



MAJOR EUROPEAN INDUSTRIAL SUPPLIES COMPANY CONQUERS THE 'VALLEY OF DESPAIR' WITH PEOPLE, PROCESS AND PRICE IQ® TECHNOLOGY

By adhering to Zilliant's benefit drivers during the rollout of Price IQ® software, this leading Maintenance, Repair and Overhaul (MRO) distributor saw a 500+ bps lift in the UK and France. Time passed, CEOs came and went as acquisitions and mergers took place, and the discipline around pricing declined. Zilliant helped them relaunch with people/process/technology best practices, quickly moving the profitability and compliance arrows back up.

CASE STUDY



Challenge

This leading industrial distributor needed help achieving profitable growth and pricing compliance in multiple European markets before, during and after a major merger. With Zilliant Price IQ®, the leading AI-driven pricing optimization tool, they had a leg up, but technology is only one part of the equation.

This case study examines how crucial it is to continuously improve as a pricing organization through robust processes and motivated people, in addition to technology. While it can be natural to go on auto-pilot after initial success, this story proves that pricing is an ongoing business function, not just a project.

Key Outcomes

+500 BPS	8	95%	+200 BPS	
PHASE 1 DEPLOYMENT	COUNTRY EXPANSION AFTER YEAR 1	COMPLIANCE ACHIEVED WHEN DRIVERS ADDRESSED	IN 1ST THREE MONTHS AFTER RELAUNCH	PLANNED EXPANSION TO MORE BUS + ADDITIONAL ZILLIANT SOLUTIONS

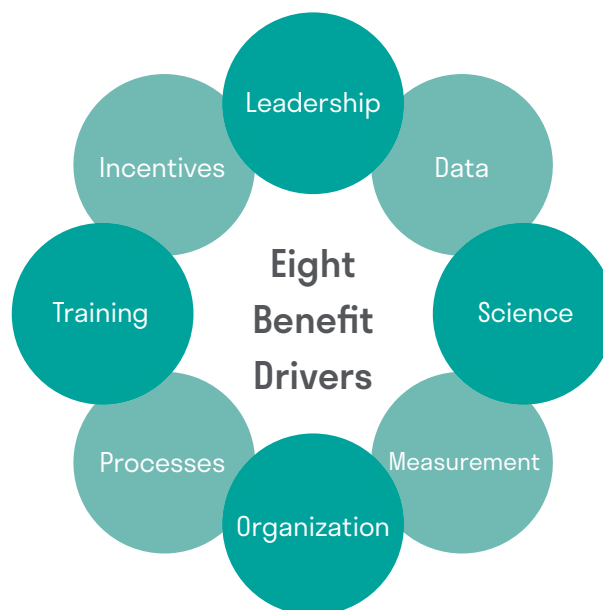
Culture of Excellence Drives Pricing Technology Benefits

When they implement Price IQ®, companies like this one enter a select stratosphere of AI/ML adopters. Not only have they invested in transformative technology that is proven to deliver positive top and bottom line impact, they also have the opportunity to create a culture of excellence. To help our customers achieve these lofty heights, we've identified eight benefit drivers that ensure success when followed closely.

This story outlines the value of applying thorough attention to the people, process and technology drivers of pricing transformation, and the potential pitfalls that come when that rigor is lacking.

INITIAL DEPLOYMENT – MAJOR TRIUMPH IN UK, FRANCE & OTHERS

This MRO distributor worked with Zilliant to identify its most glaring area of need. The price mode to be optimized first was determined to be Spot pricing, as the company's sales reps had a tendency to overuse price exceptions. This practice, combined with the pricing team's inability to enforce target price compliance, was having a negative impact on margin. Zilliant implemented Price IQ® while working hand-in-hand with the customer to nail down the benefit drivers.



People Invested

Price optimization affects people from a wide range of disciplines within an organization – from pricing to sales to finance to the C-suite and more. For that reason, leadership is the number one driver of benefit. This is true at project inception, in the adoption phase and especially through ongoing cultural transformation. The company's CEO and top management sponsored and shepherded the effort to overhaul pricing practices with the implementation of Price IQ®. This top-down commitment trickled down through the organization, with an emphasis on communication and change management. Departmental leaders were given the human resources they needed to be able to answer any questions and implement corrective actions as necessary. Its staff needed to be ready and available in areas such as strategy, implementation, pricing, data and change management. An essential source of resource preparation came in the form of in-depth training, delivered in a fun and comprehensive way with management involvement. Our interactive, train-the-trainer approach provides hands-on tool learning and prepares each department for the upcoming change in pricing process. From top-to-bottom, everyone with a hand in this MRO distributor's new pricing function understood their role and how to perform it well.

Process Enhanced

Changing the methods with which you prepare your products' customer-facing prices is a big deal. This company understood that to gain maximum benefit from their price optimization investment, they had to completely re-think their pricing processes. Ad-hoc pricing was the problem. It would have to be eradicated and replaced with a new plan that was formalized, communicated and followed consistently. How was the price guidance to be generated and used, how would data be prepared for Price IQ® consumption, who would approve prices and at what SLA, and how would feedback from different teams be incorporated? With Zilliant's help, the company architected and transparently rolled out processes that created a feedback loop, wherein the new company strategy could be continuously improved and adequately enforced. The lifeblood of any strategic process is data. Zilliant helped the company streamline the way it cleansed, governed and tracked its data through each step of the process. Data cleansing and master data management are not one-time jobs, so these functions had to become intrinsically linked with the new pricing process. While any shiny new process can look great on paper, it won't work if it doesn't get adopted. Top-down mandates are a start, but this company realized that sales and pricing incentives would have to be aligned going forward.

Technology Optimized

This distributor chose Zilliant because our AI-powered pricing optimization technology and technical support are second to none. To support its strategy of capturing more margin consistently and constantly improving over time, they needed Price IQ®'s intelligent and reactive guidance. But they also were sure to empower corporate and local pricing analysts to adjust the science as their objectives demanded. Zilliant's model is not a black box. Price IQ®'s ability to predict and calculate the profit/volume tradeoffs provides a user-friendly experience for analysts to adjust the segmentation and directly manipulate the model's science based on product velocity and guidance compliance. This MRO distributor measured its metrics often and in great detail. They leveraged Zilliant's intelligent platform to track revenue and gross profit percentage, simple index score and pricing compliance on a daily, weekly and monthly basis. This discipline helped them make adjustments quickly and enforce adherence to their pricing process.

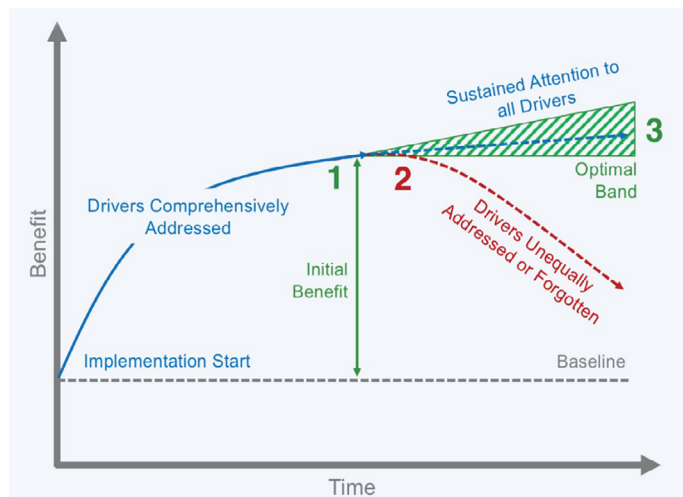
Results Delivered

Price IQ and a strict observance of the benefit drivers drove exponential growth over a period of three years. The company's UK business saw the margin for its spot pricing increase exponentially, reaching a company-best 41.5% gross profit percentage. Prior to engaging Zilliant, spot pricing was its lowest margin-producing mode. In France, a similar improvement in gross profit for spot pricing was achieved. The company then expanded its use of Price IQ® across eight other countries and brought its contracts price mode under Zilliant management.

BUMPS IN THE ROAD: DRIVER DISCONNECT

Price IQ® Benefit Lifecycle

Sustaining Attention to Drivers to Sustain Benefit



1. Deployment

- a. **Drivers**: “all stars are aligned”
- b. **Benefit**: significant initially, quick wins through improved pricing discipline & consistency

2. Disconnect

- a. **Drivers**: several drivers drop off the radar
- b. **Benefit**: general misalignment causes drop to baseline/pre-implementation level

3. Sustainability & Maturity

- a. **Drivers**: strategy adjusted, resilient processes, continuous communication/coaching...
- b. **Benefit**: incremental benefit through improved pricing maturity, expansion (price types, channels...), non compliance correction

People Disengaged

After three years of profitable growth and pricing compliance, a few of the drivers began to fall off track.

Leadership, while once the top success driver, became over-centralized. No longer were sales directors, branch managers or IT managers across the business included in strategic pricing decisions. The UK headquarters assumed control over all pricing initiatives, which created a number of unintended problems. Training was now treated as a one-off on a location-by-location basis, rather than an essential part of a well-governed process. The centralized pricing group was also not providing enough resources to the local teams, who in turn started to fall short on adoption of prices. Overall **organization** of the pricing function began to dwindle.

Process Ignored

Suddenly sales reps received mixed messages from pricing on elemental tenets like whether margin or volume was the highest priority. **Processes** had gotten so frayed between local pricing teams and the centralized pricing group, that by the time communication was delivered to sales it was muddled. On top of that, local sales **incentives** were misaligned with pricing objectives, leading to a regression back to rogue sales activity.

Technology Misapplied

Pricing centralization prevented local pricing managers from having a say in model design decisions. The CEO was very hands-on, unilaterally deciding to ignore market signals and altering the **science**. Thus, at the country level, pricing analysts lost their control of the system. Markets in the different countries had major differences, so the guidance provided to sales teams was much higher than they needed to win deals in many cases. By pricing themselves out of deals, they quickly lost sales adoption. As volume started to drop, so did margin.

Results Weakened

The price types under Price IQ® management were still performing above the company’s non-optimized transactions, but the trend line was going the wrong way. The continuously improving feedback loop was gone, sales was losing confidence in prices, and momentum had been squandered. The MRO distributor’s pricing function had entered the dreaded “Valley of Despair.” On top of all this, the company was being acquired and merged with another business, which added complexity to an already clouded pricing strategy. They needed strong leadership to return, and fast.

BACK IN THE DRIVER'S SEAT: ACHIEVING POST-MERGER PROFITABILITY

After being acquired, the customer was merged with another acquired business to form an entirely new company. A major consequence of this shift was the decentralization of executive leadership. Executive decision-making would now be split between the London and Paris offices. It was determined the France business unit would engage Zilliant to help realign its benefit drivers.

Over a period of three weeks Zilliant led a complete overhaul of the France BU's Price IQ model and its resulting spot pricing practices, with a focus on reestablishing the benefit drivers.

- **Leadership & Organization:** A dedicated Pricing Director was assigned to provide leadership through close collaboration with the sales team and other business functions. Sales Operations management was included in the model redesign, allowing them to provide input that has led to confidence and adoption of prices by the sales reps.
- **Science:** Zilliant's Customer Success and Science teams worked with the customer to update the segmentation approach and refresh the model based on changing market conditions. The customer is leveraging the new segmentation and model to deliver market-aligned prices.
- **Measurement:** Using Zilliant's Visual Analytics, powered by Tableau, the business unit is rigorously tracking two KPIs – Margin Percentage and Compliance.
- **Processes:** The incorporation of sales feedback has led to the removal of a cumbersome approval method, which has been replaced by a continuous corrective adoption process.
- **Training:** The sales team was retrained and receives continuous coaching by sales management.

These measures led to an immediate and sustaining increase in margin and pricing compliance. Margin increased by 200 bps in just the first three months while volume was maintained.

The success in France has led to a wider relaunch using the same principles across the UK, Spain, Germany, Poland and the Czech Republic. Zilliant continues to be the company's strategic pricing and sales partner, conducting benefit drivers surveys and detailed success planning. Future initiatives include the incorporation of more price types, business units and Zilliant products to help this leading MRO business achieve its profitable growth goals.

For more information, visit www.zilliant.com