



3 Habitual Pricing Strategies That Can Bury You in a Down Economy





A lack of strategic pricing constantly drains profits. This is especially the case in the current challenging economic environment.

Inflation, recession, and heightened eCommerce competition are placing intense demands on distributors, necessitating savvy pricing strategies. But what many distributors don't know is that the wrong pricing strategy can be tremendously damaging to their business.

Below are three habitual pricing strategies often employed by distributors. Consider these cautionary tales; when it comes to pricing strategy, distributors must operate with care.

DISTRIBUTOR A

The Emotional Pricer

Distributor A follows a pricing strategy aligned to the three Cs: competitors, costs, and customers. The overriding factors of this pricing strategy are fear and reactivity. The worst of these three Cs is customer-driven pricing, where an inexperienced sales rep may offer a discount because they lack confidence in the strength or value of the sales relationship. Alternatively, a customer may demand a discount. While discounts may work to keep a customer satisfied in the short-term; however, over time, that customer may continue to push for even more discounts in exchange for their customer loyalty, even when it isn't rational or feasible.

Our experts say:

“Emotional pricing strategies often lead to a death spiral of dead-end discounting.”



DISTRIBUTOR B

The Economy Pricer

Distributor B follows an economy pricing strategy. The idea is to sell a high volume of products at a low price. The distributor aspires to boost sales and gain market share by selling at a discount. While this may sound advantageous, in reality, this distributor can only be effective with this strategy if it has lower overhead and costs than the competition. Moreover, this distributor can be caught off guard if market changes shift.



Our experts say: “In economy pricing, thin margins don’t allow a lot of room for error. It’s akin to walking a tightrope without a net.”



DISTRIBUTOR C

The The Inertia Pricer

Distributor C follows a pricing strategy that is the same antiquated pricing strategy they've had in place for years. Their pricing processes tend to be very manual in nature; their pricing outcomes result in either leaving money on the table or not getting an order. The economic landscape is volatile, and they suspect they should be monitoring market changes and revamping their pricing strategies. However, moving to a different approach to selling can be so complex, so complicated, that they don't do anything. And still, others wonder, "should I wait to invest in pricing optimization until things settle down?"

Our experts say: "When the economy changes, so must your pricing strategy. You are making pricing decisions now, and every month you wait to shift your pricing strategies to be data-driven is a month you are missing out on gross profit potential that you'll never get back."

Distributors have been hit with fairly steep manufacturing price increases with **unprecedented rapidity**.

Pricing decisions shouldn't be made arbitrarily or habitually; using pricing optimization tools gives distributors agility and nimbleness to stay ahead of their competition and gain laser-focus on where the most impactful pricing improvements exist and which are in alignment with their profitability goals.

According to McKinsey, as companies imagine the post-pandemic economy, leaders ready to invest in pricing to counter inflation and to build solid foundations for growth may want to consider four steps carefully:

1. Building an analytical fact base
2. Setting a value-based dynamic pricing strategy
3. Creating conviction among the sales force
4. Governing and carefully tracking execution and results

By strategically and systematically implementing price changes, companies could effectively pass on input-driven cost increases (or decreases) in a value-based way while potentially creating healthier pricing practices and stronger customer relationships that will endure.

Pricing is the most powerful tool for distributors – helping distributors sell more to their existing customers, close more new business, control discounting and be confident in their pricing.



While most distributors know they need to fix their pricing, they often put it off, **thinking it's too complicated.**

White Cup makes it easy to get started quickly to capitalize on every opportunity to drive revenue and maximize profits.

With intelligent pricing practices, you can get started with data-driven pricing in a matter of weeks. Built-in best practices and profit plays immediately help identify simple pricing changes to drive new profit daily. At the same time, teams can be empowered by performance scorecards that provide clear reporting on the impact and success of pricing changes.



GROUP CUSTOMERS

by buying habits, profitability, and cost to serve – not just by size to discover new opportunities to make price adjustments



VIEW THE BIG PICTURE

of segment performance or drill down into customer and product data



GENERATE “WHAT IF” SCENARIOS

to model potential outcomes before committing to overall segment changes



DID YOU KNOW?

A 1% improvement in price optimization yields an 11% increase in net income.

Get in the **Data-Driven Driver's Seat** with White Cup

In the distribution space, you are facing challenges never before experienced, and your customers are too. It's a whole new world that requires new strategies to unlock new sales opportunities and build relationships based on a deeper understanding of your customers' needs.

Ready to get in the **data-driven driver's seat?**

White Cup's platform consisting of Business Intelligence (BI), CRM, and Pricing lets distributors make sense of their data and make business decisions that improve revenue performance. We can help you connect the dots of your data across critical business systems, reveal key insights via analysis, and provide the tools you need to take action for revenue improvement.

About Us



White Cup turns a distributor's sales pains into profit gains. Our CRM, Business Intelligence (BI), and Pricing software make it easier for you to sell more, keep more profit and beat the competition. With over 20 years of experience, White Cup is trusted by more than 1,000 customers globally.

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