

## Margin Optimization Service Delivers Increased Profits to Pharmaceutical Distributor

Advanous' client (the Distributor) is the largest pharmaceutical supplier in the United States within the core market sector it serves. This Distributor delivers its thousands of products and innovative services through a direct sales force to more than 30,000 customers across the United States.

**Insight:** *An Effective Pricing Management Service*

The Distributor's business has experienced tremendous growth with current annual sales at more than \$600M. Much of this growth has occurred over the past decade through strategic acquisitions as well as internal growth fueled by the Distributor's highly trained and professional sales force. As the Distributor's business has continued to increase, so have the responsibilities of its individual sales representatives. Only five years ago a typical sales representative would be required to call on 50 customers with aggregated sales of approximately \$1M. Today, that same representative is calling on more than 100 customers with aggregated sales between \$2-3M.

Based on their expanding responsibilities, the Distributor's sales representatives and sales managers were left with the challenge of effectively managing pricing for an increasing customer base with unique product needs and diverse purchasing habits. The Distributor's sales force utilized the company-wide ERP system for pricing management, and while the system offered many operational and financial benefits, it fell short of addressing the challenges associated with optimizing pricing. Consequently, the Distributor's pricing decisions were often made by applying global "cost plus" or "list less" formula which resulted in items being priced too high or low, depending on the customer and the item.

Given the dynamic nature of its sales business and its need to build consistency in its pricing strategies, the Distributor realized it needed a service that would enable quick, efficient and effective pricing decisions.

**Action:** *Advanous' Point to Profit™ Solution*

The Distributor approached Advanous looking for a pricing management service that would direct their pricing decision makers to the areas of greatest opportunity and more importantly, enable them to quickly and easily act upon those opportunities. In partnering with Advanous, the Distributor was able to meet those needs by implementing Point to Profit (P2P).

P2P enables wholesale distributors to analyze, identify and adjust lost margin opportunities from existing sales. Using historical sales data from the Distributor, Advanous was able to pinpoint a variety of margin opportunities and worked side-by-side with the Distributor's Sales and Operations personnel to prioritize the opportunities and develop a strategic margin enhancement plan for the company. In addition, Advanous and the Distributor monitored the progress throughout the implementation process allowing for accurate assessment of margin performance and enabling mid-course adjustments as needed.

**Results:** *1% increase in gross selling margin (100 basis points)*

By implementing the P2P Service, the Distributor empowered the pricing decision maker (in most cases a sales representative) to quickly and easily manage selling margin, creating the "right price for the right product for each customer." Today, the Distributor's sales representatives have access to optimized pricing data and are able to perform their jobs more effectively by providing accurate and consistent pricing quotes by customer and by SKU. Simultaneously, sales managers are able to utilize the service to quickly determine if field pricing strategies are producing the company's desired and anticipated results.

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### Customer Case Study

**Company:**

\$600 Million Leader in  
Animal Care Products

**Advanous Solution:**  
Point to Profit™

**Benefits:**

Immediate and substantial  
margin increase

Detailed sales and pricing  
visibility

Minimized exposure by  
protecting profitable  
business

Multi-fold ROI in 1<sup>st</sup> year

Easy implementation

*"We increased our selling margin over 100 basis points. Point to Profit has enabled us to make better pricing decisions. It is a valuable service for anyone in the wholesale distribution business."*

**Distributor  
President & CEO**