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# Global B2B Benchmark Report

AI analysis of billions of transactions reveals
four common drivers of preventable profit and revenue loss
in B2B manufacturing, distribution and service companies.

**Updated March 2019**

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# Executive Summary

## *Identifying Problems, Designing Solutions*

Year on year, industry pricing practices and sales cycle complexities lead to lost revenue and profit margin leakage, even for the most successful B2B organizations. Zilliant helps companies to identify areas of leakage and then design corrective actions to improve performance.

## *Four Factors Relating to Pricing and Sales Complexities Linked to Revenue and Profit Margin Losses*

By running a unique blend of artificial intelligence (AI) driven diagnostics on order transactions, Zilliant discovered four factors causing B2B companies to consistently experience significant revenue and profit margin leakage. The findings provided in this report can serve as a benchmark guide for B2B companies and show:

1. Where the vast majority of businesses experience revenue and margin leakage; and
2. The impact of these losses on their business.

The four factors driving significant lost revenue and profit leakage are:

- Customer Churn
- Cross-Sell
- Inconsistent Pricing
- Misaligned Market Pricing

Customer churn and cross-sell are factors that reflect an organization's sales complexity and have a major impact on revenue. Inconsistent pricing and misaligned market pricing reflect an organization's pricing complexity and have a similarly profound impact on profit margin.

# Executive Summary

## Traditional Analytics Don't Reveal the Scope, Source or Solution

The majority of B2B companies have difficulty correlating these four factors to business fundamentals and pinpointing their degree of impact. This is because most companies run traditional analytics that do not reveal the scope, source or solution to revenue and profit leakage. As a result, areas of opportunity remain undiscovered and revenue and profit margin losses continue to occur unrecognized.

Zilliant's second annual benchmark study, which uses AI technology to examine four years of transactions, finds the potential revenue and profit margin impact, stemming from these four factors, remains significant and largely unaddressed.

## Analytical Summary Reveals the Need to Address the Opportunity

The AI-derived benchmarks for these four factors reveal that overall, manufacturers, distributors, and service companies lose between 7.6% and 30.8% in revenue from customer churn and lost cross-sell opportunities. Profit margin leakage from pricing inconsistencies and misaligned market pricing ranges from 1.8% to 13.4%.

These benchmarks illustrate the real opportunity for B2B companies in detecting the size of revenue and margin loss associated with these four factors.

AI-enabled technology, not only helps uncover the opportunity, but also provides the actionable guidance necessary to implement corrective action and recover the losses stemming from revenue and profit margin leakage.

The following sections detail the findings of Zilliant's 2019 Global Benchmark study.

# Introduction

### *Industry Complexities Cause B2B Companies to Miss Out on Profit and Revenue Growth*

For manufacturers, distributors and service companies, the B2B market is full of challenges. Amongst those challenges, lost revenue and profit leakage are the most pressing, but they are often preventable.

Some of the causes of market challenges are beyond a company's control, like an evolving competitive landscape or volatile supplier costs. Other normal business factors, like increasingly complex product lines, customer networks and salesforce turnover, inhibit growth unnecessarily. Additionally, sales reps often manipulate price to manage customer relationships, even as companies fight margin erosion.

Business intelligence and traditional analytics do not typically reveal the scope or source of revenue and profit leakage, predict or prescribe adjustments per customer and product, or support processes bolstering revenue to supplant profit leakage.

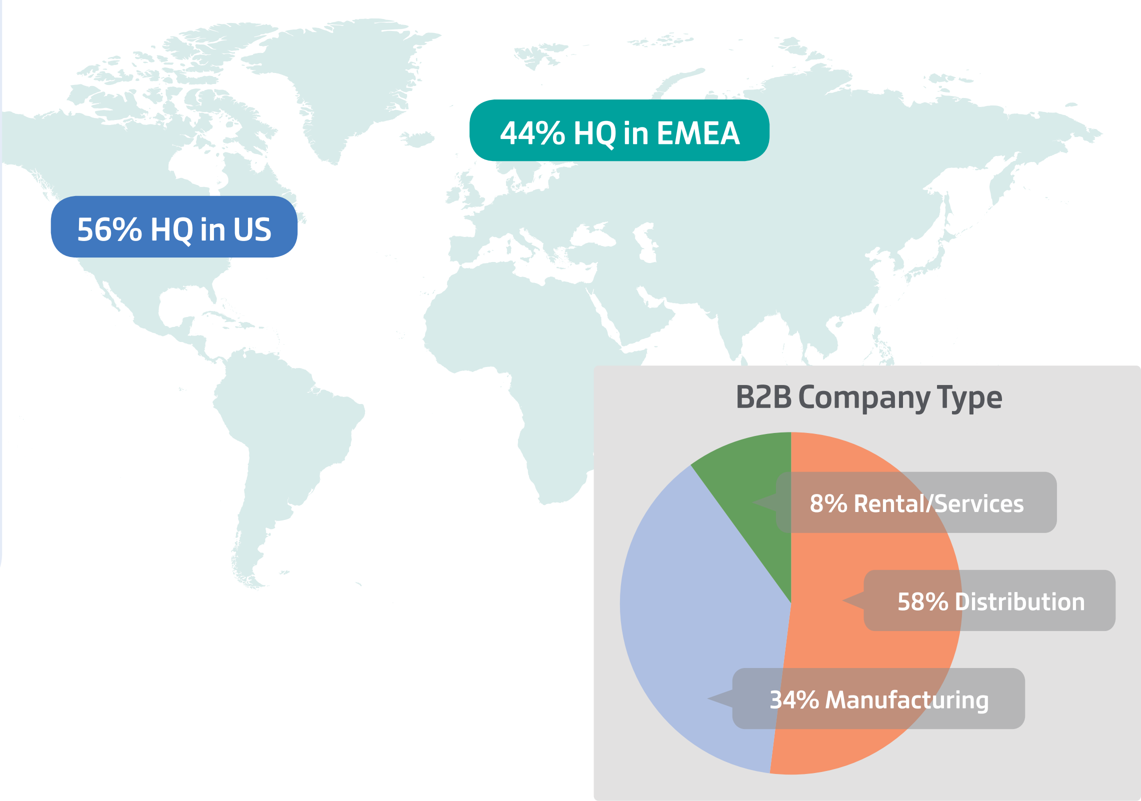
## Benchmark Data: An Accurate View of B2B Revenue and Profit Leakage

For this 2019 edition of the Global B2B Benchmark Report, Zilliant applied proprietary AI-driven machine learning to transactions, worth over $181 Billion, from more than 6.3 Million customers worldwide, to produce a study of unprecedented scope. With more than 1.4 Billion transactions under analysis, the depth of data analyzed provides a more complete picture of lost revenue and profit margin opportunities than Zilliant first addressed in its 2018 study. Using this data, companies can see where they are positioned relative to others in terms of potential revenue and profit margin opportunity. See details in Figure 1.

Differences in revenue and profit loss between the 2018 report and this 2019 edition are due to a higher number of manufacturers in the data set, which contributes to a more even distribution and a more accurate picture across industries.

- 6.3 Million Customers
- 4.9 Million Products
- More Than 1.4 Billion Transactions
- 4 Years of Data
- $181 Billion in Transactions
- 15 Currencies
- $37 Million - $4.8 Billion Company Revenue
- 16% Fortune 500

**Figure 1: Benchmark Data**



# Key Findings

### *A $1 Billion Company May Forfeit up to $300 Million in Revenue and up to $134 Million in Profits Every Year*

B2B manufacturers, distributors, and service companies miss out on anywhere from 7.6% to 30.8% of potential revenue from lost customer churn and cross-sell due to sales complexity, along with 1.8% to 13.4% in potential profit margin loss annually from inconsistent pricing and misaligned market pricing practices. AI-driven analysis enables the systematic discovery of profit leakage and price optimization opportunities to simultaneously improve top-line and bottom-line growth.

Zilliant's analysis reveals that the four factors contributing to missed revenue and profit margin due to sales and pricing complexities are:

- **Customer Churn:** Impacts revenue when a sale is lost to a competitor
- **Cross-Sell:** Impacts revenue when customers don't buy at the volume expected
- **Inconsistent Pricing:** Impacts profit margin due to a wide variance in pricing practices
- **Misaligned Market Pricing:** Impacts profit margin due to pricing that is not aligned to market conditions

In the sections that follow, bar charts show the percentage of revenue and profit lost by companies at the low, middle, and high end, omitting outliers beyond the 10th and 90th percentile.

# Benchmark Study Detailed Findings

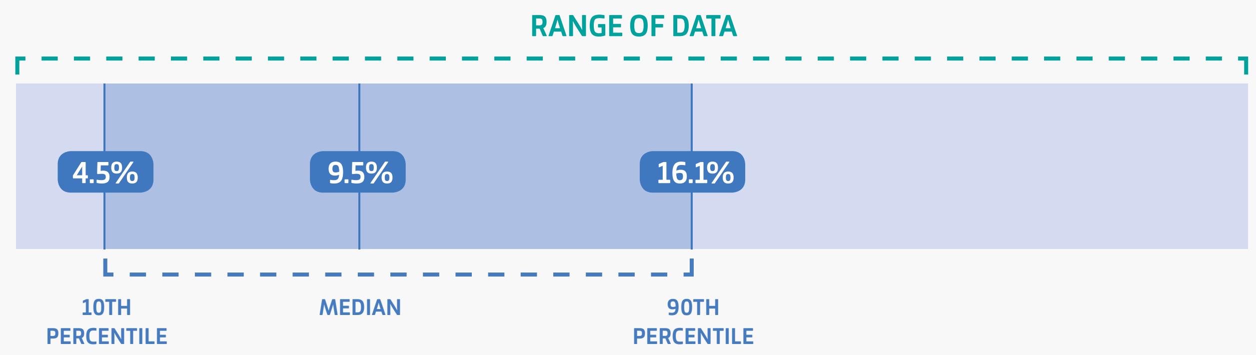
## Customer Churn: Unnoticed Loss of Revenue to Competitors

Customer churn, measured at the product category level, accounts for decreased sales and customers lost to competitors, both of which offset business from net-new customers.

Most companies lose out on between 4.5% and 16.1% of revenue due to declining product category purchases and competitor defection. Capturing that revenue at current margin rates improves the top and bottom line.

For the transaction data analyzed, the following chart shows the distribution of companies by percentage of revenue that was lost to customer churn.

### Figure 2: Customer Churn



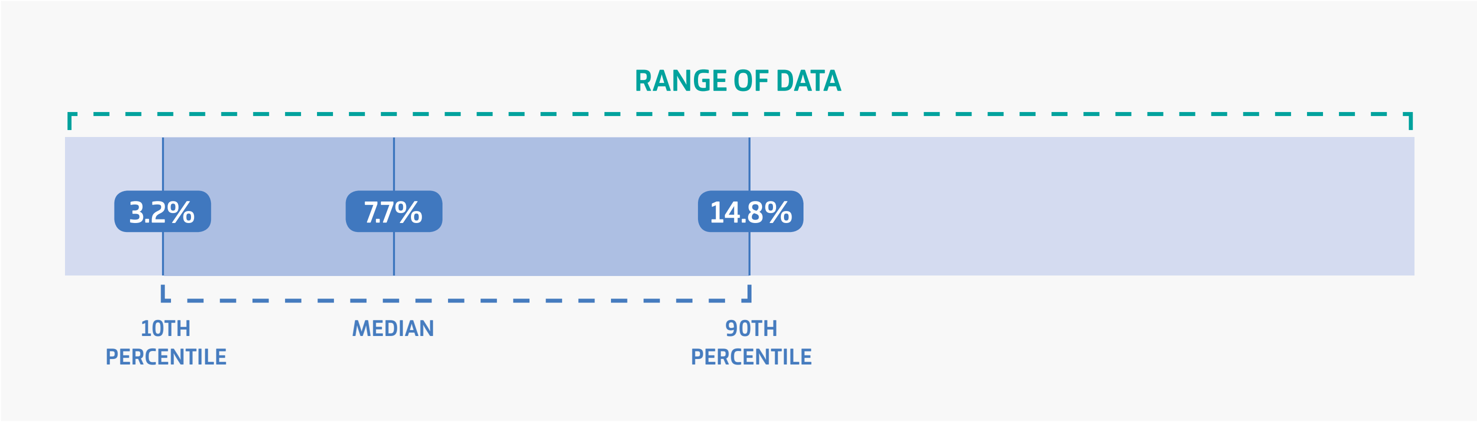
# Cross-Sell: Product Categories Customers Aren't Buying at Expected Levels

Cross-sell is measured, at the product category level, as lower-than-expected wallet share based on a customer's quantified spend potential.

Companies miss 3.2% to 14.8% of revenue annually for product categories they sell — and their existing customers need — that are not bought at expected levels. Identifying these categories can enable companies to capture that consumer segment at current margin rates, improving top-line and bottom-line growth.

The following chart, based on the data analyzed, shows the distribution of companies by percentage of revenue lost to missed cross-sell opportunities.

## Figure 3: Cross-Sell



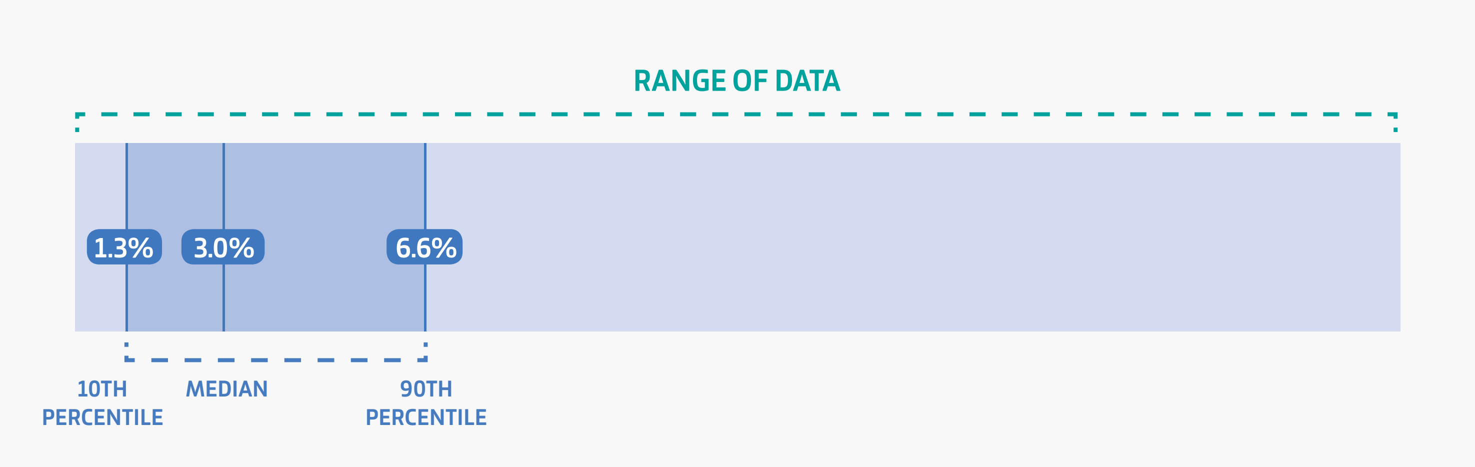
# Inconsistent Pricing: Variance in Pricing Practices

Pricing inconsistencies are transactions that have too wide a data variance. Typically, these prices are impractical based on market, product, or customer circumstances. In some cases, prices are too high to be competitive, or smaller customers receive better prices than large strategic accounts. In other cases, prices fail to reflect customers' true price elasticity — too many transactions are over- or underpriced.

Most companies lose 1.3% to 6.6% of profits due to inconsistent pricing practices. The systematic discovery and correction of pricing inconsistencies can benefit top-line and bottom-line growth.

The following chart, based on the data analyzed, shows the distribution of companies by percentage of profit that was not captured due to pricing inconsistencies.

## Figure 4: Inconsistent Pricing



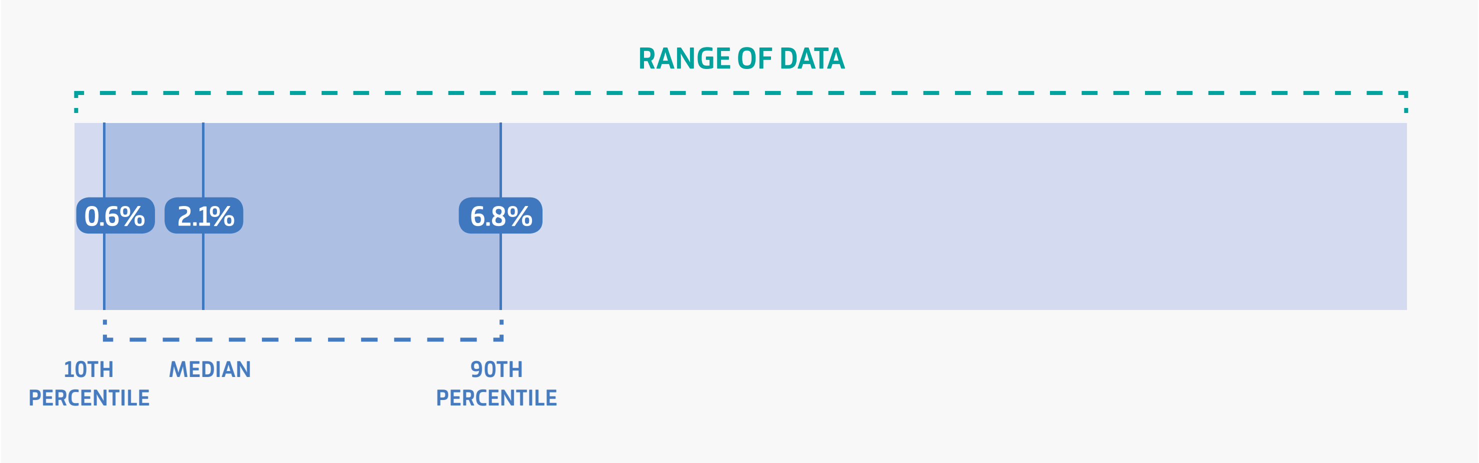
# Misaligned Market Pricing: Prices That Don't Reflect Market Conditions

Misaligned market pricing includes price quotes that are systematically rounded — out of market context — and transacted below minimum margin thresholds. It also includes pricing that does not quickly and accurately account for cost changes.

Most companies lose 0.6% to 6.8% of profit through pricing that does not accurately align with market conditions. Correcting this problem can improve top-line and bottom-line growth.

The following chart shows the distribution of companies by percentage of profit that was not captured due to misaligned market pricing and is based on the data analyzed.

## Figure 5: Misaligned Market Pricing



# Conclusion

The evidence in this report supports Zilliant's conclusion that B2B companies have significant opportunities to grow revenue and plug profit margin leaks. Attributing these opportunities to the right factors requires applying AI-driven technology to data that already exists within a B2B organization. The significant profit and revenue potential missed throughout the B2B market suggests that investments in technology to better direct and support teams dedicated to growing revenue and margin is easily justifiable.

*This second annual Global Benchmarking Report was written collaboratively by the Zilliant Data Diagnostic team, a team that brings over 15 years of in-depth expertise working with global B2B manufacturers, distributors and service organizations in two domains:*

*1. Applying Artificial Intelligence (AI) driven diagnostics to transaction data*

*2. Analyzing and consulting on processes around pricing and sales go-to-market methods*

*For this report the team applied their deep experience in AI-driven diagnostics to customer transaction data in order to identify the most important benchmarks that organizations should use to measure revenue and margin opportunities relating to pricing.*

## About Zilliant

We help companies increase profitable growth by applying predictive intelligence to your customer and transaction data, so you always know what to sell, to whom, when, and for what price.

Zilliant uses advanced AI machine learning and sophisticated predictive models to deliver customized, actionable guidance to your team in real-time, and through your existing platforms.

With Zilliant you can achieve profitable growth, increase competitive advantage, reduce business complexity, and successfully implement transformative solutions that maximize the lifetime value of every customer.

The Zilliant IQ™ Platform is proven to:

- Increase B2B customer lifetime value by 20% or more
- Drive revenue 3-10% and lift profits 5-10%
- Deliver a 10-20x return on investment

The benchmarking metrics are a complimentary service provided by Zilliant. To discover if your company is a fit for this diagnostic data assessment, please visit **http://experience.zilliant.com/benchmark**

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720 Brazos Street, Suite 600 Austin, Texas 78701

512 531 8500

**zilliant.com**