



Epicor Success Story

TORRSCO

Company Facts

- ▶ Location: Waterbury, Connecticut
- ▶ Industry: Plumbing/HVAC/PVF
- ▶ Number of Employees: 135
- ▶ Number of Locations: 12
- ▶ Web site: www.torrco.com



Success Highlights

Challenges

- ▶ Help a successful New England plumbing/HVAC distributor retain and improve margin in an increasingly competitive market

Solution

- ▶ Epicor® Eclipse™ with Strategic Pricing

Benefits

- ▶ Margin improvement of 4.9 percent on 30 percent of 2011 sales yielded an overall margin increase of 1.5 percent that went directly to the company's bottom line
- ▶ Minimal customer pushback on price increases

TORRSCO (the new name of Torrington Supply), based in Waterbury, Connecticut, is a plumbing/HVAC distributor that has been serving contractor, industry, and institutional customers throughout Connecticut and western Massachusetts since 1917.

TORRSCO has relied on the Epicor Eclipse enterprise resource planning (ERP) system to help run its business profitably and efficiently since 1995. "For years, we used a combination of activity-based costing and the Eclipse velocity pricing programs to maximize our margins," notes Joel Becker, TORRSCO President/CEO. "We knew there was additional margin opportunity with slow-moving customer/product combinations, but we did not have the analytical or computing skills to analyze the millions of customer/product combinations that would give us the thousands of small margin gains for specific customer/product sales. In 2009, Epicor introduced Strategic Pricing, which was what we had been looking for."

Strategic Pricing: The basics

For every product/customer sale combination, there is an optimal price—the highest price a distributor can obtain while retaining the customer's business. This is often different for different product/customer combinations. Strategic Pricing is a pricing architecture based on the principle that there are many small margin opportunities which, in aggregate, can yield 2-4 percent in additional pricing margin points for the distributor.



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 Eclipse, Prophet 21®, and Prelude™ products. Since all that is needed is sales history, the data already exists in most distributors' systems. Epicor customers can easily export the data for analysis and then load the resulting pricing structures/files into the system.

Achieving incremental margin gains

According to Becker, "I always thought we had additional pricing opportunities and were not using our sales history data effectively to set our pricing. When I heard about Strategic Pricing, it was exactly what we had been trying to do on our own."

TORRCO began implementing Strategic Pricing in July 2009. It was a gradual and incremental process. Explains Becker, "To reap the full advantage of Strategic Pricing takes a good deal of time and thought during the setup phase. It requires a fairly detailed understanding of your customer segments, product segments, and markets, as well as recognition of how your company currently sets pricing policy."

Percentage of Sales and Lines Priced by SPA Matrix				
	2008	2009	2010	2011
Sales	0.0%	10.0%	29.6%	30.3%
Lines	0.0%	16.8%	49.5%	52.1%
GP%	0.0%	28.0%	27.9%	27.9%
GP% SPA	0.0%	35.1%	32.5%	32.8%
SPA Effect	0.0%	7.1%	4.6%	4.9%
SPA Effect Co	0.0%	0.7%	1.4%	1.5%

As indicated by the data above, in 2011, 30 percent of the company's sales and 52 percent of its lines were priced using the SPA matrices. The "SPA effect" is the price difference between how the product is priced with the SPA matrix and how it would have been priced if TORRCO did not have Strategic Pricing (which is recorded for every sale).

"For sales priced using the SPA matrix, we earned an additional 4.6 and 4.9 percent in margin in 2010 and 2011, respectively. These are enormous margin gains with virtually no customer pushback that we never could have achieved without Strategic Pricing," observes Becker. He concludes, "As you can see, the impact of hundreds of thousands of small increases in price adds up to be very significant. For us, Strategic Pricing was the most effective, systematic way to improve our margins."

About Epicor

Epicor Software Corporation drives business growth. We provide flexible, industry-specific software that is designed around the needs of our manufacturing, distribution, retail, and service industry customers. More than 40 years of experience with our customers' unique business processes and operational requirements is built into every solution—in the cloud, hosted, or on premises. With a deep understanding of your industry, Epicor solutions spur growth while managing complexity. The result is powerful solutions that free your resources so you can grow your business. For more information, [connect with Epicor](#) or visit www.epicor.com.



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