



BUILDING PRODUCTS MANUFACTURER LIFTS MARGIN 2.3 PERCENT WITH PRICE IQ™

Executive vision and accountability at this leading building products manufacturer enabled the sales team to raise below-market prices with Zilliant Price IQ™ which resulted in widespread customer price acceptance, maintained purchase volumes, and a significant profit lift without compromising revenues.

CASE STUDY



Challenge

Inconsistent and erratic pricing was preventing this U.S.-based and private equity-backed building products manufacturer from earning a fair margin on its products.

This case study describes how the company used price optimization to achieve 130 bps of margin improvement while maintaining customer trust, and how the vice president (VP) of sales drove strong adoption of the new price book by clearly communicating the importance of the new strategy to the sales team.

Key Outcomes



DEVIATION BELOW PRICE BOOK CAUSED COSTLY REVIEWS AND PREVENTED MARGIN GROWTH

The sales team at this building products manufacturer was in the habit of quoting prices too far below the price book in anticipation of customer pushback, and they were doing so too often. Almost half of monthly transactions deviated from the price book enough to require lengthy and costly internal price review.

Customer pushback was occurring for valid reasons. Even if price changes correspond to cost increases, blanket price hikes fail to account for the wide array of variables that contribute to the final price paid. Variables for each discrete price paid in a large B2B company often must account for customer type, customer size, product type, customer relationship, product hierarchy, regional factors, competitive factors, order volume, order frequency, and other critical factors that influence a fair, market-aligned price for each transaction.

Overall, cost- and margin-based price increases did not stick, and risked jeopardizing customer trust.

Executives at this company envisioned a more innovative pricing strategy. They engaged with Zilliant to deploy Price IQ™. In terms of change management, the president focused on both process and execution by starting with the new price book publication deadline and working backward to clear schedules for planning and implementation.

TURNING A CHALLENGE INTO AN OPPORTUNITY: THE KEYS TO NEW PRICING ADOPTION

Executives at this company envisioned a more innovative pricing strategy. They engaged with Zilliant to deploy Price IQ™; Price IQ applies price optimization to in-house customer, product and order data to continually deliver prices that account for customer price sensitivity and generate a fair margin.

In terms of change management, the president focused on both process and execution by starting with the new price book publication deadline and working backward to clear schedules for planning and implementation.

The company president and VP of sales worked with the pricing analyst, division controller and product manager to ensure project success — clearly communicating to the sales team the expectation of honoring the new pricing strategy. Leadership-driven accountability combined with a clearly communicated strategy fostered confidence in the new pricing.

With active executive sponsorship, the pricing team worked with the sales team to facilitate customer agreements. The closer relationship put the pricing team in a position to listen and learn from the sales team's understanding of the market. In return, the sales team learned how they could earn more. The collaboration ensured new prices were communicated to customers accurately and at the appropriate time.

With a clear vision and accountability in place, all that remained was introducing the new prices without customer pushback.

When the financial results came in, the executive team was elated. Price IQ guidance supported smarter pricing that customers could trust for several high-end product lines, resulting in a sustained 2.3 percent margin increase while maintaining historical volumes.

UNDERSTANDING PRICE SENSITIVITY, GUIDED BY ARTIFICIAL INTELLIGENCE

The company was already using the Zilliant Price IQ platform to deliver segment-specific pricing guidance to sales representatives for more than half of total sales across the U.S. Based on long-term success with those product lines, Zilliant helped set up a comparison between standard pricing increases determined by manual spreadsheet analysis and Price IQ-guided pricing. Price IQ used real transaction data to inform price optimization that incorporated customer price sensitivity and market prices.

Before publishing new prices, the company adjusted individual product line pricing using the Zilliant Strategy Interface to reflect specific business goals and ensure market consistency. Volume pricing, especially across multiple product lines, is part of diagnosing the sales relationship so that customers trust pricing.

The sales team's initial reluctance to quote the new higher prices was alleviated by customer acceptance of the pricing. The prices were already fine-tuned to meet customer expectations and as sales received less pushback, they grew increasingly confident.

RESULTS: PRICE IQ GUIDANCE DELIVERS 130 BPS MARGIN IMPROVEMENT

This manufacturer made it a priority to finalize new pricing on time for its next pricing catalog update, leaving three months to set up the pricing model and incorporate the data. The goal was to set margins at market-based levels acceptable to customers and aligned with the company strategy.

Executive vision and accountability gave the sales team confidence to stick to the new prices. Once prices were in market, strong customer price acceptance followed. When the financial results came in, the executive team was elated. Price IQ guidance supported smarter pricing that customers could trust for several high-end product lines, resulting in a sustained 2.3 percent margin increase while maintaining historical volumes. By comparison, prices for other product lines under the same premium brand were increased using their prior methodology, across the board price increases. This business-as-usual group only resulted in a 1.0 percent margin increase. The Zilliant difference was a 130basis point improvement — \$3.4 million annually within the brand, while keeping revenues whole.

For more information, visit www.zilliant.com

