2022 GLOBAL B2B BENCHMARK REPORT: MANUFACTURING EDITION

Discover the five categories of pervasive annual margin and revenue loss in B2B manufacturing.

BENCHMARK

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Executive Summary

THE NORMALIZED PAIN – AND COST – OF SUB-PAR PRICING & SALES PRACTICES IN MANUFACTURING

Manufacturing leaders are challenged to navigate increasingly turbulent waters to find the best, most reliable paths to profit and revenue growth. Fierce competitors, supply chain disruption, product proliferation and volatile costs are just a handful of factors contributing to the growing storm.

What those at the helm cannot fully articulate and quantify is that their companies, the vessels in this analogy, are riddled with margin and revenue leaks. Many transactions are leaking profit margin with inconsistent and misaligned pricing. Revenue goes unrealized when products are not effectively cross sold. Revenue is lost as competitors slowly poach customers, one product category at a time. Inefficient processes to update pricing with manual tools and calculations result in internal costs and poor customer satisfaction in terms of quote response time.

IDENTIFY, MEASURE & RECAPTURE ANNUAL REVENUE AND MARGIN LOSS

Each of these missteps are deceptively small when evaluated individually; it is the combined effect that results in significant, pervasive margin and revenue loss, year after year. Most manufacturing company leaders have a gnawing instinct that pricing and sales could be improved, and thus, lead to financial gains. Knowing precisely which processes, how to measure the loss, and most importantly, how to recapture this value is impossible with manual means.

Zilliant, the industry leader in intelligent B2B price optimization, price management and sales guidance software, has developed a proprietary diagnostic approach to identifying these areas and prescribing course correction.

Read on to discover the findings of the 2022 Global B2B Benchmark Report: Manufacturing Edition and learn how to compare your company's performance to the findings with our interactive experience.

Introduction and Benchmark Data Overview

ABOUT THE MANUFACTURING BENCHMARKS

The fourth publication of the Zilliant 2022 Global Benchmark Report: Manufacturing Edition has revealed that, even in turbulent macroeconomic conditions, the impact of poor pricing and sales practices has remained relatively stable. This means that B2B companies can improve P&L performance by addressing pricing and sales practices.

Manufacturing companies operate with a standard underlying cost in their business that they do not fully realize – the cost of poor pricing and sales practices. Historically, the benchmark analysis has covered four key categories:

- Missed Cross-Sell
- Customer Churn
- Inconsistent Pricing
- Misaligned Market Pricing

The 2022 release of Zilliant's popular Global B2B Benchmark Report: Manufacturing Edition features a new category:

- Inefficient Pricing Processes

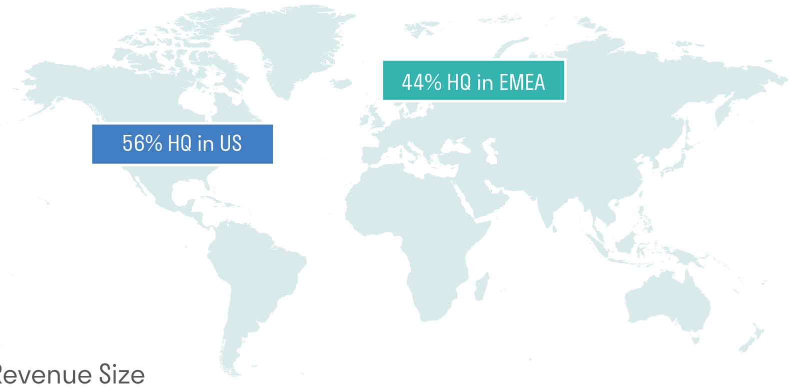
Broadly, inefficient pricing processes occur when pricing and sales teams must rely on heavily manual processes and calculations, and thus the time to update prices when costs change, as well as quote response time is far too long and costly.

ABOUT THE ANALYSIS

When engaging with the leaders of B2B manufacturing companies, Zilliant runs a unique blend of analysis and diagnostics on transactional data to identify and measure the areas of highest annual margin and revenue loss in the business. From that information, the team designs a tailored blend of data science and software to help those companies address their most confounding pricing and sales challenges and recapture a portion of that lost value. Zilliant's 2022 Global Benchmark Report: Manufacturing Edition is an aggregation of those findings.

DATA ANALYZED

- 1.5 Million Customers
- 450,000+ Products
- 60+ Million Transactions
- $60+ Billion in Transactions
- 16% Fortune 500
- 6 Currencies
- $67 Million - $4 Billion Company Revenue Size



Understanding the Benchmarks

UNDERSTANDING THE MANUFACTURING BENCHMARKS

As you navigate the benchmark report, we'll offer some explanations as well as discussion prompts to consider how each category may impact your business. Additionally, here are some guidelines to keep in mind as you read through the report:

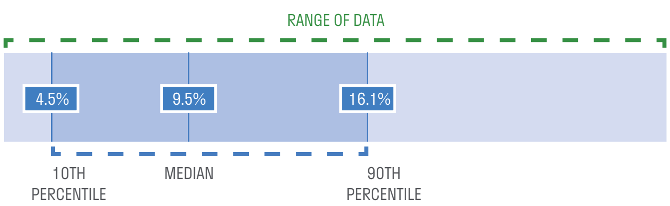
- Benchmark categories reveal the overall cost of the problem as observed through four years of analyzing B2B datasets
- You can expect to recapture a portion of this loss by implementing advanced pricing and sales data science and software in your business
- On average, companies recapture one to 3 percent of this margin loss due to poor pricing practices and five to 15 percent of this revenue loss due to ineffective sales practices

UNDERSTANDING THE BOX AND WHISKER CHARTS

Each of the five categories presents a box and whisker chart showing the range of data observed, where the 10th and 90th percentile fall, as well as the median figure. The percentages reveal the percentage of revenue or margin loss B2B companies experience on an annual basis.

In this example, the top-performing companies with respect to customer retention experienced an average of 4.5% annual revenue loss due to Customer Churn whereas the lowest-performing companies experienced an average of 16.1% annual revenue loss due to Customer Churn.

Customer Churn



DISOVERING HOW YOUR MANUFACTURING COMPANY COMPARES

For the first time, you can measure your own company's performance against the five benchmark categories with an interactive online experience that includes a survey component and generates a customized benchmark report unique to your quantitative and qualitative data. Explore the global benchmarks and calculate your company's annual revenue and profit loss in dollars or euros.

Manufacturing Benchmark Report Key Findings

The fourth publication of the benchmark report has revealed that, even in turbulent macroeconomic conditions, the impact of poor pricing and sales practices has remained relatively stable. This means that B2B companies can improve P&L performance by addressing pricing and sales practices.

At a global level, manufacturing companies are experiencing:

8.97 – 36.8%

Annual Revenue Loss

Due to Sub-Par Sales Practices

and

2.33 – 18.67%

Annual Margin Loss

Due to Sub-Par Pricing Practices

For a $1 billion B2B enterprise, this equates to an annual cost of:

$89.7 MILLION - $368.8 MILLION

In Annual Lost Revenue

Due to Sub-Par Sales Practices

and

$23.3 MILLION - $186.7 MILLION

In Annual Margin Loss

Due to Sub-Par Pricing Practices

Let's review each category.

Manufacturing Benchmark Report Key Findings

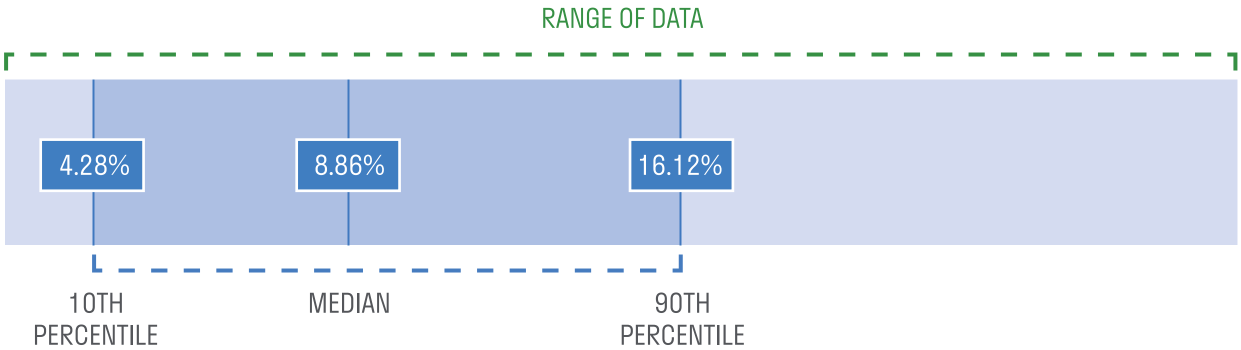
CUSTOMER CHURN: UNNOTICED LOSS OF REVENUE TO COMPETITORS

Customer Churn, measured at the product category level, accounts for decreased sales and customers lost to competitors, both of which offset business from net-new customers.

On a global scale, manufacturers experience an annual revenue loss within a range of 4.28% and 16.12% due to Customer Churn, in other words, declining product category purchase volume and competitor defection.

For a $1 billion company, this equates to an annual range of revenue loss between $42.8 million and $161.2 million.

Customer Churn



IS CUSTOMER CHURN A HIDDEN SOURCE OF ANNUAL REVENUE LOSS IN YOUR BUSINESS? CONSIDER THESE QUESTIONS:

- Does my sales team struggle to spot when customers begin to drop purchase volume on products or when customers defect?
- Does each sales rep in my company manage too many accounts to keep on top of each one effectively?
- Does my company sell from a very broad product catalog?

An affirmative answer to any of these questions may indicate that your company is currently experiencing significant annual revenue loss due to Customer Churn.

Consider exploring our interactive experience to calculate the annual estimated revenue loss in your business at www.benchmark.zilliant.com.

Manufacturing Benchmark Report Key Findings

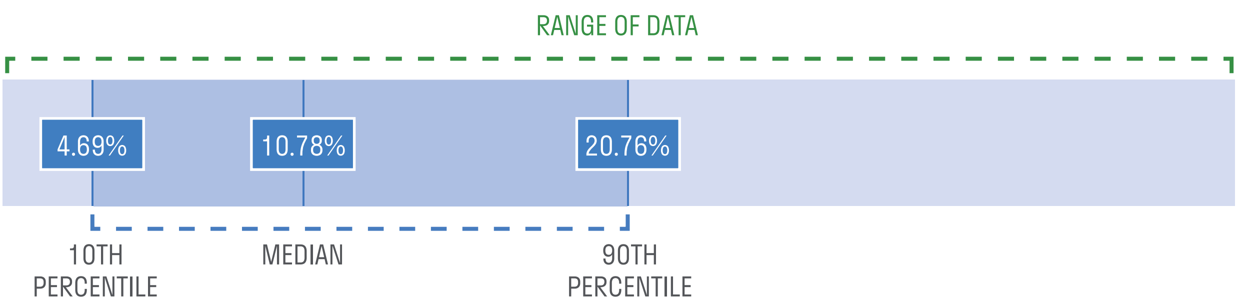
MISSED CROSS-SELL: PRODUCT CATEGORIES NOT PURCHASED AT EXPECTED LEVELS

Missed Cross-Sell, measured at the product category level, accounts for lower-than-expected wallet share based on a customer's quantified spend potential as compared to ideal customer profiles.

On a global scale, manufacturers experience an annual revenue loss within a range of 4.69% and 20.76% due to Missed Cross-Sell.

For a $1 billion company, this equates to an annual range of revenue loss between $46.9 million and $207.6 million.

Missed Cross-Sell



IS MISSED CROSS-SELL A HIDDEN SOURCE OF ANNUAL REVENUE LOSS IN YOUR BUSINESS? CONSIDER THESE QUESTIONS:

- Does a large percentage of my sales team behave like order takers as opposed to order makers?
- Is my sales team only comfortable selling a handful of product categories?
- Is a large percentage of my customer base considered house accounts and do not have a dedicated sales rep?

An affirmative answer to any of these questions may indicate that your company is currently experiencing significant annual revenue loss due to Missed Cross-Sell.

Consider exploring our interactive experience to calculate the annual estimated revenue loss in your business at www.benchmark.zilliant.com.

Manufacturing Benchmark Report Key Findings

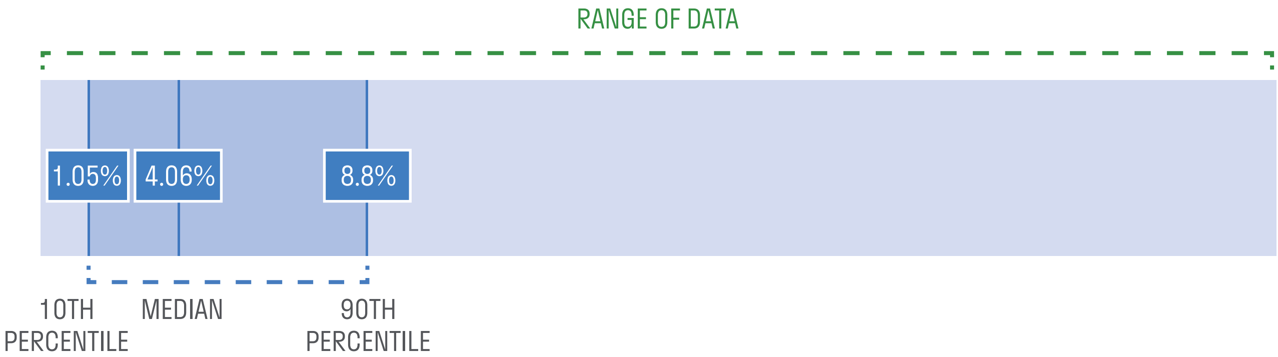
INCONSISTENT PRICING: VARIANCE IN PRICING PRACTICES

Pricing inconsistencies are transactions that have too wide a data variance. Typically, these prices are inconsistent based on market, product, or customer circumstances. In some cases, prices are too high to be competitive, or smaller customers receive better prices than large, strategic accounts. In other cases, prices fail to reflect customers' true price elasticity, resulting in too many transactions being over- or underpriced.

On a global scale, manufacturers experience an annual margin loss within a range of 1.05% and 8.8% due to Inconsistent Pricing.

For a $1 billion company, this equates to an annual range of margin loss between $10.5 million and $88 million.

Inconsistent Pricing



IS INCONSISTENT PRICING A HIDDEN SOURCE OF ANNUAL MARGIN LOSS IN YOUR BUSINESS? CONSIDER THESE QUESTIONS:

- Are my sales reps free to discount to win the deal and/or create special price exceptions for customers?
- Does my company lack defined rules for acceptable pricing or lack an enforceable approval process?
- Does my company struggle to provide relevant eCommerce pricing?

An affirmative answer to any of these questions may indicate that your company is currently experiencing significant annual margin loss due to Inconsistent Pricing.

Consider exploring our interactive experience to calculate the estimated annual margin loss in your business at www.benchmark.zilliant.com.

Manufacturing Benchmark Report Key Findings

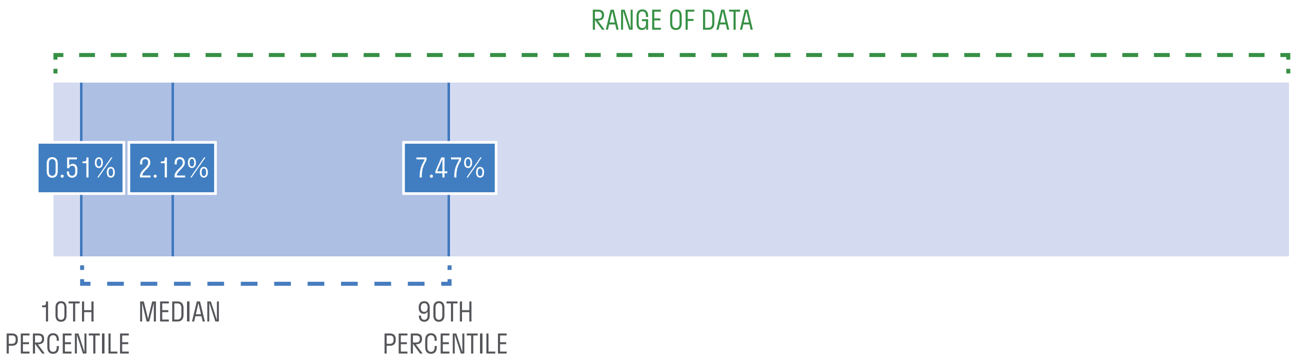
MISALIGNED MARKET PRICING: PRICES THAT DO NOT REFLECT MARKET CONDITIONS

Misaligned Market Pricing are prices that are broadly misaligned to market conditions. This can include a variety of phenomena, including prices that are rounded arbitrarily to rule-of-thumb margins or discounts, or prices that are transacted below minimum margin thresholds. It also includes pricing that does not quickly and accurately account for cost changes.

On a global scale, manufacturers experience an annual margin loss within a range of 0.51% and 7.47% due to Misaligned Market Pricing.

For a $1 billion company, this equates to an annual range of margin loss between $5.1 million and $74.7 million.

Misaligned Market Pricing



IS MISALIGNED MARKET PRICING A HIDDEN SOURCE OF ANNUAL MARGIN LOSS IN YOUR BUSINESS? CONSIDER THESE QUESTIONS:

- Does my company lack robust analytical models that incorporate transaction data and/or other relevant market data to calculate price points?
- When costs increase, are attempts to increase prices typically unsuccessful and fail to recapture the desired margin?

An affirmative answer to any of these questions may indicate that your company is currently experiencing significant annual margin loss due to Misaligned Market Pricing.

Consider exploring our interactive experience to calculate the annual estimated margin loss in your business at www.benchmark.zilliant.com.

Manufacturing Benchmark Report Key Findings

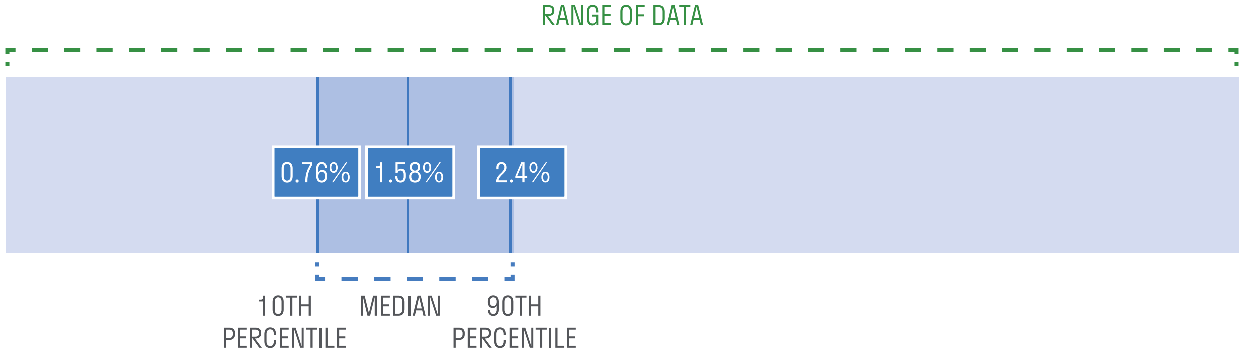
INEFFICIENT PRICING PRACTICES: THE COST OF CUMBERSOME PROCESSES

Inefficient Pricing Practices occur when pricing and sales teams must rely on heavily manual processes and calculations, and thus the time to update prices when costs change, as well as quote response time is far too long and costly.

On a global scale, B2B manufacturing companies experience an annual margin loss within a range of 0.76% and 2.4% due to Inefficient Pricing Practices.

For a $1 billion company, this equates an annual range of margin loss between $7.6 million and $24 million.

Inefficient Pricing Practices



ARE INEFFICIENT PRICING PRACTICES A HIDDEN SOURCE OF ANNUAL MARGIN LOSS IN YOUR BUSINESS? CONSIDER THESE QUESTIONS:

- Does it take my company too long to update prices when costs change?
- Does the pricing team rely heavily on manual processes and calculations using Excel or other spreadsheet tools?
- Is my company's quote response time far longer than my customers expect?

An affirmative answer to any of these questions may indicate that your company is currently experiencing significant annual margin loss due to Inefficient Pricing Practices.

Consider exploring our interactive experience to calculate the annual estimated margin loss in your business at www.benchmark.zilliant.com.

Conclusion

While macroeconomic factors, cost volatility and competitive disruptors are out of your control, sub-par pricing and sales practices are squarely in your control and ripe for reimagining.

Use this benchmark report and its interactive online companion as a lighthouse in the storm, shining a light on areas that stand to return predictable, measurable revenue and margin improvements in your business.

Zilliant's proprietary diagnostic approach identifies these areas and prescribes course correction. We care about the unique circumstances of each company we engage with, starting with the first conversation.

ABOUT ZILLIANT

Zilliant powers intelligent commerce for B2B companies by connecting their commercial strategies with effective execution. Our industry-leading price optimization and management and sales guidance software enables profitable growth by transforming the way our customers use data to price and sell in traditional and digital channels. Zilliant's data science, cloud-native software and passion for customer success delivers the highest ROI, fastest time to value and highest customer satisfaction. Learn more about how Zilliant helps power intelligence commerce at www.zilliant.com.

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