The Future of Pricing

Advanced Strategies for Integrating e-Pricing into Your Other Sales Channels

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In the next 40 minutes…

- Introduction
- Why e-commerce is considered only one Sales Channel (of many)
- Avoiding Overheads / Conflicts
- How Dynamic Pricing can and should work
- How to develop a strategy to integrate traditional and e-channels in a consolidated pricing system
Who is Pricedex Software?

- Canadian developer of best in class horizontal Pricing and Product Information solutions, geared to generate, manage and maintain pricing and other product information for critical business, marketing and e-systems.
- Offices in Brockville, Ontario - the south end of Silicon Valley North.
- Solution installations in Canada, US, and Western Europe
- Customers include Detroit Diesel, Apple Computer, Mitel, Rolls Royce Aerospace, Caterpillar Inc., and others.
A Quick Poll...

• Audience Makeup
  – Pricers
  – Managers
  – Executive
  – IT Managers

• # in Attendance
  – Planning an e-commerce site
  – Operating an e-commerce site
  – With totally integrated Pricing System to support Transaction Systems, Publications, Web and e-sites

• Where does the Pricing Function Reside?
  – Finance? Sales/Marketing? Elsewhere?
e-Commerce:
Only One of Many Sales Channels

- Identifying the Sales Channels
  - Traditional Channels include the following:
    - Distributors
    - Dealers or Resellers
    - Customer - Direct

- Recognizing some of the ‘other’ Sales Channels
  - Customer Support and Order Entry
  - In house Sales Force
e-Commerce:
Only One of Many Sales Channels

- e-Commerce does not just mean selling over the Net

“Today’s effective e-strategies should also be focused at enabling the traditional sales channels to do a more effective job of selling a company’s goods and services using e-techniques to get the job done faster, and accurately”
**e-Commerce:**
Only One of Many Sales Channels

- Successful e-Commerce Systems do not only focus on Order Management (Shopping Cart Services), they focus on Sales Management as well.
e-Commerce:
Key Sales Management Functions

- Multi-Channel Support (direct, resellers, partners)
- Product and Price Configuration
- Customer-Specific Pricing
- Quote Management
- Pre-Negotiated Contracts
- Price Promotions, Volume discounts
- Product Information, incl. Feature comparisons, options, alternatives

Database
**e-Commerce:**

**Avoiding Overheads and Conflicts**

- Investing in an e-site **without** investment in the infrastructure and integration is a major business risk.
  - Additional Resource Costs to maintain and to transact
  - ‘Disconnect’ and Channel Conflict
  - Slow to change due to manual updating of Catalogue and Pricing
Dynamic Pricing: How it Can, and Should Work

Q: What is ‘Dynamic Pricing’?
Dynamic Pricing:
How it Can, and Should Work

A: Dynamic Pricing, simply put, is a price determination by the buyer and the seller at the time of a transaction.
Dynamic Pricing: More than Just Auctions

- Other Dynamic Pricing Elements
  - Variables
    - Currency (at time of transaction)
    - Destination Freight Charges
  - ‘Strategic Pricing’
    - ATP Pricing (pricing based upon inventory levels)
    - Time of Day Pricing
    - Regional Market Pricing
Dynamic Pricing: Paradigm or Paradox?

• To embrace Dynamic Pricing into an integrated pricing strategy, new definitions are required:

Definition:
"To enable a price determination by our sellers and customers at the time of a transaction".
Dynamic Pricing:
Paradigm or Paradox?

- Enablement requires Infrastructure. Without a model, the risk is increased.
- Infrastructure before e-Commerce
  “i before e”

– See White Paper entitled,
  “Dynamic Pricing: Paradigm or Paradox”
The Strategy:
**Integrating e-Pricing into your Sales Channels**

- **Case Study: Engine Manufacturer**
  - $2.4B revenues, global markets
  - Established Selling Chain
  - Legacy Business Systems highly integrated with Supply Chain
  - Recognized need for flexibility now, changing and shifting markets
  - Recognized change was imminent, but did not rush to a patchwork solution
  - HAD A PLAN
The Strategy:
Integrating e-Pricing into your Sales Channels

• The Plan
  • Identified, and involved, all Departments requiring, using, analyzing and creating Pricing.
    » Finance
    » IT
    » Sales
    » Service
    » Marketing
The Strategy:
Integrating e-Pricing into your Sales Channels

• The Plan (cont’d)
  • Identified, within the organization, all the Pricing Touch Points (Systems Requiring Pricing Data)
    – Business Systems
    – Marketing systems
  • Identified, outside the organization, all the External Pricing Touch Points
    – Distributor/Dealer Support Systems
    – Web Site
    – Proposed e-Commerce System
The Strategy:
Integrating e-Pricing into your Sales Channels

• The Plan (cont’d)
  • Analyzed and identified the current Pricing Practices for all lines of business (The Pricing Workflow)
  • Analyzed “T’s and C’s” of all current Contracts for Price Change rules and controls
  • Analyzed and identified all reports and publications dependent upon historical, current, future, and scenario Pricing
  • Developed a ‘Wish List” of functional requirements
The Strategy:
Integrating e-Pricing into your Sales Channels

• The ‘Wish List’ - Broken Down

  – Mandatory Immediate Needs
  – Desirable Immediate Needs
  – Proposed Alternatives to the Above

  – Mandatory Future Needs
  – Desirable Future Needs
  – Proposed Alternatives to the Above
  – Other Vendor Recommendations
The Strategy: Integrating e-Pricing into your Sales Channels

- The ‘Wish List’ - Values Added

  - Clear Recognition of Operational Requirements versus Strategic Requirements

  - Clear Roadmap to the Future

  - Clear Understanding that Pricing was an ‘Intellectual Property’ and not a ‘Best Practice’
The Strategy: Integrating e-Pricing into your Sales Channels

• The ‘Vision’
  • To introduce a Pricing Management System which would:
    Now
    – Integrate with existing, mission-critical Legacy business systems
    – Configure with existing Pricing Strategies
    – Control changes based upon contractual and other rules
    – Publish Reports, Price Books, Web Catalogues
    – Create data for Distributor/Dealer Systems
    – Integrate with and support/drive e-Commerce system
The Strategy: Integrating e-Pricing into your Sales Channels

• The ‘Vision’
  • To introduce a Pricing Management System which would:
    
    In the Future
    – Integrate with future, undetermined, new business ERP/MRP systems
    – Provide Pricing History
    – Permit rapid changes to pricing methodologies, practices, strategies and structures
    – Support new, unidentified Distributor/Dealer systems
    – Support new, unidentified e-Applications
The Strategy:
Integrating e-Pricing into your Sales Channels

• The Deployment
  – 60 Days
  – Low 6 figures

• The Result
  – From ‘idea’ to ‘integration’ in 6 months
The Summary:  
How to Develop a Strategy

- Recognize Pricing as Strategic, Intellectual Property, as opposed to just an operational element of the business.
- Identify Internal Pricing Touch Points, Stakeholders
- Identify External Pricing Touch Points, Selling Chain
The Summary: How to Develop a Strategy

The Plan

- Identify the Pricing Workflow
- Identify and recognize the Dynamic Pricing Elements (present and future)
- Identify the media through which Pricing flows (or is desired to flow)
- Identify the ‘nice to haves’ versus the ‘need to haves’ (present and future) to establish priorities
The Summary: How to Develop a Strategy

The Technology/Vendor

• Remember that Pricing is Strategic, not Operational (but must interact smoothly with operational systems)
• Look for ‘Horizontal’ versus ‘Vertical’ solutions
• Look for ‘Configurability’ and ‘Extensibility’
• Look for solutions/vendors proposing to leverage your existing assets
The Summary: How to Develop a Strategy
The Technology/Vendor

• Select a technology partner that demonstrates its willingness to learn and understand your business
• Select a technology that addresses present, and future requirements
‘i’ before ‘e’

• Remember Infrastructure Counts!
  – Processes exist behind the screen
  – Manual or Automated
  – Efficient or Inefficient

  “The Processes can make or break your e-commerce presence and strategy”

Get the Infrastructure In Before You Launch!

‘i’ before ‘e’
ALWAYS!