Xylem prices spare parts and +1 million configurations profitably with Vendavo

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Xylem Inc. is a large American water technology provider for public utility, residential, commercial, agricultural, and industrial settings. The company does business in more than 150 countries and employs more than 17,000.

Challenge

The challenge in pricing spare parts is identifying the customer's perceived value for a vast number of products. At Xylem, spare parts are divided into three primary 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 like bolts and nuts.

The challenge was to price a configuration for quoting, without having to create an identity / part number for each variation - especially if it wasn't sold! This would generate millions of unused records and unnecessarily burden the resource planning systems.

"The ROI is better than expected."

– Niklas Lindstrom, Pricing Manager, Xylem

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Solution

Xylem turned to Vendavo for two projects: a pricing project for their spare parts business, and Configure, Price, Quote (CPQ) for the manufactured and configurable products for one of their core business units.

Xylem and the pricing at experts at Vendavo began by prioritizing their spare parts with customer feedback. Because 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 with Vendavo to support new parts pricing, with easy price maintenance and revisions - all tied to Xylem's value based and market driven pricing strategies.

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.

With Vendavo, these calculations are quickly calculated to enable the sales team to quickly build bespoke quotes for each of their customers' requests.

"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 Lindstrom, Pricing Manager, Xylem

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Benefits

- Market pricing instead of cost-based

- Logical, aligned pricing throughout the portfolio

- Elimination of manual quoting and pricing errors

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

- Value as the pricing driver, instead of one-off, uncoordinated product pricing

- Prices that are easy to explain with appropriate context

About Vendavo

Vendavo partners with the world's leading companies to accelerate growth and profitability, advance innovation, and build more prosperous communities. Our powerful, cloud-based, AI-powered pricing, selling, and prescribing solutions empower global manufacturers and distributors like Ford, Dell, and Medtronic to manage, optimize, and digitize their end-to-end commercial processes. But we offer so much more than software. Our proven, repeatable process, and passionate, experienced people lower risk, accelerate value, and drive profitable, unrivaled business outcomes for our customers. We are passionate about helping our customers deliver the right products, at the right prices, at the right time, for the right people.

Vendavo is headquartered in Denver, with offices in Czech Republic, India, and Sweden.

For more information, please visit http://www.vendavo.com