# What a margin-leakage audit finds

One real distributor's year of quotes, analyzed read-only. Your report shows the same three things — on your numbers.

One $454M industrial distributor · 12 months · 206,264 quote lines

**$5.97M**

of revenue shipped **below cost** — 6,700 won lines; $1.41M needed just to reach break-even

**$42.7M**

of revenue sold between **0–20% margin** — 23,894 thin lines

**67%**

of high-volume SKUs vary **more than 25% in price** for the same part*

## Selected below-cost lines — ordered by loss

Selected real lines from the validated 6,700-line population, ordered by loss; descriptions lightly shortened. The full audit lists every line.

| LINE ITEM | QTY | REVENUE | MARGIN | LOSS TO BREAK-EVEN |
|---|---|---|---|---|
| `12" SDR11 poly pipe` | 10,560 | $222,816 | −29% | **$63,571** |
| `10" SCH/10 ERW 316SS pipe (per ft)` | 1,968 | $188,593 | −31% | **$58,489** |
| `12" SDR11 poly pipe` (again — separate order) | 1,800 | $37,980 | −114% | **$43,326** |
| `10" SCH/40 ERW 316SS pipe` | 213 | $37,447 | −38% | **$14,370** |
| `2" XH SMLS A106B import pipe` | 2,100 | $12,558 | −105% | **$13,209** |

**These lines shipped at a loss.** Finding them took nothing more than measuring the year line-by-line — that's what an audit is.

*67.4% of the 2,891 SKUs with ≥10 clean quoted lines showed a p10→p90 price spread above 25%.

# The math, the method, and what an audit involves

## What the same-SKU gaps add up to

RECOVERY BACKTEST · 162,097 WON PRICED LINES · 3,600 SKUS (≥4 WON LINES, ≥2 CUSTOMERS)

| | |
|---|---|
| Below-cost lines floored to break-even (5,181 lines) | **$0.76M** |
| Below-median lines lifted to each item's *own* median won margin (61,410 lines) | **$8.77M** |
| **Full-gap scenario** | **$9.53M (≈3% of all quoted revenue)** |
| Half-gap scenario — close only half of each gap | $4.41M |

Backtest, not a forecast: assumes full capture and no win-rate impact, and does not control for order quantity. No line is benchmarked above what that exact item's own won deals already carried. No live-deployment uplift has been measured yet.

## The items behind that number — examples

| CATALOG ITEM | CUSTOMERS | WON-MARGIN RANGE | FULL-GAP $ |
|---|---|---|---|
| `2" 600# ball valve` | 26 | −8% → +57% | **$154K** |
| `6" A106B import pipe` | 30 | −43% → +94% | **$149K** |
| `3" 150# SS bleed ring` | 15 | −50% → +93% | **$65K** |

Same part, same year, sold at very different margins to different customers. The audit ranks yours by dollars at stake.

## What the completed audit returns

- Your **below-cost list** — every won line under cost, ranked by loss (page 1 shows the format).
- Your **most inconsistently priced SKUs**, ranked by dollars at stake.
- Your **gap estimate** — full-gap and half-gap, built only from prices your own book already carried.
- An optional findings read-through. You keep the report either way.

## If you later choose an audit: the one-time export

```
quote/order lines — full year:
  quote/order id · line id · item/SKU id
  typed line description · qty · UOM
  unit price · net line amount
  unit cost · extended line cost
  customer id · date · won/shipped status
item master: item/SKU id · description · base
UOM
```

- A standard export from P21, Eclipse, NetSuite, or any ERP — **read-only, no integration, no system access.**
- Mutual NDA signed first. Customer ids can be masked on your side.

Provenance: one anonymized $454M distributor, one year. Transfer to a second distributor and live-captured uplift remain unproven. Founding audits are free to test transfer; Caliprice asks for candid feedback in return.