The
PRICING ADVISOR
A Professional Pricing Society Publication

3535 Roswell Road, Suite 59
Marietta, GA 30062
770-509-9933
www.pricingsociety.com

The First Questions to Answer Before Beginning a Pricing Software Implementation

Pricing software can be a great asset to your organization if you choose the best solution to meet your pricing practice's specific functionality and reporting needs. However, choosing the wrong solution can lead to frustration and lost investment capital. It is important to prevent potentially extensive mistakes at the beginning by asking yourself and potential vendors a few simple questions, as the author explains. Thomas McTaggart is a Managing Consultant with Next Level Pricing and can be reached at tmctaggart@nextlevelpricing.com.

More and more companies are turning to sophisticated software programs to improve their pricing capabilities. While most implementations are successful and deliver tremendous results to clients, not every implementation is an automatic homerun. Long before a software implementation begins, companies can prevent potentially extensive mistakes by asking themselves a few simple questions to ensure that 1) pricing software is an appropriate investment, 2) companies are implementing the appropriate pricing modules, and 3) the vendor selected is able to meet their needs.

Is software an appropriate investment for us at this time?

Though pricing software can benefit a wide variety of commercial organizations, different companies will likely find themselves in very different situations from a needs and current-state technology standpoint. Your current enterprise resource planning (ERP) set-up will play a major factor in whether a pricing software implementation encounters smooth sailing or is fraught with difficulties. A few basic questions can help companies decide if making a large investment in software is right for them at this time.

How many ERP systems are in operation today? While some companies have all of their business units operating within a single instance of a single ERP system, many companies will have different businesses and/or different regions operating with either multiple instances of the same ERP program or multiple instances of multiple ERP systems (as is often the case after acquisitions occur). The more ERP systems and instances of those systems in place, the more difficult and expensive it will be to connect pricing software to all of them.

How stable are our ERP systems? **Since pricing software at a minimum receives data from - if not directly interfaces with - your existing ERP systems, it's best to review your future plans for existing ERP systems before making plans to bolt additional software onto them.** If you're planning a drastic change in your ERP system two years from now it probably does not make sense to invest time and money on a software implementation that will likely have to be rebuilt or reconfigured just a few months or a year later.

How accurate is our transactional and costing data in the system? Even great software can't cure all of your data problems. If business users do not trust the current pricing or costing data in your systems today, they likely aren't going to trust it in any new pricing software either. Automating analyses with bad data is a road to nowhere benefits-wise. It's best to first develop data users trust before building a sophisticated tool. If you are unable to get your data under control and users constantly require manual adjustments to data, pricing software is generally not the answer to your problems.

Note: Perhaps weary of some companies' hesitance to make a large investment in technology in today's market, some vendors have recently begun offering their software under a "software as a service" model (SaaS). In this setup, a provider licenses an application to customers as a service on demand either through a subscription or a "pay-as-you-go" model. Companies unsure of their ERP future may want to consider this option to avoid fears of throw-away implementation work and expenses.

Which pricing modules should we implement?

Software vendors often divide their pricing software suites into a number of modules that can be implemented either separately or together as a whole. Most of these modules break down into four categories: price analytics, price execution, price administration, and price optimization. Once a company is confident that a software implementation is appropriate for them, a few simple questions can help them decide which pricing modules are appropriate for them.

What aspects of pricing do we struggle with today?

Companies that are typically overwhelmed by data analysis would be served well by an analytics implementation; while companies looking to expedite and track the pricing approval process will be very interested in price execution software. Companies that frequently suffer from invoicing errors, complex pricing designs, and a large number of pricing records would benefit greatly from price administration modules. And companies that have difficulty identifying and segmenting high-value

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customers are likely candidates to benefit from price optimization modules.

Who are my targeted users for the software? As pricing modules vary in purpose, they also vary in targeted user groups. Analytics software can be used by anyone from sales to finance to marketing, while many price execution modules are based on account managers entering deals into the system for deal scoring and pricing approval workflow. Some companies are hesitant to have account managers use software due to fears that software use will reduce customer face time - if your business directors and sales managers do not want account managers using software an execution module is probably not a good idea for you.

Which software vendor is right for us?

Though vendors offer similar pricing modules with many common features, there are still several functional and technical differences between the vendors in addition to differences in look and feel. When debating the merits of various vendors, companies should ask themselves the same questions they ask whenever they evaluate potential software partners in addition to pricing-specific questions.

What vendor is best for the software modules we're interested in?

If a vendor has a great analytics module but does not offer execution or administrative options, they might be perfect if you are interested in analytics only, but would be a bad choice if you had plans to incorporate price execution software in the future. Likewise another vendor might have a great optimization module - but if you're unlikely to implement it be sure to judge the vendor's merits on the modules you do plan on implementing instead.

> Many vendors have been so successful selling software that they often rely on outside consultants to provide implementation support, if not manage the entire implementation.

How much customization do we prefer?

While pretty much every software vendor allows for some sort of customization, some vendors will build custom solutions for clients while others rely more on adjusting out-of-the-box solutions based on industry best practices and previous client requests. Based on a customer's potentially varying needs for customization, some vendors will be more or less appropriate to meet their needs.

How stable is the software vendor?

Many pricing software firms have emerged and flourished over the past decade. Your targeted vendor need not have a 25 year company history, but they should at least be able to provide some sort of details to prove their future viability.

What is the vendor's strategy and direction?

Companies should ask vendors to share their long-term strategy and future release schedule for each module. Vendors should also be willing to describe their long-term vision for their product - including potential functional upgrades and enhanced integration abilities with other ERP programs. A lack of a documented strategy could be a red flag.

What kind of relationship are we looking for?

Many vendors have been so successful selling software that they often rely on outside consultants to provide implementation support, if not manage the entire implementation. Companies that prefer more direct relationships with software vendors need to decide if bringing a separate consulting partner into the implementation is a problem or a workable arrangement.

Pricing software can be a great asset to your organization. The preceding questions are certainly not all of the questions you need to answer before making a pricing software vendor selection, but are some important questions not to overlook early on in your decision process. By taking a quick pause to ensure software is right for you, that you've selected the right software modules, and that you have selected the vendor that best meets your needs you can make sure your investment produces the maximum return on investment with the fewest headaches.