

PRICING FOR BUSINESS ADVANTAGE

Deep Dive: Implementing Price Optimization Software

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SANDVIK MINING & ROCK TECHNOLOGY
Value Pricing and Sales Transformation

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LEARNINGS

WHO WE ARE AND WHAT WE DO

01

WE ARE PRICING EXPERTS DRIVING TECH

02

DELIVER OPERATIONAL PRICING SOLUTIONS

=

HIGHEST POSSIBLE ROI FOR OUR CLIENTS

navetti

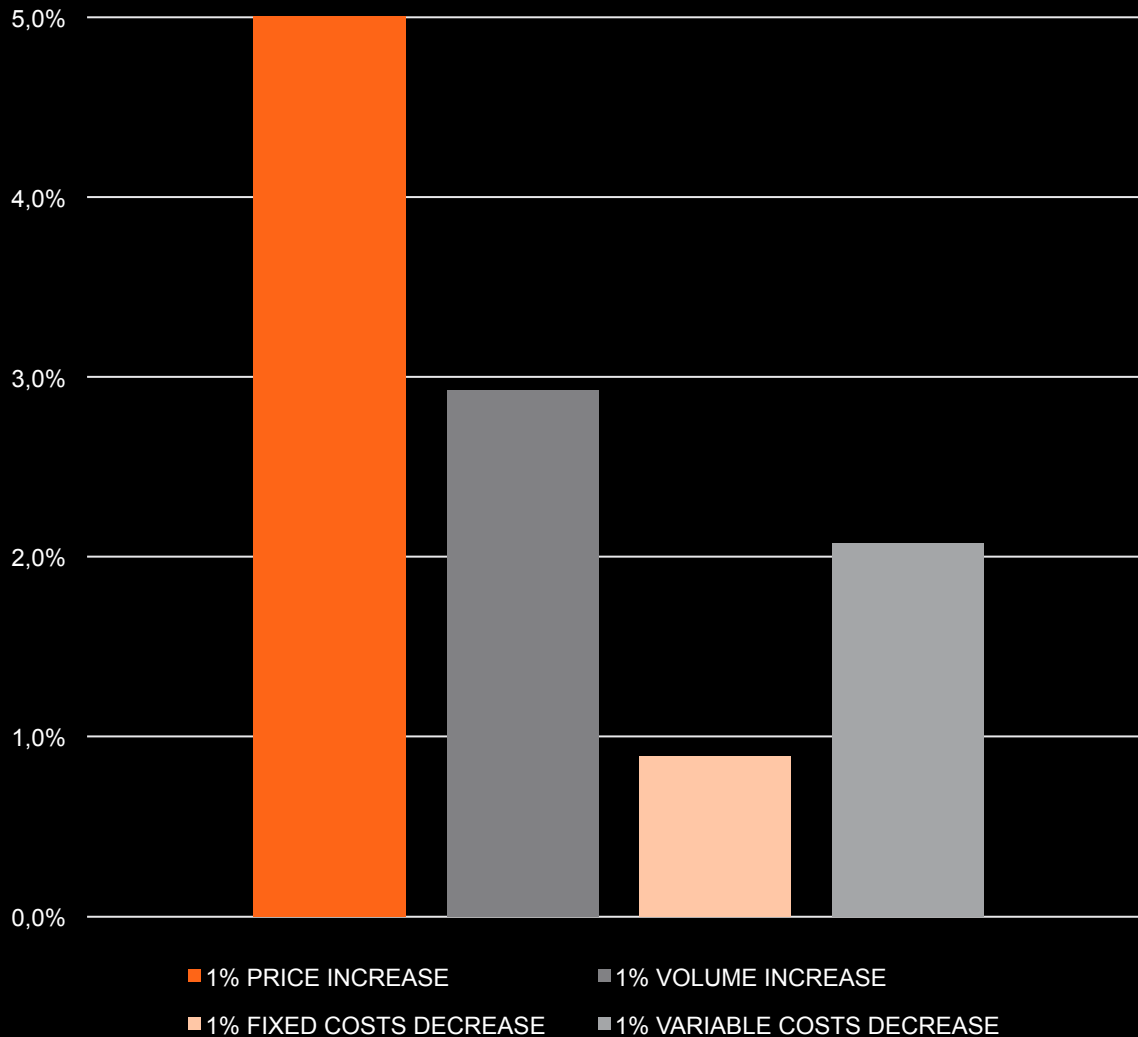
SEBASTIAN CABBE - ANALYST

5/13/2018

IPF Paris 2018

THE POWER OF ONE

PROFIT INCREASE



ASSUMPTION FIXED COST 30%, VARIABLE COSTS 70%:

6/13/2018

“The single most important decision in evaluating a business is pricing power”

WARREN BUFFETT

IPF Paris 2018

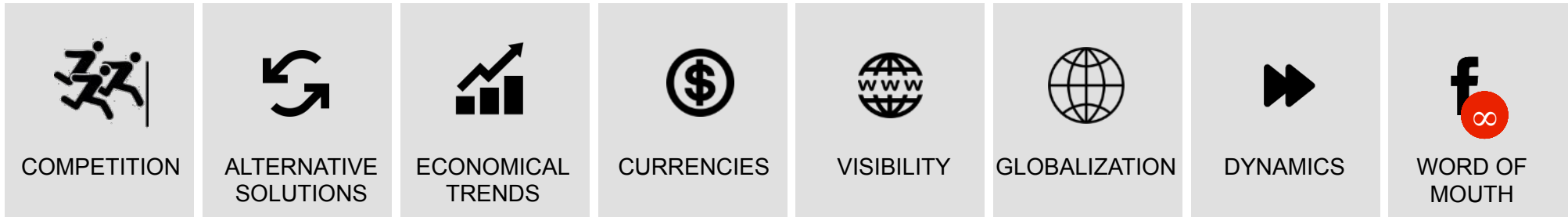


OPPORTUNITY

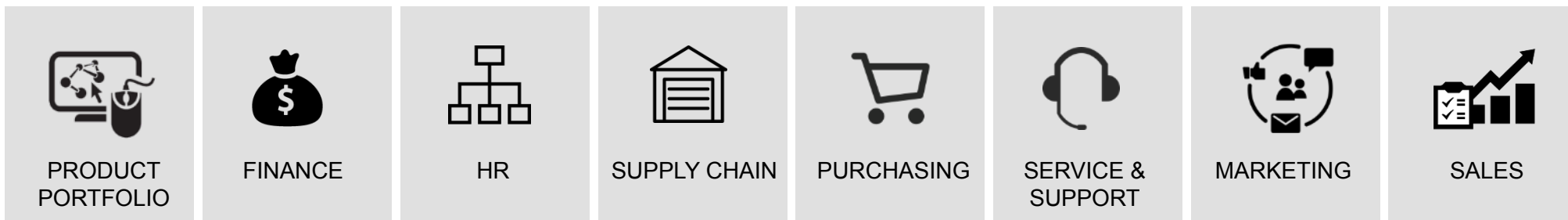
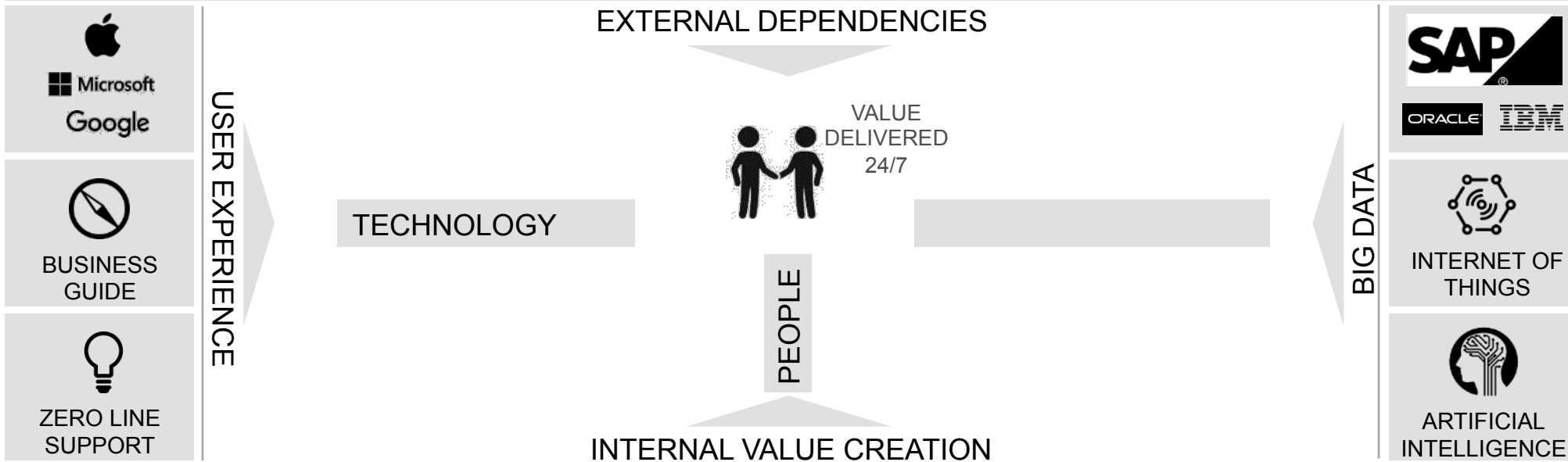
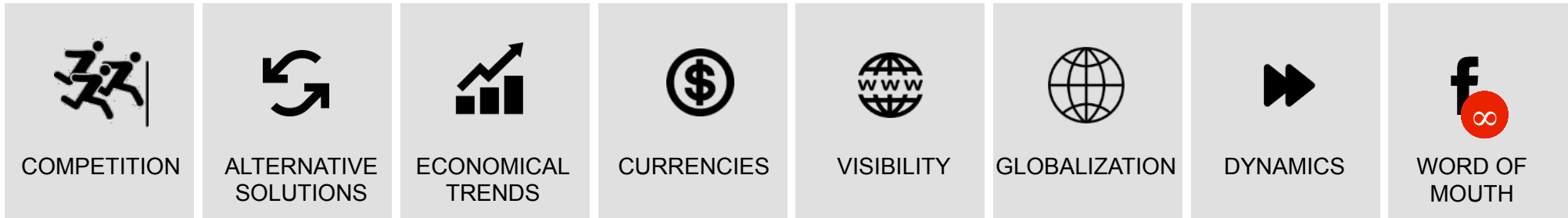
OPERATIONAL

RISK

Digitalization: People & Technology



Digitalization: People & Technology

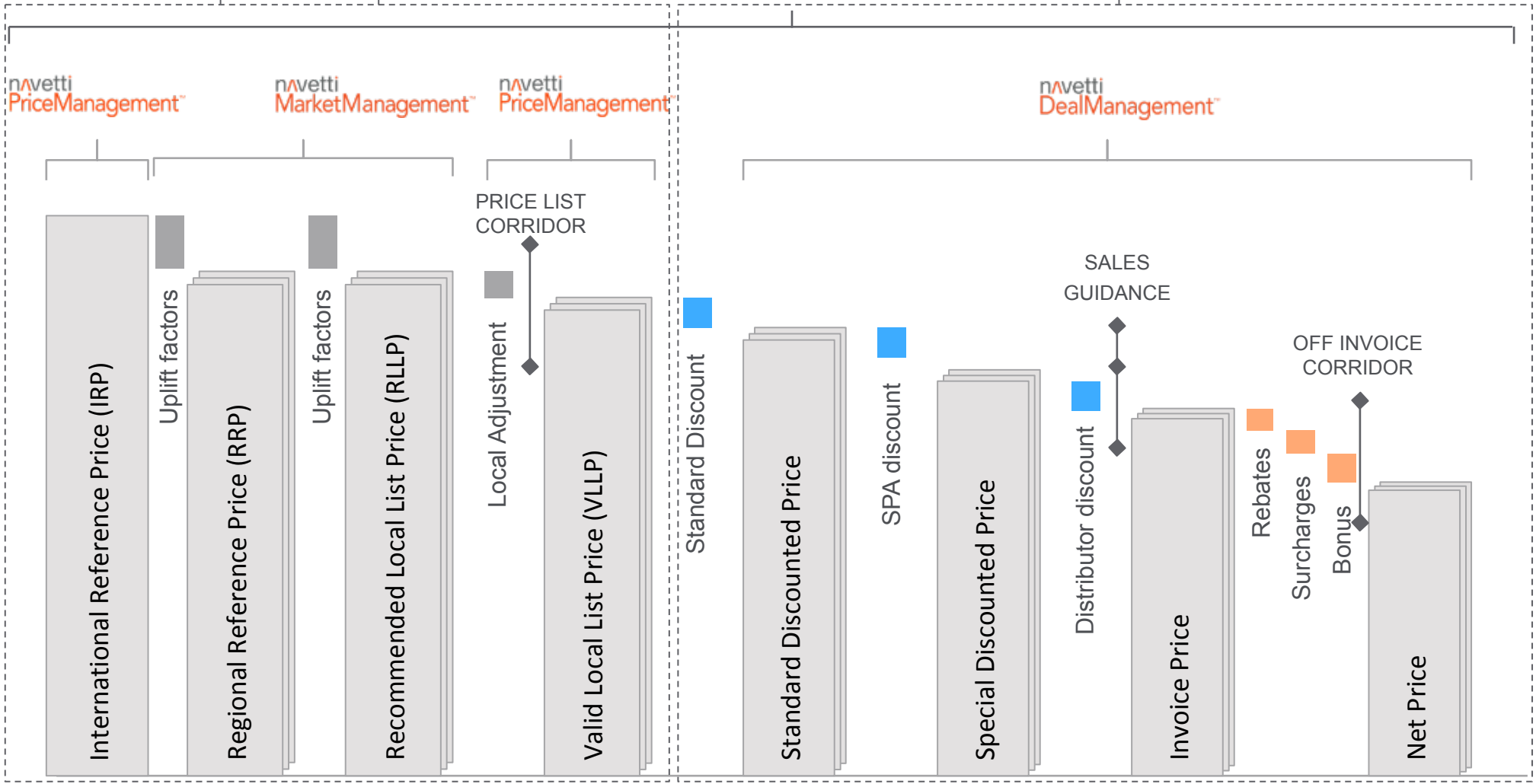


Generic Price Waterfall

CREATE VALUE – PRICE SETTING

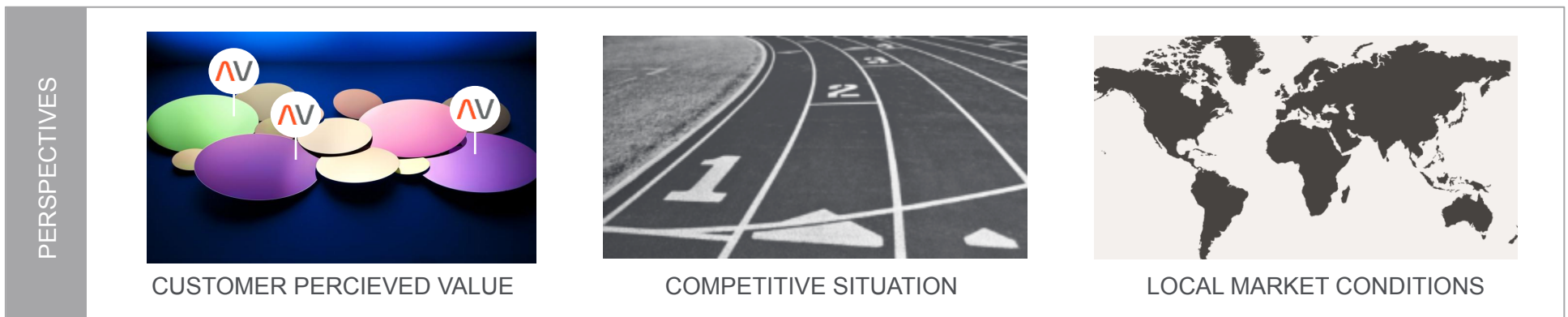
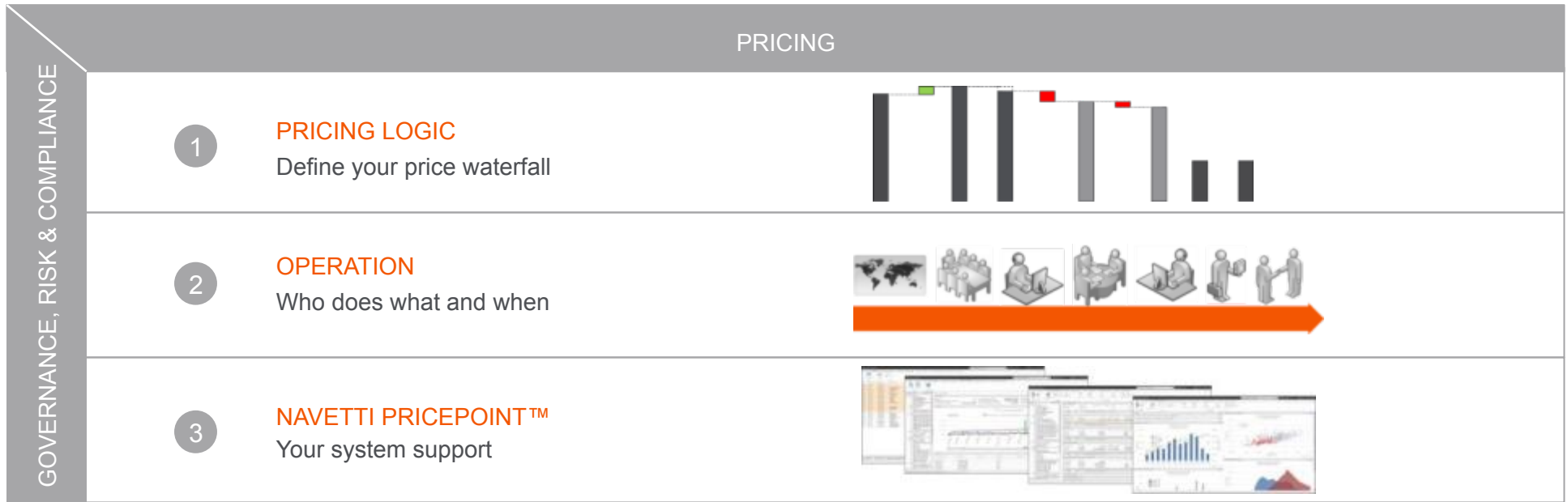
navetti PerformanceManagement™

CAPTURE VALUE – PRICE GETTING



On invoice Off invoice

Pricing Model for Business Advantage



INSIGHT

Fact!

WORKSHOP SERIES
PROOF OF CONCEPT
ASSESSMENT
PILOT
INITIATION

IMPLEMENT

Done!

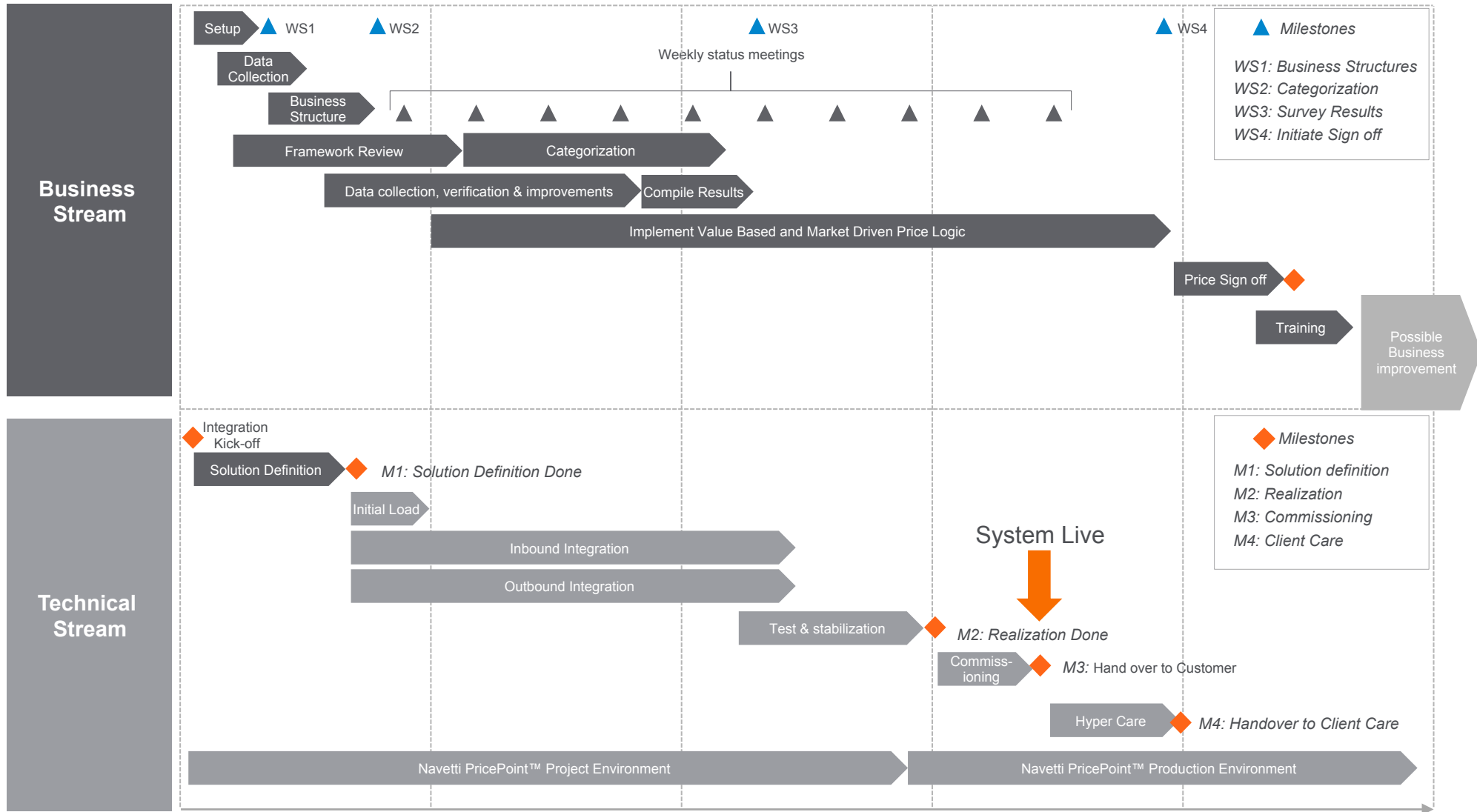
STRATEGY
OPERATIVE MODEL
BUSINESS INTEGRATION
TECHNICAL INTEGRATION
BUSINESS OPTIMIZATION
CENTRAL IMPLEMENTATION
LOCAL IMPLEMENTATION

IMPROVE

Excellence!

CLIENT CARE
KNOWLEDGE CENTER
OPERATIONAL SUPPORT
AUDIT
PEAK EXCELLENCE

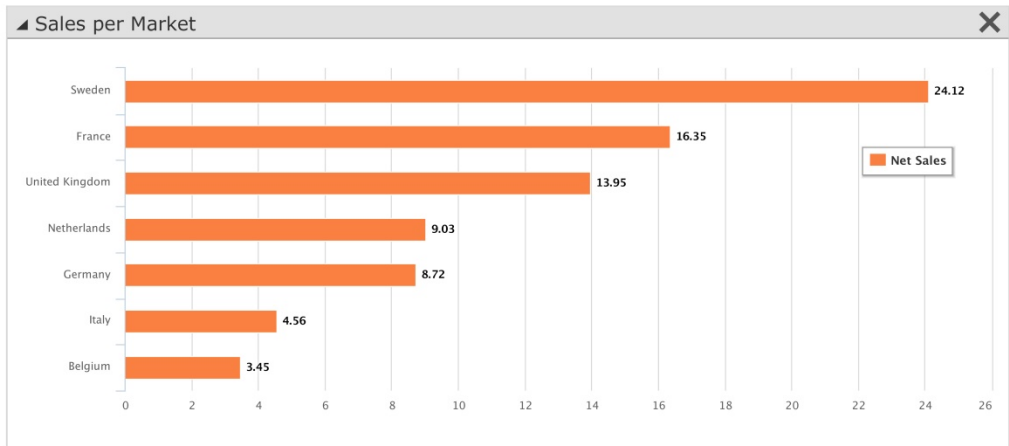
Full Implementation Project



Dashboard Manage Dashboard Reports Sales Analysis Reports Sales Analysis Grid

Alerts

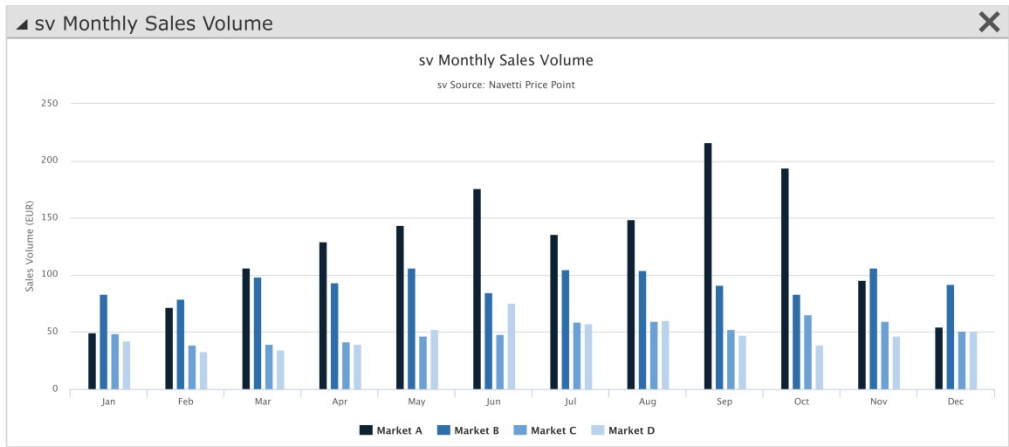
- 0 New Items in the last 7 days that are not categorized.
- 2 New Items in the last 7 days that are not priced.



Workflow

- 0 Approve Price Revision
- 0 Approve Campaigns
- 0 Approve Deals
- 0 Approve New Product Lists

Item Alerts



- Functional Alerts
- Corporate News



INFORMATION SECURITY CONTROL CERTIFICATIONS

ISO 27001



SOC 1



SOC 2



Information security standard

Service Organizations: ICFR

- Report on Controls at a Service Organization Relevant to User Entities'
- Internal Control over Financial Reporting (ICFR)

For Service Organizations: Trust Services Criteria

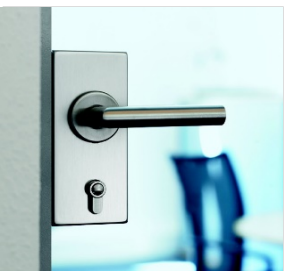
- Report on Controls at a Service Organization Relevant to Security,
- Availability, Processing Integrity, Confidentiality or Privacy



AIRBUS
HELICOPTERS



Atlas Copco



ASSA ABLOY



HELLA



WÄRTSILÄ



PIERCE



DeLaval



thyssenkrupp



bilstein group



Electrolux



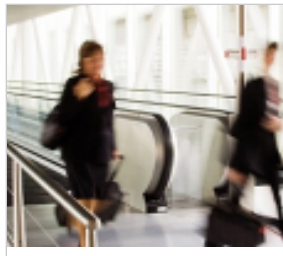
ABB



SCANIA



PON CAT



KONE



OLYMPUS



Outotec



STIHL



GE Healthcare



IKEA



KIA



KALMAR



SANDVIK



Mekonomen Group



ALFA LAVAL



BOMAG
FAYAT GROUP



HEIDELBERG



Tetra Pak



orio

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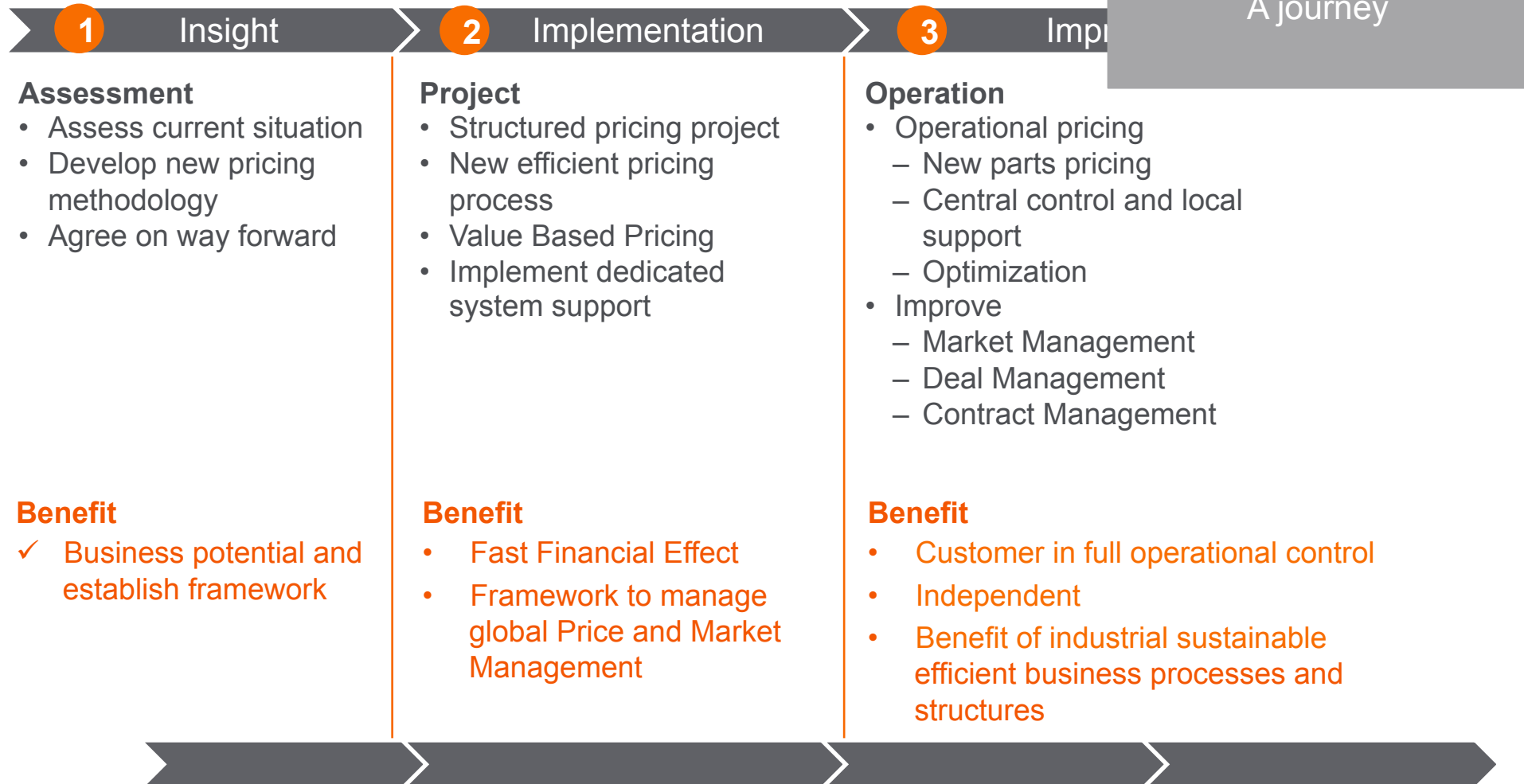
Proposed Pricing Framework in Line With Customer Corporate Strategy

- Reaching world class performance in operations as well as in shareholder value creation. The strategy is focused on increasing profitability, strengthened position in attractive markets and segments and a more active portfolio management. The strategy is based on four success factors:
 - **AMBITION** to be world class in every core area
 - Higher **SPEED** in every process,
 - Increased **FOCUS** in selected core businesses
 - Become truly **GLOBAL** in mindset and organization but with strong **LOCAL** adaptations.

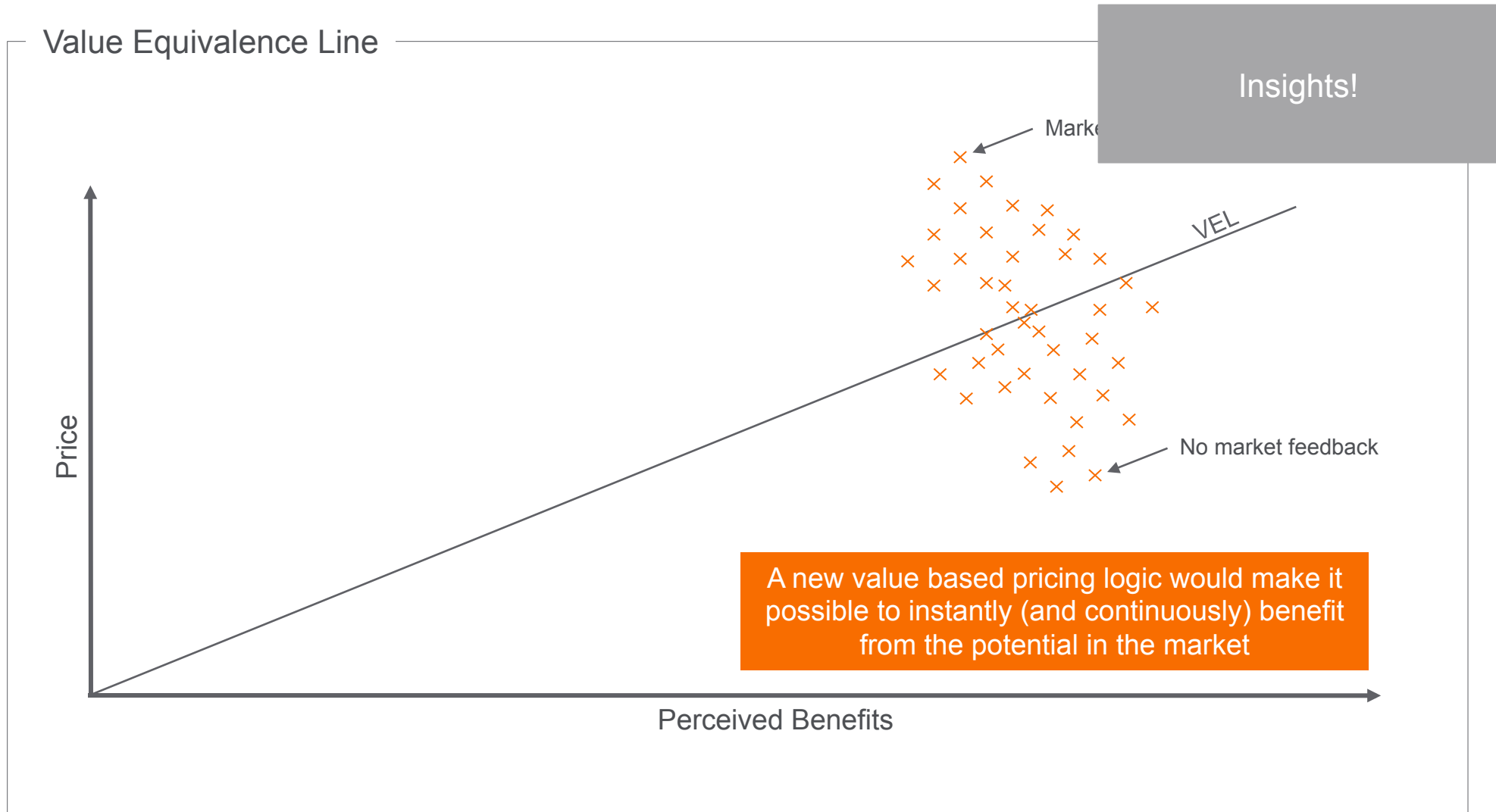
Align to overall business objectives

High Level Transformation Work Timeline

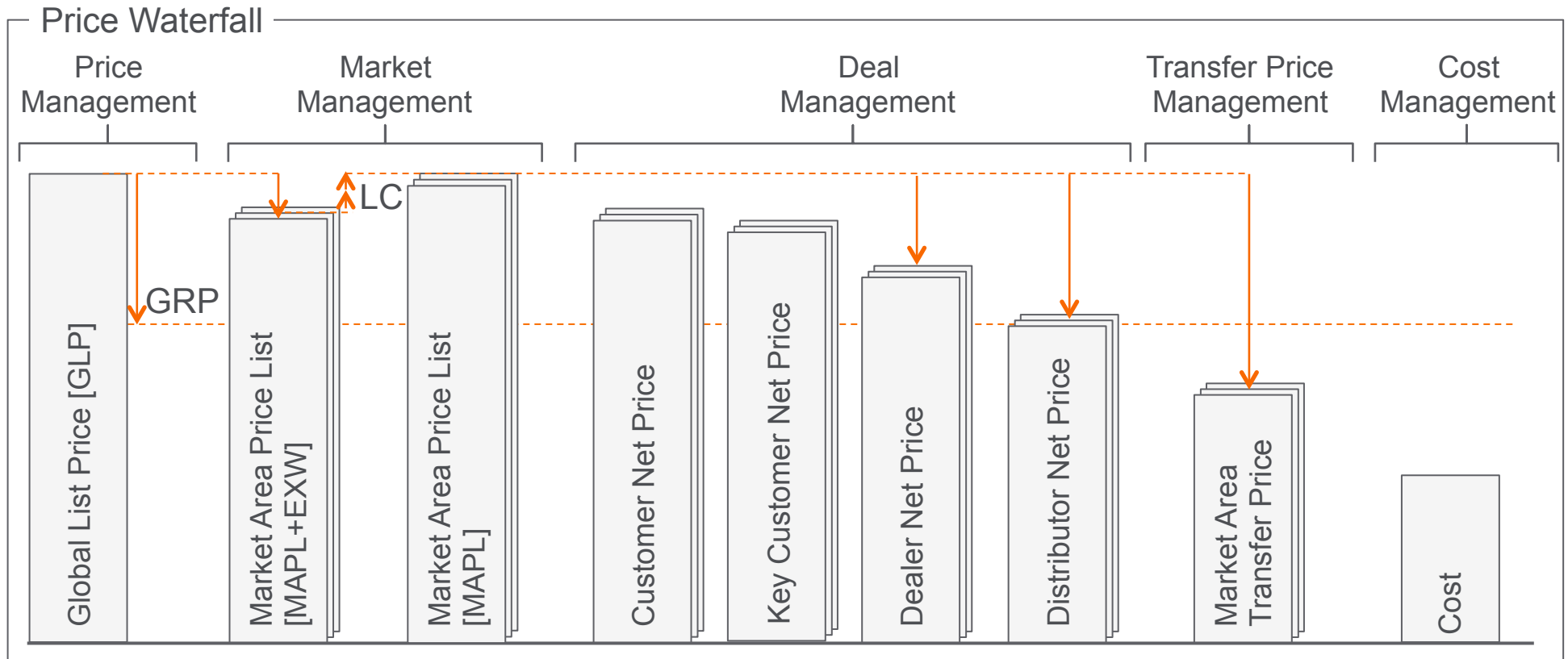
Fast Result & Global Price Management Process



Customer Starting Point: Market accepted margin **navetti**



Target Price Waterfall

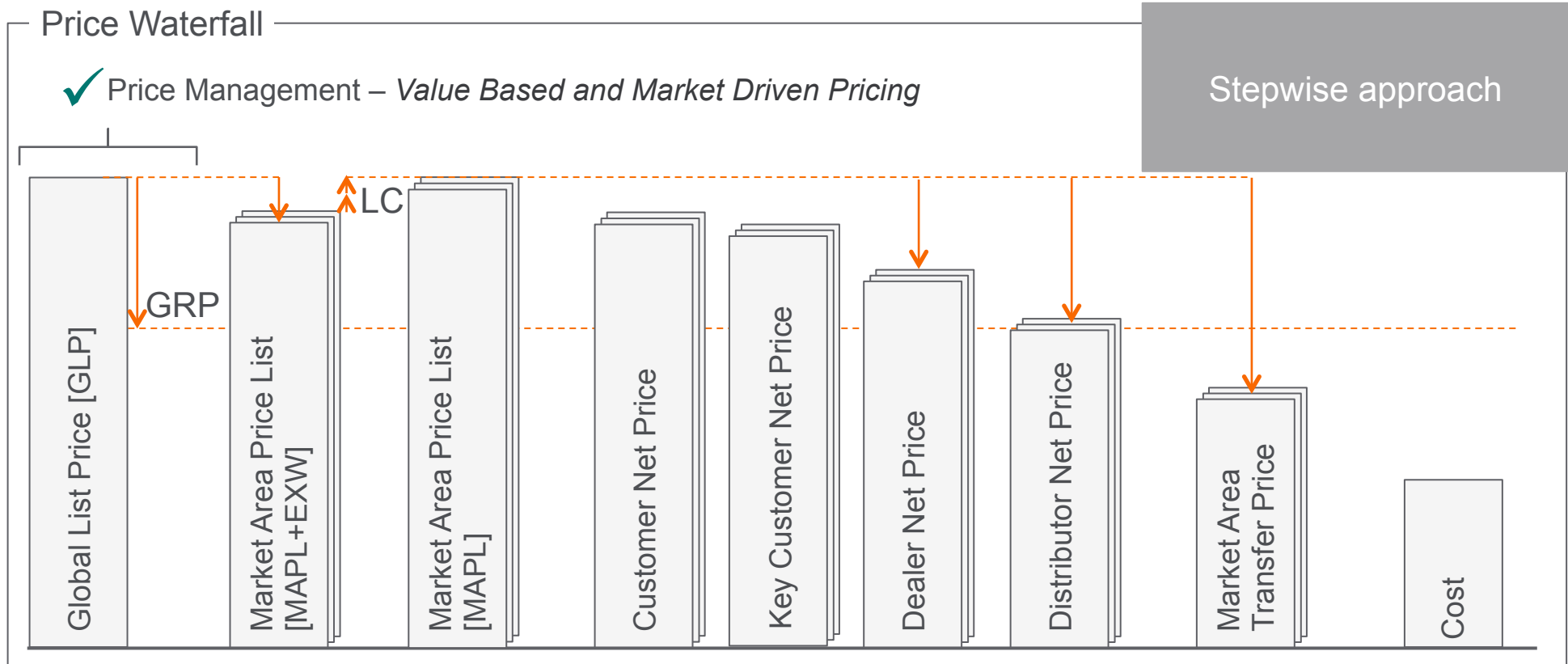


Why the need of a solid methodology and system support?

- Example Optimize Market Prices:
- 300 000 products
- 70 Markets
- 42 300 000* Price Points to optimize in a dynamic world



Target Price Waterfall

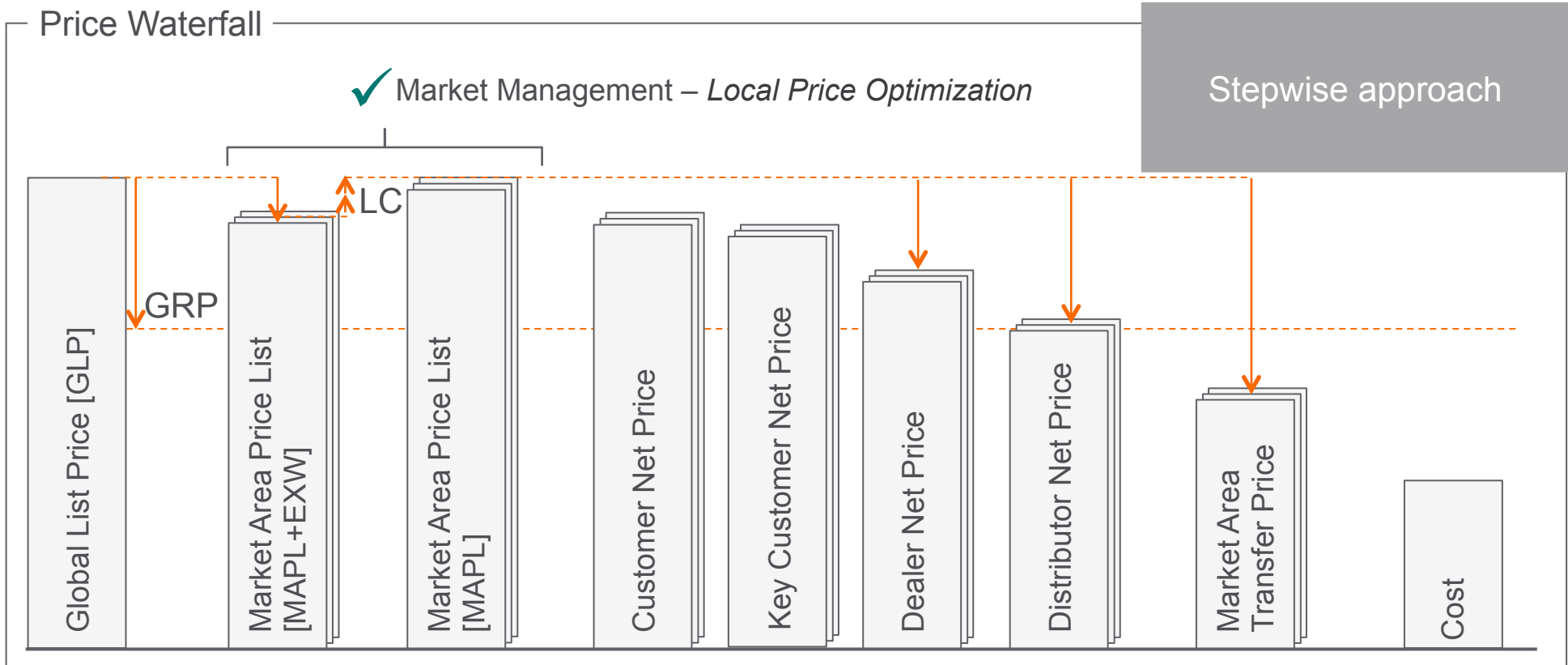


Price Management

Value based and market driven pricing starts with a top down approach by setting logical price structures based on customer perceived value and competitive environment. The logical price structure will reflect the value drivers perceived by the customers, and thereby strengthen the customer trust and improve overall profitability.

- The spares should be grouped into uniformed families. Estimation made during the assessment suggest ~900 families.
- Each family will have a specific target price logic, defined by a set of value drivers (such has power, material, application, productivity)
- The target price structure should reflect the customers perceived value and the competitive market situation Value based and market driven pricing is the preferred approach. Cost plus pricing can still be used in combination with captivity and criticality to mimic market pricing as a fallback solution.

Target Price Waterfall



Market Management

The characteristics of the local market needs to be considered including local competition, macro economical trends and currency fluctuations as well as Landed Cost (LC) and local infrastructure. The value based and market driven Global List Price [GLP] is adapted to the local environment, creating the Market Area Price List [MAPL + EXW], considering local infrastructure, while keeping the price structure intact. The landed cost is added to create the final MAPL, the landed cost can be split into separate sub factors.

- The business risk with inconsistent price structures between similar assortments is managed with a common GLP logic
- The business risk with inconsistent and uncontrolled price levels between markets can be managed with offset factors and LC
- Simulations of updated GLPs and new market adjustment factors, based on macro economical trends currency effects and strategic decisions supports the revision process
- The MAPL should reflect local purchasing power, competitive market situation and be defensible by facts such as LC and local infrastructure

Transformation to Pricing Excellence at Customer

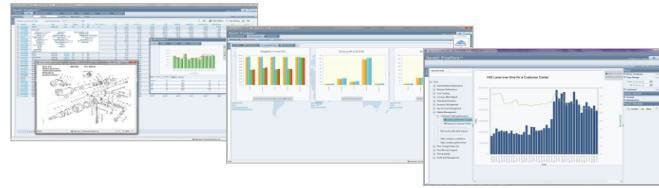
Business Transformation

1. Collect current price structures to understand as-is

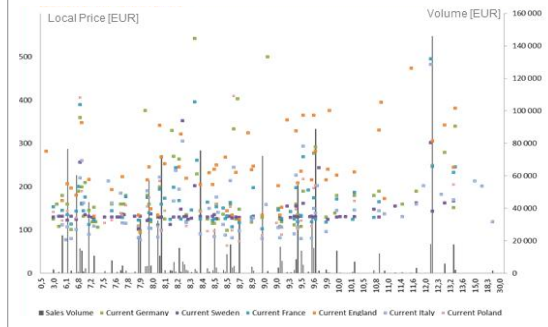
2. Pricing repositioning, implementation and integration

3. Go to market with consistent pricing globally

Navetti PricePoint™



Margin trends with limited control

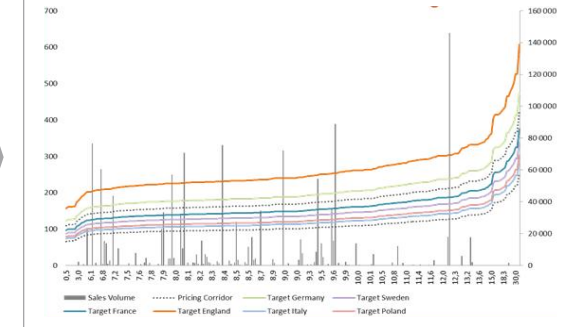


Navetti Services

Navetti implementation tools for;

- Business Integration
- Price Optimization
- Market Consistency

Pricing Excellence

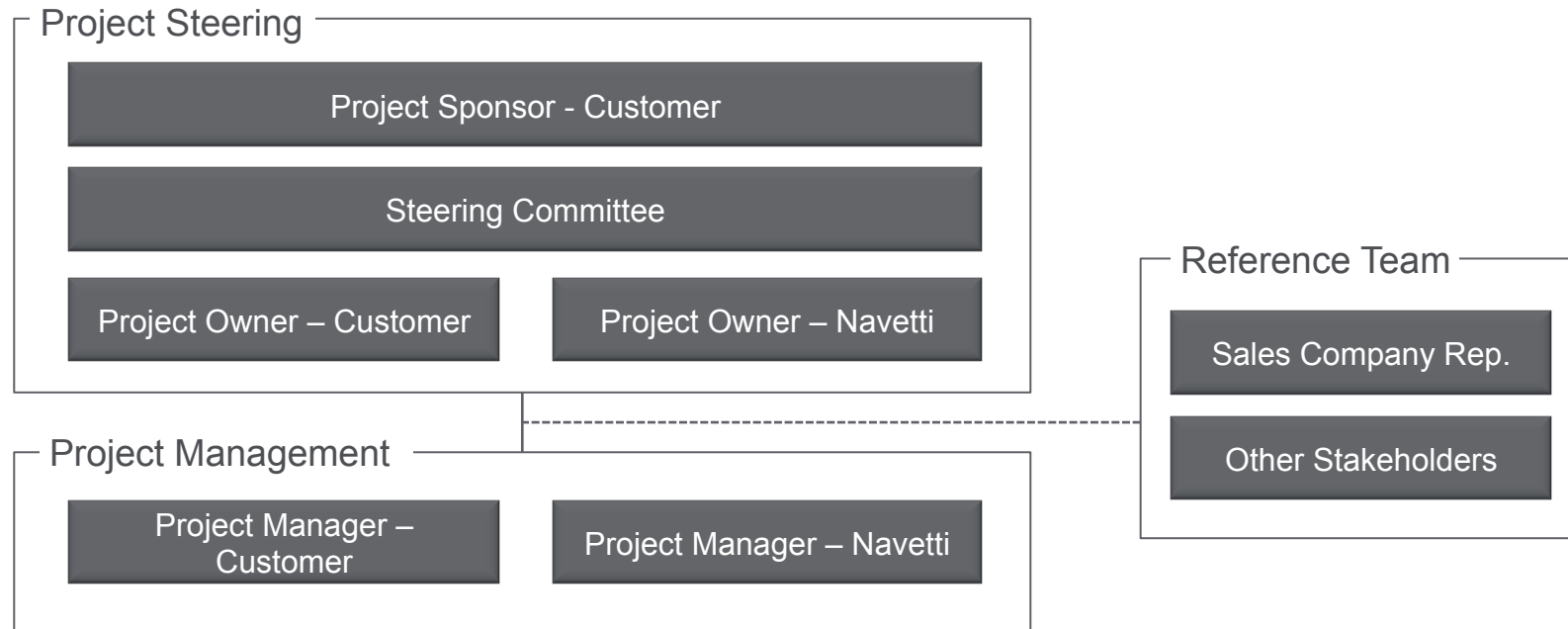


Leverage previous pricing initiatives at Customer

Industrial foundation to secure best practice



Project organization overview



Customer Project Team & Support Resources



Role	Name	Assortment / Market	Preparation	Business Structure	Categorization	Market Survey	Price Management	Market Management	Go-live
Categorization Startup	Name 1		x	x					
Global Pricing Manager	Name 2	Assortment 1		x		x	x	x	x
Components Pricing Mgr	Name 3	Assortment 2		x		x	x	x	x
Product Manager	Name 4	Assortment 3		x		x	x	x	x
Product Manager	Name 5	Assortment 4		x		x	x	x	x
Product Manager	Name 6	Assortment 5		x		x	x	x	x
Pricing Analyst	Name 7	Assortment 6		x		x	x	x	x
Pricing Analyst	Pricing Analyst 2						x		x
Pricing Analyst	Pricing Analyst 3						x		x
Categorization Team	Categorizer 1	Assortment 6		x	x				
Categorization Team	Categorizer 2	Assortment 6		x	x				
Categorization Team	Categorizer 3	Assortment 6		x	x				
Categorization Team	Categorizer 4	Assortment 5		x	x				
Product Expert	Product Expert 1	<i>Assortment 4</i>			support				
Product Expert	Product Expert 2				support				
Product Expert	Product Expert 3				support				
Product Expert	Product Expert 4				support				
Product Expert	Product Expert 5				support				
Product Expert	Product Expert 6				support				
Product Expert	Product Expert 7				support				
Product Expert	Product Expert 8				support				
Product Expert	Product Expert 9				support				
Product Expert	Product Expert 10				support				
Sales Company Rep.	Sales Company Rep 1	Geo market 1				x			x
Sales Company Rep.	Sales Company Rep 2	Geo market 2				x			x
Sales Company Rep.	Sales Company Rep 3	Geo market 3				x			x
Sales Company Rep.	Sales Company Rep 4	Geo market 4				x			x
Sales Company Rep.	Sales Company Rep 5	Geomarket 5				x			x
Sales Company Rep.	Sales Company Rep 6	Geo market 6				x			x
Sales Company Rep.	Sales Company Rep 7	Geo market 7				x			x

Customer IT Team

Role	Name	Role Description	Setup of Environment	Integration Definition	Integration Execution	Integration Testing	NPP Production
Project Manager (full scope)		Ensuring that the two streams of the full project scope are synchronized where needed		x		x	x
IT Project Manager		Overall IT responsible	x	x	x	x	x
Pricing Specialist		Administrator of prices, business oriented with ERP operational knowledge		x		x	x
IT Operation		Hardware, domain accounts, operating system, backup routines, IT policy	x				x
DBA		Database administrator, SQL server administrator	x				x
ERP Technical Specialist		Extract and load of ERP data, development of logic in ERP		x	x	x	
Integrator		Communication link between ERP and Navetti PricePoint, Data transfer		x	x	x	

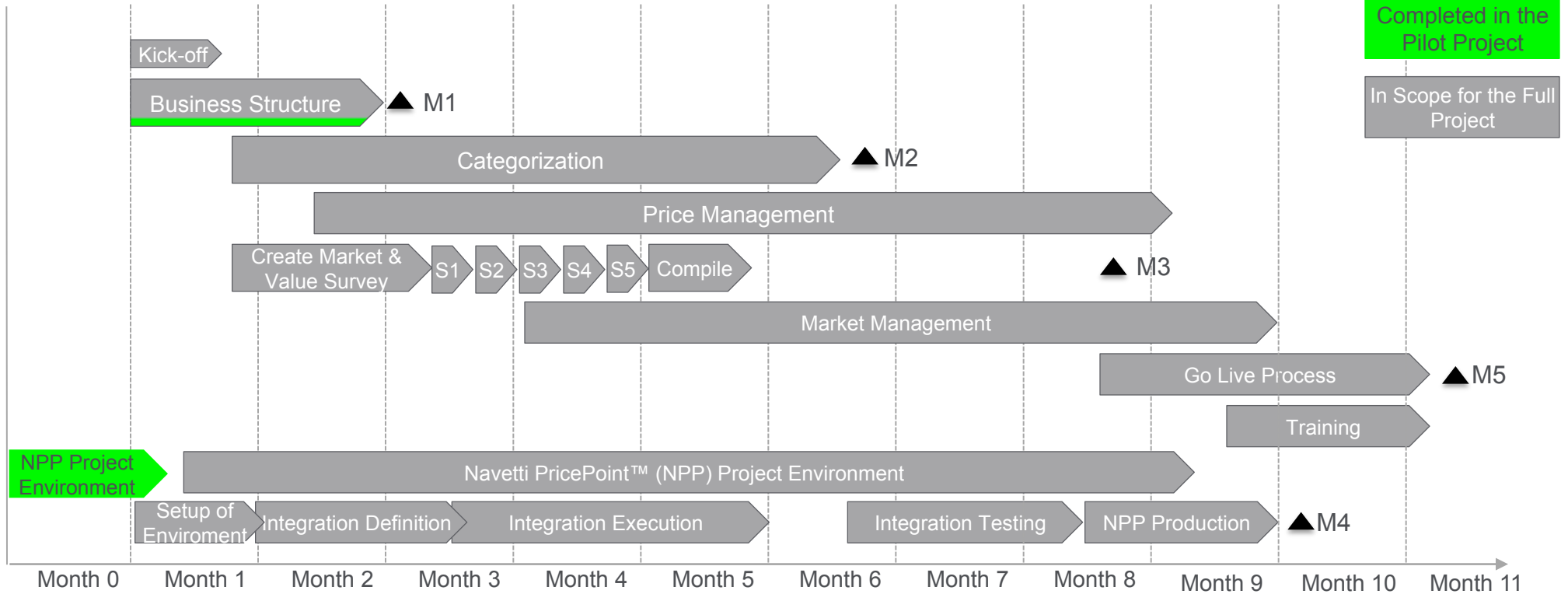
The roles and involvement in the different IT project phases will vary depending on the choice of system solution, SaaS, License & Maintenance or Subscription

Full Price Transformation

Completed in the Pilot Project

In Scope for the Full Project

Schematic Project Plan



Pricing Project

- Categorization of the business into families with value driver values
- Market survey execution to understand customer perceived value and market accepted prices
- Use the new pricing toolbox to set the Global List Price
- Apply market factors to set the Market Area Price List
- Launch the new prices to the markets

IT Integration project

- Configure Navetti PricePoint™
 - Integrate Navetti PricePoint™
- ### Navetti PricePoint™
- Price Management Module
 - Market Management Module
 - Performance Management Module

Training

- Hand-over and training

Milestone 1 & Steering Group Meeting

- Business Structure Completed

Milestone 2 & Steering Group Meeting

- Categorization Completed (80% of sales)

Milestone 3 & Steering Group Meeting

- Price & Market Management Completed (80% of sales)

Milestone 4 & Steering Group Meeting

- Navetti PricePoint™ Integration completed

Milestone 5 & Steering Group Meeting

- Prices for 2014 launched to the markets

Critical Early Activities: Pricing Stream

Activity type	Activity	Deliverable	Responsible	Due date
Data collection	Set the scope	Items and markets to extract data for		Jan 29
	Extract Master Item data	Item Data, Component BOM, Kit BOMs		
	Extract Local Price Lists	MAPL for markets in scope		
	Extract Local Sales data	Local sales data on transaction level, FY xxxx		
	Set baseline master data	Sign-off on what data sets to use as reference for e.g. completion rate (80%)		
Business Structure	Create high level Business Structure	High level structure as base for workshops		
	Workshop planning	Workshop schedule with selected teams to visit		
	Workshop execution	Business Structure with families and value drivers		March 29
Categorization	Setup the categorization team	Secure categorization resources		
	Setup internal categorization sources	Secure the tools needed to categorize items		
	Split the assortment on categorization team	Assortment categorization responsibilities		
	Setup categorization tools	Navetti categorization tool ready loaded with Items	Navetti	
	Categorization kick-off(s)	On-site/webinar introduction and training	Navetti	

Overall Project Status, Week X

Business Structure

- **Current Status:** Completed
- Categorization Driven Updates: 80 new families

Activity	Status	On time
- Structure high level	200 groups	☺
- Structure	800 families	☺

Categorization

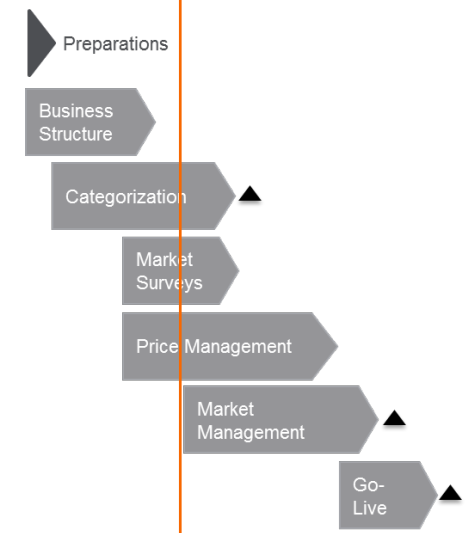
- 75% of revenue completely categorized
- 65% of revenue is OK after quality review

Data / Intelligence

- Data collection: completed
- On-site survey results: 80 % completed

Next deadlines

- Categorization in 2 weeks
- Collect web survey answers



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Implementing Price Optimization and Price Management software

Not only about the software!

The software must support the journey

- Insight
- Implement
- Improve



Operational

Must support needs in daily work

Manage risk

Stepwise approach with early wins

Purpose

Alignment to overall business objectives

navetti