

Epicor Strategic Costing and Pricing

There is no greater profit lever you can pull for your business than a disciplined pricing strategy.

For every product and every customer, there is a price that produces the optimal gross margin—the highest margin you can obtain while retaining the customer’s business. What that price is depends on multiple factors—from the amount of business you do with a customer annually, to the item being ordered. Up until now, determining that right price for every item has been a complex task. With Epicor Strategic Costing and Strategic Pricing, that task can be as simple as a few keystrokes.

Research conducted by SPARXiQ, formerly Strategic Pricing Associates (SPA), has shown that most distributors either charge customers too little or too much for the products they buy. Both have pitfalls. If you charge customers too much, they are less likely to do more business with you. If you charge them too little, you’re leaving money on the table. Both Strategic Costing and Strategic Pricing help you get all your transactions to that optimal price—not too high, not too low, but just right.

Developed through an exclusive agreement with SPARXiQ, both Strategic Costing and Strategic Pricing use analytics to simplify the task of getting the prices you charge closer to their optimal level. The system has been developed and sharpened over 15 years with hundreds of clients in a broad variety of industries. Epicor Strategic Costing and Strategic Pricing helps wholesale distributors of all sizes increase gross margins anywhere from one to four points through an integration between Epicor Prophet 21 software or Eclipse software and SPARXiQ software.

The Pricing Challenge

The challenge with pricing begins with defining and setting the price basis for a given item. A pricing basis is the starting point for a pricing decision. Companies that publish a list price and then apply a discount to it in order to arrive at a sell price are called “List-Less-Discount” companies and, for them, the list price is the pricing basis. On the other hand, companies that do not have list prices and instead apply a markup or a margin target to their costs to arrive at a sell price are called “Cost-Plus” companies. For them, the product cost used for pricing—typically the standard or replacement cost—is the pricing basis.




Epicor® Prophet 21®
Epicor Eclipse®

Benefits

Help Maximize profits by squeezing higher gross margins out of less price-sensitive transactions

Support a pricing architecture that is strategic, market-based, and disciplined

A woman with dark hair, wearing a grey polo shirt and blue jeans, stands in a warehouse aisle. She is holding a tablet in her left hand and pointing with her right index finger towards the shelves. The shelves are green metal racks filled with cardboard boxes and some rolls of material. The floor is concrete, and there are some boxes on the floor in the foreground.

“Strategic Pricing provided the easiest ROI I’ve ever seen in my career. We tell other Epicor customers; Strategic Pricing pays for the entire system investment!”

Russ Frazee, Chief Operating Officer | FCx Performance Inc.

Whichever group your company falls into, getting the pricing basis right is vitally important to your company’s profitability but can also be quite challenging. This is because most distributors source from hundreds of different suppliers and sell tens of thousands of different products. Their product lines and SKUs have wide-ranging price sensitivity and cost-to-serve profiles.

Properly diagnosing the sensitivities of each product line and SKU, and then ensuring that their pricing bases properly reflect those differences, poses a tremendous analytical challenge. Most distributors lack the tools, processes, and/ or time to tackle this challenge, and as a result, the pricing bases of high-velocity, price-sensitive items end up no different than the pricing bases of slow-moving, insensitive items.

Epicor Strategic Costing helps distributors optimize pricing on each of their thousands of unique SKUs. Whether a company prices using List- Less or Cost-Plus methods, a given product’s price basis is often flawed and can lead to low gross margin. That’s because it typically fails to properly reflect the item’s true cost-to-serve and price sensitivity. The true cost-to-serve of products varies dramatically. High-volume, top-vendor, and fast-turning products are efficient to serve, while low-volume, bottom-vendor, and slow-turning products are more costly to serve. Typically, sales reps use a “peanut-butter pricing approach,” spreading the constant margin goals across all products. This simplistic approach fails to factor in price sensitivity and cost-to-serve. Epicor Strategic Costing, powered by the Switch™ analytics solution from SPARXiQ, helps companies address this issue quickly and easily.

Epicor Strategic Costing implements a strategic cost field—used only for pricing purposes—to selectively apply small margin premiums on bottom-vendor products that are costlier to serve and less price-sensitive in the marketplace. These small premiums on carefully chosen products allow them to become more profitable and can make a significant difference to a distributor’s bottom line. Companies that implement the Strategic Costing module with Switch™ by SPARXiQ can improve their net profits by 1-2% of revenue. That means a distributor with a 4% operating margin can elevate to 5% or 6% in just a matter of weeks.

Epicor Strategic Pricing

Going one step further than Strategic Costing, the Epicor Strategic Pricing module, powered by SPARXiQ PriceGPS™ analytics, evaluates your data for customer and order information to recommend prices for each unique transaction based on both product and customer price sensitivity. Customers are analyzed and grouped into sensitivity categories based on their type and size, and small premiums are recommended for smaller customers in customer groups that are less price sensitive. As is the case with Epicor Strategic Costing module, Strategic Pricing functionality recommendations based on customer and product are imported directly into Eclipse or Prophet 21 software. This allows for easy updating and maintenance of your pricing structures.



Of course, not every transaction can or will be priced at the standard, structured price, and Strategic Pricing recognizes this by recommending and allowing exceptions. To maintain pricing discipline, however, you can control who may post exceptions to the prices set by the system and obtain detailed reports on what sorts of exceptions are

applied. These additional features are available in Epicor Strategic Pricing with PriceGPS™ functionality.

Thanks to the additional sophistication of the analytics and customer-specific premiums, companies implementing Epicor Strategic Pricing can improve net profits by 2-4%.

Epicor Strategic Costing and Strategic Pricing

Module	Type of Pricing Solution	Targeted Results	Implementation Period
Epicor Strategic Costing Powered by Switch™ by SPARXiQ	SKU-specific price optimization for low-sensitivity, bottom-vendor products	1-2% net profit improvement	30 days
Epicor Strategic Pricing Powered by SPARXiQ PriceGPS™	Strategic pricing for every transaction based on both customer and product sensitivity	2-4% net profit improvement	90 days



“Pricing is a human problem out in the field about what’s the right price for a product, and after implementing the system almost a year ago, our stock margin gross profit percentage increased by 12%.”

Rich Chadwick | United Electric

Key Features

- Determine the best price for each product and order
- Profiles the predicted, relative sensitivity of products and customers to support price premiums where appropriate
- Monitors sales activity for maximum control of exceptions

EPICOR

We’re here for the hard-working businesses that keep the world turning. They’re the companies who make, deliver, and sell the things we all need. They trust Epicor to help them do business better. Their industries are our industries, and we understand them better than anyone. By working hand-in-hand with our customers, we get to know their business almost as well as they do. Our innovative solution sets are carefully curated to fit their needs, and built to respond flexibly to their fast-changing reality. We accelerate every customer’s ambitions, whether to grow and transform, or simply become more productive and effective. That’s what makes us the essential partners for the world’s most essential businesses.

Contact Us Today: info@epicor.com | www.epicor.com

The contents of this document are for informational purposes only and are subject to change without notice. Epicor Software Corporation makes no guarantee, representations, or warranties with regard to the enclosed information and specifically disclaims, to the full extent of the law, any applicable implied warranties, such as fitness for a particular purpose, merchantability, satisfactory quality, or reasonable skill and care. The results represented in this testimonial may be unique to the particular customer as each user’s experience will vary. This document and its contents, including the viewpoints, testimonials, dates, and functional content expressed herein are believed to be accurate as of its date of publication, June, 2021. Use of Epicor products and services are subject to a master customer or similar agreement. Usage of the solution(s) described in this document with other Epicor software or third-party products may require the purchase of licenses for such other products. Epicor, the Epicor logo, Prophet 21 and Eclipse are trademarks or registered trademarks of Epicor Software Corporation in the United States, and in certain other countries and/or the EU. PriceGPS and Switchare trademarks of SPARXiQ. Copyright © 2021 Epicor Software Corporation. All rights reserved.