Johnstone Supply Oakland Group Increases Margins, Saves Time with epaCUBE Price Optimization

"When we correctly categorized customers, we found that we were leaving a lot of money on the table. If you want to make more on the bottom line, this is the product you want! epaCUBE has been a huge success for us, a no brainer!"

Kevin Hunter, CEO Johnstone Supply, Oakland Group

Customer: Johnstone Supply, Oakland
Website: www.johnstonesupply.com
Customer Size: 5 Locations
Location: Oakland, California
Industry: HVACR Wholesale Distribution
Partner: epaCUBE
Partner Website: epacube.com

"The best thing is ringing the bell and knowing we're making more money, especially in this economy and where we're heading in the world. Thank God we found epaCUBE!"

Profile

Johnstone Supply is a nationwide chain of wholesale distributors serving professional HVACR contractors. The Oakland Group includes 5 locations operating as one business with centralized management and control.

Software and Services

- EpaCUBE Price Optimization
- Epicor Eclipse ERP

For more information about epaCUBE Price Optimization solutions visit: sales@epacube.com

Background

Johnstone Supply is a wholesale distributor serving professional HVACR contractors. The company has the largest selection of equipment and genuine OEM parts in the industry. Johnstone's core mission—making it easy for the HVACR contractor to do business—emphasizes product selection, availability, and eCommerce.

Acting on a recommendation from headquarters, the Oakland, California, Johnstone affiliate (Oakland) sought to modernize and automate pricing to improve customer service and profitability across its five locations.

Inconsistent Pricing impacted Margins and Productivity

"We never had any consistent pricing," related Kevin Hunter, CEO, Oakland. "Everything's been on a matrix that was never maintained. It was a complete disaster." Often, sales would override prices from the matrix and managers thought that they had A customers that were really D customers.

Dealing with customer calls and pricing issues also took valuable time away from other important business activities. "It was consuming at least two hours a day," reported Hunter. "Managers were calling us and then we had to research the products and look at the history of the price. It just was a mess."

Options Explored

Oakland looked at two other potential pricing solutions but considered them unsuitable. "One was too clunky of a program," reported Hunter. "So, we didn't use it."

Hunter spoke to other Johnstone groups and received positive reports about epaCube. Oakland then worked to understand how and where epaCube would fit, deciding to move ahead.

"The number one reason we decided on epaCUBE is that Johnstone corporate recommended the product," stated Hunter. "That's the blessing we look for to move forward with certain new vendors."

Oakland also called a few other Johnstone groups and asked how epaCUBE was working for them. "Every one of them said it's been working great for us," reported Hunter. "So, we did a little homework on our end before we jumped all in."

Solution

Customer Cleanup

Beginning in May 2021, Oakland Group prepared for the epaCUBE installation by updating records in their Epicor Eclipse ERP system. "We had to do a lot of customer cleanup on our side to get ready to implement epaCUBE," reported Hunter.

When ready, they provided remote access to epaCUBE engineers to install the software and set up the interface to their system. "They did most of the work themselves," explained Hunter.

Fortunately, Oakland's support engineer at epaCUBE came from an Eclipse background and understands Oakland's ERP system. "I think it's important going forward working with other Johnstone groups that whoever epaCUBE has in place is familiar with their software," added Hunter. "Because there are folks on different ERP systems out there."

Training and Setup

The epaCUBE installation and training proceeded smoothly. "Training was done through Zoom calls, and it was great," reported Hunter. "No need to have people fly out. So, we saved money there."

Starting in October, Oakland spent a few months setting up ABCD pricing levels based on volume, history, and returns. "We changed a lot of those A customers and moved them to D," explained Hunter. "We saw that we were leaving a lot of money on the table."

World-Class Segmentation

epaCUBE features enabled Oakland to build their customer segmentation based on similar profitability, buying power, and cost to serve characteristics that support the concept of "like customers buying like products, should pay a similar price."

The epaCUBE approach analyzes sales history to create minimum and maximum ranges, a statistical floor and ceiling and a target price. This allowed Oakland to find profit and sales building opportunities quickly. epaCUBE reports show that Oakland created 3,693 price records in addition to all new customer and product segmentation.

Support Like Family

Hunter praised the support Oakland received during the implementation and since. "The epaCUBE Customer Success Team has done a phenomenal job for us," he reported. "We call or email and they get right back to us. Great service is a big thing that I like. We're like a family, and epaCUBE provides that same kind of service."

Results

Increased Margin Dollars 5.7%

After five months, epaCUBE reports show that Oakland added a six-figure amount to YTD margin dollars, a 5.7% increase, due to consistent pricing and correct customer classification.

"Our margins have increased at least 5% with consistent pricing using epaCUBE," stated Hunter. "That's huge for a company our size. We've been leaving a lot of money on the table. With five locations, we're looking to grow, and we want to grow with epaCUBE."

Saves 2 Hours Per Day

Oakland reports that epaCUBE saves at least two hours per day for key personnel due to reduced customer pricing issues. "I don't think we've had a call from a manager since we completed this," confirmed Hunter. "We have the same amount of staff but now we can focus our energy on other things."

With customers classified correctly, billing issues have also decreased. "At the end of the month when they send out the statements, there would be questions related to customers getting different prices from different stores," explained Hunter. "I haven't had that issue either."

Hunter also reports that the accounting side of the business has improved 100% along with customer satisfaction. "Sales have increased," he says. "Nobody's complained that they're paying higher prices. Customers like the price consistency."

Reduced Inventory

epaCUBE segmentation enables Oakland to break out product categories and what they need to stock. "It helps us with our inventory and all the way around, reported Hunter. "It's an eye opener watching our products and what we're ordering because we can see what's not moving."

"We've increased our product knowledge. We can see our margins by product, and we can see what it costs to serve every single customer."

Keeping an eye on the shifting economy, Hunter watches what the company spends and stocks less inventory. "epaCUBE has opened our eyes," he says. "We're ordering what we need and using our DCs to stock our product instead of just bringing out a ton of stuff here in our distribution center."

Extra Profits and Smiles

It all adds up to a brighter future and a big step up for Johnstone Supply, Oakland Group. "I would recommend epaCUBE to anybody who's looking to streamline their processes for products," concluded Hunter.

"This has been a great partnership, and we want to continue it. The company as a whole is benefiting because now, we can reinvest the extra profits into our business or the employees. It puts a smile on my face."