

Buyer's Guide:

Pricing Science Solutions for Manufacturers & Distributors



Introduction

Manufacturers and Distributors have focused on reducing costs for years, and there's little likelihood this strategy has the capacity to deliver any further significant gains. Pricing has proven to be one of the most powerful levers to drive profitable growth. But we're not talking about simply raising prices across the product range or on the top sellers or bottom sellers.

Targeting your pricing can deliver significant net revenue gains. According to one study, a 1% improvement in price creates an operating profit improvement of 11.1%.¹ That's a considerable upside with minimal additional risk. However, delivering that level of growth requires sophisticated tools that incorporate artificial intelligence to provide pricing insights faster and more efficiently.

But that is easier said than done as companies struggle to deliver the right product at the right price at the right time and are plagued by pricing exceptions and inconsistent guidance.

According to the *"2019 Pricing Trends in Manufacturing and Distribution"*, 67% of surveyed organizations identified excessive pricing exceptions and inconsistent pricing as two of their biggest

pricing and revenue management challenges.² With advanced pricing analytics tools, you can fine-tune your pricing based on product and customer mix.

We've created this buyer's guide to help Manufacturing and Distribution leaders review the state of pricing analytics and some of the tools available in the marketplace today. First, we'll look at five key factors in choosing a pricing analytics tool:

Data & Integration

Implementation

Solution Methodology

Support & Product Development

Proof/ROI

Then, we'll examine some of the leading pricing technology solutions available to you. Like any technology segment, there's no one-size-fits-all solution. Our goal is to help guide you to the best decision for your situation.

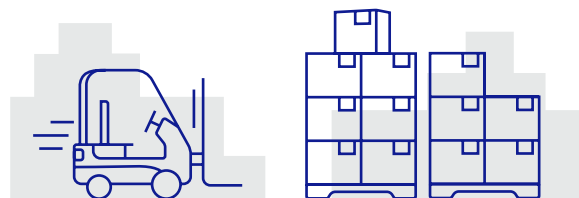


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01 Five Key Aspects of Advanced Pricing Analytics

Manufacturers and Distributors face ongoing complexities in developing pricing strategies for the future. Priorities may seem at odds—rationalize pricing to prepare for an ecommerce-first world, or drive increases to enhance revenue without increasing churn. The proliferation of new products to meet customer-specific demand adds to the complexity.

Manufacturers and Distributors are hungry for solutions that allow strategic adaptation. As you are researching pricing analytics solutions, focus on these five essential aspects.



1.1 Solution Methodology

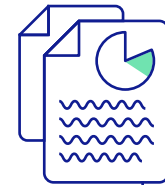
Don't settle for a simple price management solution. While they can be useful, most price management tools simply automate the updating and management of your pricing—they just make your current processes easier. But it's no benefit to your company to do the wrong things faster. Instead, opt for a solution based on sophisticated pricing science to inform better pricing decisions that drive incremental benefit.

It's the difference between making pricing processes more automated and using science to develop the optimal pricing for each product and customer to close more deals, more quickly, and at higher achieved margins. A dynamic pricing model will give sales the tools to negotiate deals that support your margin goals.

Based on your data, pricing science develops targeted pricing strategies rather than adopting a one-size-fits-all approach. And to be clear, price management and pricing science do not have to be mutually exclusive. Some solutions promise both, so it's critical you understand your company's needs and what will deliver the most significant impact.

For some companies, pricing management is a big step, moving away from spreadsheets and sales reps' institutional knowledge. It's essential to understand the level of change your company can successfully manage.

Exec Check



- ✓ **Does the solution simply automate the gut-based pricing decisions your organization makes today, or does it deliver prescriptive price guidance to drive business results?**
- ✓ **How complex is the solution to use, and how well does it align with your organizational structure, size, and talents?**

1.2 Data & Integration

The time and financial resources required to implement an advanced pricing solution are often significant barriers. The IT department may balk at the idea of reconfiguring data to work with a new solution, and Finance won't like the price tag associated with these activities.

All too often, critical financial and sales data are locked in silos—spreadsheets and applications owned by various departments that use different, often outdated formats. Solution providers may insist on converting your information to a specific proprietary data format, which may represent another barrier to adoption.

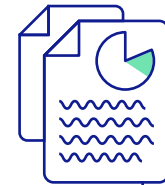
Mergers and acquisitions can lead to a mix of data formats used by acquired companies. Look for a solution that can

consume your data in its existing format and handle the cleansing and integration within the application. That will significantly reduce the internal effort during the initial integration, as well as the ongoing life of the solution.

Flexibility in the solution to handle new data sources as they become available is also critical for long-term viability as it relates to continuous adoption, usage, and value derived from the solution.

When it comes to system integration, you should seek a tool that can readily integrate with your existing ecosystem (i.e., CRM, ERP). This ease of integration will further control the cost of the effort, as well as increasing adoption by minimizing the overall change.

Exec Check



Will the solution integrate with my existing infrastructure?



Can the solution utilize my data in its current state, or does it require a specific format, time, or richness?

1.3 Implementation

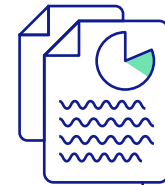
The ultimate success of the solution will depend on the extent to which your organization adopts it. Data and system integration help, but the key is winning over the end-users (i.e., Pricing, Finance, Sales).

Implementation cannot merely be about “plugging-in” the solution. The solution provider, or third-party integrator, must take a business-first mindset and focus on the business problem and pain points to be solved with the solution. Seeking a provider that blends human intelligence with artificial intelligence has the best chance of success as relying solely on a technology-based solution can lead to implementation failures. Implementation teams should also support the change management process required to transform the way you do business.

Another focal point of implementation is how long it will take. Thanks to technology advancements, implementation times for most solution providers have been greatly reduced in recent years. That’s a good thing, but take caution in placing too much emphasis on the implementation timeline once it’s within a reasonable range. Often, the technology can be implemented far faster than the organization can adopt it. Cutting days or weeks out of a proposed implementation timeline means little financially compared to the long-term penalty of not getting it right.

With the right solution, implemented the right way, you can turbocharge your existing pricing capabilities, informing better decisions that drive financial uplift and eliminate wasted time.

Exec Check



- ✓ **What are the implementation team’s mindset and approach—are they there to plug in the solution or solve your pricing problems?**
- ✓ **Are the implementation team experts in pricing, or only experts in the solution features and functions?**

1.4 Support & Product Development

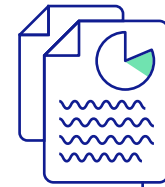
The attention given to selecting a solution most commonly centers on the cost, implementation, and solution approach. All are rightly justified, but when it comes to selecting a solution that will provide ongoing value, it's imperative that you understand the ongoing support model offered. If you don't have a large established pricing organization, odds are you'd benefit from a support model that acts more as an extension of your team. You need regular touch points with the experts who designed the system. Don't settle for pooled resources reading from scripts or chatbots with links to FAQs. Demand ongoing support and expert guidance.

Off-the-shelf software designed to fit every company won't fit most Manufacturers and Distributors well, and a generic approach to the ongoing support you are paying for should be scrutinized with the same lens.

The other dimension of providing ongoing value stems from continued innovation and updates of the product. All software solutions will tout this benefit, but it's essential to probe deeply here to truly understand what a typical release schedule looks like and what types of innovation they've produced recently that would be of value to your organization.

For example, many solutions in the market were developed before cloud computing and before ecommerce—what have they done to keep up with the pace of change?

Exec Check



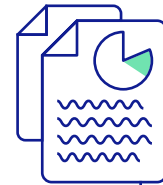
- ✓ **What does the ongoing support team look like, how much dedicated time will you get, and what are their accountabilities on your account?**
- ✓ **What's the solution provider's approach to product innovation and evolution?**

1.5 Proof & ROI

As you narrow your search for a pricing solution, ask for a test or workshop based on a sample of your real data. Select a provider that can prove what they can do before you sign the contract. The company should be willing and able to demonstrate ROI before you make a purchase. Ask for a test using a sample of your data as it exists now, without additional cleaning or formatting. Providers that are willing to run a test on live data and deliver actionable results should be short-listed.

It's also important to understand what price performance measurement capabilities come with the solution. Most will provide business reporting dashboards, but few provide reporting that measures the impact of the pricing decisions made. It seems far-fetched to imagine, but you will find that most providers won't want to share that data.

Exec Check



- ✓ **How confident are you that the solution will work for your company, with your data?**
- ✓ **Will the solution provider stand behind the results of its recommendations, and will they publish those results as part of the ongoing solution capability?**

02 Advanced Pricing Tools Buyer's Guide

A range of competitors offer pricing services for Manufacturers and Distributors. Not all are created equal. A pricing management tool designed to automate manual price update processes won't deliver the same results as a pricing analytics solution that blends pricing science with your pricing strategies to generate tactical price guidance. Dig deep to understand the type of relationship the provider offers. A SaaS-only solution may seem like an affordable option but may lack the resources to deliver the customized data science you need to reach your desired revenue gains.

Here's a review of four of the top pricing solutions that serve Manufacturers and Distributors. Each has its strengths and weaknesses and has been successful in the marketplace. The right choice will be the one that delivers optimal results for your organization.

2.1 PROS

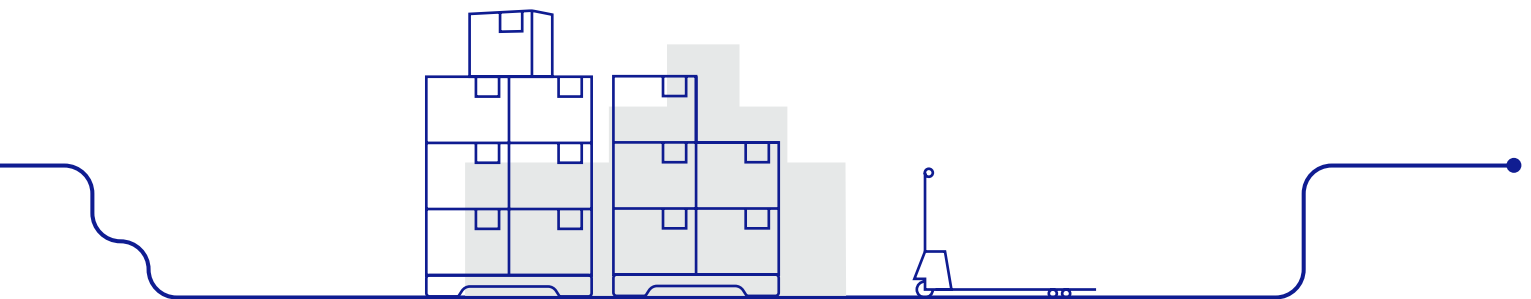
Primarily known for its decades of price optimization work in the airline industry, the company has recently expanded its focus to a broad set of B2B industries. The solution focuses on providing AI-enabled price optimization recommendations for B2B sales transactions, with supporting price management and CPQ functionality.

STRENGTHS

- Utilizes expertise based on deep roots in Revenue Management for the airline industry
- Focuses on AI-enabled pricing recommendations
- Facilitates end-to-end pricing workflow if you purchase all modules

WEAKNESSES

- Pricing science is a “black box” with limited visibility into, and control over, underlying math and pricing recommendations
- Doesn’t adapt to the user’s process and data needs; instead, users must adapt to the software’s structure
- Lacks responsive and knowledgeable customer support (based on customer complaints)
- Doesn’t provide ROI measurement of its pricing recommendations as part of its reporting



2.2 Revenue Analytics

Revenue Analytics has positioned itself as a hybrid consulting/bespoke SaaS firm specializing in pricing analytics. Its solutions include pricing strategies and tactics, analytics and optimization, organization and governance, technology and data, process design, and project management.

STRENGTHS

- Takes a business-centric approach to identifying and solving a customer's specific pricing pain points, with named pricing experts dedicated to the account throughout implementation and ongoing support
- Uses AI-enabled pricing segmentation and guidance to deliver tailor-fit recommendations tuned to constantly evolving markets
- Works with existing data as-is without the need for extensive cleaning and reformatting
- Enables sales force efficiency and effectiveness by speeding time to quote, increasing order size, and reducing pricing exceptions
- Provides precise ROI measurement and reporting...they will even guarantee it

WEAKNESSES

- Does not offer full end-to-end pricing management capabilities
- Requires more concerted business alignment upfront as implementation is not confined by a rigid software system
- Initial implementation timeline may be longer than that promised by a purely off-the-shelf solution

2.3 Vendavo

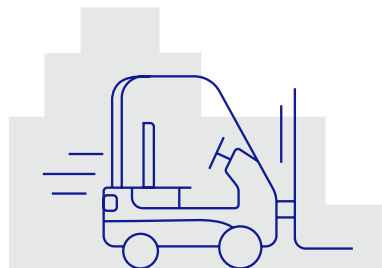
Known for its enterprise-level price management solutions for B2B companies in various sectors, it's often sold by SAP under the name "SAP Price and Margin Management" by Vendavo. The focus of the solution focuses on automating pricing activities and identifying profit leakage points.

STRENGTHS

- Delivers a high-level pricing management solution
- Offers a high level of visibility and user control in setting and managing price sheets
- Uses rules-based automation to replace manual pricing maintenance

WEAKNESSES

- Historically lacked pricing science to give prescriptive pricing recommendations. A recent acquisition has bolstered these capabilities, but proof of in-market use and benefit is limited to date
- Easing execution of price-setting doesn't deliver incremental pricing impact outside of automating of manual tasks
- Without accurate pricing guidance, price exceptions and other pricing costs remain high even after solution rollout and adoption
- Solution comprises seven separate modules, which complicates the buying process and could leave you without critical features you need



2.4 Zilliant

Sales enablement is what the company is best known for, leveraging analytics to guide sales reps in what customers want and to target with products and offers. Zilliant has built out pricing-specific capabilities around the sales enablement focus and has recently expanded its offering to include a rules-based price management suite.

STRENGTHS

- Concentrates on sales rep enablement with an intuitive user interface to guide selling activities
- Develops offers to increase basket size and stickiness based on customer responses
- Includes support from business-minded analytics personnel to help drive ongoing system use and adoption

WEAKNESSES

- Pricing science is a “black box,” with a bias towards business-based segmentation (i.e., business units and geographies) versus statically driven customer segmentation
- Focuses on pricing management
- Offers minimal pricing science or prescriptive price recommendations
- Doesn’t provide ROI measurement of its pricing recommendations as part of its reporting

2.5 OTHERS

You’ll find several other pricing options in the marketplace, including:

- Comptera
- Price Edge
- PriceFx
- Navetti

























Each of these solutions is worth investigating to determine how it could position your pricing strategies to meet disruptive forces head-on.

Pricing is a fast-moving technology sector that builds on the latest developments in artificial intelligence and machine learning.

2.6 Competitive Landscape

Evaluating against the five most important factors, listed in the top row, here is how we approximate the capabilities across the market.

LEGEND: Empty ball = no capability, full ball = best in class capability

| | SOLUTION METHODOLOGY | | DATA & INTEGRATION | IMPLEMENTATION | SUPPORT & PRODUCT DEVELOPMENT | PROOF / ROI |
|-------------------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
| | Price Science | Price Management | | | | |
| PROS |  |  |  |  |  |  |
| VENDAVO |  |  |  |  |  |  |
| ZILLIANT |  |  |  |  |  |  |
| REVENUE ANALYTICS |  |  |  |  |  |  |

Products and companies are properties of their respective owners.

03 Conclusion

The worst possible scenario for any company is to invest in a pricing system that no one uses. You want to be sure the solution you choose will be adopted and integrated into your existing systems. Look for an option like Revenue Analytics that can work with data in existing formats rather than relying on a lengthy and expensive data cleaning exercise.

Revenue Analytics' hybrid consulting/SaaS approach delivers many of the benefits of an in-house data science team without the operational costs. The consulting group and data scientists bring broad industry perspectives and cross-functional skills that an in-house team may not have. The consultative approach allows for input from the sales team and other stakeholders to create pricing strategies and capabilities that have the internal buy-in necessary for adoption.

There are different solutions for different pricing challenges. The goal of this document is to help you come to a decision that will prepare your organization to navigate today's disruptive market forces.

If you'd like to continue learning about pricing trends, strategies, and capabilities for Manufacturers and Distributors, check out the resources section of our website www.revenueanalytics.com for the latest news, research, and more.

Book a Meeting

