance, if a particular segment consistently makes purchases online, it's likely they prefer e-commerce.
- **Behavioral Data**: Take a look at purchasing data such as frequency of purchase or order size. Also look at the type of sales and marketing information they like to respond to.
- **Customer Surveys**: Distributors can conduct surveys to directly ask customers about their shopping preferences. This can provide valuable insights into why certain segments may prefer online shopping, such as convenience, wider product selection, or the ability to easily compare prices.
- **Demographic Data**: Certain demographic groups may be more inclined towards online shopping. For example, younger generations who are digital natives might be more comfortable shopping online than older generations. Contractors who need unique parts for specific jobs may still want to buy in-store, while corporate purchases making routine orders may prefer online.
- **Geographic Location**: Customers in crowded urban areas with easy access to physical stores might still prefer traditional shopping, while those with large orders in rural areas might lean towards e-commerce due to limited local options.

By understanding these different customer segments, distributors can tailor their channel strategies to cater to each group's preferences. This could involve enhancing the online shopping experience for segments that prefer e-commerce or finding ways to attract online shoppers to their physical stores. In doing so, they can maximize their reach and sales potential across all channels.

Product Sales Comparison

Product sales comparison is an analysis method that involves comparing the sales of specific products across different channels. This can provide valuable insights into where your products are most popular and potentially reveal if one channel is cannibalizing sales from another.

If you notice that a product is selling significantly more through your e-commerce platform than in your physical store, several scenarios could be at play. Cannibalization can mean that sales in one channel are being eroded by the other. For example, your customers might be finding it more convenient to purchase the product online rather than visiting your physical branch. It's crucial to identify this trend early to address it and ensure that overall sales growth is not negatively impacted. It might also be that the product appeals more to the type of customer who prefers online shopping. In this case, it's not so much cannibalization as it is a reflection of differing customer preferences across channels.

Your product marketing plays a role in channel selection as well. The product might be more prominently featured or promoted on your e-commerce site compared to your physical store, leading to higher online sales. If the product is often out of stock in your physical store but consistently available online, customers may opt for the more reliable online option. If the product is priced lower online, including factors like shipping costs, customers might choose the cheaper option.

Understanding these dynamics can help distributors devise strategies to balance sales across channels. For instance, they could enhance in-store product visibility, adjust pricing, or improve stock availability to boost physical store sales. Alternatively, if online sales are robust and profitable, they might choose to further capitalize on this channel's success while still maintaining their physical store presence for other products or customer segments.

Geographical Sales Data

Geographical sales data provides valuable insights into where your customers are located and how they prefer to shop. This involves analyzing sales data from different geographical locations and comparing the performance of different sales channels within those regions.

If you notice that online sales are high in areas where you have physical stores, it could potentially indicate cannibalization. Here's what this might mean:

- **Changing Customer Preferences**: Customers in these areas might be shifting their buying habits, opting for the convenience of online shopping even though a physical store is available. This could suggest a broader trend towards e-commerce that may need to be factored into your business strategy.
- **Competitive Factors**: High online sales in areas with physical stores could also reflect competitive pressures. For example, customers might be finding better deals or a wider product range online, leading them to choose e-commerce over traditional shopping.
- **Convenience Factors**: Even if a physical store is available, customers might find online shopping more convenient. This could be due to factors such as time constraints, ease of product comparison, home delivery options, or the ability to shop outside of store hours.
- **Store Attributes**: There might be issues with the physical stores themselves that are driving customers online. This could include factors like poor customer service, limited stock availability, lack of product variety, or an unappealing store environment.

By understanding these geographical trends, distributors can adapt their strategies accordingly. This might involve improving the in-store shopping experience, offering competitive deals in physical stores, or enhancing their online offerings to capitalize on the growth of e-commerce. The key is to use this data to create a balanced multichannel strategy that meets customers' evolving needs and preferences.

Market Basket Analysis

Distributors are very familiar with the fact that the sale of one type of product can influence the sale of another. There are numerous cross-selling and upselling strategies available to you. Conducting a market basket analysis helps you to understand the relationship between groups of products or even entire product lines.

Again, cannibalization refers to the reduction in sales volume, sales revenue, or market share of one product as a result of the introduction of a new product by the same producer. In terms of market basket analysis and cannibalization, these concepts intersect when a new product replaces an older one in the market basket of the consumer. For example, if a customer usually buys Product A, but after introducing Product B they start buying B instead of A, it may lead to cannibalization.

To prevent this, businesses can conduct a comprehensive data-driven basket analysis to identify both cannibalization and complementarity products. This way, they can strategically place the new product in the market without significantly harming the older one.

However, cannibalization isn't always negative. Sometimes, it can be a strategic move, for instance, when a company introduces a new product to phase out an older, less profitable one. It's all about balancing the portfolio of products to maximize overall profitability. Cannibalization could mean your e-commerce platform is successful. However, understanding its impact on traditional sales can help you make informed business decisions.

Sales Analysis Made Easy

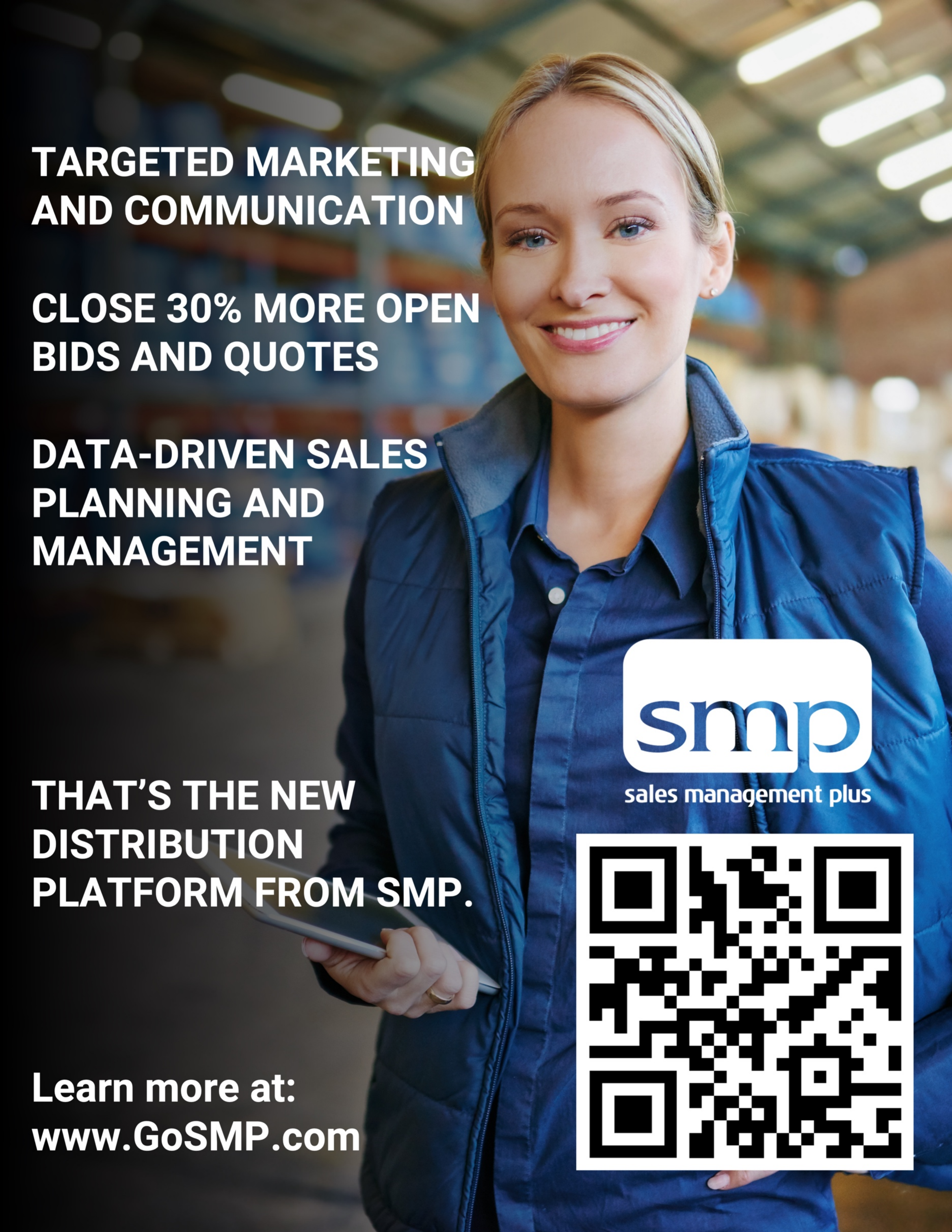
SMP is a leading example of a powerful sales analytics solution. Picture an analytics tool so user-friendly that anyone within your organization, regardless of their technical expertise, can effortlessly create custom reports and dynamic dashboards. SMP allows you to dive deep into vast pools of data, enabling you to unearth valuable insights that can drive strategic decision-making.

At the heart of SMP is a groundbreaking self-service data visualization and discovery application. This application has been meticulously designed to cater to individuals, teams, and entire organizations, ensuring everyone can leverage its capabilities to the fullest.

Self-Service Creation: SMP empowers users with a drag-and-drop feature, allowing you to construct your own visualizations without the need for any technical know-how. You don't need to be a data scientist or a designer to create meaningful data representations; SMP simplifies the process, putting the power of data visualization in your hands.

Intuitive Design: SMP boasts a simple, intuitive interface that lets you create flexible and interactive data visualizations. Its smart visualization feature automatically adapts to the parameters you set, eliminating the need for developers or data scientists. You can explore your data in ways that make the most sense to you, uncovering insights that might otherwise remain hidden.

Smart Search Feature: Navigating complex information becomes a breeze with SMP's natural search function. This feature accelerates the process of discovery, helping you find the data you need quickly and efficiently. No matter how dense or intricate your data might be, SMP's smart search function guides you towards the insights that matter the most.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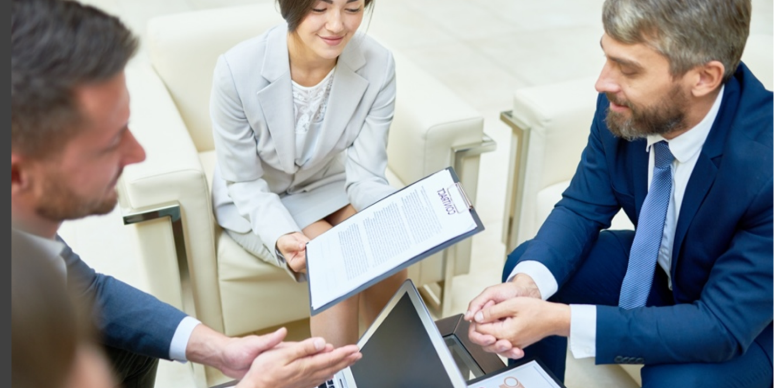


Darius Fekete as interviewed by Campbell Frazier, Editor-in-chief

How do you decide on your discounting strategy? Are you following where the data leads you or are you making seemingly random guesses at what your customers will pay? Do you take profitability into account and make that information readily available to your sales reps? Managing discounts effectively is an important aspect of your pricing strategy, but it often falls on the shoulders of sales reps who are working without optimization data. Without careful oversight and strategic implementation, discounts can creep into your sales, eating away at your profitability. The key is to leverage analytics tools, customer segmentation, and strategic pricing decisions to maintain a healthy profit margin.

We asked Darius Fekete, Director of Value Acceleration at Vendavo, a global market leader in B2B price management and commercial excellence solutions, to share how distributors can drive profitability by more effectively managing their discounts.

Discounts Emerge from Various Sources

"In the distribution industry, discounts can pop up in many situations," said Fekete. "Unfortunately, they don't always consider real profit drivers like buying behavior, segmentation, customer attributes, product lines, deal size or other important factors. The biggest concern is that these discounts might become long-standing price exceptions because of poorly calculated pricing contracts or even simply logging the last stated price in the ERP system." The complexity of discounting can result in many different pricing records which can add to the administrative headaches of your pricing and sales teams.

"A lot of legacy ERP systems don't have sophisticated price optimization," said Fekete. "As a result, your commercial pricing terms can be inconsistent and unprofitable, but no one knows how to fix the situation. Sometimes the distributor gives up and sets a standard discount term as a high-level guideline. This only leads to less flexibility in terms of price optimization and profit."

Complicating the situation even further, for most distributors the sales teams wield full discounting authority. “Sales reps often set unique exceptions for each of their clients,” said Fekete. “Most companies who lack price optimization let their reps override pricing directly into the ERP system without any control or regular review.”

According to Fekete, pricing reviews should happen on a regular basis, but are difficult to manage without the right technology – so many distributors skip the reviews entirely. That can mean that sales teams forget why the discount was given in the first place. “Perhaps a sales rep gave a one-time discount to a customer to win a larger deal or smooth over a customer service issue,” said Fekete. “But then that rep leaves the company, and the next rep simply looks up the previous pricing and applies it to every deal going forward for that client. This kind of situation happens more frequently than anyone wants to admit.”

Some distributors have avoided price optimization because they want to avoid outside influence and cost in their pricing decisions. “Distributors are often wary of outside consultants with big fees and little connection to their clients,” said Fekete. “They tend to favor the opinions of the sales reps in their organization because they are the closest drivers of growth goals, but without data this only perpetuates the cycle of discounting.” What is needed is a methodical approach to both price setting and discounting using a solution that allows the distributor to fully own their own pricing strategy.

Fekete suggests six ways distributors can get a handle on discounts to drive more profit and growth.

1. Beware of Unanalyzed Discounts

“One-time discounts can become perennial simply because they were entered once into your order entry screen,” said Fekete. These unanalyzed discounts can silently erode your profit margins. It is essential to regularly review all discounts and evaluate their impact on profitability.

“The problem with unanalyzed discounts is that they often go unnoticed,” said Fekete. “They become part of the daily business operations, and without proper scrutiny, their impact on the company’s bottom line can be overlooked. This lack of awareness and control over discounts can lead to significant financial losses over time.”

Pricing optimization helps you mitigate the risk on a regular basis. “Sometimes it is necessary to discount," says Fekete, "you just want to know that you are offering the right discount in the right situation and not changing policy forever based on one sale." Regular reviews help you identify any discounts that have become perennial without justification. It also provides an opportunity to reassess the relevance and effectiveness of each discount. "There are reasons to discount, there are also reasons not to discount. Maybe you have a discount that was helpful in getting a new customer several years ago, but isn't needed anymore. Maybe certain products for infrequent customers could have a discount reduced without impacting purchasing behavior."

Analyzing your discounts and overrides on a regular basis helps you identify trends and patterns that could be important to driving new profits. "You might find out that a certain type of discount drives volume, but that requires some analysis" says Fekete. "Or maybe a discount that your reps use all the time is ineffective and is a kind of silent killer of profits. Data lets you adjust your strategy to optimize both profit and growth."

2. Employ Smaller Product and Customer Segments

Fekete suggests that rather than having a blanket discount policy, distributors should consider using smaller product and customer segments based on behavior to drive more relevant pricing decisions. This allows for personalized pricing strategies that can maximize profitability by targeting specific customer behaviors and preferences.

"If your pricing guidelines are in sync with your customer's willingness-to-pay, you can significantly reduce the need for discounts and exceptions," said Fekete. "An effective segmentation model should encompass all product and customer attributes that are relevant to transactions. The challenge lies in devising a structure that is detailed enough to provide valuable insights, yet not so complex that it becomes cumbersome to manage." Fortunately, technology around pricing and segmentation has revolutionized the process. "Segmentation projects that once took months can be accomplished very quickly today. You can see detailed segmentation information in a few clicks and then facilitate strategic discussions about ways to improve."

To begin, consider establishing a robust structure for categorizing product groups. Your goal here is to provide a more structured way to categorize products and ensure consistency that matches market expectations around the brands and lines you carry. "Many distributors grapple with the issue of inconsistent product hierarchies or even selling items that fall outside their standard product lines," said Fekete. "With technology it can be straightforward to manage these unregulated products and harmonize supplier product hierarchies.

Similarly, it is important to classify your customers in meaningful ways that impact pricing. This goes beyond basic demographics such as size or location and should consider actual buying behavior. "Two customers may look the same, and yet have different purchasing behavior or price sensitivity," said Fekete. "By understanding who your customers are and what they value, you can tailor your pricing strategies to better meet their needs and expectations."

3. Improve Negotiations with Analytics

Analytics tools can provide profitable and optimized price ranges for discount negotiations. These tools can help you understand the price sensitivity of different customer segments and how discounts affect their purchasing behavior. By using data-driven insights, you can make more informed decisions about when and where to offer discounts.

"Discounts are a fact of life," said Fekete, "the goal shouldn't be to eliminate them but instead foster an environment of empowerment by permitting room for negotiation within a defined pricing framework." Providing analytical assistance to reps can give them the ranges they need to operate profitability and still close deals. "Let's say a competitor just launched a promotional offer and you need to pivot a little bit to compete. That is a situation that falls outside your standard pricing model but with analytical tools, your reps can discount appropriately instead of just making guesses."

To avoid reliance on intuition-based pricing, establish stretch-target-floor levels. This gives your reps the guidance they need to operate within your pricing framework and still be flexible enough to win deals.

- Floor pricing refers to the minimum price below which a product or service cannot be sold. It is essentially a safeguard to prevent prices from falling too low and thus ensures that a distributor can cover its costs and maintain a baseline level of profit. There may be reasons to price at the floor to win a deal, but there is rarely a reason to price below the floor because such business is unsustainable.
- Target pricing is pricing where the model drives the most profitability. It helps your reps negotiate a price that allows you to achieve your desired

profit margin based on your segmentation. This should be where your reps are aiming in most deals.

- Stretch pricing is a strategy where reps believe they can negotiate a price higher than the average market price or your target levels. It is typically used for products or services perceived as premium or high-quality and allows reps to maximize their profits on each sale. This strategy can even create a perception of higher value among certain customers. It allows your reps to drive profit in areas that have urgency or strong brand preferences without overcharging.

4. Negotiate Trade-Offs Instead of Long-Term Discounts

Long-term discounts may seem attractive as they can drive volume, but they can also negatively impact profitability over time. Instead of committing to a long-term discount, consider what other trade-offs you can negotiate. For instance, you could offer a temporary discount in exchange for a larger order or faster payment terms.

Fekete points out that negotiating prices often unveils crucial context surrounding the deal. "Maybe there is an urgent need for product delivery on the customer's end," said Fekete "Or perhaps they are planning to increase their purchase volume in the future. It's important to incorporate communication of trade-offs into your discounting strategies." This approach allows both parties to have a clear understanding that any additional discount is associated with compromises made against other commercial or service terms. Conveying these reciprocal concessions on value is an effective method to prevent the recording of a special discount as a permanent net price.

"Reps should think about trade-offs every time they think about a discount," said Fekete. Trade-offs offer an excellent mechanism to gradually implement a new discounting structure. For instance, contextual discussions related to customer service levels in association with the deal should ease the transition towards updated pricing. "The best time to discuss other commercial terms with your customers is when you are giving them a discount. Don't let that opportunity pass. At the very least, the conversation will provide you with valuable insights into their bargaining preferences for future deals."

Approaching discounts along with trade-offs is a customer-focused approach that can strengthen relationships while optimizing profitability. “These discussions show your customers you want to cater your solutions to their unique needs and preferences,” said Fekete. “Instead of offering blanket discounts, consider customizing your discounts based on specific deal contexts and customer preferences.” You also teach your customers about your own requirements, so they have a more realistic expectation in future negotiations. “It’s a more collaborative approach to negotiation, where both parties are invested in finding a balance between price and value.”

5. Empower Your Sales Teams

Give your sales teams the ability to calculate true breakeven points and conduct deal scoring. This will allow them to understand the impact of discounts on profitability and make informed decisions during negotiations.

“Understanding the business impact is crucial for making effective sales decisions,” said Fekete. “Questions like, ‘What volume of sales is needed to offset an additional discount?’ or ‘How should I price less popular items in a deal if I’ve offered a high-demand product at a competitive price?’ are central to this process.” The leading distributors are arming their sales teams with tools like dashboards, negotiation guidance and pricing recommendations incorporated into their quoting solutions, enabling them to make informed decisions that optimize profitability.

“If your sales reps don’t have access to pricing guidance,” said Fekete, “they tend to just reference the last price in the system. No one really knows if the last price was profitable, it’s just the last price.” Fekete calls this phenomenon, “false anchoring,” where referencing the last price given can make reps believe there was a rationale for the previous discount. “Sometimes reps just respond with a stock discount – I’ll give you your usual 15% — without guidance to tell them if they are acting profitably.”

Enabling your reps with pricing guidance helps them make better discounting decisions, regardless of the last price entered. “Sometimes you need to preserve profits and other times you need a little bit of price improvement and sales flexibility,” said Fekete. “In either case, pricing guidance gives you the ability to improve your bottom line.”

Moreover, according to research by the Harvard Business Review, the majority of sales professionals believe that providing customers with more information helps them make better decisions (“The New B2B Sales Imperative“, 2017, hbr.org). This suggests that understanding the business impact can not only help sales teams make better decisions but also improve the customer experience by providing valuable information that aids their decision-making process.

6. Engage Your Sales Team in Pricing Strategy

Your sales team should feel like they are part of the pricing strategy process. By involving them in decision-making, you can ensure that they understand the reasons behind pricing decisions and are motivated to adhere to them. This can also lead to more innovative pricing strategies as they bring their frontline insights into the process.

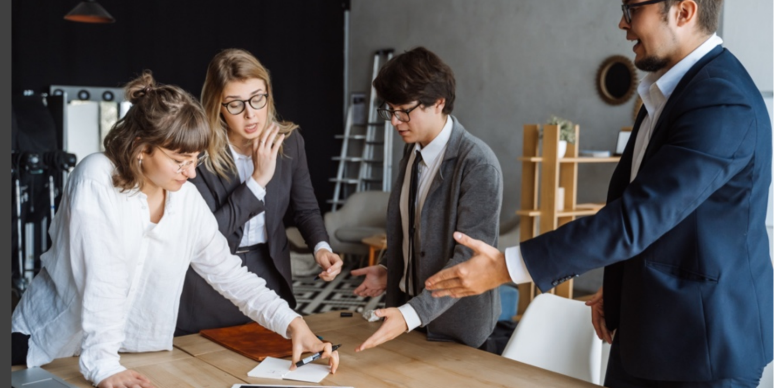
"Top-tier distributors have mastered the art of engaging their sales teams in the business planning process," said Fekete. "They understand that the key to a successful business plan lies in the integration of bottom-up aspirations from sales teams and top-down pricing assumptions. This two-pronged approach allows businesses to pinpoint potential areas for margin improvement."

To further boost management confidence, these best-in-class companies break down the aggregate output into price-volume-mix effects. This detailed analysis offers a more granular view of business performance, enabling managers to make more informed decisions. "In the case of distributors," said Fekete, "managing the intricacies of sales pricing is a considerable challenge. The complexity arises from multiple factors such as diverse product lines, varying customer needs, and fluctuating market conditions. To navigate this complexity, distributors need to enhance their capabilities and tools."

When pricing analysts plot discounts, they should not just present raw data. "Sales reps and executives respond to meaningful insights that explain the rationale behind your pricing decisions," said Fekete. This could include factors such as competitive dynamics, customer buying behavior, and internal cost structures. "If you give the reps the 'why,' behind your pricing strategies, they can help form better and more profitable discounting decisions that match the company strategy."

Effective discount management requires a balanced approach. While discounts can attract customers and increase sales volume, they need to be carefully managed to ensure they don't erode profitability. By leveraging analytics, segmenting customers, and engaging your sales team, you can use discounts as a tool to enhance profitability rather than a threat to it.

The Impact of Social Media Marketing on Distributors



By Matthew Turner, Editorial Board Member

As distributors, we get so wrapped up in our insular world we sometimes miss how fast the digital landscape around us is changing. There is an immense opportunity for distributors in social media but few distributors are using it correctly and consistently as a marketing channel. If you look at the companies outside of distribution that you regularly do business with – food, beverage, household supplies, airlines, restaurants, banks – they have all wholeheartedly embraced social media as a way to reach their customers, understand trends and create long-term loyalty. So why aren't you doing the same?

You are the real link between the manufacturer and the customer. You control the customer relationship and play a role in influencing brand preferences. You should use social media to step up and embrace that role. Unfortunately, many distributors are late to social media. They may underestimate its relevance, assuming that their customers primarily interact with brands and end-users rather than directly with them.

In my experience, many distributors brush off or entirely ignore their social media presence. They underestimate the influence they have in each purchasing decision. For example, they may believe that a homeowner has the final say over the fixtures that get installed on a job or the manufacturer's marketing message is so strong the distributor believes they will just pull customers through the manufacturer's brand. In fact, their customers (e.g., a plumbing contractor) have influence over the decisions that in turn are influenced by the distributor.

Many distributors are confused by social media or don't feel like they have any spare time to invest. Even if a distributor is prioritizing other marketing channels, they need to put a plan in place to leverage social media. Traditional relationships and channels will continue to serve you well, but you can amplify your results by layering your message through social media at the same time you are deploying sales and marketing campaigns.

Also, more and more of your competitors are using e-commerce strategies as a sophisticated marketing platform. This changes the purchasing behavior for your customers even if you aren't strong in your e-commerce strategy. With the increasing importance of online presence, distributors can no longer afford to ignore the power of social media marketing.

You Need a Consistent Social Media Presence

You want to be the expert that your customers turn to. Social media helps to create that position. Distributors should create engaging and informative content on platforms like LinkedIn, X (formerly Twitter), Facebook, and Instagram. The idea is pretty simple, you just want to show some expertise, share a few ideas and tips and engage customers so they remember you in their next job or project.

Here are just a few reasons why you want to consider using social media as a marketing tactic.

1. Increased Visibility: Social media platforms increase your brand visibility and customer interaction with only a small amount of effort. Posting a picture of your recent training or a customer visit can quickly reach your contacts directly, create awareness of your value added services and generate interest in your products.
2. Customer Engagement: Social media allows for two-way communication between you and your customers. You can engage customers with questions, answers and most importantly build new relationships. Most social media users think that companies who engage them on social media are more proactive in other areas of the business and well, so these interactions help build loyalty.
3. Targeted Advertising: Social media platforms offer sophisticated targeting options, allowing distributors to reach specific demographics, interests, and locations. You can cost-effectively reach the right audience with your perfected message. Pay-per-click to targeted audiences can be one of the most successful programs a distributors can use.
4. Customer Insights: There is a conversation happening on social media and that conversation is your opportunity to learn new things. How are people using products? What do people say about your competitors? Are there new lines you should consider? Who is opening new locations in what regions? Where is new building happening?

Some Examples of Social Media Distributors Can Put Into Play Today

Showcase Product Demonstrations: If you regularly host product demonstrations by you or your vendor teams, you can video them at the same time to create engaging videos or live streams on platforms like YouTube or Facebook to demonstrate the features and benefits of their products. Contractors and end users can see the products in action, all without leaving your branch.

Share Educational Content: Likewise, distributors can leverage social media platforms by sharing informative content such as blog posts, articles, or infographics that provide valuable insights and tips to their customers. This positions them as industry experts and helps customers and contractors stay updated with the latest trends and technologies.

Offer Exclusive Promotions: Social media is another important tool when it comes to pricing and promotion communication and execution. Distributors can run social media-exclusive promotions or discounts for followers. By offering special deals or incentives, you can incentivize customers to choose their products over competitors and encourage repeat business. Do you have a price change or price advantage in a certain area? Social media is a great way to communicate your offers.

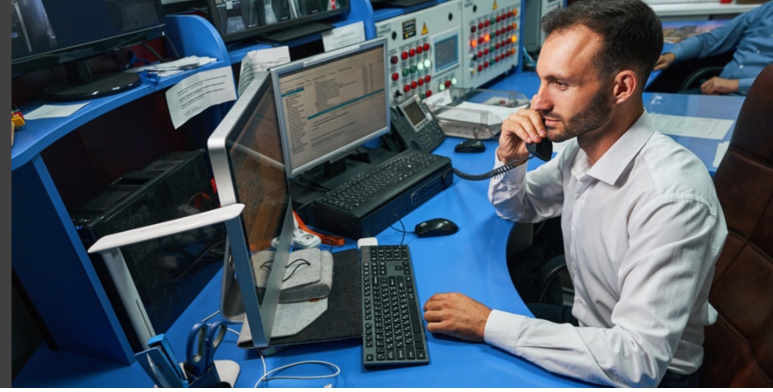
Provide Customer Testimonials: The best way to demonstrate value is letting a customer speak for you. When a customer comes in and tells you they love a new product, get your iPhone out and shoot a quick 15-second video. Ask your customers to share photos of their jobs, buildings, landscaping, happy end users.

Host Webinars or Q&A Sessions: Not all training has to be in person. You can run live sessions online to answer questions and demonstrate new products. This gives you a new platform for customers to reach out and gain insights that position you as a leader in your space.

Collaborate with other Influencers: Partnering with influential people who have a significant following on social media can help distributors reach a wider audience. Maybe you can even get one of them to endorse you or share their positive experiences.

Engage in Online Communities: Joining relevant online communities or groups on platforms like Facebook or LinkedIn allows distributors to interact with customers directly. You will be seen as a resource by many new potential customers just by giving a little extra online with insights, education, answers and tips.

Do Distributors Need a Chief Data Officer?



By Brandon Watson, Editorial Board Member

Data is the most powerful catalyst for growth in the distribution industry. The importance of data analysis has grown in every area of distribution, from the small startups to the large national acquirers. Distributors are constantly learning new ways to find competitive advantages, speed their times to decisions, serve customers and create new offerings.

More and more distributors are increasing their digital strategies in all areas from supply chain management to purchasing to marketing and of course to price optimization solutions. Distributors find themselves right in the middle of the relationships between manufacturers, buyers and end users. These transactions generate numerous touch points – all rich in data. Analyzing demand patterns, inventory levels, customer buying behavior and market trends can be overwhelming even with the most robust self-serve data tools. So, this begs the question: do distributors need a chief data officer (CDO) to help them navigate this complex landscape?

The Role of Data in Distribution

The distribution industry has faced a lot of change over the last few years and the pace of change continues to increase. Distributors who have better access to data and data analysis can make faster decisions, discover new areas for improvements and use those ideas to drive a competitive advantage.

Making Data-Driven Decisions

A lot of distributors approach their businesses entrepreneurially. Certainly, good gut instincts are important in any local market. But distributors don't have the luxury of relying solely on past experience. They need easy data tools to help them make informed, strategic decisions. Tools that make it easy to analyze historical sales, trends, customer behavior and more allow distributors to anticipate fluctuations in their business and identify patterns that can lead to new growth. Accessibility to data can prevent surprises and help you identify new opportunities in ways that simple gut instinct cannot.

Identifying New Areas for Improvement

Distributor margins are exceptionally thin and finding new efficiencies can directly improve both profitability and customer experience. Access to data analysis plays a critical role in streamlining operations, reducing costs, and minimizing waste.

For example, if you can analyze your data levels in real-time, you can help to optimize your stock levels. Better replenishment and inventory controls mean that you will avoid lost sales due to stockouts and reduced turns though overstocks. Similar efficiencies can be found in price optimization, order processing, logistics management, and supply chain coordination.

Gaining a Competitive Advantage with Data

Data can give you an understanding of customer behavior and preferences that help you anticipate buying patterns faster than your competition. Having access to customer data allows you to customize your marketing outreach with relevant offers and promotions. You can spot emerging trends in each location. You can identify your most important customers to help solidify your loyalty programs. Data is essential to gaining a competitive advantage.

The Challenges Faced by Distributors

As you can see, there are too many advantages to data to list. But there are also some significant challenges that most distributors face when it comes to data management.

Disparate Systems and Data Silos

Many distributors – especially distributors who have grown through acquisition – have unique challenges due to disparate systems and data silos. You've been in business for years and that means you have accumulated software applications, legacy systems, and databases that do not communicate with each other seamlessly. A lack of integration and centralized data prevents a comprehensive view of your business. Siloed information makes it difficult to have a unified reporting structure and that gets in the way of decision making.

Lack of Data Integration

A similar challenge to disparate systems is data integration. Distributors have a vast amount of data that is generated from various sources: sales transaction, CRM activities, supply chain and shipping systems, warehouse management, inventory control and market data. Most of these systems operate independently of one another and make it difficult to get a unified view across these systems.

Data Quality and Inconsistencies

The data that you deal with can be inaccurate or incomplete. Something as simple as an incorrect part number or missing customer field can cause many different problems throughout your entire organization. You may suffer from data entry errors, outdated information, duplicate information or other issues that distort your data analysis. And data can be represented differently in various systems. A simple example is a part number or name that is different on a purchase order compared to your system or compared to your customer's order. When data is inaccurate, employees stop trusting the information and analysis, further complicating good decision making.

Limited Data Governance and Security

Security and data governance are more important than ever in distribution. The more systems you use, the more ways your customers interact with you, the more you need to insure data privacy and protection. Do you have the right frameworks in place for data access controls, data ownership and compliance? The last thing your company needs is a privacy, data or security breach that exposes your most important information and erodes customer trust.

Lack of Data Expertise

The final challenge can be the most limiting. Distributors often lack data expertise in their organization. How can you begin to extract valuable insights from your data when you do not have the knowledge or skills in data analysis, data visualizations and data modeling? Even if you find the right data software and tools, you may lack the expertise to maximize their use and value. Distributors often struggle finding the right talent and expertise they need to manage, analyze and interpret their data.

None of these skill sets are intuitive. They all require training and expertise. Without access to the right experts, it is difficult to use data to make good decisions, optimize your pricing and processes, drive new sales opportunities and manage costs. The paradox is that without a strong data culture and data expertise, distributors may not prioritize important investments in data. This can hinder your ability to grow and stay competitive.

For this reason, many distributors are turning to data professionals who can bridge the gap between data and decision-makers. One option is a chief data officer.

The Responsibilities of a Chief Data Officer

So what does a chief data officer (CDO) do? The CDO's main role is to help distributors overcome the data challenges they face and unlock the potential in their many data sources. Having an explicit focus on your data elevates data in all areas of your business. Giving data a c-level voice on your leadership team provides the focus you need to make the most of your wealth of information.

Data Strategy Development

Perhaps the most important responsibility of a CDO is in developing an overarching data strategy that is in line with your top-level strategies and objectives. Your CDO can work closely with your other top executives as a peer to understand specific business requirements in each area of your company and align a data strategy to support their goals. They can listen to other officers and leaders to identify areas that data can be used to drive growth, new efficiencies and improve customer loyalty. The CDO can create new strategies for data collection, integration, governance, analytics and software selection to ensure that data use is maximized in the pursuit of your corporate goals.

Data Governance and Compliance

As we mentioned above, data governance ensures accuracy, integrity and security of your data. The CDO can specialize in these areas so that your governance is not fractured across your departments, branches and business units. Having one expert maintain data ownership and stewardship helps you maintain consistency with your data standards, policies and procedures.

Data Integration and Architecture

Integration and architecture should not be overlooked. A CDO can facilitate integrations from your many sources and systems and work closely with IT to design and implement new solutions. Your data flows across many different systems and departments and a CDO can take a high-level, corporate view that department head lack. IT may be good at the technical challenges of integrations, but a CDO maintains a c-level point of view on the strategies to make sure your data is driving your company forward, providing a holistic view of your business and empowering your decision makers in the areas you have identified as the most critical to your success.

Developing a Data Culture

By overseeing the development and implementation of advanced data analytics in your company, the CDO is in a unique position to train employees and instill a data-driven culture. The CDO is your data champion who leads employees and decision makers to new insights. They can work with leaders to develop new predictive models, dashboards and reports. They demonstrate how easy it can be to identify trends, forecast demand, optimize pricing and control inventory when you have access to data. The CDO can educate all employees on the importance of data analytics and promote data literacy across functional areas. The CDO can also play a pivotal role in helping to identify new talent for your company that are focused on data and innovation.

Should You Hire a CDO or Outsource?

Having your own CDO dedicated to your own data strategy ensures that you data initiatives are given the attention they deserve. They can garner the internal resources needed to overcome unique data challenges and unlock the potential of your company's data sources. They play inside and have an inside advantage. But, for many distributors, adding another c-level executive is not in their budget, not to mention finding the right person with both data expertise and distribution industry experience is always a challenge. Outsourcing may be the most reasonable way to approach your CDO needs.

Many distributors are already comfortable outsourcing their data strategy to managed services providers like Tridex Systems. Outsourcing your CDO role can provide unique advantages such as access to wider expertise, cost-effectiveness, best practice implementation, access to robust tools and specific database expertise.

Greater Access to Expertise

Outsourcing your CDO role lets you tap into a pool of experienced data professionals with deep experience in your industry. You get multiple minds working on your projects and strategies. Instead of hiring one individual, you get access to a team of data scientists, IT specialists, data management experts, analysts and developers who are well-versed in distribution, strategy, governance and advanced analytics techniques. When you leverage a company like Tridex Systems in your CDO role, you benefit from the highest level of proficiency in generating insights from your data assets.

Cost Effectiveness

Probably the biggest pushback on hiring a CDO is the financial investment it requires. Many distributors under $250MM in annual revenue probably don't have the resources to bring on another c-level hire including salary, benefits, bonuses and other overheads. On the other hand, outsourcing the role can prove to be very cost-effective. You can leverage an entire team of data experts on a contractual basis, paying for exactly what you need when you need it. This gives you flexibility to optimize your data management and allocate resources as you are able.

Understanding of Best Practices

Distribution is unique, and not all data experts understand the subtleties of your business. Outsourcing can give you access to industry best practices that are specific to distributors and have been proven across other distribution clients. A good partner will stay up to date with the latest industry trends, technological advances and ensure that you are pursuing best-in-class solutions and practices.

Access to the Newest Tools

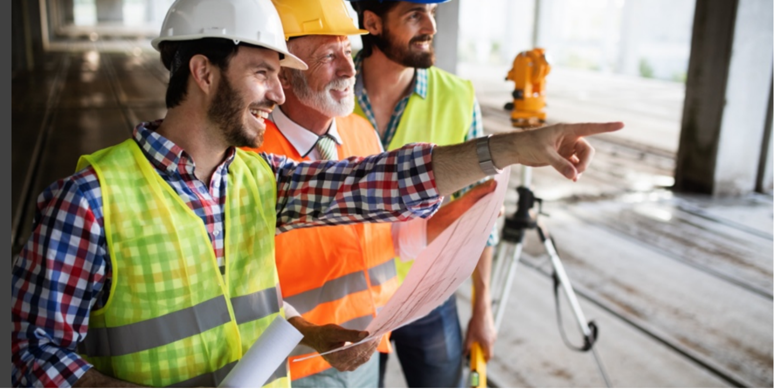
Managed service providers have access to the most leading-edge tools and technologies available for data management – and they use them every day so they are experts. For example, Tridex Systems dedicates a significant investment in the latest software, analytics capabilities, infrastructure and employee training to deliver optimal results to our clients as quickly as possible. When you have access to the best tools, you will see a faster return on your data investments.

Specific Database Expertise

Distribution technology is as unique as the industry itself. Distribution ERP systems, data systems, warehouse systems all have unique databases and data structures. Specialized knowledge of these databases comes in handy when it comes to managing and optimizing data storage, retrieval, and analysis.

Outsourcing the role of Chief Data Officer to a managed services provider offers distributors several compelling advantages. It provides access to a highly skilled team of experts, ensures cost-effectiveness, leverages best practices, grants access to the latest tools, and harnesses specific database expertise. By partnering with a reputable provider, organizations can optimize their data management practices, drive valuable insights, and stay ahead in today's data-driven business landscape.

Value-added Services Can Provide a Pricing Advantage



By Campbell Frazier, Editor-in-chief

Distribution pricing managers are typically focused mainly on product and customer segmentation to drive more favorable pricing and profit. Yet, value-added services can be some of the most effective ways to improve pricing and brand perception for a distributor and shouldn't go overlooked buy pricing managers. Offering and aggressively promoting value-added services can allow distributors to capture more profit and higher pricing in several ways.

Value-added services are about differentiation – they make you stand out from your competitors. In many industries, products are fairly commoditized and similar. Services help justify price levels. This comes from what your marketing lead would call increased perceived value. When a customer understands that you are doing something unique to make their business run more smoothly, that you give them a higher level of service that suits their needs, they value your entire offering. You can charge more. That means you can make more profit assuming the service you offer doesn't eat up said profit.

Customer interactions and relationships grow with the level of service you provide. Services drive more frequent customer interactions in ways that improve their lives. That tends to lead to higher customer retention and loyalty so you get a higher share of wallet. But that increased interaction builds trust which leads to more frequent orders and more upselling and cross-selling opportunities. When you interact in meaningful ways, you answer questions, learn about their business and can then explain your product lines, services, installation, delivery, maintenance or more. All of this allows you to keep your pricing and reduce overrides and tough negotiations.

The examples of value-added services in this article are from a variety of industries. They aren't meant to be a specific playbook to follow because our readers come from a variety of industries and backgrounds. But we hope they spark some imagination for you when considering new ideas for value-added services.

Product Bundling

Product bundling is a marketing strategy where multiple products are sold together as one combined package. It's a popular technique in the distribution industry, used to provide added value to the customers and boost sales volume.

Have you ever walked into a big-box or appliance store and been offered an appliance bundle? This is a very common tactic in retail and potentially with individual contractors and builders. Maybe you went in to get a new refrigerator, but you really liked the style, color and brand so the retailer offered you a kitchen appliance package that included a refrigerator, stove, dishwasher and microwave. Or when considering a remodel, you might change to a brand that has an attractively bundled offer. The end-user gets matching appliances at a cost-savings and the seller gets a higher total purchase price and moves more inventory.

Some common examples of product bundling in distribution might include:

1. **Hardware Tools**: Hardware distributors might bundle power tools together. For example, a DeWalt power drill could be bundled with a set of DeWalt drill bits. The buyer might have ordinarily purchased a generic brand for the drill bits, which would reduce your profit, but with a bundle they get more perceived value and you increase your order profitability. Maybe you sell a circular saw to a DIY enthusiast and you explain how they could save money by buying extra blades right now that they wouldn't have considered given the immediate project they are planning. You increase the size of the order and the customer appreciates that you gave them customized service and convenience.
2. **Electronics Bundles**: Office equipment distributors often bundle products together such as a laptop, cabling, printers, and even software. These bundles are attractive to corporate buyers and IT teams as they get everything they need in one purchase, often at a lower price than buying each item separately.
3. **Furniture Sets**: In addition to supplying retailers and e-commerce outlets, furniture distributors often sell to office spaces, hotels, real estate developers, designers, property managers, restaurants and even supermarkets. It makes a lot of sense to offer sets of furniture as a bundle, such as a bedroom set that includes a bed, nightstands, and a dresser or a patio set that includes chairs, a table, and an umbrella to these large buyers. These kinds of buyers seek consistency in their physical spaces and value cost savings and convenience. These bundles allow them to furnish an

entire room or outdoor space at once.

4. **Automotive Parts**: In the automotive industry, distributors might offer bundles of car parts that are commonly replaced together, such as brake pads and rotors. Customers save time and you increase your sales. Some distributors work with auto repair chains on bundled promotions to foster sales all the way down to the driver.

Custom Design Harness and Box Assemblies

Here's a common example in the electrical industry. A value-added distributor might create bespoke or custom-made wiring harnesses and box assemblies based on the specific needs and requirements of a contractor or customer. A wiring harness is a group of wires, cables, or connectors that transmit electrical power or signals. Box assemblies, on the other hand, are the casings or enclosures that house various electrical components.

There is no better way to demonstrate that you can cater to a customer's exact need than offering custom design solutions based on industry and application. This saves the customer a lot of time, offers convenience and saves them from trying to meet their specifications by shopping off the shelf.

Here are examples:

1. **Automotive**: Car manufacturers and aftermarket vendors often need custom wiring harnesses to connect various electronic systems within a vehicle, such as the audio system, lighting system, and engine controls. Each vehicle model can have its own unique harness design.
2. **Aerospace and Defense**: Aircraft and military equipment require highly specialized and robust wiring harnesses and box assemblies. These assemblies must meet stringent standards for durability, reliability, national security and safety. Often the main competitive advantage a particular supplier might have is more related to the demonstrated security and compliance of these assemblies.
3. **Healthcare Equipment Manufacturers**: Medical devices, ranging from simple handheld devices to complex diagnostic machines, often require custom-designed harnesses and box assemblies that meet specific biomedical standards. Hospitals don't have the time or staff to build these on their own and want to work with a distributor who specializes in solutions that best

serve their standard of patient care.
4. **Telecommunication Companies**: Telecommunication equipment often involves complex wiring systems. Custom designed harnesses can be built to improve signal transmission, while custom box assemblies can protect sensitive electronic components, all while providing convenience to the customer.
5. **Industrial Machinery Manufacturers**: Manufacturers of heavy machinery and equipment often require custom wiring harnesses and box assemblies that can withstand harsh conditions and heavy usage. Replacing these is critical to keeping the factory floor productive. Just a few hours of downtime can mean millions of dollars to certain manufacturers so working with a distributor who has prebuilt solutions ready to put into place is critical to their profitability. In these cases, you can often price the assemblies much higher than you would if you sold the parts separately because of the urgency of the buyer.

Inventory Management as a Value-added Service

Distributors can offer inventory management as a value-added service where they help their clients manage and control their inventory levels. Usually, the distributor has access to warehouse space, logistics solutions and technology that makes them more adept at forecasting demand, tracking inventory levels, determining reorder points, and managing relationships with suppliers. In turn, this lowers the overhead costs for their customers, minimizes stockout situations, usually eliminates overstocks altogether, streamlines delivery and just takes a big weight off the client who doesn't specialize in inventory and logistics.

By offering inventory management as a service, distributors can help their clients reduce overhead costs, minimize stockouts and overstocks, streamline their supply chain, and improve overall efficiency.

Here are some specific examples of inventory management services in various industries:

1. **Automotive**: Just-in-Time inventory is fairly popular among many manufacturing industries. In automotive, a distributor might agree to ensure that parts arrive only and exactly when they are needed on the assembly line. This reduces the need for an automotive manufacturer to keep large number of parts and components on hand, which eases storage issues and costs and reduces the risk of obsolescence.

2. **Food and Beverage**: Distributors who have access to advanced demand planning or predictive analytics could work with restaurants, hospitality outlets and grocery stores to forecast more accurately. This would help reduce cost and wastage and also help to ensure their customers meet the demand for popular items.
3. **Healthcare**: Hospitals and medical clinics go through a lot of inventory but do not have the available space to manage large inventories. Distributors in this industry offer inventory management services that track usage and help replenish supplies as needed. They might also help arrange the safe disposal of expired supplies. There is a very high value in this service for hospitals that want to stay stocked with life-saving and essential supplies and also want to maintain their safety and compliance standards.
4. **Construction**: It is common for construction and building materials distributors to provide on-site vendor managed inventory solutions. That way the distributor can help manage the inventory of construction materials right on site. Poorly timed materials can add cost to a construction project – imagine a stack of drywall board delivered too early and sitting in the rain. These services save construction companies time, space and risk and help keep their projects on time.

Delivery Add-on Services

Delivery doesn't have to be about just dropping off boxes at a job site or loading dock. You can take – and charge more – extra steps to ensure that your customer experience is optimal, and you help promote efficiency in their own organizations.

Here are some ways a distributor can offer value-added delivery services:

1. **Same-Day or Expedited Delivery**: For businesses that require immediate access to supplies, offering same-day or expedited delivery can be a huge benefit. Think about industries like healthcare, where urgent access to medical supplies can be critical especially in the emergency room, wound care or ICU.
2. **Scheduled Deliveries**: Distributors once just delivered whenever it was convenient for them based on their own schedules and trucking routes. This isn't very convenient for most customers. You can position yourself as an elite service distributor by delivering according to your customers' schedules instead of your own. Some businesses have unusual hours or have to attend to peak hours, such as restaurants and retailers. Being

able to schedule deliveries during downtimes creates a lot loyalty.

3. **Direct-to-Site Delivery**: This has become standard in industries like construction, as delivering materials directly to the job site can save builders time and resources. It eliminates the need for them to transport materials from their own warehouses or storage facilities. But many other industries could benefit as well such as catering, event planning, healthcare, agriculture or offering drop-shipping for e-commerce providers.
4. **White Glove Delivery Service**: The term "white glove," implies a high level of service – meticulous, personalized and professional. Some distributors offer premium delivery services that go above and beyond simple delivery of a product to a business or home. Usually this involves high-value, large, heavy or complex items that require special expertise to deliver or install. It is common with appliances, grand pianos, furniture, artwork and high-value electronic systems. It can also include services that help minimize mess and frustration for the end user such as installation, unpacking, inspection, and assembly and clean up.
5. **Track and Trace**: Providing real-time tracking information can give businesses peace of mind and help them plan more effectively. It's valuable for any industry, but particularly for manufacturing or retail businesses that rely heavily on timely deliveries.
6. **Reverse Logistics**: Managing returns efficiently can be a major value-add. In industries like e-commerce, a smooth and easy return process can significantly enhance the customer experience. There are many examples of the benefits of reverse logistics including handling returns for e-commerce partners, helping manage expired pharmaceuticals, food or manufacturing recall issues or even green trade-in and recycling programs.
7. **Temperature-Controlled Deliveries**: For industries like food service or pharmaceuticals, maintaining the right temperature during transport is crucial. Offering temperature-controlled deliveries ensures these products arrive in optimal condition. In fact, many companies in these industries require temperature-control throughout the entire supply chain.

Training and Technical Support

Distributors often offer a variety of training and support programs to their customers, either independently or in collaboration with their vendors. Training encourages both loyalty and upsells. You are only limited by your own imagination but here are some examples.

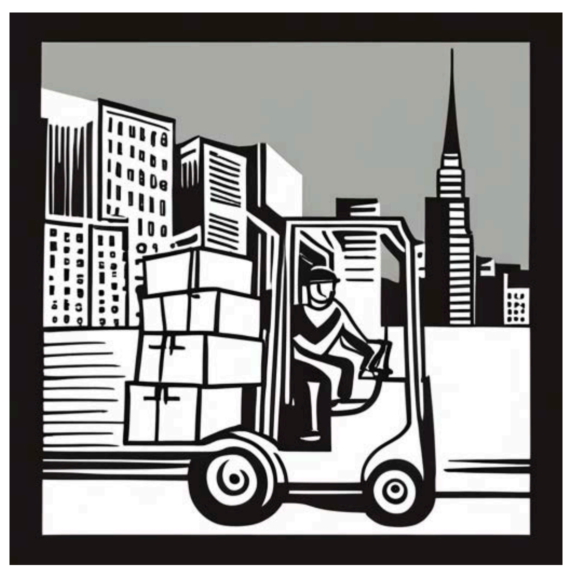
1. **Product Knowledge Training**: Most distributors sell something that is difficult to use or understand the first time. Some products have value or additional uses that your customer wouldn't consider without training. And this type of training is a great way to get your vendors involved explaining features, benefits, usage and more. Vendors love to work closely with distributors who are active with their customers on marketing, pricing, promotion and more.

2. **Sales and Marketing Skills Training**: Maybe you don't sell to the end user of your product. That makes it difficult to drive demand. For example, a contractor or designer might work with a homeowner to choose bathroom fixtures. Giving the contractor sales and marketing assistance and training can help them pull demand through your business even when you don't deal with the end user.

3. **Customer Service Training**: Similar to sales training for contractors, the contractor is often the first person to get called if something goes wrong. Giving them extra service training and support can help you cement your customer relationship, help their business and lead to increased sales.

4. **Compliance and Regulations Training**: This can position you as a valuable partner and thought leader in industries that must adhere to specific regulations. It can also encourage new or replacement sales based on legal or compliance changes.

5. **Webinars and Events**: Don't limit your training to simply in-person events. Consider hosting online webinars and events as well. This allows you greater access to experts and presenters who might be able to join you online but couldn't join a local event. It also allows you to offer training on-demand so that your busiest customers can view training when it is convenient for them.



What Are Pricing Analytics in Distribution: Turning Data into Dollars

By Campbell Frazier, Editor-in-chief

Distribution pricing analytics is the term used to describe the range of metrics and software used to understand and explain how pricing affects profit. This analytical software is often used to help distributors gain a more thorough understanding of how profitability differs for a range of different pricing options and how far distribution optimization could improve the potential profitability of products and services.

Distribution pricing analytics is now essential to a company's overall growth strategy. By helping businesses understand how their pricing strategy affects profitability and what they can do to optimize them, this branch of analytics promises to play an increasingly important role in business decision-making.

Pricing analytics is important for gaining a competitive advantage in distribution because it can help businesses understand how their pricing strategies affect profitability, demand, customer behavior and market forces. This information is essential to a company's overall growth strategy, as it can help them make more informed decisions about where to focus their efforts to improve their bottom line. In addition, pricing analytics can also help businesses understand how their competitors are pricing their products and services, giving them an edge when it comes to setting prices. By using pricing analytics, businesses can ensure that they are getting the most out of their reps and branch locations and are doing everything possible to stay ahead of the competition.

There are three large categories of pricing analytics: historical (sometimes called descriptive analytics), predictive and prescriptive.

Historical Pricing Analytics

Historical pricing analytics is the examination of past pricing data to understand how customers have reacted to pricing changes in the past. This information can be used to make better decisions about future pricing changes.

Some of the metrics that can be analyzed in this context include month-on-month sales growth, year-on-year pricing changes, average revenue per customer, or changes to the number of new purchases related to a particular product price over a particular period. By understanding how customers have reacted to price changes in the past, businesses can make more informed decisions about what prices to charge in the future.

Setting up an historical pricing dashboard using standard business intelligence tools is straightforward for most distributors. But the next step – predicting future profitability trends – is more complex.

Predictive Pricing Analytics

Predictive pricing analytics is a form of analytics that uses historical data to make predictions about future events. This data can be used to optimize prices with future goals in mind. It isn't always about maximizing revenue. Your strategy might be to maximize overall profit or to increase order volumes to hit a new rebate level.

Statistical algorithms and machine learning are used in predictive pricing analytics to ensure the best possible results. By analyzing past data, businesses can get a better understanding of how customers will react to future price changes. This information can then be used to make more informed decisions about what prices to charge.

Predictive pricing analytics can be a valuable tool for businesses that want to optimize their prices with future goals in mind. By using historical data, businesses can make more informed decisions about what prices will be most successful in the future. It typically requires advanced price optimization solutions.

Prescriptive Pricing Analytics

Prescriptive pricing analytics is a form of analytics that uses historical data to make predictions about future events but then go a large step forward and provide suggestions for where to take your pricing in the future. This data can be used to optimize prices with future goals in mind.

For solutions that offer prescriptive pricing analytics, they again use statistical algorithms and machine to ensure the best possible future outcomes of price changes. By analyzing past data, businesses can get a better understanding of how customers will react to future price changes. This information can then be used to make more informed decisions about what prices to charge. These solutions are more expensive and specialized than simple BI tools or dashboards but allow distributors to make more informed decisions about what prices will be most successful in the future.

Prescriptive pricing analytics goes beyond predictive analytics by not only predicting what could happen but prescribing actions on how to achieve better results. It is the most proactive and goal-driven of the three types of pricing analytics, striving to achieve specific outcomes such as increased profits or market share.

A distributor that uses prescriptive pricing analytics has access to powerful tools and techniques for arriving at the best price point for its products or services. These include optimization algorithms, simulation models, and machine learning. With these tools, a business can not only determine how customers are likely to react to different prices but also experiment with different scenarios to see which one produces the best results.

Price Analytics Features

In our analysis of price optimization solutions, we consider the following to be important features to consider in price analytics. No single solution is perfect in all areas, so you want to consider which features are the most important to your company and run each provider through a private demonstration of their capabilities. If you want an outside and independent evaluation, please contact us and we're happy to provide help in guiding you to a solution that fits your distribution business.

Dashboards

A pricing analytics dashboard is a tool that allows businesses to view their pricing data in a graphical format. This type of dashboard can be used to track the performance of individual products or product categories, as well as to identify trends in customer behavior.

Some of the benefits of using a pricing analytics dashboard include:

- improved understanding of what prices are most and least effective
- ability to quickly spot changes in customer demand and adapt prices as needed
- ability to compare the performance of different products and make changes as needed
- better understanding of how price changes impact overall sales

Reporting

A pricing analytics report is a document that shows how certain changes in price will affect a company's revenue and profit. They are useful for making data-driven decisions about pricing and understanding how competitors' prices may impact your business. While dashboards are more interactive, sometimes you just want a static report delivered to key stakeholders with the same information each period. However, you don't want to have to build the report yourself in the software or in your spreadsheet. So, it is important that your price optimization solution have reporting capabilities and not just dashboards.

Drilldowns

Not all dashboards or user interfaces are created equally when it comes to analyzing data. You want to be able to drill down into your data to make further connections in your analysis. This isn't always as easy as it would appear, and some solutions don't give you the ability to analyze your own data on the fly. So, you want to make sure your solution has data drill downs.

Advanced capabilities

An analytics solution can provide a wealth of information to help businesses make better decisions. Some of its advanced capabilities include:

- Segmenting data to identify trends and correlations
- Identifying which marketing channels are most effective
- Determining the ROI of marketing campaigns
- Measuring customer engagement and loyalty
- Predicting future customer behavior

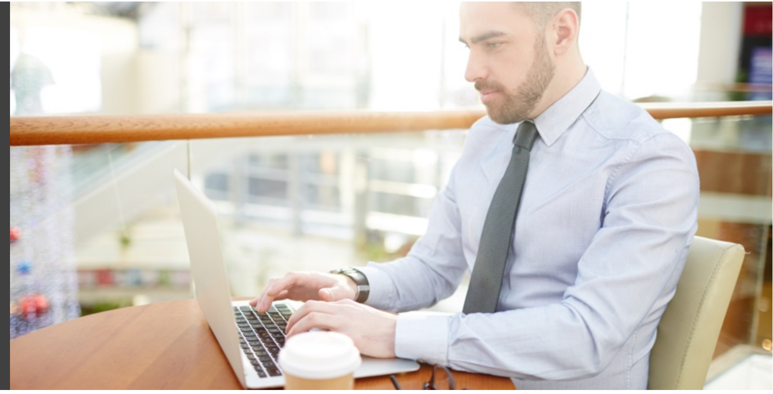
Automated Alerting

Automated alerts about customer behavior are important to a distributor because they provide the distributor with information about how customer trends are changing in real time and give you the ability to respond quickly. This could involve drops in demand, changes in online activity, specific alerting or information regarding large bids and quotes. This information can help the distributor respond quickly to issues and better serve their customers. Additionally, automated alerts can help to identify and resolve any issues that customers may be experiencing on the website or in a particular location.

Price contract analysis

Pricing contracts for important customers are a critical part of doing business in distribution. The topic goes far beyond the scope of this article, but you'll want to consider contract analytics as part of your pricing analytics strategy.

Can Distribution Pricing Managers Work Remotely?



By Campbell Frazier, Editor-in-chief

There should be no reason to point out that the way we work has changed more in the three years since 2020 than it has in the 20 years prior. Even distribution companies – long held up as examples of companies who require large amounts of on-premise work – have turned to remote and hybrid work for certain types of employees. Remote work was once only the domain of a select few job titles but now it has gone mainstream.

Distribution pricing mangers play a huge role in the success of your company. Can they really work remotely and still create great pricing strategies and drive better margins?

The role of a distribution pricing manager has expanded in recent years as well. They once simply executed pricing inside of an ERP pricing matrix, but now they are responsible for analyzing marketing trends, conducting competitive research and sifting through customer buying patterns to determine optimal pricing that drives profitability. Pricing requires a lot of collaboration with all the teams inside of your company, from sales to finance to purchasing. It's no surprise that this role has usually been seen as an "on-site," role so that pricing managers can have access to cross-functional teams.

Yet two factors have made the possibility of remote work more feasible for pricing managers: new technology and a trend toward new acquisitions. With better web-accessible software platforms and data tools, pricing managers no longer need to be tethered to the office to get real time data. Data analysts are jumping on new collaboration tools such as Slack or workflow management. With large companies growing through acquisition, it has become much more common for pricing expertise to be centralized regardless of location. Technology and expanding locations have created a greater openness among distributors to allow pricing managers to work from anywhere.

Because of the great reader interest, we've had in this topic, we wanted to delve into this evolving world of remote work to better understand if it can align with the day-to-day responsibilities of pricing managers.

The Upside of Remote Work for Distribution Pricing Managers

Anytime you can add flexibility to your work environment, you improve your ability to attract top-level talent, reduce office costs and overheads and usually increase worker satisfaction.

Provide greater flexibility for work-life balance

Offering remote work options to pricing managers allows them to exert greater control over their schedules. This gives them great work-life balance as they can adjust their work hours and location to accommodate personal commitments and preferences. More control over their personal life naturally leads to increased job satisfaction for pricing experts. Yet, many distribution leaders are uncomfortable offering this kind of flexibility. But do you really care where the pricing manager does her analysis if she is driving margins?

"Pricing managers who work from home can often get more done, and have fewer interruptions in their workday," says Sarah Thompson, Director of Data Analytics at Alphatix Tool Parts Distributors. Working from home can even help pricing mangers adapt better to market changes. "By eliminating the distractions caused by coworker interruptions, you are able to maintain a higher level of focus and concentration on your pricing strategies. This allows an analyst to make real-time adjustments in response to new data and grab ahold of opportunities for bigger margins."

Thompson underscores the significance of having the flexibility to work from home in terms of pricing changes in an ERP system. She explains, "I use web and cloud-based software that gives me the ability to log in and update pricing information anywhere I happen to be working. Working remotely provides pricing managers with the freedom to focus on strategic decision-making. The office environment can be a little restraining and many pricing managers find they can devote more energy to analyzing data, identifying trends, and optimizing pricing strategies to drive profitability while working remotely."

"Working from home has been quite a transformative experience," Thompson, who has been working remotely since the start of the pandemic, shares. "In many ways, it's a blessing to have the flexibility and peace to focus on my work without the usual office distractions." However, Thompson also acknowledges the flip side of the coin. "The drawbacks are significant too. The lack of social interaction can sometimes feel isolating. There's also the missed opportunity for impromptu meetings with sales reps who often have valuable anecdotes and real market data about pricing to share. These casual interactions can't be easily replicated in a virtual setting, and that's a loss," she admits. "The key is to plan out your meetings and interactions, so you aren't working alone with your data."

Hire talent from anywhere

It is exceptionally difficult right now to find an experienced price manager. A highly technical and domain-specific skillset combine with record unemployment makes it harder to find the right employee. If you add in geographical constraints, recruiting becomes more difficult. If you can hire from anywhere and not just in your branch or HQ locations, you can expand your talent pool to individuals with a wider variety of skills and experiences than you might find in your own backyard.

Thompson has some experience to share here. "When it comes to hiring skilled pricing managers – I mean the best of the best – I strongly recommend that distributors broaden their horizons and look beyond their local area," advises Thompson. "You cannot always find the best person for the job in your local market and by looking for a remote employee you open up the possibility of finding highly talented individuals who can bring new perspectives and maybe some innovation."

Thompson says it's important to bring in new people and new ideas from outside the confines of your geographical limitations. She believes that when you can expand your candidate search beyond your own city, you can reach into a wider pool of talent and expertise. "You can get top-level skills from a nation-wide talent search instead of hiring the best you find locally."

Cost savings for both pricing managers and organizations

There are hard costs associated with office spaces and office equipment. Letting more workers operate from outside the office means you can reduce certain space and overheads. Pricing managers can also save money by working remotely. Commuting, meals and other expenses are reduced when working from home. The average remote worker saves $6,000 per year on a variety of costs, none of which contribute to their well-being or company productivity. Want to give your pricing manager a $6,000 raise without spending anything more? Let them work from anywhere.

Don't undervalue the cost-saving aspect of remote work, Thompson highlights, "Both distributors and pricing employees can save significant expenses by embracing remote work. Reduced commuting costs, office space requirements, and other overhead expenses contribute to improved profitability for everyone."

"The indirect cost reductions for employees are often overlooked but hold significant value," says Thompson. "What is the value of eliminating an hour or more spent stuck in traffic? Think about the gas saved, the number of oil changes avoided, and the wear and tear on vehicles. These seemingly small savings add up over time."

Thompson warns not to underestimate the stress of the daily commute. She states, "Imagine the positive shift in productivity when a grateful employee can start their day promptly at 7 AM instead of spending that time in traffic. By removing the hassle of commuting, employees can immediately focus on their work, creating a pace for a productive day ahead."

Addressing the Challenges Faced by Remote Distribution Pricing Managers

Of course, despite the many benefits, there are many jobs in a distribution company that would be impossible to do remotely. Warehouse workers must stock and pick-pack-ship. Shipping and dock employees must be on schedule with trucks or risk detention fees. Even inside sales for certain industries benefit from proximity to specialized stock. Pricing managers face their own sets of challenges while working remotely.

Communication and collaboration challenges

Despite the improvements in remote working tools like Zoom, Microsoft Teams and Slack, remote distribution pricing managers may still face challenges with effective communication and collaboration. There is something about being able to lean over your cubicle wall and ask a purchasing agent about margins. And sales reps might like dropping in on important deals. It is important to develop cultural norms as well as facilitate adoption of communication tools and project management software to facilitate collaboration with real-time messaging, video conferencing, document sharing and workflows.

"Remote working and collaboration technology have revolutionized the way pricing managers can effectively collaborate with sales reps and purchasing agents, regardless of their physical location," says Brandon Watson, VP of CloudSuite Solutions at Tridex Systems. "With the right tools and platforms in place, we can bridge the gap between remote teams and create a seamless working environment. Through virtual meetings, real-time communication, and shared document collaboration, remote pricing managers can engage with their colleagues as if they were sitting right next to them in the office. You're aiming for efficient decision-making, better alignment, getting everyone on the same page, regardless of distance."

Data security and confidentiality

Pricing managers are responsible for some of the most sensitive data in the business. You are looking at pricing, contracts, billing information, contact information and more. If you're going to let your pricing managers work from anywhere, you need to make sure they are working securely. With some preparation there are some basic procedures to minimize risk. Implementing a virtual private network (VPN) to establish secure connections and encrypt data is a great start. Also, just enforcing policies around passwords, email safety, phishing, multi-factor authentication and more can help you secure your data.

"Protecting sensitive data is paramount, especially when working remotely," says Watson. "VPNs and robust data governance practices can help safeguard our information and ensure its integrity." Watson explains that VPNs essentially create a secure tunnel for data transmission, encrypting it and shielding it from prying eyes. Coupled with effective data governance policies that define access controls, data classification, and monitoring, distributors can establish a strong security foundation that frees remote workers to handle sensitive and important information. "Remember, data security is not a luxury but a necessity in today's digital landscape. You should consider these tools regardless of the number or type of employees you have working remotely."

Performance monitoring and accountability

This may be the most important hurdle to cross for many distributors. One of the most common complaints we here from pricing experts is that their managers still don't trust the data and want to manage pricing from the gut. This can carry over into wanting to have the pricing managers close at hand to manage by walking around and talking instead of setting clear goals and responsibilities. The fact is, without goals and accountability, it doesn't matter where the pricing work gets done, you won't have a way to measure it. No matter where you work, you need to establish clear goals, metrics and have reporting mechanisms in place. If you are concerned about accountability, you don't have a remote work problem, you have a goal system problem.

"Implementing effective business intelligence and workflow tools helps you manage with accountability," says

Watson, "and it increases your efficiency. Distributors are getting better about using BI to track performance, monitor project progress, and provide valuable insights into work even when done remotely." When distributors use data-driven decision-making and streamlined workflows, they can optimize their operations, maintain accountability, and drive productivity, regardless of employees' physical locations. "It is important to customize your system to match your work so that you are providing user-friendly solutions that align you're your wider goals and values. It just makes the transition to remote work smoother and more efficient."

Insights from Lenovo's Future of Work Study

If you need any more convincing to let your pricing managers try remote work, Lenovo's Future of Work and Transformation Study has revealed some interesting findings about the evolving work landscape. Here are the key takeaways:

- **Job Satisfaction and Productivity:** The study found that 70 percent of global employees reported higher job satisfaction when working from home. Additionally, 56 percent felt more productive in a remote work environment.
- **Preference for Remote Work:** Employees today value the flexibility that remote work offers. In fact, 88 percent of participants from large companies expressed their desire to work from home (WFH) or work from anywhere (WFA) at least some of the time.
- **Management Perspective:** Encouragingly, management is aligned with the benefits of remote work. The study found that 83 percent of IT decision-makers (ITDMs) from businesses surveyed expect post-pandemic work to be remote at least half the time.
- **Data Security Challenges:** Data security emerged as the top concern among IT departments, according to the study. IT decision-makers ranked it as their most time-consuming challenge. Interestingly, the survey also revealed that ITDMs feel more prepared to deal with another pandemic than they do with security threats.

The data underscores the positive impact of remote work on job satisfaction and productivity, highlighting employees' preference for flexibility. It also emphasizes the need for organizations to prioritize data security and explore innovative solutions.

Best Practices for Effective Remote Work for Distribution Pricing Managers

A lot of distribution companies have concluded that the benefits of remote work outweigh the negatives. If you want to try it out with your own pricing managers, here are some best practices we recommend.

Establishing clear expectations and guidelines

Just because they work remotely doesn't mean you cannot set expectations for working hours, availability and deliverables (e.g., new pricing proposals, updates, catalog deadlines, etc.). You can also set expectations for the communication channels they will use, response times and meeting schedules. Some companies ask remote employees to have their Zoom on for "office hours," so sales or purchasing employees can drop in for questions. The clearer your expectations are communicated and documented, the more secure you will feel in their ability to achieve success remotely.

Matthew Turner, Founder of Boston Turner Group, emphasizes that the preparation and planning you should already be doing to have a well-run company also makes your remote employees more effective as well. "Goal setting, OKRs, and clearly defined work expectations are essential pillars that drive the success of any distributor, particularly in the context of remote employees," says Turner. Your job is not only provide a clear direction and purpose for individual and team efforts but also nurture trust and productivity across the whole company. "When everyone is aligned towards common objectives and understands what is expected of them, it creates a sense of focus and unity that propels the business forward. Everyone, remote or on premise, can greatly from these practices because they provide structure and clarity."

Encouraging regular communication and virtual interactions

One of the biggest issues with remote work is isolation. Create a culture that favors open and frequent communication. Video conferencing and messaging are easy tools to add into your work mix. Some systems even have virtual white boards and screen sharing to make brainstorming and meetings as effective as face-to-face meetings.

"It's very important that you don't ignore the psychological aspects of remote work," says Turner. "Having regular chats and video meetings can help remote workers feel more connected." You also want to encourage them to get facetime with real human beings when possible. "I usually work from my home office, and I know how easy it is to never leave your work when it is always just a few steps away. I like to get out into some coworking areas like my local library or coffee shop just to be around other people. I think working in a variety of spaces with other people also encourages creative thinking."

Providing necessary technology and support: First and foremost, make sure you are using one of our recommended price optimization solutions. This will ensure that your pricing managers can be effective from anywhere and do their roles effectively. Give them data analysis tools, access to management software, communication tools, IT support and more so that they can be as efficient as your on-premise employees.

"Pricing managers are some of the biggest collaborators in your entire organization," says Mike Bernard, Chief Marketing Officer of Vendavo. "Pricing mangers interact with sales, marketing, executive leaders, product and purchasing, finance and almost every other area of the business. So, it is critical to support them with technology that allows them to collaborate effectively." Bernard describes price optimization technology like Vendavo as a kind of, "glue," that connects these departments regardless of where they work. "Sharing drilldowns, automated alerts and reports, rebate program updates, margin analysis and more are very easy with Vendavo. So, pricing managers who work remotely have a set of tools to collaborate easily. With a partner like Vendavo, pricing managers can focus more of their time on driving team discussions that ultimately lead to higher profits."

Bernard offered a very common example of how technology creates better collaboration – discount approvals. "It is crucial for salespeople to have knowledge of the target price, approvable price, and walk away price during negotiations," says Bernard. "But the way this is handled in many distribution companies is to lean over the desk of the pricing manger." This is far from effective. Certainly, you want your sales reps to make informed decisions and propose pricing that maximizes profitability. But you want these decisions to be facilitated with robust technology and accurate data. "Leaning over a desk leads to pricing decisions that are a little too easy to approve and can result in missed opportunities for better deals. By providing sales teams with readily available approval procedures in an actionable format, distributors empower their salespeople to step out of their comfort zones and negotiate more effectively. This saves the pricing manager a lot of time because reps are using the pricing guidance in the system."

Promoting work-life balance and employee well-being

Work-life balance goes two ways. Working remotely can blur lines between work and personal life. Go out of your way to encourage employees to set boundaries in both directions. Your best employees can face burnout when working from home because they don't have a clear break from their work environments. But other employees can let personal lives creep in as well. Provide them with education on managing stress and promoting wellness just as you would an in-person employee. The more supportive you are, the more appreciative, successful and loyal they will be.

Evaluating performance and adjusting strategies as needed

Do you regularly review and evaluate the performance of all your employees? No matter where they work, employees like having measurable goals and well understood guidelines for behavior. Regular employee reviews promote a culture of continuous improvement and adaptation but also make employees feel connected to your vision.

"You should be offering regular performance evaluations of your employees no matter where they work," says Turner. "Performance evaluations facilitate open and constructive communication between employees and their supervisors. Both parties have an opportunity to provide feedback, discuss challenges, and offer suggestions for improvement."

Turner adds that performance evaluations serve to remind everyone what is important in your company. "It's a way to help motivate your employees and keep them all rowing the boat in the same direction."

Ready to Go Remote?

Many factors over the last three years have accelerated the adoption of remote work across various distribution roles, and pricing management is no exception. It has become evident that remote work can be effectively implemented without compromising productivity, collaboration, and overall performance.

While remote work offers flexibility and the ability to work from anywhere, there are certain aspects of pricing management that may benefit from in-person interactions, such as team brainstorming sessions or strategy discussions. Finding the right balance between remote and in-person work can reinforce good decision-making and create a collaborative environment between pricing mangers and other employees.

Additional Resources and Next Steps

Here are some valuable resources and actionable steps to get you started:

1. Articles and Guides:

- "A Guide to Managing Your (Newly) Remote Workers," by Harvard Business Review – This article provides insights and strategies for effectively managing remote teams, including pricing managers.
- "How to create a remote team culture," by Trello – This resource offers practical tips for creating a positive remote work culture and fostering collaboration within a distributed team.

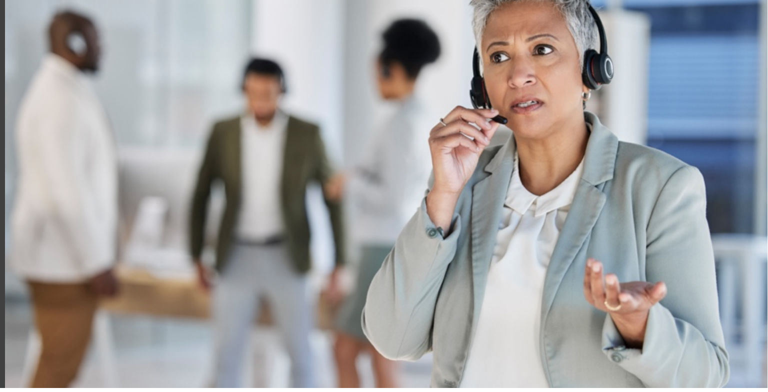
2. Tools for Remote Work:

- Vendavo's pricing and selling solutions for distribution
- Tridex System's approach to Infor Cloudsuite Distribution and Infor Workflow
- Communication: Slack, Microsoft Teams, and Zoom are popular communication platforms that facilitate real-time collaboration and virtual meetings.
- Project Management: Asana, Trello, and Jira are project management tools that help with task tracking, timelines, and team coordination.
- Document Collaboration: Google Workspace (formerly G Suite), Microsoft 365, and Dropbox Paper enable seamless collaboration on documents, spreadsheets, and presentations.

3. Actionable Steps:

- Will it work for you? Evaluate the entirety of your pricing management tasks and test out which aspects can go remote.
- What do you expect? Don't work blindly, you need to establish clear expectations, goals, and deliverables for remote pricing analysis. Document your guidelines regarding availability, response times, and communication methods.
- How will you support your pricing manager? Ensure that pricing managers – and all remote workers – have access to the necessary technology, software, and training to perform effectively.
- How can you help? Go out of your way to schedule regular check-ins, virtual team meetings, and collaboration technology because working remotely can be isolating.
- How will you improve? You need to regularly review the work and success of all your pricing managers, especially remote workers. Ask for feedback from the team and adjust when needed.

Can Distributors Reduce Price to Attract Customers?



By Campbell Frazier, Editor-in-chief

It seems like basic supply and demand. As price lowers, sales go up along the demand curve. If prices rise, sales drop. Does this hold true for distributors? Can you reduce price to attract new customers? The answer isn't as straightforward as it may seem. While slashing prices might seem like an easy solution, it's not always the most effective long-term strategy.

Understanding Price Reduction

Discounting is a familiar tactic when trying to win large jobs in distribution. Various industries offer price reduction to stimulate demand in new locations or with new product lines. A distributor may decide to lower the price of their products or services making them appear to be a more affordable choice. So, on the surface, the main goal is to attract new customers and new purchases by providing buyers with a higher perceived value.

An electrical distributor might decide to offer 15% off any components sold during and industry trade show. Contractors attending the show might want to test the waters with a lower priced product from a new distributor to lower their overall product costs, especially if the components are something they regularly work with. Similarly, a building materials distributor might offer a reduction in bulk purchases during peak building cycles. Builders might be looking to maximize their budget savings at a time when they are using the most materials.

Unfortunately, even though price reductions can be effective in getting new initial purchases from customers, they do not necessarily ensure any level of customer loyalty. Getting a customer in the door is just the first step and keeping them happy so that they return frequently with more purchases is the real challenge. Unless you can ensure high volumes and frequent large orders, reducing price to attract new customers usually results in profit drains.

You also risk creating an expectation with all your customers that another discount is around the corner. You can negatively impact and delay purchasing decisions if customers wait until you have a sale. Perhaps even worse is the impact on your brand in the eyes of your customers. Many buyers perceive that lower cost is somehow associated with lower quality, poorer service, shipment issues, stock issues and more.

It's more than just the company brand as well. I once heard a buyer relate to a coworker what they felt was the main reason for their cost savings: the sales reps at their supplier lacked confidence.

The Reality of Pricing in Distribution

You may be familiar with the concept of price elasticity. That essentially estimated how sensitive your sales are to changes in price. The tourism industry is exceptionally elastic. People will put off nonessential travel when the cost of flights and accommodations are too high. At the other end of the spectrum are essential grocery expenditures. People buy the staples for their home in similar quantities even as prices go up and down. Anyone who has worked in distribution pricing for any amount of time knows that B2B purchases – especially in bulk or in support of large jobs – are less price elastic for several reasons:

- Businesses need to buy your goods to operate. This is nonnegotiable. If they don't have supplies, they cannot build houses, fix machinery or install new lighting. This reduces price sensitivity in many areas.
- Many of your customers may have contracts and long-term relationships with you or a competitor. Prices might be locked in around special pricing agreements.
- Businesses working with distributors have larger budgets and a longer view of their spending which makes them less sensitive to price than a consumer buyer.
- Switching costs can be higher in B2B purchasing. Distributors with relationships add more value, understand unique issues and have access to particular stock. This has the effect of reducing the real substitutes available in the market, because while a buyer could find a lower price elsewhere, they may not want to risk missing their own timeline or dealing with shipping problems.
- Some purchases in B2B simply don't add up to a high enough percentage of the entire scope of a job to make it worthwhile to shop around.

Of course, this doesn't mean that prices in distribution are elastic at all – if you charge enough, you will lose sales. What it really means is that elasticity in distribution is more complicated than just a price up or down decision and can vary across customer segments, product lines, industries, season and market conditions.

Broadening Your Strategic Choices Beyond Reducing Price

Discounting cannot be the only marketing and negotiation tool in your bag. You must look beyond simple price reductions to win new customers or you risk affecting your profit and brand. Before you jump to reduce your price, consider some slightly more sophisticated approaches.

Bundling

Bundling involves offering more products and services together at a lower combined price than if each item was sold separately. Right away this has an impact on order profitability by increasing the size of the order and potentially increasing overall purchase volume. Buyers feel like they're getting more for their money, and you will turn more inventory. It also gives you a chance to take advantage of supplier discounts without lower other prices. For example, if you have a 15% discount or rebate on a particular line but can offer a bundle where overall you only give away 5%, you might increase your total profit on the order and still give a deal to the buyer. Overall quantity discounts can have similar effects.

Anchoring

Anchoring is a psychological strategy where standard pricing is higher than what you typically negotiate. This has the effect of creating a reference point in the mind of the buyer – the anchor – that can make a discount seem even more attractive. You should know that this strategy works on your sales reps and counter sales employees as well. In fact, most distribution ERP systems include different cost and sales values for different pricing matrices allowing you to present standard prices to your employees based on your own strategies.

Add Value

Most distributors have created unique value-added services. You might add kitting or special packaging. You might have well-trained customer service or extended warranties. Additional value allows you to maintain pricing while winning deals. Similarly, you might offer price concessions for tradeoffs. Are you saving on shipping because the customer has their own trucks? Are you doing less service because the customer buys the same goods in large amounts and is familiar with the products? Let the customer know that you are giving them a discount for these reasons – this has the added benefit of creating an anchor for the value of your additional services.

Asking Better Questions in Each Deal

The job of the buyer is to beat up your sales reps over pricing. That level of exposure to price concerns can make the whole organization feel like pricing is all that matters. So, we constantly ask ourselves the same question: can I close this deal faster if I offered a discount. There are better questions to ask.

- **Can I preserve profit margins?** Reducing prices is the fastest way to eat into profit margins. Most distributors have high fixed costs, so a reduction in price directly impacts profitability. Thinking about bundling or quantity discounts can help you move the profit needle with larger purchases and order profitability which can in turn increase the total revenue from each sales rep.
- **Can I increase perceived value?** Anchoring and adding value increase your customers' perception of your value. Even the simplest form of anchoring can help make subsequent discounts seem like better deals. Bundling can sometime result in larger profits overall while making the buyer happy with their discount.
- **Can I differentiate in this deal?** Bunding and added value also help you differentiate yourself from your competitors. When customers learn that they can get more from your product or service – from bundles, complementary products, training, shipping – they are more likely to return than choose a competitor.
- **Is this the right customer?** Let's face it – some customers aren't' worth the profit drain. Discounting can attract price-sensitive customers who are ready to jump ship every time a competitor offers a lower price. Let them go. Walk away. This requires some deep analysis of your actual cost structures and real value.

Unleashing Profit Potential Through Rebate Automation

By Mike Bernard, Editorial Board Member

The distribution industry traditionally faces low margins in each sale. It is difficult to keep your bottom line healthy without technology-driven approaches to pricing, sales execution, operations and value-added services. The same holds true for your rebate programs. Many distributors are missing out on their total profit potential because they are uncertain how to proceed with rebate management and automation. Automation can make your rebate programs less complex for your employees and your customers while making sure you don't leave potential profit on the table.

How Rebate Automation Changes the Game

Some distributors count on rebates for as much as 60% of their total margins. But getting the most out of your rebate programs involves a lot of work tracking, calculating, reporting, communicating through sales and marketing and of course collecting on rebates. Automation can help streamline these processes for better collaboration from your supplier through your sales teams down to your customers and end users.

Compared to using simple ERP functionality or spreadsheets, rebate management software improves your accuracy, speed and consistency. This drives greater cost savings related to rebate management, but perhaps more importantly it allows you to take advantage of more profit-driving rebates. Rebate automation helps you keep your customers loyal through cost savings while remaining competitive and maximizing your own profits.

A common example involves your approach to pass-through promotions. Pass-through promotions – sometimes called push promotions – are a sales promotion strategy that manufacturers and suppliers use to incentivize their distributor partners to sell more of a particular product or line. These might involve price reductions, special discounts and rebates. The distributor then "passes," the lower pricing onto the final customer with the goal of stimulating new sales overall. These promotions are a favorite with suppliers and customers alike; however, when managed poorly they can be a margin killer.

When you fail to accurately account for and apply your rebates, pass-through promotions can lead to significant profit loss. First, promotions take time to manage and have associated opportunity costs from missing other sales opportunities. If you don't carefully manage these promotions, you may not be properly pricing them to your customers. If your price management is also inaccurate, it makes the potential for profit drain even worse. Pricing errors might lead you to overestimate your margins leading – which can lead you to underprice your deals. Or you might underestimate your margins leading to lost sales. Perhaps the worst result is in strained relationships with your suppliers. Your team stops trusting the effectiveness of promotions and your manufacturers start focusing on other distributors with more reliable results.

A One-stop Profit Boost for Pricing and Rebates

One of the biggest issues that distributors face is in managing price and rebate information across multiple systems. In the worst cases, no systems are being used for price optimization or rebate management and spreadsheets are simply passed from team to team. Most distribution ERP systems have basic functionality for pricing and rebates. For example, if your ERP system has rebate capability, it is usually limited to a particular type of set up, then requires some manual intervention for application and invoicing. Similarly, most ERP systems have basic price matrix capabilities but do not consider advanced optimization around customer segmentation, behavior, rebate levels and other profit areas.

Solutions like Vendavo's Rebate and Channel Manager make it easy for you to fully integrate your price and rebate management strategy with a more focused approach on profit. In addition to greater efficiency and accuracy, combining your pricing and rebate strategies in one system makes it easier to analyze and automate your processes for more sales growth and profit capture.

Here just a few examples:

1. **Maximizing Supplier Rebates**: Sales reps are often focused on the effect of pricing on each deal and do not immediately consider back-end margins. Maximizing supplier rebates might mean extending some special pricing to customers to drive costs down across all deals and channels for certain products and brands.
2. **Incentive Programs**: Incentive programs – from sales contests to customer discounts – can be very effective in driving sales and improving customer

satisfaction. But without proper coordination and analysis, they can also cut into your margins. By combining your pricing and rebate automation you can leverage your rebate programs inside of your incentives to attract and retain customers while driving profit at the same time.

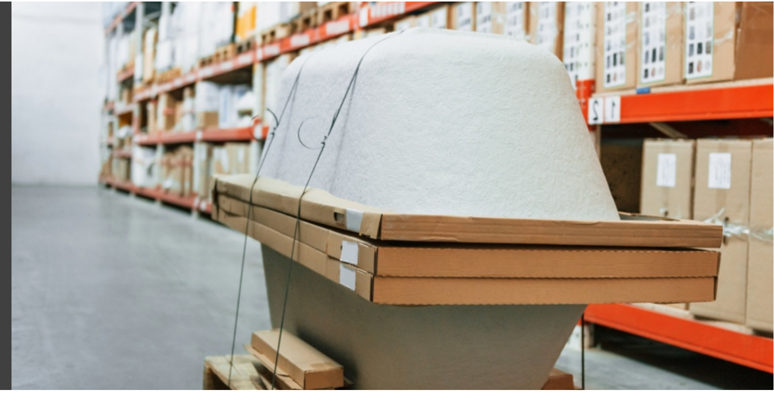
3. **Competitive Pricing Strategy**: Pricing competitively doesn't mean cutting your prices. That is just a race to the bottom. Competitive pricing is about offering the right price to the right customer at the right time. By combining price optimization with an effectively managed rebate strategy, you can offer competitive pricing while still maintaining profit.
4. **Alignment with Sales Goals and Market Conditions**: Without rebate management, distributors are missing out on important opportunities to key their sales reps into profit goals around order volume and product launches.

Better Alignment with Your Suppliers

Unfortunately, you often face a ticking clock when it comes to collecting rebates from suppliers. This is because rebates are often tied to milestones around volume, growth, product-mix, product introduction windows, end-of-life windows and more. The intricacies of rebate management can escalate when purchases are diffused across multiple branch locations or conducted through a buying group or other collective. Too many times distributors rely on data from the supplier or manufacturer to calculate rebates and don't consider the accuracy or inaccuracy of those calculations. Human error always comes into play.

Using automation in your rebate management gives you precision around your rebate calculations using real-time data. Your calculations will benefit from less human error. You can minimize conflicts or challenging discussions between your trading partners giving you more room to discuss marketing expansion and approaches to product growth. You can also easily determine the actual net margin of your rebate programs giving you important data to use for future discussions, pricing agreements and mutually beneficial sales and marketing support. In volatile and disruptive markets, time is of the essence. Rebate automation not only frees up valuable time, it also brings precision, reduces human error, and unlocks profits.

Increasing Customer Purchase Volume to Boost Profitability



By Joe Raventos, Editorial Board Member

We're always looking for ways to drive profitability. Experienced profit leaders in distribution know that this doesn't always mean looking for ways to raise prices. Price level and sales engagement an affect volume in ways that drive higher profits as well. Increasing the volume of purchasing for individual customers is a great strategy for boosting frequency, profitability and adding to your bottom line.

Adding More Lines to an Order

Adding more lines to an order is a powerful way to increase the overall purchase volume. It maximizes the value derived from each transaction, thus boosting profitability. This can be achieved simply by exposing your customers to more of your product range through targeted sales and marketing efforts. By providing customers with a wider variety of options, you also encourage more frequent buying overall as most customers would prefer to consolidate their vendors for efficiency.

At SMP, our distribution sales analysis has shown that if you can add just one extra line per order on every fifth order placed, you can increase your profits by 40%. This is because adding an extra line to each order increases revenue without significantly increasing the costs associated with that same order. In other words, a lot of your sales costs, operational overheads and pick-pack-ship costs are already built into the order, so each additional line you can add to an order increases overall profitability.

Data and analytics are important in helping you make the right decisions about pricing as well as the right targeted offers aimed at increasing order size. Just as you can leverage price optimization solutions to find the right price for maximum profitability and distribution CRM solutions to analyze purchasing trends, customer interactions and buying behaviors to target the right sales offers.

Other Benefits of Higher Volume Sales

Of course, distributors can benefit from higher sales volumes in many ways. Even if you lower your pricing to generate higher volume, you can drive overall profitability with a higher turnover rate, better performance on rebate goals and lower costs of service. Rapid turnover rates allow you to boost your cash flow and reduce storage costs. Selling more of products represented in supplier rebate programs can drive you to a higher rebate level.

Don't Cut Pricing for Volume – Make Highly Targeted Offers

You don't have to cut pricing to drive volume. One of the most effective ways to add more lines per order and increase profitability is through customer segmentation and targeted offers. You'll want to use your data to divide your customer base into specific groups based on various criteria. You've probably already done this to adjust your pricing matrices based on purchasing behavior. You can take it a step further with other criteria inside you CRM system based on location, demographics, product purchasing history and more.

This gives you the ability to meet the needs of unique customer groups with targeted marketing offers. The goal of this kind of marketing is to increase volume and more importantly, increase profitability. In fact, our recent survey about trends in targeted marketing in the distribution industry showed that distributors were 4.5 times more likely to see increased order profitability and 2.5 times more likely to experience higher order sizes when segmenting based on buying behavior.

Encouraging More Purchasing Frequency

Any sales and marketing programs aimed at increasing purchasing volume can help with profitability, but one of the most successful tactics is targeting already profitable customers to increase their purchasing frequency. In SMP, this is as easy as running one of our profitability dashboards and drawing a circle around the results to create a new marketing list. You can create a new campaign in minutes.

Successful campaigns might include the following.

1. **Loyalty Programs:** Create programs that reward you most profitable customers for frequent purchases. For example, you could offer points that could be redeemed for training, shipping, discounts, special merchandise or other perks.
2. **Volume Discounts:** Offer tiered pricing or bulk discounts to encourage larger, more frequent orders. The more they buy, the more they save, which can incentivize customers to consolidate their purchasing with you.
3. **Product Bundling:** Bundle related products together to encourage

more frequent sales. Your customers will be encouraged to buy more items at once and will be exposed to more of your product lines.

4. **Regular Communication:** Using tools like SMP for regular communication through email and sales calls helps your customers understand more about new products and industry news that can help you stay top of mind.
5. **Specialized Training and Education:** Offer training sessions or educational seminars on new products or industry trends. This not only provides value to your customers but also positions you as an expert in your field, which can increase trust and encourage more frequent purchases.

Distribution Pricing

Warren Buffet on Pricing

"Price is what you pay. Value is what you get."

"The single most important decision in evaluating a business is pricing power."

"If you've got the power to raise prices without losing business to a competitor, you've got a very good business."

"If you have to have a prayer session before raising the price by 10 percent, then you've got a terrible business."

"The most important thing to do if you find yourself in a hole is to stop digging."

"I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful."

"Rule No.1: Never lose money. Rule No.2: Never forget rule No.1."