Results of PPS Survey on Pricing Optimization & Management Software Usage

In the continuous search for a competitive advantage, companies are increasingly turning to Pricing Optimization & Management (PO&M) software. The Professional Pricing Society (PPS) conducted a survey in April 2016 to assess adoption of and attitudes toward PO&M software. This paper outlines the results and findings of that survey. For more information, please contact Kevin Mitchell, PPS President, at kevin@pricingsociety.com.

The Professional Pricing Society (PPS) conducted a survey in April 2016 to assess adoption of and attitudes toward Pricing Optimization & Management (PO&M) software. We thank the PPS community for their enthusiastic response, with more than 300 members participating in the survey, and we are excited to share our findings.

Adoption healthy and growing across the board

The PPS Survey shows that three out of ten companies with at least $500 million of revenue use PO&M software as their primary tool for capturing and analyzing pricing-related data, forecasting their businesses, managing price lists, providing pricing guidance to their field sales force, and ultimately optimizing pricing for their products and services. PO&M software adoption has accelerated in the past five years, growing from just 1.0% and 4.5% in 2005 and 2010, respectively.

PO&M software adoption is healthy across the board, although larger companies ($10BN+ in revenue) are 8% more likely to use PO&M software versus smaller companies ($500M to $1BN). Most industries have over 25% adoption, with airlines still leading the way with over 50% adoption.

The PPS Survey reveals a striking figure: 45% of companies still use spreadsheets as their primary tool for pricing. Our conversations with experts in the field suggest an overwhelming belief that with the increasing volume of data informing pricing decisions, many of these companies relying on spreadsheets will eventually need to shift to some form of automation.

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tion are “false barriers” to PO&M software adoption. Users and non-users of PO&M software judge the quality of their data similarly, and 19% of users actually thought their data was not ready for PO&M software before they implemented. Further, PO&M software users and non-users have a similar distribution of who owns the pricing decision in the organization, and 43% of users do not have a dedicated pricing group.

**PO&M value proposition widely known**

The rising use of PO&M software does not come as a surprise because proper implementation of PO&M software use is widely-accepted to generate significant ROI. Per separate studies by McKinsey & Company and Deloitte Consulting LLP, a 1% improvement in price can deliver a 9% increase in profits, versus 2-6% for similar 1% improvements in variable costs, volume, or fixed costs.

PO&M software functionalities are valued by both users and non-users alike. According to the PPS Survey, users and non-users rate the value of the software as a 4.0/5.0 on average, although there are some differences across functionalities. Users value data capture and historical reporting slightly more than non-users, while non-users ascribe slightly more value on pricing guidance and optimization than users.

**PO&M software adoption approaching a tipping point**

PO&M software vendors are addressing key challenges that are top of mind for potential users, especially industry-specific adaptations, which include features and functionality specifically tailored to industry specific practices and “quirks.”

The PPS Survey shows that 67% of non-users would be more likely to adopt PO&M software if it was clearly adapted to the users’ industries. Shorter implementation times and cloud-based implementations also increase likely adoption for 37% and 36% of non-users, respectively.

Recent technology improvements in the PO&M space have led to more highly-configured systems and easier implementations, helping convert non-users to evangelizers.

PO&M software vendors have continued building their library of use cases for particular industries, and developing tools and models specific to the practices and “quirks” of various industries. For example, PO&M usage in the food industry extends to optimizing inventory levels of commodity raw materials and managing shelf-life of end products. For distributors, PO&M software now have opportunity screens for sales people, which identify products that sales people should push to particular clients.

Cloud-based deployment has cut down on implementation times and allowed for a modular approach to implementation. What used to be an 18-24 month...
exercise can now be completed in 9-12 months, depending on the complexity of the user’s workflow. And users have more flexibility in breaking down implementation to various phases and focusing first on the most “bang for your buck” modules that capture their particular opportunity sets quickly.

Lastly, the PPS Survey reveals that PO&M software usage will only continue to grow as respondents look to their peers. Asked how their competitors’ behavior would affect their usage of PO&M, 41% of respondents responded they would react strongly to increasing industry adoption. This suggests that what currently is a competitive advantage will likely become a cost of doing business in the market. A senior executive at a leading pricing consulting firm put it nicely:

“We believe that PO&M software will see a similar trajectory to CRM software. CRM was initially a competitive advantage, but eventually everyone started using it to catch up with the early adopters. There will be a time when not having a PO&M system is likely going to be a disadvantage as it may just become table stakes for competing in the new normal.”

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<th>Respondents who are more likely to adopt PO&amp;M software if their competitors are users</th>
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<td>Is more adapted to industry</td>
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<td>67%</td>
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Figure 6

**Top of mind for potential users**

- Will increase likelihood of adoption if PO&M software...