



Winning in Turbulent Times

The Strategic Imperative for
Smarter Digital Selling Amid
Unprecedented Volatility

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WHITE PAPER



The Old Rules No Longer Apply

As the global economy continues to emerge from the worst pandemic in more than a century, one overriding fact is inarguably true for virtually every business and industry sector: The old rules no longer apply. Gone are the days of standard fixed prices, face-to-face interactions, endless rounds of negotiations, and patience for sales process friction. Instead, unprecedented volatility, changing buyer expectations – *and demands* – are significantly disrupting “business as usual,” and creating threats and opportunities in numerous areas.

“CIOs opting to hunker down and wait out COVID-19 should think again. By revving up their digital business strategies, they position themselves for growth when the pandemic subsides, say experts and CIOs.”¹

CIO

While the COVID-19 pandemic has certainly accelerated numerous trends, the seeds of these changes were planted long ago. Many companies are now fast-tracking their digital transformations, but the manner of their approach can be a major factor in the success of those efforts.

In this white paper, PROS explores the criticality of pricing and how it can help companies prepare to win in the coming years.

¹ <https://www.cio.com/article/3533993/doubling-down-on-digital-transformation-during-the-coronavirus-pandemic.html>

Digital Interactions Are The New Imperative

In turbulent times like these, buyers are increasingly seeking to conduct business online for a variety of reasons, and that only further elevates the importance of pricing excellence in the digital world. However, many companies are ill-prepared for this new high-stakes environment that they've been thrust into. They must address two key challenges:

Digital Channel Price Availability

Many vendor companies prefer to drive customers to engage with a sales rep for pricing information fearing that transparency will kick off a price war among competitors and erode margin. This approach certainly impairs buyers – requiring more time to engage with a sales rep and the potential delays of waiting on their availability and response. Hidden pricing and complicated price models can make digital channels entirely irrelevant to buyers who want to save time and self-serve.

Price Relevance

And when pricing is available, it must be relevant. In this new “business unusual” environment, companies can't simply post the standard list prices. Those prices won't be perceived as fair and relevant to buyers unless they take into account competitive prices, market conditions, and the buyer's last purchased price. Increased volatility in the marketplace means prices must be more frequently updated to maintain relevancy to changing market conditions and buyer value perceptions.

These recent dynamics and trends aren't actually new. What's changed is the speed with which companies are experiencing them and the speed with which buyers expect their suppliers to respond. In other words, friction costs money. For instance, a recent study of **B2B buyers**¹ found that 48% of buyers will pay as much as 5% more to instantaneously receive pricing information and avoid an elongated negotiation.

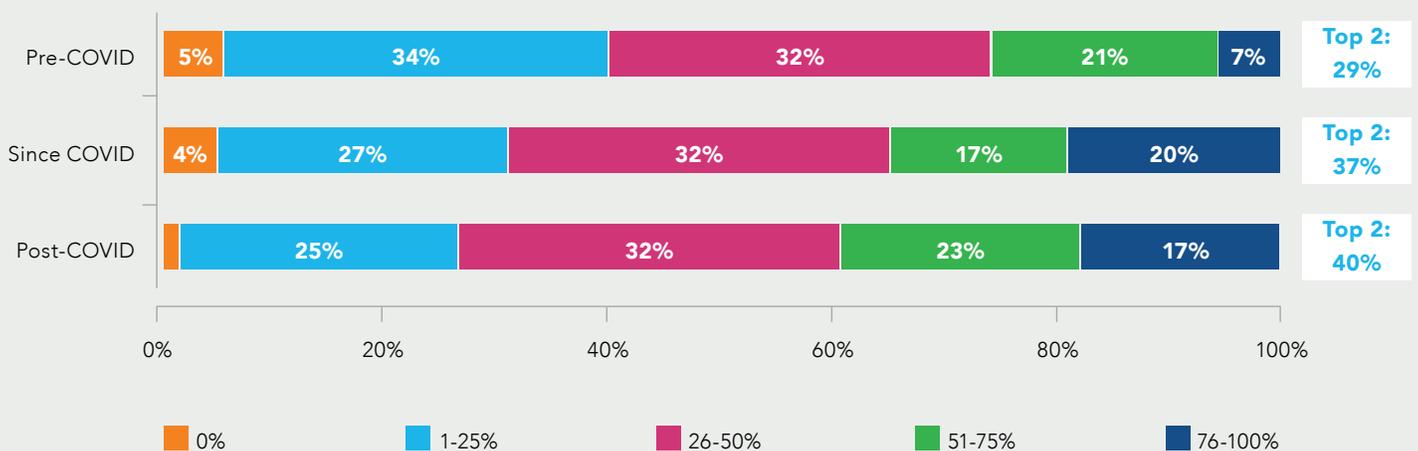
“Pricing is a powerful tool for ensuring continued profitability (or at least minimizing losses)... Price management solutions... could prove critical to weathering the current crisis.”

Gartner

¹ <https://resources.pros.com/digital-business-transformation/b2b-digital-commerce-understanding-customer-expectations>

Similarly, buyers value other aspects of digital interactions. Sixty percent of buyers prefer pricing driven by algorithms, which they find fair and trustworthy³. Unfortunately, most traditional organizations continue to rely on personal interactions, haggling, and subjective negotiations. Buyers don't want to be at the mercy of human variability or hunches. And B2B sellers are seeing 90-120% increases in the importance of self-service in the research and evaluation phases of buying cycles. As noted in a survey of 210 purchasing professionals in June 2020⁴, COVID-19 has accelerated buyer preference for self-serve buying, with as many as 37% primarily leveraging digital channels to complete purchases – up from 29% prior to the coronavirus pandemic.

Percentage of Purchasing Running Through Digital, Self-serve Channels



Q: How much of your company's purchasing was run through digital, self-serve channels prior to the COVID-19 outbreak? (n=210)

Q: How much of your company's purchasing is run through digital, self-serve channels since the start of the COVID-19 outbreak (mid-March)? (n=210)

Q: How much of your company's purchasing is expected to run through digital, self-serve channels after the COVID-19 outbreak? (n=210)

³ <https://resources.pros.com/price-optimization-management/what-b2b-buyers-want>

⁴ <https://resources.pros.com/ebooks/how-covid-19-change-b2b-buying>

Where Do B2B Companies Fall Short on Digital Strategies?

Unfortunately, there are some common failure modes when it comes to delivering on digital transformation and providing prices that matter to ideal buyers.

Reliance on High-Touch

Buyers don't want to have to rely on their sales rep for every transaction. When they are seeking a quote for a relatively simple order, they expect to be able to get fair pricing quickly and efficiently. The outdated high-touch sales cycle is dramatically out of step with buyers who have come to expect the ease and speed of Amazon-like experiences. Instead of high-touch, they want low-touch or no touch. McKinsey's research has found a 42% decrease in the number of buyers who prefer to order from a sales rep in person. Today's buyers want automated, guided selling. They want self-service options that let them move through the funnel. And they want to proceed at their own pace.

Lack of Market-Driven Prices

Years ago, sellers could offer a SKU or service for one price to all customers at all times. Today, that's no longer acceptable. Companies need the agility to quickly reset market pricing based on current conditions and deliver the right price at the right time through digital channels. For instance, in our recent pandemic, consider how prices for oil have fluctuated. In fact, 64% of buyers indicated they would switch to suppliers that offer personalized, market-driven prices.

Complex Buying Processes

Gartner found that 77% of B2B buyers report that their latest purchase was very complex or difficult. The fact is,

in many companies, prices and policies are created to solve managerial problems, such as variations in pricing or over-negotiation. That leads to processes ostensibly designed to protect the company, rather than facilitating a purchase.

Inconsistent Channel Experience

Buyers expect that, whether they talk to a salesperson on the phone or check a page on the website, they'll see the same pricing. That unified experience is important to buyers.

Top Challenges with Current Vendors



Q3.7 What challenges are you facing working with your existing vendors? Please select all that apply. (n=210)

The Volatility Trifecta

In the pandemic era, businesses are finding that volatility is more intense and multifaceted, which brings significant implications for pricing. Companies must be able to quickly respond to volatility in three distinct areas:

Demand

The demand volatility that companies experience can vary based on several factors, such as geographic disparities in economic/recovery performance or sentiment. You can also see swings in product mix, order size/frequency, package sizes, and more. Even the sales experience can attract – or discourage – customers.

Enabling eCommerce

Before COVID-19, 10% of this company's online orders were placed electronically. Now, more than 80% of orders originate on their online platform powered by **PROS SmartCPQ**.



Competition

As we emerge into the new normal, it's essential to know the answer to a simple question: What are competitors doing? Do they have a different level of financial resilience – is their balance sheet stronger or weaker? Do they have sourcing or cost advantages or disadvantages?

And where are their business strategies pointed – market share or margin? In many industries, competitive behavior is shifting rapidly.

Costs

Finally, companies must assess their costs from a variety of perspectives so that they ensure prices reflect current market and economic realities. That can range from a full analysis of bill-of-material costs and ordering patterns (including changes to economic order quantities) to changing service requirements, transportation costs, and more flexible terms and conditions. All of these are in greater flux than ever, which means product prices are also highly volatile.

Market-Driven Pricing

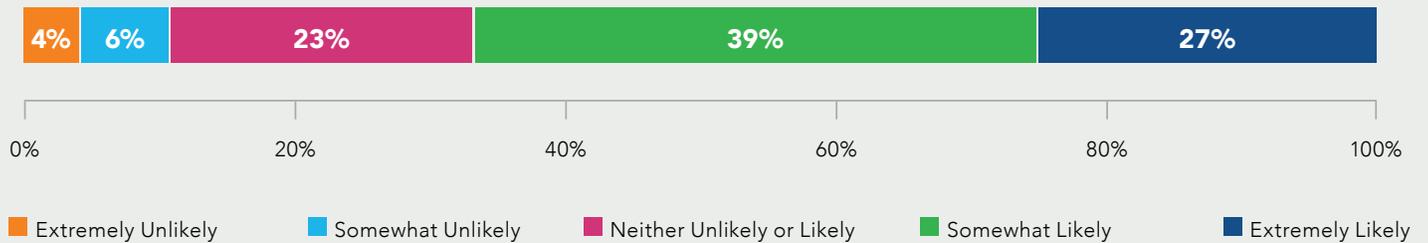
A flexible quoting system with real-time price adjustments, ensured an oilfield services provider could immediately respond to increased volatility with updated, market-relevant prices to help them more effectively respond to the impact of COVID-19.

Unfortunately, in their encounters with these volatilities, companies are often at crucial disadvantages. It starts with a lack of timely analytics. Companies need visibility and transparency into these “vectors of volatility” so that they become aware of changes. In the new normal, analytical speed will be a major contributor to business success, so there will be little tolerance for traditional lags in monthly or quarterly reporting and analysis.

Just as important, companies must proactively communicate those changes (and potential changes) to employees and customers to create transparency and trust – even in volatile markets. Previously, it might have taken weeks to develop a new price strategy or months to update prices. Today, businesses require new data every week – sometimes every day – to spur greater speed and agility.

Next, business leaders need strategies that incorporate how to respond to change. For instance, inventory costs can diverge from inventory value due to changing market conditions. What’s the right response?

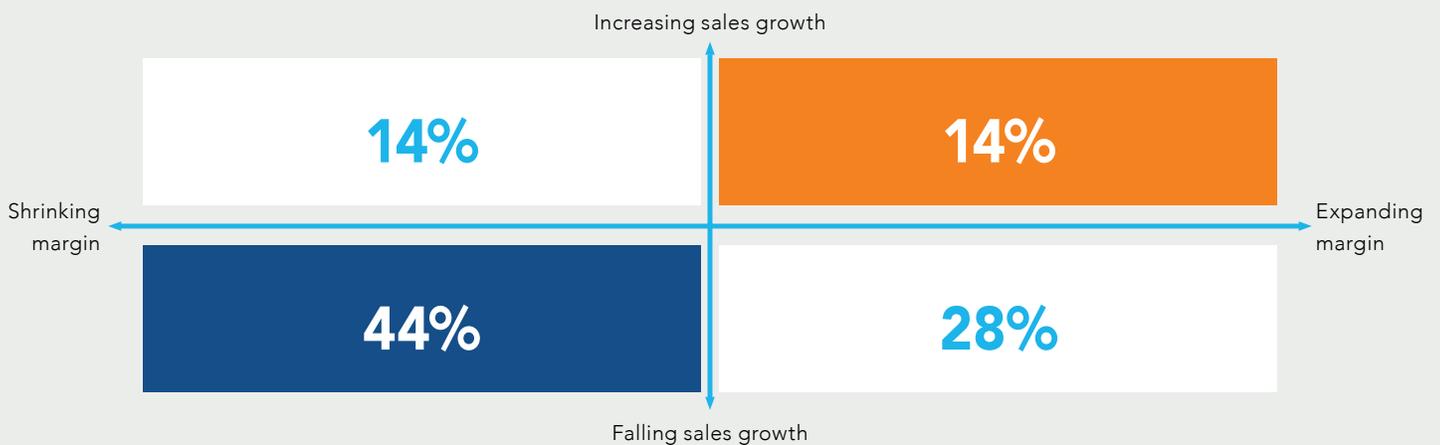
66% of B2B Buyers Express a Willingness to Switch to Vendors That Can Keep up with the Dynamic Marketplace Better:



Q: If all other components of your current service remained the same, how likely would you be to switch to a vendor that offered personalized real-time, dynamically updated pricing that reflects market conditions? (n=114)

Winners and Losers in the New Normal

History shows that increased volatility means every market will be a battleground with winners and losers.



Source: S & P Compustat and Capital IQ; BCG Henderson Institute

The BCG Henderson Institute found that, in the last major downturn in 2008, 44% of U.S. companies with revenues above \$50 million experienced shrinking margins and growth rates.⁴ Only 14% of companies were able to achieve growth in sales and margins. That research also found that, during these periods of peak volatility, the winners – companies that outperformed their peers – were those that capitalized on the opportunity to innovate to achieve greater business agility.

⁴<https://www.bcg.com/publications/2019/advantage-in-adversity-winning-next-downturn>

Recommendations to Light Up Digital Channels

What are the best ways to light up digital channels with the right price and the right process? There are several strategic recommendations to pursue:

Tie Pricing into Digital Transformation

Oftentimes, eCommerce initiatives focus on the website look and feel but overlook the requirements of delivering relevant, rational pricing. When digital channels lack fair and competitive pricing that buyers can transact on, they will take their business elsewhere. Make pricing a central component of digital transformation initiatives, because it is an irreplaceable element of digital selling success.

Transition to Self-Serve Pricing

In certain B2B markets, high-touch pricing will endure for large, complex sales cycles. However, companies can improve pricing performance simply through faster pricing cycles (think hours, not days) and begin to transition their businesses from 80% high-touch to just 15-20% high-touch and push pricing out to self-serve channels and dealer portals. For low/no-touch pricing, companies must become comfortable with a strategy of moving market-relevant pricing in a dynamic fashion by automatically pushing customer-specific pricing to the sales channel that's auto/pre-approved.

Improve Price Consistency & Market Relevance with Science

Delivering competitive pricing requires consideration of enormous amounts of data and significant computational power to optimize pricing across conditional variables like buying history, margin goals, region, inventory levels, seasonality, and more. Algorithms can reliably deliver market-relevant pricing through price optimization science and pricing formulae. This is an essential requirement for creating the no-touch self-serve pricing described above.

Address Channel Inconsistencies

Anonymous self-serve pricing can create channel inconsistencies – such as when a named buyer receives a specific, negotiated price from a dealer portal, but sees a lower price as an anonymous buyer in a different channel. Quantify those edge cases. Estimate the volume benefit of moving to self-service. And then create rules to govern any channel conflicts that arise and create pricing transparency.

What Now?

For decades, businesses across industries have relied on PROS technology for the competitive advantage that helps them to weather downturns and consistently exceed expectations in thriving markets – the competitive advantage that enables them to deliver on their customers' digital commerce expectations while simultaneously contending with market volatility.

PROS technology is key in helping businesses to connect market, sales, and transactional data across the organization. Often, this data exists in varied formats across siloed locations, slowing down the business's ability to make informed, data-driven decisions. By aggregating this data and extracting meaningful, actionable insights, PROS helps businesses make better decisions faster. Companies that find themselves waiting days (or weeks) to pull together profitability analyses or customer buying histories can gain tremendous benefit by aligning perspectives on what's driving profitability – and what's not.

Once the business has a handle on leveraging descriptive analytics to drive improved negotiations and pricing strategy, it may consider leveraging predictive science to optimize price recommendations for each buying interaction. Refined price algorithms and prediction models identify patterns in customer purchase behavior that help predict what customers would be interested in purchasing and at what price. For most businesses, leveraging artificial intelligence is becoming essential, since no sales rep has the capacity to keep up with the entirety of a customer's buying history, preferences, and shifting market conditions – the volume, variety, and velocity of the changing data is simply too much for the human brain.

The insights PROS delivers help companies determine how to price products and services, suggest what

products to offer to a particular customer, or determine how to bundle and sell solutions in rapidly changing environments. These abilities to process large amounts of data in complex environments and deliver prescriptive insights for better business decisions help businesses that leverage PROS technology to achieve their competitive advantage.

Data-Driven Strategies

Gain market perspective – The data you need to drive better, more profitable strategies is likely hidden behind siloed data sources and offline spreadsheets. Purposefully connecting data helps provide a key source of truth for what's driving customer value and profitability.

Drive faster, better decisions – With meaningful perspective on what's really going on in the marketplace, your business can more quickly and effectively align on both strategic and tactical selling decisions.

Rapid, Proactive Responses

Better prospecting – With AI-driven insights, PROS technology helps sales people uncover and prioritize hidden opportunities to expand value delivery in existing clients.

Optimized, market-relevant pricing – With PROS AI-driven pricing, a sales person can provide customers with competitive, fair prices in the initial inquiry that helps eliminate the inefficiencies of elongated negotiation practices.

Effective, Efficient Digital Selling

Light up eCommerce channels with market-relevant pricing – A comprehensive price-management solution like PROS helps businesses deliver pricing for digital channels and ensures customers are not surprised by wild inconsistencies in that pricing across channels. Customers that purchase across multiple channels have greater loyalty to providers that meet them where they choose to buy.

Real-time, personalized prices – Customers have increasingly high expectations for vendors to not only be aware of their buying history but also alternative competitors' offerings. PROS real-time price engine ensures every price can be optimized in the context of market conditions, supply, and customer history.

When the Going Gets Tough, PROS Gets Going with You

The COVID-19 pandemic has disrupted business models and accelerated the threats and opportunities companies face in almost every industry sector. With the old rules no longer applying, winners and losers will be determined by the willingness to invest in innovation and digital transformation – and intelligent dynamic pricing is essential to meeting that challenge.

As companies continue to navigate through turbulent times, dynamic pricing technology can help streamline digital channels and master the volatility that is reshaping the business – and the global economy. Find out more about how PROS can help your business succeed.

Visit www.pros.com for more information.



About PROS

PROS Holdings, Inc. (NYSE: PRO) provides AI-powered solutions that optimize selling in the digital economy. PROS solutions make it possible for companies to price, configure and sell their products and services in an omnichannel environment with speed, precision and consistency. Our customers, who are leaders in their markets, benefit from decades of data science expertise infused into our industry solutions.

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