

The Distributor *Pricing Maturity* Model

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SECTION 1

Pricing is More Than a *Pricing* Problem

Most distributors don't think their pricing is broken. Quotes go out, customers buy, and margins seem acceptable from a distance. But pricing is not as simple as setting a number and moving on.

Every pricing decision is influenced by a web of factors: customer agreements, supplier costs, rebate programs, delivery models, sales strategies, market conditions, and operational realities. Pricing teams sit at the center of sales, finance, merchandising, supply chain, customer service, and leadership teams.

When pricing processes are immature, teams react as challenges arise, making it difficult to consistently balance profitability, growth, and customer expectations. The consequences don't appear until something changes, such as a sudden cost increase, a tariff, a market disruption, or a shift in customer demand.

This report is designed to help you assess:

- ☑ Where your company stands today
- ☑ Identify opportunities for improvement
- ☑ Understand how you can evolve from reactive pricing decisions to proactive revenue and margin management



Reality Check

Pricing maturity is more than having pricing technology. It's about:

- How effectively the business grows margin and sales under pressure
- How quickly you respond to change
- How well you know your customers
- How you connect decisions across functions

Without a structure, pricing becomes reactive, which almost always leads to margin loss.



SECTION 2

What *Drives* Pricing Maturity

Pricing maturity should drive two outcomes:

- **Balanced, profitable sales growth**
- **Margin protection and growth**

Pricing is one of the few functions connected to nearly every part of a distribution business. As distributors mature, pricing becomes less of a standalone function and more of a coordinating force that aligns decisions across the business.

Pricing maturity is shaped by **five core components:**

1 Strategy

Mature pricing organizations consider not only product costs and market conditions, but also customer service requirements and other cost-to-serve factors when making pricing decisions.

2 Organizational Structure

Who owns pricing, how that ownership is structured, and how effectively pricing teams collaborate with sales, finance, merchandising, supply chain, and other stakeholders.

3 Processes

The workflows and guardrails that guide how pricing decisions are made, communicated, and executed across the organization.

4 Technology

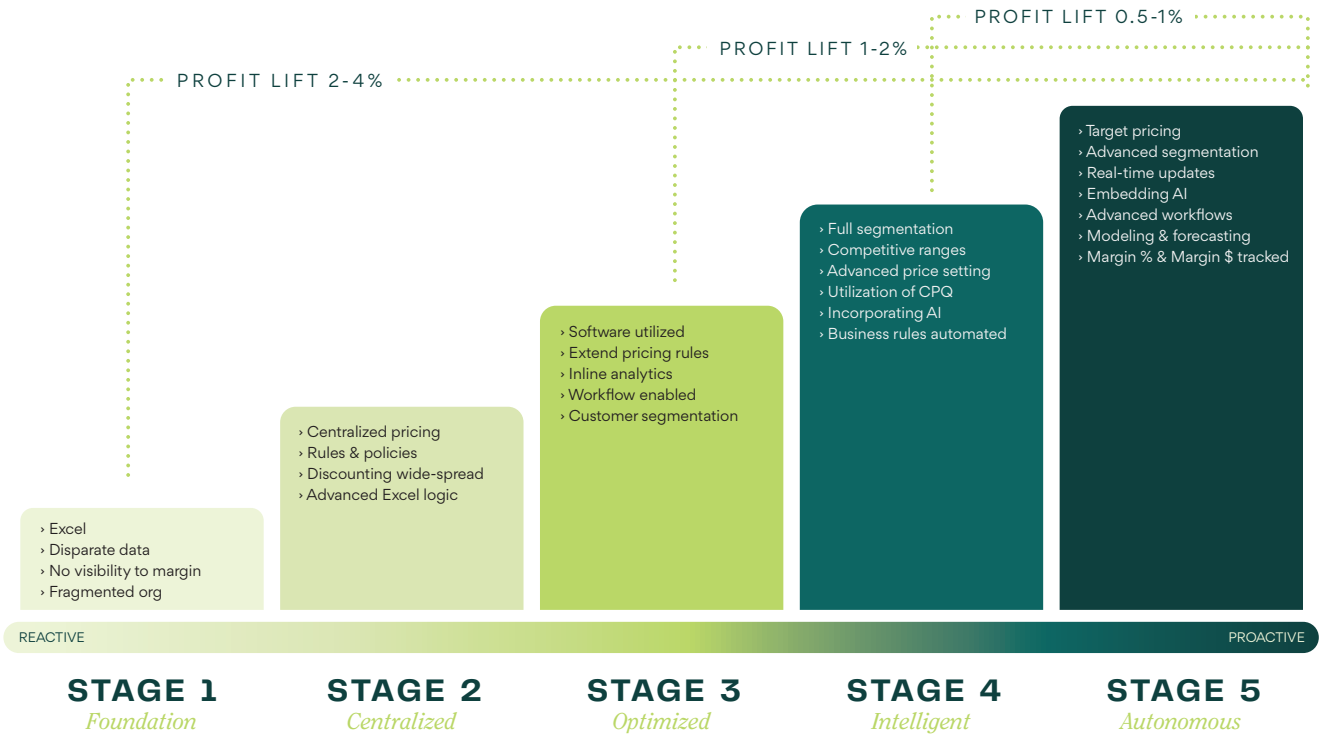
The systems that enable pricing at scale, including pricing engines, quoting tools, workflow automation, and the ability to ingest market, customer, product, and operational data to support pricing decisions.

5 Data & Visibility

The foundation that supports everything else, including segmentation, transaction-level insight, customer profitability, and a clear understanding of what's driving revenue and margin performance.

SECTION 3

The *Pricing Maturity* Model



This Pricing Maturity Model is not meant to label your company as one thing or another. Most distributors will have areas that are mature and others that are still highly manual.

The goal is to use this model to discuss and understand:

- Where pricing decisions are controlled
- Why they break down
- And where improvement will have the greatest impact

Level 1: *Reactive*

You might be here if:

- ☑ Pricing lives in spreadsheets and individual knowledge
- ☑ You don't have centralized pricing ownership
- ☑ Decisions vary by person, region, and situation
- ☑ Limited visibility into profitability
- ☑ Prices are based on product cost and historical practices

What matters at this stage:

- ☑ Establishing accountability for pricing
- ☑ Creating visibility into profitability and pricing decisions
- ☑ Reducing reliance on spreadsheets and tribal knowledge

What it takes to move forward:

- ☑ Establish clear ownership of pricing
- ☑ Introduce basic guardrails such as no selling below cost, approval thresholds, and a structured handling of cost increases



Level 2: *Responsive*

You might be here if:

- Pricing leadership is established
- Basic processes and governance exist, with some guardrails in place
- Teams respond more consistently to market and cost changes
- Reporting and visibility are improving
- Some consideration is given to customer profitability and service requirements

What matters at this stage:

- Creating consistency in pricing decisions across teams and regions
- Improving visibility into customer profitability and pricing performance
- Building alignment between pricing, sales, finance, and operations

What it takes to move forward:

- Introduce customer and product segmentation
- Align pricing to customer value and item importance
- Begin implementing tools to support decisions

Level 3: *Structured*

You might be here if:

- ☑ Departments are collaborating
- ☑ Customer profitability and cost-to-serve inform decisions
- ☑ Pricing supports broader sales, sourcing, and growth strategies
- ☑ Some tools are introduced

What matters at this stage:

- ☑ Applying segmentation in a way that drives better decisions
- ☑ Improving consistency without slowing the business down
- ☑ Scaling pricing through tools, not more people
- ☑ Increasing speed to market in quoting and decision-making

What it takes to move forward:

- ☑ Implement a centralized pricing engine with cost signals, product data, contracts, and customer segmentation
- ☑ Automate pricing updates where possible
- ☑ Introduce AI into the picture, not to replace pricing decisions but to accelerate data processing, contract interpretation, and long-tail pricing consistency

Level 4:
Proactive Revenue & Margin Management

You might be here if:

- ☑ Pricing systems are fully integrated
- ☑ Pricing updates dynamically based on cost changes, inventory data, and market conditions
- ☑ Pricing reflects the economics of serving customers, including delivery, service, rebate, and operational costs.
- ☑ Technology and data support informed decisions

What matters at this stage:

- ☑ Maintaining accuracy and trust in automated decisions
- ☑ Managing by exception, not transaction
- ☑ Ensuring systems are integrated and responsive
- ☑ Leveraging AI and automation where scale demands it
- ☑ Sustaining performance at scale

SECTION 4

Where Do *You* Stand?

Talk with your team about how pricing works today. Be honest about what it looks like in the field, in quoting, and under pressure. The questions below are designed to start that discussion.

- Who owns pricing in your organization today?
- Who drives most pricing decisions?
- Can you explain what's driving margin changes: price, mix, volume, or something else?
- What pricing strategy are you using today (cost-plus, value-based, etc.)? How clearly does that translate into day-to-day decisions?
- How long does it take to turn around a typical quote?
- How quickly can you pass through cost increases?
- Do contracts or terms limit your ability to adjust pricing, and how visible are those constraints?
- Where do pricing inputs live today (ERP, CRM, spreadsheets, contracts, etc.)?
- How connected are your systems? How often does information need to be manually reconciled?
- How dependent are you on specific individuals to make pricing decisions?

Reality Check

If you were asked tomorrow: "Why did margin change last quarter?"

How confident would you be in your answer?

SECTION 5

The Role of *AI* in Pricing Maturity

Many distributors expect AI can step in and "fix pricing," automatically setting prices, optimizing margins, and eliminating all manual work. But AI can't replace the fundamentals of pricing. You need a strong foundation first.

AI's value shows up in areas where scale, speed, and complexity are greater than what people can reasonably manage.

Converting a Competitor's Item List

When you receive an RFQ built around a competitor's catalog, product descriptions may be incomplete, naming conventions may vary, and a product that appears comparable may differ in size, material, rating, or another important spec. AI and smart-matching tools can recommend like-for-like matches and assign confidence levels so employees know which matches move forward and which require technical review.

Interpreting Contracts

Many pricing decisions are governed by terms that aren't always easy to find or understand. AI can help teams quickly identify pricing restrictions, customer commitments, and approved pathways for implementing price changes.

Supporting Quoting Decisions in Real Time

Rather than telling a rep what price to use, AI can provide ranges, suggest product alternatives, and show margin impact. The goal is not to eliminate human judgment, but to guide it with better information.

Scaling Pricing Across Large Product Sets

Even mid-sized distributors manage tens of thousands of SKUs. Larger organizations manage millions. It's not realistic to manually optimize pricing for every item. AI can be used to price long-tail products by leveraging historical transactions, category inputs, and segmentation data.

Responding to RFIs and RFPs

AI can help extract and organize information, draft answers, and pull together the details needed to build a quote. Pricing teams spend less time copying information and more time reviewing the opportunity, supporting sales, and protecting margin.



Reality Check

AI is most effective in later stages of pricing maturity.

Before AI can deliver meaningful value, companies need centralized data, defined pricing processes, clear ownership, and an established pricing strategy.

Without that, AI recommendations lack context, outputs will be inconsistent, and trust in the system will break down.

SECTION 6

Start Where It *Counts*

Pricing is one of the few functions that touches nearly every part of a distribution business. And unlike many business initiatives that take months or years to influence performance, pricing decisions can impact revenue and profitability almost immediately.

Yet many distributors still manage pricing reactively, relying on disconnected processes, limited visibility, and individual experience to make decisions that affect revenue and profitability.

The distributors that make the greatest gains understand where they are today, establish the right foundations, and build capabilities over time.

No matter where you fall on the pricing maturity curve, the next step is the same: Identify the gaps that are limiting performance and focus on the improvements that will create the greatest business impact.

Understanding your current level of pricing maturity is the first step toward building a more proactive approach to revenue and margin management.

Ready to take the next step? Reach out to schedule a pricing assessment.





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Brian Cox is Chief Pricing Officer at ProfitOptics, bringing over 20 years of hands-on experience leading pricing and revenue management for large distributors and manufacturers. He has built pricing organizations, implemented enterprise pricing platforms, and aligned sales, finance, and operations around margin performance and growth. Brian's work centers on making pricing and incentive programs executable at scale, grounded in data, disciplined process, and practical leadership. He partners with executives to turn pricing and rebates from administrative functions into controlled, performance-driving systems.

ABOUT PROFITOPTICS

ProfitOptics advises and builds software to protect and grow margin for distributors and manufacturers. We work where margin is decided: pricing, rebates, and quoting, all running on one clean data foundation. Distribution and manufacturing are the only industries we serve, so we are fluent on day one instead of learning on your dime.

Most firms make you choose between strategy and software. We were built to be both. Advisory pinpoints the highest-impact work. Delivery shapes the software to it: your workflows, your systems, your spec. The people who diagnose it are the people who build it.

The result is margin you can find, and software that keeps it.

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