



The high-tech company's guide to revenue optimization and compliance

Model **N**

WHITE PAPER

In the world of high tech, pricing isn't as simple as it used to be. In this current business environment, multiple pricing variables – like markets, regions, channels, and business models – must be considered and combined with customer willingness to pay to arrive at an acceptable market price. Companies must effectively manage and optimize infinite variations of global price lists, configurations, and contracts. As each of these considerations compound, there is a growing consensus that traditional methods and manual pricing processes are no longer effective.

CONTENTS

4

Optimizing prices








7

Why you need a commercial system of record

8

The end-to-end revenue optimization and compliance solution

Often comprising manual processes, complicated spreadsheets, and a patchwork of point products, traditional approaches to pricing have proven to be unscalable, inefficient, and unprofitable because they're fraught with challenges that stem from:

-  Ineffective and slow quoting turnaround times
-  Hybrid and fragmented channels
-  Customer and downstream partner pricing pressure
-  Insufficient data
-  One-off sales commitments and special pricing
-  Siloed systems for managing incentives, rebates, chargebacks, and channel data
-  Inconsistent partner communications

High-tech manufacturing and semiconductor companies must reevaluate and rethink their strategies to quickly connect sellers and buyers with their products and services. They need intelligent solutions that will enable them to streamline operations, scale strategically, identify new opportunities, and optimize product pricing to maximize revenue.

This guide explores these market pressures and associated impacts on how high-tech companies price, sell, and distribute their products. We'll share our perspective on how you can gain a competitive advantage by automating revenue execution to optimize prices and minimize risk.

Optimizing prices

In this competitive and ever-changing global environment, how do you set prices that balance optimal customer value and business profit?

What are you doing to ensure accuracy in pricing while keeping up with the speed of business?

Speed, after all, is critical when it comes to quoting. If you cannot quickly and effectively respond to quotes and concession requests, you're losing money. But if you're racing to provide fast responses, you may also be settling for the lowest possible price or creating unintentional cannibalism within your organization.

One-size-fits-all pricing and quoting doesn't work, which is why 50% of high-tech deals are accomplished through special pricing.¹ Sales, operations, and deal desk teams are stretched, yet they need to provide accurate pricing and instantaneous quotes, while improving channel relationships. This should be done without basing decisions on their perceptions or incomplete and inconsistent data.

As customers demand greater price transparency, you need to know if your pricing and quotes are driving new business and if they're delivering the profitability and growth your organization demands. That's easier said than done. Nearly three out of four high-tech executives (71%) believe their industry is losing billions of dollars because of revenue issues, such as inaccurate or ineffective quoting and pricing.²

Success requires finding the right balance between tailoring your prices and quotes to meet customer needs and protecting your business's margins. And if you're using siloed systems to manage incentives, discount and performance rebates, and channel data, you're going to run into issues with speed, accuracy, and certainty.

That's where an intelligent platform that combines technology, data, analytics, and expert services can add value. Not only does it enable you to apply consistency to pricing decisions, but you can also resolve special requests in minutes, avoid delays, and improve partner interactions. How? By bringing together all aspects of pricing, quoting, incentives, and payments into an end-to-end revenue optimization and contract compliance solution to give you a complete picture of your business.

73%

of executives believe their pricing decisions leave money on the table.³

98%

of customers are exposed to conflicting pricing.⁴

90%

Up to 90% of all quotes – regardless of their financial profile or characteristics – require manual review.

¹ Impact Pricing. "EP51: Pricing as a Key Lever to Help Companies Drive More Value with Chanan Greenberg." January 6, 2020.





² Model N. "2022 State of Revenue Report."

³ Model N. "2021 State of Revenue Report."

⁴ Ibid.

The power of machine learning: no more guesswork

With a platform that's purpose built for high tech and leverages the power of machine learning and artificial intelligence, you can analyze relevant customer, price, margin, win/loss, and competitive data to get price guidance when you need it most – at the point of negotiation. Now instead of guessing, you'll have the ability to score deals within the context of relevant customer and transaction dimensions. Every employee – across every product line, region, and channel – can clearly see what will happen if they give a price concession:

-  Will it increase the win rate?
-  What's the chance of winning?
-  What's the expected purchase volume?
-  What is the market willing to pay?

Because each decision is data-driven, you can confidently define the right target price and provide an audit trail for each pricing decision.

Plus, by basing quotes on an algorithm, not an emotion, you will eliminate rogue selling and inconsistent pricing. Quotes can be automated, eliminating the need for manual review unless they fall outside your pre-established guardrails. Now partners get what they need, when they need it, and in return, you get better deals and better channel relationships.

Greater visibility and control

With a commercial system of record, you can establish, manage, and improve financial controls. It eliminates disconnected processes and increases transparency into transactional obligations, volume compliance, and adherence to company policies. You'll be able to gain control over your pricing and quoting processes by establishing approval workflows, appropriate terms and conditions, and the power to track adherence.

Whether you manage all the pricing and quoting or enable your partners to self-service, everything is there in one system. You can be confident that your price book is accurately updated, effectively managed, and properly deployed to your global sales team. Partners will know they're getting the correct price, and you can be sure you're not losing revenue opportunities or having your margins squeezed by ineligible price changes.

It also means no surprises. You can easily track volume compliance and partner performance, giving you the data you need to have productive conversations about sales commitments and incentive eligibility.



Efficiently deliver accurate pricing to your team.

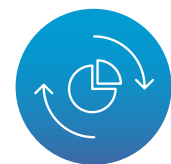


Use data to fuel productive conversations.

Better channel data, better pricing decisions

Companies that use internal resources and methods to gather channel data struggle to consistently collect and integrate a wide variety of data held by a diverse group of channel partners – a group that's continuing to grow in complexity as new partners are added to the ecosystem. Inaccurate and unreliable channel data impacts the accuracy of revenue reporting, incentive payments, and the ability to understand what's going on in the global market.

By automating the collection of point-of-sale, inventory, and claims data, and integrating it into your price optimization platform, you can get a real-time picture of market trends and your customers' willingness to pay. Armed with this information – from a single source of record – you can confidently make better pricing decisions and avoid leaving money on the table.



Automate data collection for real-time insights.

Why you need a commercial system of record

To succeed in this changing environment, it's time to rethink your approaches, practices, and initiatives. By adopting a commercial system of record for revenue optimization and compliance, you can reveal hidden intelligence that enables you to better manage partner pricing, achieve contract effectiveness, track inventory in real time, and mitigate risk.

While it may be tempting to build a price optimization solution in house, that may not be the best choice. Along with considering how long it will take to build the functionality you need and what it will cost to support the system, you should determine whether you have the expertise to build a system that will address the nuances of the high-tech industry.

Model N purpose built our platform to help high-tech manufacturing, semiconductor, and electronic component manufacturing companies optimize revenue and reduce risk. Our intelligent platform combines technology, data and analytics, and expert services to deliver deep insight and control over the complexities of commercial operations and contract compliance.

Specifically, our price optimization solutions are trusted by 14 of the 15 biggest semiconductor companies. They know that with Model N, they're getting solutions that:



Focus on optimizing prices to win, while maximizing margins and ensuring volume compliance.



Allow them to define price dimensions so they can get the best predictive outcome without the need to have data analysts on staff.



Consider industry nuances and account for trends and industry changes, such as emerging business and pricing models, non-transacting partners, and innovative incentive programs.

180

With 180 customers globally, Model N is powering innovators in the high-tech and life sciences industries by enabling them to accelerate revenue optimization and compliance.

The end-to-end revenue optimization and compliance solution

The key to operational excellence, Model N Revenue Cloud for High Tech automates and streamlines people, processes, and technology across many functional areas.



By automating channel operations, including discount incentives, price protections, and stock rotations, Channel Management helps you streamline the selling process, improve partner retention, and reduce margin erosion.

- Automate channel quoting to ensure you deliver the right price, to the right customer, on time.
- Validate sales data against claims to eliminate overpayments and speed processing time.
- Track inventory in your channel in real time and dynamically apply pricing policies that eliminate unnecessary discounts and help move aging product(s).



Designed to enable better pricing decisions and accelerate deal cycles, Deal Management helps you manage global prices, ensure compliance with volume commitments, and achieve consistent price execution.

- Link opportunities to pricing terms and rules in real time to ensure price consistency for both direct and channel sales.
- Create contracts with sophisticated pricing tiers that can be tied to transactional activity, ensuring adherence to terms and conditions.
- Leverage artificial intelligence and machine learning to optimize pricing and product recommendations when upselling and cross-selling.



Featuring interactive tools, advanced customer and quote analysis, and competitive data, Deal Intelligence brings real-time, operational business intelligence to the price negotiation process.

- Identify how well customers are complying with contracts, quotes, and orders.
- Determine the right price by comparing proposed deals against historical wins and losses and pricing policies.
- Compare customers, assess top and bottom performers, and identify ongoing revenue contribution to your business.



Put purpose-built, intelligent price analysis at your fingertips. Price Intelligence provides visibility and insight into pricing issues that are impacting your revenue and profitability.

- Compare price efficiencies across multiple dimensions against historical wins, losses, and pricing compliance.
- Review price tables, pricing rules, contracts, and quotes to identify root causes of revenue issues.
- Use artificial intelligence and machine learning-based analysis to optimize price ranges and beat the competition.

Optimize your revenue – and your channel performance

Model N Revenue Cloud for High Tech helps customers optimize their pricing, minimize risk of non-compliance, and maximize their revenue. For a complete end-to-end platform that gives you visibility and control over the complexities of all aspects of commercial operations, add Model N channel solutions to your Revenue Cloud:

-  **Channel Data Management** – Automate the collection and management of point-of-sale, inventory, and claims data with limited human intervention for 98%+ accuracy.
-  **Channel Intelligence** – Uncover new insights into global partner performance, inventory, rebates, and transactions.
-  **Rebate Management** – Effectively manage rebate programs by eliminating manual processes, increasing visibility and control, and reducing overpayments.
-  **Market Development Fund (MDF) Management** – Automate every aspect of the MDF process from creation and compliance to approval and payment.
-  **Payment Management** – Seamlessly manage partner onboarding and instantly generate payments worldwide.

Visit modeln.com for more information or contact us at info@modeln.com to receive a complimentary revenue execution assessment and ROI analysis from a high-tech revenue management expert.