

IDC PERSPECTIVE

Pricing Excellence Buyer Case Study: Promotional Product Wholesaler Improves Company Profit, Efficiency, and Customer Experience with Zilliant

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EXECUTIVE SNAPSHOT

FIGURE 1

Executive Snapshot: Zilliant Case Study

This case study describes the experience a promotional products supplier had with transforming the way it prices and sells its catalog of over 200,000 SKUs through its 10 international brands. Core to this supplier's transformation was implementing Zilliant's price optimization and management software, which ultimately delivered a better customer experience and improved company performance and efficiencies.

Key Takeaways

- The pricing and sales teams were overwhelmed by increases in SKUs to price, channels to support, customers to serve, and quotes to negotiate and approve.
- The supplier needed help creating/maintaining a customer-specific price list, scaling price management, automated price guidance for sales, and price governance to understand how the process is working.
- The solution the supplier chose was Zilliant's price optimization and management suite, which enabled PromoProducts to overcome its challenges and enable it to scale in the future.
- The supplier's success was driven by curious leaders who knew they had to adopt technology to scale.

Recommended Actions

- Hire a pricing consultant to help you understand pricing issues and opportunities.
- Leverage the IDC documents listed in the Related Research section to help with planning and short-listing price optimization and management vendors for consideration.
- If pricing technology is right for your company, engage vendors for briefings, demos, and a complementary pricing assessment to understand how they work with customers and get a sense for the benefits and cost of their technology.
- Choose a solution and implement it on a part of your business, then expand with success.

Source: IDC, 2023

SITUATION OVERVIEW

Company Overview and Situation

PromoProducts is a fictitious name for an actual promotional products wholesaler that serves over 100,000 customers worldwide via its 10 international brands. The company enables the \$22 billion promotional product industry by selling "blank" promotional products to companies that customize them for their end customers. An example would be PromoProducts purchasing golf shirts from a brand such as Champion, which are then sold to a promotional products company that embroiders a company logo on the shirts for its customer's corporate sales kick-off event.

PromoProducts sells over 6,500 styles from 60+ brands of apparel, along with a large catalog of products such as drinkware, backpacks, bags, and technology. Its customer base is mainly apparel decorators, promotional product, and ecommerce companies. Since PromoProducts serves all sizes of companies that have both very small (e.g., Little League team) and very large orders (e.g., large stadium concert), the company must be efficient to price, negotiate, and ship quickly.

The company has grown through acquisitions and therefore has had to manage multiple business systems that roll up to headquarters. Like most companies, PromoProducts is undergoing digital transformation to streamline operations across its brands, and automating the quote-to-cash process was part of this effort. PromoProducts is undergoing major steps to optimize its 150 sales representatives so that they can react in the most profitable and fair way to their customers, as repeat business is earned and coveted in this commoditized market.

This buyer case study was created leveraging an interview with the VP of pricing along with a company presentation on the pricing transformation project. The actual company covered in this case study did not want to be named.

PromoProducts' Pricing Challenges

In the past, PromoProducts' four-person pricing team attempted to keep up with updating pricing for 200,000 SKUs, supporting co-op agreements, and reacting to many quote approvals per day. Over the past five years, the team has been challenged by:

- Increasing number of customers, incoming quotes, and buying complexity
- Increasing SKU counts by the 10,000s
- Single price list across the whole company
- Issues with keeping up with sales quotes, exceptions, and price agreements
- Emergence and adoption of ecommerce as a critical channel
- Significant business impacts during and after the COVID-19 pandemic, including cost increases of freight and frequent stockouts
- Reliance on spreadsheets for pricing, modeling, and forecasting

To overcome these challenges, the pricing team identified several needs that were out of reach without the help of additional resources or technology:

- **Customer-specific pricing:** The pricing team needed to build and maintain elasticity models by customer segment and attributes as they were using a single price list across the entire company, which resulted in nonstop price exceptions using "gut" pricing without any

governance or expiration. This would enable data-driven customer-specific pricing agreements that include price tiers and loyalty levels.

- **Scale pricing efforts:** The pricing team needed to improve response times with sales for initial sales guidance, managing exceptions, preparing for and reviewing agreements, keeping up with price changes, and maintaining a non-negotiated pricing for ecommerce.
- **Price guidance:** The pricing team needed a scalable self-service way to help guide salespeople negotiate the best price for the company and customer.
- **Price governance:** The pricing team needed to regularly review contracts to ensure fair pricing and current discounts. It needed governance across current deals, exceptions, and approvals to understand trends and enforce sales policies.

Overall, these challenges and unmet needs limited revenue potential, increased cost, and impacted productivity.

Solution

The PromoProducts team knew they had to innovate to grow through these challenges. To help them through the innovation process, they first hired a pricing consultant to help them understand best practices, identify pricing solutions, and help them through the vendor evaluation process.

The evaluation process was very enlightening to understand the art-of-the-possible with today's pricing solutions and the people behind the solution. As the process came down to the finalist, PromoProducts chose to allow Zilliant to do a complementary assessment of their business. This required uploading transaction data to Zilliant and conducting onsite interviews to determine where opportunities to price and sell more profitably existed in the business. The pricing team found this process and outcome to be very enlightening to show the value of the solution and how Zilliant worked with a customer, as it prescribed precisely where manual processes were leading to pricing inconsistencies and price dispersion.

After going through the selection process, PromoProducts ultimately chose Zilliant to be its pricing technology partner in 2019 and created a plan to adopt capabilities over the next few years. It chose Zilliant due to Zilliant's high level of service and understanding of PromoProducts' business.

As the PromoProducts team engaged with Zilliant and understood the potential of the partnership and offerings, it allowed PromoProducts to reevaluate how its business should work at a foundational level. This allowed PromoProducts to reimagine its pricing and sales processes for efficiency, making PromoProducts intelligent and automated with its existing business systems. This was enabled by a great collaboration between Zilliant and PromoProducts' commercial/pricing and IT teams.

Implementation

Since PromoProducts urgently wanted to optimize customer-specific pricing, it implemented Zilliant's price optimization solution (Price IQ) first. This solution enabled the company to micro-segment its customers based on buying patterns. Then each customer micro-segment could be measured on price elasticity based on products purchased. Price IQ was able to constrain the pricing within the bands of elasticity so that product pricing respected product quality lanes ... as PromoProducts wanted to ensure a clear delineation between premium pricing for its premium products and cheaper pricing for lower-quality products. This enabled competitive customer-specific pricing tiers that were not achievable without technology.

PromoProducts then implemented Zilliant's price management solution (Price Manager) to help it manage non-negotiated pricing for its ecommerce website. The solution ingests transaction, customer, product, and competitive price data daily, which allows the pricing team to analyze how well prices are positioned against competitors and suggest pricing changes if needed. Then the pricing team can publish new pricing directly to the ecommerce solution. This has enabled the pricing team to publish hundreds of thousands of pricing updates per year to stay competitive.

PromoProducts implemented Zilliant's sales guidance solution (Sales IQ) to tackle the challenge of offering and pricing complexity for its salespeople. The insights from this module were integrated directly into the company's ERP/CRM solution, FDM4, so that salespeople would not have another application to manage. Given the large customer and product counts at the company, it was impossible for sales reps to suggest the best products at the best price that the customer might be interested in buying, and greatly speed up approvals when pricing falls below the floor pricing. In addition, the solution helped salespeople understand whether a drop in purchase volume was because of a buying pattern or seasonality ... or an indication of potential customer churn. Customers benefited by having a salesperson (and company) that had a more personalized sales experience and knew what the customer might want to purchase at the price they could afford.

Finally, to address the challenge of pricing governance, PromoProducts implemented Zilliant's Sales Planner solution. This gave PromoProducts a price execution feedback loop to understand how customers were reacting to the customer-specific pricing and whether they took PromoProducts up on the product suggestions, so the solution can learn and improve. From a sales operations point of view, PromoProducts' sales managers met monthly to review each salesperson's actions within Sales Planner – so that they can understand performance to goals and training opportunities.

Outcomes

Since starting the pricing transformation project in 2020, PromoProducts has completely transformed the way it generates prices and sales guidance, which has ultimately delivered a better customer experience and improved company performance and efficiencies. Some of the significant outcomes are:

- **Pricing team outcomes:**
 - The company no longer has a one-size-fits-none price list, as the pricing team is now able to create and maintain customer-specific price lists that are effective. In addition, separate non-negotiated pricing for ecommerce can easily be maintained.
 - The company no longer must do time-intensive manual price updates! The software now makes this job much easier and more data driven.
 - The amount of time to process a price exception has decreased from 4.5 hours to just 1.
 - The company has created over 19,000 customer-specific price list and is able to reprice each list quickly.
 - The company transitioned from a single "case price" to multiple offerings, leading to better pricing competitiveness and reducing the need to manage more customer-specific prices.
 - The efficiency gained through the transformation enabled the pricing team to address strategic planning, training, and collaboration between functional teams and to expand into "nontarget" segments that the team didn't have time for ... or know about.
 - The company has pricing software that learns and adapts pricing based on transactional and customer experience data.

- **Customer outcomes:**
 - Customers enjoy a better negotiation experience, including pricing that is on target and faster price exception turnaround times.
 - Customers enjoy ecommerce pricing that's fair and competitive.
- **Sales team outcomes:**
 - Salespeople now have market-aligned prices that are aligned with customer expectations, reducing price exception requests.
 - More profitable discussions with customers because salespeople have data-driven actions that help them offer tailored recommendations at the right price for the customer.
 - The sales leaders now have data-driven governance to help drive efficient sales operations and consistency and to understand training opportunities.
 - Salespeople now have account-specific, actionable insights highlighting the best opportunities to grow wallet share and reduce customer churn.
- **Company outcomes:**
 - Profitability increased by 3%, with most of the gains coming from implementing sales guidance to help salespeople negotiate and expand/upsell better.

Lessons Learned

- Implementation is an all-enterprise endeavor – ensure the team at every level is informed.
- Successful rollout requires action and buy-in from all areas of the business including pricing, IT, marketing and sales – ensure the correct messaging is getting out to the right teams.
- The project should not be kept a secret internally ... get all stakeholders involved and bought into the change before it happens.
- Results come slowly at first, then can ramp up quickly.
- Tuning of a model or business rules is very common early – be agile and listen, learn, tweak, and repeat. Compare results to strategic expectations quarterly.
- The process of replacing less optimal pricing with more optimal pricing can take three to six months to realize results.
- The system and the sellers should be trusted, then reviewed often.
- The pricing model, business rules, and field team feedback all play equal roles in successful execution of a strategy.
- Zilliant's personnel and technology were critical to the success of PromoProducts' pricing transformation.

ADVICE FOR THE TECHNOLOGY BUYER

Given the importance of maintaining revenue through implementation, it is critical to implement new pricing technology and processes smoothly with a healthy dose of change management across the stakeholders so that there are no surprises. In addition:

- Hire a pricing consultant to help you understand pricing issues and opportunities.
- Leverage IDC documents listed in the Related Research section to help with planning and shortlisting price optimization and management vendors for consideration.

- If pricing technology is right for your company, engage vendors for briefings, demos, and a complementary pricing assessment to understand how they work with customers and get a sense for the benefits and cost of their technology.
- Choose a solution and implement it on a part of your business, then expand with success.

Typically, the most successful pricing transformation stories that IDC hears from buyers is when a company has a curious, tenacious, and supported leader that is passionate about the outcome of the strategy ... PromoProducts is a great example of this.

LEARN MORE

Related Research

- *Future of Digital Innovation: Process to Value and Price Your New Software Offering* (IDC #US49687118, September 2022)
- *IDC PlanScope: Future of Digital Innovation – Implementing a Consumption Pricing Model* (IDC #US47821022, June 2022)
- *IDC MarketScape: Worldwide Retail Price Optimization Solutions 2021-2022 Vendor Assessment* (IDC #US48393721, December 2021)
- *IDC PlanScope: Price Optimization and Management Solutions* (IDC #US47820922, December 2021)
- *IDC MarketScape: Worldwide B2B Price Optimization and Management Applications 2021 Vendor Assessment* (IDC #US46742021, September 2021)

Synopsis

This IDC Perspective presents a case study that unveils the experience that promotional products wholesaler, PromoProducts, had with transforming the way it prices and sells its catalog of over 200,000 SKUs through its 10 international brands. Core to the transformation was implementing Zilliant's price optimization and management software, which ultimately delivered a better customer experience and improved company performance and efficiencies.

"If your company makes, distributes, or sells a significant number of offerings, you should strongly consider a price optimization and management solution," says Mark Thomason, research director, Digital Business Models and Monetization program at IDC. "Today's solutions can significantly automate your company's revenue strategy from price setting to execution and enable salespeople and ecommerce to efficiently sell at the optimal price."

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