Data's Impact on Pricing Strategies

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Find the Quick Wins that Are Hidden in Plain View

There is a big misconception in the field of pricing that you need to wait many months to see the impact of your pricing insights and your pricing decisions. With the right strategies based in solid data and analytics, you can actually see positive contributions as soon as two weeks in the project! That is a pretty quick turnaround!

You actually do not have to be a large organization to see a very quick sales and/or profit improvement. You have to get started with your analytics and approach this process as a discovery process while adopting a mindful attitude. Why a mindful attitude? Because you might find some pretty interesting opportunities that were hidden in plain view and you can capture very quickly. That will trigger a lot of questions from management: What happened? Why did we not

catch this? How can we be so wrong? Who is responsible for this? The critical point here is stay on task and not to engage in finger pointing and blaming anyone. The focus should be in capturing the quick wins and to list priorities for short term improvements. Do not look in the past but focus on what you can do better in the short term future.

Here are more details of what you could find:

1. **The data is going to reveal some aberrations that need to be fixed:** included in these are legacy processes, legacy rules, or old discounts that do not make sense anymore. Some examples are: wrong discounts applied to wrong accounts; discounts that are not limited in time; automatic discounts to new products; customer outliers; free products instead of samples, etc.

2. **The data will allow you to take quick tactical actions:** some of these nuggets of changes and quick wins can be changed in a heartbeat and communicated to customers with days.

3. **The data will provide a long list of short term programs to investigate:** these opportunities will require a little bit more digging in your systems. They should be listed as part of the pricing council short term wins and worked on one-by-one.

4. **The data will reveal large opportunities for incremental revenues and profits:** this is really where the analytics kick in. These opportunities are still hidden in plain view but require some analytical power to identify them. These will have to be validated by a multi-functional group of professionals including sales, marketing and pricing.

Quick wins are powerful. Depending on where you stand in the analytics and

pricing maturity curve, you will identify quite a few areas of improvements. You actually might have to form a separate task force to manage these. Quick wins serve two purposes for your analytical agenda: 1) they generate very quick bottom line results that can help you justify some of the investments you have made or you are about to make; 2) they generate confidence that the team is doing the right thing and is on the right path.

This is not new. If you are a Six Sigma expert, you know that quick wins are encouraged at any stage of the DMAIC (Define, Measure, Analyze, Improve and Control) process. Why wait for the 90 days when you can generate bottom line improvement right away? The same goes with pricing. So do not wait, get started today with your pricing discovery process. You will find out that just by paying attention to pricing and discovering quick wins can actually be a very positive organizational development.

Segmentation is at the Heart of Customer Data Analytics

Segmentation is at the heart of marketing. It's actually one of the most essential steps in progressive market management, and it's also one of the most neglected. By neglected, I mean it's either not performed at all or it's designed in a very traditional fashion using demographics or firmographics parameters. Over the last decade, the science and art of segmentation has evolved. Best-in-class organizations have embraced the scientific data revolution and have begun to design both qualitative and quantitative segmentation processes that leverage their rich data.

In both B2C and B2B markets, best-in-class organizations have quickly realized that the one-size-fits-all approach is no longer relevant. As a matter of fact, progress in the science of segmentation and the availability of data allows marketers to become more refined in their segmentation depth. For example, there has

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been a lot of media attention surrounding Netflix's lack of segmentation with its one-size-fits-all streaming offers and its pricing level offers. Netflix is now trying to better segment their rich customer base to design a variety of packages and bundles in various price ranges. Big data in marketing and sales allows for micro-segmentation and more relevant one-on-one marketing.

I could write a whole book on segmentation types and techniques. As a matter of fact, there are a number of books already published on this subject matter. As a practitioner, there **are** very compelling benefits to conducting a thorough and scientific segmentation analysis as shown in Figure 1.

You might not realize it, but you already have all of the data required to conduct a basic segmentation analysis. The data might be fragmented and not located in a centralized place, but with a bit of intention and focus, it can quickly be assembled and mined to start the segmentation process. You might also consider conducting additional surveys to collect need-based customer preferences, but starting with the data you already have is a good first step.

of these impressions and accelerate the process. The next step is then to be able to identify similar profiles in the market i.e. customers who used to buy from you and do not longer do so, and prospects who might have similar characteristics. So you are equipping your sales force with better sales intelligence so they can better qualify prospects, find greater revenue opportunities with ideal clients, and focus their time with the customers who have the greatest potential and/or understand the concepts of value. When lead generation and sales effectiveness increase, you allocate your efforts at the right time with the most profitable accounts.

Successful segmentation allows for a scientifically based deployment of sales resources that leads to expense optimization with your existing assets. Finally, when it's all said and done, your marketing and sales efforts are targeted to the right customers with the right messaging. Guess what? That makes customers happy and their loyalty level increases. So you get the picture. Segmentation is not easy and requires skills and science. When done right, it really delivers tremendous benefits for you and your customers.

have a significant short term impact on the bottom line.

Segmentation allows organizations to optimize cost and resource allocation without necessarily engaging in painful cost cutting activities. In fact, resources can be reallocated swiftly to engage more profitable customer segments or to right-size a suite of product and service offerings.

There are five ways in which segmentation can help businesses optimize their costs as shown in the figure below. There might be more but let us focus on these five and discuss them in detail.

1. **Sales Expenses:** Get your salesforce in front of the right account and the prospects with the highest potential. Your sales revenues per sales rep and per customer will significantly increase. So your selling expenses for every sales dollar that is uncovered should go down. An existing better equipped salesforce in front of the right clients will boost your growth rate as well.

2. **Marketing Resources:** And because your segments will be clearly defined and their needs better understood, your marketing efforts will be more focused to respond to these needs. In the end, it becomes a matter of the quality of marketing and not the quantity. Moving away from the one-size-fits-all marketing approach will improve your conversion rate and boost the ROI of your marketing investments.

3. **Customer Cost-to-Serve:** The combination of cost-to-serve analysis from your pricing analytics solutions and of scientific segmentation will allow you to refine the pricing and service conditions that are offered to distinct segments. For example, your "value" customers will be offered higher service levels that they are willing to pay for. For your sophisticated technology-driven buyers, a technology-based supply chain ap-

Figure 1

The Four Benefits of Segmentation

Leverage your existing **assets** (systems, data, people).

Increase sales **effectiveness** & performance.

Reduce unnecessary selling & marketing **expenses.**

Boost customer **loyalty.**

The primary objective of segmentation through data analytics is to identify the profile of your most successful and profitable existing customers. Your sales force might think they know who they are but chances are they will mostly rely on intuition and experience. By adding the data analytics dimension in the identification process, you can validate some

Optimize Costs Without Cutting Cost

Scientific segmentation offers numerous advantages for businesses in search of margin improvements. And these improvements can be made in a matter of weeks following the discovery of customer segments and the operationalization of dedicated segment activities. That can

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proach might resonate better.

4. **Product Mix:** Scientific segmentation also allows you to right-size your product offering to specific segments of the markets. It also allows you to create unique offerings such as product bundles and product/service packages. You might realize for example that a large portion of your accounts do not care for the extra performance of your product and are not willing to pay for it. It may trigger a category management discussion with R&D and marketing that might lead to right-sized products being offered. That implies savings in raw materials, in engineering, and in manufacturing of advanced product and technologies.

5. **Versioning of Offerings:** Put points 1 to 4 together, and you can imagine the possibilities. Scientific segmentation allows you to version business offerings to respond to specific customer needs. While it might create a bit of complexity, it also allows you to customize your business models to your customer segments. The savings will be immediate!

In times of soul searching, many businesses will race to cut costs without engaging in deep exploration of their customer segmentation process. Cost cutting is a short term process that rips short term gains. Scientific segmentation can achieve the same optimization of cost and resource allocation, and it will also allow your team to redesign the firm offerings and positioning for the long-term. The effect of such a scientific exploration can revolutionize a go-to-market strategy while minimizing the incremental needed to better serve market segments.

Scientific Selling: Deals that Close & Products That Sell

Scientific segmentation is a powerful approach that can transform your marketing strategy. In fact, your marketing planning process might be revolutionized by some of the findings you will uncover from your segmentation process. With a

Figure 2

Figure 3
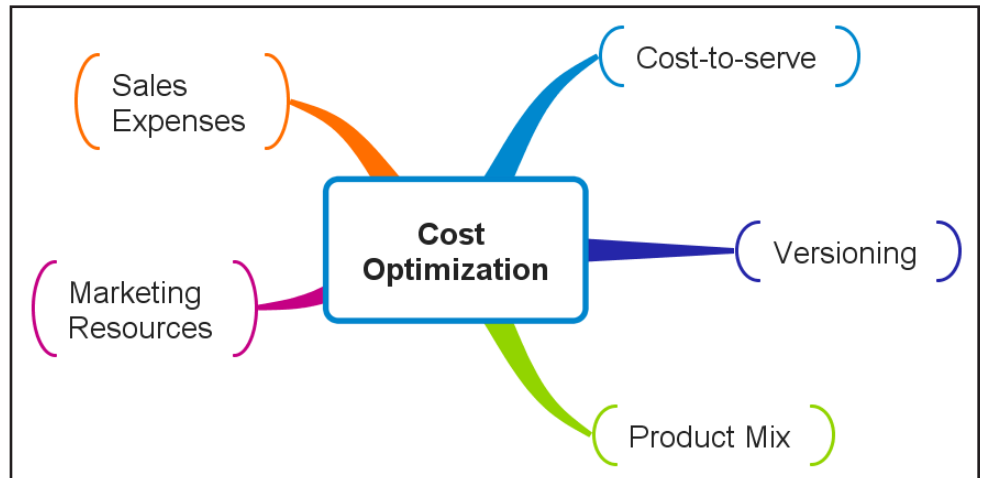
strong marketing position and an executable marketing mix strategy, the process can proceed to the next step: scientific selling. This is the last step of your data transformation and it has be done with this logic in mind. Selling excellence will not happen without a thorough segmentation process and a robust marketing planning process. Too many companies try to improve their level of commercial excellence without first conducting preliminary exercises on segmentation and pricing analytics.

Scientific selling is all about leveraging the power of your existing data to create fact-based selling strategies and tactics. It is about extracting the power of your data insights to guide the actions of

your commercial assets and resources. As such, it implies that you become laser focused on critical customer segments and on data-derived sales opportunities.

Here are some of the critical benefits of scientific selling:

1. **Deals that close:** Not only will your salesforce spend more time in front of the right account and with the most promising prospects, but it will also be equipped with the right facts, the right buying data, and data-derived pricing recommendations. The conversations with customers will be based on real historical data and anchored in rational exchanges. With the right data in their hands, your sales force will be able to avoid making uneducated decisions and falling into the buyers' negotiation traps. They will in fact be better equipped than the buyers in front of them! That will result in a greater ratio of deals that close and an increase in your win/loss ratio.

2. **Products that sell:** Armed with recommendations for optimized product offerings, for potential product bundles, and for unique adjacent services, the right offering is presented to your customers at the right time and the right price. Internally, this level of science also benefits your Sales & Operation Process (S&OP).

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It will allow you to have the right inventory at the right place and at the right time.

3. **Prices that win:** Scientific selling is grounded in strong pricing analytics and in deep pricing optimization activities. The guessing in the price setting process disappears. Pricing recommendations are based on data from similar peer groups, from historical buying patterns, and on your population sensitivity and elasticity analysis. Pricing accuracy dramatically improves leading to more pricing power in front of customers.

4. **Happy customers:** Scientific segmentation and scientific selling increase your customers' perceptions

about the capabilities of your salesforce. Gone is the traditional level of uncertainty in the buyer-seller exchanges and in the price negotiations. Because your sales force is well prepared with real time data for specific customers, discussions are more relevant and rational. Customer satisfaction with the transactional process increases and so does your sales force confidence.

The power is in your data. Leveraging that power to equip your salesforce with science-driven decision support allows you to capture it. Your Excel spreadsheets and your business intelligence

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tools cannot provide you with this level of scientific sophistication. Are you ready to outperform your competition and turn your sales force into confident sellers? Scientific selling is the future of the commercial excellence field.