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To order copies of "Strategic Pricing for Distributors: Tools and Rules for Higher Margins," go to www.naw.org/publications or call (202) 872-0885.

ing process, and exploring ways to get more out of the ERP system's pricing module."

A Part of Strategy

Of course, pricing involves more than just the sales team and technology – rejiggering a company's pricing requires involvement from all departments in a distributorship. A cross-functional team should be deployed, and management should lead the charge and make clear pricing's importance, Grover says.

Grover says that because pricing is part of strategy, it should be made a priority. "It has to do with the way the company deploys its sales force and the way it sets prices. That is basic strategy.

"... It's how the distributor expresses its value proposition to the customer." He says that pricing translates the value provided to the customer into value for the company.

Keeping it "elegantly simple" is the key to ensure a new pricing system is effective, Grover writes. "A well-designed system will produce

pricing recommendations for specific customer-item combinations as well as pricing guidelines for groups of like customers and groups of like items," he says. "An outside rep, inside rep, or anyone else can produce a consistent, market-driven quote for any customer-item combination."

Pricing Leadership

Distributors certainly face hurdles in optimizing their pricing practices. But strong leadership involvement can help the company to overcome those. In addition, distributors should tap a qualified manager to take on responsibility for pricing as all of or part of his job description.

Leadership also must ensure that constant monitoring takes place to avoid back-sliding to prior pricing practices. If back-sliding does occur, the distributor can course-correct and move forward. In doing so, "many distributors have demonstrated sustained margin improvement and continuous improvement over several years," Grover says.

Inflation by Commodity Group

Pricing trends for the second quarter 2009

These select product groups provide a snapshot of inflation trends based on the Producer Price Index from the U.S. Bureau of Labor Statistics. Second quarter 2009 is compared with second quarter 2008, second quarter 2009 with first quarter 2009.

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Abrasives
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Cutting Tools & Accessories
Hand & Edge Tools
Fasteners
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Ball & Roller Bearings
Mechanical Power Transmission Equipment
Valves, Except Fluid Power
Pumps, Compressors & Equipment
Industrial Gases
Welding Machinery/Equipment

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Plumbing Fixtures & Fittings
Hardware
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Plastic Resins & Materials
Specialty Cleaning, Polish & Sanitary Products
Industrial Safety Equipment
Softwood Lumber

Metal-Forming Machine Tools
Metal-Cutting Machine Tools

Online Only (www.mdm.com/databank)

Electrical Machinery/Equipment
Industrial Material Handling Equipment
Hardboard, Particleboard, Fiberboard Products
Hardwood Lumber
General Millwork
Plywood
Construction Products from Plastics
Gypsum Products
Air Conditioning & Refrigeration Equipment
Tools, Dies, Jigs, Fixtures, Industrial Molds
Fluid Power Valves
Food Commodities (12 product groups)

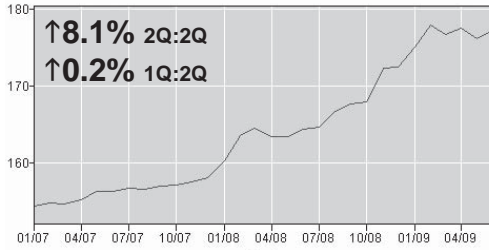
Key

↑11.6% 2Q:2Q (2Q '08 with 2Q '09)

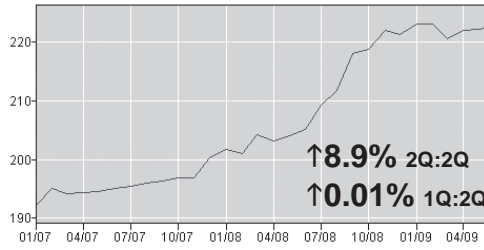
↑1.8% 1Q:2Q (1Q '09 with 2Q '09)

Full Inflation by Commodity Group Data, including past data, is available in the Current Issue at www.mdm.com/issues and at the MDM Databank, www.mdm.com/databank.

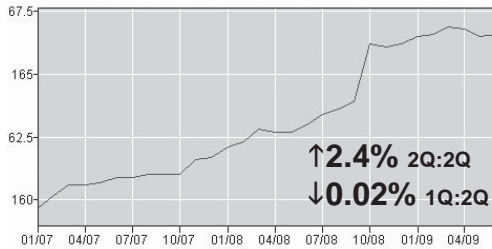
Abrasives



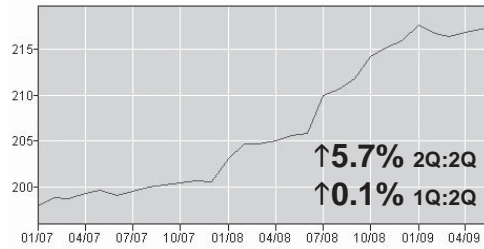
Adhesives & Sealants



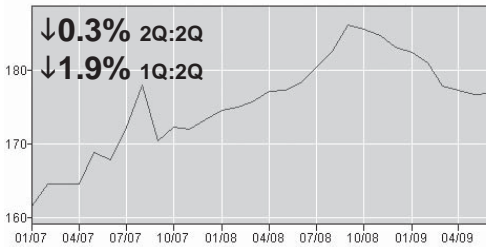
Cutting Tools & Accessories



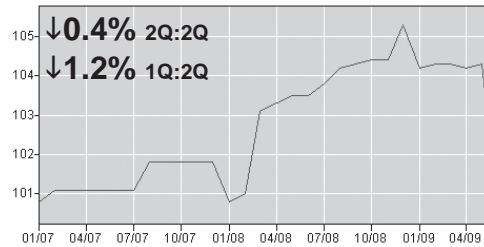
Hand & Edge Tools



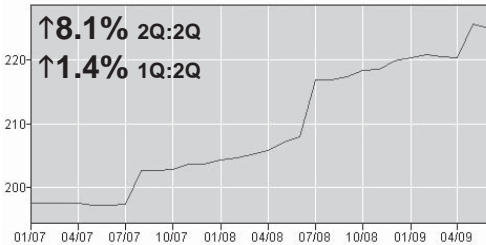
Fasteners



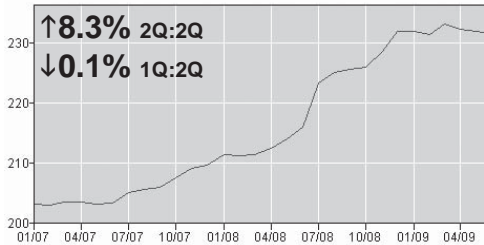
Power-Driven Hand Tools



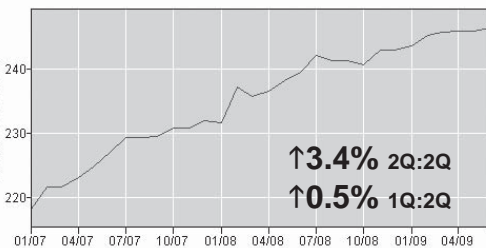
Ball & Roller Bearings



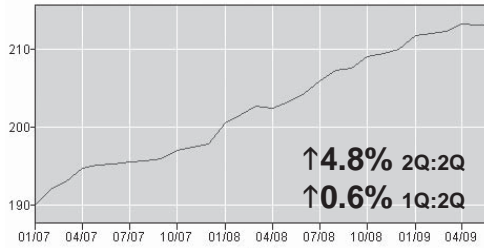
Mech. Power Transmission Eqpt.



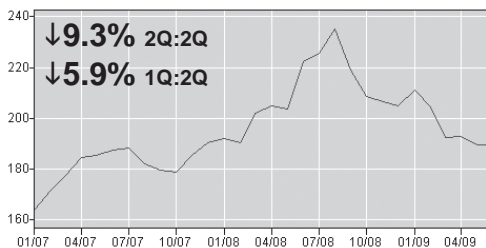
Valves, Except Fluid Power



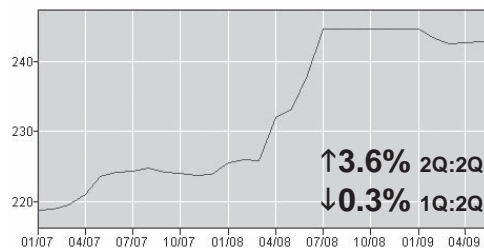
Pumps, Compressors & Eqpt.



Industrial Gases



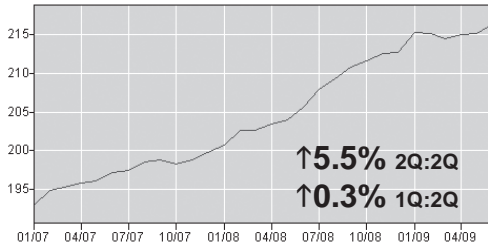
Welding Machinery/Equipment



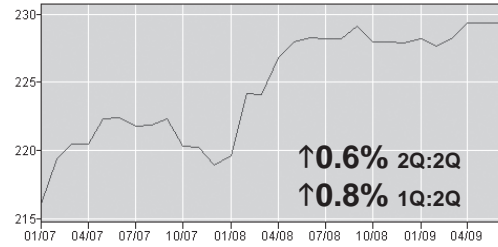
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Inflation by Commodity Group from p. 5

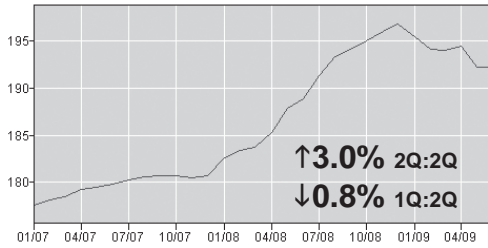
Fluid Power Equipment



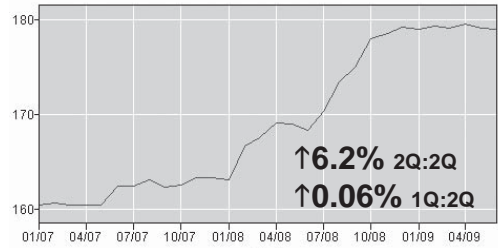
Plumbing Fixtures & Fittings



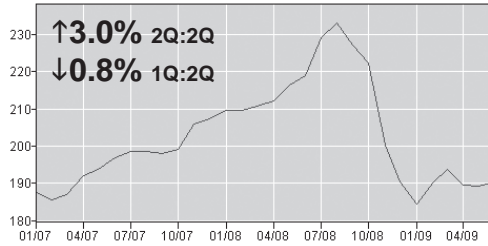
Hardware



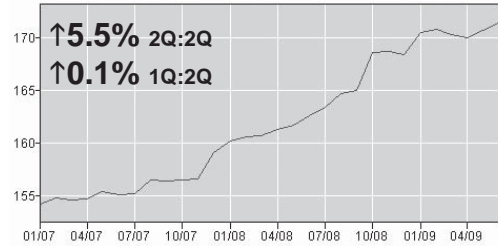
Sanitary Paper Products



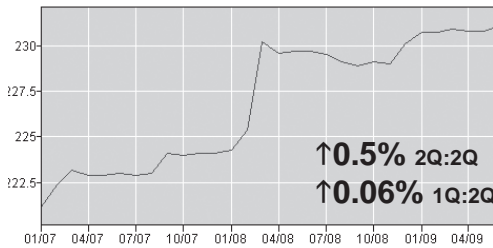
Plastic Resins & Materials



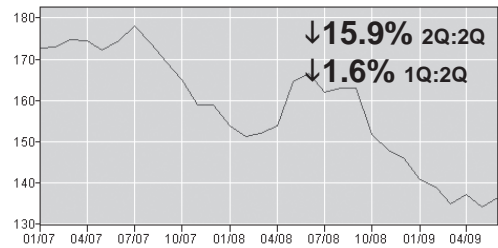
Spec. Cleaning, Polish, San. Products



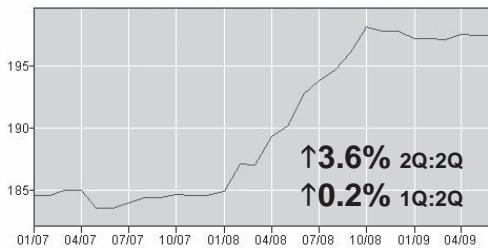
Industrial Safety Equipment



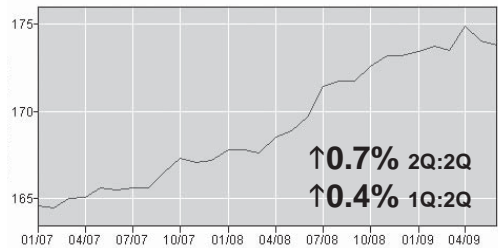
Softwood Lumber



Metal-Forming Machine Tools



Metal-Cutting Machine Tools

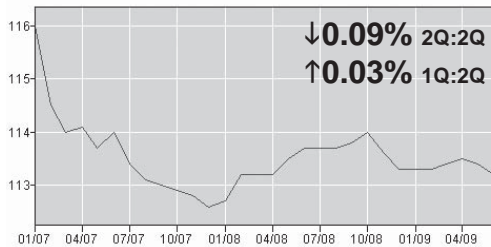


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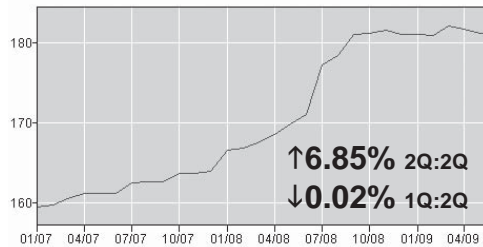
MDM Inflation by Commodity Group cont.

Pricing trends for the second quarter 2009

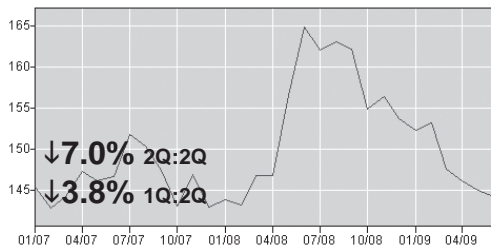
Electrical Machinery/Equipment



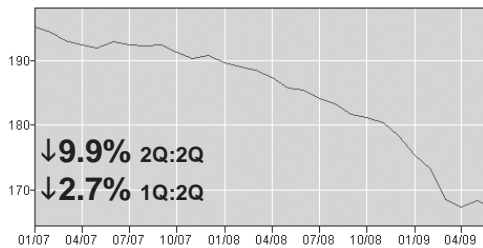
Material Handling Eqpt. (Ind)



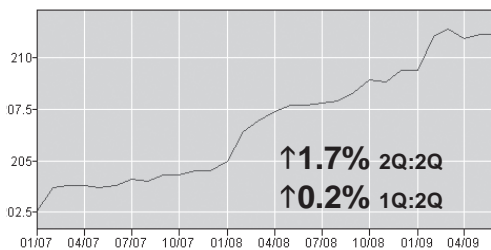
Hardbd, Particlebd, Fiberbd Products



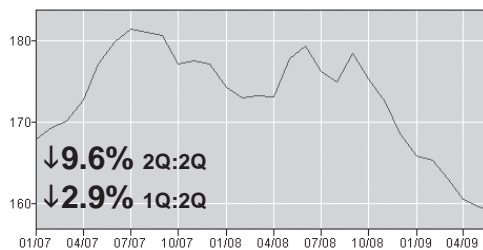
Hardwood Lumber



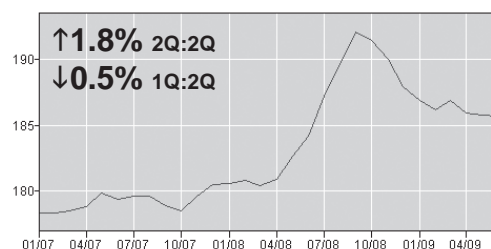
General Millwork



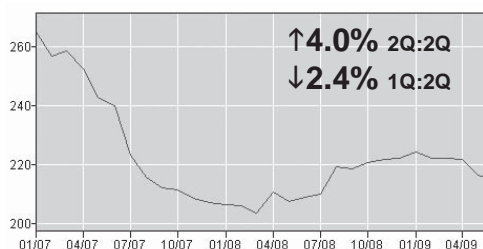
Plywood



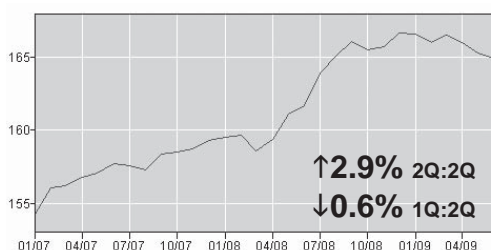
Construction Products from Plastics



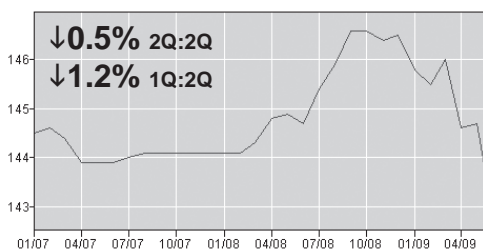
Gypsum Products



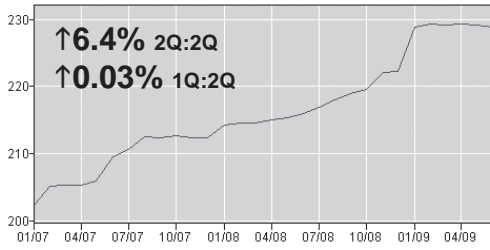
Air Conditioning & Refrigeration Eqmt.



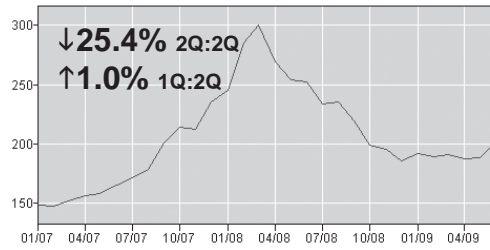
Tools, Dies, Jigs, Fixtures, Ind. Molds



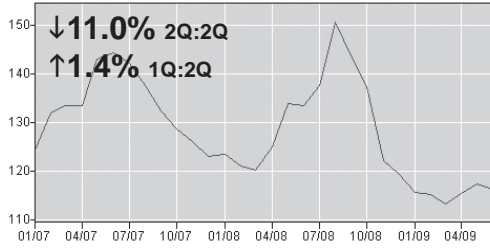
Fluid Power Valves



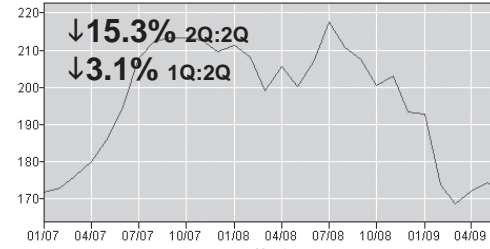
Flour



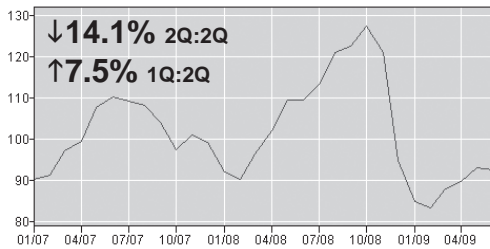
Pork Products



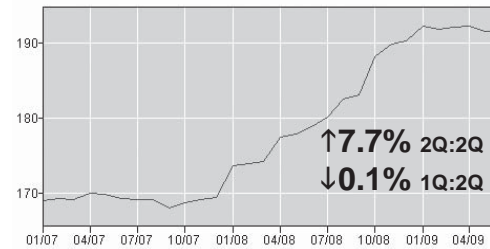
Fluid Milk Products



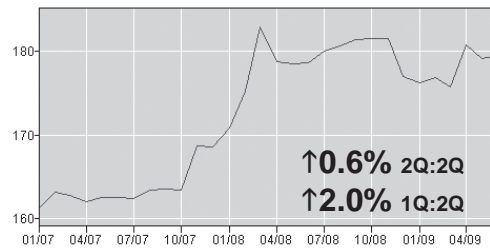
Butter



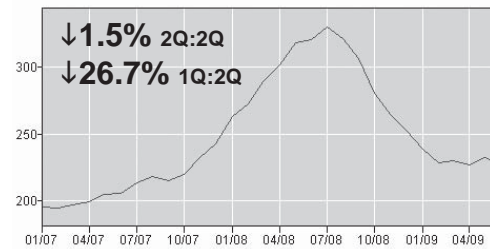
Sugar & Confectionary



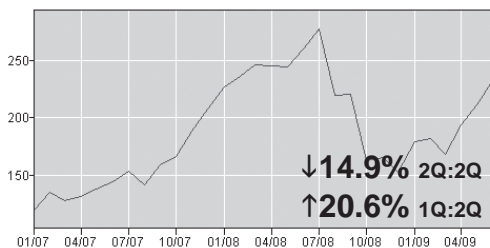
Coffee



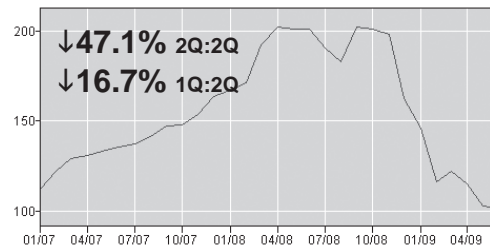
Shortening & Cooking Oil



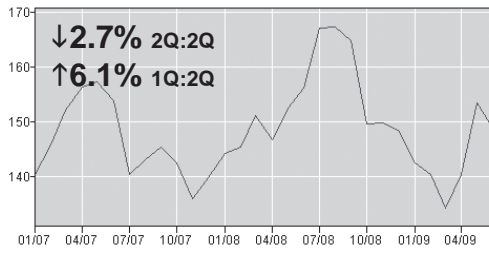
Oilseeds



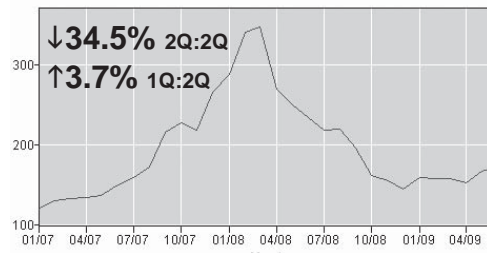
Processed Eggs



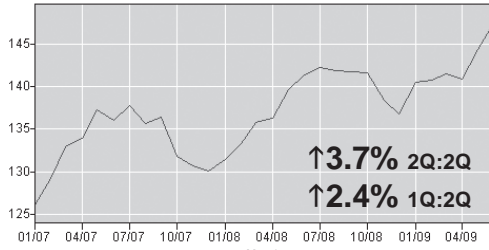
Beef/Veal Products



Wheat



Processed Poultry



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