



Zooming in on the Pricing Maturity Model

INFORMATION BROCHURE



Introduction

Hi there! Thank you for your interest in our company.

It is a privilege to send you SYMSON's Request for Information document.

SYMSON is a smart pricing platform that enables (pricing) managers to enhance their pricing decisions with machine learning algorithms and to reduce their manual, repetitive tasks.

We offer a plug-and-play interface so that you can build your own pricing algorithm based upon 52 data points. Our infrastructure is build for a seamless integration with your internal processes and systems.

Personally it's very exciting to be leading a company that is here to stay. As our product evolves with the needs of our clients, staying on the cutting edge of innovation is central to our roadmap. The part we play in helping build better pricing processes and enable AI-driven innovations for our customers is a source of pride and purpose for our employees, partners, and shareholders. We look forward to introduce our innovation to a wider range of international customers.

We hope this provides you with the information and clarity you are looking for!



Vincent Gelink
CEO, SYMSON

Zooming in on the Pricing maturity model

In setting your roadmap and creating a vision about the next steps, it's helpful to understand where you are now to determine your pricing priorities for the next 12 months. It's of course very normal that different divisions in your company work on different pricing maturity levels. The nature of your business and the difference between international markets drives it and it's ok. You do not expect (and it's not recommended) to have every business unit or region to work at the same pricing maturity level. As long as you know where you can gain in increasing the organisational pricing maturity - and have a plan to do it; great. But we strongly recommend working on a level 2 everywhere in your business. There are many consultant firms that can support you with pricing maturity assessments, or you can use the free EPP PMI survey - see Box 2. Below, we describe what you observe in your company at each pricing maturity level.

Level 1

Price list maintenance

Organizations operating at this level are typically mainly focused on revenue. Typically product management sets a cost-plus based price, trying to align with the market positioning, but international (gross and net) price levels are controlled by regional sales. And since volume is one of the key performance drivers at this stage, sales in these companies try to sell everything, to (almost) everyone, at (almost) every price. Sales 'owns' the pricing decision making (on the street) and gets no or very little price guidance. As a result, prices vary widely across the customer base, resulting in a very wide price band. Potential risks emerge as customers start to find out about these large, difficult to explain, price differences. But in these companies, there is at that moment often simply no sense of urgency to change the pricing practice ; sales teams tell you that they 'deal with these price problems' on an ad hoc basis and they feel that pricing is well-managed and under control. They often do not yet see the need to implement any drastic changes. Especially when the margins are 'on target'. However, with sales getting no price guidance on target prices it's not the ideal situation. This freedom is leading to wide price bands which will likely lead to pricing conflicts between regions or channels, which can result in increased price pressure.



The Level 1 : Observations

We have gathered the observations around the main pricing framework building blocks:

Price Strategy Strategy

- Product management tries to align prices to the market positioning.
- However; international (gross and net) price levels demonstrate very wide price bands, based on local go-to-market strategies – and product portfolios in different regions can show huge price differentiations.
- There is limited customer classification.

Price Policy & Price Setting

- Prices for new products are mainly set on a cost-plus, more mature products are often market driven.
- List prices are set by product management, but street prices are controlled by sales.
- Prices are adjusted typically once a year and mainly triggered by cost changes or as a reaction to price level adjustments by price leaders in the market.
- Price elasticity insight is weak.

Discount Policy

- Discount structure is historical, with the design bearing little relationship to pricing goals.
- Since the organization is mainly revenue driven, the discount structure is driven by sales opportunism, triggering potential channel conflicts, channel consolidation and gray market activities.

Price Execution

- Authorizations for deviations from list prices are often already in place, but not always effective; e.g. deviations are only visible long after the deals are closed. Approval is still very often ad hoc.
- Price increases are poorly prepared, execution is often weak and not well monitored.

Monitoring

- Sales is often only monitored on turnover (and sometimes also on overall gross margin).
- Only weak price reporting installed, with many internal discussions on the quality of data (reported cost prices, margins, price definitions).
- Very weak insight on price and margin performance on a more granular level: product, channel, segment or account level profitability.
- Price - and target margin deviations are not well monitored. There is very little, or no monitoring, of price adherence by sales teams.
- Cost to serve data is not available.
- There is no systematic monitoring of competitor pricing & promotions.
- Deviations from general contract conditions are poorly monitored.

People & Organization

- There is no dedicated pricing function; pricing roles are generally dispersed throughout the organization.
- Product Management controls the list prices, while Sales takes the final pricing decisions (with a large degree of freedom).

Tools & Systems

- Sporadic or no use of pricing research tools.
- No BI tools in place to access price and margin reporting.
- Sales department is often using 'several' price lists, stored in excels, for different customers, countries, etc.
- Contracts are managed in Microsoft Word or Excel.
- No system prevents sales from offering 'bad prices' or 'bad configurations'.

Level 2

Taking Transactional Control – Pricing as a Project

At a certain moment the organization becomes aware that there are many profit leakages - and commercial managers are committed to do something about it. The pricing journey can start.

The initiative is often triggered by finance manager and sometimes by (new) commercial directors who see what is happening and what needs to be improved. Unfortunately there is very often no experienced pricing manager around to guide them through the roadmap... This is for many the first obstacle: who should lead and support the project?

We observe that many pricing initiatives at this stage are driven by finance, enabled by strong data analytical capabilities, with commercial directors leading the project.

Transparency on (activity based) cost prices and real cost-to-serve of customers becomes clear. Net margins are visible on product and customer level – with granular views on segment, application, product or channel level.

The organisation is now monitoring which products are sold at what prices and to whom (customer groups). They now fully understand what is happening - and why - when it comes to pricing. Very importantly: everyone is confident that the data is correct; **the vital margin improvement projects can start.**

Obvious price and margin leakages are tackled, discount and surcharge policies are improved - price and value differentiation are deployed (avoiding selling anything to everyone at the same prices) – price elasticity is understood – and although most pricing is still cost plus (but with differentiated plusses) some of these organisations already install first-gen, rules based, dynamic pricing (based on instant insights in actual demand, price elasticity, own inventory, competitive prices and promotions - and out-of-stock tracking). At the same time, during the margin improvement projects, more strategic questions are raised : when do we focus on volume and when on margin? Where should we attack, defend or harvest? For which segment do we choose which strategy? Pricing practitioners' important role is now also to get connected with sales and marketing teams.

The pricing team becomes a trusted partner of commercial teams; helping them to sell more, at healthy margins. It is therefore extremely important here to stress that pricing teams need to get 'in business' and involved in the marketing and sales discussions: **never walk alone from here!**



The Level 2 : Observations

We have gathered the observations around the main pricing framework building blocks:

Price Strategy	Goal setting for pricing is mainly driven by margin improvement project target settings.
Price Strategy	<ul style="list-style-type: none"> More in-depth price strategy discussions are triggered during the margin improvement projects, helping to make the right choices aligned with the market/corporate strategy. Regional and global price strategy is in deployment.
Price Segmentation	First price segmentation discussions are started with sales and marketing.
Price Policy & Price Setting	Vital pricing analytics/reports are in place and margin improvement projects are frequently discussed during commercial/sales meetings.

- Pricing analytics**
- You have installed the vital pricing reports. (see further)
 - Your price and margin data is integer – everyone agrees on what happens and understands why the prices (margins) are what they are.
 - You have defined margin improvement projects and sales teams have active discussions to improve the margins.

First price segmentation discussions are started with sales and marketing.

- Still mainly cost-plus, but value based pricing pilot projects started**
- Although price setting and price changes are still mainly cost driven (or competition based), value components per segment are being explored. Even some first value based pricing pilot projects are started.
 - § The first EVC (Economic Value Calculation) models are developed and used to support the sales process.
 - Discussions are triggered by Product management and Marketing around the understanding of value: is there an in-depth understanding in customer's value drivers? How do our customers perceive our value
 - Does our price reflect customer's willingness to pay – and these questions trigger pricing research.

- Price and Value Differentiation**
- Price and value differentiation is implemented in the offering where possible. Tiering (good/better/best) is installed where appropriate.

- Floor and target prices/margins**
- Floor and target prices/margins per product group and/or customer group are installed and monitored. A target price recommendation helps sales to target the ideal price to offer.

- Portfolio alignment**
- Regional price corridors are installed to avoid cross-border selling

- Discount and Surcharge policy**
- The discount and surcharge policy is updated and structured

- Price approval process**
- In addition, the pricing approval process is being improved and the systems are installed (CPQ software, see further) to support the authorisation process to avoid 'bad sales'.

- Dynamic pricing**
- Price elasticity is discussed, researched and better understood. This can lead to the introduction of dynamic pricing, based on actual demand monitoring and competitive price watch.
 - Price lists are maintained multiple times per year

- Pricing becomes a management topic**
- Because several margin improvement projects ("quick wins" in pricing - or the so called "low-hanging fruit") are now successfully executed, the successes result in a very important boost of trust in the pricing organization.
 - Pricing has now a higher priority on the management team's agenda.

- Discount Policy**
- The discount structure is improved (without too many unconditional discounts now) - and no longer triggering channel conflicts. § Surcharges are reviewed and charged.

- Price Execution Price Guidance for quoting**
- A CPQ tool supports sales with price guidance for deal making.
 - The CPQ price guidance includes price guidance adjustments based on risk and pricing power variables.

- Price increase process monitoring**
- Price increases are better prepared and monitored on their effectiveness in the market.

- Deal making Team**
- A Deal Making Team discusses the strategic deal making.

- Value selling starts**
- Sales force starts to increase the focus on 'value selling'.

- Monitoring**
- **The organization now has transactional control: they understand what happens and why when it comes to pricing.**

- Vital pricing reports installed**
- The vital pricing analytics are installed and reported.
 - Pricing and margin data is accurate and trusted.
 - Margin improvement projects are monitored.
 - Deviations from general contract conditions monitored.

- Pricing KPI's**
- Deviations from target prices are measured:
 - % deviation from target price/margin (+ or -)
 - % volume with deviations below target price/margin
 - Price authorisations below floor prices are monitored.
 - Price/margin realisation is monitored and periodically discussed during sales meetings.

Promotional effectiveness · Effect of promotional (discount-) activities (also of competitors) are analysed.

Price elasticity insights · Insight in price elasticity increases.

Win/loss analysis · Win/loss analysis is put in place and evaluated regularly.

People & Organization Pricing team

· Pricing function is very often embedded in the Finance Department, with the team mainly organised around pricing analysts. § A Pricing Team is installed and acts as the sponsor for margin improvement projects and price strategy discussions.

Deal making team · A Deal Making Team is installed to discuss strategic deal making.

Capability development · Sales, Product Management and Marketing have followed a pricing training to create awareness about roles and added value of pricing.

Tools & Systems Data visualisation tool

· Vital pricing reports, in addition to financial reports, are now available and accessible in BI tools.

Pricing software · Some organisations have already installed pricing software modules to support their pricing analytics.
· The advantage of installing the pricing software is that with more extensive forecasting the impact of different pricing scenarios can be quickly assessed.

ERP integration · Price lists and discount grids are centralised and linked to ERP system.

Price Management · A Price Management System for automation the pricing process is in place. The logic in excel is been replaced to a Pricing Tool, the first level of rule based dynamic pricing is active and Realtime insights into Price Elasticity is there.

CPQ & CRM · A CPQ (configure-price-quote) system is in place, connected to a CRM system to embed the pricing processes!

Research techniques · Research tools such as: conjoint analysis, Van Westendorp Price Meter, Brand/ Price trade-off, etc. are being explored. They bring new insights in value perception and provide input for improved value propositioning.

Level 3

Full Value Capturing - Pricing as a Process

Now the margin optimization projects during the 'transactional control' (level 2) are successfully delivered, the organization is ready to take full advantage of value capturing. It is important to stress that without transactional control (established on level 2) enhanced by trusted data, level 3 maturity is hard to be reached.

Configure-To-Quote software is implemented and fully integrated with the ERP system, embedding the pricing rules and authorisation processes to support effective price guidance during quotation.

The organisation now has a common understanding of the chosen market strategy per segment – a solid insight in how value is captured in the full value chain - and a common understanding of the price premium drivers (and value) per segment.

The innovation process is organised around insights in the value drivers and willingness to pay for the chosen market segment within the full value chain. Pricing is now directly, and early, involved in the innovation process.

Price setting for innovations is as much as possible value based and marketing supports the commercial strategy with a strong value communication.

In sales, value selling is the new normal and sales teams are equipped to defend the value and the price.

Direct to consumer brands install online price watches delivering important new insights in promotional initiatives, market launches, unauthorised dealers and out of stocks in the channels. This information is of huge value for both pricing and marketing teams, aligning both functions even more than before. With these improved insights, first generation of dynamic pricing is implemented. This first generation of dynamic pricing is 'rules based'; using insights in actual demand, competitive price settings and promotions, price elasticity and actual inventory levels (and out-of-stocks) are aligned with the market strategy, positioning and targets.



We have gathered the observations around the main pricing framework building blocks:

Price Strategy Strategy

- Price strategy, price goals and target prices versus competition are documented per market segment.

Alignment with go-to-market strategy

- Alignment around the go-to-market strategy – and goals - leads towards optimization of the price strategy and price goal setting per segment/product group and channel.

Price positioning

- Price positioning per segment and channel is defined with price distance vs competition rules.
- Regional price bands, with floor and target prices are fully installed and monitored.

Price segmentation

- Price segmentation is fully accepted by marketing, product management and sales - and deployed.

Product life cycle pricing

- Product life cycle is part of the pricing strategy.

Price Policy & Price Setting

- In B2C markets: improved insights into the value attributes and price elasticity of demand lead to the introduction of new pricing models, effective bundling, improved options pricing and first dynamic price tests.

Price Setting is value based where appropriate and possible

- In B2B markets: the portfolio is split between a low added-value portfolio (mainly still cost-plus pricing) and the added-value products (where value-based pricing is implemented now).
- Product life cycles are taken into account in the pricing strategy.

Economic Value Modelling

- Price setting in B2B markets is increasingly using Economic Value Calculation to better understand value creation, used for improved value based price setting and value innovation.

Price setting becomes more dynamic, based on micro segments

- Deep analytics highlight micro-segments with different pricing behaviour and price elasticity. These insights improve the price guidance/pricing rules.

We have gathered the observations around the main pricing framework building blocks:

- Services are better monetized
 - Additional services are 'productized', listed and priced.
- Subscription based pricing models
 - Because clients value 'ownership' less than before and in digital markets/products; new subscription-based pricing plans are offered.
- Dynamic pricing tested
 - First gen of 'rules based' dynamic pricing⁸ is explored where possible based on increased insights in price elasticity and micro segments.
- Dynamic marketing tested Basket optimisation
 - Dynamic marketing supports the value proposition (e-commerce webpages) and the basket optimisation.

⁸ First gen of dynamic pricing is rules based; using insights in actual demand, price elasticity, competitive price behaviour and inventory levels/out-of-stocks to make prices dynamic to realise market targets, aligned with the chosen market strategy and positioning.

The Level 3 : Observations

- Discount Policy**
 - The channel (partner) discount system is aligned with the go-to-market strategy, resulting in a performance-based discount model which is reviewed annually
- Price Execution**
 - **The organization as a whole is in transition. The concept of TVO - Total Value of Ownership** - now replaces the TCO (Total Cost of Ownership) models.
- Selling on value
 - Selling on value requires a very close collaboration and alliance between marketing, product management, R&D, operations and sales.
 - Sales developed user-cases, demonstrating the economic value.
 - The new value selling approach requires a better understanding and communication of the value to a specific customer group (segments and decision-making units).
- Price guidance
 - The aligned price channel strategy (and discount structure) is installed in all the regions.
 - B2B sales teams are now supported by a fully deployed CPQ (configureprice-quote) system to prepare offers and tenders. Sales teams receive price guidance per segment, and their performance is monitored.
- Improved tender process
 - The tender process is revised and improved by the pricing department. Margin recovery plans in place.
- Improved value communication
 - Marketing is improving the value communication in order to support Sales to sell on value and to defend the price.
- Innovation around WTP
 - R&D is better connected with the pricing team than ever before. Pricing is now embedded in the earliest stages of the new product development process; the organization innovates around a deep understanding of value and willingness to pay
- Sales incentives plans optimised
 - Sales incentive plans are not only based on volume and revenue objectives, but also based on price realisation and margin objectives.

Monitoring

- Pricing software or solid BI tools make it possible to generate automatic, customized reporting on price and margin effectiveness.
- Sales is supported with detailed volume and margin performances, per product group, customer group or segment.
- Price guidance per segment is monitored and individual sales representative performance is made visible.
- The pricing team maintains a competition price watch and performs regular price reviews together with sales/marketing to optimize prices.
- A pricing dashboard is installed with regular reporting to the commercial, financial and top management functions.

People & Organisation

For the chief pricing officer, this is an important moment in the change process. He/she needs to take a good look at the pricing team and invest in embedding the value culture.

- Pricing no longer reports to the Finance department, but is embedded in the Commercial Organisation. Commercial Excellence is supporting best practice implementation.
- A Chief Pricing Officer (or Revenue Manager) is appointed to lead the Pricing team.
- It's important to have the right people on the boat! Experienced, level 3 pricing managers, working on level 2 organisations is not optimal.... They often get frustrated quickly and leave. Putting level 2 experts within a level 3 company can be a challenge too, they will need appropriate training to match the required maturity level.
- The first 'price science' team members are added to the pricing team.
- Continuous training and coaching of the pricing and commercial team.

Tools & Systems

Pricing Software

- Pricing software is managed by the pricing team and used for effective reporting, monitoring, price guidance and deal decision-making. § Contract management is fully digitalised and deviations from general contract conditions are monitored. § Online competitive price watching is installed. § First generation of 'rules based' dynamic pricing software is deployed and tested.

- Research Techniques
- Price/value positioning - and price perception - are checked via research.

Level 4

Start your Pricing Journey!

Level 3 companies are in full transition, implementing a value and profit strategy.

B2C Level 4 companies are digital enterprises. Pricing is heavily supported by highly sophisticated pricing software, CPQ tools and online price watches delivering continuous price elasticity and market insights. All these insights are connected into an integrated view.

Advanced machine learning algorithms, driven by big data collection, supports quoting and pricing setting and enables second gen dynamic pricing models.

Recent and very visible initiatives like Amazon's predictive pricing or Uber's dynamic pricing models are examples of very advanced machine learning supported pricing models.

B2B level 4 companies also explore disruptive new pricing models; e.g. GE is no longer only selling jet engines to their airline customers, but they can also charge a price/hour, including operation of the jet engine, maintenance and other services – or Michelin is no longer only selling tires, but introducing a performance based €/kilometre price; or Suez, no longer selling pure engineering to install power plants, but offering complete city heating and power development, including the maintenance and financing for a period of time. A city now buys 'security of energy delivery at lower (fair) prices'. Such differentiating profit models create potential higher profits but come with higher risk-taking too. In these companies, pricing is now an essential, and very strategic, component of the business model.

It is important to note that for many organizations, this level 4 pricing maturity is not the necessary, desired, end state. Most companies will not aim for level 4. But if you compete against Uber, Alibaba or Amazon, you better be ready.



The Level 4 : Pricing as a System (or Science)

We have gathered the observations around the main pricing framework building blocks:

- Price Strategy**
- The pricing team is deeply involved in business model innovation and new business/revenue model development.
 - Sophisticated machine learning and algorithms drive pricing.

- Price Policy & Price Setting**
- Sophisticated, machine learning enhanced, micro-segmentation is the basis for dynamic and personalised pricing.

- Second gen dynamic pricing
- Statistically designed micro-segments (based on willingness-to-pay and price elasticity insights) are the foundation of second generation (machine enhanced) dynamic pricing

- Disruptive new pricing models
- And new disruptive pricing models are the 'new normal' in this maturity level.

- Discount Policy**
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- Price Execution**
- Continuous (many times a day) price assessments and adjustments are performed with regular feedback from consumers/end-users to adjust value propositioning and price setting when necessary.

- Monitoring**
- Digitalisation drives real-time (multi-channel) data insights in the price and margin realisation.
 - Online price watches offer real time insights in price elasticity, competitive promotional offering, out-of-stocks, unauthorised dealer networks and more as input for commercial actions.
 - Pricing dashboards are visible online in pricing war rooms.

- People & Organization**
- Pricing science teams replaced the classic pricing teams.

- Tools & Systems**
- Sophisticated – often in-house built - algorithm enhanced pricing software installed.
 - Online price watch software installed.