Boost your pricing impact with data and advanced analytics

BCG
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Le Club du Pricing

LE CLUB DU PRICING
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Introduction

Our BCG speakers today

Camille Brégé
Partner and Managing Director, Paris

BCG global leader for B2B Pricing topic

Jean-Sébastien Verwaerde
Partner and Managing Director, Paris

BCG global leader for AI applied to B2C Pricing

AA & AI increasingly becoming key differentiators

Companies across industries have access to increasingly large amounts of data, both internal & external

Decisions are becoming more and more complex, driven by increasing transparency & volatility and need for deeper customization
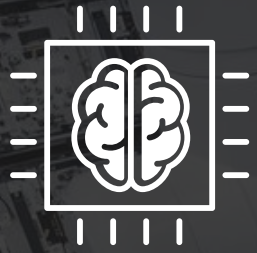
It is the moment to build competitive advantage

9/10 Companies agree that AI represents a business opportunity for their company but...

45% Perceive some risk from AI as competitors might figure out AI before them

Only front runners will get most benefits, it is the moment to build competitive advantage !
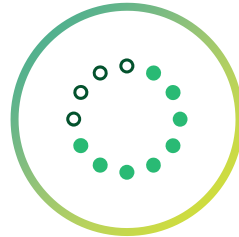
Low level of digital maturity in Pricing across industries

Pricing ranks among **last functions for AI implementation** (9th out of 12)

50%+ **IG** players still using Excel as pricing tool

~25% **B2B companies** still with static/foundational pricing capabilities

85%+ **companies** still not leveraging AI in Pricing
- Up to **90%** for **Construction and Real Estate**, amongst less digitally mature industries
- Down to **81%** for **Consumer goods & retail**

Source: BCG Pricing Maturity Assessment (PMA) survey, "Expanding AI's impact with organizational learning" report insights, BCG experience

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Yet, leveraging Advanced Analytics & Artificial Intelligence in Pricing should be a no brainer
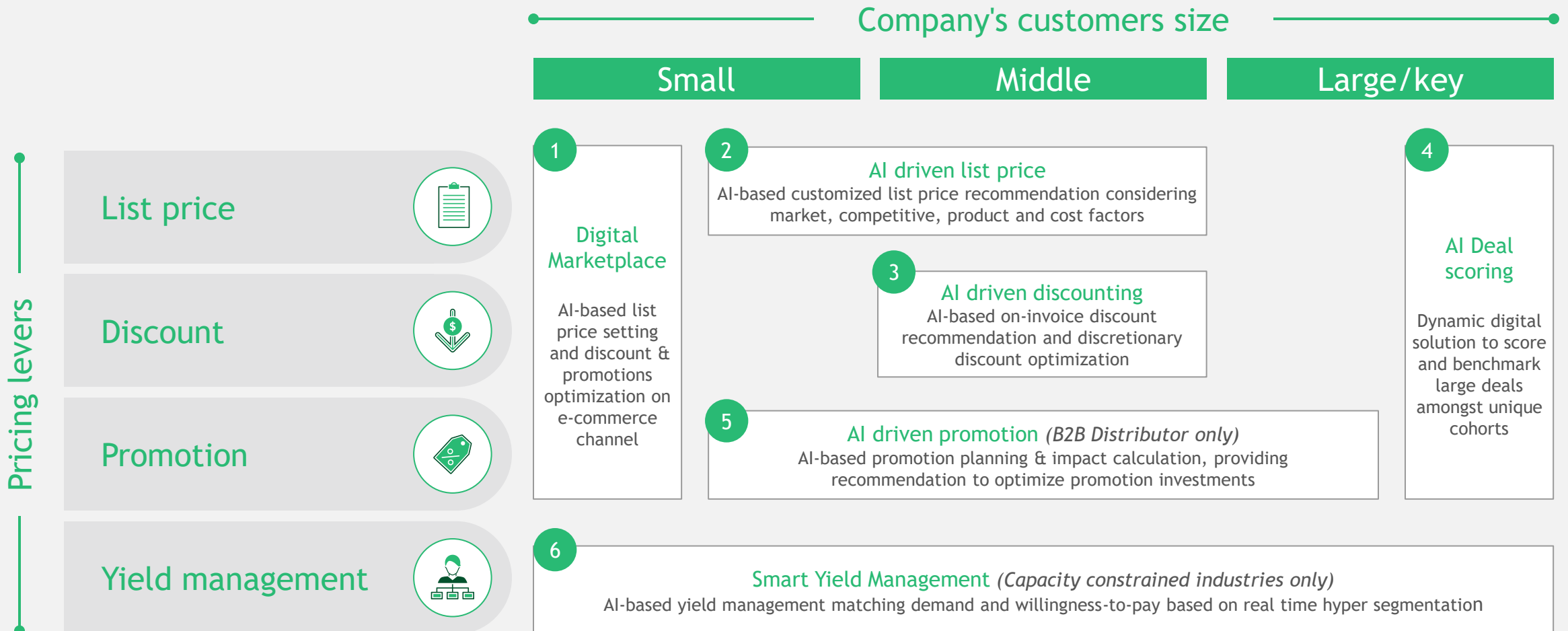
EBITDA margin unlocked on average[1]

+1-4pp

x2
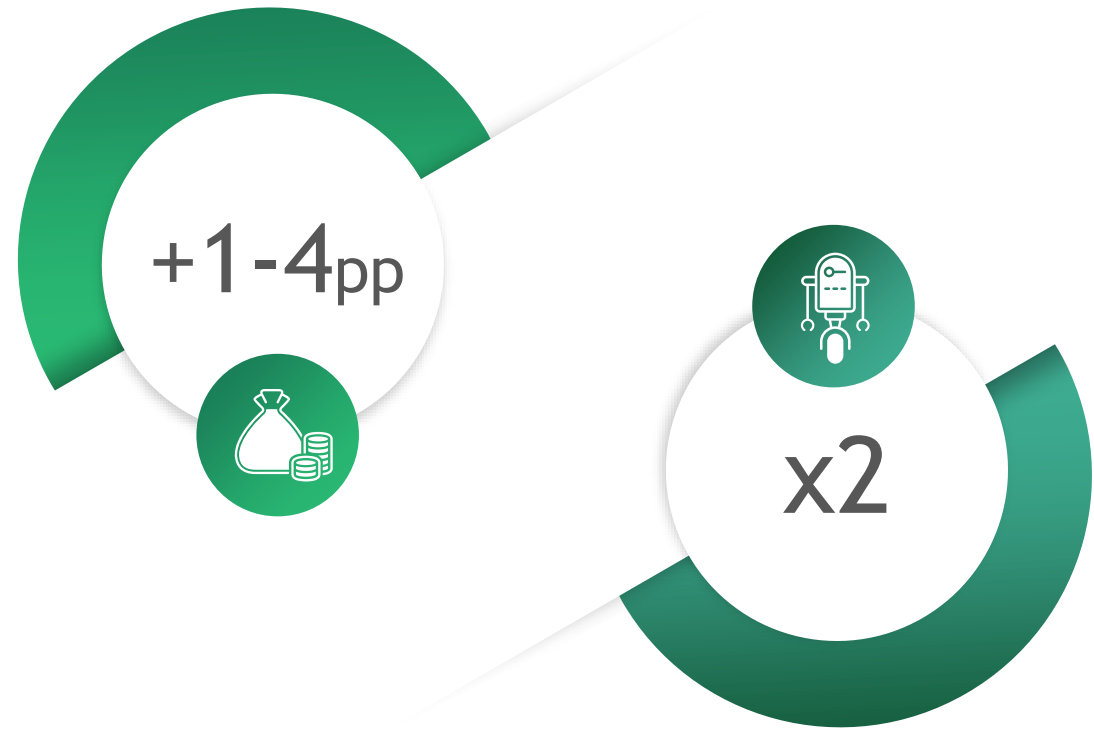
Implementation success rate vs. other AI & AA use cases

1. From 100bps in low-margin commodity industries to 400+bps in T&L, Petrochemicals, Machinery & Automation, etc. Source: BCG Pricing Maturity Assessment (PMA) survey, "Expanding AI's impact with organizational learning" report insights, BCG experience
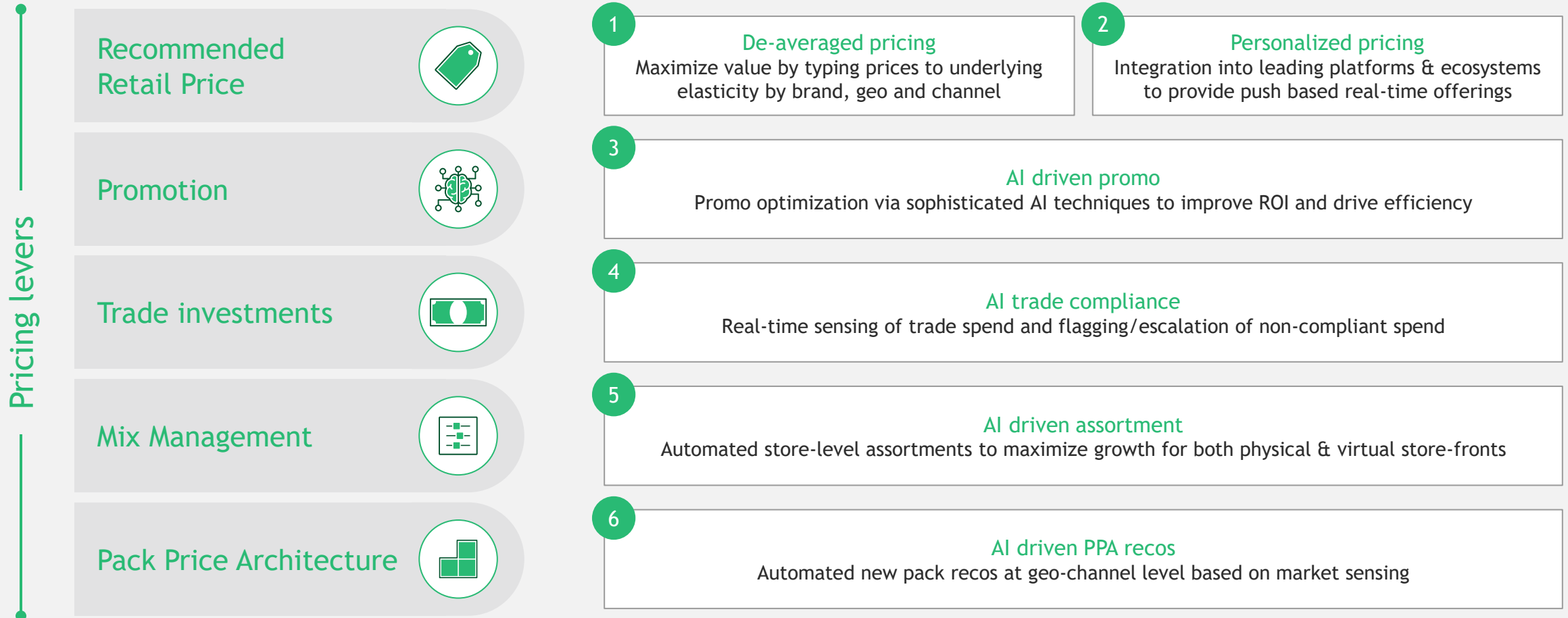
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How B2B companies implement AA & AI in Pricing ?

Customized approach per type of customers/industries, leveraging 6 key use cases

Company's customers size

Small	Middle	Large/key

Pricing levers

- List price
- Discount
- Promotion
- Yield management

1 Digital Marketplace

AI-based list price setting and discount & promotions optimization on e-commerce channel

2 AI driven list price
AI-based customized list price recommendation considering market, competitive, product and cost factors

3 AI driven discounting
AI-based on-invoice discount recommendation and discretionary discount optimization

4 AI Deal scoring

Dynamic digital solution to score and benchmark large deals amongst unique cohorts

5 AI driven promotion *(B2B Distributor only)*
AI-based promotion planning & impact calculation, providing recommendation to optimize promotion investments

6 Smart Yield Management *(Capacity constrained industries only)*
AI-based yield management matching demand and willingness-to-pay based on real time hyper segmentation

6

How B(2B)2C companies implement AA & AI in Pricing ?

Six key use cases

Pricing levers

Recommended Retail Price

Promotion

Trade investments

Mix Management

Pack Price Architecture

1 De-averaged pricing
Maximize value by typing prices to underlying elasticity by brand, geo and channel

2 Personalized pricing
Integration into leading platforms & ecosystems to provide push based real-time offerings

3 AI driven promo
Promo optimization via sophisticated AI techniques to improve ROI and drive efficiency

4 AI trade compliance
Real-time sensing of trade spend and flagging/escalation of non-compliant spend

5 AI driven assortment
Automated store-level assortments to maximize growth for both physical & virtual store-fronts

6 AI driven PPA recos
Automated new pack recos at geo-channel level based on market sensing

To deliver impact, business process & change need twice as much attention as algorithm & tech

10% Algorithm

20% Technology

70% Enablement

Pricing AA & AI in practice:
let's deep dive into 2 client examples

Algorithm

Technology

Enablement

Global road work leader unlocking pricing value through analytics capabilities & pricing tools for sales

AA on historical deals data to identify and quantify key factors influencing prices

Tool for Sales with recommended price corridor, PowerBI to gather data & monitor performance

Agile methodology, local field champions/trainers, empowered pilots

Global wine & spirit leader building its mass retail promo planning leveraging AI

Machine learning model forecasting promo events results based on past events

Promo tool for Post event analysis, Event simulation & Calendar optimization
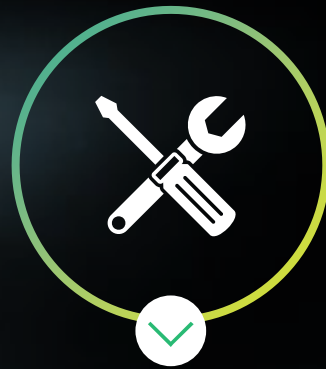
Bionic Ways of working with agile co-creation

Road work company facing several challenges to increase pricing maturity
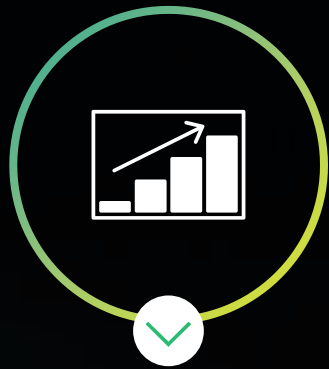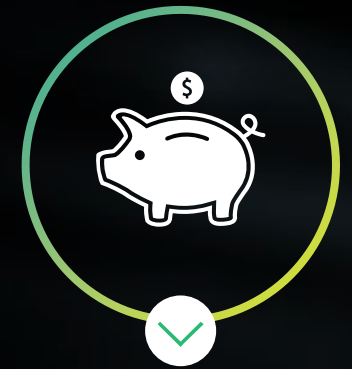
Pricing completely decentralized decision
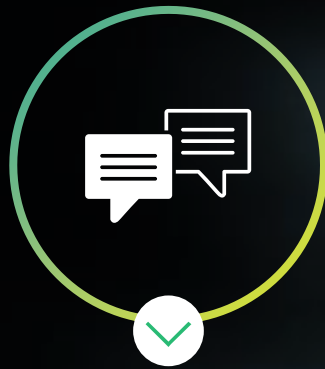
Inconsistent vocabulary

Lack of tools adapted to price performance monitoring and steering

Tendency to underestimate cost price of own offering (whilst often cost+ pricing model)
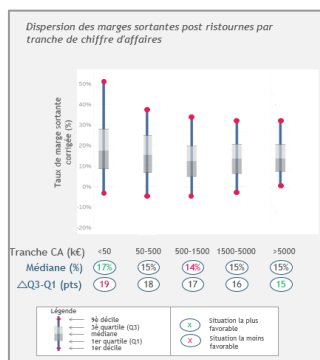
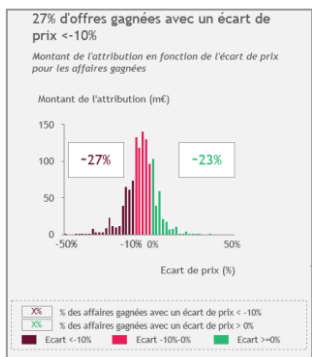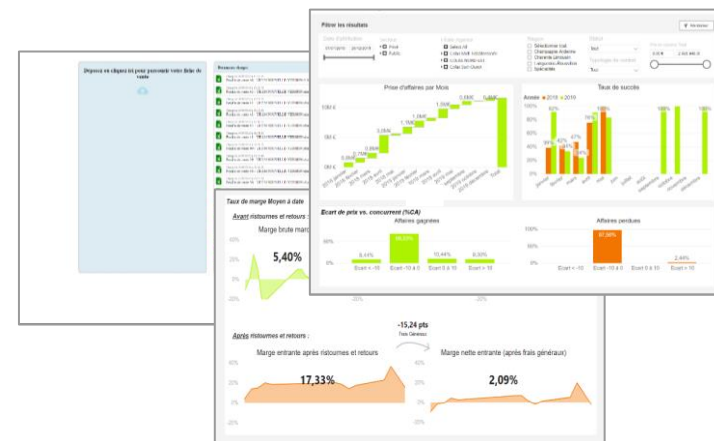**Limited view on the customer's willingness to pay**

Unlocking Pricing value at Road Work company through analytics capabilities

Fast diagnosis to showcase value at stake thanks to data analytics tools

Easy to use pricing tools for sales with customized price recommendations

PowerBI interface to gather data and monitor performance

We defined client target pricing policy...

Objective

Understand where the **value** is and give **tools** to the sales teams to go after it

3 questions to answer

Where is it possible to raise prices ?

By how much could price be raised ?

Where to target commercial time and effort ?

...brought to life in margin corridor tool for sales

For each deal a **margin corridor** is **recommended to Sales** based on multiple parameters :

- Client sector (e.g., private - industry, public - department, etc.)
- Deal size
- Level of technicity
- Deal constraints (e.g., noise reduction, time constraints, etc.)
- Level of activity at work start
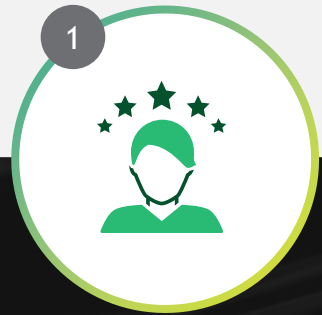- Level of competition
- Etc...

Pricing policy is the starting point of a commercial excellence and customer centricity journey

Impact (% points of EBIT recurring impact)

> 5%

2-4%

1%

Quick wins
Managerial & discipline
- Coefficients increase
- Adding fixed fees surcharges
- Billing of out of contract work

Target pricing policy
Value segments
- Customer segmentation: value pocket
- Margin recommendation
- Commercial plan
- Training on pricing, margin, behaviors
- Aligned incentives

Sales force effectiveness
Productivity & effectiveness
- Client segmentation according to margin potential
- Definition of service levels according to segments
- Set up of Sales reps portfolio optimizing value potential and client facing time
- Definition of incentives
- CRM quality feed as top priority

Value-based offers
New offers and customer centricity
- Understanding customer pathways and moments of truth of relationship
- Understanding customer pain points and latent needs
- Definition of Value-based offers
- Set up of new go-to market – bypassing intermediaries
- Offer co-design with clients
- Building new pricing schemes involving value sharing and hedging vis-à-vis liabilities

3-6 months

9-12 months

12-24 months

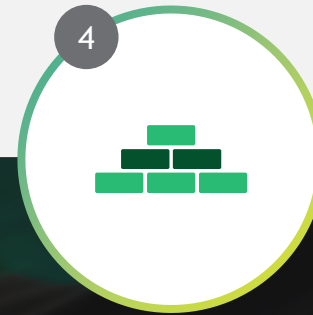Time to impact

Five key takeaways from this project

1 Prove by example ("success story") to go beyond assumptions
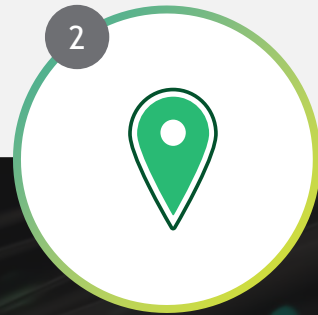
2 Remain simple and pragmatic

3 Do not underestimate your data and build from what exists ...

4 ... Whilst setting up the foundations for more advanced analytics

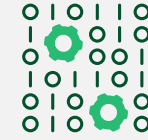**5** Involve the field from the very beginning

Client ambition

Take a step ahead of competition

Build strategic advantage

- Leapfrog competition implementing next-generation & data-driven RGM solutions

Leverage existing post-event analysis tool

- Accelerate deployment by not reinventing the wheel
- Create a single portal for past & forward-looking tools

Gain agility in decision making

- Enable quick simulation of specific promo and prompt response to retailers
- Systematize test & learn approach

Digitalize and facilitate processes

- Limit manual input and data treatment for teams
- Boost transversality & cross-functional decisions by setting a common language between the teams

How does AI Promo work?

It extracts granular and **intuitive insights** on what separates a good from a bad promo event ...

▶ ... then uses that info + strategic guardrails to pick the **optimal calendar** answer (amongst millions of alternatives)

▶ ... which users can then use to scenario plan and **design win-win calendars**

Three features AI promo tool implemented

Post event engine	Forward-looking engine	
Module #1 - Post event analysis	**Module #2 - Event simulation**	**Module #3 - Calendar optimization**

Automated analysis of past promotion based on Volume and Financial KPIs. True incrementality considering multiple factors and effects
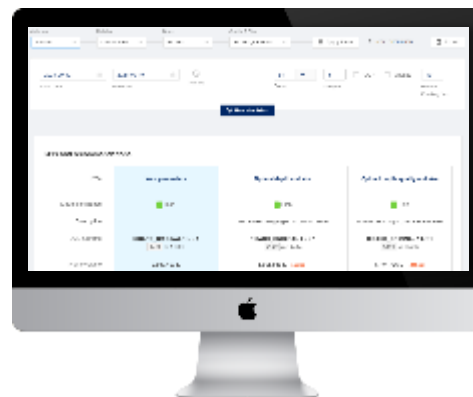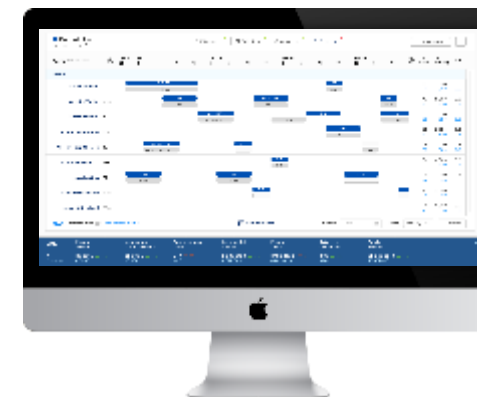
Simulation capabilities to forecast
- Impact of selected promo event given specific characteristics
- Optimization of selected event

Optimization capabilities to suggest optimal promo plan for a full year considering all pre-defined business constraints

Internal

How teams are using this AI promo tool

RGM

Trade Marketing

Commercial teams

" **I would** like to **simulate the impact of a selected promo event** to assess its **efficiency**

" **I would** like to **challenge commercial teams** in their annual promo plan building to **maximize spend impact**

" **I would** like to identify **most performing promo mechanics/phasing/ # events/budget reallocation** to set recommendations for commercial teams

" **I would** like to understand the **performance of the latest promo events** at my customer

" **I have** received **an ad-hoc request from Carrefour** and I would like to align with TM/RGM teams on how to answer it

" **I am** working on next year's promo plan and I would need **proposals of optimized plan for a given brand or category**

▼ Simulation module

▼ Optimization module

▼ Post event analysis module

▼ Simulation module

▼ Optimization module

# Critical considerations in building such AI promo tool

Data quality

Multiple data sources to be combined and matched at promo event level: sell-out, promo calendar, promo P&L, media campaigns, and other factors like weather, store exec, etc.
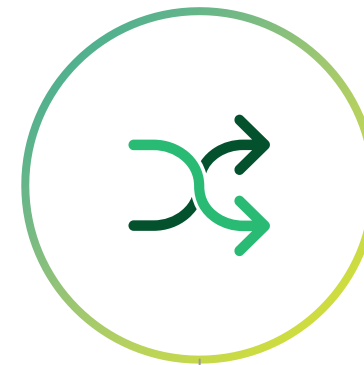
Predictive excellence

Generating high accuracy given level of granularity of predictions at retailer x SKU x promo event requiring top-notch algo and AI capabilities
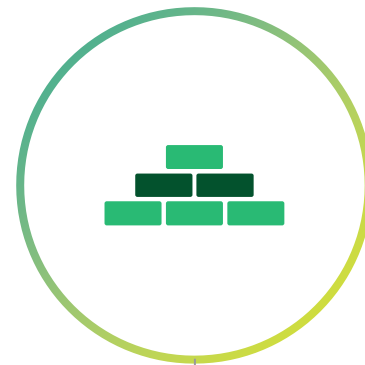
Existing foundations

AI promo tool to leverage / be integrated within existing IT architecture and solutions (e.g., TPM, PowerBi, etc.)

Change & Upskilling

Ensure tool adoption with Machine + Human, giving high transparency on the 'engine'

Adapt ways of working of KAM & sales population to fully leverage the AI solution

Where are the sources of value?

Optimization of promo mechanics

Promo type, promo depth

Optimization of promo timing

Phasing & # events

Reallocation of promo spend

Intra & inter categories/brands

Significant value delivered

Objective: Improve margin

2-3pts EBIT (equiv. to 15% of promo budget)

20-40% incremental promo sales margin

How | Critical to combine three objectives to create impact at scale

Deliver impact

Agile approach to deliver tangible impact in the first months
- Minimum Viable Product within 3-4 months
- Industrialization withing next 3-4 months

Create assets

Scalable tech solutions to be owned and operated internally

Custom-built and proof-tested algorithms

Build capabilities/muscle

Client team staffed and onboarded (tech & analytics, transformation profiles)

Market champions identified

How | Journey from MVP to Global roll-out

Build	Transfer	Roll-out
Prototype *~4 months*	**Industrialization** *~4 months*	**Scale** *12~18 months*
MVP building to test capabilities and assess expected business impact	Solution development and embedding in Client systems and business routines	Run mode for 1st release Additional scope expansion and market deployment
Client and BCG co-building assets	BCG transferring in capabilities & knowledge to clients' teams	Client fully empowered and autonomous
France / United Kingdom	France / United Kingdom	USA / Australia / Russia ...

Go live

Internal

Wrap-up : How to get started ?
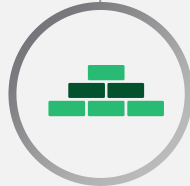
Invest in capabilities, build up own advanced analytics teams

Set up simple use cases
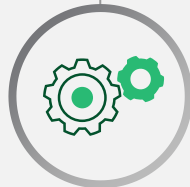E.g. simple triggers to screen transaction data for insights and alert pricers

Quickly create impact and buy in

Build the foundations alongside use cases (not sequentially)

Keep human at the center (no black box)

Reinvent Ways of Working, fully integrated between humans and machine

Internal

Questions ?

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Camille Brégé

Partner and Managing Director, Paris

Camille Brégé is a Managing Director and Partner at BCG and at BCG GAMMA, BCG AI and advanced analytics team, in Paris. She has over 13 years of management consulting experience focusing on marketing, sales and pricing topics for B2B companies (mostly industrial goods). She is leading the B2B Pricing topic for BCG globally.

In her recent work, Camille has supported pricing transformations for Building Material companies, leveraging data and analytics and addressing various pricing levers: value based pricing, discount guidelines, promotions, etc.

Jean-Sébastien Verwaerde

Partner and Managing Director, Paris

Jean-Sébastien Verwaerde is a Managing Director and Partner at BCG in Paris. He is a core member of BCG's Consumer and Marketing, Sales & Pricing practices. Jean-Sébastien is part of BCG GAMMA, BCG AI and advanced analytics team and is leading AI applied to B2C pricing for BCG globally. His focus is on clients in fast-moving consumer goods, packaged foods, and luxury brands.

In his recent work, Jean-Sébastien has supported multiple large-scale pricing transformations for FMCGs and B2C companies, leveraging AI and analytics with BCG GAMMA and addressing various pricing levers: brand pricing, promo, trade terms, etc.

Low use of AI for pricing in most industries

Industry	% using AI for Pricing	% not using AI for Pricing	# of respondents
Education: K-12	0%	100%	34
Government/Public Sector — State	0%	100%	30
Electronics	5%	95%	20
Health Care Services — Provider	6%	94%	70
Government/Public Sector — Federal	6%	94%	48
Utilities	6%	94%	47
Government/Public Sector — City/Local	7%	93%	14
Professional Services	8%	92%	326
Construction and Real Estate	10%	90%	40
Health Care Services — Payer	10%	90%	10
Pharmaceuticals and Biotechnology	10%	90%	60
Other (please specify)	11%	89%	196
Manufacturing	13%	87%	189
IT and Technology	14%	86%	444
Financial Services — Capital Markets	14%	86%	22
Agriculture and Agribusiness	14%	86%	35
Chemicals	14%	86%	28
Oil and Gas, Natural Resources, & Mining	16%	84%	64
Telecommunications/Communications	18%	82%	79
Retail/Wholesale	18%	82%	71
Consumer Goods	19%	81%	70
Financial Services — Asset Management, Private Equity	20%	80%	51
Financial Services — Banking	20%	80%	137
Aerospace and Defense	20%	80%	45
Automobiles and Components	22%	78%	49
Entertainment, Media, and Publishing	23%	77%	48
Transportation, Travel, and Tourism	26%	74%	39
Financial Services — Insurance	30%	70%	61

Pricing ranks 9th out of 12 in terms of implementation frequency for AI initiatives
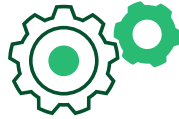
Ranking	Practice	% using AI
#1	Customer service or service operations	36%
#2	R&D or product development	31%
#3	Logistics, operations, manufacturing, or project management	30%
#4	Marketing	25%
#5	Finance, accounting, or risk management	22%
#6	Sales	21%
#7	Supply chain management	19%
#8	Human resources	15%
#9	Pricing	14%
#10	Other	11%
#11	Procurement	10%
#12	Legal or compliance	8%

Internal