



How Office Products Distributors Can Combat
Dwindling Sales and Troubling Trends:

A REIMAGINED PRICING AND SALES PLAYBOOK

WHITEPAPER



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OFFICE PRODUCTS DISTRIBUTION DYNAMICS

Over the course of the past decade, office products distributors have experienced a steady market decline, brought on by low barriers to entry and commoditization. eCommerce is now the norm, for B2B and retail channels alike, with more than 15,000 competitors in the space and Amazon entrenched with significant market share and scale. Furthermore, the market decline has been exacerbated by the recent massive shift to remote work, a trend that is unlikely to subside, as well as digitization, greatly reducing the need for toner and paper, two previously important categories for suppliers.

Beyond the challenging market dynamics, office products distributors face massive complexity, with hundreds of thousands of products, thousands of customers, thousands of customer price agreements, hundreds of sales reps, and volatile costs from a large number of suppliers. As a result, companies often struggle to price effectively and gain, or even maintain, customer wallet share.

In this whitepaper, we will explore why traditional approaches to solving these challenges often come up short and discuss scalable approaches to price and sell more effectively.

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CHALLENGES

Scale is the name of the game in office products distribution, standing in stark contrast to the often manual approaches used in sales, pricing and commercial processes and execution.

With increased competition, digitization and commoditization leading to less customer loyalty, customer churn is at an all-time high. It can be nearly impossible for sales reps to spot when customers are beginning to buy from competitors or failing to meet contract volume commitments, negatively impacting both revenue and margin. An overall declining market makes it difficult to decipher less overall demand from competitive intrusions. It is even harder still to determine which customers should be buying more product categories and how to shift the mix of products to improve profitability. Layer on a myriad of corporate and sales initiatives, and salespeople are overwhelmed at best.

The typical go-to methods of sharing business intelligence reports or expecting salespeople to glean insights from their CRM system fail to sufficiently guide salespeople to the right set of actions to maintain and grow their customer relationships, and create an ever-widening gap between corporate strategy and sales execution.

Guidance for salespeople also must extend to how they make pricing decisions. Pricing is by far the most effective profit lever, but when it is undermanaged it becomes a significant source of margin leakage. Given the sheer volume of product and customer combinations and frequency of supplier cost changes, pricing teams are doing their best to maintain and update price matrices. However:

- Often sales reps have the power to reassign customers to more favorable price tiers, causing nearly all customers to get the lowest price. This, combined with stale list price reference values, causes customers to be mis-assigned and receive prices that don't reflect their relationship with the distributor.
- Matrix prices often lack the proper level of granularity, or dimensions, to ensure the prices are market-aligned and competitive enough to win the deal; thus they are ignored by the sales reps in favor of overrides and special price exceptions. The granularity required to optimize the matrix and gain market adoption may exceed the resources available in-house.
- As costs change, matrix prices are often cumbersome and difficult to update. Even when this process is relatively efficient, if a small percentage of revenue is transacted on the matrix, companies may only recoup a small portion of a cost increase through price, as other price modes are harder to immediately affect.

The challenges compound when the bulk of customers are on contract.

- These often lead to margin leakage due to poor initial price setting, poor record creation/management, lack of an approval and ongoing review process, and a fundamental lack of strategy behind the process.
- It's not uncommon for hundreds of thousands to millions of these pricing records to exist in a distributor's business, creating an overwhelming administrative burden, and making it difficult to impossible to execute price changes as costs or other dynamics change.
- Many contracts are set with no expiration date, at a net price level or at a generic markup over cost and fall victim to the "set-and-forget" conundrum.
- Sales reps are very protective over these contracts and for fear of losing business, it can be a challenge to enact a price increase, regardless of how outdated the pricing in the contract.

With an overwhelming combination of products and customers, prices are often set in terms of overly broad target margin percentages, cost-plus rules or list-minus targets, and final pricing decisions are ultimately relegated to the field. While well-intended, this approach results in lost margin and is largely unsustainable as margins are increasingly squeezed, winning business is increasingly competitive, and digital channels are the norm. In fact, the majority of distributors are missing out on an achievable **100 to 300 basis points** in incremental margin as a function of existing pricing practices.

Furthermore, inconsistent pricing compromises the customer experience. Office products distributors must provide real-time, consistent, personalized pricing to compete in today's marketplace.



REIMAGINE PRICING AND SALES

Even in a declining market, office products distributors can improve margins and revenue by rethinking their approach to how they make pricing and sales decisions.

REIMAGINED PRICING PLAYS

- Reimagine price setting and management. Take a closer look at how pricing software can produce market relevant matrix prices, intelligently assign customers and products to the right levels and create rational price relationships between good-better-best products and new, remanufactured, private label and white label products.
- Reimagine customer price management. Provide visibility to and a simple way to mass update customer-specific pricing on contracts or prompt sales reps to update their customer's contract pricing, outside of the ERP system.
- Reimagine how you respond to cost changes. Streamline and simplify the difficulty of updating prices when suppliers change your costs with price management tools. Strategically pass-through cost changes, understand the impact to your business, and seamlessly publish prices back to your ERP, eCommerce or quoting system.
- Reimagine the online customer experience. Dynamically feed prices and upsell and cross-sell recommendations into your eCommerce platform so that every customer sees relevant prices based on the right matrix price or previously agreed upon customer price, as well as tailored recommendations based on what's in their cart.

REIMAGINED SALES PLAYS

To better equip salespeople to grow customer relationships, enterprising companies are embracing a new centralized approach that uses AI to generate sales growth intelligence faster and bridges discrete strategies and systems to drive specific actions across the entire customer lifecycle. Zilliant **Sales IQ™** and **Campaign Manager™** give teams the AI horsepower and control to set, refine and execute sales strategies in a closed-loop approach to quickly guide sales reps with winning actionable guidance. These include:

Prospecting or whitespace actions

- Determine the best fit products for prospects by leveraging data science-driven growth insights and any available business attributes to match prospects to their closest peer group in your customer database. Based on these peer groups' purchase behavior, you can isolate specific product or product category recommendations and push these out as new actions to reps. Share instantly with your salespeople valuable intel into what their prospects should be buying.

Recovery actions

- We've discussed how, especially in a declining market, it can be difficult to identify when a customer is beginning to defect. Pinpoint at-risk customers from the earliest sign of churn on one or more product categories, showing you exactly which areas to aggressively target with a recovery sales campaign. Route these recovery actions directly to sales reps and track their follow-up.

Growth actions

- You know what your current customers are buying but do you know what else they should be buying from you? Advanced data science can compare each customer to an ideal customer profile, revealing hidden growth opportunities that would be impossible to identify manually. Deliver these customer actions directly to reps and measure the incremental revenue with closed-loop tracking.

Win-back actions

- You know you need to target lost business, but what is the most effective pitch? How can distributors identify which products are going to grab a former customer's attention enough to bring them back in the fold? An analysis of historical data, looking at customer-specific peak year spend can identify the most promising win-back actions and transform those into guidance for sales reps.

Inventory actions for the targeted selling of excess inventory

- Stale inventory in excess amounts or that is nearing end-of-life is one of the insidious margin killers in an office products distribution business. Intelligent sales software can match inventory you need to move with customers most likely to buy it. Deliver this insight to sales reps or into a marketing automation tool for an account-based email campaign.

Contract compliance alerts for contracts not meeting volume commitments

- With hundreds of thousands of agreement lines out the door, many of which are tied to volume commitments, office products distributors need a mechanism for tracking whether volumes are not on track to be reached, with enough notice to do something about it. AI can analyze agreement and order data and consider the length of agreement and run rate to flag agreements with volume commitments that are not on track to be satisfied.

Product substitutions for the targeted selling of preferred brands or substitutes, such a higher margin private label or white label products

- Every point of margin counts in this industry. Selling preferred suppliers' products or private label brands are a great way to boost profits while providing a favorable deal to the end customer. Use data science to determine those customers that are the best target for product substitution and deliver that intel to a sales-facing application, CPQ system or eCommerce.

These approaches to pricing and sales provide the scale office products distributors need to survive in a declining market.

To learn more about [Sales IQ](#), [Campaign Manager](#) and industry-leading pricing tools, visit www.zilliant.com or [contact an expert directly](#).