PROS

# Pricing for Survival or Pricing for Success?

Taking the Right Approach in 2021

Today's marketplace is more dynamic than ever, and the coronavirus crisis has made the volatile environment even more complex for B2B relationships. In 2019, Hanover Research showed that 84% of pricing professionals still use spreadsheets to manage their pricing strategies, leaving them unable to react to market changes as quickly as customers need them to. And while many experts are stuck in old-school pricing habits, **16% of pricing practitioners are already enjoying the convenience and benefits of technology**, leaving the competition far behind.

As the amount of information businesses handle nowadays continues to grow, **companies across all industries struggle with the ability to easily structure, manage, and analyze such large volumes of data to make the right strategic decisions.** When organizations are managing thousands, if not millions, of product prices, this can be a challenging task because **to keep many prices accurate and in line with many changing variables** such as customer demands, costs, and evolving competitors' strategies, businesses cannot rely on slow and error-prone price adjustments.
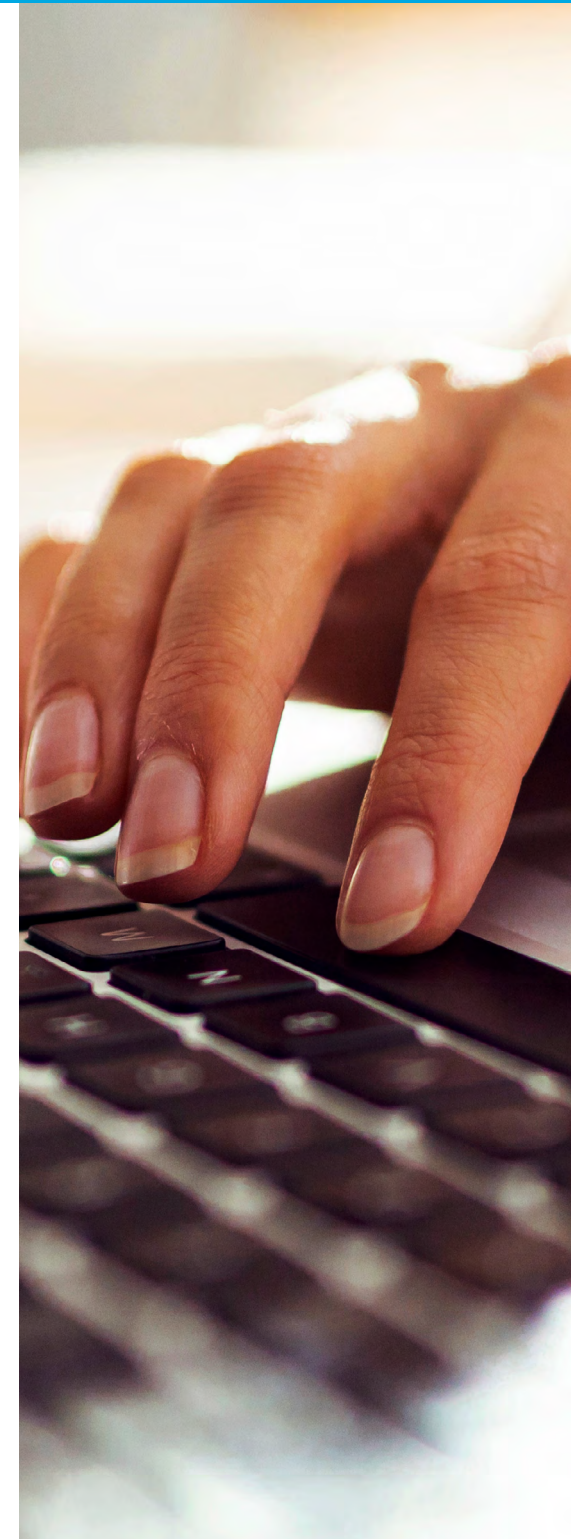
As key enablers to business success, pricing and sales teams often find that their efforts are slowed down by inefficient, lagging processes and manual tasks. A great deal of time is lost in manual updating prices across spreadsheets and siloed systems, the cumbersome coordination of price changes with partner stakeholders, and even chasing down managerial approvals. These operations usually lead to decreased productivity, human errors, margin leakage, and missed sales opportunities.

On the other hand, for data-driven decisions and higher business efficiency, about **one-third of pricing leaders are starting to acknowledge they need to immediately prioritize obtaining an advanced and integrated pricing technology**. These businesses recognize that pricing technology is necessary for automation, visibility, and agility in price strategies management.

This is especially valid now that the shift to digital is accelerating and buyers are increasing the share of wallet they spend through eCommerce and self-service channels.

New market realities are leading many businesses to the realization that **spreadsheets and ERP systems are just not built to handle the levels of pricing performance, scalability, and even complexity needed to accommodate pricing for the modern B2B buyers**. This eBook will help you understand the importance of shedding traditional methods of managing price by highlighting 7 key considerations. You'll learn why technologically-advanced pricing capabilities will allow you to gain enhanced understanding and control of your dynamic pricing strategies, so you can succeed in today's digital commerce marketplace.

The Ability to Rationalize Prices

By providing a single source of **pricing truth, pricing software enables centralized storage and management of all pricing information in one place, synchronizing automatically and in real time the most current prices** across back-end systems, like ERP, CRM, and CPQ tools. It can also serve to supply market-relevant and optimized prices to eCommerce platforms and other self-service portals. As a powerful pricing data repository with real-time data-sync capabilities, there are no price conflicts, duplicate files, or needs for cumbersome spreadsheet management because you can seamlessly establish pricing governance and consistency through your pricing strategies.

On the other hand, **ERP systems do not provide pricing management capabilities**; you must build and manage your pricing strategies elsewhere (most often in spreadsheets) and then manually import the latest prices into the system. ERP platforms also struggle with synchronizing pricing information across systems and cannot fulfill the constant and increasing demand of price requests coming from a growing volume of digital channel transactions. Because sales teams always need access to refreshed competitive prices for their customer quotes and agreements, the inability of ERPs to accommodate fast price responses at scale can adversely affect your success.

Furthermore, an all-encompassing view on pricing with analytics gives you the flexibility to **quickly define aggregate and granular pricing views for all your go-to-market channels, so you can analyze any aspect of your strategy**. Using embedded charts and transaction history, you can track and take into consideration previous pricing decisions for a specific price item. You also have access to the most important summary metrics of a particular price list, which is key to understanding the effectiveness of your pricing strategy. The ERP interface is not purpose-built and intuitive enough for quick and easy pricing analyses, making it hard to share pricing strategies with other departments.

Moreover, with comprehensive pricing and reporting capabilities, **performance analyses can be easily shared among all team members and other departments in real time**, simply by clicking and pasting a URL into an email or chat.

Streamlining Pricing Updates with Automation

In a dynamic market, sales teams can't wait for a price—and neither should your customers! There are many disadvantages of manual pricing adjustments, the most concerning being slow, lagging processes. Trying to manage pricing effectively across different files and tools can be cumbersome and usually leads to inaccurate price updates and decreased profitability for the business. In contrast, **automated price calculations (especially when it comes to large price volumes) mitigate the possibility of human error and streamline routine pricing tasks by driving precision, consistency, and competitive prices across the whole organization**. By configuring event- and time-based price calculations, your pricing teams ensure up-to-date prices are available to sales teams at any given moment, allowing customers to receive quotes from your organization without any delay.

$$RSS = \sum_{i=1}^{n} (y$$

An essential aspect of successful pricing management is the agile price change approval. Quick and synchronized price updates enable **faster managerial reviews and price acceptances across key stakeholders**, driving business efficiency and improving customer retention. Delivering the right prices, on time, across the company and its regional offices and subsidiaries is **especially important for large and global organizations, which often rely on decentralized pricing practices** that need to be aligned across more than one department, entity, and market. Moreover, process complexity for some businesses is much higher, requiring specific criteria like timelines and margin threshold in the approval process.

To accelerate approvals, you need to make large-volume price changes more manageable. When you have the **capabilities to designate leader and follower relationship to price items in your price lists**, this will allow you to make myriad price updates much more easily and you'll streamline pricing approval processes for the whole organization. When a price change happens to a leader price item, all of its followers undergo the same change as well. With streamlined price change submissions and acceptances powered by technology, pricing managers can ensure price updates comply with the existing strategy of the business, and sales teams are better supported in addressing customer demands quickly and accurately. Instead of losing deals to the competition due to long pricing approval turnaround times, **with automated pricing processes you can successfully reduce quote cycle time and speed up no- and low-touch deals, while providing more information to support high-touch deals**, where usually a lot of negotiations and exceptions occur. Because accelerated approvals help your sales teams be one step ahead of your competitors' strategies.

Some industries require companies to execute pricing updates multiple times in a single day to avoid the risk of an outdated, lagging price. Considering daily, even hourly, market changes, and competitive information in your prices as often as needed allows your business to always be proactive when it comes to market demand. **To maintain market-relevant, accurate prices and respond effectively to volatile market**

conditions, pricing teams rely on intraday pricing capabilities that enable them to automatically execute frequent price updates and incorporate market information as indexes directly into their prices.

Data validations are an additional area where pricing technology can help to streamline pricing updates. Importing manually pricing information into a system is common practice, but when it involves a spreadsheet with thousands of lines, it often leads to discrepancies. That's why checking the accuracy and quality of sourced data before using that information into your pricing strategies is important.

To ensure your pricing data fits within the predefined limits, you can specify conditions and numeric values that need to be met.

By defining data validations, pricing analysts can easily identify and correct discrepancies in sourced pricing data at an early stage, so pricing strategies, sales quotes, and customer agreements remain consistent and error-free, and you don't have to worry about the consequence of human error when building out your price lists and offers.
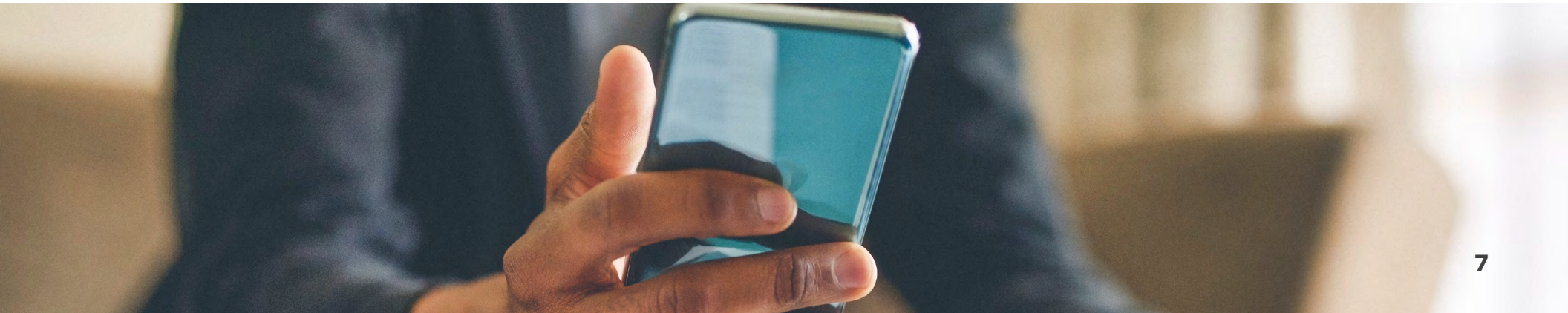
Driving Data-Focused Pricing Decisions in Your Business

In addition to storing your pricing data in a centralized manner, **pricing technology provides pricing leaders with a holistic, 360 degree-view of the latest and most relevant information that allows you to gut-check intuition with defensible data**. When it comes to making decisions, pricing software is your ally that supports you in building your pricing strategies. Some advanced pricing solutions even use a simulator to give pricing teams **the ability to analyze impact on business performance and profitability by testing a pricing strategy outcome prior to launching it**. By using a simulator, you will be able to defend your pricing teams' decisions in front of C-level managers and other departments using actual evidence, proving out how your pricing model will be beneficial to the business across each and every sales channel, as well as to the customers you serve.

When current pricing strategies need to be adjusted due to changes in external conditions, pricing analysts can first build out and compare different pricing scenarios without affecting actual prices. This requires **sophisticated comparison capabilities where you can define your most important key parameters for the business**, such as forecasted annual revenues, volume, and margin percentage, based on which strategy corresponds to the business objectives you want to achieve. Then, leverage pricing software technology to take the validation of your different pricing strategies one step further, by using a tabular and a visual format to easily compare the key parameters of the current and potential strategies to objectively determine the best outcome for the business. This allows you to run the best pricing strategy for the business in that new environment only after you are clear on the outcomes.

Another **key pricing capability for data analysis is the ability to compare different scenarios of the existing price waterfall chart itself**, which is offered only through the most advanced technologies. By selecting key measures in the waterfall as an override or a percentage or value change, pricing leaders can execute different analyses and better pricing adjustments based on market dynamics.

Relying on Meaningful Analytics Purpose-Built for Pricing Practitioners

As your business grows, your pricing teams need to be able to **better understand how pricing strategies affect performance in order to take meaningful corrective actions**. With the help of pricing analytics, you can get insights on whether your products are underpriced or overpriced for the market; how sales teams are performing; which deals were won, which lost and why; each customer segment's preferences; every sales channel's profitability, and so much more. Analytics are important because they can help you figure out how to optimize pricing to maximize the revenues and profits for your business.

As COVID-19 continues to affect many industries into 2021, advanced analytics become even more important to businesses that need help in adjusting their strategies to the changing environment, in order to maintain profitability and eliminate revenue leakages.

To effectively hone in on sales opportunities, improve decision-making processes, and remain resilient in the market by drilling down into all aspects of their performance, companies can make optimizations to their costs and operations.

With the help of smart visualizations, pricing leaders can also discover what the value drivers for customers are and how to improve profits and sales results. With analytics purpose-built for pricing, you can **create customized dashboard views with quick access to your preferred and most important data sources**, enabling you to track progress and objectives while drilling down into results and trends. Your team will be able to zoom in on every aspect of business performance and run comparisons across channels, geographies, products, and customer segments.

Another useful capability is **creating and sharing custom reports and analyses** like the price waterfall with other departments. This gives colleagues visibility into hidden costs, discounts, and the possibility to uncover and understand reasons for margin and/or revenue leakages. Being able to rationalize your business' pricing strategies across the end-to-end price waterfall is key to enabling harmonized omnichannel pricing in line with sales strategies and driving a superb customer experience for buyers.

Having the ability to configure and use diverse charts for analysis is essential, but what is even better is having these insights in the pricing solution you use every day.

Advanced pricing technology empowers pricing leaders with the comprehensive analytics they need to monitor business results and take relevant pricing actions in the solution itself, without the need to log in and log out of different tools. Prescriptive insights are extremely helpful: they highlight trends, price, and profit variances, and even data outliers, which when spotted can be analyzed and corrected directly in the price lists. However, most pricing teams struggle to create and update charts in spreadsheets because pulling all their data together for a visual analysis can be a very tedious process. If you are wondering how to resolve this challenge, look for a software solution that allows for quick, user-friendly configuration and editing of charts. Some of the leading pricing software vendors have enabled **intuitive workflow navigation**, where you can select a specific point on a chart and view more information about it, which takes minimum efforts but offers great visibility into granular information. With a customer-inspired user interface (UI), the solution displays the data in the most comprehensible way, allowing pricing leaders to view and analyze their information from any business perspective.

To see year-over-year change in sales margins and revenues, and really understand what is driving these changes for your organization and how they correlate (like price, volume, costs, product mix, etc.), pricing leaders could rely on margin and revenue driver charts. Other businesses find great use in the Pareto Chart (also known as the 80/20 Rule or the Pareto Principle), which helps them uncover the top contributing factors, in terms of customers, products, channels, and regions, to the highest percentage in the business' results.

Based on that information pricing practitioners can perceive what actions or improvements to take to drive maximum benefits and profitability for the company.

Lastly, when the C-suite needs quick custom reports with diverse charts and data perspectives, advanced technology helps you **streamline your analysis with fast access to the charts you frequent most and by remembering your last applied selection preferences when you move across different visualizations**. And you get the answers you are looking for in minutes, not hours!

Getting Guidance on Building the Right Pricing Strategies, Not Just Cost-Plus

To create and enforce best pricing practices across your entire business, which will allow you to achieve maximum profitability and revenues, you need to be able to manage and optimize dynamic pricing in a centralized, efficient and successful way. But the market is constantly changing and unless you can adapt to these changes quickly, your business might fall behind. And lagging prices often contribute to a market share loss and customer dissatisfaction.

With advanced pricing capabilities, pricing leaders can take action and establish a **common understanding on their price waterfall and establish a shared pricing language within their teams and across the business.**

It is not uncommon for pricing analysts within the same team to devise different price calculation algorithms and results when they build the logic behind their pricing strategies, or when they analyze the potential impact of those strategies on the business, which makes a common language that much more important. Unless pricing professionals in the same team share a pricing language and have a universal approach to building and analyzing pricing strategies efficiency, there won't be consistency in pricing strategies and efficiency in sales operations. This could lead to a misaligned team and lost sales opportunities. Without a common ground, for example, pricing experts may end up taking an individualistic approach and consider different, inconsistent variables when looking to propose a margin increase to a specific price list, which could result in varied business outcomes and lack of clarity around next steps.

To deploy intended pricing strategies at scale with algorithmic consistency, pricing teams need advanced pricing solutions. Such pricing software allows for dynamic pricing strategies management through a comprehensible structure, enabling all team members to navigate a variety of pricing logic and business rules quickly and with ease, even for the most complex pricing scenarios. This means that when you must define and readjust your pricing strategies you won't lose any extra time and effort in doing so. The result will be higher efficiency for the team.

If you want to be more successful in dynamic pricing management, look for these pricing solutions that provide users with **complete guidance on formula building, like function suggestions, descriptions, and error warnings**, to help them quickly and precisely build even the most complex pricing formulas, fit for any business challenge.

The overall benefit for the business is flexibility and effectiveness in pricing.

Access the Latest and Most Advanced Pricing Capabilities

If you need dynamic and market-responsive pricing, you absolutely must explore advanced pricing software that **incorporates AI into your business strategies**. Neither spreadsheets nor ERP systems can analyze diverse buying trends and preferences, or multiple different variables like costs changes, evolving competitor strategies, and channel performance, and use all that information to determine within seconds what the most competitive product prices would look like for every customer.

Trying to quickly calculate all those variables using only a spreadsheet or an ERP system sounds so complex, right?

The accelerated shift to digital interactions and eCommerce caused by the effects of the coronavirus requires businesses to **think of new and innovative ways around how to proactively engage with their customers** and remain relevant to the market. Throughout the year, the trend of B2B buyers turning to digital channels to research and evaluate the products and services their business needs in order to make more

informed decisions for their purchases has increased and shows no sign of stopping. A 2020 McKinsey report on B2B buying trends, shows that the preference for self-service research and evaluation for B2B decision-makers has exponentially increased between 90 and 120% in the past year alone.

Digital growth and profitability mean businesses need to **change their perception of eCommerce as only a siloed, transactional sales channel, and instead start thinking of it as a new customer engagement instrument**. When leveraged with the power of a comprehensive pricing software solution, eCommerce (along with other self-serve, digital channels), can help reduce the business' costs-to-serve and expand their customer reach and profitability to create highly-personalized buying experiences.

The dynamics of this digital buying journey show that universal price lists are simply not working anymore, and organizations need to look for **powerful pricing capabilities that can adjust quickly to market changes and unique buyer demands**. Real-time pricing calculations across eCommerce and other self-serve channels are an essential part of a frictionless and harmonized omnichannel customer experience. And to make

that happen you need prices that are available 24 hours a day, 7 days a week, and 365 days a year and that are scalable to demand peak inflections and delivered within milliseconds across your commerce platforms. Without them, you won't be able to meet buyers demands for market-relevant pricing that is personalized to their unique needs.

Forward-thinking pricing professionals need the power to predict the demand response to any price change. In today's digital B2B marketplace, **AI price optimization technology enables organizations to proactively price based upon customers' historical buying behavior and willingness-to-pay, thus driving highly-personalized experiences for buyers**. With AI-driven insights into the tradeoffs between price demand and profitability, businesses can maximize their revenue potential and power the entire omnichannel go-to-market landscape while eliminating frictions for buyers.

Discounting is an important aspect in commercial activities, often driving growth and customer retention for the business. To improve the effectiveness of sales, some B2B companies use rebates as part of their pricing strategies. However, they face a lot of administrative workload, because unlike applying a

discount for each purchase, with rebates a seller must recalculate the price for the buyer when the total quantity purchased reaches the specified volume or amount in the contract. This often requires annual recalculations with back-date invoicing. Since rebate accruals are often managed in another system, having access to this information and analyzing it is important to understand how profitable each customer is to the business. That's why most organizations need to rely extensively on the price waterfall analysis.

But there are ways to avoid the complexities of rebate administration and price on actual, rather than promised volumes. To gain a competitive edge in sales and reduce negotiations, **you can apply a more advanced tiered pricing program that will help you meet the needs of every customer you serve much more efficiently**. Some of the leading pricing solutions allow users to easily set and adjust price tiers based on every customer's volume preferences, and in such a way as to incentivize buyers to incrementally increase their purchasing quantities.

Pricing leaders have complete visibility and flexibility on the volume- or revenue-based tier structures, and can extend those capabilities to sales quotes and agreements, providing customers with more personalized purchasing. **A well-designed scaled pricing model will help you manage the willingness-to-pay of every customer, maximizing your revenue from them**. It aligns more effectively to the needs of your buyers, helping your business reduce customer churn. You will easily know how much your customers are purchasing from you and at what price, increasing not only buyers' satisfaction but also deal win-rates and profitability for the business.

Quick Time-to-Value for the Business

Digital transformation can be a long, challenging process, especially if you are the only department in the company pushing for that transition. To help your team drive engagement from other stakeholders, and initiate change management effectively across the whole organization, you need an **advanced pricing solution that will help you to adopt best pricing practices and allow better collaboration and strategic alignment internally and externally for the business**.

What is key for a successful transformation and adoption of pricing technology is the ability to provide your pricing teams with a software that offers an intuitive user interface (UI). In general, user experience matters, because a **better UX leads to more successful product implementations and drives greater adoption across the organization**, ultimately increasing pricing teams' productivity and enabling long-term sustainable pricing operations.

To choose a pricing solution that would drive maximized adoption and utilization among pricing users, look for a vendor that relies on a programmatic approach to software design and uses different tools to continuously monitor functionality preferences and analyze user behavior, in order to make enhancements to the software's interface. This is important because by dedicating efforts to understanding customers' needs, vendors can continuously make improvements to their

product capabilities, which would ultimately support the daily routine tasks and strategic initiatives of pricing leaders, no matter how the market shifts.

By establishing accelerated price change approval mechanisms, **effective communication and frequent alignment with sales experts on pricing strategies, revenue, and profitability objectives**, pricing teams enable commercial departments of all kinds to provide faster and more competitive offers to customers.

What's the point of setting value-based pricing strategies if sales teams are not using a value mindset to sell to customers and your business ends up competing only on price, losing profits and revenues, and devaluating its products or services?

Moreover, global businesses need pricing and selling teams to be aligned on strategies and market changes, especially when extreme events happen, like the imposition of new tariffs or the coronavirus impact on the business' supply chain. **Automation in pricing calculations and administration means less effort on tactical actions and increased productivity for your pricing team**, freeing their time to focus on more strategic initiatives and support key sales activities.

Furthermore, real-time conversions of different units of measure and currencies directly within price lists allow pricing experts to focus on reacting to global market changes in an instant, by acting on those initiatives that directly affect the bottom line in the business, with immediate results being felt overall in business profitability and efficiency. Being able to continue doing business in a business-as-usual fashion, even when the market is changing, has proven to be an impossible task for many organizations, leaving them to face current challenges while rethinking and optimizing their existing workflows.

To initiate your digital transformation journey and select the right pricing technology that will set you up for success, in both the short and long-term, follow these tips and you'll drive profitability and customer loyalty for your business, even during the most dynamic market conditions!

Ready to learn more?

If you are curious to learn in detail what PROS has to offer to companies like yours, check out our pricing solutions:

Control: Price Management

Discover dynamic pricing management that revolutionizes how you formulate and deliver winning pricing strategies.

Guidance: Price Optimization

See how prescriptive pricing guidance built on cutting-edge AI can optimize your pricing game.

$$RSS = \sum_{i=1}^{n} (y_i - \bar{y}_i)^2$$

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PROS Holdings, Inc. (NYSE: PRO) provides AI-powered solutions that optimize selling in the digital economy. PROS solutions make it possible for companies to price, configure and sell their products and services in an omnichannel environment with speed, precision and consistency. Our customers, who are leaders in their markets, benefit from decades of data science expertise infused into our industry solutions.

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