



? Situation

Your data has identified an opportunity that contains High Discounts, so what do you do next? Discounts vary greatly by industry and customer and, in most cases, remain as the main lever that sales reps utilize to win business based on price. Sales reps often discount to avoid losing the deal. However, with uncontrolled discounting practices, you risk not only reducing margins on the current deal but also setting customers' expectation that they can get a discount when you are under the gun.

While the Commercial Operations team is generally tasked with establishing and administering pricing and discounts, the complexity of doing this for thousands of deals across thousands of products and customers is a daunting task. High Discounts continue to be one of the primary sources of margin leakage as a result of some of the following circumstances:

- Increased price transparency on the Internet
- Increased global competition and supply chain
- Increasing commoditization of many product categories
- Industry consolidation leading to fewer and more powerful competitors

This paper provides recommendations on how to remedy High Discounts.

✓ Recommendation

The processes around establishing and offering discounts must be closely reviewed and managed. Below are some of the questions that can help you to identify areas for potential improvements.

- Do discounts vary by region, segment, industry, etc? Market situation, competitive environment, customer–product mix/complexity often differ?
- Are volume discounts established on an order basis or in annual agreements?
- Are discounts specific to product or product family, or governed across all products?
- Is there a consistency in discounting based on volume or customer classifications? Are there lower volume customers receiving higher discounts than high volume customers?

Reduce High Discounts

In your opportunity, you have received detail on where the opportunity lies and what the target value should be for the Discount as a % of Revenue. Based on your observations, we recommend that you take the following actions.

Condition	Action
Customer with High Discount	<ol style="list-style-type: none">1. Evaluate the opportunity while taking the discount levels for other similar customers into consideration.2. Take the Target Discount % recommendations by product for this customer, and establish the Target Discount policy for this customer.3. Communicate to the account sales representative to initiate a discount change on:<ul style="list-style-type: none">• The next order• The next contract to be negotiated
Product with High Discount	<ol style="list-style-type: none">1. Evaluate why this product is under discount pressure:<ul style="list-style-type: none">• Is the competitive situation well understood?• Should the List Price be adjusted?• Are the sales reps properly selling the value of this product?2. Take the Target Discount % recommendations for this product, and establish the Target Discount policy for this product.
Region with High Discount	<ol style="list-style-type: none">1. Evaluate why this particular region is under more discount pressure than others.2. Take the Target Discount % recommendations by product for this region, and establish the Target Discount policy for this region.3. Create Regional Adjustments that bring the pricing for this region more in-line with other regions. For example, consider if the Northeast normally garner greater price than the Southwest.
Sales Rep with High Discount	<ol style="list-style-type: none">1. Evaluate why discounts are high for this sales rep:<ul style="list-style-type: none">• Does the sales rep fully understand the value of the product and is selling the value properly?• Is more training or tools necessary for this sales rep?• Should the incentive system include a discount-based component as well as a revenue-based component?2. Take the Target Discount % recommendations by product for this sales rep, and establish the Discount Target policy for this sales rep.
Combination of the above factors	Take the recommendations listed above for each factor.