

# Maximize your Potential

Increase your Pricing Potential by  
following these 4 steps

WHITEPAPER



# Table of contents

● Introduction	3
● The 4 price levels	6
● How to make your Pricing more mature	7
● Summary Table	10
● About SYMSON	11

# Introduction

Pricing nowadays has become increasingly advanced, due to the growth of e-commerce and the increasing number of competitors online. Research has shown that customers are making more and more purchases on the web each year and there is more data than ever on the purchasing behaviour of consumers. The analysis of such data has helped the biggest retailers to increase their revenue substantially by using AI and ML algorithms.

Furthermore, the emergence of dynamic pricing has made it far too difficult for retailers that do not incorporate any sort of automated pricing to compete with others. Therefore it is more important than ever to take advantage of the copious amounts of data available online and use it to make your pricing smarter and more optimised.

To increase the profitability of your business you cannot rely exclusively on human knowledge you have to incorporate that with software that can empower you to take pricing into your own hands.

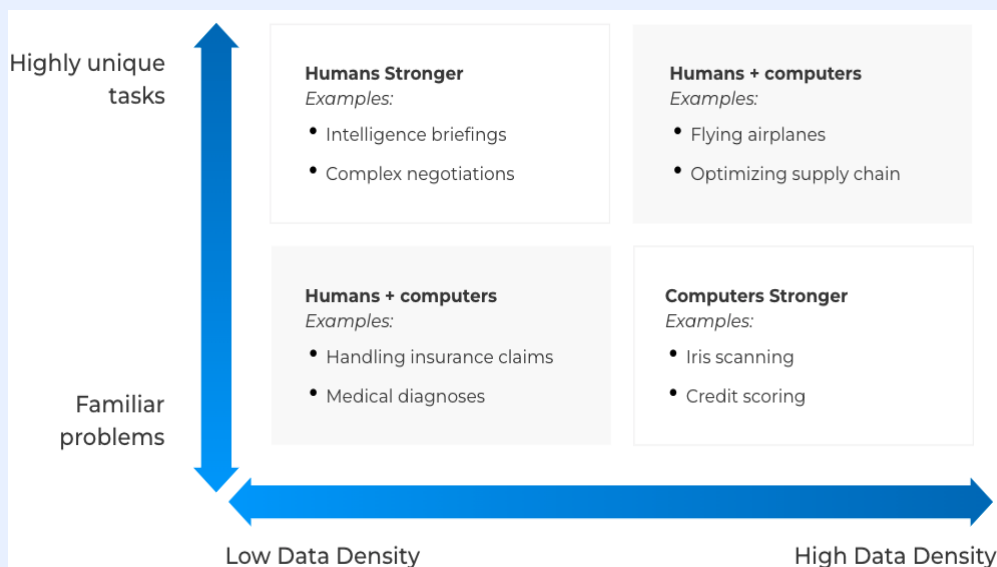


Figure 1. Pricing is perhaps one of the best examples of how pricing has increasingly become a good combination between human knowledge and technology. This is called Augmented Intelligence.



The truth is that pricing is a combination of (data) science, art, business experience and the right technology. At SYMSON we are big believers in bringing the human- and machine perspective together. We like to try and build technology that gives organizations superpowers, rather than replacing them. The phenomenon to bring human- and machine knowledge together to solve problems is called Augmented Intelligence. Pricing is perhaps one of the best examples of how pricing has increasingly become a good combination between human knowledge and technology. This concept operates under the assumption that price is a living, ever-changing organism that not only takes into account certain metrics but also acts and reacts with the behaviour of your customers in mind.

Rather than simply relying on a predetermined scientific approach to pricing, dynamic pricing allows you the freedom to change your price point to suite the environment in which your product exists, thereby taking advantage of the niceties that inevitably accompany pricing.

When it comes to crucial decisions like pricing, it's natural to want to identify some all-purpose algorithm that will solve all of your problems. However, pricing is far more complex than that. There's a ton of subtlety and nuance that goes into determining what price point is best suited for your business strategy.

To make the difference in pricing it is more important than ever to start your journey towards an advanced pricing strategy. The market leaders are making their strategies more and more intricate with each year and AI has played a major role in the development of today's biggest players in the market. In order to stay relevant and keep up with the competition, dynamic pricing has become a priority for every retailer.

In this article, we will explain how the 4 levels of the pricing maturity model are and how you can determine where you fit in the model. Next, we will explain how you can start your journey towards optimal dynamic pricing.



The pricing maturity model is a flexible model that offers room for a business's individual characteristics. It is a useful model for determining where the pricing of a business is at and how it can be improved in the future. Especially for B2B distributors could this model be helpful since many distributors fall 1 or 2 steps behind in the pricing maturity model.

## The levels of pricing:

In the next section we will discuss these levels in more detail.

1. Pricing 1.0
2. Pricing 2.0
3. Pricing 3.0
4. Pricing 4.0

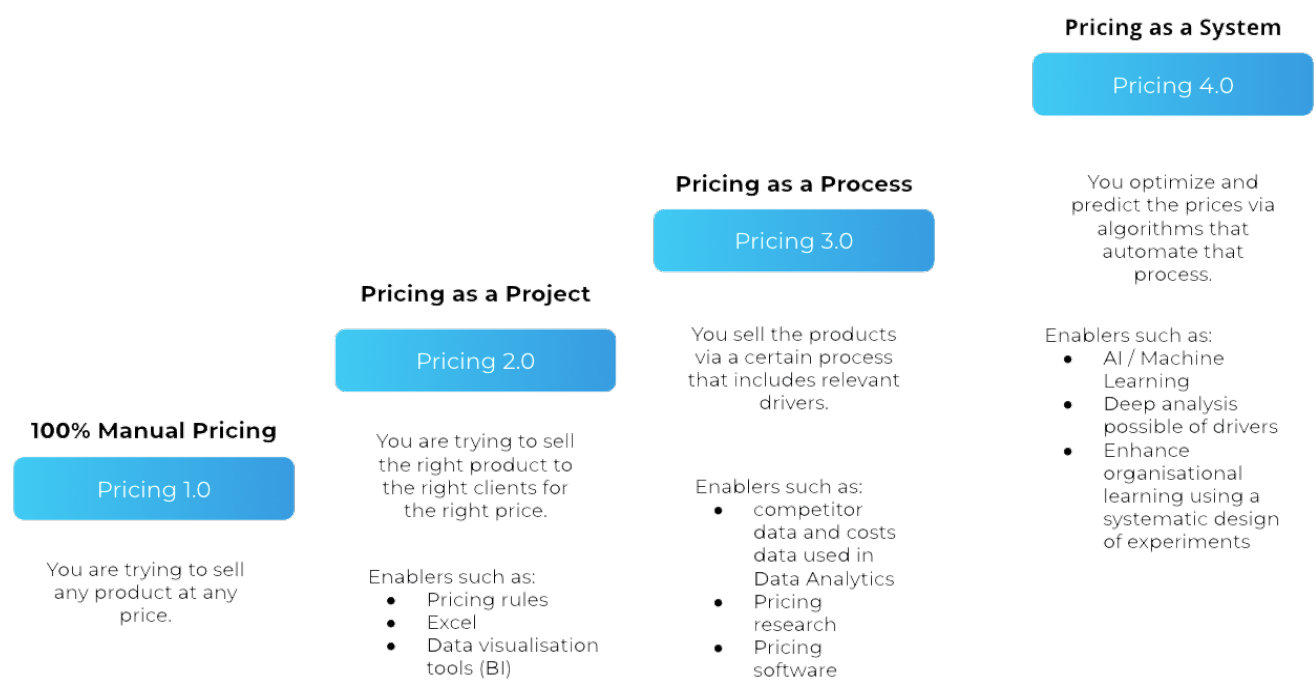


Figure 2. The 4 levels of pricing maturity.



# The Levels of Pricing

## Pricing 1.0

**Manual Pricing** – The most basic pricing that you can do is to sell any of your products at any price to whoever wants it. Most companies will likely not have such pricing strategies, but some merchants in local markets still do. At their stand, you can sometimes still haggle the price down, depending on the time of day, how much the merchant already sold and on how much he likes you. Most of the pricing decisions that are made at the pricing 1.0 level are subjective.

## Pricing 2.0

**Pricing as a Project** – It is already a lot less subjective than pricing 1.0. At this level, a business tries to sell the right product to the right client at the right price. Most of the time certain pricing rules are in place so that pricing is somewhat consistent within the organization. Such pricing rules could be based on making a certain profit margin or giving a maximum discount. Organizations at this level also keep track of their pricing, they use data visualization tools such as PowerBI or Excel. To keep track of costs, the number of sales, and selling prices.

## Pricing 3.0

**Pricing as a Process** – Organizations that have a certain process for their pricing can be classified as organizations on a Pricing 3.0 level. Organizations at this level have a standardized process for their pricing and they are selling their products for prices that take into account multiple factors. For example, these organizations use data on competitor prices, their own cost price to determine a price for their products. Most of the time they already have (simple) software for their pricing.

## Pricing 4.0

**Pricing as a System** – At the most advanced pricing level, pricing is no longer a simple task, it has become an entire system. At this level, companies use algorithms to generate the right price for each customer automatically. Artificial Intelligence & Machine Learning are often associated with these processes and there is a continuous learning curve at these companies. Tests are conducted in a controlled manner to further optimize prices.



THE FIRST STEP IS TO CHANGE YOUR APPROACH TO PRICING

# How to improve your pricing

## Transitioning from Pricing to Pricing

Most entrepreneurs are focused on a volume-driven approach, which is understandable because you want to gain a bigger market share, however, the key is to switch at the right time towards a price-driven approach because you want to increase your margins to enable faster growth of the company itself. The best first step for these businesses is determining their product cost, choosing the right margin and business rules for a steady profit. Having a complete overview of your costs and margins is an important first move for improving your pricing.

In smart pricing tools such as SYMSON, you can choose pricing strategies, business rules and profit margins to enhance your current pricing approach.

To go from level 1.0 of pricing to level 2.0 you can implement three suggested pricing strategies:

1. Cost-based Pricing
2. Rule-based Pricing
3. Competitive analysis

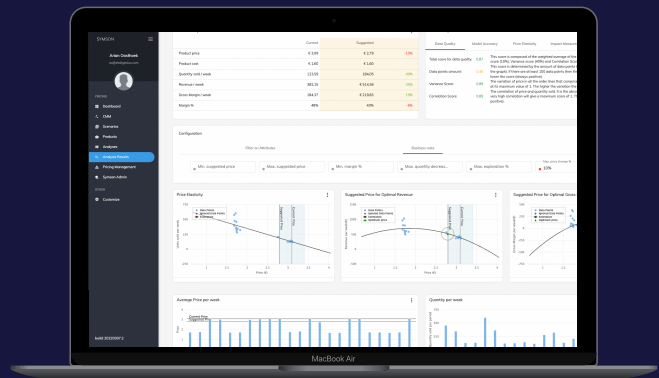


Figure 3. Setup of the cost-based pricing and Rule-based pricing in SYMSON.



## 1.2 Transitioning from Pricing 2.0 to Pricing 3.0

Businesses that want to level up their pricing to 3.0 should focus on achieving a value-driven approach. A value-driven approach means that companies know what their products or services are worth to the consumers and start selling at these price levels. This can be achieved by doing thorough competitor research and knowing the strengths and weaknesses of your products and brand. Also, these businesses should start to think about software specifically designed for pricing analytics.

Having a better understanding of your best-selling products and factors that influence the decision of a customer will lead to a smarter approach to your pricing.

There are four pricing strategies that will help you transition from level 2.0 to level 3.0 of your pricing:

1. Competitor Pricing
2. Stock-based Pricing
3. Elasticity Pricing
4. Geographical Pricing



Figure 3. Setup of Geographical pricing in SYMSON.





## 1.3 Transitioning from Pricing 3.0 to Pricing 4.0

For a business to achieve the highest pricing maturity level, it should develop the capability to use data science, machine learning and AI to set the prices for its products and services. Moving from 3.0 to 4.0 we like to refer to the term hyper-learning, which is combining internal knowledge, external events and data to improve algorithms and understand the different behaviour of market segments.

There are two advanced pricing strategies that can help you transition from level 3.0 to 4.0 of your pricing:

1. Key-Value ItemPricing
2. Dynamic Pricing

### Pricing 4.0

If you are already automating prices with the use of AI & ML your pricing is more mature than most companies out there. To improve from here, pricing 4.0 businesses should focus on A/B Testing and improving the dynamic pricing algorithms. Especially A/B Testing and controlled testing should be part of the daily jobs of pricing managers at pricing. This results in your business being on top of new trends.

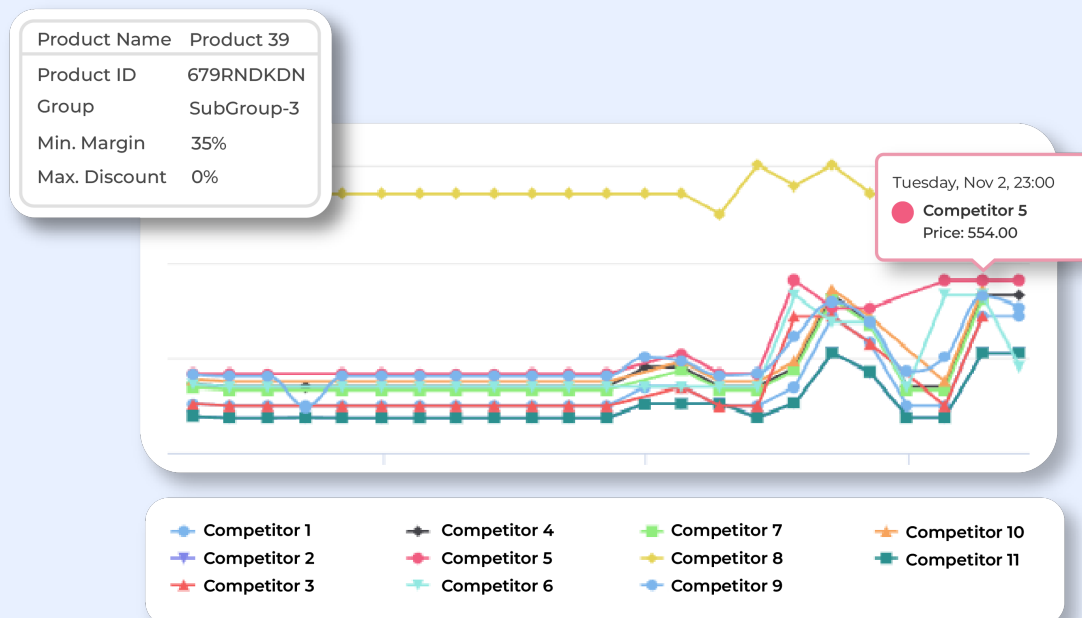


Figure 3. Competitive pricing and analysis in SYMSON.



# Summary Table

In this table we've summarized the pricing fundamentals per transformation phase.

Transformation	Pricing Fundamentals
1.0 > 2.0	Cost-based Strategy
	Rule-based Automation
	Competitor Analysis
2.0 > 3.0	Competitor Pricing
	Stock-based Pricing
	Elasticity-based Pricing
	Geographical Pricing
3.0 > 4.0	Key-Value Item Pricing
	Dynamic Pricing



# Never lose margin again.

Optimizing prices has a much bigger impact on your margin than optimizing your costs:

- A 1% increase in your prices can increase the operating result by 8.5%
- A 1% reduction in your costs leads to an improvement of your result between 1 and 3%.



Figure 7 . Margin Optimization Analysis in SYMSON.

## About SYMSON

We help businesses compete against tech giants with huge budgets to develop AI algorithms to optimise pricing and forecasting. We bring together scientific models, data science and software engineering in an AI platform (SYMSON) where customers can quickly respond to dynamic customer behavior. SYMSON helps you to automate your tasks, it makes advices how to increase your margin and revenue and let you combine multiple strategies together.

## Contact Us

✉ 085 - 06 03 934

☎ support@symson.com

