DEMYSTIFYING DYNAMIC PRICING IN A B2B CONTEXT
WHAT IS DYNAMIC PRICING?

Dynamic pricing is a well-known term yet, if you were to ask 10 pricing experts to define it, you could very well get 10 different answers! Dynamic pricing is a sought-after capability for executive and pricing leaders seeking to break free from the limitations of pricing in manual tools. In this whitepaper, we’ll cover all the need-to-know information about dynamic pricing, why it matters, how companies can deploy it to their advantage, and how to accelerate the results of dynamic pricing with real-time market pricing.

To understand dynamic pricing as a capability, and understand how it might impact your business based on the processes you have in place today, consider these questions:

• How quickly can you respond to new pricing triggers in the market, such as competitive price changes, supply chain disruptions, cost increases and more?
• Can you update prices in real-time across channels without arduous manual effort?
• Can your current pricing tools support a responsive pricing strategy?
• Can you differentiate eCommerce pricing enough to honor existing customer relationships?
• Can you serve up the right price that’s enticing enough for a new customer to begin doing business with you without sacrificing too much margin?
• Are your prices good enough to sell new items to customers, without talking to a sales rep or needing to negotiate?

Depending on unique business criteria, these capabilities should be present in any solution coined as “dynamic.” Market-leading dynamic pricing engines can address all of the above questions, and as we will lay out below, are critical to keep up with customer expectations. Dynamic pricing means that your customers see prices that are relevant to market and channel conditions at any given point in time. When dynamic pricing can be updated in real-time to match market conditions, you’ve changed the game by providing pricing that’s optimal to each selling circumstance with the ability to adapt as quickly as the market changes.

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While the definition is simple, achieving it isn’t as straightforward. In fact, it is impossible when your only tools are traditional spreadsheets and disparate data sources that grow stale before they can be analyzed, let alone acted upon.
Speed and flexibility have never been more important in the world of B2B and those values extend to the pricing function. The ability to deliver real-time, highly relevant pricing guidance into every sales channel gives companies a leg up on competitors when it comes to meeting these customer expectations. Meanwhile, the internal complexities impacting price in the modern market demand an automated, lightning-fast and accurate response mechanism in order to satisfy your pricing strategy.

Dynamic pricing software combines key elements of price optimization and price management to determine and deliver relevant prices to all sales channels.

Read More - Dynamic Formula Pricing in Specialty Chemicals Manufacturing

REAL-TIME PRICING AS A CONSUMER-LIKE EXPERIENCE DRIVER
As every B2B enterprise is working tirelessly to reinvent itself with B2C-like digital experience capabilities, some areas are proving to be more valuable investments than others. One of the highest drivers of customer satisfaction and superior consumer experience is personalized, transparent and highly relevant pricing, delivered instantaneously.

B2B customers simply expect a consumer-like experience from business suppliers, especially after 2020’s drastic shift to virtual everything. A new generation of B2B buyers demand to shop for industrial hoses, construction materials and configured products the same way they shop for groceries on Amazon at home. The pricing implications of this shift are immense. Despite the inherent complexity of B2B pricing, customers expect that prices are fair and accurately reflect market conditions in a way that’s personalized to them, even for large quotes.

Traditional approaches to set prices only serve to compound the negative effects of an increase in pricing triggers (anything that necessitates a price change), which has swung the door wide open for a reimagined approach – dynamic pricing.

More and more customers have a vision of being able to interact in a digital only way. Marriage of business strategy and technology coming together.

Dynamic pricing is a vision for pricing that exists on a spectrum, with several stages that will apply to different businesses at different times. Below, we will explore these different stages through use case examples, but first, let’s take a deeper dive into the components of a dynamic pricing strategy.

THE MECHANICS BEHIND A DYNAMIC PRICING STRATEGY

Triggers
Digitization fundamentally creates more data in a business and a faster rate of change. As the world becomes more digitized there are more triggers and data points you want to incorporate into your decision-making capability. Examples are quotes you did not win, IoT data and eCommerce-specific data like pageviews and cart abandonment metrics.

At the exact same time, market conditions and business dynamics are changing at an increasingly fast pace, leaving companies struggling to respond to pricing triggers — events like cost changes, tariffs, competitive pricing, inventory status, or anything that necessitates a price change — quickly, efficiently and effectively. Once predictable and manageable, pricing triggers are happening much more frequently and haphazardly.

For instance, competitor prices are much easier to access today due to increased price transparency. You might have a strategy that says you never want to be five percent higher or lower in price than your competitor. Without being able to bring that data in in real-time and dynamically change price, executing that strategy gets very difficult quickly.

While those outside of the pricing function may assume changing prices is a simple endeavor, the reality is much more complex. The process involves a number of stakeholders in an organization. Below is a rendering of the pricing process we commonly observe within B2B companies:

It’s a chaotic spiderweb of process inefficiencies, less than ideal for responding appropriately to a market trigger when time is of the essence. Dynamic pricing moves you from trigger to transaction faster and smarter.
Price Determination
Pricing triggers impact each of the ways that companies price their products and services, meaning price updates need to occur across list, matrix, eCommerce, spot and customer-specific pricing modes. These price moves need to be highly relevant to the relationship with the customer but also relevant to your company’s bottom line and pricing strategy — an outcome not supported by traditional, manual pricing methods.

For instance, a metals distribution customer has all its material costs driven by the London Metal Exchange. In order to become more real time, the company had to move from Excel-based processes to a much faster and more agile way of automating that process and understanding how those costs changes flow into product cost for a dynamic price strategy.

It’s necessary to lean on data science and pricing software that can consume data inputs in real-time and dynamically adjust prices based on pre-defined strategies. This enables companies to turn market triggers into responsive pricing tactics. If you manually tried to respond to every trigger, you would ultimately be buried in data and not be able to keep up with the changes. Companies that try this approach either become overwhelmed or revert back to simple rule-of-thumb behaviors. A market leading price optimization tool like Zilliant Price IQ® and a price management solution like Zilliant Price Manager™, make traditional manual efforts dynamic.

In addition to becoming more dynamic, it’s important to be more scientific in how you approach pricing. By doing so, you can deploy more strategic pricing strategies. For example, utilizing cart abandonment data for strategic pricing discounts in your eCommerce channel. Price elasticity measurement can help you understand volume and margin tradeoffs at a granular level across your business to test and predict the outcomes of pricing strategies before publishing them. This is just a small sampling of the possibilities, but for any of these price updates to be useful, they need to be reconnected back to sales channels in a timely fashion.

Price Delivery
Whether it be CRM, CPQ, ERP, an inside sales order entry system, a home-grown solution, or something similar, prices should be easily integrated wherever sales teams or customers need to retrieve them. However, legacy ERP systems, in particular, tend to be slow-moving behemoths that are not up to the task of delivering prices in real-time to other commercial systems. Bolstering your ERP with a real-time pricing engine, rather than embarking on an expensive and time-consuming ERP customization product, is one of the most proven ways to drive immediate benefit with dynamic pricing.

Using a real-time pricing engine, prices dynamically calculated and delivered in real-time to any commercial application. Companies are driving significant value, particularly, with dynamic pricing for eCommerce, the most complex and competitive pricing environment in most sectors. Real-time price delivery requires a robust, highly-available REST API to link data sources to pricing tools to sales channels seamlessly. Zilliant IQ Anywhere™ is the connective tissue that allows you to take advantage of real-time data transfer, millisecond price lookups and calculations and complex quote calculations at scale. With its 99.99% SLA, you can rely on uptime, speed and scalability.
Pricing software vendors may offer a complementary application for sales consumption as well. For example, Zilliant offers Deal Manager™ to streamline the creation, maintenance and renewal of customer agreements. Additionally, Zilliant Sales Planner™ makes good on the promise of CRM by prompting sales reps to the actions most likely to result in margin and revenue growth. When integrated with dynamic pricing software, each can ensure agreements and transactions are executed at market-aligned and profitable price points.

**Intelligent Automated Negotiation**

Finally, early adopters of dynamic pricing have begun to take these capabilities to the next level to automate any negotiation processes and make intelligent recommendations directly to the customer on what else they should be buying.

The traditional process of requesting a discount from a sales rep, and that rep going back to get approval or counter-negotiation guidance is extremely high-touch. It’s time-consuming for the seller and increasingly a non-starter for the buyer. Customers no longer want to call a sales rep to get a quote, and in fact, have spent the better part of a year learning how to self-serve more than ever. Automating pricing and negotiation is now a competitive differentiator – if you don’t offer it, your buyers will find someone who does.

This automated process streamlines the negotiation step through dynamic pricing software and a real-time API. The ability to do this at scale is an absolute game-changer for sales operations and pricing teams. Done right, more than 80 percent of quotes don’t require human review, allowing teams to spend more time on bigger, strategic deals. Plus, creating a responsive experience for customers on digital platforms, in which you don’t lose the ability to negotiate, converse and counteroffer, is an effective driver of customer satisfaction. Your vision of having customers doing new business effectively online is achievable through dynamic, automated pricing capabilities.

*Read More* - *Price Elasticity in B2B: The Real Meaning of Optimization*

**DYNAMIC PRICING EXAMPLES**

There are many different use cases for dynamic pricing in B2B. Some companies are further down the path than others, and companies require varying levels of sophistication to make a measurable impact. We’ll examine some recent real-world use cases below.

**Replacing Legacy Agreement and Pricing Capabilities**

A carpet and flooring manufacturer developed its legacy agreement management and pricing system over 40 years. Though it served them well for a long time, it could no longer support its 1,400 sales reps, its increasing agreement volume nor the need to be more agile with pricing and workflows.

The company has shifted to Zilliant as its system of record for millions of customer price agreements and is using Deal Manager for mobile agreement management. This foundation, combined with IQ Anywhere, allows the company to automatically evaluate every incoming order to determine whether price approval is required, and if so, who in the organization needs to approve it.
Real-Time SAP Integration for Dynamic Price Optimization

An industrial manufacturer wanted to deliver its prices from Price IQ and Price Manager into the pricing procedure in Atlas by SAP in real-time in order to keep up with market triggers and execute its corporate pricing strategy dynamically.

Using our API platform, the company is bringing in data in real-time into SAP Price Conditions, foregoing the needs for millions of records to be bulk-loaded. The resulting solution delivers dynamic pricing without any need to modify SAP when changes occur in the Zilliant pricing system.

Dynamic eCommerce Pricing

A Zilliant customer wanted to leverage its eCommerce-specific data and pricing triggers to make real-time price moves to stay a step ahead of the competition. With Zilliant pricing tools and API orchestration, the company can now use pageview, cart abandonment and inventory availability data to set multiple discounting strategies for eCommerce prices. For example, high inventory and pageviews with low conversion might indicate price is too high.

Setting smarter discount strategies is easier with this approach, which allows the user to easily pull in and analyze disparate data sets, but also adjust discounting breaks on the fly. For example, quickly setting a 30 percent price discount at a quantity of 20 units, when data indicates prices are too high, to move inventory. Thanks to a real-time API, the new prices or discounts are instantaneously updated in eCommerce.

Learn More - Dynamic Pricing Examples: How to Deliver Real-Time Market Pricing

THE BENEFITS OF DYNAMIC PRICING & REAL-TIME MARKET PRICING

Companies who have implemented dynamic pricing become more responsive, automated and intelligent in pricing decisions and, ultimately, price execution. Whether implementing these prices online, offline or both, the speed-to-market combined with scientific accuracy is a game-changer for B2B organizations.

When dynamic, optimized prices are delivered via high-performing API, the sky is virtually the limit when it comes to the types of problems you can solve in real time. In addition to the efficiency gains, B2B companies also stand to significantly increase revenue and margins while delivering the tailored experience customers expect.

This immediately available, tailored pricing is consistent across channels and accurately reflects current market conditions and customer relationships. Regardless of the size or complexity of the quote request, dynamic pricing is delivered instantly and with no lag time during negotiations.

Dynamic pricing also allows organizations to:

- Reflect the current market price calculated and/or optimized against a variety of inputs
- Use more data from varied, unlimited sources more intelligently
- Deliver pricing aligned with strategy across channels in real time
- Intelligently automate approvals, negotiation, counterproposals
- Deliver personalized cross-sell and up-sell recommendations

To get started on your dynamic pricing journey, contact a Zilliant pricing expert today.