

Case Study **Manufacturing**

Margins Improve When Pricing Shifts From Project to Process



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Executive Summary

Setting prices and managing relationships with many different types of distributors and partners on every continent, across a variety of industries, was an ongoing challenge for one industrial power drive manufacturer.

The worldwide leader in engineering products and solutions knew their cost-plus approach to pricing, with individually managed local considerations, could no longer scale to meet their growing needs. To improve efficiency and boost profitability, they came to Vendavo.

Price setting for 30,000 articles and managing terms and conditions that varied widely across continents was complex enough. Add to that a complicated internal process whereby multiple steps were repeatedly required, and the company knew they weren't maximizing margins. It was also becoming increasingly difficult to remain price competitive at the level of local markets and individual accounts.

When the industrial manufacturer began talking with Vendavo, they were already planning a significant review and improvement project for their global pricing process. They had identified the need for an upgrade in not only their pricing process but, more importantly, how the entire organisation approached pricing as an important business driver.

The objective was bigger than just reviewing and improving how they set and managed the right prices for different markets and channels. There was a larger need for shared tools and systems. Too many decisions were being made using Excel spreadsheets and by manual adjustments.

This meant that the initial focus was on creating a long-term, strategic shift, establishing a more effective, more efficient pricing process that would drive profitability, with a pricing strategy based on perceived customer value.

Without a well-structured pricing process, the actual pricing work would never be able to run efficiently across the organisation. For new products and projects, the client wanted to establish a clear direction and have an idea of the relevant pricing framework that best served the business. For example, central prices were once set based on a common pricing formula that did not properly take into account market and product category differences. This caused considerable internal friction. In addition, many products were priced based on historical prices with various degrees of rebates and discounts, with little reference to actual customer-perceived value within the category.

Industry

Manufacturing

Challenges

- **Align prices with customer perceived value and establish a scalable pricing process.**

Solutions

- **Vendavo PricePoint™**

Results

- **Adoption of a strategic enterprise-wide price management program.**
- **Align pricing down to localized regions.**
- **Maximized margin.**

ACTION: Assess, Define and Implement

Vendavo was first given the task of running a small project to define the company's best pricing methods. Vendavo also reviewed the company's existing practices to identify which, if any, could be used as templates for the rest of the organisation. Through a series of interviews and workshops, the entire range of pricing methods used across the company was identified, and a framework for the

pricing process was mapped. Based on the information gathered, Vendavo created a proposal for an improved pricing framework and enhanced alignment of pricing processes. Furthermore, Vendavo proposed improvements and identified best practices for pricing methodology, market research, global price adaptations and how to implement price revisions throughout a product's life-cycle.

OUTCOMES: Strategic Price Management

With a structured process now in place and Vendavo PricePoint™ for centralized price management, the company now has an improved pricing framework and the right tools for on-going profit improvements.

Even though operational value-based pricing is at the core of price optimization, some pricing projects have additional objectives. Mapping internal pricing

processes and making them more efficient can be as important as understanding customer-perceived value. And without an efficient internal pricing process and operational pricing structure in place, achieving sustainable margin improvements through price optimization will be a much bigger task.

Strategic Price Management Boosts Efficiency and Profitability

Establish Pricing Framework with a Structured Pricing Process: Efficient internal pricing processes achieve sustainable margin improvements.

Consistently Manage Pricing, Terms and Conditions Across Continents: Local considerations no longer have to be individually managed.

Continuously Align Prices with Customer Perceived Value: Dynamic pricing ensures customers receive the right price at the right time.



About Vendavo

As the digital economy transforms business, customers expect faster decision making and an omnichannel buying experience. That's where Vendavo comes in. Our sales intelligence and profit optimization solutions empower B2B organizations with real-time, data-based insights that help them stay ahead. By utilizing our advanced data science capabilities, Pricing, Finance, and Sales can collaborate more effectively and efficiently to guarantee the right price is reaching the right customer at the right time, driving increased profitability, corporate performance and a better customer experience.

