INDUSTRIAL DISTRIBUTOR CONTROLS DISCOUNTS TO PUSH MILLIONS TO THE BOTTOM LINE

Pricing agility and discounting controls generated nearly $4 million above target revenue, $18 million expected annual gross profit lift.
EXECUTIVE SUMMARY

COMPANY

• Multi-billion dollar industrial distributor of metalworking supplies.

CHALLENGES

• Excessive discounting, struggle to find right levels
• Manual processes for pricing one million products in annual catalog.
• One-size-fits all pricing and blanket discounting meant money was being left on the table.

PROS PRODUCTS

• Uncovered and closed margin leaks
• Provided pricing guidance to inside sales reps to eliminate excessive discounting
• Automated and streamlined setting catalog prices

RESULTS

• Generated nearly $4 million above target revenue
• $18 million annual gross profit lift expected
Distributing more than one million products to thousands of suppliers and hundreds of thousands of customers, this company faced three key pricing challenges: ISAs frequently gave customers unnecessary discounts, a practice that was reinforced by a culture that refused to lose business regardless of the cost. At times, ISAs even drove the price lower than the customer’s request.

With most customers typically purchasing a large number of products, the distributor relied on customer price agreements to set prices for a group of products, along with corresponding discount or margin percent and discounts, for individual accounts. Because creating customer price agreements was time-consuming and difficult, OSAs often simply copied and applied existing customer price agreements to new customers. And,

Users can create different scenarios of the Special Discount – or of any quoted/negotiated deal – and compare these versions to see which has the best outcome.
while the distributor’s process for setting catalog prices was sound, execution was time-consuming, error-prone, and did not allow product management teams to collaborate.

**PROS Solution Controls Discounting and Enables Efficient, Timely Catalog Pricing**

PROS provided the distributor with a strategic and science-based pricing solution to deliver key value:

1. A robust discovery process that revealed significant margin leaks and their root causes
2. Capability to use the distributor’s own data to ensure immediate value and encourage user adoption.

PROS is years ahead of any of its competition in offering pricing solutions that show immediate results and enable us to maintain control of discounting to improve margins and profits.
The PROS solution was implemented in phases, first by using analytics to pinpoint discount-related margin leaks, effectively measure profitability, and highlight margin improvement opportunities. With these high-quality insights, the distributor took immediate, effective action to close profit leaks.

Next, PROS helped generate floor, target, and stretch prices displayed in the distributor’s existing pricing screen at the time of the transaction. ISAs accessed powerful, market-based pricing information to help them improve the profitability of those decisions. The PROS solution also automated and streamlined the price-setting process of setting catalog prices for more than half a million items.

Armed with the proper information, product managers could set appropriate prices and preview prices before being published in the catalog to check for errors and eliminate margin loss.

Distributor Exceeds Revenue Targets, Expects $18 Million Annual Gross Profit Increase

Before implementing pricing guidance, this distributor was operating more than $4 million below its monthly target revenue. With PROS, the distributor generated $3.8 million above target revenue. The distributor anticipates an annual gross profit lift of $18 million. In addition, quote turnaround time has been reduced, sales force confidence boosted, and sales compensation better aligned with pricing goals.

WHY PROS

- A partnership approach where we roll up our sleeves and work with you to get the job done.
- Innovation that reaches beyond the status quo, creating smarter solutions to propel you ahead of the rest.
- Embedded data science that provides guidance and recommendations to help you compete and win.
- Nearly three decades of experience crunching big data to reveal opportunities and guide better business decisions.

KEY PRICING CHALLENGES

- Inside Sales Associates (ISAs) routinely gave customers excessive discounts at transaction time.
- Outside sales associates (OSAs) struggled to set appropriate discount structures for new and existing customers.
- Product managers faced time-consuming manual processes to set list prices for one million products, with most listed in an annual catalog.
PROS automated and streamlined price-setting for more than half a million items in our annual catalog, saving us time and letting us concentrate on pricing strategy instead.
PROS Holdings, Inc. (NYSE: PRO) is a big data software company that helps customers outperform in their markets by using big data to sell more effectively. We apply 27 years of data science experience to unlock buying patterns and preferences within transaction data to reveal which opportunities are most likely to close, which offers are most likely to sell and which prices are most likely to win. PROS offers big data solutions to optimize sales, pricing, quoting, rebates and revenue management across more than 30 industries. PROS has implemented more than 600 solutions in more than 55 countries. The PROS team comprises more than 700 people around the world.

To learn more, visit www.pros.com.