Food Ingredients Manufacturer Tackles Complex Pricing

Challenges managed with ease after deploying Vistex as part of an SAP S/4HANA update.

One key to increasing a company's ability to compete is by stimulating and satisfying customer demand with a constantly growing product range. However, the price scenarios required for regularly introducing new products and services are usually complex and cumbersome. This was a central issue that food and beverage industry innovator Döhler was facing in 2017 as the company also planned an upgrade to its SAP platform.

Döhler had run on SAP ECC since 1993, which meant the organization operated a highly customized and specialized system with more than 33,000 custom objects. Moving to SAP S/4HANA also brought the opportunity to automate sales activities by leveraging the pricing option for SAP Data Maintenance for ERP by Vistex.

To achieve optimum success, it is no longer enough to just manage pricing by following old habits. You need visibility and in-depth analysis of individual company-specific pricing strategies to simplify planning and to promote growth effectively and sustainably.

Upgrading the pricing automation solution became necessary as Döhler recognized several challenges and opportunities that could be solved with Vistex solutions:

- Integration of a tool that can break down costing details to bill of materials level, allow simulation, transfer the results into an individual price setting concept and generate a standard quotation
- Speed up and automate sales conversions, including the underlying approval process
- Improve overall visibility into complex pricing scenarios
- Consolidate the customized systems

„Together with SAP S/4 HANA and SAP Fiori, SAP Data Maintenance for ERP by Vistex helps us respond quickly and accurately to business opportunities," says Andreas Fischer, Head of Pricing Analytics

Döhler is a global manufacturer, marketer and supplier of **natural ingredients, ingredient systems and integrated solutions** for the food and beverage industry.

and Systems, Döhler. „The new platform enables us to automate our process while maintaining a high product and customer-specific approach and to meet our margin and profit objectives."

Döhler is now able to set customer-specific prices based on individual customer needs, such as ingredients and product formulations, and thus optimize both price and margin in the best possible proportion. Users can respond to individual customer requests with precise prices in near real-time to get more orders and provide better customer service.

The time required for tender management efforts were also cut in half, which then eliminated the need to create massive custom databases to send new offers to customers. In fact, the Döhler tender management team can now easily handle larger tenders, and the company has also gained a better overview of operations.

Other benefits of Vistex deployment included the ability to automate 90 percent of customer code conversions and decrease the turnaround time of calculating price simulations from several weeks to three days or less. This covers everything from agreement initiation to analytics for buy- and sell-side, while retaining the "core" SAP architecture. The SAP Data Maintenance for ERP by Vistex solution footprint covers price administration, deal management, price execution and reporting. User-friendly layouts and intuitive functionality allow users to adjust prices without delay, while providing the ability to execute mass pricing updates, thereby automating maintenance and eliminating hours of manual processes.

90% Automation of customer code conversion through pricing

50% Reduction in time required for tender management

How Far Are You In The Pricing Maturity Model Journey?

By Udo Hannemann, General Manager, Vistex GmbH

Gartner recently reported that 91 percent of organizations haven't reached transformational maturity yet in using their data and analytics. So, if your company is not there yet, at least you can take some comfort in knowing you are not alone.

For 20 years, Vistex has been helping companies to develop their data governance models and get them on the path to model-driven, embedded pricing management. Some companies take longer, depending on their ability to absorb the process into their culture.

To be clear, there are different stages of Price Management Maturity. And as the Döhler story demonstrates, this organization had already been working on its price management needs before it began leveraging the pricing option of SAP Data Maintenance for ERP by Vistex.

To achieve the best outcome for your organization's price management issues, we have found that the combination of knowledge of the client company and of Vistex is the optimal solution in terms of price management. But the willingness to change all relevant factors is just as important to achieve a higher level of or better price management. The following factors should be considered when companies seek to complete the journey of pricing maturity:

- Do the professionals have the right skillset?
- Are the processes defined so people are in the right feedback loop?
- Is the accurate message being presented about the need?
- Is there a governance model in place?
- Does leadership lead from the front (or is it disengaged when it comes to technology investments)?
- Is this data-as-a-valued-asset culture permeating throughout the organization?

The Basic Price Management Stage

At the lowest level, companies will have basic governance, which is ad hoc and situationally independent. This may include a limited-to-no pricing strategy. Regarding digital transformation, many companies in this stage are still using Excel as a price management tool and Microsoft Word to build contracts. If these organizations are using any analytics models, it is likely from a spreadsheet with no follow-up or strategic analytics. Their analytics are basic pre- and post-deal analytics.

At the Basic Price Management Stage, product market factors are not heavily considered – they're not really looking at their competition. Market power has an impact on pricing strategy, but these organizations are not factoring in market power. Any impact on profitability is after the fact.

Not all members of management will know what is happening locally to meet local needs. A locality might say "We need to cut the price lower," but someone in management should understand why before approving the price reduction and going below the standard prices.

Recap of issues found at the Basic Price Management stage:

- Pricing strategy is based primarily on history
- There is no global strategy
- Product market factors are not heavily considered
- There is limited customer classification management
- Contracts and analysis are managed in Excel
- Impact analysis occurs after the fact
- Review and approval are ad hoc

The Pricing Management Stage

Once a company reaches the Pricing Management Stage, it likely has a global, regional and local price strategy in place, but often this strategy is not fully deployed. Basic pricing and margin targets are defined. However, the management in each element has control, so long as it stays within those guidelines.

If the managers have revenue management tools, they're mainly for execution of pricing, chargebacks and rebates. These managers are likely using Excel for analysis, but they're still looking at a historical view showing them what happened. The tools offer limited insight into what can be done differently in the future, because an extensive forecast functionality is missing.

To recap:
- Pricing strategies are limited to pricing floors, margins and targets
- The deployed revenue management tool is mainly for execution
- Analytics are solely based on a historical view

The Strategy Management Stage

At the Strategy Management Stage, now the company has an actual pricing strategy, and the beginnings of the ability to conduct relevant contract analytics. The pricing strategy has been defined beyond just prices, e.g., "Here are the rebate processes I'm going to offer, and here's why." The pricing strategy is more global, controlled and impactful, and people have an understanding across the organization.

Now when the company receives a bid request, it has pre- and post-deal analytics that are more specific to those deals. It can figure out why it provided a certain pricing strategy.

There are feedback loops, guidelines, approval and workflow routings. In certain regions, like Europe, if there's a price change in Germany because of local reference pricing rules, that could impact pric-

ing in six other countries. The company needs to know what it is doing as well as its current impact. It has escalated the analytics with a new level of self-awareness. The follow-ing questions are asked:
- Is the overall program effectiveness giving us insight?
- In a gross-to-net scenario, what impact are those rebate programs having on the strategy?
- How much did that impact the bottom and top line?
- Did we still protect the margin on the bottom line?
- Did we end up paying out more in rebates and lower our net margins?
- Are we really being effective?

To recap:
- Pricing strategies are defined beyond just prices
- Rebate programs are defined and approved
- Bid management and deal analytics are fully integrated into revenue management
- Management controls are integrated and automated
- Analytics now provide program effectiveness insight and analysis

The Model–Driven Management Stage

The Model-Driven Management Stage is the aspirational stage for any organization that seeks pricing maturity. Here, the company has defined models – it knows the impact of certain decisions before it makes those decisions. From various models, the company can select the best one and make targeted adjustments to achieve the desired effect. For example, model-driven decisions are simulated and made before a product is made available on the market. Ideally, the right decision can be made in advance based on the proposed program recommendation - avoiding errors and saving money.

Now it has a fully automated tool, from front end to contract negotiation, using analytics. Not only is it defining parameters, but now it has early warning systems. It starts using feedback loops and continuous updates, so it knows if a program is a bad idea. Instead of continuing it for the next two years, the company knows right away not to use it again. Optimizing its revenue means doing the right programs at the right time and dealing with customers effectively. It can have two or three effective programs and one could start diluting the programs. The company could react to this situation more effectively.

To recap:
- Real-time models use multi-dimensional data, such as market data, product life cycle and customer segmentation
- The company is fully integrated with revenue management and CLM tools
- Real-time feedback loops assess the effectiveness of the pricing
- Organizational commitment to pricing excellence and revenue optimization

The Critical Role Of Software

Companies that are supported by software that manages the full lifecycle of their go-to-market programs will have a strategic advantage in the marketplace. By capturing data in a structured repository with machine learning capabilities, these enterprises can gain accurate answers and rely on informed decision making in their pricing management strategies. In the end, information leads to insight and insight leads to profit; like the famous notion that knowledge is power.

About Vistex

Vistex is a global enterprise software company headquartered in Chicago with more than 20 locations worldwide. The company is a pioneer in enabling organizations to better deploy their products and services through Go-to-Market programs. The software and services provided by Vistex help companies increase revenue and reduce costs with their business partners by managing trade, channel and vendor programs, pricing, performance incentives and rights & royalties. Optimized by industry and deployed on-premise or in the cloud, enterprises are empowered with unprecedented visibility into the full life cycle of program performance through strategy, software, implementation, execution and analytics services. Vistex Solutions for SAP software utilize the core SAP ERP and SAP S/4HANA environments to maximize customer investment. For more information, visit http://www.vistex.com.

Vistex GmbH
Altrottstrasse 31
69190 Walldorf
Telefon: +49 6227 731530
info.emea@vistex.com
www.vistex.com