



How to keep up with rapid changes in the Pricing discipline 2020-2025

Sebastian Redtka
Senior Customer Success Manager at PROS

Fall, 1992

THE LONG VIEW PAGE 9

Harvard Business Review



SEPTEMBER-OCTOBER 1992



MICHAEL E. PORTER

CAPITAL DISADVANTAGE: AMERICA'S FAILING
CAPITAL INVESTMENT SYSTEM

65

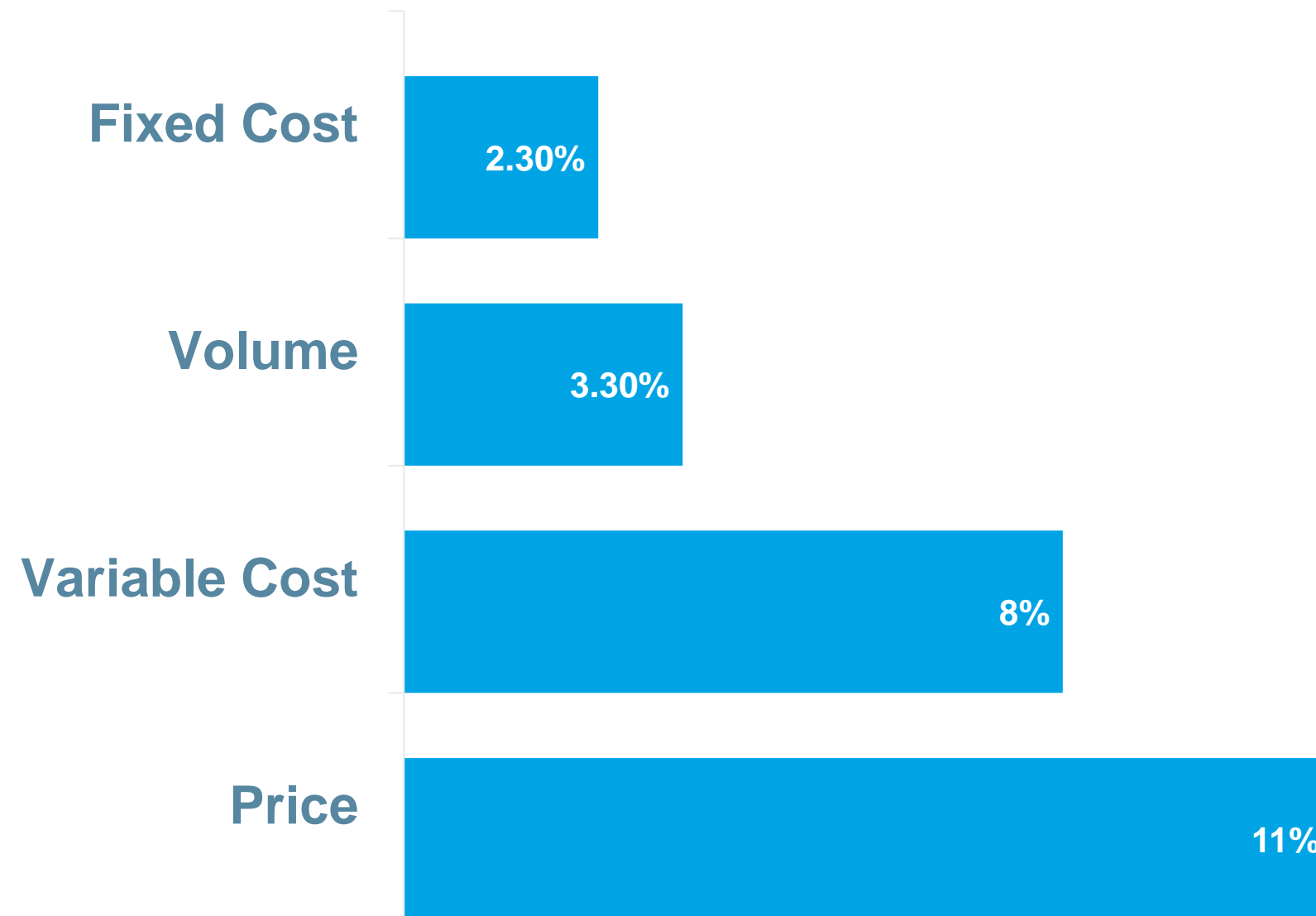
MICHAEL V. MARN AND
ROBERT L. ROSIELLO

MANAGING PRICE, GAINING PROFIT

84

Big Idea #1: Price is the Most Powerful Profit Lever

1% Improvement in... ...Creates operating Profits Improvement of:

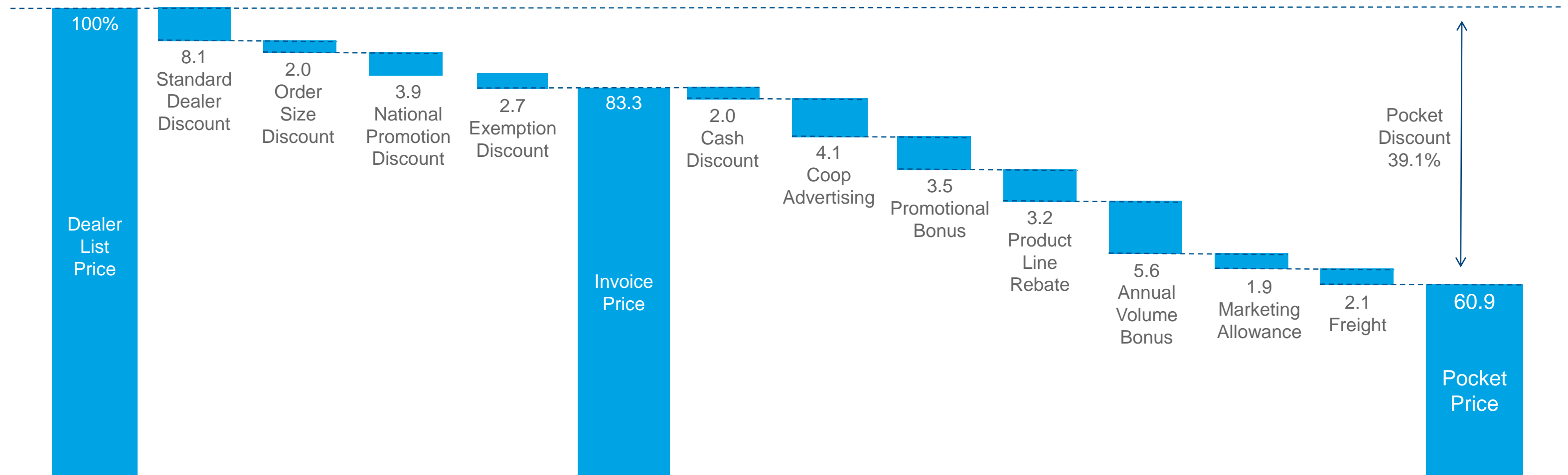


*Based on average economics of 2,463 companies in Compustat aggregate
Source: The Price Advantage

Big Idea #2: Measure the right price

Tech-Craft Gave a Pocket Discount of 39.1% After Waterfall Elements

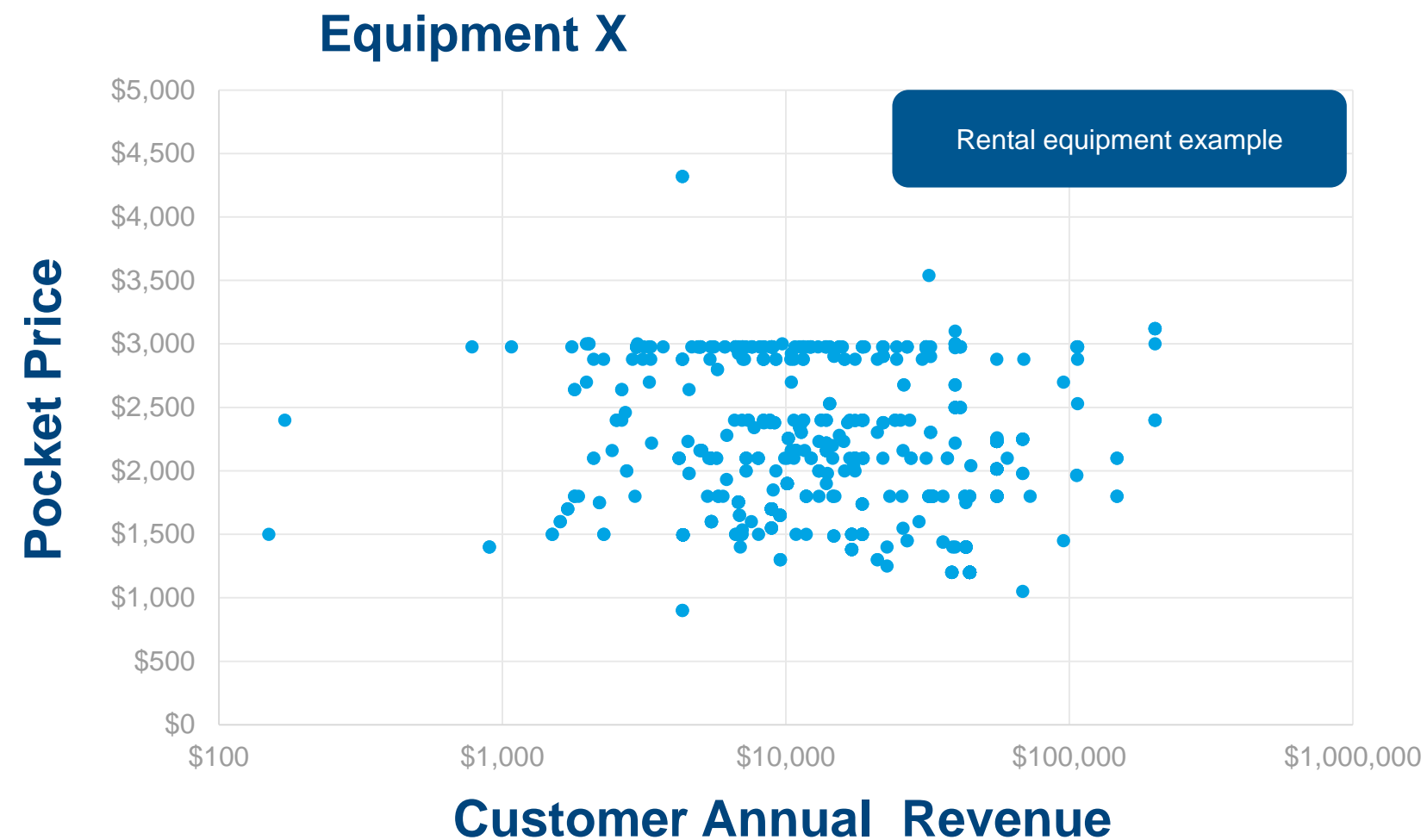
(100% = Dealer List Price)



Source: The Price Advantage

Big Idea #3: Variation without Rationality

Circa 2000-2010

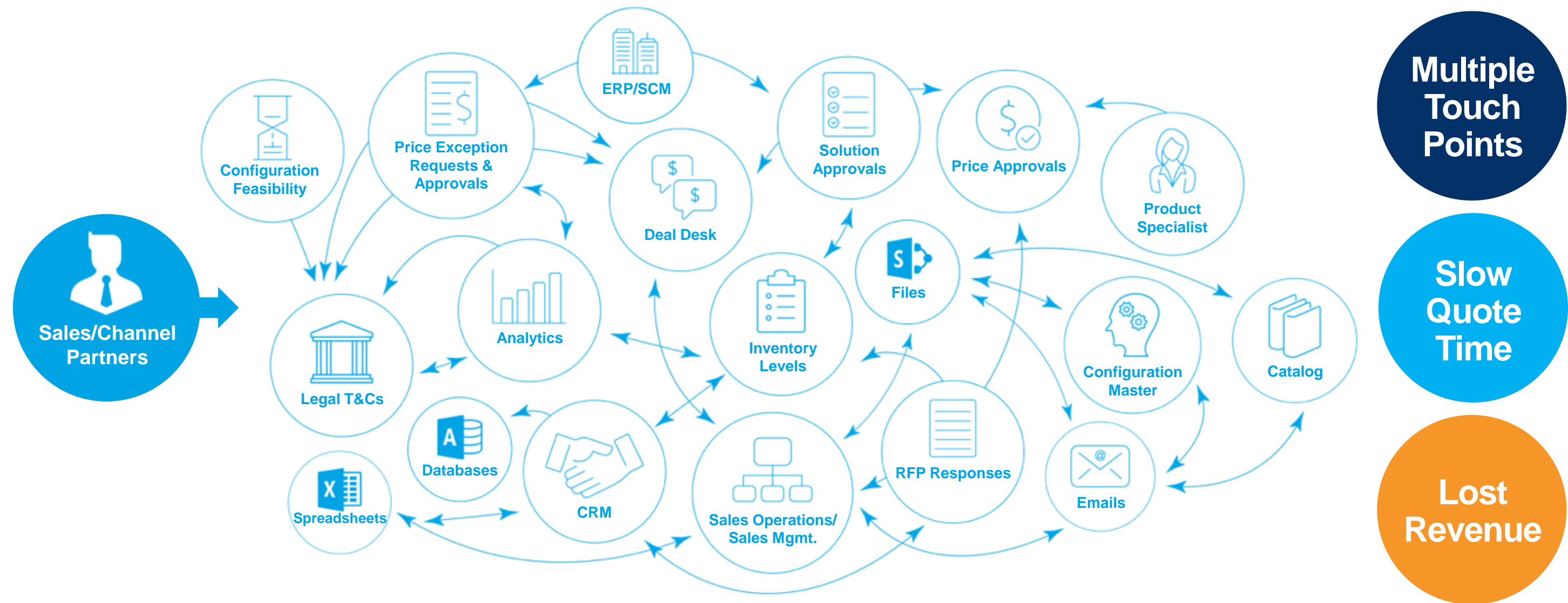


Typical reaction:

- Apply analytics to the problem
- Reduce authority levels
- Control with organizational structure (centralize)
- Apply 6 Sigma

Typical response to big idea #3

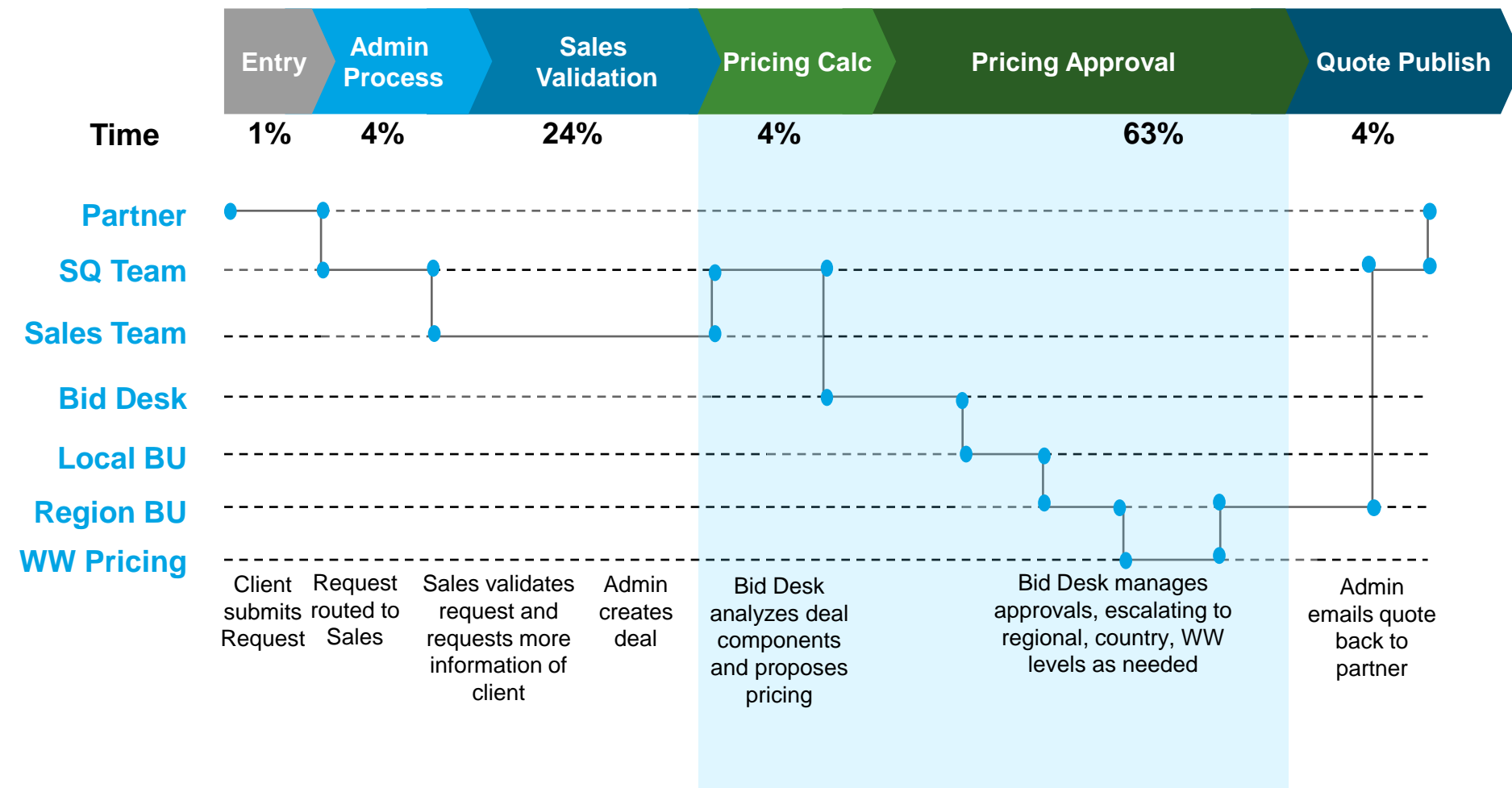
Circa 2016



Pricing Controls at the cost of speed

Pricing usually takes the majority of time in the quoting process

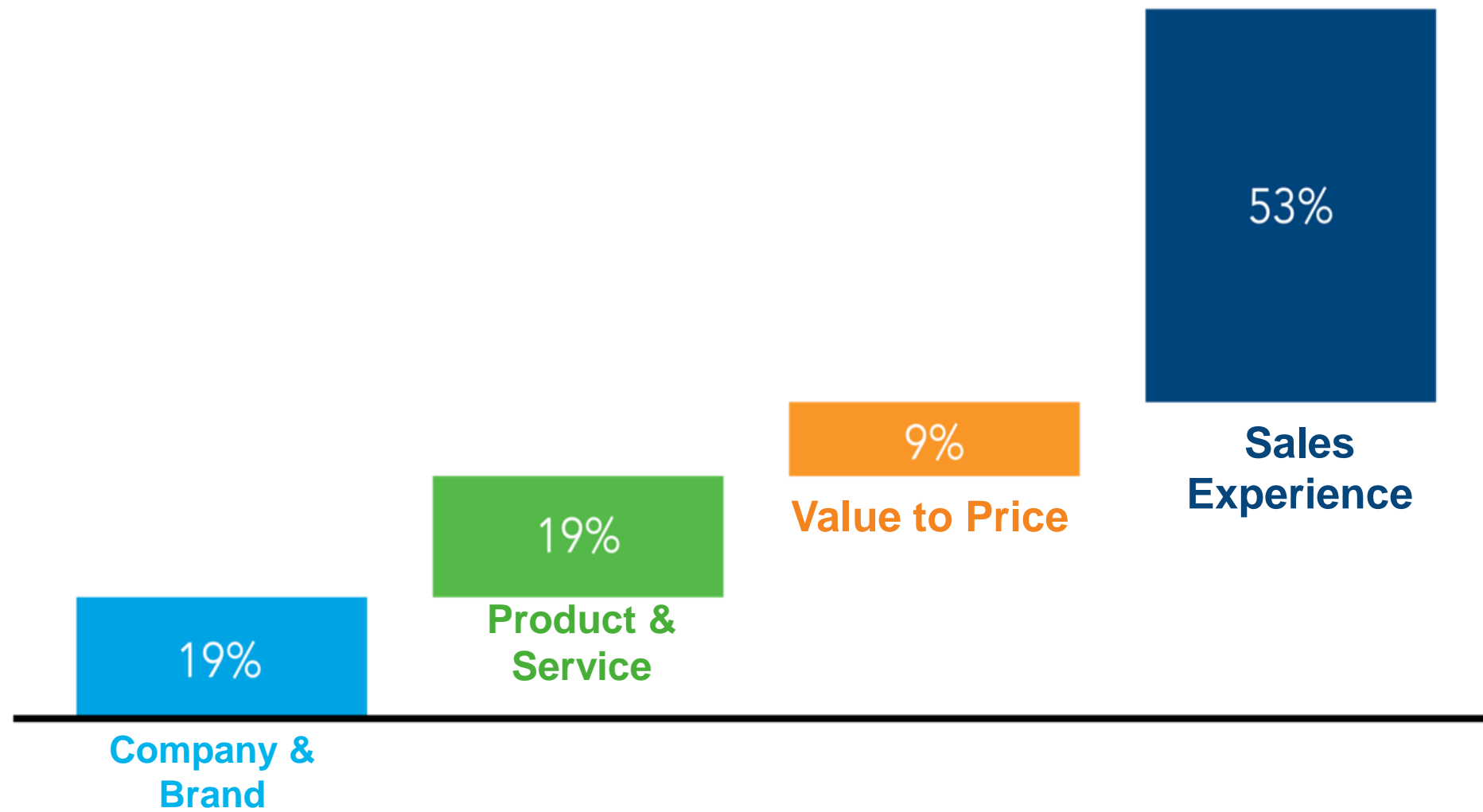
High Tech Example



The New Buyer

Implications for pricing

Buyer Change #1: Sales Experience is the New Key to Revenue Growth



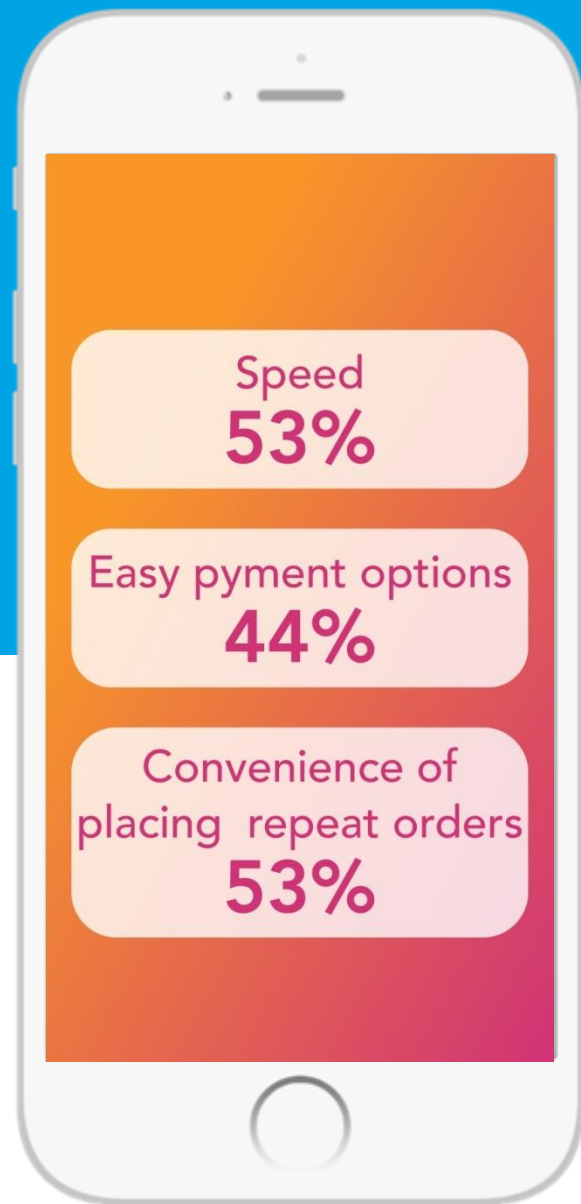
Source:  CEB

70% of millennials buyers
are (very) willing to switch vendors
even if they like their solution

if dissatisfied with marketing and sales.

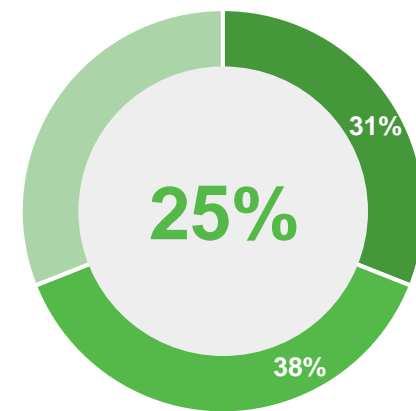
Source:  IDC

Buyer Change #2: Speed is Increasingly a Competitive Differentiator

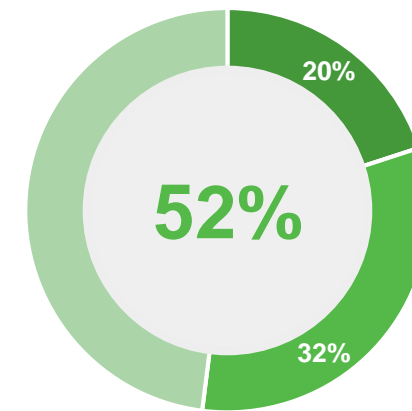


Source: UPS Industrial Buying Dynamics Study, 2017

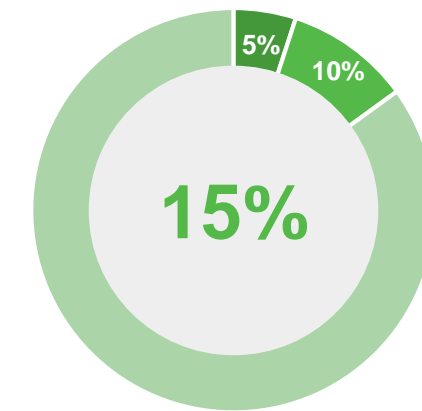
How likely would you be to move your business if you could order via a mobile app?



Millennials



Generation X



Baby Boomers

Extremely Likely Very Likely

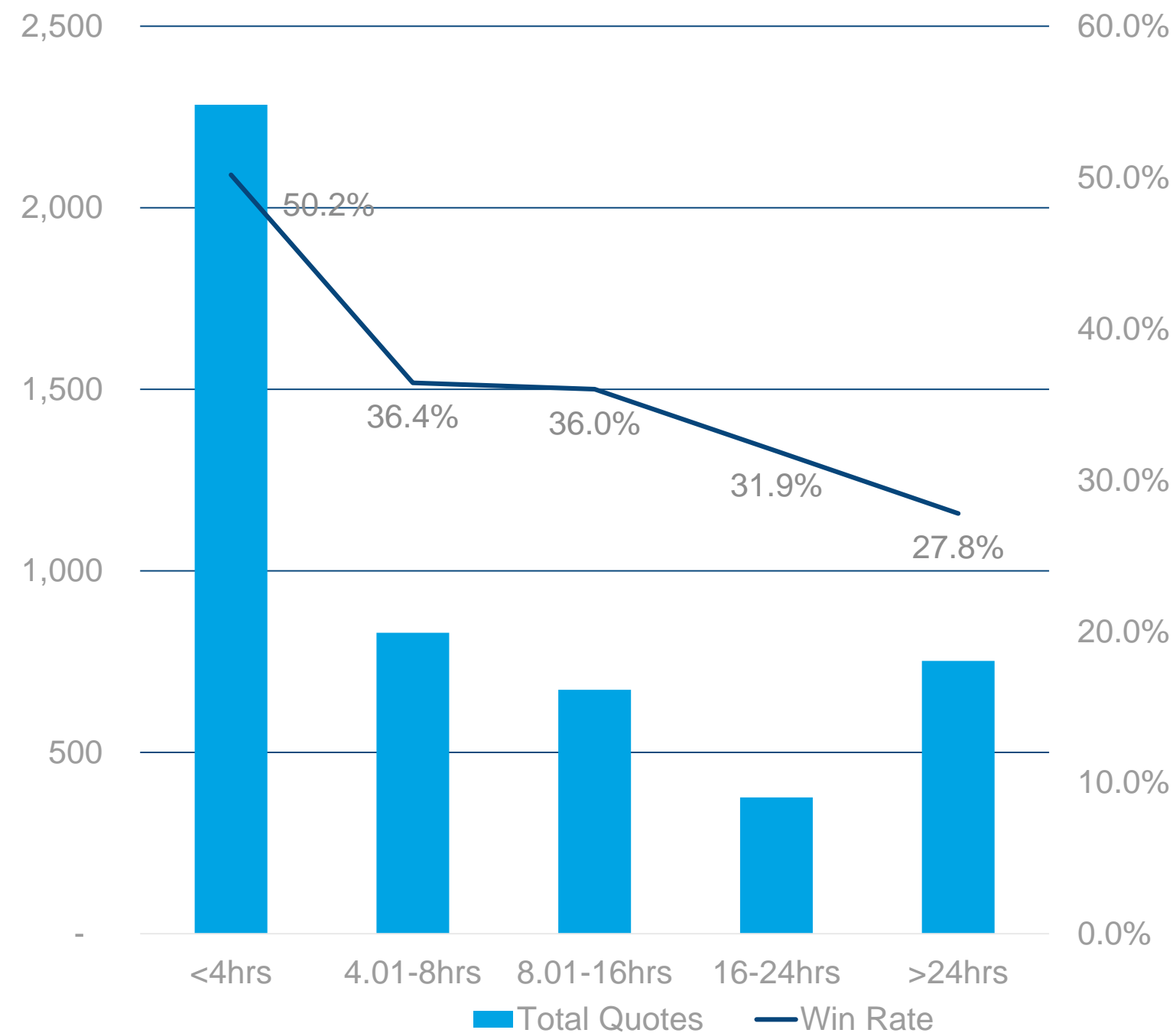


50% of buyers choose the vendor that responds first.”

[INSIDESALES.COM](https://www.insidesales.com)

Example: Faster Quote Turnaround Times Drive Higher Win-Rates

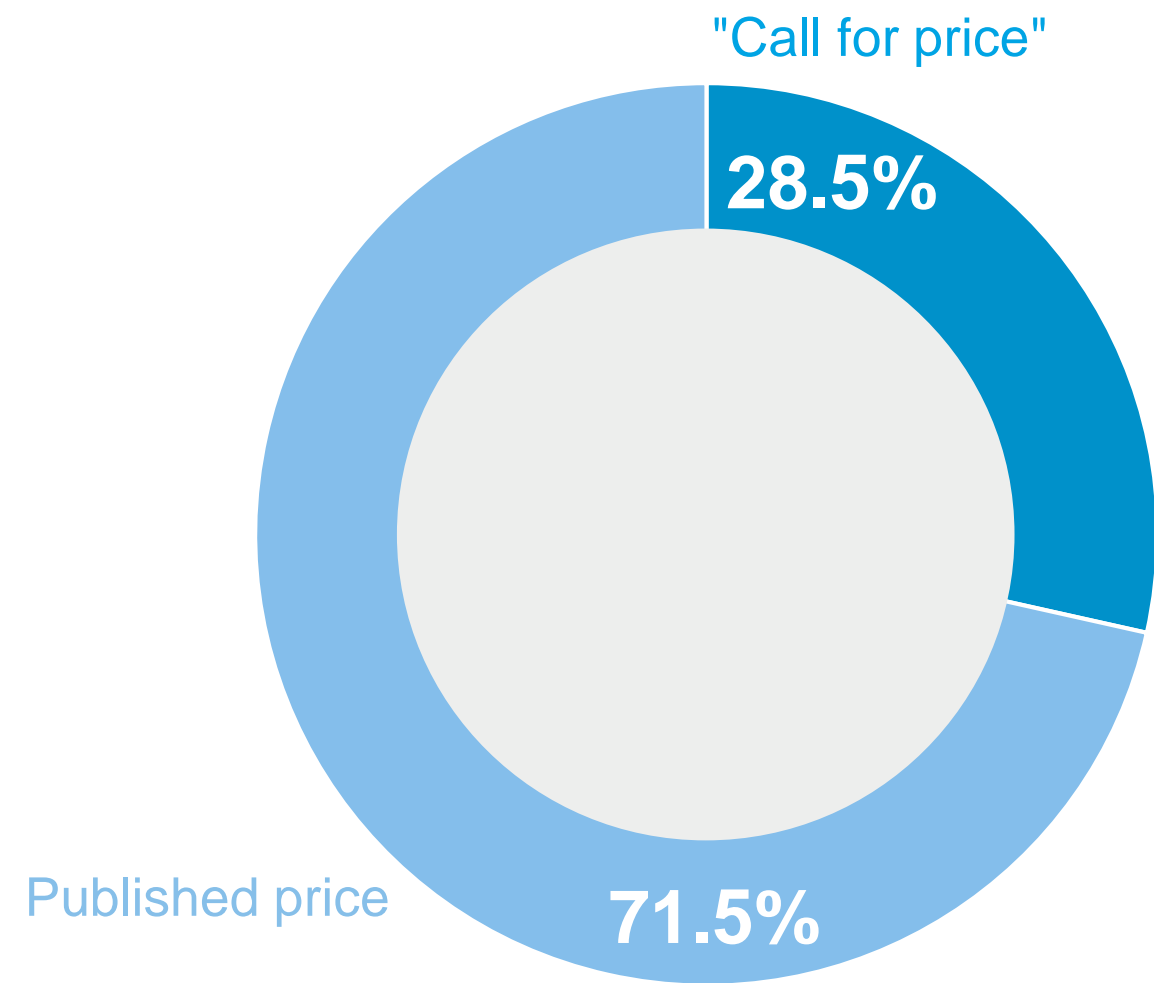
High Tech Manufacturing Example



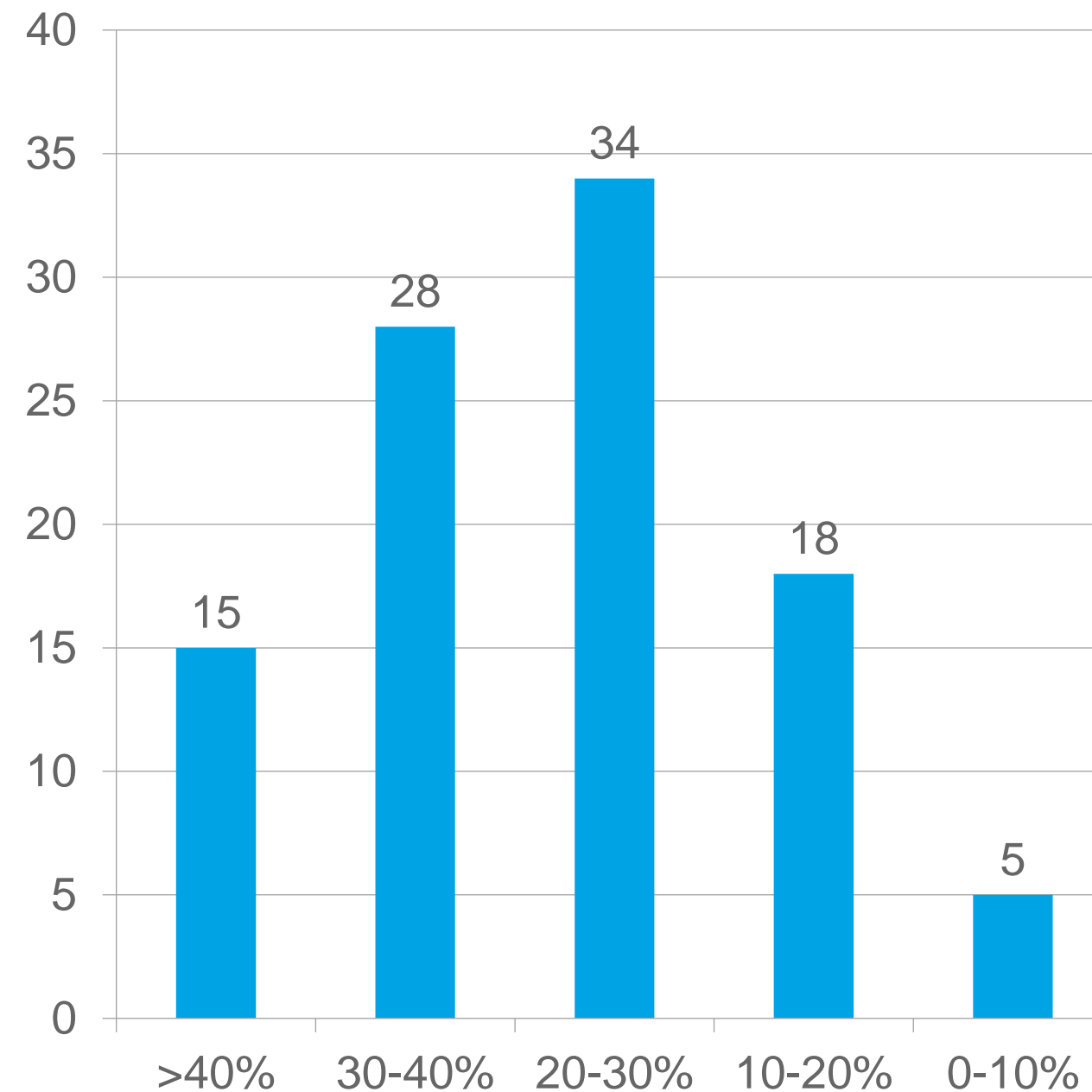
>40% reduction in win-rate for quotes over 24hours

Unfortunately, most B2B companies are ill-prepared

Agriculture and Construction equipment



Sources: PROS analysis, Ritchie Brothers sales data, Tractor House, Machinery Trader.com, Ag Dealer.com published listings

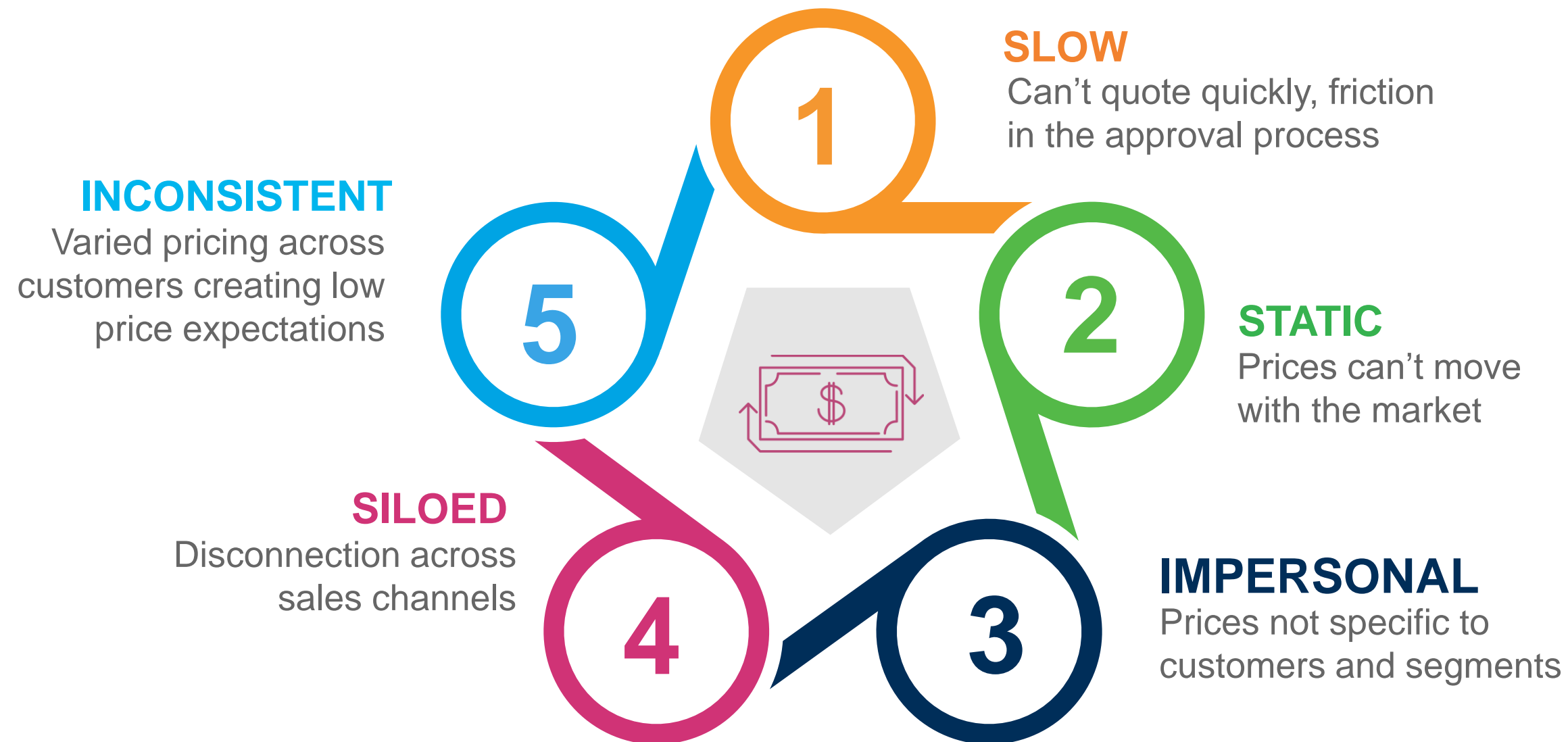


Actual Market price discount compared to published price

New Pricing Capabilities Required to Win

The Risk to Your Business of Getting Pricing Wrong

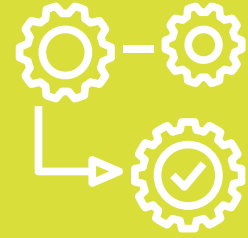
Money left on the table, reduction in win-rate and downward price pressures.



Call to Action



Focus on speed



Segment processes for no-touch, low-touch and high-touch



Build trust in the AI



Embrace variable pricing



Modernize your pricing organization

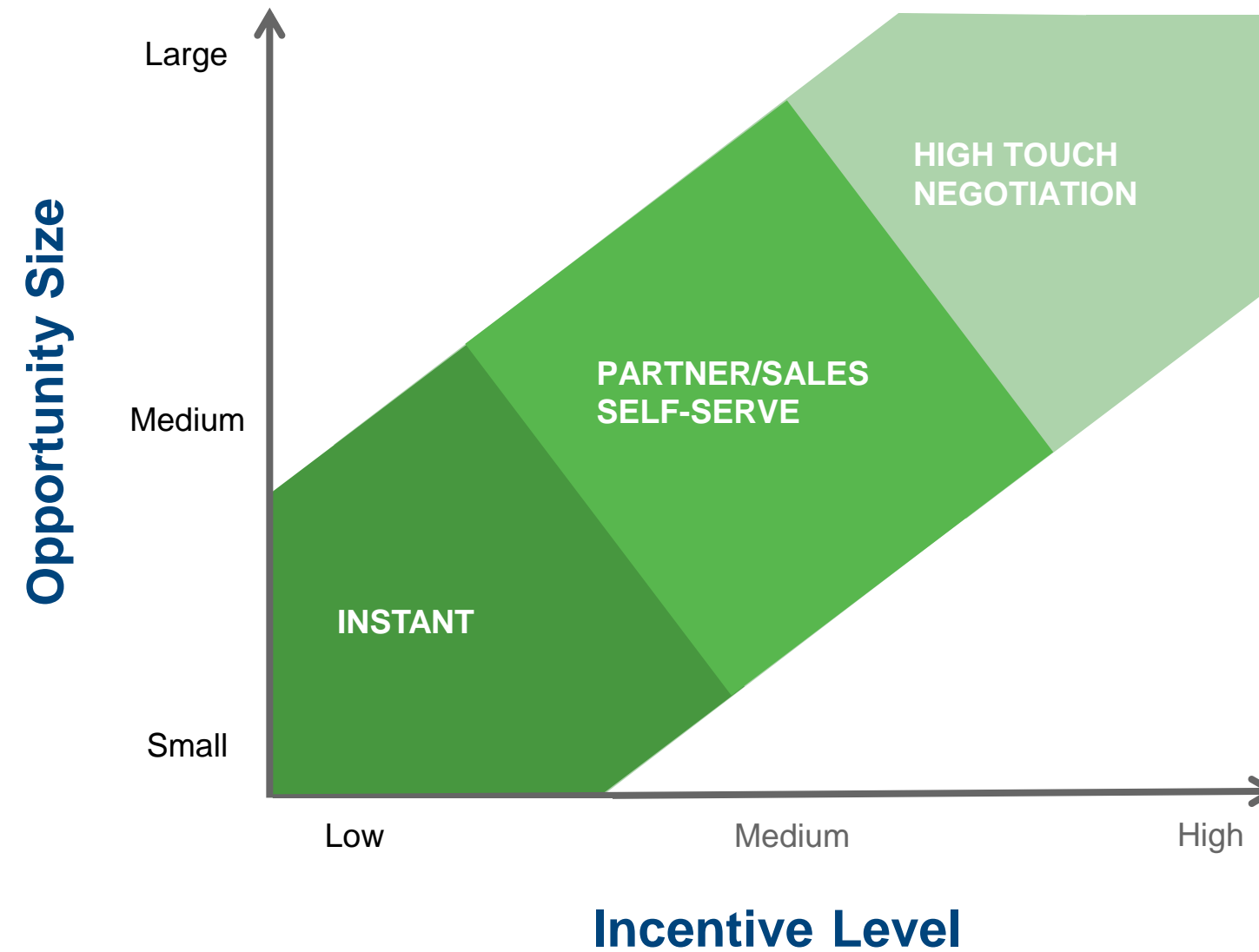


70%

**Faster pricing
cycles, enabling
nimbleness in a
dynamic market**

Action #2 – Segment your pricing process

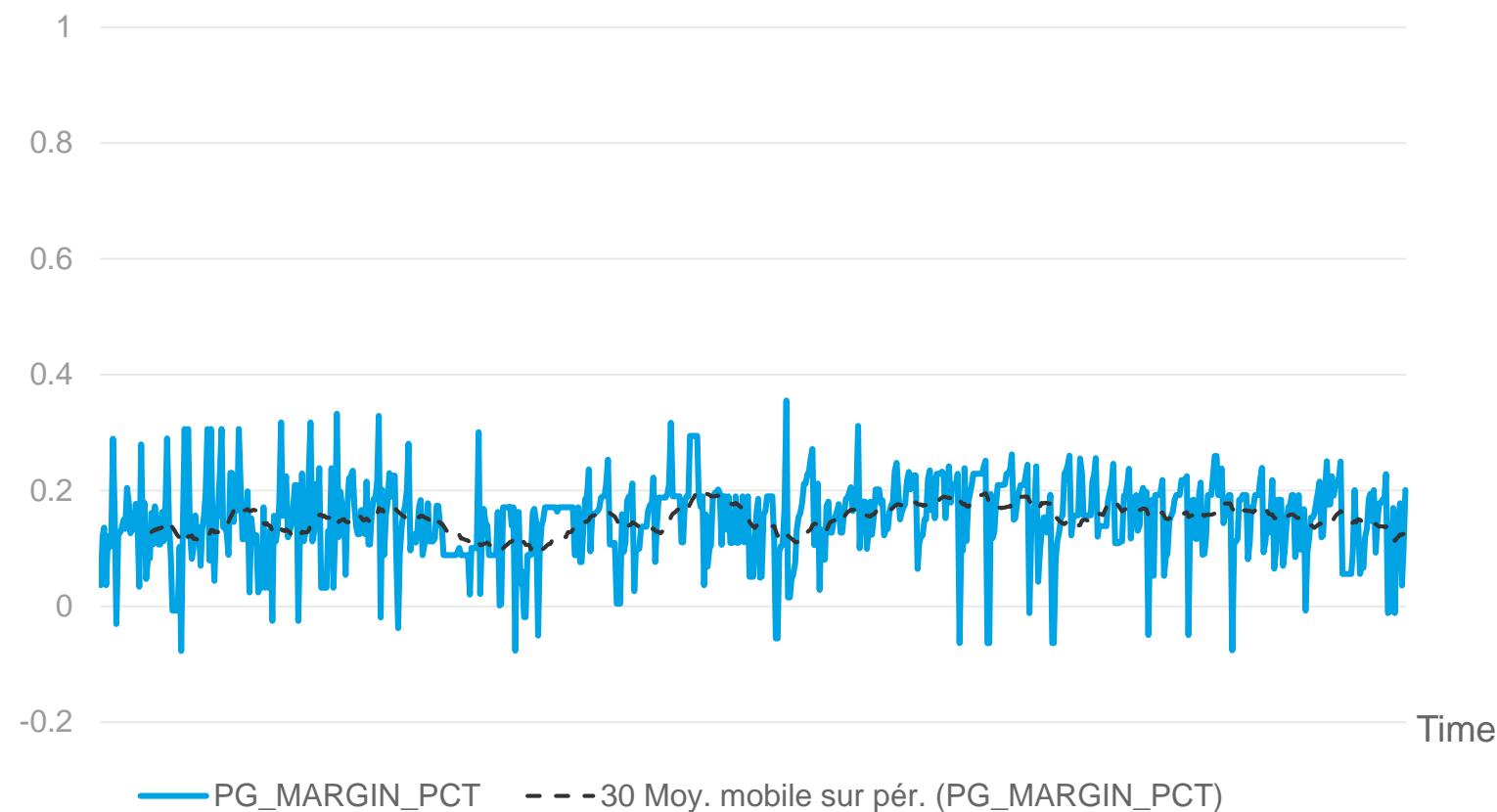
Enabling Better Allocation of Deal Review Resources



Action #3 - Build trust in the AI

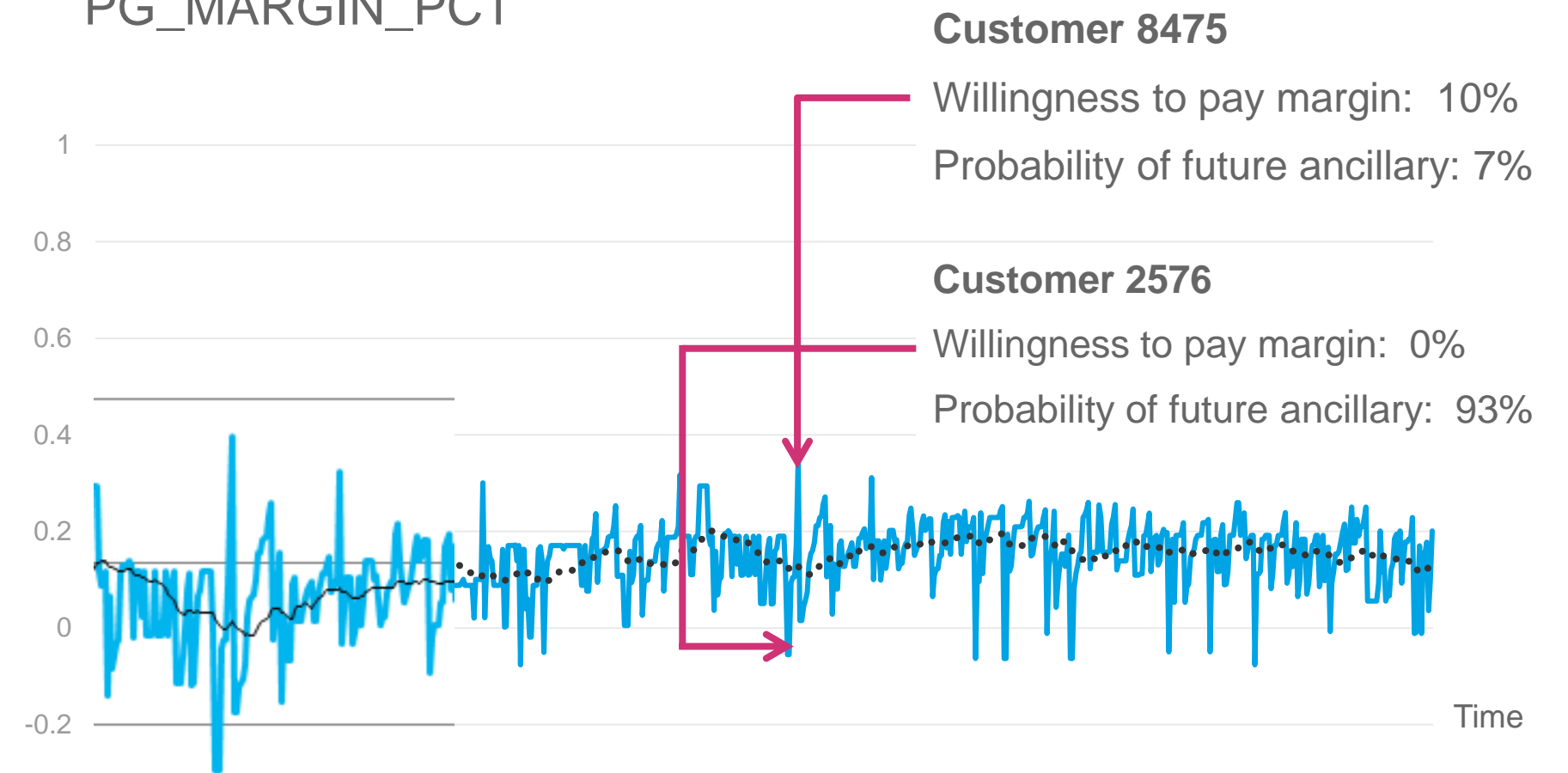
AI-driven Price Guidance over time appears to be random

PROS Price Guidance (MARGIN PERCENT)

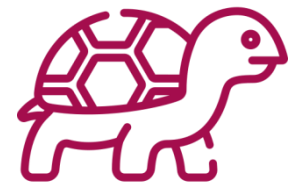


However, AI captures willingness to pay, and probabilities for getting ancillary business

PG_MARGIN_PCT



Action #4 - Modernize your pricing organization



Traditional

- Protects pricing/margin
- Creates controls to manage, monitor and execute pricing
- Creates pricing models to match price to value
- 80% price execution, 20% strategy



Digital Commerce

- Enables nimble market pricing
- Helps transition to no-touch pricing
- Implements repeatable, largely self-running dynamic pricing model
- Continuous ideation and testing of pricing assumptions and strategy



Thank You

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