



GLOBAL ENERGY MANUFACTURER ENABLES REAL-TIME PRICING AT SCALE

CASE STUDY



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This case study features an oil & gas manufacturer with operations in more than 150 global regions. Given significant cost volatility, growth through acquisition, and the prevalence of low velocity products, company leaders sought a more powerful solution to deliver market-aligned pricing in real-time via numerous complex commercial execution systems.

THE PRICING CHALLENGE: PRICING IN A GLOBAL ENVIRONMENT

Like many global manufacturing companies, the complex nature of this company's pricing structure made setting and managing prices at all levels of the price waterfall complicated.

With only manual tools at their disposal, the pricing team was challenged to ensure that prices were aligned to factors such as product hierarchy, competitive dynamics, order size or frequency, regional dynamics in more than 150 countries, and quickly changing cost inputs. Over time, the company acquired many product lines, which resulted in pricing being set by product line, which lacked specificity and standardization and ultimately failed to provide visibility in terms of pricing impact.

The task of managing accurate and market-aligned pricing in the company's global environment was further complicated by the many price types that exist in the business. These include a global price list, regional price lists, matrix pricing, and customer-specific prices. Customer-specific pricing was particularly difficult to maintain as, like most companies, the lack of a centralized and flexible means to update pricing led to the "set it and forget it" conundrum in which pricing was difficult to update, even as costs rose.

COST VOLATILITY, LOW VELOCITY PRODUCTS & LIMITED SYSTEM CAPABILITIES FURTHER COMPLICATE THE PRICING CHALLENGE

Cost volatility presented another layer of pricing complications, and with that, an increasing risk for margin loss. Without the ability to quickly update pricing based on frequently changing costs, cascade those updates throughout the price types, and immediately disseminate those prices into the company's commercial execution systems, each new cost swing could result in lost margin. The pricing team needed a better way to set market-aligned prices across the global business with the flexibility to update prices as costs changed.

Adding to the challenge, this manufacturer also sells many products infrequently. In practical terms, it was a common occurrence for sales reps to receive quote requests from customers on a product that had not been sold in years. With no "last price paid" or relevant cost data as a reference, sales reps were facing a risky guessing game when pricing items that were rarely ordered.

Finally, the pricing challenge proved to be architecturally difficult as well. This global manufacturer utilized SAP ERP as its pricing system of record and price execution engine and discovered that modifying pricing conditions in SAP was technically difficult. Due to the rigidity of the SAP ERP, either loading a tremendous amount of data into the system or attempting a pricing logic update within the ERP were two cumbersome and undesirable options.

As a result, company leaders sought a flexible third-party pricing solution that could simultaneously address these pricing challenges at scale.

ENTER Price IQ®, Price Manager™, Deal Manager™ AND Real-Time Pricing Engine™

Knowing that a more powerful solution was essential to deliver dynamic pricing, this manufacturer's executive team initiated a thorough evaluation of price optimization and management vendors in a bid to replace manual tools as well as an existing pricing solution that was not equal to the task at hand. Ultimately, the company selected **Zilliant Price IQ®, Price Manager™, Deal Manager™** and **Real-Time Pricing Engine™** to deliver its end-to-end pricing solution.

Price Manager™ serves as the centralized hub for the product managers and the pricing team, allowing them to easily update prices as frequently as needed. First, they work with Zilliant to bring in pricing and pricing condition data like interest, costs, freight and taxes from SAP ERP into Price Manager™. They can utilize robust pricing analytics to visualize their price waterfall, with the ability to drill down into business unit performance.

The pricing team is able to easily incorporate massive and unlimited amounts of data and modify pricing with templated workbooks to pass through costs. The team can analyze competitive or inventory data and cross-reference information from other Price Manager™ workbooks such as last quote date, last price paid, costs, margin, and current price. Managing multi-country list prices is also a straightforward task with the country multiplier feature.

Price Manager™ also solves the challenge of pricing items that are purchased infrequently, giving the pricing team a workbook to manage price when items are requested by customers. It also alerts product managers when a quote is requested on a special product, necessitating a cost update before it can be priced. Price Manager also generates customer-specific pricing.

Zilliant Price IQ® is a price optimization solution that utilizes AI to set the optimal price for any selling circumstance with a unique blend of optimization techniques. It works by augmenting company data to derive the factors that influence price, organizing them into an optimal pricing segmentation structure, measuring price elasticity within segments, and aligning price relationships across product, customer spend and order size dimensions while ensuring business rules such as minimum margin or price change caps are simultaneously enforced. This approach solves the challenge of addressing complexity in setting market-relevant prices in a global environment, optimizing negotiation price guidance. and customer-specific pricing.

Crucially, the manufacturer does not have to modify its SAP pricing conditions to receive guidance from Price IQ®. Instead, it makes a real-time call from SAP, via Zilliant Real-Time Pricing Engine™, to retrieve negotiation guidance on demand.

Real-Time Pricing Engine™ is a REST-based API, featuring 99.99% availability and sub-second response times between the manufacturer's SAP system and Zilliant pricing solutions. As quotes and orders are entered, market-aligned price guidance is delivered immediately. Contrasted with the previous process, today, there is no bulk data load into the ERP's pricing logic, no need for extraneous data storage, and no need to modify the ERP when changes within Zilliant pricing solutions occur.

Thanks to the thoughtful integration design, Zilliant pricing solutions provide robust, layered logic delivered in a fraction of the normal integration time required to update pricing within ERP. When a pricing call is made from the ERP, the Real-Time Pricing Engine™ traverses a structure of Zilliant-generated prices and returns pricing that's consistent with order specifications, whether customer-specific, or a range of optimal start/target/floor prices for sales reps to negotiate with for both normal and low-velocity products.

Deal Manager™ CHANGES THE AGREEMENT MANAGEMENT GAME

Solving the challenge of outdated customer agreement pricing, Deal Manager™ serves as the one-stop-shop to create, maintain and renew customer price agreements, halting margin leakage from under-managed agreements. Sales reps now have one centralized tool to manage customer-specific pricing and contracts. Optimized price negotiation guidance is also integrated directly into SAP CPQ where product-line sales groups receive a range of Start/Target/Floor pricing.

CONCLUSION AND WHAT'S NEXT

Today, this global energy manufacturer has transformed its approach to pricing by embracing advanced, end-to-end pricing solutions that provide immediate response times, high availability, and scalability, without disturbing the existing transaction flows within its commercial executions systems. This includes SAP ERP and CPQ and Salesforce CPQ, with work currently underway to integrate with its eCommerce system, providing real-time pricing in more channels and for more sales groups.

For more information, please visit www.zilliant.com/products/realtimepricingengine