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What is driving the commercial agenda for global manufacturers?

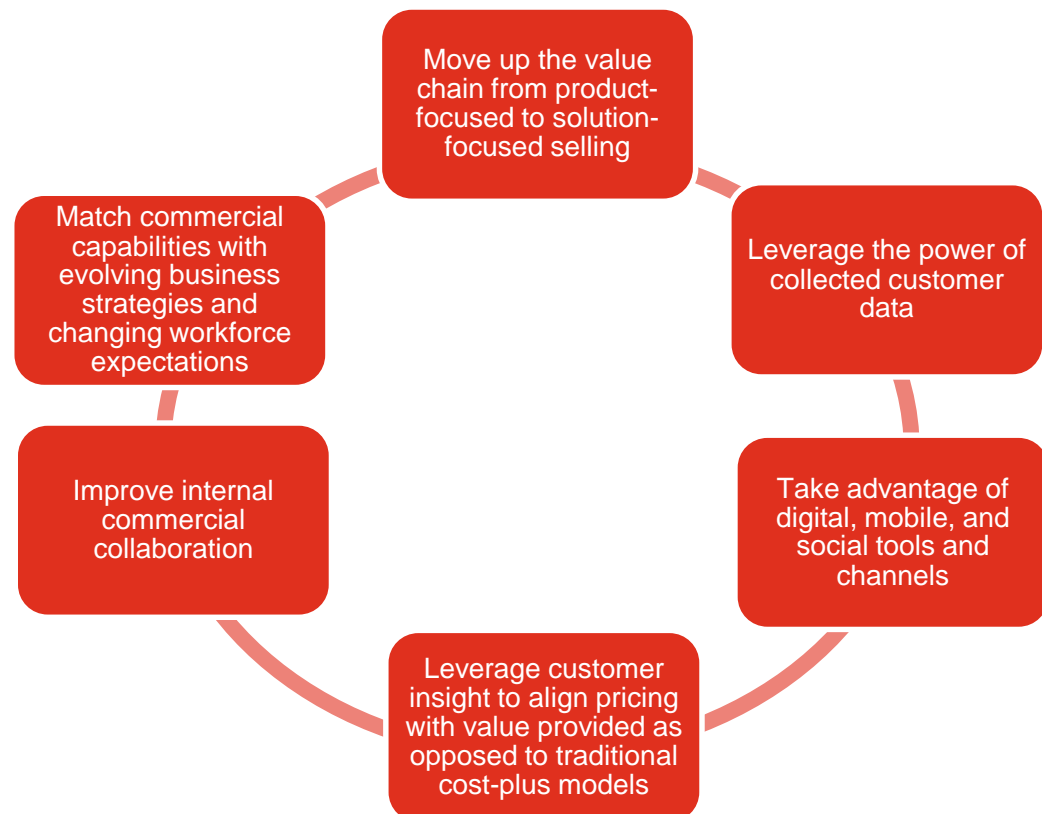




Introduction

The pace of change in today's business environment, coupled with evolving customer expectations, requires leading manufacturing firms to re-evaluate their commercial strategies and approaches in order to stay on top. The most successful companies are re-imagining and re-shaping their futures through strategies that seamlessly tie traditionally disparate business functions and processes together. The commercial agenda is broad and requires re-envisioning of traditional sales, marketing, and pricing functions. PwC's experience and research indicates that savvy manufacturing leaders can bend the competition curve by embracing innovative commercial strategies across their products and services.

Strategies that drive commercial excellence for manufacturers



Move up the value chain from product-focused to solution-focused selling

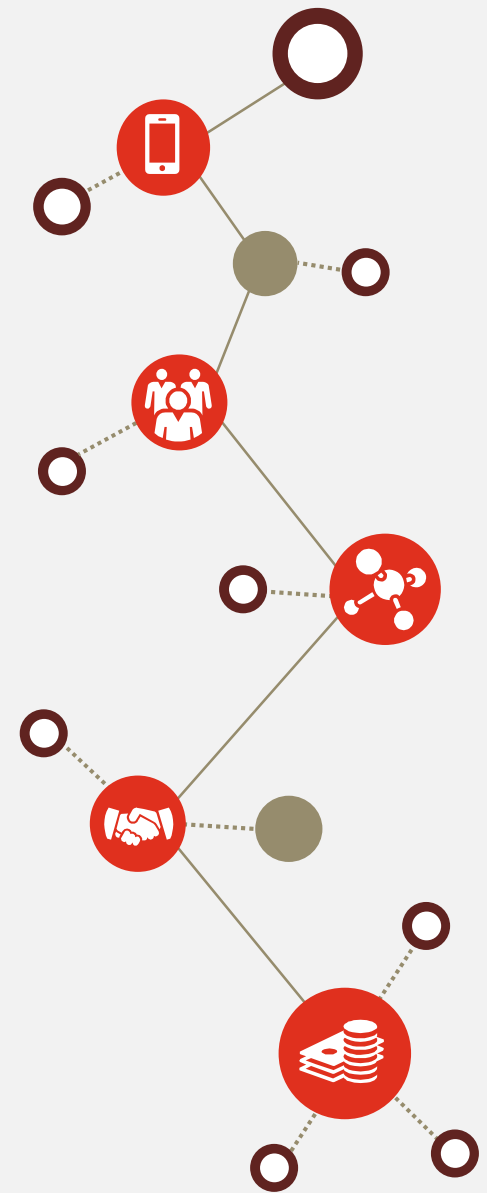


There is a new world of sales, with decisioning criteria, stakeholder identification and closing techniques that must align to the increasingly knowledge-empowered customer. The value of solution selling is real, but the path to effectiveness is difficult, requiring changes at every level of the commercial operating model. While product-centric selling is reactive and directed to a tactical buyer, solution selling is proactive and directed to a strategic buyer. Accordingly, solution selling challenges companies to reconsider who they serve and why they win, and engage strategic buyers with industry- and issue-specific insights earlier in the buyer journey. Sales activities must be aligned to this buyer journey and support risk-based decisions customers make as they gain awareness, signal intent, and consider alternatives. For solution selling reps the closing process now occurs earlier, during the intent and alternatives phase, as they help the customer make a risk-based choice to move forward.

Effective solution selling also requires new sales capabilities. Sales teams must be empowered to provide market back insights, solve problems, and price based on value delivered. Technology enablement has proven to be vital effective solution selling, providing:

- Analytics to better inform solution configuration and identify cross-sell and up-sell opportunities
- CRM and CPQ tools to guide field sales to adopt leading practices associated with high impact customer interactions and value-based pricing
- Collaboration tools to simplify deal orchestration and gather customer, competitive and product insights

Finally, solution selling requires full organizational and cultural support. As an example, marketing processes such as campaign and lead management should be structured to drive the new ways of selling. Sales roles and responsibilities must be clarified and aligned with incentives to help the organization overcome siloed behaviors detrimental to effective collaboration.



Questions for commercial leaders:

- Does solution selling align with your broader commercial strategy and what competitive advantage will you leverage to win when selling solutions?
- What sales capability gaps must be addressed to support effective solution selling?
- In what ways do your technology tools (Sales Force Automation, Configure Price Quote, Knowledge Management, etc.) support or constrain solution selling?



Leverage the power of collected customer data



The proliferation and availability of customer, macroeconomic, and demographic data has resulted in the creation of operating models to better leverage information for commercial advantage. This data-centric view of the customer requires investment in specialized capabilities and skill sets. However, it also creates avenues to new insights related to drivers of buyer behavior, willingness to pay for premium services or features, and opportunities to maximize deal value and solution bundling.

According to PwC's research, 62% of US CEOs are changing how their organizations use data and analytics.¹ By investing in these capabilities, companies are learning with whom to engage and how to engage with them during the buying cycle. Data brings disruption to traditional commercial strategies and operations. Leading companies understand decision making can be democratized by providing access to customer data across the organization. For example, access to data could enable a front line sales rep to immediately calculate customer profitability or lifetime value without submitting time consuming requests. Companies are analyzing and segmenting customers in more detail than traditional breakdowns such as size, geography, and complexity and are identifying new revenue streams (e.g., spare parts, aftermarket sales), based on a better understanding of what their customers value. Data enables manufacturers to more quickly and effectively quantify tradeoffs as they make commercial decisions.

¹ <http://www.pwc.com/us/en/ceo-survey-us/2014/assets/2014-us-ceo-survey.pdf>

Questions for commercial leaders:

- *What customer data do you collect, do you understand what it tells you, and do you have a formal feedback loop to share that information with your commercial teams?*
- *What do your most valuable customers want?*
- *What are unmet customer needs?*

Take advantage of digital, mobile, and social tools and channels



Today's digital tools provide businesses with more opportunities, across more touchpoints, to interact with and influence their customers. Digital channels such as websites, apps, online portals, web-based videos, and user generated content provide the ability to meet customers' expectations of 24/7, frictionless access to product and service information through their preferred devices.¹

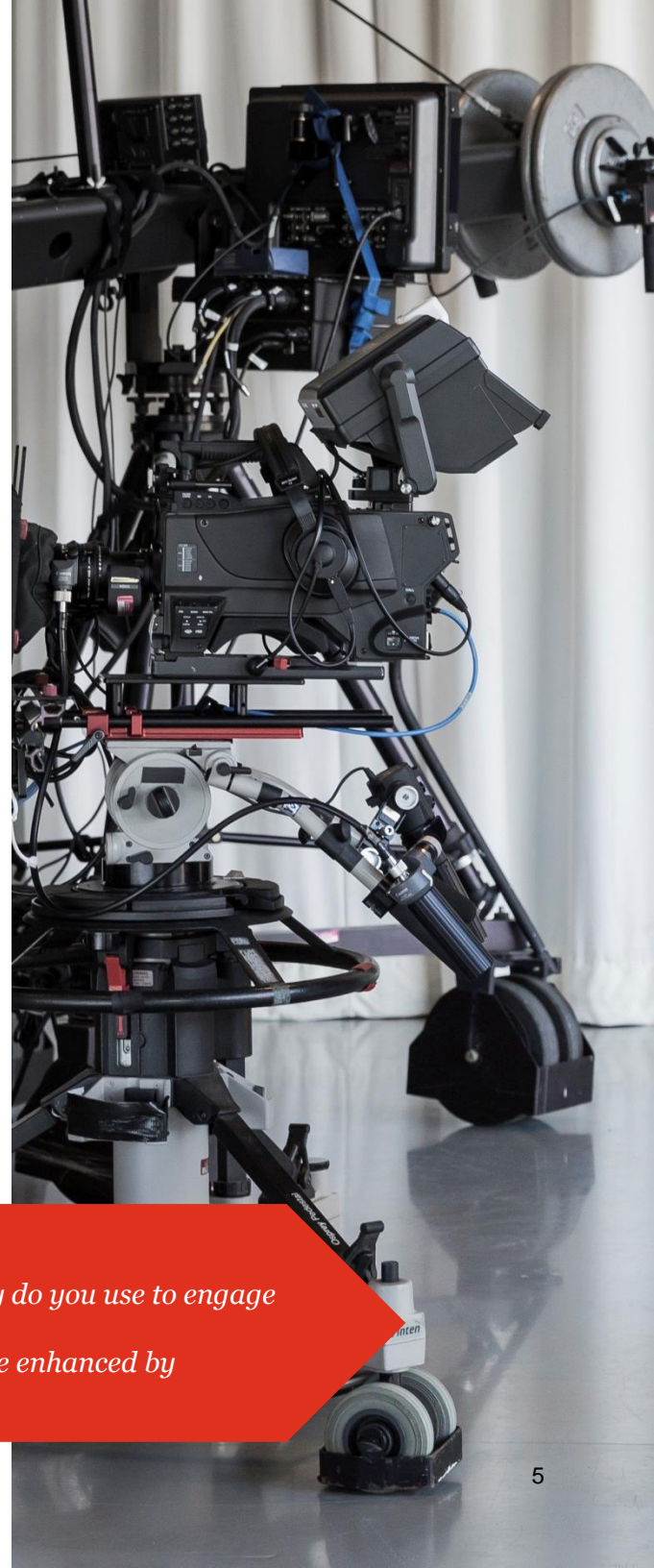
Sales and marketing can offer more targeted and fewer manual interactions through the use of digital tools. Social networks used in conjunction with CRM platforms empower marketing teams to offer messages with micro-relevancy² to reach smaller, but highly concentrated, market segments. In an industry where 'belly-to-belly' sales relationships are still the norm, digital tools extend those relationships to enable greater orchestration and customer involvement in arenas such as solution design and configuration as well as negotiating better value exchange. For example, a global glass manufacturer released a Youtube video that generated 25 million views, showing how their products fit into devices that are used in consumers' everyday lives. This video demonstrates the value to consumers in a unique and engaging way while reinforcing their brand value proposition.

¹ <http://www.pwc.com/us/en/advisory/customer/b2b-growth.jhtml>

² Business Customers Are Digital. Shouldn't Your Marketing Be?, Harvard Business Review, Beth Comstock and Linda Boff, August 4, 2011. "Micro-relevancy" is a term GE uses in reference to targeted smaller/more relevant customers.

Questions for commercial leaders:

- *What channels do your customers value the most and what strategies and supporting technology do you use to engage them in those channels?*
- *Are there current customer touchpoints where the customer experience and business value can be enhanced by digital means?*





Leverage customer insight to align pricing with value provided as opposed to traditional cost-plus models



Global markets, evolving channels, and shrinking product lifecycles all put downward pressure on prices; however, implementation of value-based pricing can improve price realization and win rates. Value-based pricing uses internal and external data to create a 360-degree view of customer and product profitability, value drivers, and service costs by segment. While organizing and interpreting this data typically requires investment in technology, this holistic view enables customer analytics to better align prices with customer value. Quantifying variation in willingness to pay and price sensitivity allows manufacturers to increase value capture, adjust pricing tactics and more accurately align offering and price to value provided. In addition, there are tactical approaches that manufacturers can adopt to improve price and margin realization. Solution pricing, generally a bundle of product or software and services, requires an additional level of pricing and analytical sophistication. However, manufacturers with this capability can increase customer and product lifecycle values by driving adoption of new products while reducing discounting on late lifecycle products.

Improved pricing is effective to the degree that it enables more educated customer negotiations and better outcomes. To that end, new quoting processes, sales, and negotiation capabilities are required to maximize value capture. Astute commercial leaders are implementing new pricing models that reflect customer value drivers, cost to serve the customer as well as geographical, segment, and channel variations. Pricing should be adjusted based on customers' perception of the company's products and services relative to the competition. Our experience shows that companies that deploy and automate pricing best practices can realize an increase of 1% to 4% in top-line revenue which translates to 10% or more increase in EBITDA.

Questions for commercial leaders:

- *Pricing model: How well do you consistently capture value and do you use advanced pricing methods?*
- *Discount strategy: How well do you manage discounts to minimize price leakage?*
- *Pricing technology enablement: What enabling technologies do you employ?*

Improve internal commercial collaboration



The globalization of markets is creating the need for coupling products and services, which has resulted in increased complexity and friction across business units and business functions. No longer can these functions operate with “me first” attitudes; the new way of doing business requires warmer handoffs and better information sharing across teams. This is particularly true for companies implementing a global or strategic account strategy. Knowledge sharing across teams creates the ability to tap into collective expertise and promotes transparency around marketing, sales, and pricing processes. Matrix organizations are typical for large manufacturers increasing the complexity associated with global collaboration. Companies must create cross-functional accountability for instances when strategic solution selling requires a combination of capabilities from multiple business units. To be successful, companies must develop global templates for commercial processes that allow for regional flexibility and provide a structure for managing dependency points along the customer buying journey.

Often these information sharing mechanisms are enabled by technology given that global teams are not co-located. When possible, the physical environment can be leveraged to establish open work spaces that encourage movement, collaboration and quick resolution of issues. While divergent from traditional ways of doing things, successful companies appoint formal customer experience leaders that work closely with sales and growth leaders to advance the customer agenda and serve as equal stakeholders in driving commercial excellence. Ultimately, better internal collaboration aligns commercial efforts to maximize the customer value proposition and improve profitability.

Questions for commercial leaders:

- *Are commercial teams organized by customer coverage or market coverage?*
- *How do you encourage and measure the effectiveness of collaboration?*
- *How is technology used to enable collaboration across your commercial teams?*





Match commercial capabilities with evolving business strategies and changing workforce expectations



Evolving customer expectations require that manufacturers re-think their workforce strategies. Employees need to be empowered with the knowledge, tools, and capabilities to meet the needs of customers who increasingly expect connected experiences, tailored sales pitches, real-time response, and multi-channel interactions.

These factors are driving the talent agenda for commercial leaders in the manufacturing sector. One of the biggest challenges facing manufacturers is the ability to attract and retain employees that are equipped to deliver these new customer experiences and commercial strategies. Nearly half of the manufacturing CEOs in the [Global PwC CEO Survey](http://www.pwc.com/gx/en/ceo-survey/2015/assets/pwc-18th-annual-global-ceo-survey-jan-2015.pdf) say they are worried about the availability of key skills. The challenges are complex; however, leading companies see an opportunity to harness a broad talent transformation to better tie roles and responsibilities with the new commercial approaches³. They are redefining competency and capability models and recruiting and developing talent to the new standard.

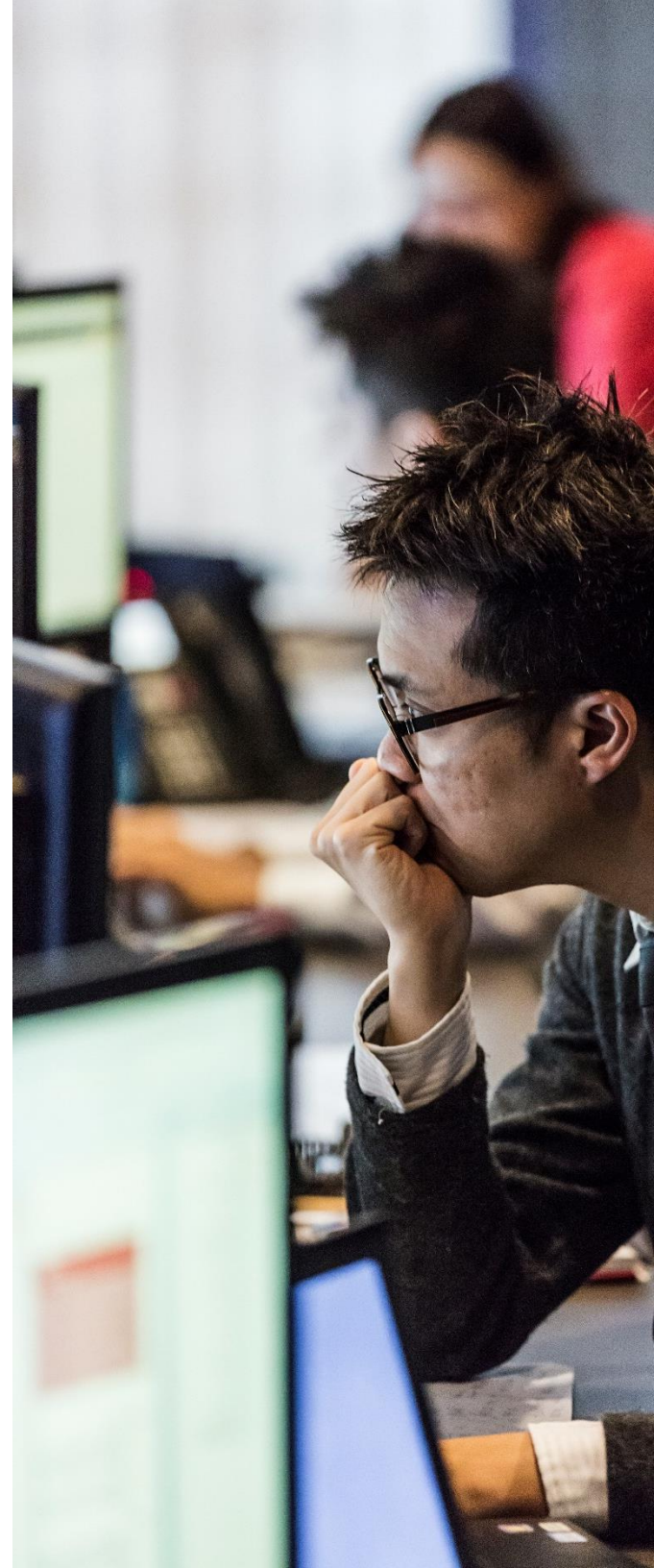
³ <http://www.pwc.com/gx/en/ceo-survey/2015/assets/pwc-18th-annual-global-ceo-survey-jan-2015.pdf>

Questions for commercial leaders:

- To what degree have you formally defined key commercial capabilities and competencies?*
- How are these capability and competency frameworks being used to drive recruitment and development of talent?*
- Have you prioritized capabilities and competencies based on correlation with high performance?*

Conclusion

This is an exciting time for diversified manufacturing companies. Forward thinking leaders that align their commercial strategies to meet evolving customer expectations are positioned for long term success. Execution of this transformation is challenging: manufacturers need to re-evaluate how they market, sell, and price solutions for global customers while empowering their own commercial teams to deliver these new strategies via new people, processes, and technology. However, one thing is clear: the status quo is not an option and impactful change will require orchestration with a broad array of internal stakeholders, improved understanding of customers, and a clear vision and definition of commercial success.



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