VISTAAR

Pricing Perspective | Newsletter for Pricing Professionals

February, 2012

www.vistaar.com

Big Value in Big Data for High Tech

High-tech companies around the globe struggle to manage large & disparate information about their complex products, diverse channel partners, and dynamic go-to-market programs. This industry is particularly challenged to capture, compile, and analyze data from various IT systems in a meaningful way. However, innovators are beginning to transform this data into actionable information by deploying pricing solutions that empower stakeholders to make more informed pricing decisions on a day-to-day basis.

By developing a consolidated pricing framework, high-tech companies can leverage billions of data points to develop and evolve strategies that drive top- and bottom-line results across product lines, business units and geographic theatres. One company leveraged an integrated pricing solution across its world-wide operations to deliver $800 million in additional top line and $230 million in additional bottom line in a single year. While results may vary, a number of organizations are reaping the benefits that a robust, cross-functional and technology-enabled pricing solution can deliver.

"Pricing touches multiple functions across the enterprise, each of which manages pricing processes in its own unique and disconnected manner"

Big Data Challenge

Gartner defines big data complexity in three dimensions – volume, frequency and category. High-tech companies with global customers, tiered channels and a multitude of product and service offerings tend to have similar levels of complexity in their data. This makes it very challenging to compile and link large volumes of disparate data in a meaningful way - and leverage it to impact pricing and planning decisions.

Pricing touches multiple functions across the enterprise, each of which manages pricing processes in its own unique and disconnected manner using various systems such as CRM, ERP, business intelligence (BI), Excel and marketing databases, among others. Compounding the issue is the fact that every system generates its own set of data, often in different formats and at varying frequencies. Therefore, the IT team and other stakeholders can spend countless days bringing together these data sets, only to have the pricing teams take additional time to try to make sense of it. The end result is often a set of static reports or BI views based on historic data, which offer limited insight in to dynamic marketplaces. However, a few industry leaders are learning to harness

the combined power of big data and pricing technology to build competitive advantage. For instance, a leading high tech company has integrated data from over a dozen disparate systems, to build a single pricing model with a terabyte of data that today empowers its international sales team to make more informed pricing decisions on a day-to-day basis.

Pricing technology can not only bring together data from all of the CRM, ERP and other systems in one consistent model, but also create a framework for the entire pricing discipline. A solution with big data modeling capabilities and a powerful analytics engine can help stakeholders configure a pricing model that is unique to their company. This model can be used worldwide by various financial, marketing and sales team members to manage, monitor and price the entire business. A consolidated framework enables users across a company's geographic theatres and organizational functions to leverage powerful multi-dimensional analytics and actionable insights right at the point of decision making. As a result, pricing strategies can evolve, leading to improved decision making, performance monitoring and adjusting pricing levers to fine tune the strategies – all within a closed-loop process that continuously optimizes pricing effectiveness.

Adaptability Challenge

Another equally important element of a successful pricing initiative is the ability for a solution to easily adapt as the business evolves. One of the biggest reasons that enterprise software installations and pricing solutions ultimately fail to deliver value or simply fail (by Gartner estimates as much as 60 to 70 percent) is because of the inherent rigidity of the technology. Vendor-created modules assume that customer business processes and requirements will change to fit within the "box." The fallacy is that all of the customer's requirements will be fulfilled the first time and that the so-called "box" will be able to continually support the evolving organizational structures, product and solution offerings, and business processes that continually change to adjust to a dynamic marketplace.

While based on science, pricing must remain fluid and be able to respond to changes in the market, the competitive landscape and within the company. This is especially the case with pricing solutions, due to the inherently cross functional nature of the pricing processes. Successful solutions must evolve along with the circumstances and should empower stakeholders across functions to identify, collaborate and leverage the value buckets into their day-to-day planning and execution. When business environments change, the levers, strategies and analytics that deliver the highest value will also need to change. Hence, the pricing solutions and frameworks that enable these value buckets should quickly and easily adapt as well. Otherwise, the solution starts losing value.

Conclusion

Complex high-tech businesses are facing an increasing challenge of managing and leveraging big data for improving decision making, setting optimal strategies and gaining competitive advantage. At the same time, the inherent complexity of offerings, channels and shortening product life cycles require these organizations to have a consistent and actionable pricing framework that supports big data, as well as the ability to adapt and evolve with the business and the data. The right pricing solution can enable the development of differentiated pricing strategies, provide the framework to leverage big data, and empower users to take control of their pricing practices, thus helping customers convert the big data challenge into a big value opportunity that can help achieve their corporate goals.

Written by Dushyant Zutshi, Director Product Management, Vistaar Technologies