

Case Study

Client Profile:

- HVAC Distributor
- 6 Branches in Widely Varying Markets
- Significant Legacy Contract Pricing
- 70% of Sales Are Equipment and Price Sensitive
- Limited Margin Difference Between Commodity and Incidental Sales

Situation:

Our client is a major HVAC distributor in a 5 state area. Margins on equipment and commodity items were at or above market averages. Together, we identified approximately 20% of sales that were relatively incidental and not price sensitive. These sales had traditionally been priced too close to the company's average margin. Smaller customer pricing was too close to the largest customers. Our goal was to very carefully increase margin without concerning customers or the company sales force.

What We Did Together:

1. Created a plan to conservatively ease up margin over time
2. Focused first on incidentals where their customers spend less than \$500 a year per item
3. Improved matrix pricing with enhanced customer and product segmentation
4. Enabled sales people to review margin increase recommendations on contract items
5. Built sales force system price utilization

Summary of Results:

- ✓ Increased incidental sales margin 4+ points in the first year
- ✓ Selectively increased margin on program contract items an average 2+ points
- ✓ Gained sales force acceptance of program and desire to further increase margin

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