

State of the Pricing Management Software Industry



by Stephan Liozu, PhD

In this article, the author explores the current state of the pricing software industry, reasons why it has not grown at a faster rate, and current challenges the industry is facing which are prohibiting it from achieving scalability and profitability. Stephan M. Liozu, PhD is Chief Value Officer of the Thales Group (www.thalesgroup.com) and an Adjunct Professor & Research Fellow at the Case Western Research University Weatherhead School of Management. He holds a Ph.D. in Management from Case Western Reserve University (2013), an MS in Innovation Management from Toulouse School of Management (2005), and an MBA in Marketing from Cleveland State University (1991). He is a Certified Pricing Professional (CPP), a Prosci certified Change Manager, and a Strategyzer Business Model Innovation Coach. He authored five books, including his most recent entitled Monetizing Data (2018). He sits on the Advisory Board of LeveragePoint Innovation and of the Professional Pricing Society.

The world is changing. And the speed of change is for sure disrupting the business world. The digitalization tsunami has created massive opportunities for software companies across all organizational areas. From engineering to marketing to supply chain, the past ten years have been a bonanza for software firms. This phenomenon has created massive and lucrative industries with growth rates in the double digits.

Unfortunately, the pricing management software industry is not experiencing this explosive growth. Depending on how you define pricing software, the size of the software industry has grown over a decade and the number of players has kept fairly stable. But the growth is not significant and the difficulties to scale pricing software businesses have remained the same.

The purpose of this paper is to evaluate the size of the pricing management software space and to compare it to other relevant organizational areas such as supply chain, engineering, and marketing. I want to investigate some of the reasons why the pricing software space is not booming and what can be done about it. It is time we have a collective discussion on the state of our pricing management software industry and address the elephant in the room.

What the Numbers Tell Us

You can search the internet and you will find dozens of market research reports readily available on most software industries. I show some of them in [Figure 1](#).

Some of these spaces are very large and certainly lucrative in terms of profit margins. It is not surprising to see the marketing, engineering, ERP, and CRM software

industries leading the way. What is interesting is to see the emergence of the CPQ and the sales enablement industries that were not on the radar five years ago. Finally, the growth rates of these eight spaces are very healthy, so we can see that software is a booming business.

Well, not for every sector. I tried to find the same information for the pricing management software market and was not successful. I tried a search for pricing analytics, pricing optimization, and plain pricing but, to my surprise, nothing was readily available or consultable. As a result, I had to go and find the information myself with my knowledge of pricing software vendors and help from Google. After a few hours of searching, I created [Figure 2](#).

In this table, I propose sixteen companies working in the field of pricing manage-

Figure 1

Industry	Market Size (\$B/y)	By Year	CAGR	Key Players	Sources
Marketing (non CRM)	70	2025	15%	SAS, Hubspot, Marketo, Eloqua, Adobe, Microsoft	Grand View Research
Engineering	57	2024	12%	Autodesk, Dassault Systemes, IBM, Bentley Systems	Market Research Engine
ERP	49.5	2024	7%	SAP, Oracle, Syspro, Sage, IBM, Infor	MRFR/Allied MR
CRM	35	2023	6%	SAP, Salesforce, Oracle, Microsoft, Adobe	MRFR
Supply Chain	24	2025	10%	SAP, Oracle, JDA, Infor, Epicor, IBM	Allied Market Research
Procurement	10	2023	10%	Coupa Software, Oracle, JDA, IBM, Mercateo, Zycus	MRFR
Sales Enablement	5	2021	59%	Showpad, Adobe, Seismic, Pitcher, Highspot, SAP	Aragon Research
Configure Price Quote	1.7	2021	20%	Apptus, Salesforce, Oracle, SAP, Pros, Vendavo	Gartner/Equiteq

Figure 2

Pricing Software Vendor	2018 Annual Sales	2018 Operating Result	Year Founded	Number of Employees	Ownership Nature	Funding Source	HQ	Main Area of Focus	Note/Funding
Vistex	\$ 201	NC	1999	1387	Private	PE-backed	USA	Data maintenance & Royalty	\$65M in January 2019
Pros Holdings	\$ 197	\$ (49)	1985	1145	Public	NYSE	USA	Big Data solutions	Publicly traded
Model N	\$ 155	\$ (28)	1999	900	Public	NYSE	USA	Revenue Management Solutions	\$104.5M raised through IPO in 2013
Vendavo	\$ 76	\$ 10	1998	409	Private	Francisco Partners	USA	B2B Pricing Software	Source: Vendavo Forum Chicago 2019
Ugam	\$ 53	NC	2000	1882	Private	Independent	India	Retail Pricing	Not disclosed
Revionics	\$ 48	NC	2002	270	Private	PE backed	USA	Retail Pricing	\$30M in round 6 in 2014. \$56.8M in total
Zilliant	\$ 32	NC	1999	150	Private	VC backed	USA	AI-based Pricing Software	\$30M in round 8 in 2017. \$92.4M in total
Vistaar	\$ 30	NC	2000	300	Private	VC backed	USA	Pricing Management Solutions	\$37.6M in round 4 in 2015. \$75.3 in total
Syncon	\$ 30	NC	1999	250	Private	PE-backed	Sweden	Aftermarket Pricing	\$67M in 2018
Price f(x)	\$ 20	NC	2010	150	Private	VC backed	Germany	CPQ/SaaS Pricing Solutions	\$28M in round 5 on 12/2018. \$37M in total
Kinigroup	\$ 19	NC	2002	46	Private	Private	USA	Pricing & Margin Solutions	Not disclosed
Wiser	\$ 7	NC	2012	30	Subsidiary	Quad Analytix	USA	Retail Pricing	Not disclosed
PriceEdge	\$ 7	NC	2014	19	Private	Vinnova	Sweden	SaaS Pricing Solutions	SEK1M funding on 03/2019. Innovation grant
Boomerang Commerce	\$ 5	NC	2012	201	Private	VC backed	USA	Retail Pricing	\$12M in round 2 in 2016. \$20.5M in total
Competera	\$ 4	NC	2013	50	Private	VC backed	USA	Competitive Pricing Intelligence	\$500K in round 2 in 02/19. \$1.5M in total
BlackCurve	\$ 3	NC	2016	22	Private	VC backed	UK	Cloud-based Pricing Solutions	£1.5M in round 2 on 2018. £2 in total
Total	\$ 885			7211					

ment. They represent \$885 million in sales revenues per year and employ over 7,000 people. This research is far from perfect but it gives a good indication of the market size and the largest players.

Information on the research process and the data collection:

- The information on sales revenues can vary by sources and depending on what you read. I was able to validate some information for some of the larger firms. I was less successful validating information for the smaller firms and new startups.
- Sources of data include Privco, Merger Online, Dun & Bradstreet, Owler, Forbes, Inc., and others. Some of the numbers are declared numbers and might have to be cut by anywhere from 20% to 40%. Others might represent a fraction of what the real sales are. This is an issue finding in accurate information about private companies even when using paid databases. Two out of the 16 companies are publicly traded. Information can be found on their investor pages.
- Some companies are missing. I focused on the most cited and mentioned firms in all the sources of information that I could identify. I also focused on Professional Pricing Society sponsors and frequent conference participants.
- I excluded CPQ software platforms from the pricing space as it is a stand-

alone software space for now, but some of the firms listed in this table also offer CPQ. Not having the sales breakdown makes it difficult to identify exact sales revenues numbers.

- I could not find information on some of the industry players: PriceBeam, Perfect Price, Stratinis, Periscope, and SAS Institute pricing solution.
- Some of the pricing consulting firms also offer their own software suite to manage large pricing project implementations, such as Insight2Profit and PwC for example.
- These numbers do not account for data visualization solutions such as Tableau and Qlikview.

The most notable findings of my investigation are as follows:

1. The size of the pricing management software space is small and has not yet broken the \$1 billion mark. That benchmark might be broken by 2022 or 2023. Compared to other functional areas, it is still a very small marketplace. Whether the space is \$400 million or \$800 million per year, the space is still relatively small.
2. The largest pricing management software company is barely passing the \$200 million mark in annual sales revenues, and that company has been around for 20 years. The same is true for the second largest company, which

has been active since 1985.

3. Most of these companies appear to be losing money. Considering published results of the publically-traded companies and the required financing rounds, only a few of these companies are generating positive cash flows and financing their own development based on positive operating results.
4. Some of these companies have been around for 20 or 30 years and have not been able to scale to become larger businesses like Icertus in contract management or Coupa Software in procurement. Some of these companies are, in fact, the same size as when I joined the industry a decade ago.
5. Eleven out of 16 companies are located in the United States of America. This is not surprising as this is the regional area in which pricing has the highest adoption rate.

So, as you can see, the situation is not rosy. You could argue that the space is growing and that new players are entering the market. When I officially entered the pricing space in 2009, the market size was believed to be around \$400 to \$450 million per year according to Gartner.

The space has grown in the past decade but we are far from the numbers shown

by other spaces such as CPO, sales enablement, or procurement. That begs the following question: why is the pricing management software space not growing faster and still not making money?

This could be an interesting research topic for a Ph.D. student looking for a wicked problem to investigate. It is worth the formal exploration to get to the bottom of this phenomenon. I am not an expert in pricing software or in the software business model. However, I have attended dozens of pricing conferences and have coached and led several transformations which included the deployment of pricing management software.

I also have listened to the heart and mind of hundreds of pricing practitioners. What I propose next is what I perceive to be some of the major challenges facing the pricing management software industry.

Major Challenges to Scaling Pricing Software Businesses

I would like to concentrate on five major challenges I have observed over the years.

1. **Lack of clear and perceived differentiation:** It is really not clear what makes one pricing software platform better than another. I am still trying to find that out and I try to do so at every pricing conference. It is clearly a difficult endeavor. Visiting the software vendor websites and attending their conference presentations do not help. Most software companies claim to have the best software solution leveraging data to enable sales. At every Professional Pricing Society conference, the sponsors have their 5 minutes of fame when sponsor prizes are drawn in the main hall. Every sponsor gets the microphone to present an elevator speech. Inevitably every software vendor's elevator pitch sounds the same. Their message is all about what they do and not on what makes them unique and special. That is until my friend Tim Smith takes the microphone and gives everyone a lesson on differentiation and branding!
2. **Perceived Price War:** Maybe as a result of point number 1, most software vendors fight intensively on price. They

may not be in an open price war but some of the price levels I have encountered are unreasonable. Speaking with a software pricing veteran, one of the reasons for this perception is the right-sizing and versioning down on the solutions, but we are a pricing management industry and we should lead by example and manage customer perceptions. As a pricing thought leader, I never recommend to anyone to enter into price wars. Yet, pricing software vendors undercut each other and pursue market share while destroying value for the entire industry. At least, this is how it appears from outside of the industry.

3. **Not focused enough on growing the pie:** Because most vendors fight on price in the existing market place, the pie is not growing fast enough and the profit pool is shrinking. It is a vicious circle. Not making money for several decades has an impact on innovation in the software business itself. This may be why pricing software vendors missed the window to migrate to the cloud, which started more than five years ago. Some of them now rejoice at their growth in their subscription

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business, but they are merely catching up. Over the past couple of years, new entrants have somewhat changed the game by focusing on simplicity and user experience. This is welcome innovation that can help adoption. As a result, we see medium-sized businesses entering the club of pricing software customers. We need more of this as well as more simple and practical innovations.

4. **Unclear ROI:** Ask customers of pricing management software solutions what the overall ROI of their deployment is and you will get fuzzy answers. This is still an area of weakness in the

pricing space. In the past decades, I have seen the best of the best do it and I have seen the worst case scenario as well. In the first case, the deployment of a retail pricing solution was managed as an experiment on a very controlled scope of business for 6 months. The results clearly showed a significant improvement in EBIT. The second was in a Global Fortune 500 manufacturing company who deployed enterprise pricing software that pretty much no one used. Half of the pricing team was not aware of the available solution and the other active half seemed a bit confused about the payback. The lack of systematic calculation of ROI and payback is a disservice to the pricing software space.

5. **Promoting smoke and mirror:** Last but not least, some of the pricing software vendors changed their marketing positioning overnight and moved from pricing analytics and optimization to AI-based pricing. That happened very quickly and without any justification for this change of technological positioning. Pricing is very analytical function and has used some of the current augmented intelligence methods for years.

It is clear that some of the software vendors adopted this change based on the need to improve their company valuation. AI-based companies are very popular right now and are being gobbled up by larger software companies. The good news is that some vendors have resisted this trend and not jumped on the band-wagon. They have used terms such as AI-inspired pricing or AI-backed pricing.

You might disagree with my assessment. I am not in the software space and I am not sure what is happening behind the scenes. All I can see and hear is the feedback from pricing practitioners reflecting on their ex-

periences and perceptions about pricing software solutions. As a pricing practitioner, I would want to see a much stronger software space growing more quickly and being more profitable. I would expect strong and disruptive innovations to keep up with other software spaces.

We need both of these for the success of our profession. The business model based on new entrants raising several millions in capital and using it to attack incumbents in an existing space is not sustainable.

Frankly, and on a more personal note, I would never recommend to my employer the selection of a software vendor that is consistently losing money year-after-year or that is not fully scalable. At some point,



companies have to stop losing money or investors will turn away from them. Users would then be stuck with a solution that might be hard to support and might require emergency replacement. This is risky business.

A Stronger Profession to Drive the Software Business Model

Over the past ten years, I have written several papers on the need to professionalize and better organize the pricing profession. This effort must include more academic research, more fundamental and independent research in science, and coordinated campaigns to promote pricing to non-pricing professionals. The software

vendors can benefit from more visibility, more innovation, and more interest from the business world.

I propose five areas of focus:

1. **Greater adoption of pricing:** We all know that pricing is still one of the neglected dimensions of marketing. Because of that, the rate of adoption among small, medium, and large firms is low. It is improving but it is still low. The general lack of pricing maturity makes it difficult to sell and scale software. Some firms might scale over many years. The pricing profession needs to have a coordinated effort through Professional Pricing Society to improve adoption. It is a real cru-

sade against other functions that are doing a much better job at getting attention from the C-suite.

2. **ROI of pricing is not clear in general:** In 2014, Andreas Hinterhuber and I co-edited a book called "The ROI of Pricing." We felt back then that, as a profession, we did not do a good job at justifying our existence and promoting our impact. This is still the case today and is probably one of the most critical impediments to pricing software investments. This has to change. We should have a discipline of calculating the ROI of everything we do as a profession. It should be

in our DNA. Software vendors should also adopt this philosophy and make this part of the customer success process.

3. **Focus on the soft side of pricing:** Pricing software alone is not going to solve the structural pricing problems faced by many organizations. The software deployment is going to be part of a much wider program which must include investments in human and social intelligence. That includes more change management, change leadership, and emotional intelligence among other soft capabilities.

4. **Accelerating scaling globally:** During my career, I was involved on very complex global ERP deployment programs that were fast paced and systematic. We could deploy multiple regions at once and cover many business units in a matter of two years. I have seen global pricing software deployment take too long, stop in the middle, or derail all together. The complexity of ERP deployment is the same as that of a pricing software deployment. Success lies in the road mapping, blue printing of business process, and in the change management for the projects. We should learn from other complex business intelligence software industries that have gone through growing pains both in adoption and scaling.

5. **Move pricing out of the discretionary investment area:** This is a killer. Too many times, pricing is considered as a discretionary investment area. Maybe it is so because we cannot calculate our ROI or deliver strong business cases. Maybe the function is too complex. Or maybe the C-suites are confused about us. It is puzzling that we can deliver very strong EBIT impact and still suffer from this situation. This is an area of priority and one that can only be addressed collectively by all pricing management software vendors with the help from PPS and other key industry players. We need to have a collective action plan to change this perception.

Consider this article as an industry wake

up call. If we want our pricing software space to reach the size of the procurement space, we are going to need to change how we operate. If we stay as we are, a decade from now we might reach the \$1 billion mark in annual sales but we will be left in the dust by other industries.

I am calling on pricing management software vendors to stop fighting on price, to

focus on the value of pricing software, to invest in fundamental innovations, and to focus on customer needs such as simplicity and scalability. We should use our best collective intelligence and design a ten-year roadmap for innovation and growth while competing on the merit of our solutions. I am eager to participate and help the cause. Plan B is not pretty. We might collapse as a profession or disappear as

a subset of the analytics or business intelligence.

If you read this article, join me in creating a better pricing management software industry for the future. Raise some of these points with your software providers. Be bold. Join the pricing revolution! ❖