



5 Ways Distributors Can Reinvigorate Their Pricing Strategy

Here's how to roll up your sleeves to eradicate revenue and margin leakage.





Today, Distributors face many challenges, including [supply chain issues](#), [inflation](#), and [increasing competition](#).

Amid this disruption, there's one thing distributors desperately need to do: ensure they have intelligent pricing practices in place. That's because pricing is the single most significant area for profit improvement.

Having a solid pricing strategy ensures you're not leaving money on the table and that you are actively seeking new revenue streams within your customer base.

Intelligent pricing practices set your sales teams up to "win" deals without giving away the farm and instill a savvy sales discipline in your organization to achieve revenue growth.



1

Replace Your Ad Hoc Deal Desk with a Solid Pricing Strategy

Many distributors operate with an ad hoc “deal desk” approach to sales. Sales reps often reward their favorite customers with discounts or are “beat up” or pressured into giving discounts. That’s not a strategy, or at least not one that’s sustainable or savvy.

The basis of a sound pricing strategy starts with an understanding that there are myriad factors involved in establishing and managing pricing. A customer’s willingness to pay for a product varies based on their product usage, their own customers’ needs, their relationship with your business, and many other factors.

The goals of a pricing strategy are two-fold. First, you want to obtain the optimal price for every product sold. Second, you want to manage your product mix and services to get the optimal price for a set of customer transactions. With the latter, you may want to consider shifting a customer to online ordering to reduce their cost to serve or having them bundle orders to reduce shipping costs.

2

Put the Brakes on Runaway Pricing Overrides

Many distributors have a sales culture of “runaway” pricing overrides, which can erode revenues over time. Allowing your sales reps to override pricing defeats the purpose of having a pricing matrix in place. And, when 100 or 1,000 sales reps are setting your pricing independently, there can be no consistency and no stability in maintaining a pricing strategy.

Most importantly, indiscriminate discounting can be a race to the bottom. Statistical analysis of price discounting shows that a 1% price discount kills so much profit that you’d need to increase your sales volume by 20% just to break even. Experts say that ideally, no more than 20% of transactions should be governed by price overrides.

As with many things, the way to curb pricing overrides starts with knowledge. Understand what pricing overrides are happening throughout the organization and why. Are they taking place with certain customers, sales reps, or with specific products? Once you have a “heat map” of pricing overrides, you can take the necessary steps to reign them in, including setting controls and establishing set levels of authority and flexibility.

3

Reevaluate Your Sales Compensation Plan

Take a close look at your sales compensation structure to ensure it's aligned to encourage the right behaviors. If your sales reps are compensated based on revenue instead of profit or price improvement, they will be incentivized to sell more, but often at the sacrifice of margins.

In this example, consider which deal is in the best interest of the sales rep and which deal is in the best interest of the distributorship:

OPTION 1

Selling a product for \$1,000 with a hefty discount applied

Result: 5% commission to the sales rep

OPTION 2

Selling that same product for a higher price after negotiating through some pushback from the customer

Result: 5% commission to the sales rep.

While the nominal price lift doesn't make a significant difference in the sales rep's commission, it can make a big difference in the company's bottom line, especially when the sales organization starts working in this fashion collectively.

A smarter sales compensation plan incentivizes reps on the real goal—expanding the average selling price or gross margins.

4

Use Data and Technology to Your Advantage

It's impossible to have intelligent pricing practices without access to data and the technology to manage and make sense of this data. Many distributors rely on tools such as Excel spreadsheets and gut feel to manage pricing. This is no match for the dynamism required today to keep up with constant change.



Establishing a central pricing “source of truth” requires new tools and technology such that organizations can implement strategic pricing strategies and the appropriate governance and accountability for pricing transformation.

You can run what-if scenarios to predict market share, revenues, and margins at various price points with data and technology. You can also group customers by multiple attributes, including buying habits, profitability, and cost to serve, to discover new opportunities to make price adjustments. By aggregating and correlating data, you now can discern how to guide your business to capture more significant profits.

5

Instill a Sense of Team Ownership

Making a move to adopt intelligent pricing practices involves transforming your sales culture. Having the right technology in place is critical, but pricing transformation also requires the right processes, behaviors, and organizational mindset.

To create a culture of pricing improvement, it's important to keep change management best practices in mind. Sales reps need to be brought in and empowered to be a part of the change that is taking place in the organization. Establish price improvement and profit margin improvement goals, and measure these periodically to ensure you're moving in the right direction and showcase the team's success.

Focusing on high-impact/low-risk changes can help spur adoption and excitement from capitalizing on quick wins. It's essential to demonstrate that the new intelligent pricing practices are taking root and bearing fruit. Weekly pricing performance reviews and customer success dashboards help everyone involved assess and measure progress. It's also vital to consider feedback from everyone on the team as your pricing transformation evolves.



Turn Over a New Pricing Page with **White Cup Pricing**

Your gut feel for pricing is no longer a good match for sophisticated data-driven analysis and optimization.

Price optimization is not about selling less at a higher price; it's about eliminating the leakages and practices that enable you to capture improvement in a systematic way in your net price realization.

Data-driven pricing analysis is the fastest way to drive new profits. Intelligent pricing practices require you to develop an optimal pricing strategy, implement effective pricing processes, measure, and control pricing, and align the right technology to drive your pricing strategy. It needs to be led by your team to apply the knowledge of your customers, products, and markets. White Cup Pricing makes it easy with industry-leading priced optimization software and a team of distribution pricing professionals you can rely on to speed your ROI and provide guidance when necessary.

White Cup Pricing provides an automated toolset providing in-depth data analysis to streamline customer and product segmentation to surface pricing opportunities and sales trends and optimize quoting to establish the right price for every customer. With this dynamic price modeling, distributors gain improved visibility into the pricing and profitability performance of sales reps, branches, product lines, customers, and more. And sales reps can provide accurate quotes quickly and with confidence with rich customer and product segmentation and market pricing benchmarking.



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

You face challenges never experienced in the distribution space, and your customers are too. It's a whole new world that requires unique strategies to unlock 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 offers a Revenue Intelligence platform with integrated solutions specifically designed for the wholesale distribution industry. Our software captures data across critical business systems, reveals industry-specific analysis, and provides the tools needed 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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