

Artificial Intelligence: What It Means for the Future of Pricing

Nick Boyer

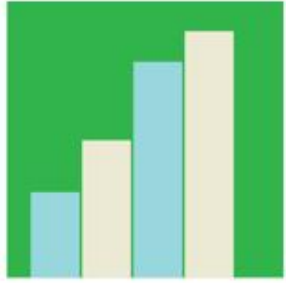
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ACCELERATE YOUR MODERN COMMERCE TRANSFORMATION WITH PROS

FROM FASTER QUOTE TIMES TO PERSONALIZED CUSTOMER EXPERIENCES, PROS DELIVERS



OPPORTUNITY DETECTION

FIND HIDDEN SALES GROWTH WITH A.I.

Use A.I. to identify new sales opportunities, increase existing account penetration, and improve customer loyalty.

SMART CPQ

ACCELERATE SALES CYCLES

Automate the sales process and increase sales efficiency. Deliver personalized product and pricing offers resulting in increased win rates.

GUIDANCE

DELIVER DEFENSIBLE PRICE GUIDANCE

Optimize pricing for every unique buying interaction through machine learning science that precisely predicts your customers' willingness-to-pay.

DEAL DESK

EXECUTE SMARTER DEAL MANAGEMENT

Analyze and approve large volumes of deals, standardize analytics, and identify pricing opportunities to improve deals.

CONTROL

HARMONIZE OMNICHANNEL PRICING

Coordinate price strategy through a centralized platform that provides visibility into pricing truth, governance, automation, and scenario modeling.



AI: What it means for the future of pricing

Why is AI relevant?

What about my pricing strategy?

How to ensure user adoption?

How to build and measure a business case?

What to look for when choosing a solution?



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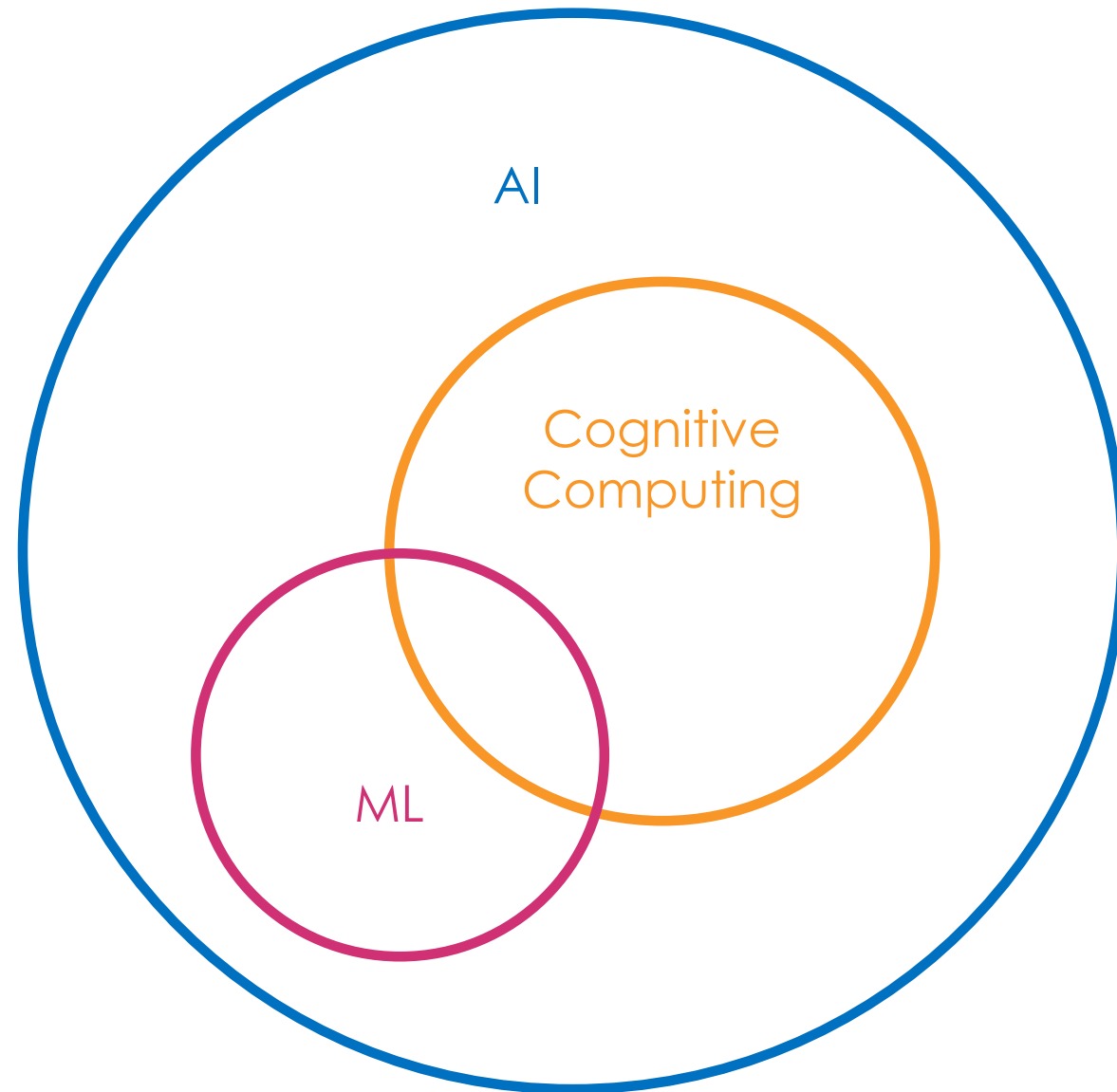
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Artificial Intelligence

(AI), Machine Learning (ML), Cognitive Computing



AI: general term for machines performing human tasks like reasoning, planning, learning, and understanding language

ML: broad set of algorithms that enable computers to improve their predictive capability over time as they obtain more data

Cognitive Computing: system that enables computers to learn and emulate/augment human thinking and enables humans to augment computer knowledge



Machine Learning makes better decisions





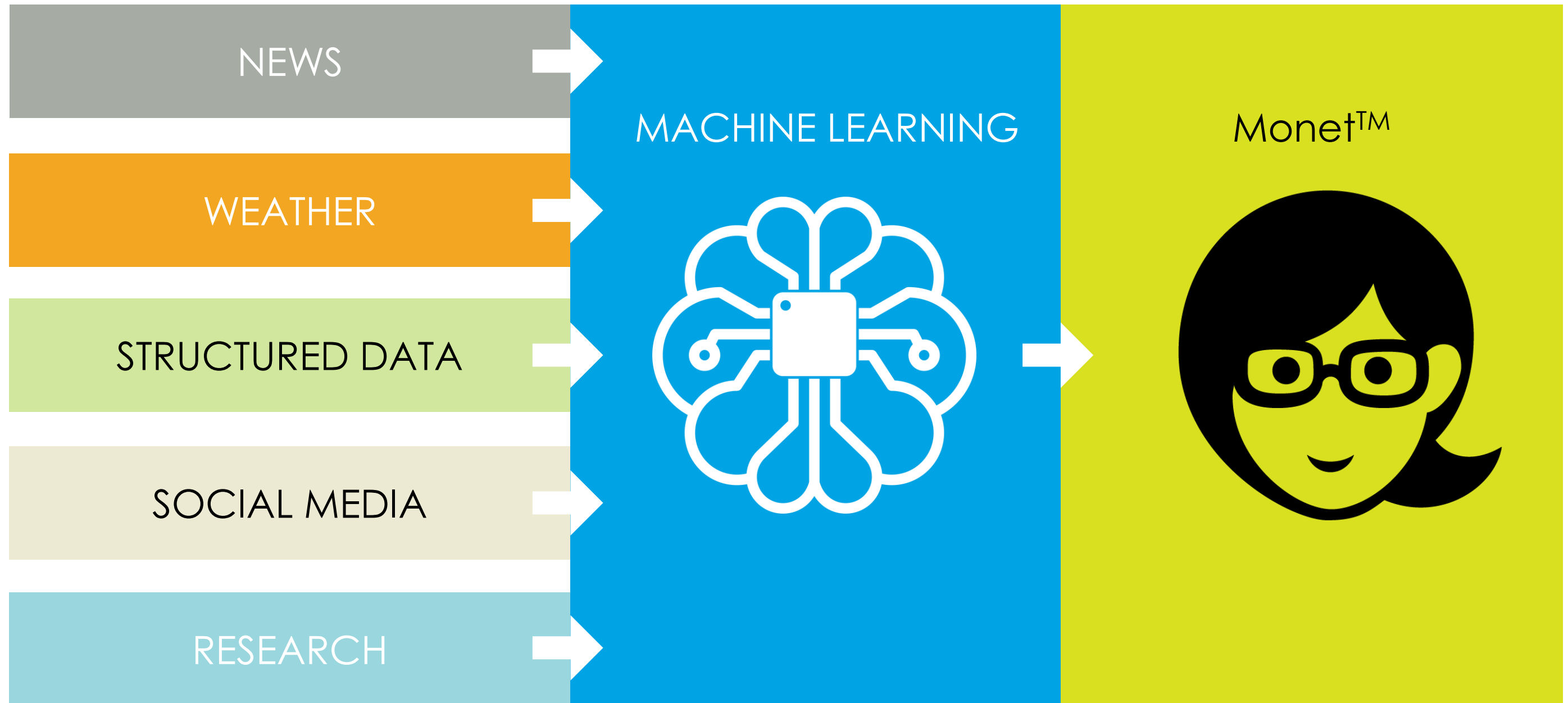
What is Machine Learning?



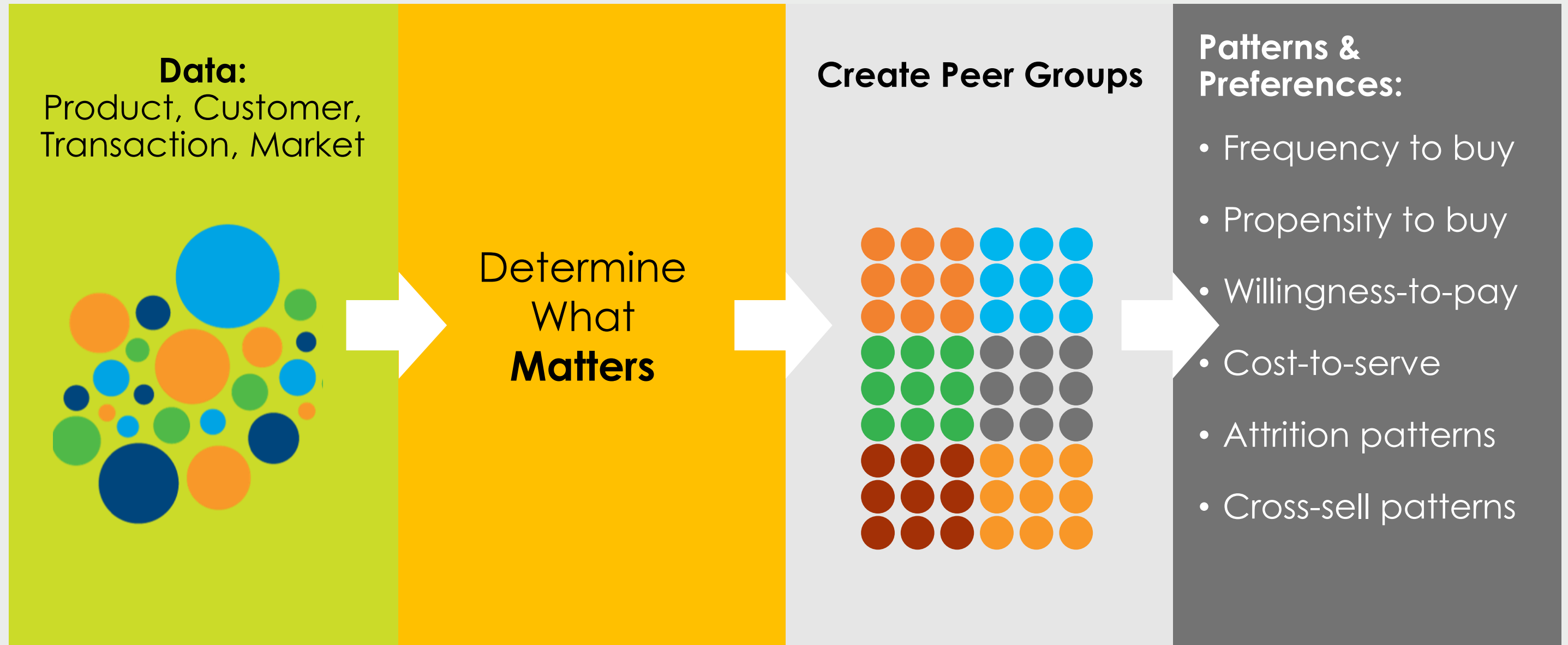
- Broad set of algorithms that give computers ability to learn from data without being explicitly programmed or with minimal programming
- 2 primary categories of machine learning
 - Supervised learning: match a pattern in labeled training data in order to predict a label on new data
 - Unsupervised learning: discover previously unknown patterns when no labeled data are available



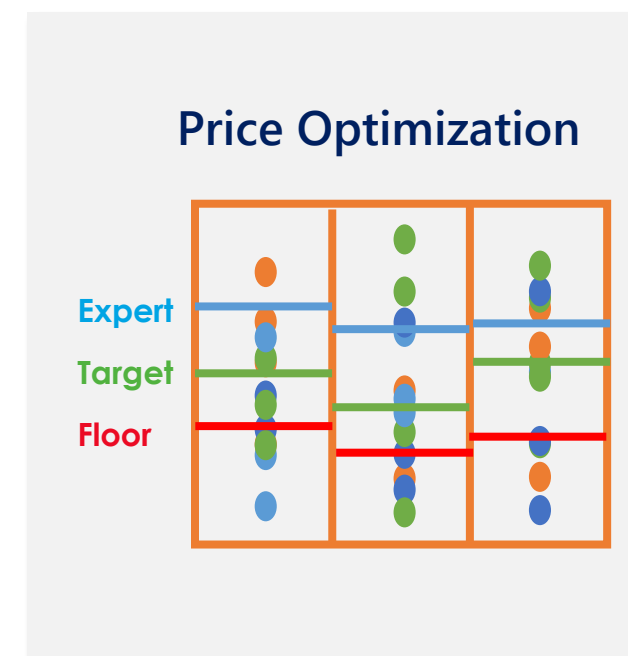
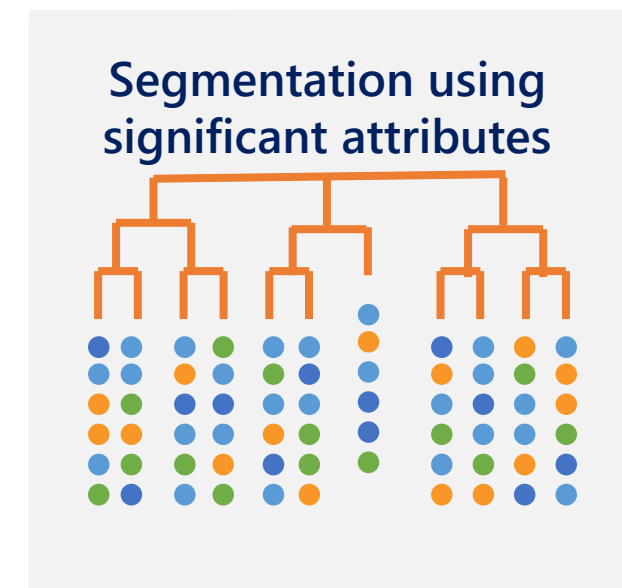
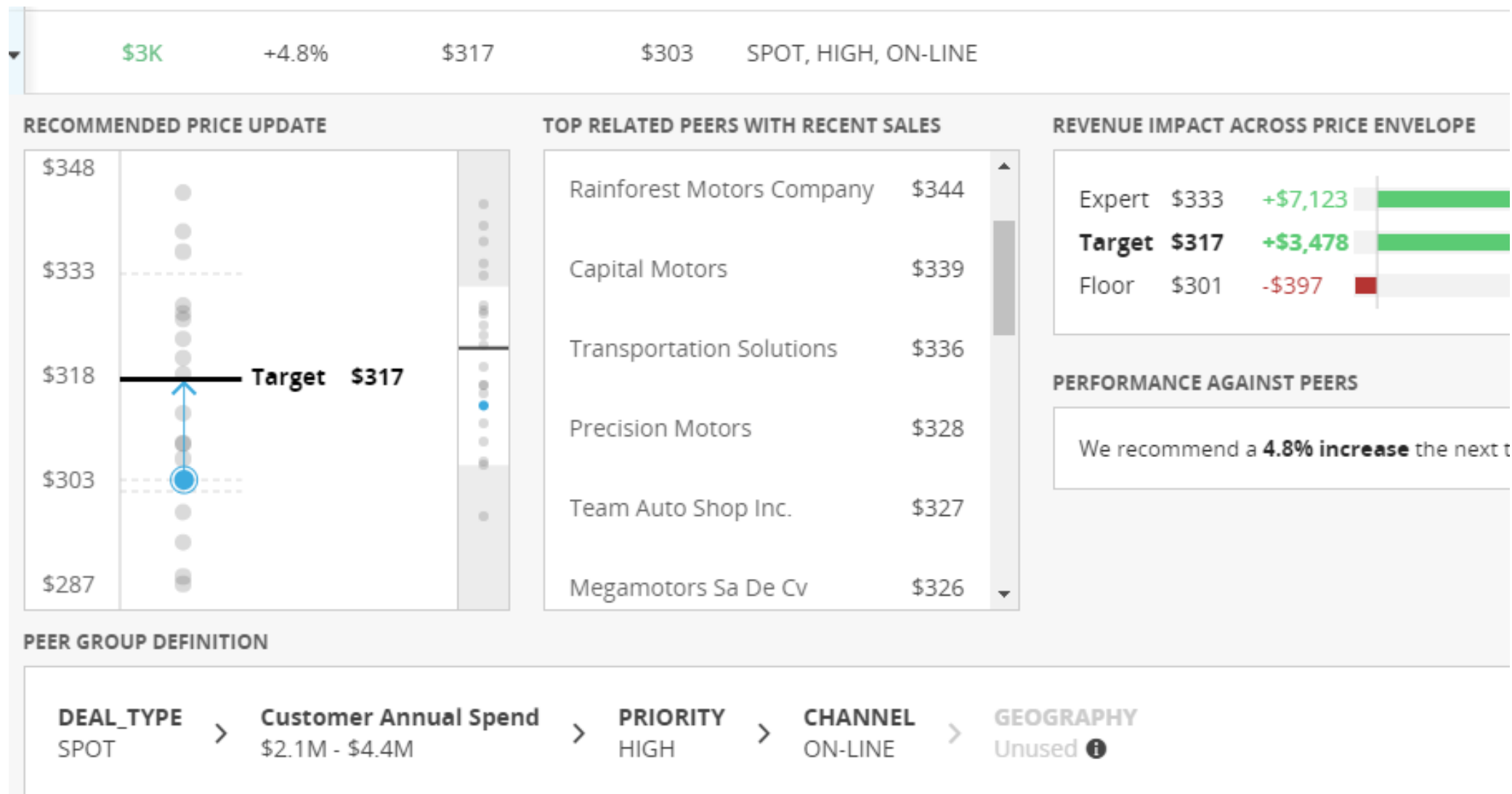
Data from Varied Sources



Science of Segmentation



Price Guidance Powered by Machine Learning



Segmentation
example from
supplier of B2B
networking
solutions

Billing Type

Country

Customer Spend

Customer Product Penetration

Indirect Channel Partner

Industry

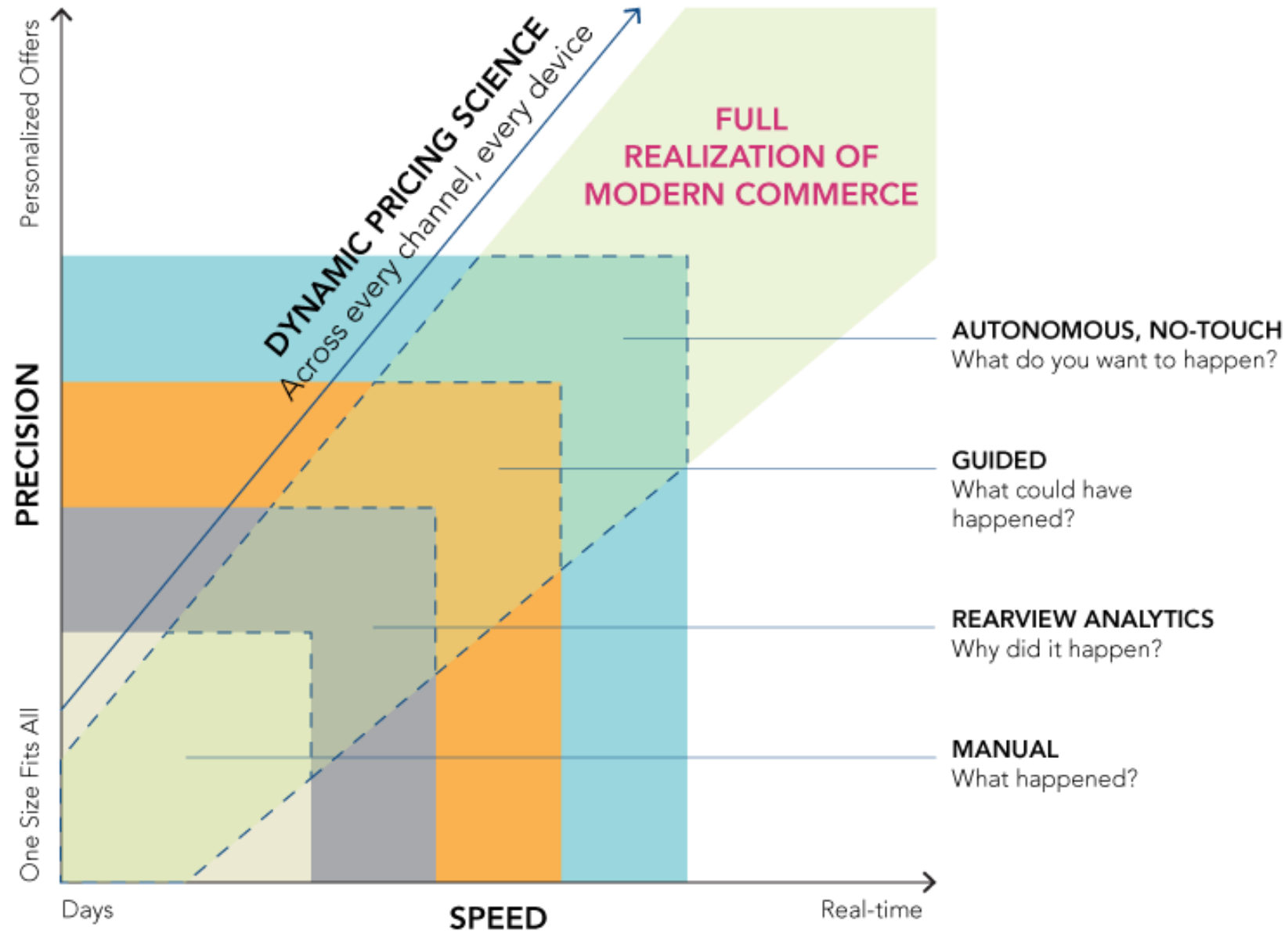
Item Category

Item Type (software/hardware/services)

Market Segment

Product Annual Revenue

Modern Commerce– Maturity Model



Focus on Speed



How quickly do you respond to customers?

40%

of buyers say "slow response times" are their #1 frustration

What does it take to get a quote out the door?

62%

of perceived seller burden can be attributed to internal complexity

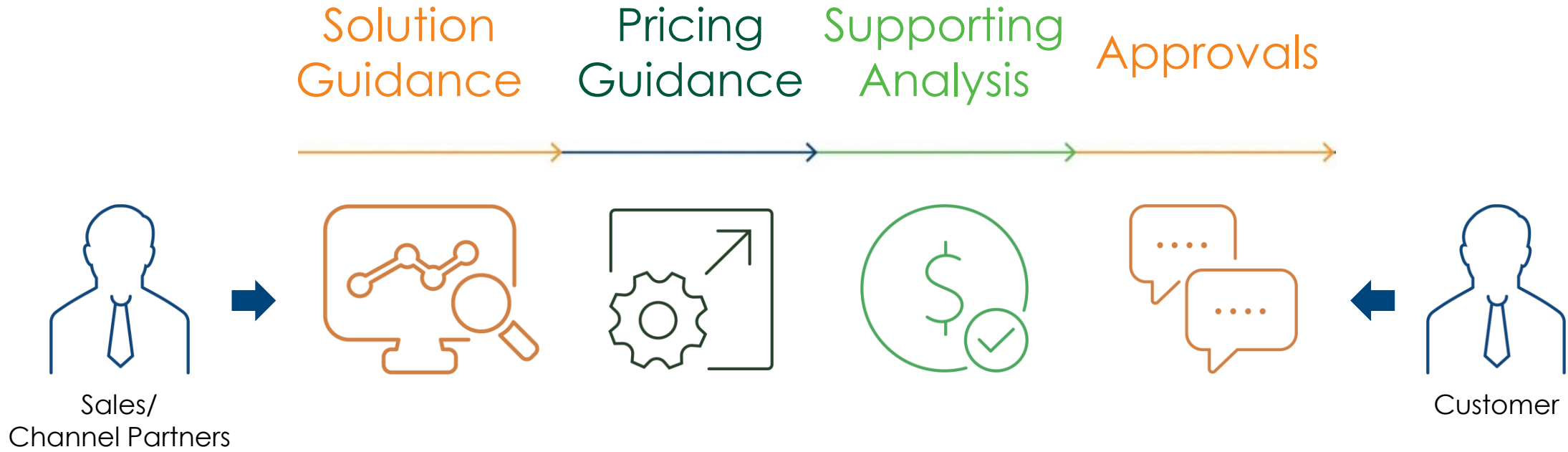
Are potential sales stalled by approvals?

1/6

of the sales cycle is spent on internal approvals

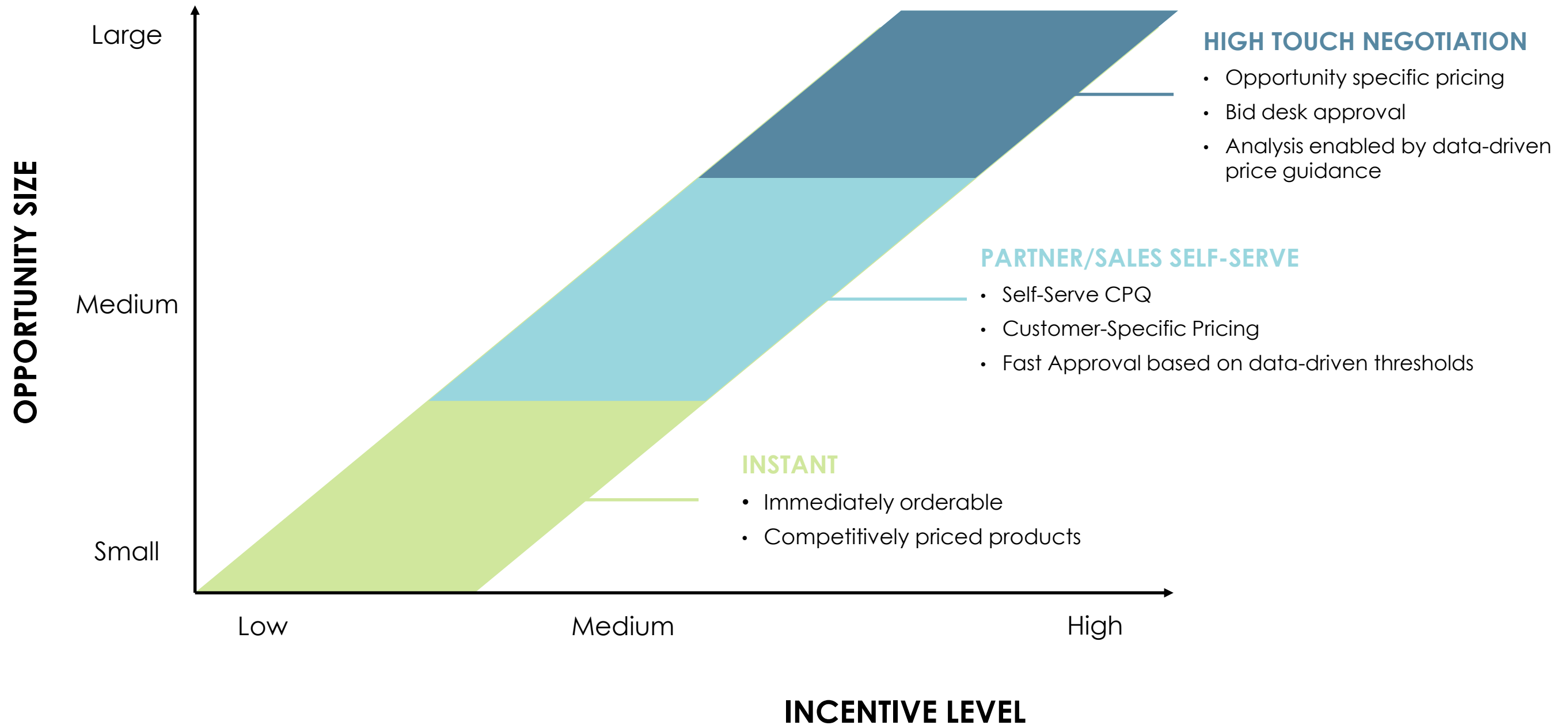
*Sources: CEB and McKinsey

Technology Simplifies Internal Selling





The Pricing Framework



Hewlett-Packard Company

Fortune 17 high tech manufacturer of printing and computing hardware, software and services



Incremental \$1B revenue, 200 basis points margin helping contribute to HP turnaround.

CHALLENGES

- Loss of sales to competition due to slow quote turnaround.
- Complex manual deal approval process.
- Leaving money on the table with current pricing approach.

SOLUTIONS

- Real-time targeted price guidance by customer segment.
- Intelligent pricing enables auto-approval for deals within threshold.
- Integrated with Salesforce.com for seamless rep & deal desk experience.

RESULTS

- 200 basis point margin improvement.
- Increased deal auto-approval from 10% to 80%.
- Reduced quote response time by more than 25%.
- More nimble, customer and partner centric company.



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Pricing Strategies Vary By Product



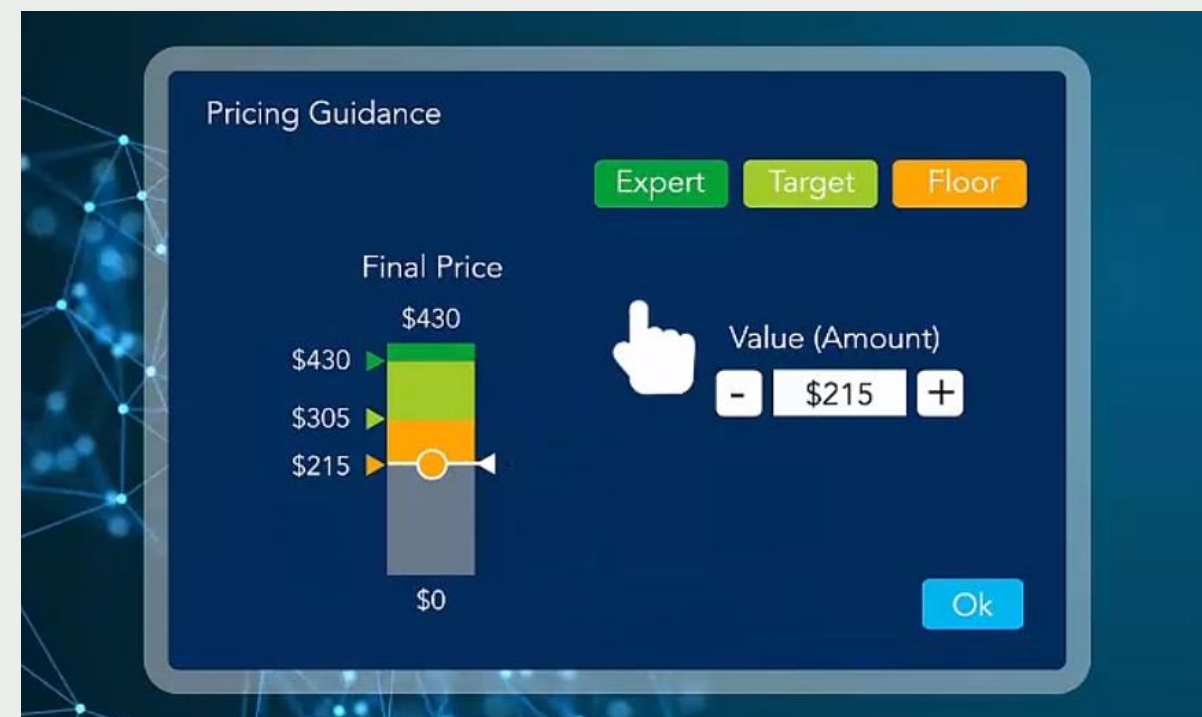
Premium
Differentiated



Premium
Undifferentiated

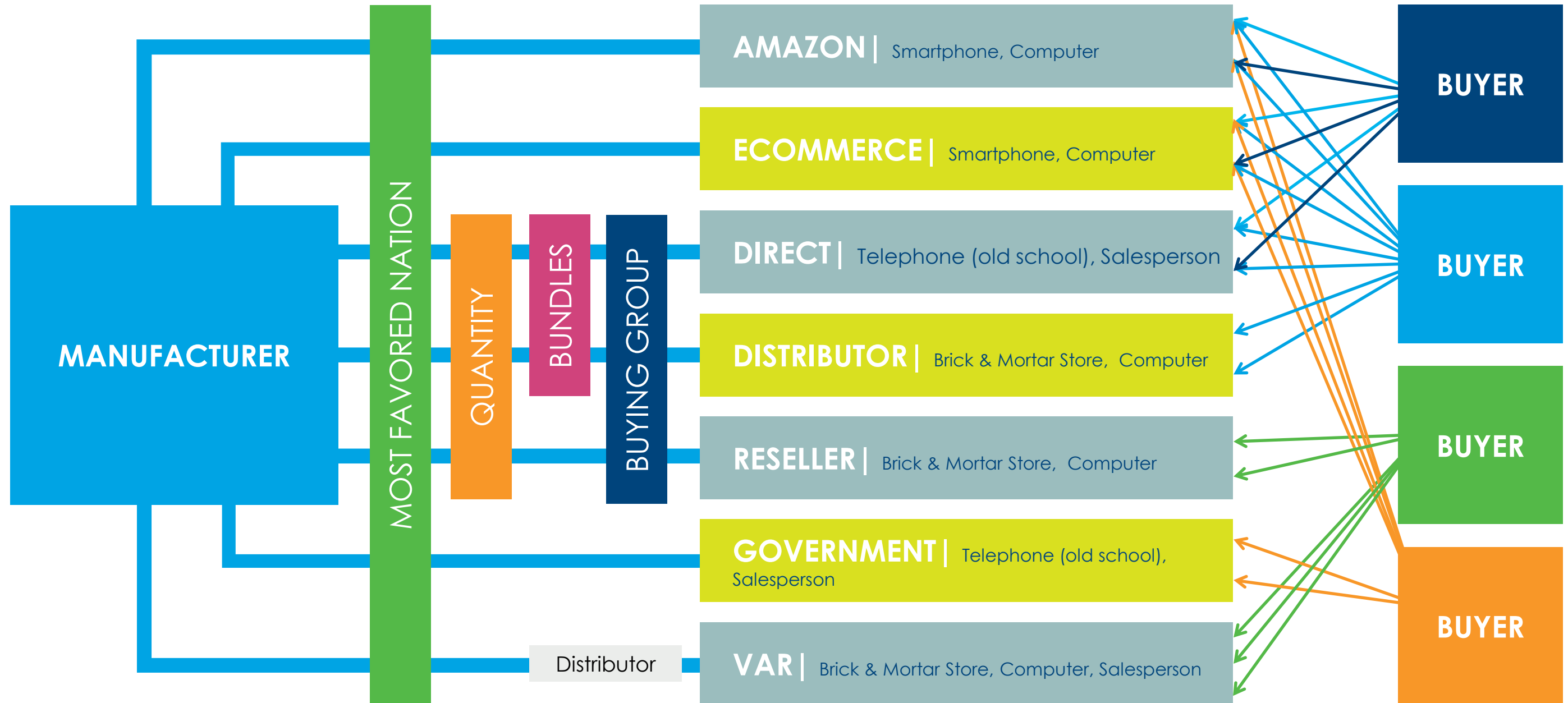


Value

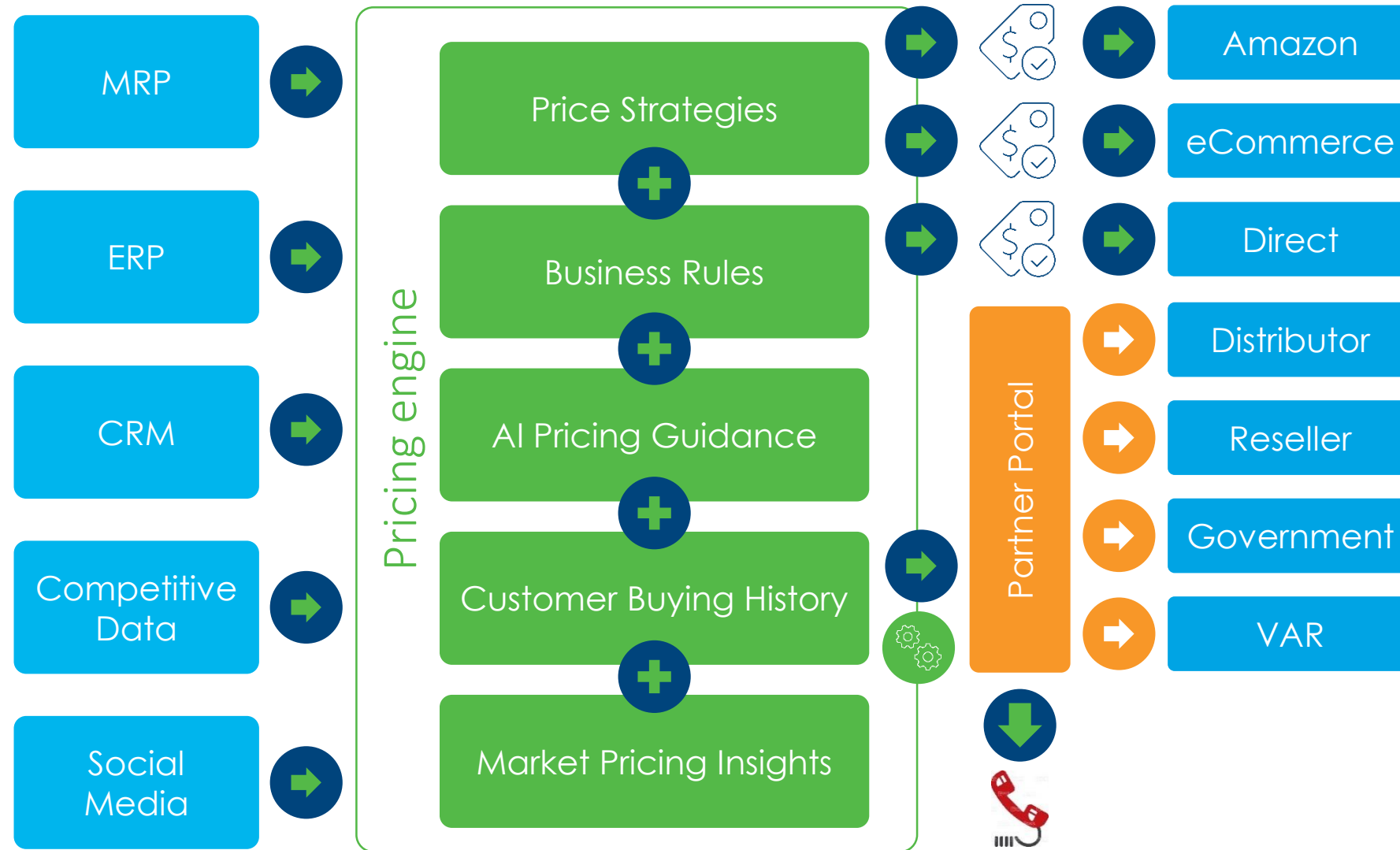




Pricing strategies need to be channel aware



Bringing it all together





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A Successful Case Study – 3 Steps...



Pilot



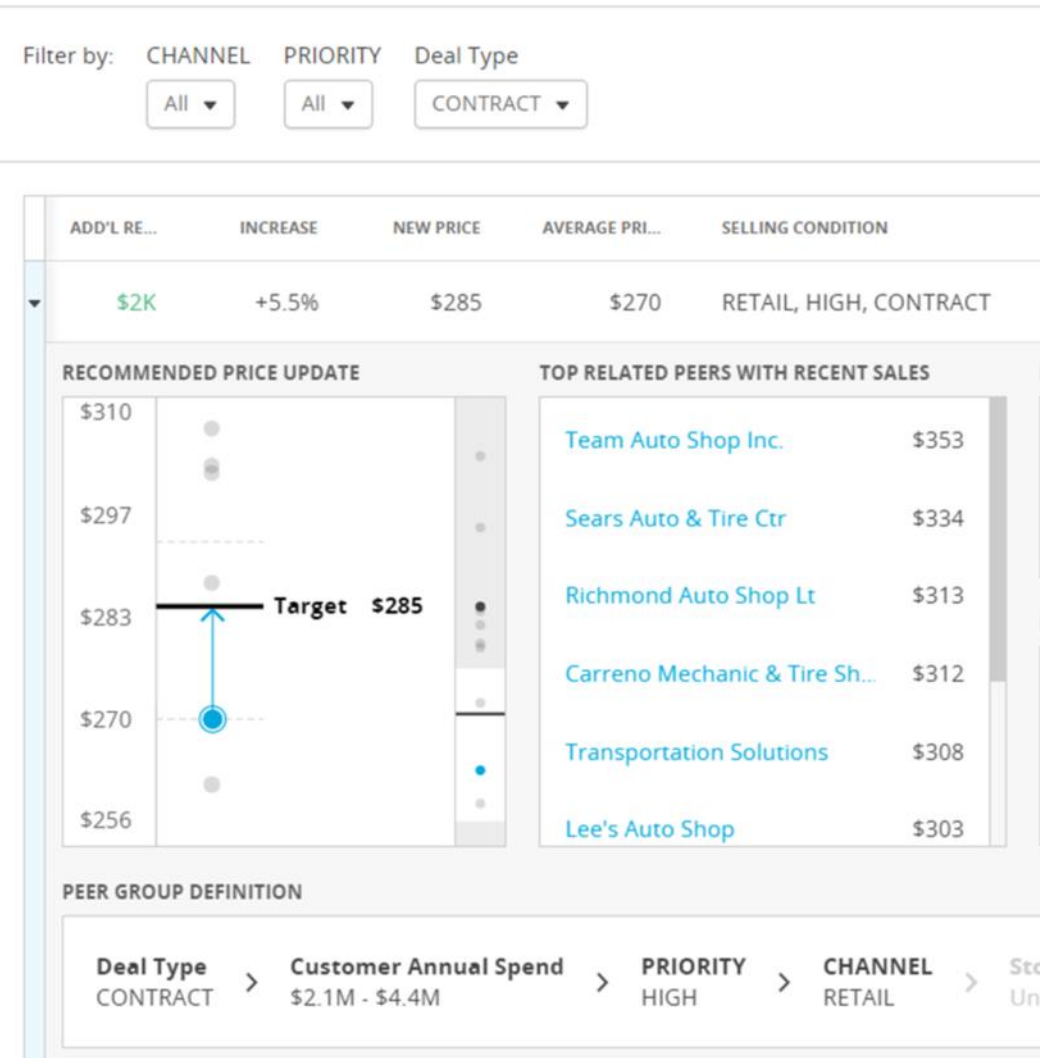
Celebrate & Promote



Compensation Plans



Justify AI Derived Guidance



- Transparency into supporting analysis for each price recommendation
- Understand recommended prices relative to peer group
- Compare with prices being paid for each identified peer

Bidfood



Large UK supplier to the foodservice sector.



Simplifying pricing and increasing margins with analytical insights, price optimization and quoting.

Challenges

- Multiple geographic business regions that each operated independently.
- Manual pricing system that had become cumbersome.
- Competitive market forces were creating pressure to lower margins.

Solutions

- Credible and realistic price lists and pricing guidance.
- User adoption tied to financial performance of sales managers.

Results

- Improved visibility and pricing responsiveness.
- Eliminated excessive discounting.
- Reduced price inputs by 98%.
- Reduced price execution cycle by 70%.



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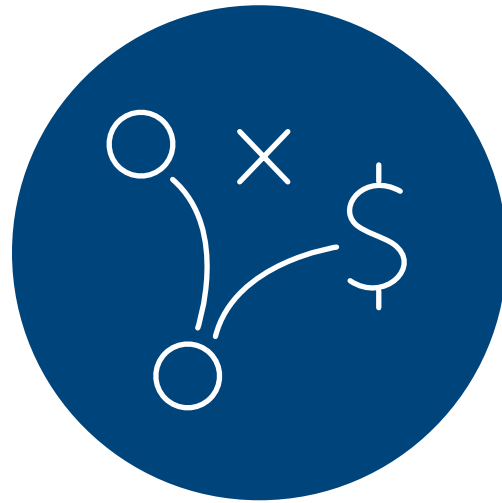
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Value & Success Measurement Approach



1. Build Value Case



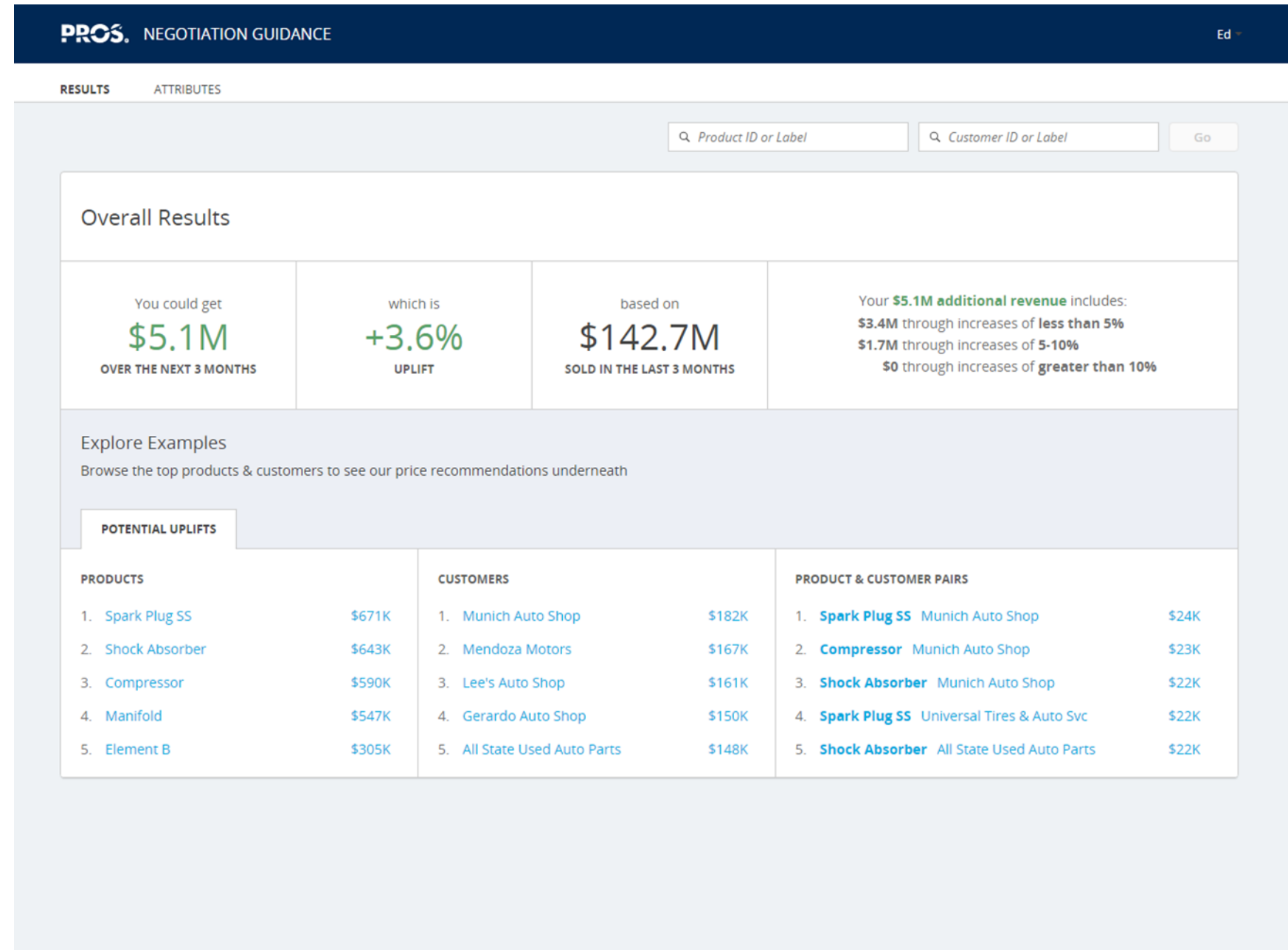
2. Define Measurement Approach



3. Quantify Value Achieved

Build Value Case

- Generate price guidance for sales in the past
- Measure the difference between guidance and prices achieved
- Eliminate customers that will not be affected
- Relate the margin uplift to the corresponding price changes



Perstorp

Specialty chemicals innovator and supplier with a global reputation for quality and reliability.



Recovering over \$1M in margin leakage on a monthly basis.

CHALLENGES

- Margin% had eroded from 17.2% to 10.8% in just 4 years
- Increased accessibility and price transparency (through eCommerce) for alternate, global suppliers
- Sales reps reacting with undisciplined discounting
- Inability to quickly incorporate fluctuations in raw material or freight costs

SOLUTIONS

- Enabled visibility into the margin leakage through purpose-built analytics
- Incorporated algorithmic price guidance into quoting processes
- Measured price improvement at the sales rep-level through their Pricing Discipline Index (PDI)

RESULTS

- Realized over \$1M in margin recovery per month
- PDI improvement of 42% in just 20 months
- Margin% improved by >500 basis points from lowest levels in 2009



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Key
considerations
when
leveraging AI
to improve
margins

Ability to incorporate into the price strategy & overlay business rules

Insights into the learning to support price recommendations

Ability to influence and change segmentation as market changes

Ability to impact how aggressive new price guidance is

The ability to estimate margin uplift and track value realised



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