



REIMAGINE THE STATUS QUO OF PRICING, QUOTING & BIDS

A playbook for building
products manufacturers

WHITEPAPER



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TABLE OF CONTENTS

- I. Bracing for the Margin Squeeze
- II. Common Pricing Challenges
- III. Reimagine Pricing, Quoting & Bids
- IV. Conclusion

I. BRACING FOR THE MARGIN SQUEEZE

For building products manufacturers, whether in the United States or abroad, the economic outlook is strong for 2020.

Consider this statement from Zacks* on the state of the industry:

“As the industry’s prospects are highly correlated to U.S. housing market conditions, and repair and remodeling activity, the improved housing market fundamentals are expected to provide a major boost to the industry participants’ profitability ... However, the lingering trade conflict between the United States and China is taking a toll on U.S. business activities and hence margins. Rising labor costs are also compressing margins further.”

The article goes on to advise that company leaders should be aware of the impact that the trade wars will have on margins as well as volumes, going on to warn that, “in order to mitigate tariff-related woes, higher pricing may have a temporary impact on volume.”

Certainly, tariffs are making disruptive impacts to margins for B2B companies of all stripes, but in the highly competitive space of building products manufacturing, the threat of tariffs and unknown economic impact of Brexit are increasing the level of uncertainty. Company leaders are bracing for the inevitable margin squeeze as costs rise.

In this whitepaper, we’ll cover the common challenges building materials manufacturers face when it comes to setting, maintaining and updating profitable pricing. Additionally, we’ll share a reimaged approach to the status quo of pricing, quoting and bids.

*Zacks, “Miscellaneous Building Products Industry Prospects Look Bright,” January 12, 2020



II. COMMON PRICING CHALLENGES



Whether you are selling discrete products or highly configured products, layering macroeconomic uncertainty on top of often burdensome, complex and subjective pricing processes can lead to margin erosion.

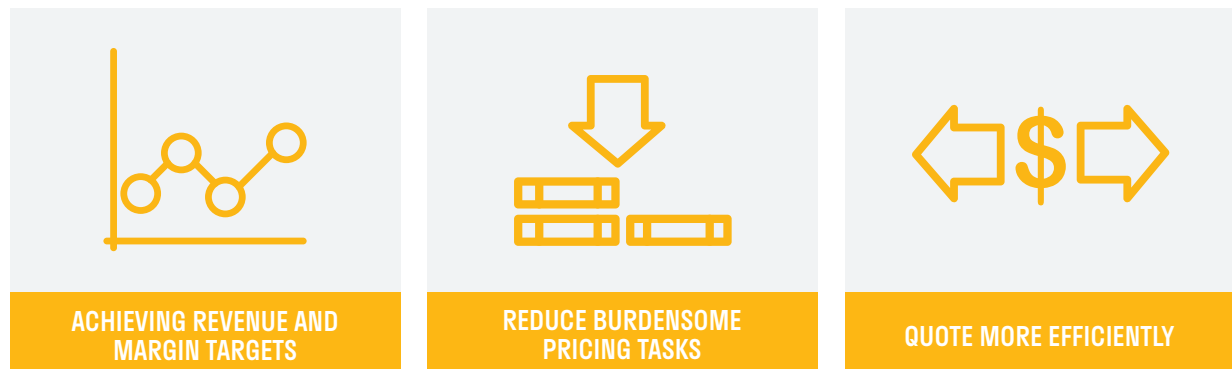
In the case of configured product sales, each configuration may be unique, and in the end, the price is highly negotiated, often with a multi-layered sales channel: manufacturer to distributor to contractor to end customer. Determining the right price to quote so that you win the bid is often a guessing game and gut feel, cost-plus exercise for the sales team. Attempts to put pricing floors or other pricing controls often fail in an effort to maintain volume and keep the manufacturing plant at an acceptable capacity.

For discrete building products manufacturers, system pricing or into-stock pricing to distributors can quickly drift away from desired margin targets or be riddled with price exceptions and deviations. Here, the “set and forget” conundrum comes into play. When customer-specific price agreements are housed in disparate systems across a business – spreadsheets, ERP systems, email, ling cabinet, or otherwise—margin leakage is inevitable. It quickly becomes impossible to understand how many agreements exist in your business, when they need to be renegotiated and updated, and how profitable they are (or aren’t). With no systematic mechanism to update, what was intended to be a time-bound price may be locked in for years, often below target margin levels. Most companies face a burdensome, manual process when they try to update these agreements.

The process of setting market-relevant prices and maintaining those over time is wrought with complexity and burdensome processes. It’s also one of the biggest contributors to margin leakage. In fact, it’s typical for 50 percent of B2B transactions to be underpriced, leaving money on the table, and 20 percent to be overpriced, resulting in lost share.



III. LET'S REIMAGINE THE STATUS QUO OF PRICING, QUOTING & BIDS



The building products industry is ripe for disruption. To reimagine what it takes to deploy market-aligned prices for each unique bid, consider price optimization and management. Together, they are immensely powerful tools that can optimize prices to achieve the revenue and margin targets that matter in your business while providing the agility to dynamically make updates as market conditions change.

Next, take this smarter, faster approach to pricing and integrate a deal management solution as your one-stop-shop to create, maintain and renew customer price agreements. By doing so, you can ensure that customer-specific prices don't become an inadvertent source of margin leakage – now or in the future.

Imagine — instead of the shaky foundation of overly-general pricing and inability to cohesively manage and update pricing that's prevalent in B2B — achieving the following:

- Move out of spreadsheets for price changes, reporting, sales review and approvals, and prot/margin impact measurement
- Implement market-aligned negotiation price guidance that accounts for the factors that drive price and price sensitivity
- Optimize system prices and automate price changes
- Clearly see the projected impact of potential pricing strategies
- Reduce burdensome price management tasks
- Pass through input costs more efficiently
- Quote more efficiently with market-aligned prices

IV. CONCLUSION

In conclusion, building products manufacturers stand to not only achieve margin and revenue targets more consistently, but also build a solid, yet flexible, foundation that's prepared to weather whichever economic storm is on the horizon.

For more information, visit www.zilliant.com