



CREATING A NEW PRICING MENTALITY TO HELP SALES REPS QUOTE WITH CONFIDENCE

EBOOK

A case study presented by the senior
manager of pricing and financial analysis at
an electronic components distributor.

 **zilliant** PRICE MANAGER

 **zilliant** PRICE IQ



An electronic components distributor operates in a high-volume, high-velocity sales environment to serve its more than one million customers.

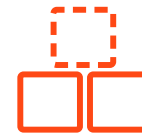
The nature of the business demands a pricing solution that can handle tremendous complexity while ensuring profitability. Sales reps must trust the prices they receive, so they can quote quickly and with confidence.

ELECTRONIC COMPONENTS DISTRIBUTION DYNAMICS



INFLATIONARY PRESSURE

- Supplier cost increases coming fast and furious
- Must pass those costs through rapidly



STRESSED INVENTORY

- Key product categories were hard to stock
- Critical to manage customer expectations on lead time



HIGH TRANSACTION VOLUME

- Daily sales records were smashed past two years
- Difficult to avoid pricing mistakes



CUSTOMER/PRODUCT COMPLEXITIES

- Many long tail customers require high level of service
- How do we segment and tailor pricing for each situation?

PRICING RULES BEGAN TO FALL SHORT

Historically, the distributor used a rules-based process that manifested in a lot of cost-plus pricing. While cost-plus was a useful shorthand for how much to update prices when cost changes came in, it lacked the specificity to properly reflect each customer relationship. It also didn't account for the value provided by each product and the distributor's associated services. The sales team had become accustomed to quoting in this fashion, with autonomy over discounts.

This led to a proliferation of discount structures and inconsistent customer-specific pricing. Often, small customers received aggressive discounts while larger customers did not.

Rather than applying the same price structure across products that varied in price from pennies to thousands of dollars, the pricing team attempted to rationalize its markup and pricing logic. However, these new prices were frequently met with uncertainty from the sellers.

Finally, the distributor struggled to measure pricing compliance. It lacked a systematic reporting mechanism, while the price exception approval process was ad-hoc and manual. The pricing team couldn't fix what it couldn't quantify.

A NEW SCIENTIFIC PRICING MENTALITY

The distributor turned to **Zilliant Price IQ®** and **Price Manager™** to accomplish its mission: Use data science instead of rules to recommend a Target price that sales reps would use, while being agile enough to adjust to changing market conditions.

HOW PRICE IQ® WORKS

Zilliant Price IQ® is the only price optimization application with the ability to simultaneously account for all the factors that drive price, rationally align price/customer/order/product relationships simultaneously, and statistically measure what drives price response in the market, all while enforcing necessary guardrails and producing price guidance for all the different ways price is expressed in a B2B business.

HOW PRICE MANAGER™ WORKS

Price Manager is an application that uses syntax similar to Excel but with the flexibility and power of modern software applications to streamline all the tasks a pricing team needs to accomplish, including list/matrix/customer-specific/spot price/rebate setting and management.



PROVEN PRICING SCIENCE



AGILITY TO SHIFT STRATEGIES



FLEXIBILITY AND CONTROL



CUSTOMER SUCCESS APPROACH



SEGMENTATION MANAGEMENT

WHY ZILLIANT WAS THE ANSWER

Zilliant's pricing science stood apart in its proven ability to identify margin opportunities and deliver more competitive and rational price guidance in any market climate. The pricing team also knew that as those market dynamics changed, it would need to quickly adjust to be more profit- or revenue-aggressive. Price IQ® not only makes it easy to toggle between strategies, it also provides what-if scenario modeling to predict the P&L impact of a change in pricing strategy.

Zilliant's segmentation management capability offered the opportunity to programmatically assign customers to specific segments for the first time, rather than leaning on 200 sales reps to set discounts autonomously. The Zilliant tools gave control of pricing processes and decision-making back to the pricing team. Users could adjust on the fly and work closely with Zilliant's Customer Success team to continuously improve the solution.

PRICE OPTIMIZATION ANSWERS THE HARD QUESTIONS

- How should we price new business in relation to existing?
- How do we get more revenue- or profit-aggressive?
- How do we build price confidence in the field?

PRICE MANAGEMENT REPLACES RULES-BASED APPROACH

Price Manager™ replaced the outdated and hard-to-manage pricing rules in the system. No longer would the distributor be reliant on flat markup structures to arrive at customer prices. Instead, the centralized price management system allows the company to dive into true customer segmentation for the first time.

Now, as customer relationships develop over time, the customer-specific pricing they receive is more rational. Price updates are executed and delivered in a fraction of the time with consideration of each customer's transaction history. For instance, the pricing team can quickly review how many price updates a customer has received as a function of cost changes, and how each increase relates to the last price paid.

Price Manager™ is actively improving the experience of pricers, sellers, and most importantly, end customers.

"I can't stress this enough – working with the Zilliant team, they felt invested in our project, in our company, and our success."

- Senior Manager of Pricing and Financial Analysis



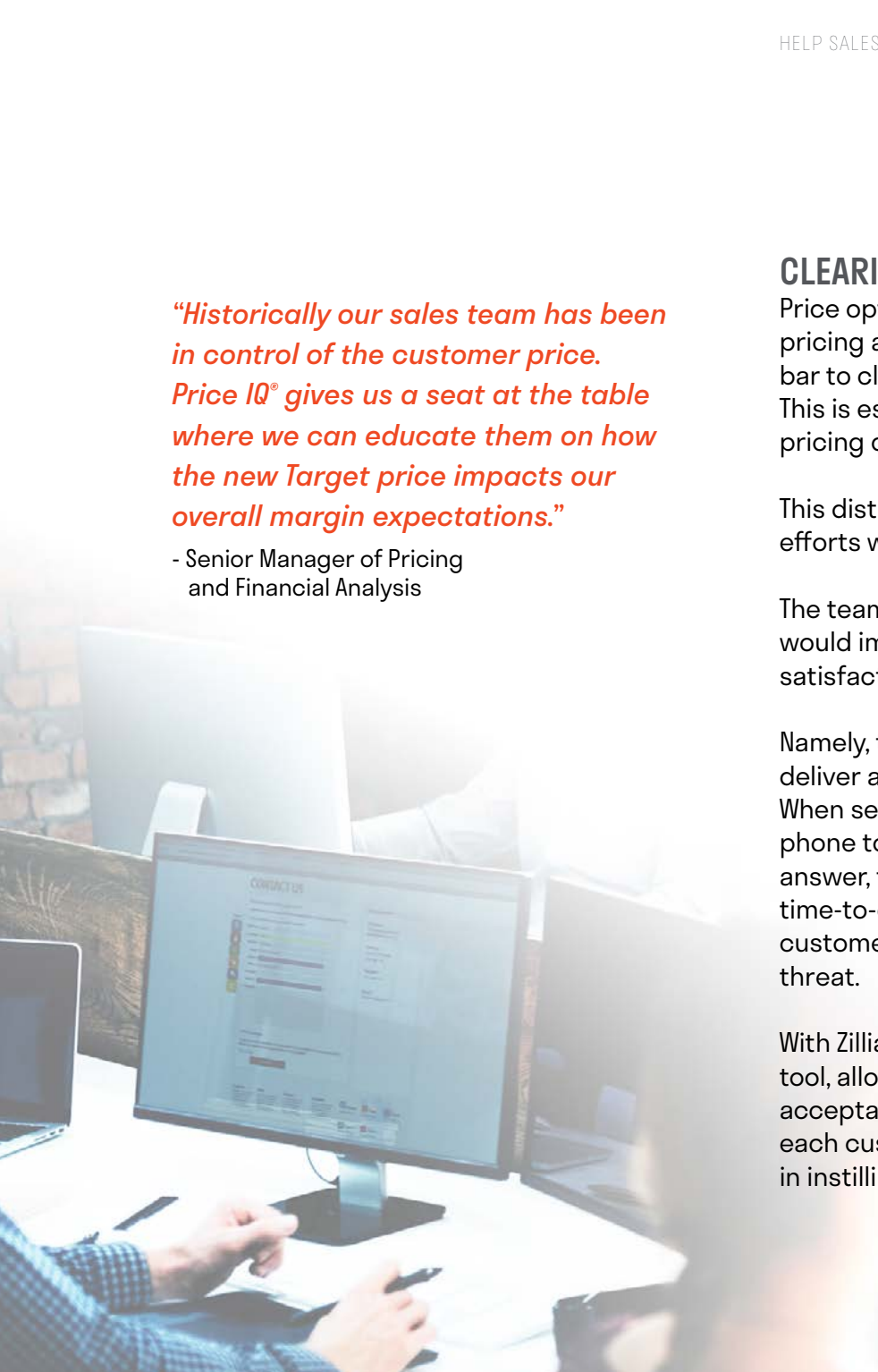
DYNAMIC



SCIENTIFIC



INTENTIONAL



“Historically our sales team has been in control of the customer price. Price IQ® gives us a seat at the table where we can educate them on how the new Target price impacts our overall margin expectations.”

- Senior Manager of Pricing
and Financial Analysis

CLEARING THE SALES ADOPTION HURDLE

Price optimization and management does wonders for a company's pricing accuracy, process and overall strategy. But there remains a high bar to clear: getting sales reps to actually use the price recommendations. This is especially difficult in companies where sales reps have a lot of pricing decision power.

This distributor's pricing team knew it had to convince sales reps that its efforts were additive, rather than adversarial.

The team focused on an immediate value add for sales, which incidentally would improve both the company's margin performance and customer satisfaction.

Namely, the pricing team demonstrated how Price IQ® and Price Manager™ deliver a Target price with negotiation parameters at the time of quote. When sellers were given a Target in the past, they'd often pick up the phone to ask where they could move the price. If they didn't like the answer, they'd call someone else. This game of telephone increased the time-to-quote and frustrated everyone involved in the process. Ultimately, customers suffered through quote delays and churn became a real threat.

With Zilliant, sales reps see a Start, Target and Floor price in their quoting tool, allowing them to negotiate on the spot while remaining inside acceptable margin targets. They also can access the Last Price Paid for each customer at-a-glance and compare it to Target, which proved critical in instilling confidence in the price guidance.

TRAINING TO TARGET



Developed programmatic training for sales team



New reps trained on Zilliant during onboarding



Constant communication between pricing and sales



Consistent messaging on pricing science > rules

“The strategy might change, but the Target is the Target. By being able to train our sales team to get Target and have them self-serve, they’ve now been some of our biggest advocates.”

- Senior Manager of Pricing and Financial Analysis

PRICE ADOPTION HAS SKYROCKETED

- Reduction in ‘percent below floor’ 20% to 3% ↓
- Target price usage – 8% to 20% ↑

Watch to learn more about our industry-leading pricing solutions:

[Price IQ® Overview](#)

[Price Manager™ Overview](#)



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