IDC MarketScape: Worldwide B2B Price Optimization and Management Applications 2021 Vendor Assessment
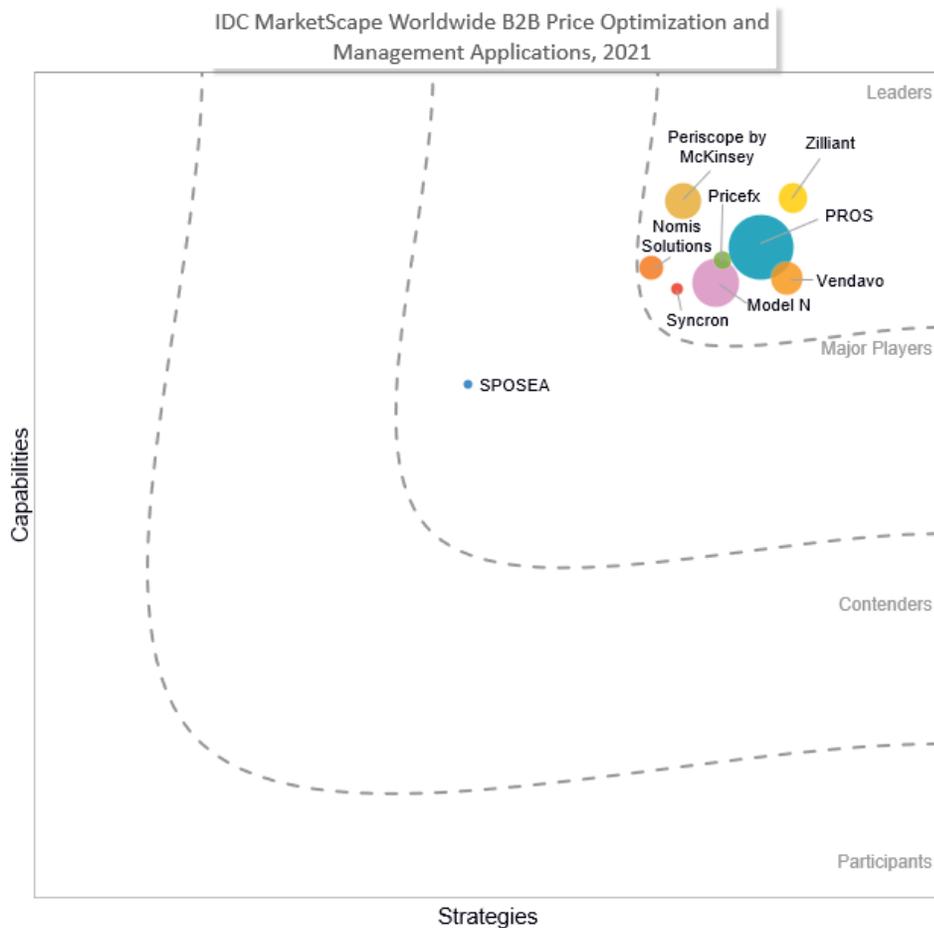
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THIS IDC MARKETSCAPE EXCERPT FEATURES ZILLIANT

IDC MARKETSCAPE FIGURE

FIGURE 1

IDC MarketScape Worldwide B2B Price Optimization and Management Applications Vendor Assessment

Source: IDC, 2021

Please see the Appendix for detailed methodology, market definition, and scoring criteria.

IN THIS EXCERPT

The content for this excerpt was taken directly IDC MarketScape: Worldwide B2B Price Optimization and Management Applications 2021 Vendor Assessment (Doc #US46742021). All or parts of the following sections are included in this excerpt: IDC Opinion, IDC MarketScape Vendor Inclusion Criteria, Essential Guidance, Vendor Summary Profile, Appendix and Learn More. Also included is Figure 1.

IDC OPINION

The Case for Automating Your Company's Revenue Strategy

For a company to confidently achieve its revenue, margin, or profit goals, it needs to be able to continuously sense demand, willingness to pay, and costs for its offerings across channels, locations, and customer segments so the company can set *and* successfully sell at the right price to achieve those goals. For most companies, this process is always complex and data intensive, often error prone, and too frequently suboptimal.

While pricing is ultimately set and managed by pricing professionals, achieving company revenue goals is a team sport and can only be achieved with tight coordination across several departments, including sales, marketing, finance, and operations.
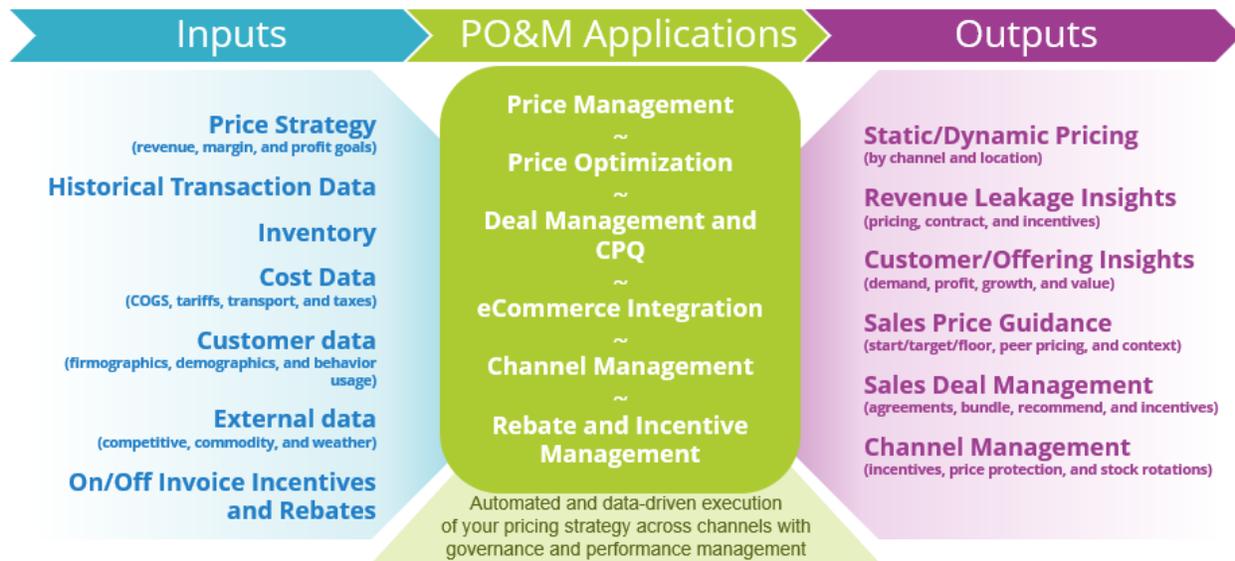
In 2021, most companies still manage this process using a mostly manual process and a combination of people and spreadsheets; however, this process does not scale with complexity and results in underpriced offerings, missed opportunities, or revenue leakage.

This IDC MarketScape covers price optimization and management (PO&M) solutions that are purpose built to enable companies to significantly automate their company strategy to achieve their revenue/margin/profit goals with a high degree of success, governance, and insights (see Figure 2). They analyze streams of data that influence pricing, support static or dynamic pricing, and have user interfaces (UIs) and dashboards that are focused on the target stakeholder so they can price or sell better.

Over the past three years, PO&M solutions are seeing increased interest and growth due to their ability to effectively manage both the strategic management and tactical execution of price, support new dynamic pricing initiatives using digital commerce, and reduce overdiscounting and margin leakage. A big enabling factor to PO&M growth is the increasing number of back-office digital transformation (DX) projects that enable easier integration via API. DX projects greatly accelerated in 2020 due to the business challenges caused by the COVID-19 pandemic.

FIGURE 2

Price Optimization and Management Applications

Inputs

Price Strategy
(revenue, margin, and profit goals)

Historical Transaction Data

Inventory

Cost Data
(COGS, tariffs, transport, and taxes)

Customer data
(firmographics, demographics, and behavior usage)

External data
(competitive, commodity, and weather)

On/Off Invoice Incentives and Rebates

PO&M Applications

Price Management
~
Price Optimization
~
Deal Management and CPQ
~
eCommerce Integration
~
Channel Management
~
Rebate and Incentive Management

Automated and data-driven execution of your pricing strategy across channels with governance and performance management

Outputs

Static/Dynamic Pricing
(by channel and location)

Revenue Leakage Insights
(pricing, contract, and incentives)

Customer/Offering Insights
(demand, profit, growth, and value)

Sales Price Guidance
(start/target/floor, peer pricing, and context)

Sales Deal Management
(agreements, bundle, recommend, and incentives)

Channel Management
(incentives, price protection, and stock rotations)

Source: IDC, 2021

Nine Price Optimization and Management Solutions

The nine vendors covered in this IDC MarketScape represent the front-runners in the B2B PO&M market segment. All of the offerings are SaaS delivered, and many are architected with microservices for performance and scalability. Vendors in the B2B PO&M market serve industry-specific use cases, and many do not evenly compete with each other, thus there are more leaders. They collectively serve over 1,300 customers worldwide across a growing set of industries, including manufacturing, distribution, food and beverage, financial, high-technology hardware, and life sciences. Some vendors are starting to price subscription and good-better-best offerings, but none focus on pricing software or people services. The vendors overall grew at an average of 14% over the 2018-2020 period and spent an average of 27% of their revenue on R&D.

The customers that IDC spoke with were overall very happy to be using a PO&M solution, and many referred to the solution as an investment versus cost as it enabled their company to dramatically improve the pricing process and get a payback typically within six months. Several customers were successfully managing over 250,000 SKUs and enabled their company to achieve revenue goals successfully by applying price increases with more nuance across their products and customers, which could not be done manually. As one customer said, there's a lot of opportunity hidden in pricing, you just need the right tool to find it.

IDC MARKETSCAPE VENDOR INCLUSION CRITERIA

The vendor list for this evaluation consists of nine vendors and was selected to depict the vendors that are most representative of any given B2B PO&M application buyer's selection short list. Inclusion criteria include:

- The vendor has an active customer base and is reported as seen in deals by other PO&M vendors.
- The vendor's PO&M application can be purchased and used separately from a larger suite of products.
- The vendor meets IDC's definition for a B2B PO&M application in terms of functionality supported, such as price management, optimization, and execution capabilities across multiple channels (see the Market Definition section).
- The vendor has customers that IDC can interview that have been using the vendor's application for at least one year.

ADVICE FOR TECHNOLOGY BUYERS

The first step in your hunt for a PO&M solution is to select vendors that support your industry and use case. Refer to Table 1 in the Appendix as a guide to help create a short list, then consider these points when deciding on a price optimization application:

- **Strategy:**
  - **Strategic pricing:** Ask your vendor how its solution can take revenue, margin, or profit goals and operationalize them into the right price and great execution. Does the solution give executives the information they need to identify process, product, or customer issues? Can it be used for pricing scenarios and war games to understand opportunity and risk?
  - **Change management:** Price optimization applications are automation tools that change how people work – and some people take longer to change than others. Make sure that stakeholders affected by pricing changes are involved early in the project to get their input and buy-in, especially salespeople if price guidance tools will be used. Make sure everyone knows the upside to using the new tools and to look for quality issues after launch.
  - **Consulting services:** All PO&M vendors in this study have consulting, business value, and/or change management services (refer to Table 3) to help their customers prepare and adopt a new way of pricing using their solution. Make sure you understand what they offer and their bandwidth.
  - **Solution adoption:** Today's PO&M solutions are actually suites of applications centered around pricing. Most customers start with tactical price management and evolve their use as their organization matures to using the strategic capabilities. Ask your vendor how you should sequence capabilities as your company matures and evolves.
- **Customer success:**
  - Does the company have a mature customer success team with regular touch points with tier customers? Is it email or call based?
  - Do you think the vendor will be a business partner that understands your business and gives you best practices or a technology vendor that does what you ask?

- How does the company notify its customers when new capabilities or feature updates will happen? Does it ask for feedback? Does it provide advanced training?
- While the right technology can make a huge difference in the success of a company to automate its monetization needs, a great customer success department is typically the difference between a customer and a happy/loyal customer.

- **User interface:**
  - Pricing can be very complex, so look for interfaces with clear dashboards showing performance to revenue/margin goals and important tasks or issues that need to be addressed, which allow for simple drilldown to address pricing issues quickly, as time is of the essence especially if using dynamic pricing.
  - Does the interface have clear visuals with supportive data that make it easy to support a pricing decision?
  - Does the interface use prescriptive analytics that suggest why an event occurred or what you should do about it?
  - Does the product offer reports that give you a clear summary of the impact of pricing changes to business along with impacts to customers?

- **Role-based notifications and approvals:**
  - Look for a mature role-based notification and approval system to ensure quick resolution of pricing issues from the product or from salespeople who need fast approval of a price change. Most vendors have mobile page support to allow sales managers to approve deals on the go.

- **Integration:**
  - **Systems and data integration:** Today, many integrations are sFTP based, but many are moving to API as DX projects upgrade older ERP systems, and PIM solutions are upgraded to SaaS. More frequent pricing and digital commerce require a faster response between POM and CRM/ERP/digital commerce. Since integration to your CRM, ERP, and other systems can be time consuming and expensive, ask your vendor how it can integrate with your systems and if it has ready-built connectors to make it easier. Most PO&M products can act as the master pricing database, and some have very low latency to support digital commerce.
  - **Internal data preparation:** A significant impact to adopting a price optimization product is finding and preparing accurate internal data that the price optimization product needs … at the frequency it needs it. Several customers told stories of delays in implementation because of this issue. All vendors in this study have services, tools, and connectors that address data prep and integration, so make sure to ask about how they can speed integration with your systems.

- **Price setting:**
  - Ask your vendor about its process of creating/updating the pricing model. Is it a rules-based, statistical, or machine learning (ML)/artificial intelligence (AI)-driven model? Who updates the model? How often? How much control do you have? Do you need external data to make a good pricing model (ML/AI models are best for this)? Does the vendor learn from its prior decisions based on outcome?
  - Do you need dynamic pricing (variable change frequency or event-driven changes)? If so, how often is supporting data for the pricing decision updated? Can the connected applications keep up with the changes?
  - Does the product make it easy to manage on- and off-invoice incentives such as rebates?

- Does the product take inventory (actual and forecast) into account so that prices create sales rates to efficiently allocate and/or utilize scarce and surplus stock?
- Does the product take supplier terms, deals, and rebates into account that affect your cost?
- How well does the product optimize prices across the product life cycle (e.g., the age of the item [perishable or scarcity] or how long the item has been in the market [premium to clearance])? Do you have data feeds available to make these decisions?

- **ML/AI:**
  - All vendors in this study have ML/AI capabilities of varying maturity. Buyers will benefit from these efforts through improved forecasts and optimization by replacing/augmenting rules engines. Look for predictive analytics for better forecasting and prescriptive insights that are data-driven insights on why something happened or why action should be taken.

- **Competitive data:**
  - Availability of competitive pricing data varies greatly with industry, and matching competitors' products to your product catalog can be very challenging. All vendors in this study can use competitive pricing data from third parties in their pricing models. If you need to leverage competitive pricing, ask your vendor how it can help you acquire and match the competitive data you need at the frequency you need it. If needed, ask if it supports image analytics to harvest product data from catalog images.

- **Analysis:**
  - **Segmentation:** Have your vendor taken you through some segmentation scenarios to see how easy it is to segment your customers, markets, channels, and products into data-driven groups that can be easily used in pricing, recommendations, and incentive scenarios.
  - **Simulations and what-if scenarios:** How easy is it to create, test, and implement pricing scenarios that test assumptions?
  - **Analysis and alerts:** Can the product show you by customer/segment/product the purchase frequency, changes in relative/absolute revenue, products purchased, location delivered, and volume mix? Can you set notifications to alert you when limits are exceeded?

VENDOR SUMMARY PROFILES

This section briefly explains IDC's key observations resulting in a vendor's position in the IDC MarketScape. While every vendor is evaluated against each of the criteria outlined in the Appendix, the description here provides a summary of each vendor's strengths and challenges.

Zilliant

After a thorough evaluation of Zilliant's offerings and capabilities, IDC has positioned the company in the Leaders category within this 2021 IDC MarketScape for B2B price optimization and management applications.

Zilliant was established in 1998 as a price optimization and management vendor for B2B industrial/technology products and has since expanded into a suite of AI-powered pricing solutions that include the service and distribution industries. The company is privately held and headquartered in Austin, Texas. Zilliant powers intelligent commerce for B2B companies by connecting their commercial strategies with effective execution across sales channels. The full suite of Zilliant's solutions can be found in the Appendix (refer to Table 2).

Attributes of the company are as follows:

- **Industry focus:** Distribution, manufacturing, and business services/rental
- **Customers:** 100+, size of customers ranging from small ($200 million) to very large ($10+ billion)
- **Globalization:** Sells globally with a direct sales and services presence in France, Italy, Germany, the United Kingdom, and the United States
- **Language support (out of the box):** English, French, German, Italian, and Spanish
- **Solution pricing:** Priced as annual subscription with variables for revenue under management and number of users; typical contract length of three years
- **Deployment options:** SaaS delivered via AWS datacenters in Ireland and the United States
- **Services offered:** Pricing strategy execution advice, implementation, change management, and benefit measurement
- **Implementation partners:** Accelalpha, Acumen, Arvato, Deloitte, Navint, PwC, Tata Consultancy Services, Slalom, and Standav

Strengths

- **Customer success and support:** Customers continue to highly rate Zilliant for their customer success, satisfaction, and support. They cited Zilliant's responsive and empathetic personnel who take the time to understand their business, train them to get the most out of the product, get their feedback on upcoming features, and address any issues quickly.
- **Level of value delivered:** Customers highly rated Zilliant for the value for the price paid. Customers cited faster-than-expected payback periods and performance that consistently overdelivered on their pricing goals, which really paid off during the pandemic.
- **Innovation:** Zilliant continues to build out innovative new functionality to increase the effectiveness of its PO&M solution, including off-invoice incentive management, subscription price optimization, campaign management, sales performance tracking, and low-latency data integration.

Challenges

- **User interface:** Customers just rated their interface meets expectations. They wanted the product to be easier to use, especially for their sales team that is using the product more often.
- **Dynamic pricing using external data:** While it is possible to do today, customers wanted more artificial intelligence to help them model and price with external data, including commodity prices and capacity management.
- **No presence in the APJ region:** While Zilliant has a strong EMEA presence, the company could significantly improve its position in the market by selling to companies in Asia.

Consider Zilliant When

Consider Zilliant when you are a midsize to large company that is looking for a comprehensive pricing suite with extensive sales and channel extensions.

APPENDIX

Reading an IDC MarketScape Graph

For the purposes of this analysis, IDC divided potential key measures for success into two primary categories: capabilities and strategies.

Positioning on the y-axis reflects the vendor's current capabilities and menu of services and how well aligned the vendor is to customer needs. The capabilities category focuses on the capabilities of the company and product today, here and now. Under this category, IDC analysts will look at how well a vendor is building/delivering capabilities that enable it to execute its chosen strategy in the market.

Positioning on the x-axis, or strategies axis, indicates how well the vendor's future strategy aligns with what customers will require in three to five years. The strategies category focuses on high-level decisions and underlying assumptions about offerings, customer segments, and business and go-to-market plans for the next three to five years.

The size of the individual vendor markers in the IDC MarketScape represents the market share of each individual vendor within the specific market segment being assessed.

IDC MarketScape Methodology

IDC MarketScape criteria selection, weightings, and vendor scores represent well-researched IDC judgment about the market and specific vendors. IDC analysts tailor the range of standard characteristics by which vendors are measured through structured discussions, surveys, and interviews with market leaders, participants, and end users. Market weightings are based on user interviews, buyer surveys, and the input of IDC experts in each market. IDC analysts base individual vendor scores, and ultimately vendor positions on the IDC MarketScape, on detailed surveys and interviews with the vendors, publicly available information, and end-user experiences in an effort to provide an accurate and consistent assessment of each vendor's characteristics, behavior, and capability.

Market Definition

PO&M applications are software platforms that leverage data (customer history/behavior, competitor pricing, inventory, weather, etc.) to make algorithmic decisions on the best price for items to achieve margin, inventory, and revenue goals across sales channels and locations. Algorithmic decisions leverage forecasting, segmentation, price elasticity models, machine learning, and optimization sciences to set prices for logical groups of products across time, location, and touch points. PO&M applications must have core price management, optimization, and execution capabilities that can consume a variety of data sources to set the best price in a highly automated process managed by pricing professionals. They should have role-based extensions/UIs that enable stakeholders in the company to strategically manage and understand pricing decisions on products/customers.

IDC segments the PO&M application marketplace into two groups:

- B2B PO&M applications (the focus of this IDC MarketScape) are focused on pricing offerings that are typically sold by a salesperson but are increasingly being sold via B2B ecommerce and direct to consumer via B2C and B2B2C. They should have extensions/UIs that enable efficient management and communication of price and price change context to sales and customers (deal management, price guidance, and configure price quote) across channels to ensure the company can achieve its revenue, margin, or profit goals.
- Retail-focused B2C PO&M applications are customized for pricing retail merchandise across channels and have life-cycle pricing capabilities to price merchandise as it moves through the various stages of retail life: regular, introduction, promotion, markdown, and clearance pricing.

Price optimization is a function within IDC's monetization management ecosystem (for more details, see Figure 2 in *The Monetization Ecosystem – 2021 Edition,* IDC #US46247921, June 2021). This

ecosystem depicts the major monetization functions along with the adjacent input and output functions. These functions are within the domain of the vendor and show the cash flow from left to right. The left side of the graphic shows the customer-facing functions that capture opportunity. On the right side, the finance and accounting functions show which are outputs of the monetization system (see Figure 3).

FIGURE 3

IDC's Monetization Management Ecosystem
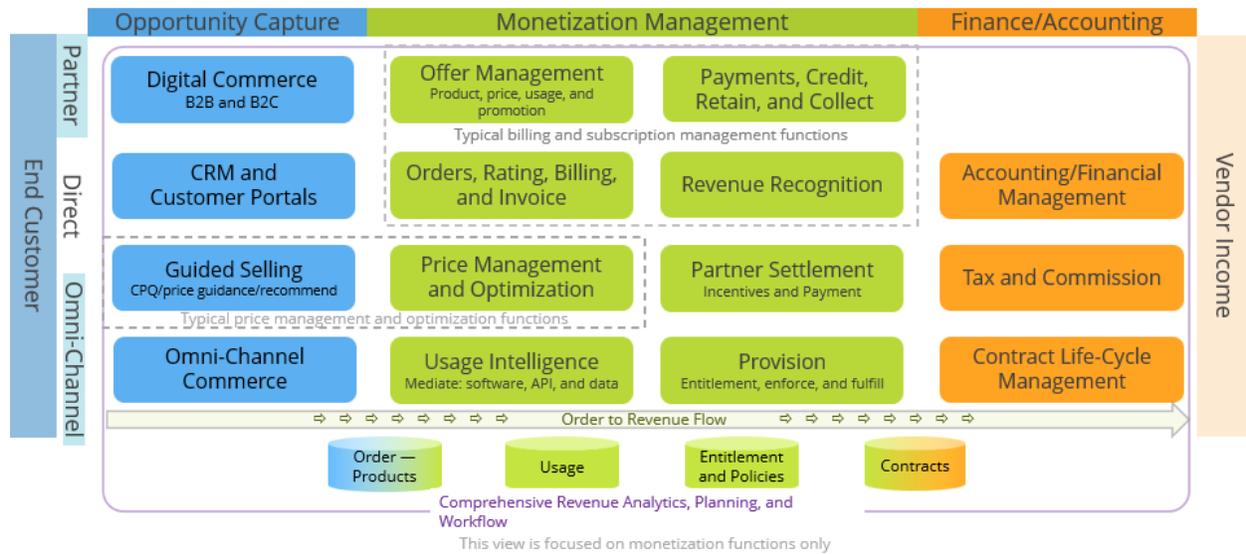
Source: IDC, 2021

LEARN MORE

Related Research

- *How Much Have Customers Moved to a Cloud-Based Price Optimization and Management Solution, and What Are Their Plans for the Future?* (IDC #US47143121, August 2021)
- *IDC Market Glance: Pricing Ecosystem, 2Q21* (IDC #US47820621, June 2021)
- *The Monetization Ecosystem - 2021 Edition* (IDC #US46247921, June 2021)
- *IDC Market Glance: Monetization Ecosystem Software, 4Q20* (IDC #US45725020, December 2020)
- *IDC MarketScape: Worldwide Configure Price Quote Applications for Commerce 2020 Vendor Assessment* (IDC #US45353319, June 2020)
- *IDC MarketScape: Worldwide B2B-Focused Price Optimization Applications 2018 Vendor Assessment* (IDC #US44517118, December 2018)

Synopsis

This IDC study uses the IDC MarketScape model to provide an assessment of vendors participating in the B2B price optimization and management applications market.

"If your company makes, distributes, or sells a significant number of offerings, you should strongly consider a price optimization and management solution," says Mark Thomason, research director, Digital Business Models and Monetization program at IDC. "Today's solutions can significantly automate your company's revenue strategy from price setting to execution and enable salespeople and ecommerce to efficiently sell at the optimal price."

About IDC

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