SUCCESS FACTORS FOR

PRICING SOFTWARE INTRODUCTION

[whitepaper of results and implications, 2020]

Study Results

Our recent study with around 40 pricing decision makers on the introduction of new pricing software implies the following 3 main results:

⟫ 30% of companies want to implement within the next 24 months

The usage and implementation of pricing software is a relevant topic for many companies: Almost half of the participating companies already use pricing software and another 30% of them plan the implementation within the next two years (see figure 1).
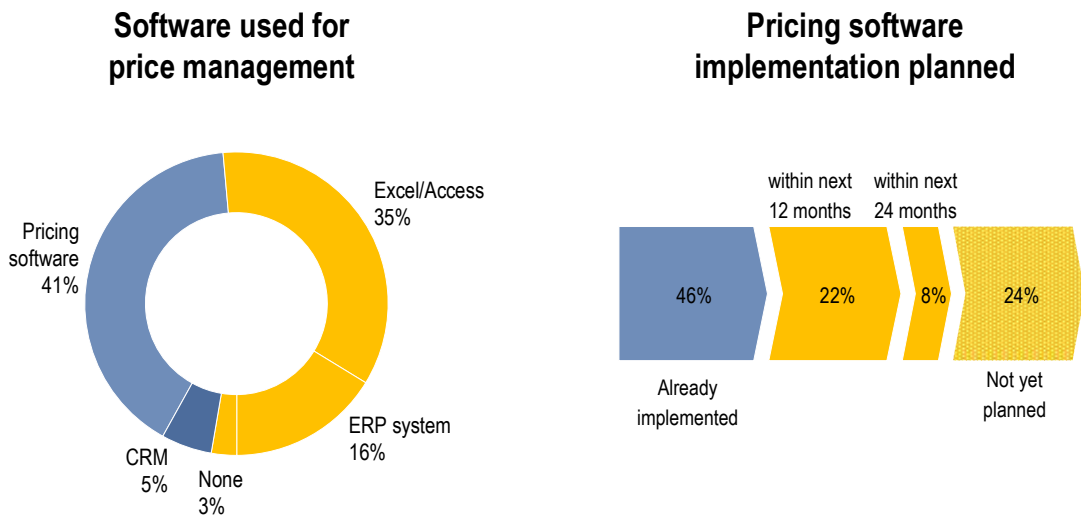
Software used for price management

Pricing software implementation planned

Figure 1: Software used and software implementation planned

⟫ Selecting the right software solution is challenging

Companies expect significant positive impacts on profitability and process efficiency from the introduction of a pricing software. As companies want to evaluate software offers against various commercial and functional aspects, keeping the selection process effective and efficient becomes a challenge (see figure 2).
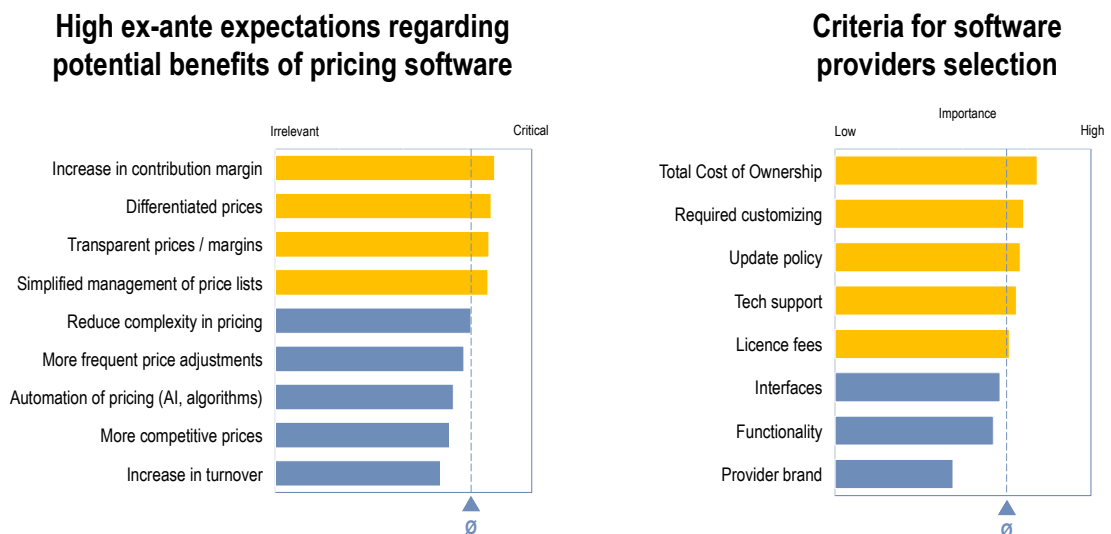
High ex-ante expectations regarding potential benefits of pricing software

Criteria for software providers selection

Figure 2: Expectations and provider selection criteria

⟫ Satisfaction results from support

Companies that have already implemented a pricing software show generally high levels of satisfaction with the solution and the implementation. They underscore the importance of a clear understanding of their own requirements and a structured change management for the overall success – even if that may require additional external support for some time (see figure 3).
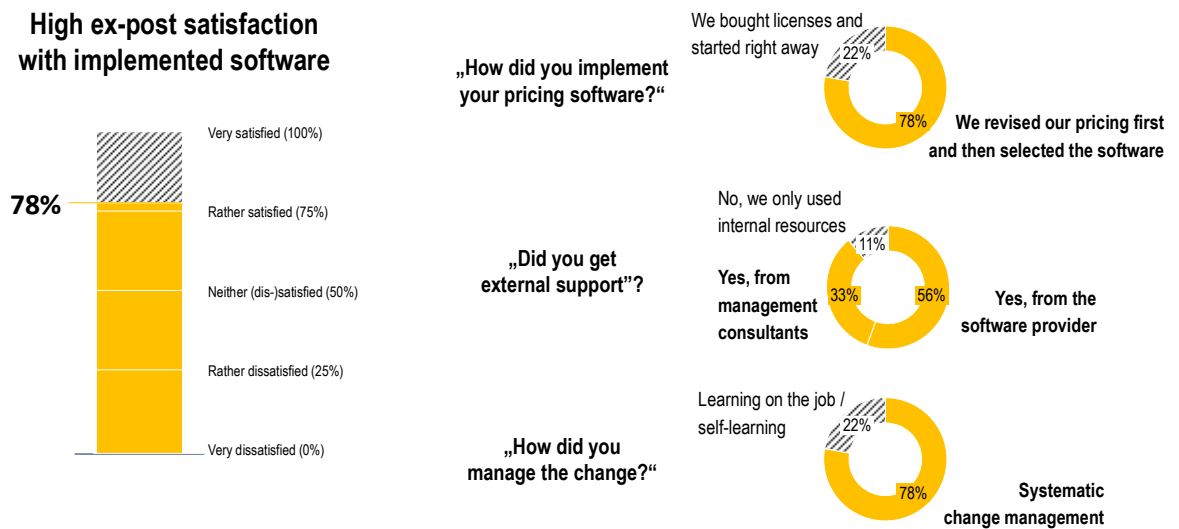
**High ex-post satisfaction
with implemented software**

**„How did you implement
your pricing software?"**

We bought licenses and
started right away 22%

78%

**We revised our pricing first
and then selected the software**

78%

Very satisfied (100%)

Rather satisfied (75%)

Neither (dis-)satisfied (50%)

Rather dissatisfied (25%)

Very dissatisfied (0%)

**„Did you get
external support"?**

No, we only used
internal resources 11%

**Yes, from
management
consultants** 33%   56%   **Yes, from the
software provider**

**„How did you
manage the change?"**

Learning on the job /
self-learning 22%

78%

**Systematic
change management**

Figure 3: Satisfaction and proceeding of implementation

What to do now, if you are planning to implement a new pricing software?

Following the results of the study, three main steps should be taken in order make your pricing software implementation a success story:

1 Rethink your pricing first

In many cases, it is not enough to simply buy a pricing software and hope that it will solve all your problems in pricing. Some of our software vendor colleagues exactly describe this phenomenon. Often the question of an optimal pricing system is asked, to which the answer can only remain vague: "It depends" - and that is exactly what it is all about: You need to define first what your optimal pricing should look like and which rules should hence be followed.

This is a selection of typical questions that would have to answered first:

- Should a distinction be made between fast movers and slow movers?
- What role do regional differences play?
- Should prices be (internationally) harmonised?
- How should prices be differentiated across customers?
- What dynamics should my pricing have?
- How should prices be differentiated across channels?
- etc.

For each of these questions, you will have different options to opt for. This can make designing your future pricing very complex and bewildering. A great tool to structure and visualize the options and choices is a morphological box, outlining key dimensions of your price model and the options for each dimension (see table 1).

Strategy / Scope				
Pricing logic	Competition-based	Value-based / Reference-based	Pricing for articles with low costs	Differentiated cost plus
Business type	Daily, transactional business		Project pricing	
Target	List price	Net price		Discount
Recommendation	Automatic price setting		System proposal / decision on pricing	
Sources	Internal transactional data		External sources (crawler / databases)	
Article groups	All articles	Focus articles	Long tail	Own brand
Customer segments	Equal treatment	Segments		Segment of one
Channels	F2F	Telesales		Online
...	...	...		...

Figure 4: Morphological box

Answering those questions means conceptual work, data analyses and knowledge of what works in the industry and for your customers and sales colleagues.

② Select the right pricing software provider

The aim is to obtain a detailed overview of potential pricing system providers that reflects the strategic requirements of the stakeholders involved. Therefore, the potential providers have to be evaluated based on the requirements analysis and with the support of the pricing experts.

The requirements for the new pricing software are defined in workshops with all relevant stakeholders. System providers are reduced to the top providers by a systematic evaluation scheme. These are then evaluated in more detail using a scoring model and a recommendation is derived. The scoring model should take into consideration experiences of reference customers of the TOP3 pricing software providers. The recommendation is discussed and a decision is made (see figure 4).
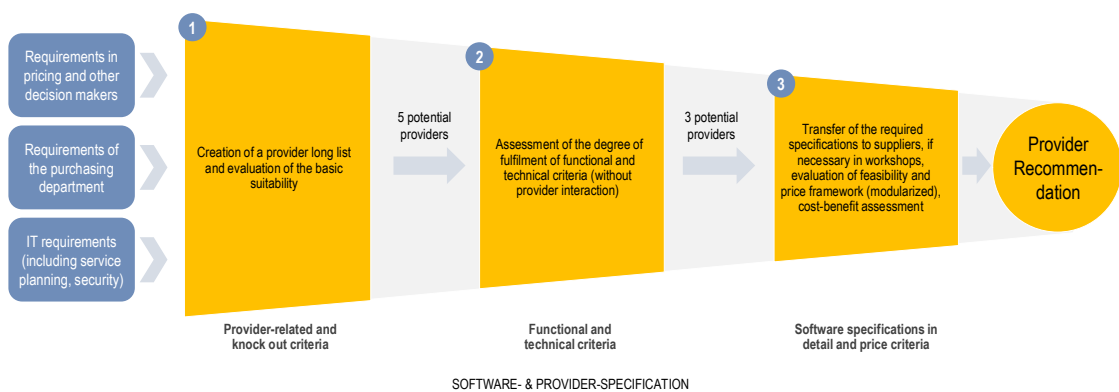

Figure 5: Assessment process / funnel

③ Manage the change

By this stage, you are likely to plan significant changes to your pricing practice and to the working environment of your sales, marketing and pricing team. In order to ensure acceptance and real operational implementation, you will need a structured change management process focusing on the key tasks in the change process (see figure 5):

- Analyse the effects of the change: Present the strength of the impact from the organizational perspective and identify consequences of the change process.
- Analyse the main stakeholders and define engagement measures: For each stakeholder identify interests, attitude towards the software, the respective influence and the conflict potential. Use this information to classify stakeholders in the project implementation.
- Develop the communication concept: With the help of various communication tools, aim to achieve stakeholder "buy-in".
- Set up trainings and coachings: With the start of implementation in the fourth quarter, we are pursuing close stakeholder support to ensure smooth implementation of the change management concept and early identification of potential challenges. The qualification of the stakeholders takes place in the form of ongoing smaller training sessions and coachings.
- Check technical completeness of the pricing software functionality: Design and carry out a "Health Check" to verify the complete technical coverage of the developed target processes and pricing logics. This way, open fields of action become visible and action plans for quick fixes can be developed.
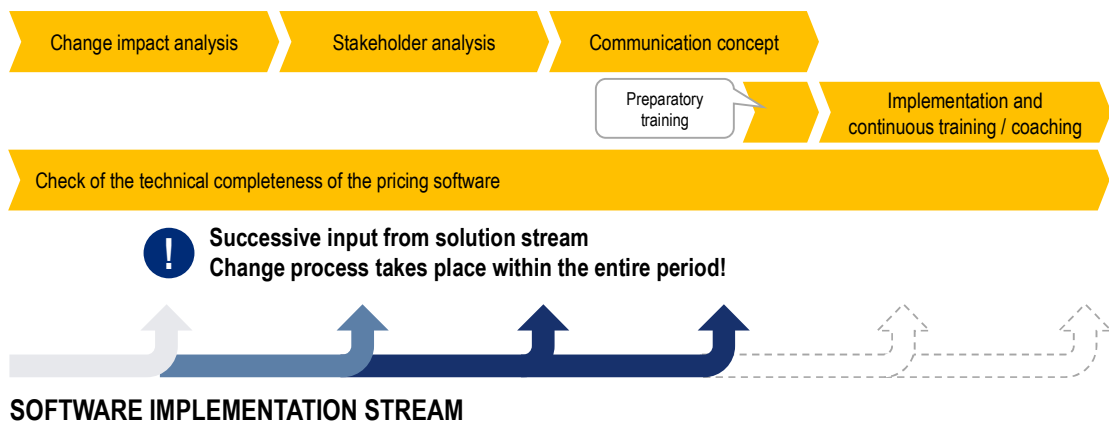
CHANGE MANAGEMENT STREAM

Figure 6: Change Management and Software Implementation Streams

» Conclusion:

The one-time costs and license fees of pricing software mean significant investments for companies. In order to implement the software successfully and not to turn it into a million-dollar grave, it is recommended to update the pricing logic first, to then select the right software vendor, to finally use the time needed for the technical implementation of the software to systematically manage the required change within the organization.

EbelHofer Consultants support their clients on their way to market and customer orientation in sales and pricing. We are happy to assist you along the entire software implementation process – from rethinking your pricing, over selecting the right solution to managing the change.

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EbelHofer Consultants helps companies improve their price management and derive pricing software requirements, select the right software solution and proactively manage the organizational change:

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