

# TURN REVENUE CHALLENGES INTO REVENUE WINS



The 5 keys to safeguarding  
high-tech market share

Model **N**



Pricing, quoting, and rebating in high tech has always been challenging. You're having to manage complex channels and incentive models, all while operating in a highly competitive, ever-changing global environment. How do you set prices that balance optimal customer value and business profit? Or ensure accuracy in pricing and incentives, while keeping up with the speed of business? Or pay your sales team correctly calculated commissions if you have any doubts about the accuracy or timeliness of channel data?

If you're like 98% of executives, you face these – and other – challenges with revenue management.<sup>1</sup> As a result, your pricing decisions are likely leaving money on the table. Siloed people, processes, and technologies result in a lack of visibility and real-time information, which often leads to overpayments and channel issues.

But that's just life in high tech, right? You likely don't know how to do things any differently, or frankly, why you should.

This ebook will change the way you see all aspects of revenue management – from pricing and quoting, to rebates and incentives, to sales commissions. We will help you envision a world that eliminates many of the challenges you're dealing with on a day-to-day-basis. **And we will show you what life could be like when your revenue processes are right on the money.**

## CONTENTS

<sup>1</sup> Model N 2020 State of Revenue Report.

PERFECT YOUR PRICING.



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# Perfect your pricing.

One-size-fits-all pricing fits no one. Regardless of how well companies plan their price books, approximately 50% of all high-tech deals are accomplished through special pricing. The challenge is finding the right balance between tailoring a price to meet a customer's needs and protecting your business's margins and profitability.

All across your business, you have people who are working in different product lines, business units, and locations. These individuals are analyzing pricing and deciding what price to offer your customers. They're doing it the best they can – with the information they have – but there's no consistency. How one person in the EMEA region analyzes prices might be completely different than the process used by an employee in the U.S.

## Now imagine pricing that's predictive and precise.

That means no more variances. Every special pricing request around the globe follows the same process because it uses the same data and contextual analytics.

**Sales cycles are shorter.** Analysis happens in real time, enabling you to resolve special price requests in minutes, avoid delays, and improve interactions with your channel partners.

**Prices are set based on reality, not perception.** Because you confidently know what the market is willing to pay, your entire team can make the right pricing decisions, every time.

**Gross margins are protected.** Using the power of artificial intelligence, you can evaluate and define the right target price and provide a data-supported audit trail for each pricing decision.

*“Price setting and price getting requires discipline – not luck. Almost any business can improve its pricing performance, provided it approaches pricing in a structured way.”<sup>2</sup>*

# 85%

of companies believe their pricing decisions could improve.<sup>3</sup>

<sup>2</sup> Andreas Hinterhuber and Stephan Liozu. “Is It Time to Rethink Your Pricing Strategy?” MIT Sloan Management Review.

<sup>3</sup> Ron Kermisch and David Burns. “Is Pricing Killing Your Profits?” Bain & Company.

## Model N makes it possible to price profitably.

With Model N Deal Intelligence you have interactive tools that analyze relevant customer, price, margin, win/loss, and competitive data to provide price guidance at the point of negotiation. It gives you the ability to stop guessing and get real answers by leveraging the power of machine learning and artificial intelligence. Deal scoring is made in context of relevant customer and transaction dimensions. You can clearly see what will happen if you give a price concession. *Will it increase your win rate? What is your chance of winning? What volume will the customer be likely to consume?*

Armed with accurate pricing guidance regarding win rates and volume consumption, every employee – across every product line, region, and channel – can make data-based pricing decisions that don't leave money on the table.

## Model N in action at ON Semiconductor

ON Semiconductor lacked centralized pricing practices and struggled with inconsistent data and approval structures. Manual pricing and contracting processes, coupled with legacy and homegrown systems, made it difficult to address increasingly global and volatile channel complexity. With no visibility into quoting activities among regional and corporate pricing teams, the company was unable to track which opportunities resulted in customer wins.

Model N enabled ON Semiconductor to automate their global pricing, registrations, and opportunity

tracking capabilities. Leveraging Model N's robust analytic capabilities, ON Semiconductor developed consistent data-driven business practices that increased margins and improved global prices.

This best-in-class revenue leader was able to realize:

- **2x** increase in win rates
- **1.6%** increase in profitability
- **50%** decrease in quote cycle times
- **50%** increase in opportunity and quote volume

Predictive  
and precise  
pricing that's  
**right on  
the money.**



SOLVE THE QUOTING QUANDARY.



Model **N**

# Solve the quoting quandary.

Customers are always looking for ways to save money. They shop around, looking for the best price. And they aren't willing to wait. As soon as they find a reasonable price, they'll act. Speed is critical – and if your quoting process causes long deal cycles, you're losing money.

Unfortunately, in an effort to provide fast responses, you may be settling for the lowest possible price or creating unintentional competition within your own organization. Price erosion is often caused by cross-channel and regional bidding, coupled with inefficient global pricing, quoting, and contracting processes. Given that most of your business flows through the channel, you need to be able to quickly and effectively respond to quotes and price concession requests.

## So what's causing the bottleneck?

Siloed systems and manual processes have grown more complicated. High-tech companies often have a high-touch deal review process. For many companies, upward of 80 to 90% of all quotes – regardless of their financial profile or characteristics – require manual review. This process can take a few hours to multiple days – precious time that gives customers an opportunity to find another option.

This exhaustive quote turnaround time is painful on your staff, your channel, and your end customers. And it can be devastating to your revenue and win rates.

# 82%

of tech companies face **challenges**  
from **low-priced competition**.<sup>4</sup>

<sup>4</sup> Boston Consulting Group. "Value-based Pricing in the Tech Industry."

## Now imagine quoting more quickly.

Your channel partners aren't waiting on you. They can get quotes themselves, with zero intervention from your employees. Best of all, they'll always receive a consistent market price at the right time in their negotiations.

**Each price is set based on an algorithm, not an emotion.** By taking the human decision out of the quoting process, you eliminate rogue selling and inconsistent price execution.

Now instead of seeing pricing and quoting as a friction point in your channel relationships, your company is easier to work with – and that alone can help you win more business.

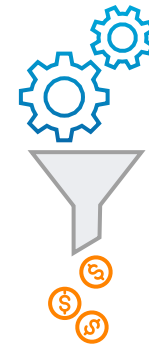


## Model N quashes quoting qualms.

Through Model N's automation and self-service capabilities, your channel partners are able to turn around quotes and special price requests consistently and expeditiously at the right time in their negotiations with customers. By empowering your channel to take some control of the process, you not only make it easier to do business with you, but you also increase their satisfaction and make them more willing to sell your products.

**Quoting becomes a more strategic process.** Now instead of reviewing every quote, you're able to automate most of them and escalate only the ones that need attention. Streamlining your quoting center to focus on the deals with the highest financial profile helps reduce your overall operational costs. When your team does need to handle quotes, Model N enables you to establish the process and set thresholds for approval – automating this part of the process, too. And with Model N's mobile app, you can securely approve, reject, or delegate quotes from wherever you are, making the quoting process that much easier and faster.

When you make your organization and your channel partners more responsive, you have a higher chance of winning each opportunity.



Automate most of your quotes and **focus on the deals with the highest financial profile.**



## Model N in action at STMicroelectronics

STMicroelectronics used 19 fragmented systems to manage price protection, quoting, ship and debit, point of sale, and inventory. With information siloed across these systems, teams were unable to access real-time information and provide quick and timely responses to channel requests.

Through an electronic data interface (EDI), STMicroelectronics implemented Model N to create automated data feeds with their channel partners' systems. Channel partners are now able to enter a quote request on their own systems,

which then communicate automatically with STMicroelectronics' Model N system. This machine-to-machine quoting and pricing significantly reduces the need for human intervention and escalation.

This best-in-class revenue leader was able to:

- Automate **95%** of all quotes
- Automatically approve **62%** of all quotes
- Increase gross margins by **2 points**
- Save **\$2.5 million** in operational expenses by retiring 19 systems

Quick and  
high-quality  
quoting that's  
**right on  
the money.**



IMPROVE THE WAY  
YOU INCENTIVIZE.



Model **N**

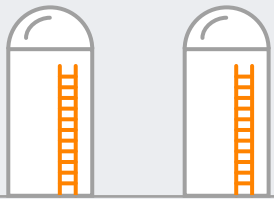
# Improve the way you incentivize.

The average high-tech company has anywhere from a few dozen to thousands of incentive programs. Each one comes with its own terms and conditions, products, and eligibility, making them all an administrative headache. Manual work, homegrown tools, and integration into financial software cause complexity and increase the risk of errors. They also require you to trust – both the accuracy of your channel data and the sales operations team to properly communicate eligibility periods.

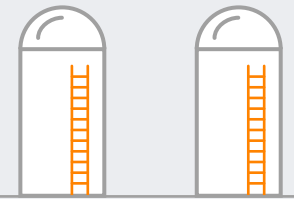
**\$1.4B**

**in lost profit** can be attributed to challenges with traditional incentive programs.<sup>5</sup>

## Traditional incentive programs are rife with challenges<sup>6</sup>



**44%** of organizations believe **siloed systems** have led to **inaccurate sales tracking**



**40%** believe total **cost of ownership** to implement incentives is too high



**38%** think they **spend too much time** maintaining and administering incentives

<sup>5</sup> Deloitte and AGMA. "When Channel Incentives Backfire."

<sup>6</sup> WorkStride

When you offer an incentive, you create a financial liability for the company. Not only do you need to accrue for it correctly, but you also need to reserve the right amount of cash. And this is not only where the questions begin, but also why data sharing and partnership between sales and finance is critical for success. *How do you know how much rebate will be used? How much cash should you keep on hand? What amount of liability should you accrue?* If you make an error at any point, you may have to restate revenue and/or face a cash flow issue. Unfortunately, just to avoid risk, you likely overestimate everything, creating headaches in the form of extra time and effort for everyone – from finance to sales and sales operations.

And then of course, there's always the question: *Do these incentives really work or are you giving free money to your channel?* Without the right data and analysis, the answer can be elusive.

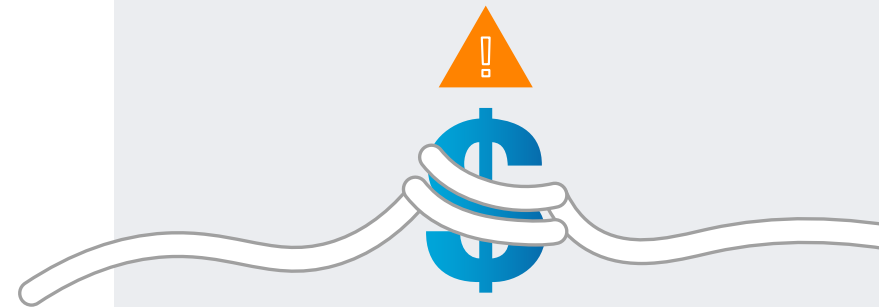
For these reasons, financial leadership is likely a strong proponent for keeping your overall incentive programs simple. But simple programs are often ineffective programs. A blanket incentive doesn't enable you to encourage your channel to focus their efforts in the right areas. For example, encouraging your channel to focus on a particular industry where deal margins are higher. To make this possible, you need to be able to correctly analyze the situation to determine which customers to focus on and what to pay out.

## Accounting for incentives: an example

**You offer your channel a 5% rebate on the next 100,000 products sold. The price of the product is \$1,000, so each rebate is \$50. If all 100,000 products are sold, your company would be on the hook for \$5 million. While it's unlikely to reach 100% attainment, how many products do you think will be sold?**

You estimate 50% and accrue \$2.5 million of liabilities in cash. But in reality, 75% are sold. Now you need another \$1.25 million in cash that you didn't reserve, and you've recognized revenue that must be restated.

To avoid this risk, you likely reserve the entire \$5 million and wait until the program is over to correct the books. This could cause additional stresses on your cash flow, as you're tying up cash that could be used for other expenses during the entire incentive period.



## Now imagine the end of inconclusive incentives.

Instead of estimating (quite honestly, overestimating) incentive liabilities; you can accrue accurately. Payments across all your incentive programs are made quickly and correctly, so you can close the books on time at the end of each quarter.

Never question why something was paid or why it was rejected. You now have a complete audit trail for earnouts and payouts – and it's completely automated.

Furthermore, you know exactly how each incentive program performed. There's no more chasing down answers about efficacy. Complete visibility into each program provides a clear picture into its impact on sales and revenue.



Irreproachable  
and  
indisputable  
incentives that  
are **right on  
the money.**



## Model N eliminates incentive issues.

Along with real-time visibility into your channel data, Model N empowers you to derive data-driven insights that help you make better business decisions.

You will have the ability to be predictive and prescriptive with your incentive program.

- **Align** your incentive programs to your strategic priorities.
- **Determine** the types of incentives you should offer.
- **Eliminate** the ones that aren't working.
- **Identify** – and reward – your best-performing channel partners.

Perhaps even more importantly, you have the freedom and flexibility to run the right number of incentive programs that are as complex as necessary to accommodate the needs and goals of your business.

RENDER THE RIGHT REBATES.



Model **N**

# Render the right rebates.

You incentivize your channel in multiple ways – from performance and discount rebates to price protection and market development funds (MDF). Inconsistencies or inefficiencies in the management of these programs can really add up. High-tech companies can lose up to 2% of their revenue through ship-and-debit and price protection programs and another 2% from rebates, MDFs, and other sales incentives.

The only fundamental difference between all these rebates is how they're calculated. You likely have multiple systems doing this work – one to track inventory, one to calculate price protection, one to manage ship-and-debit, and another one to collect proof of performance for market development. With all these systems in place, it's nearly impossible to get clear visibility into all your data, in real time.

And if you cannot match claims data to actual sales data, you could be paying out claims for sales that don't qualify for the rebate.

## Rebating 101

### Volume rebates

Price reductions offered to customers who purchase in larger quantities, usually structured by tiers.

### Performance rebates

Financial incentives offered to encourage the sale of specific products.

### Ship-and-debit / discount rebates

Allowances designed to protect distributor margins, as they react to market conditions and customer demands.

### Price protection

Compensation made to distributors when the distributor book cost price changes for products held in inventory.

### Market development funds

Funds paid to channel partners for marketing or training necessary to sell a manufacturer's product.

## Now imagine reducing redundancies in rebating processes.

One platform handles everything...

- **The different permutations of your rebate program**
- **Calculations of price protection**
- **Approvals and reviews of discount rebates**
- **Automatic generation of correct rebate payments**
- **Performance tracking and payouts for MDFs**

With a consolidated rebate management process, you can ensure accuracy from one single source of truth. Not to mention, you can also significantly simplify your IT landscape, decreasing operational costs and increasing efficiency.

Plus, you can empower your channel to become more engaged. Through real-time visibility, they can see what rebates are available, decide which ones to sign up for, and track their progress toward attainment. By knowing where they stand at all times, it increases the likelihood that they are able to make their sales goals – and that’s a win-win for everyone.

# 40%

of vendors listed MDF as the best influencer of partner behavior,

while

# 28%

listed it as a top influencer of partner loyalty.<sup>7</sup>

*“We’re going to let the partners engage with us based on their business models.” —VMware*

<sup>7</sup>The 2112 Group. “2019 Channel Outlook.” March 2019



## Model N remedies the rebate riddle.

With Model N Rebate Management, you can ensure your rebate programs engage channel partners and deliver results for your business. Not only do you have a single source of truth for accurate calculations, but you – and your channel partners – also have transparency into program performance. Plus, the creation and launch of new rebate programs can happen quickly without customization, so you can rapidly adapt as new strategic priorities arise.

With the addition of Model N Market Development Fund Management, you can streamline the process of managing MDFs and increase partner participation. Through automated management of MDF programs, you can align budgets to sales initiatives, track compliance, and generate accurate payments. Self-service portals for requests, approvals, and claims, plus visibility into earnings, keep partners focused on selling your products.

By creating and easily managing an effective rebate program, you can engage channel partners, eliminate overpayments, and take control of your profitability.

Rewarding  
and relevant  
rebates that  
are **right on  
the money.**



CALCULATE COMMISSIONS  
WITH CONFIDENCE.



Model **N**

# Calculate commissions with confidence.

More than 80% of companies confirm they have made inaccurate commission payments that resulted in adjustments.<sup>8</sup> Can your salespeople trust their commission checks?

Even the smallest percentage of contested commission payments can cause a ripple effect across your organization. If a salesperson believes they should get paid a certain amount and they don't, they're left looking for answers. *Which transaction didn't count? Was a deal forgotten about? Did the compensation plan change?*

But what's even more concerning is now the entire sales team knows that mistakes are happening. They don't want these mistakes to happen to them, so they spend time validating that they're being paid correctly – instead of focusing on making sales.

So what makes this process so complicated? **Channel data.**

For many high-tech companies, the majority of sales flow through the channel. Therefore, channel data – namely point-of-sale data that correlates what product was sold to what customer – serves as the basis for calculating commissions. If that channel data is late, you can't pay on time. If the channel data is incorrect, you can't pay accurately. Regardless of which sales compensation tool you're using, it only works effectively if you get the right information at the right time.

## 70%

of companies' revenue comes from indirect sales,

and

## 67%

of high-tech companies have more than 5,000 channel partners.<sup>9</sup>

<sup>8</sup>Xactly. "The 2019 Sales Compensation Administration Best Practices Survey."

<sup>9</sup>Deloitte and AGMA. "When Channel Incentives Backfire."

### Now imagine certainty in your channel data.

That means you don't overpay or underpay. You always pay correctly.

Your sales team won't spend time wondering when they'll get paid. You pay right on time.

The entire system is free from the distractions and noise that can impact employee satisfaction and engagement. Your sales team has trust.



### Model N conveys credible channel data.

With Model N, channel data is always available on time, and it's more than 98% accurate. And that means correct and timely commission payments are the norm.

Sales data is collected across your channels. Model N integrates with your channel partners' systems using EDI, eliminating infrequent reporting, emailed spreadsheets, and human data entry. Along with timely access, you have the power to normalize the data and use it to gain insights.

- Track inventory and understand where sales are happening.
- Spot sales and marketing trends and anomalies across regions, territories, and accounts.
- Ensure contract compliance, so you're not paying commissions or lower prices on sales that never happened.

When you have accurate and timely channel data, mistakes and delays that could derail your sales team – and ultimately, your revenue targets – are a thing of the past.

Correct and  
comprehensive  
channel data  
that's **right on  
the money.**



# Bring the vision of better revenue management to life.

Instead of imagining a day without revenue challenges, live it. Model N offers you an end-to-end platform that enables you to improve the way you manage every transaction, channel interaction, and revenue moment.

Proven with 60 of the world's largest high-tech and semiconductor manufacturers that process billions of revenue transactions, Model N gives you the power to:

- Easily configure and quote complex products.
- Quickly come to terms on complicated contracts.
- Make decisions based on accurate and timely channel data.
- Efficiently manage incentive programs to avoid overpayments and ensure effectiveness.
- Improve channel relationships by empowering your partners with self-service quoting and real-time information.

**Isn't it time you experienced revenue management that's **right on the money?****

**Get started today by scheduling a 15-minute introduction call to gain insight into:**

- How your processes compare with industry best practices
- Areas that offer the biggest opportunity to improve profitability
- How you can streamline contracting, pricing, and rebating across your organization

