

## A Model N High Tech Case Study

"The Model N High Tech Revenue Management Suite helped us re-engineer faster and achieve our 'full potential' targets in record time. The software and company partnership added measurable value for us from Day One."

— George Stelling, VP Operations, Sales & Marketing, ON Semiconductor

## ON Semiconductor Eliminates Price Erosion with Model N High Tech Revenue Management

### ON Semiconductor Phoenix, Arizona

ON Semiconductor®



<http://www.onsemi.com>

#### Industry:

Semiconductor

#### Deployment Scope:

- Americas, Asia, Europe
- Internal users, manufacturer reps, distribution partners, stocking reps, selected OEM customers

#### Benefits:

- 2 months for 100% payback
- 15% increase in margin during a flat '04-'05 market
- Increase in quote conversions from 17% to 28%
- Increase in debit utilization from 10% to 30-50%
- Clear audit logs for every transaction
- Established pipeline with expected conversion rates for resource planning
- Company wide focus on key opportunities

### ON Semiconductor

With its global logistics network and strong portfolio of power semiconductor devices, ON Semiconductor (Nasdaq: ONNN) is a preferred supplier of power solutions to engineers, purchasing professionals, distributors and contract manufacturers in the computer, cell phone, portable devices, automotive and industrial markets. In FY '06, ON increased revenue by 22% to \$1.5 billion and achieved a record gross margin of 38.5%.

#### Challenge:

Companies in the semiconductor industry face significant challenges in delivering consistent, accurate, and optimal pricing to their customers and channel partners. The business environment and increasing channel complexity makes pricing difficult, volatile, and dynamic. An expanding number of participants in purchasing, large product portfolios, changing customer needs, the globalization of production and procurement, and fierce competition in all geographies, all translate into the need for fast and accurate pricing mechanisms to book business globally.

This environment, combined with the challenging market conditions in 2003 and after, led ON Semiconductor to embark on a business transformation initiative to understand and solve the challenges that they faced in the price execution and demand generation arenas. In the price execution arena, ON Semiconductor set out to increase margin contribution by "fixing" pricing, increase quote conversion to orders and debits through more effective processes, and identify and focus ON Semi resources on the highest value add transactions. In the demand generation arena, ON Semiconductor wanted to extend their position on their customers' Approved Vendor Lists and improve pipeline visibility by implementing tracking from distributor registration through revenue, with the goal of winning in their target customer base and achieving synergy with the product businesses.

On the price execution side, ON Semiconductor acknowledged that their price matrix was generally considered unreliable, leading to inconsistent business practices when pricing across similar customer segments and regions and driving exception pricing to be the rule. Dave Wagner, Chief Information Officer at ON Semiconductor, described the situation as a "Doom Loop" in price execution, where ON would leave "money on the table," lose business, and be inconsistent in pricing with both strategic and transactional customers. "

Challenges that ON Semiconductor would need to address in order to achieve this goal included:

- Confusing user interface made legacy platform difficult to use, with ongoing training challenges
- Legacy system limited their ability to adapt pricing rules to changing market conditions
- Unmeasured and poorly defined price exception escalation and review processes
- Inability to effectively track reasons for lost business or provide input to price determination
- Inconsistent implementation of key pricing processes like ship and debit around the globe
- Inability to respond quickly and accurately to large, "bulk" quotes and contract requests
- Extremely manual, resource-intensive processes, especially around contracts
- Inconsistent use of multiple mainframe systems and e-mails for price delivery

On the demand generation side, ON Semiconductor was working with a home grown, standalone opportunity management system. Debit management was not linked with registrations, providing no easily achievable end-to-end view of which opportunities were resulting in customer wins. As a result, there was a lack of synergy between sales and other organizations in assessing the greatest opportunities, and no organization metrics to determine if ON Semiconductor was being successful.

### Solution: Flexible and Dynamic "System of Record"

ON realized that their global pricing and demand generation processes needed to be re-engineered and that automation would play a pivotal role. After reviewing several enterprise software packages, including an incumbent CRM vendor, ON chose the Model N High Tech Revenue Management Suite to serve as their quote delivery platform and system of record for tracking opportunities and registrations.

"After an extensive quantitative and qualitative evaluation we found that the Model N High Tech solution suite provided the advanced functionality, flexibility, and scalability required to address our current and future global pricing needs," said George Stelling, Vice President Operations, Sales and Marketing. "Model N High Tech understands our industry, and the Revenue Management solution allowed us to leverage best practices from other semiconductor suppliers already using the software and to re-engineer how we deliver prices to both internal and external constituencies. In addition, Model N High Tech's strong customer references from within the industry gave us confidence that they could understand and solve our critical business issues quickly."

### Rapid Implementation

With the selection process completed, ON worked with Model N High Tech's professional services team and a consulting partner to roll out the global pricing capabilities of the Revenue Management solution, followed by the opportunity tracking capabilities. The project team set an aggressive implementation timetable for the first phase of the implementation: just over four months from the kick-off meeting to the official go-live date. The team of individuals from ON, Model N High Tech, and the consulting partner hit the go-live date right on schedule and had one of the most error free implementations in ON's history. "Model N High Tech's industry expertise and the best practices incorporated in the High Tech Revenue Management solution suite were critical in meeting our project milestones," said George Stelling. "Our ability and focus allowed us to ruthlessly capture value for the company quickly and on schedule."

### Real ROI

Since the rollout, ON has seen significant benefits from Model N High Tech Revenue Management. By adopting the High Tech Revenue Management Suite as its quote delivery platform of choice, ON Semiconductor achieved consistent enforcement of global pricing rules, robust contract management, an easy to use interface facilitating entry and lookup, manageable and granular user access, and easy to access reports and metrics to measure performance. This translated to:

- An ability to improve and maintain prices, despite the price pressures of a flat market (2004-2005)
- An overall gain in margins, and ongoing margin improvement, despite challenging market conditions.

- An increase in quote conversions from 17% to 28%
- Increase in debit utilization from 10% to 30-50% depending on region
- All quotes executed within single platform with clear audit logs for each transaction, invaluable for all aspects of auditing including Sarbanes Oxley compliance
- Clear metrics and goals across the pricing organization on cycle time

"The immediate and measurable impact of Model N High Tech Revenue Management on our bookings and EBIT has been significant," said Stelling. "We achieved a greater than 100% return on the entire project cost in less than a year. In addition our service levels on quotes have improved significantly, as external customers enjoy the benefits of High Tech Revenue Management on their desktops."

By adopting the High Tech Revenue Management as its system of record for opportunities and registrations, ON Semiconductor has achieved:

- Clear focus and structure within the sales organization
- An established pipeline of opportunities, with the ability to determine expected conversion rates by customer type to help with revenue/resource planning activity
- Company-wide dialog, focus, and synergy on the key opportunities

### Looking Ahead

With the success of the deployment of the global pricing and opportunity tracking capabilities of the Model N High Tech Revenue Management Suite, ON Semiconductor is now looking to address:

- Intelligent pricing analysis and recommendation at the time of quote
- Greater ability to track Bill of Material and actual consumption at place of Purchase/Manufacture
- More efficient New Product Introduction through effective use of lead management.

According to George Stelling. "We believe that we are only just beginning to tap the full potential of the Model N High Tech solution, and we look forward to our ongoing Model N partnership as we re-invent our processes and business model."