



How well does your pricing organization learn from the field?

May 4th, 2018

Pricing Experimentation

Under Utilized

Great Potential

Outline

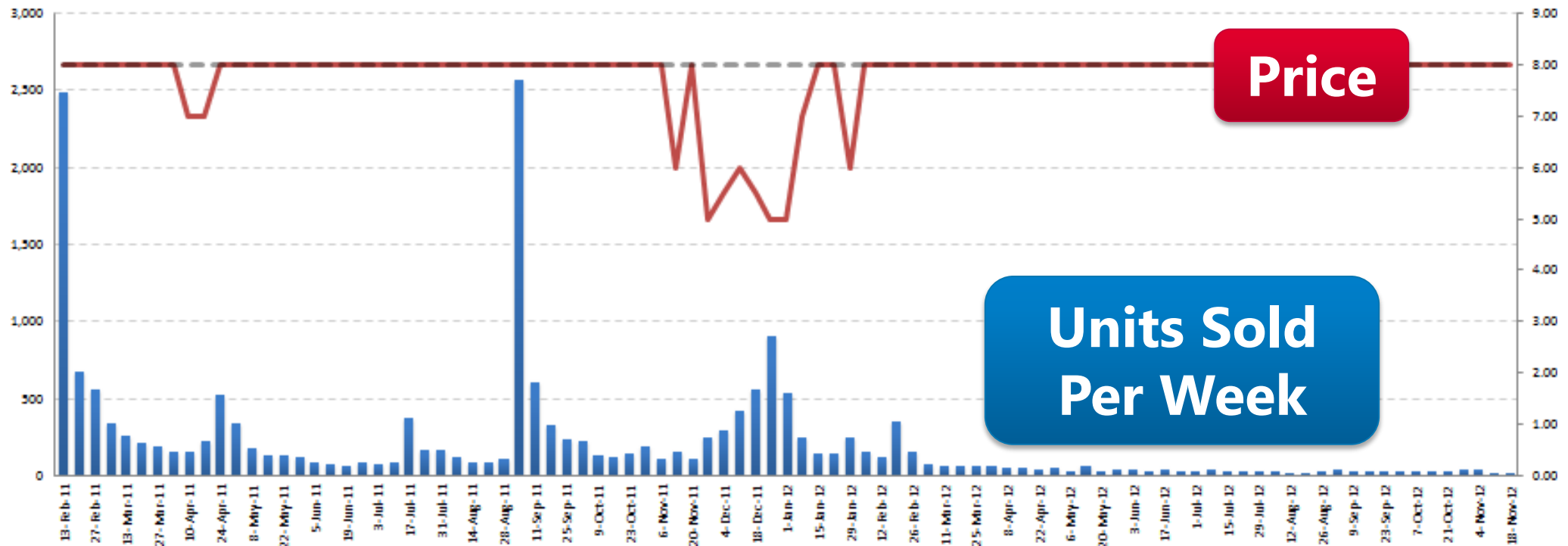
1. A case study
2. Success Factors
3. Overcoming Challenges in B2B Price Experimentation

Case Study: Online Retail (B2B2C)

- ✦ Electronic media producer
- ✦ Selling products through online retail
- ✦ Tens of thousands of products
- ✦ 20 countries
- ✦ Centralized pricing team
- ✦ Territory managers
- ✦ "Agency Pricing" agreement with online retailer

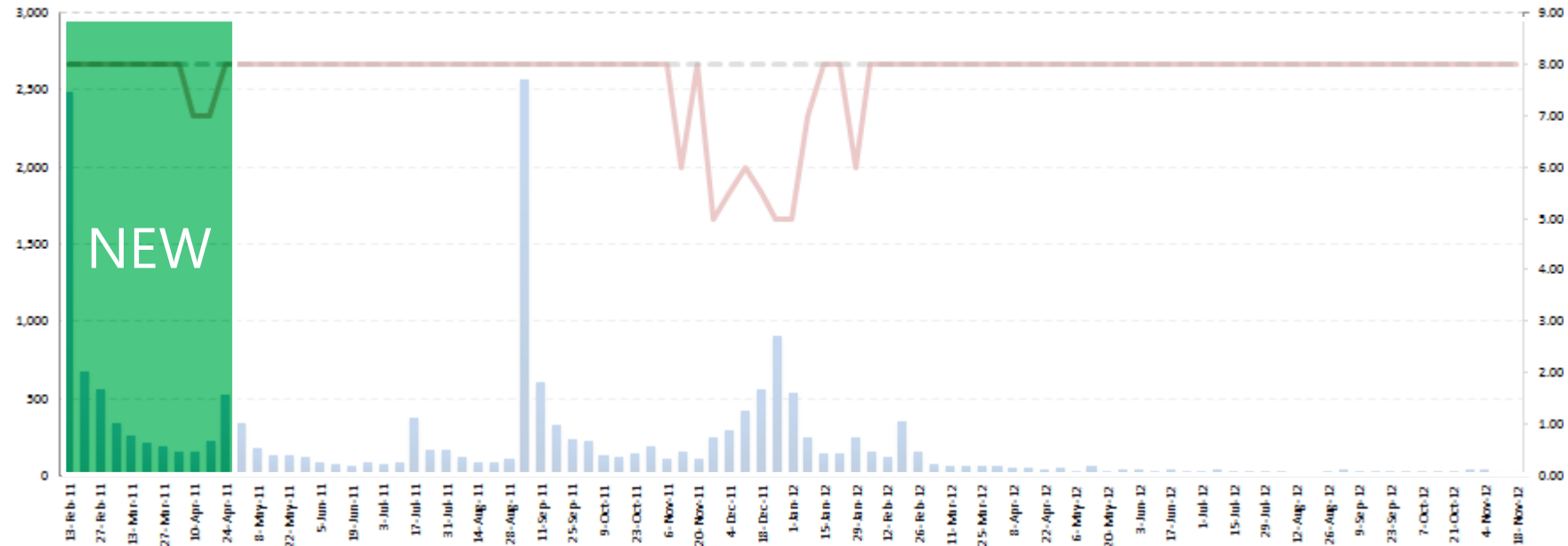
Product Lifecycle

Price and Sales Over Time



Untapped Opportunity

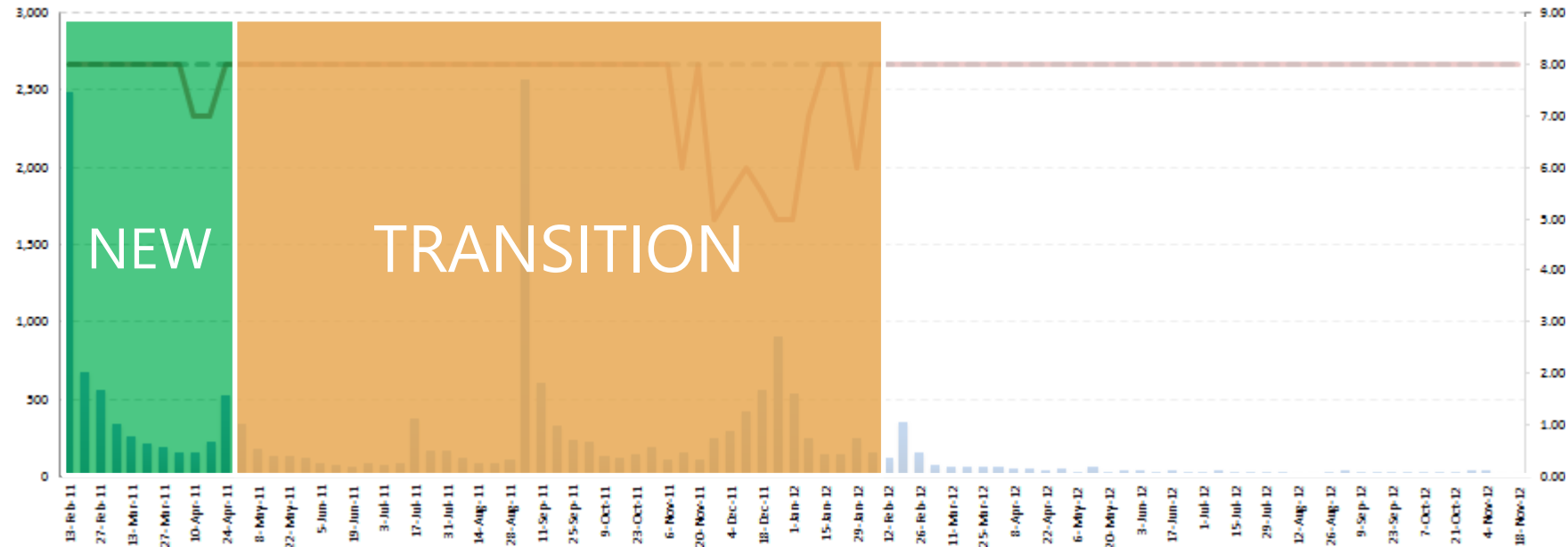
Price and Sales Over Time



- ✓ Few Hundred Items
- ✓ Significant portion of Revenue
- ✓ Highly subjective and political

Untapped Opportunity

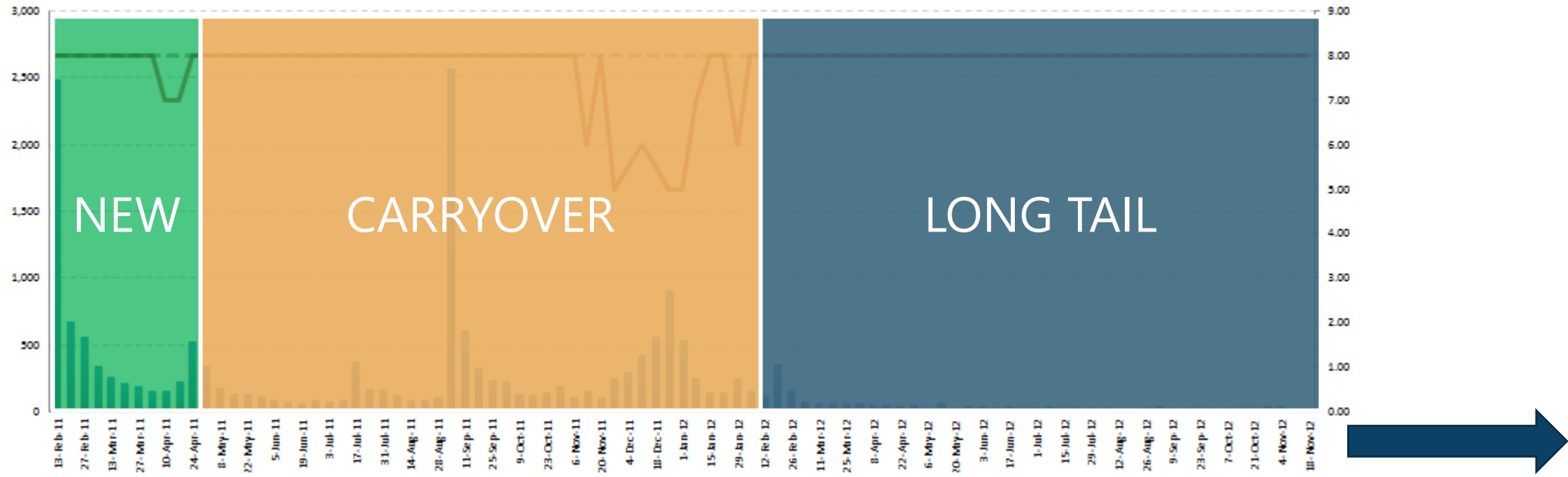
Price and Sales Over Time



- ✓ Thousands of Items
- ✓ Price & Promo Activity
- ✓ Need to Analyze Price & Volume Tradeoff's

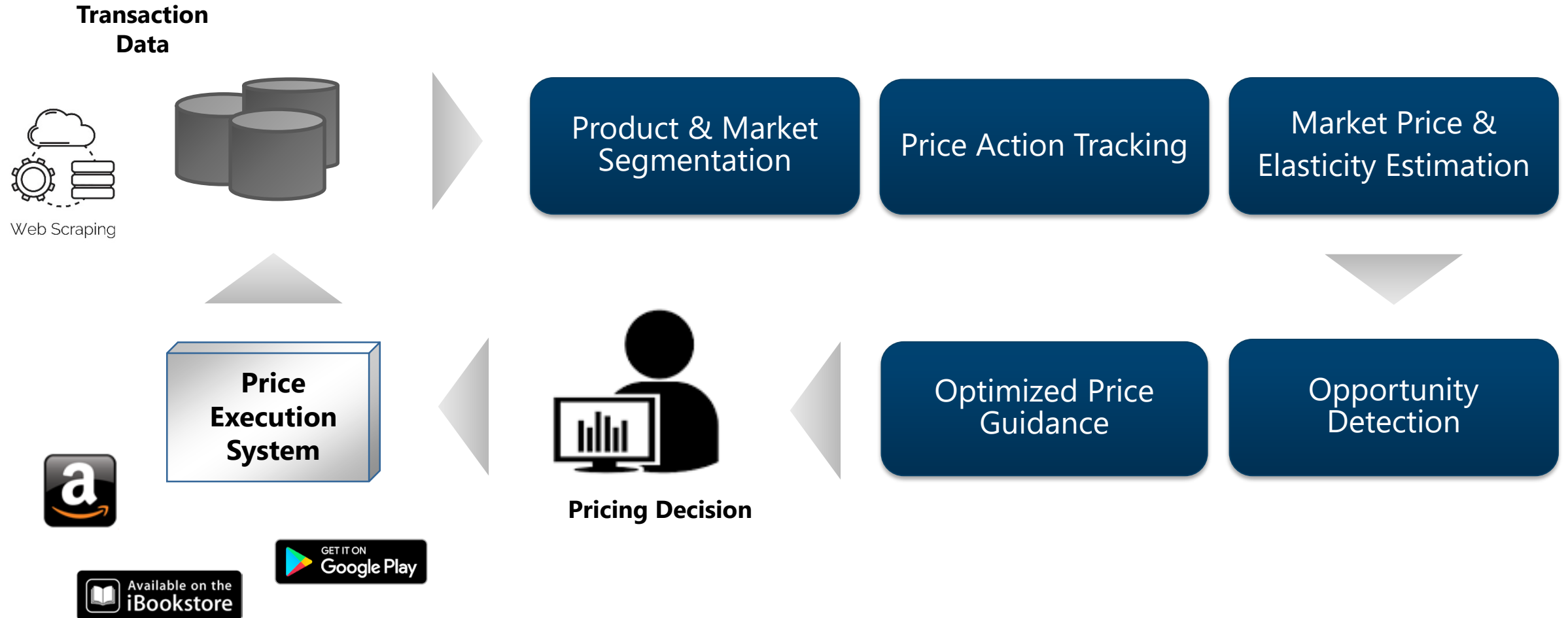
Untapped Opportunity

Price and Sales Over Time



- ✓ Tens of Thousands of Items
- ✓ Little Oversight & Attention
- ✓ "Long-Tail"

Optimization through Experimentation



What was accomplished?

Revenue Growth

- Thousands of price increases
- High ROI

"Machine Learning"

- Predictive accuracy
- Recommendation precision

People Learning

- Enhanced market expertise, intuition & anecdotes
- Expertise in scientific price management

Organizational Learning

- Stakeholder buy-in & confidence in price management
- Process improvement

Repository for Learning

- Database of rich history
- System for generating new analytical insights

Why was it so successful?

	Online Retail	B2B Bid Pricing
Price Execution	Quick, perfect control	Incentives, price bands, workflow
Test & Control	Similar Products & Markets	Similar Products & Markets
Competitor Intel	Low cost	Private offers, buyer gives info
Market Efficiency	High	Apples-to-oranges
Feedback Data	Clean, immediate	Orders, lost bids, competitor bid
Measurement	Advanced tools	BI Reporting
Stakeholders	Low risk approach, quick results	Fiefdoms, personal income at stake

BTW e-commerce is coming

Has Amazon entered your B2B market yet?

amazonbusiness

Simplifying purchasing for healthcare

A new way to purchase with Amazon Business

Interested in purchasing that is **simple, efficient and cost-effective**? We've got you covered.

Healthcare organizations have found that Amazon Business brings them selection and **price transparency** whether they're buying office supplies or medical products for patient care.

Create a Free Account





Bridging the Gap Vignettes

1. Control mechanisms
2. Feedback data
3. Measurement tools
4. Stakeholder buy-in

Test Execution

Pricing management software enables quick execution of price tests

		PRICING \$ %				REQUESTOR		
LIST PRICE	REQUESTED VOLUME	TARGET	PRICE RANGE	REQ	REV	REVENUE	TARGET OPPORTUNITY	DOA
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
\$24.87	220	83.5%	79.79% 100.00%	78.8%	78.8%	\$4,312	\$258.80	2
\$24.34	55	73.5%	79.92% 100.00%	69.3%	69.3%	\$928	\$55.69	2
\$30.04	275	74.4%	71.49% 100.00%	73.9%	73.9%	\$6,102	\$39.65	1
\$20.00	110	100.0%	65.28% 100.00%	100.0%	100.0%	\$2,200	\$ 0.00	1
\$39.17	5	100.0%	85.14% 100.00%	100.0%	100.0%	\$196	(\$0.02)	1

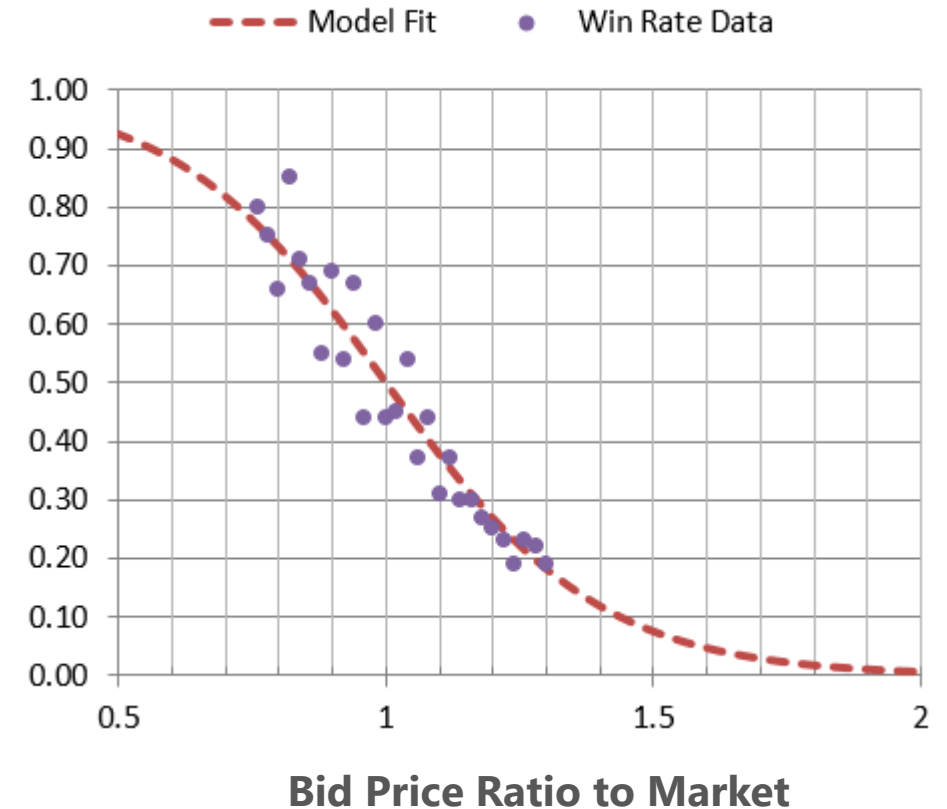
Approval Bands

Workflow

Bid-Price Elasticity Modeling

- ✦ Varied bid prices
- ✦ Win rate data
- ✦ Segmentation attributes
- ✦ Fit elasticity model

- ✦ Competitive bids data (if available) yields better accuracy



Capturing Lost Bids and Competitive Intel

Pricing management system

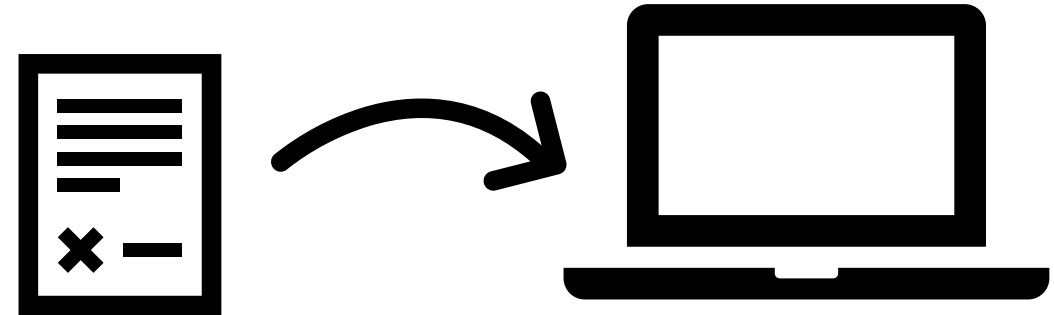
- Quote to order linkage
- Competitive bid entry

Leg work

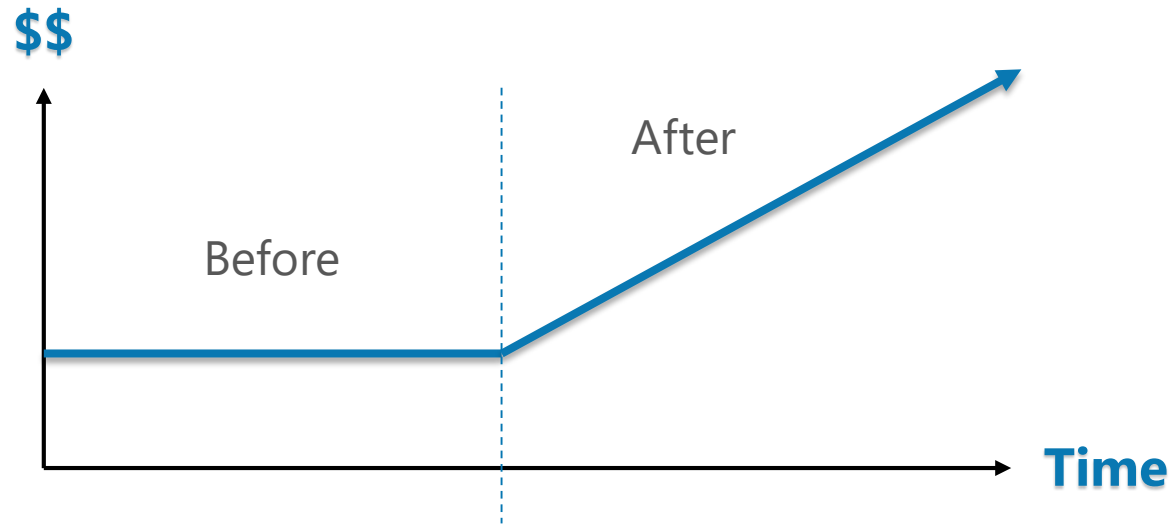
- Call sales offices, rifle through emails
- Extract competitive bid data

Trade association surveys

- Prices paid
- Validated data

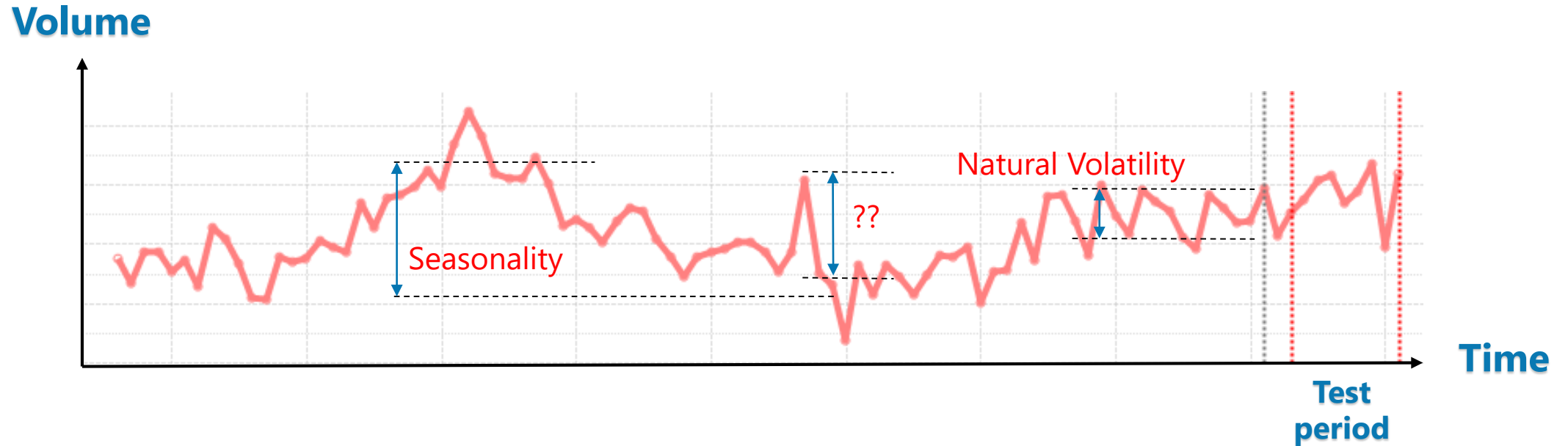


Measuring Results: What's the big deal?



Can't we just chart performance over time?

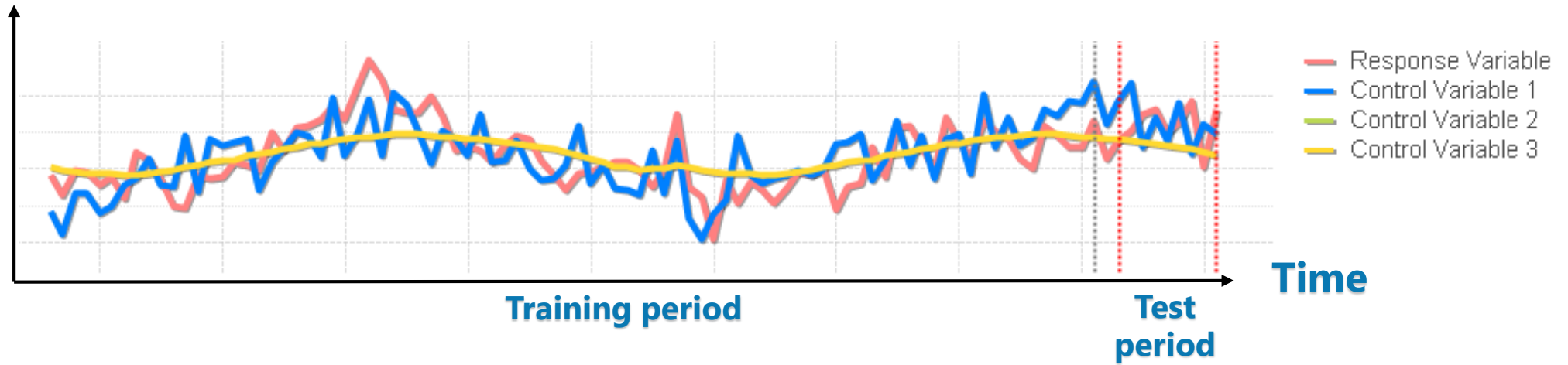
It's not so simple



For detecting 1-3% revenue increments
It takes sensitivity to separate the signal from the noise

We need a controlled baseline

Volume Index



Baseline Algorithm

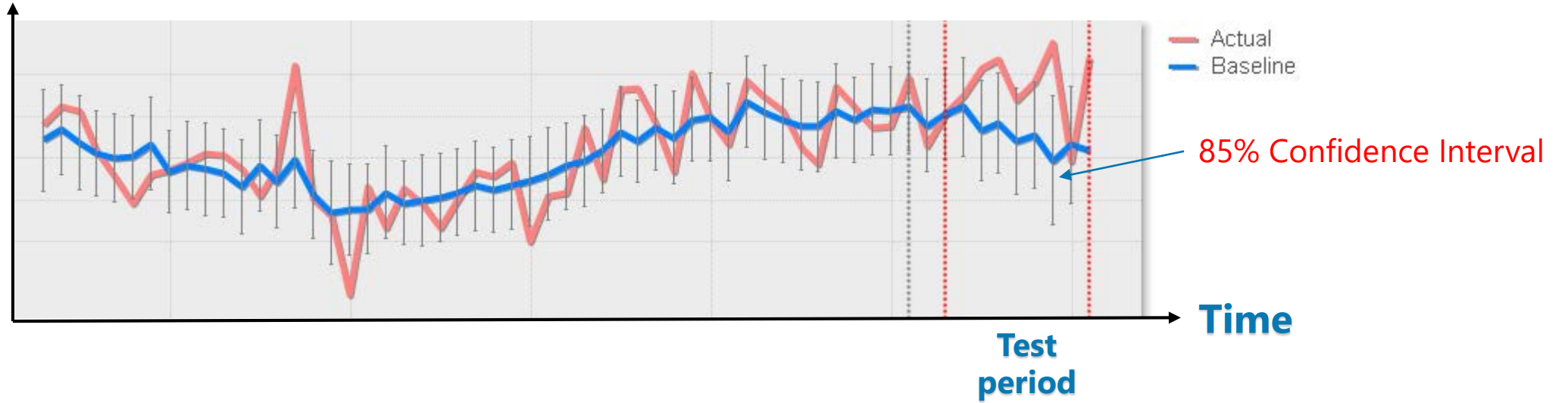
1. Identify most important control variables
 - High correlation with response variable historically
 - No price change in post period
2. Fit regression model
3. Project baseline during promo period

Control Variables

Control 1 = Product segment peers
Control 2 = Market Segment peers
Control 3 = Seasonal Index

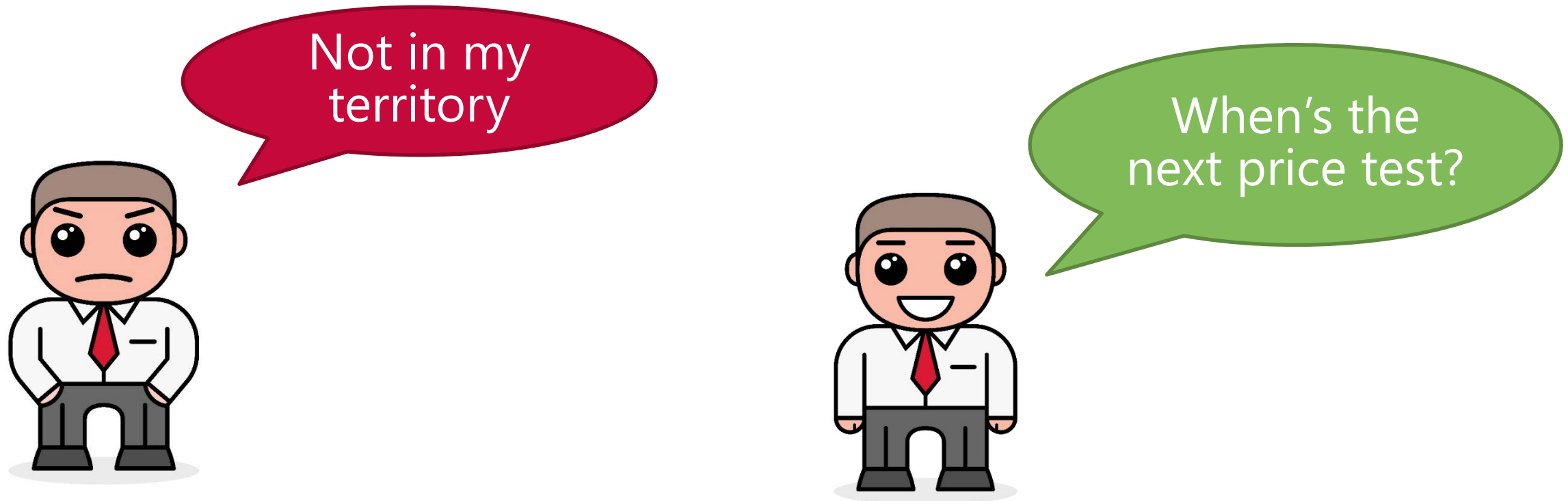
Measure with Confidence

Volume



Stakeholder Buy-In

Controlled price experiment at major pharmacy chain



Well designed tests typically yield a net gain

Key Principles

- ✦ “Machine Learning” improve WTP models
- ✦ “People Learning” grows
- ✦ Price management systems enable execution
- ✦ Capturing lost bids & comp intel is feasible and worthwhile
- ✦ Advanced tracking tools and expertise are needed
- ✦ Organizational barriers can be overcome by proof

Pricing Experimentation

~~Under Utilized~~ — Best Practice

Great Potential

Thank You





Please visit us at:
www.vistaar.com

