



Chas. E. Phipps Company

Company Facts

- Location: Cleveland, Ohio
- Industry: Distribution
- Number of Employees: 30
- Web site: www.chasehipps.com



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Tony Filipovic, Vice President of Administration | Chas. E. Phipps Company

Success Highlights

Challenges

- Implement a system that will resolve a lack of pricing consistency among branches and among salespeople, as well as customer types, improving overall company profitability

Solution

- Epicor Eclipse and Prophet 21

Benefits

- 1 percent overall margin improvement, and 2-3 percent overall margin improvement specifically with “tiny” and “small” customers
- Consistent pricing across branches and salespeople
- Greater level of trust that products are being priced accurately
- Better qualifying of customers and prospects

Chas. E. Phipps Company of Cleveland, Ohio, is a general distributor with 30 employees in three locations, and 2,300 commercial and industrial contractor customers. The company uses the Epicor Prophet 21® platform to manage its 7,000 product SKUs and was looking for a disciplined approach to its product pricing.

According to Tony Filipovic, Vice President of Administration at Phipps Company, “We knew there was a lack of pricing consistency among our branches and among salespeople. We believed that many smaller customers were getting an undervalued price.”

Strategic Pricing: The Basics

For every product, for every customer, there is a price that produces the optimal gross margin—the highest margin a distributor can obtain while retaining the customer’s business. Strategic Pricing is a pricing architecture based on this principle, combining invoice analysis with market knowledge. It involves detailed segmentation of a distributor’s customers by size (from “tiny” to “huge”) and type (“core” and “non-core”), profiling of their price sensitivity, analysis of past pricing performance, definition of new pricing standards, and development of metrics to support pricing processes and compensation.

Recognizing the value that strategic pricing would provide to distributors, Epicor formed an exclusive relationship with Strategic Pricing Associates (SPA) to seamlessly integrate a strategic pricing module into its Prophet 21 and Eclipse™

products. For Epicor customers, the data already exists in their Epicor ERP system; they can easily export the data for analysis and then load the resulting pricing structures/files into the system.

Phipps Company started implementation of Strategic Pricing in March 2010, testing it with small customers first, and achieved full go-live by September 2010.

Data-Driven Discounts

To be effective, a pricing program needs to be data-driven, to translate strategy into actionable plans. Filipovic admits, "The data crunching and analysis involved in Strategic Pricing initially seemed overwhelming. Fortunately, we had the Epicor Prophet 21 and SPA partnership to assist us. Having an integrated system is good...but it's a lot of work. The partnership was key for a small company like ours to have access to these resources."

Phipps Company converted the existing individual discounts in its price library in Prophet 21 to Strategic Pricing. Filipovic notes, "There was some resistance to classifying customers in five size ranges, but you can't price all of your good customers as 'large' or 'huge' accounts. We needed better qualifying of our customers and prospects. "Instead a core team including Filipovic, the company president, and branch managers set team discounts.

Results

Phipps Company has seen about 1 percent overall margin improvement with Strategic Pricing, and a 2-3 percent overall margin improvement specifically with "tiny" and "small" customers. Filipovic reports, "Working with SPA after the full implementation, we've set goals of achieving a 60 percent strategic pricing threshold, meaning that 60 percent of our total sales for our 'tiny' and 'small' customers should be going through as strategically priced item

sales. Phipps is currently at a 50 percent threshold and working toward this goal."

In addition, the overall knowledge gain impressed Filipovic. "The discipline of Strategic Pricing is valuable; the combination of the software plus the theory is what makes it succeed," he says. Phipps's people can now trust that products are being priced accurately, within a range of where they need to be. "Part of the process was getting our salespeople to think strategically," notes Filipovic.

He is also pleased with the ability of Strategic Pricing to maintain consistency among Phipps Company's three branches, five outside and 11 inside salespeople. "We had a customer checking between branches, shopping around on the first day of our Strategic Pricing implementation. This was a good initial test of the system," he recalls.

"Having an add-on module that analyzes your database for customer and order information and then classifies customers by type and size goes a long way in streamlining the pricing process," Filipovic concludes. "Strategic Pricing is a critical aspect of our business, and an ongoing process."

About Epicor

Epicor Software Corporation is a global leader delivering business software solutions to the manufacturing, distribution, retail, and services industries. With 40 years of experience, Epicor has more than 20,000 customers in over 150 countries. Epicor solutions enable companies to drive increased efficiency and improve profitability. With a history of innovation, industry expertise, and passion for excellence, Epicor inspires customers to build lasting competitive advantage. Epicor provides the single point of accountability that local, regional, and global businesses demand. For more information, visit www.epicor.com.



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