CASE STUDY

Xylem

World's leading water technology company enables value-based pricing for over 1 million product configurations

INDUSTRY

> Manufacturing

CHALLENGES:

> Products needed to be priced by value perceived across their markets, spanning the range from generally available common components to specialties only available from Xylem.

> Pricing management needed global alignment and coordination across regions, product lines, and business units.

> Generation of quote pricing for new product configurations needed to be faster, and more accurate, and without the burden of creating unused identity/ part numbers in ERP systems.

SOLUTIONS:

> Vendavo® PricePoint

> Vendavo® CPQ

RESULTS:

> A coordinated and globally aligned pricing framework for spare parts was enabled for new and maintenance parts pricing, which is easily adjusted for local markets.

> Dynamic value-based and market driven pricing for 300 product versions with over a million in possible configurations is readily available so the sales team can make customer offers quickly and with confidence.

> Three tiers of value drivers for parts pricing were discovered with AI/ML, driving fast sales team response and winning more quotes with more profitability.

xylem
Let's Solve Water

Xylem's commercial excellence journey can be divided into two projects: first, a pricing project for their spare parts business, then turning attention to pricing for the manufactured and configurable products of one of their core business units with CPQ (Configure, Price, Quote).

Vendavo capabilities drive the shift to value-based pricing. Xylem moved from a simplistic cost-plus basis to sustainable profitability based on customer-perceived value across their portfolio of manufactured equipment and configurable products, as well as spare parts and accessories.

"The ROI is **better** than expected."

Niklas Lindström, Pricing Manager, Xylem

Spare Parts

The challenge in pricing spare parts is identifying the customer's perceived value of the product which differs across each sales market. First, spare parts were segmented to 3 categories. Key parts are unique, and designed by Xylem such as motors, impellers, and mechanical seals. General parts are designed by Xylem but not defined as a key part such as bearing holders and covers. Standard parts are generally available parts such as bolts and nuts.

Key parts are the most important components to price correctly for profitability. Market surveys were conducted with customers and internal employees to develop perceived value for key parts for 8 countries. Three levels of key price drivers were identified and used to develop using AI/ ML pricing techniques. Customer perceived value was considered along with product attributes such as weight, diameter, and power. The repair threshold for each piece of equipment was also included for pricing evaluation. Products which are economical to repair instead of being replaced are reflected in the customer's options in pricing.

These insights were used to build a framework in Vendavo's PricePoint to support new parts pricing, with easy price maintenance and revisions – all tied to Xylem's value based and market driven pricing strategies.

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Configurable Products

Based on the value Vendavo can bring for spare parts pricing, Vendavo was then brought in to support pricing for Xylem's portfolio of 300 base products, which in turn has millions of possible product configurations. The challenge was to price a configuration for quoting, without having to create an identity /part number for each variation – especially if it weren't actually sold! This would have generated millions of unused records – unnecessarily burdening the resource planning systems.

Pricing methodology was built by pricing the components, simply:

With Vendavo PricePoint these calculations are quickly calculated to enable the sales team to quickly build bespoke quotes for each of their customers' requests. This delivers impact across 3 categories:

> Pricing Quality

- Market pricing instead of cost based
- Logical, aligned pricing throughout the portfolio
- Elimination of manual quoting and pricing errors

> Pricing Efficiency

- Value as the pricing driver, instead of one-off, uncoordinated product pricing
- Prices that are easy to explain with appropriate context

> Single Source

- ERP, configuration, and quotation tools all use pricing from one source

"I receive a lot of questions about why pricing is the way it is and now I can quickly look up the product and explain the logic of the pricing. **Sales now agrees and can defend that price**."

– Niklas Lindström, Pricing Manager, Xylem.

Gain a seamless quotation workflow while continuously optimizing deal win rates, enterprise profitability targets, and the overall customer experience with **Vendavo PricePoint** and **Vendavo CPQ**.

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