



LEGACY PRICING SYSTEMS ARE HARMING B2B: DO THIS INSTEAD

From Manual to Milliseconds
A Playbook for Becoming Dynamic in B2B

WHITEPAPER



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Every B2B company has a pricing function in house, even if it consists of just one or two people in a back office. These pricing analysts rely heavily on a pricing system of record, often an enterprise resource planning (ERP) system, to house the pricing logic and calculations essential to their job. They input data into the system of record and retrieve prices from it, then manage the company's price lists, make price updates, and get feedback from other stakeholders on the price updates. Most of these teams manage price via spreadsheets — their de facto pricing system of management.

For decades, this dynamic chugged along fairly reliably. But then the world changed – fast. For many B2B companies, the pricing function, and the tools that support it, did not.

Digital commerce burst onto the B2B scene, changing buyers' expectations. At the same time, cost changes and other market triggers began to arrive more frequently, greatly accelerating the price update cycle. Just in the past five years, seismic macroeconomic shifts have rocked industries, putting pressure on pricing teams to be more nimble, proactive, and strategic. First it was tariffs, then COVID-19 and recession, followed by a global supply chain breakdown and the highest levels of [inflationary pressure](#) seen in decades.

The way in which a B2B company prices its products and services is now recognized as the best lever available to grow profits and is key to delivering a best-in-class customer experience in a digital omnichannel world. These realizations should elevate the pricing function and grant pricing professionals a seat at the strategic planning table. However, the legacy systems of record and systems of management for pricing remain largely entrenched, and they lack the flexibility, dynamism, and scale necessary to consistently execute the right pricing strategies.

In this whitepaper, we will delineate between pricing systems of record and systems of management, explore how they are used together, uncover an immediate value-add opportunity, and introduce a vision for real-time, dynamic omnichannel pricing that doesn't require ERP manipulation.

WHERE PRICING SYSTEMS OF RECORD FALL SHORT

A pricing system of record is another way of describing a company's "pricing engine." It is the foundational structure that holds all price records and is used to calculate and deliver prices out to various commercial systems. When someone requests an order, this pricing engine uses the data and logic housed within it to come back with a final price to a customer. Thus, a company's pricing system of record is more vital than ever as eCommerce and other channels require instant price quotes at any time of day.

As mentioned in the introduction, an ERP typically serves as this system of record for B2B companies. This means that all of a company's list prices, customer-specific agreements, price matrices, and discount or override structures reside in the ERP. It may also house pricing that serves as the starting point for building up prices based on dynamic cost changes, multipliers, taxes, fees, tariffs or other charges. Complex price logic such as order-specific or customer-specific discounts is also common. Each time a transaction or order requests a price, the engine must follow the declared price logic and arrive at the right price that should be presented to the customer. Large companies may even have several ERP instances that house many different types of price logic.

This arrangement is increasingly problematic. ERPs provide plenty of value — they are critical systems that store vast amounts of customer, transaction, price, and other data, and function as the central nervous system of vital business processes. But getting pricing data into and out of an ERP is a highly manual, time-consuming, and error-prone task. Often the structure itself is extremely rigid, severely limiting fundamental pricing processes.

Consider a distributor whose ERP was built to handle up to five-digit SKUs. For a while this was not an issue, as the company never approached 100,000 SKUs. But after several mergers and acquisitions, its product catalog grew to more than 200,000 items. Stuck, the distributor solicits quotes from professional services firms, and is shocked to learn just how much time and money it will take to customize its existing ERP. Lacking the stomach for this effort, the distributor chooses to keep several of its inherited ERP instances running rather than combining its entire catalog under one roof. A single order may now have to run through a labyrinth of disparate systems of record to generate a quote, while the pricing team has to pull data out of multiple systems when pushing out a price change. This torpedoes the company's goal of becoming more dynamic to compete with the digital disruptors invading its space.

This kind of cobbled-together workaround happens all the time and is just one of many examples of how companies tend to strip down their price ambitions to fit into their ERP capabilities.

WHAT MANUAL PRICING SYSTEMS OF MANAGEMENT LACK

In addition to a system of record for pricing, B2B companies also have a separate system of price management. A majority still use Excel spreadsheets as this system of management. Spreadsheets are always humming in the background, facilitating crucial decisions about what prices customers ultimately see.

The prices that are displayed on your eCommerce site? They live on a spreadsheet, which someone manually populated based on calculations from the pricing system of record. The mass agreement updates that are periodically emailed to sales teams arrive in the form of massive spreadsheets with lines and lines of new prices. We could go on.

Any tool as ubiquitous and perseverant as Excel has its positives. But just as the pace of digital has overwhelmed ERP-based pricing systems of record, so too is manual price management simply unable to keep up with modern demands.

One of the main reasons for this is the lack of real-time integration to the system of record. Say a company operates with a discount-from-list strategy. When its pricing analysts go into the system of record to change list prices, there is no way to dynamically deliver all the new prices to customers, or even to sellers, using spreadsheets.

This lack of interconnectivity means getting any data into and out of your system of record and into Excel can be burdensome. In some instances, this process might even require the assistance of the IT team. Visualize the following workflow and think about how well it would (or would not) hold up during a period of inflation and intense digital commerce competition:

A shortage in lumber causes a key supplier to raise a building products manufacturer's costs by 15%. This manufacturer's prices need to go up, and quickly. First, a pricing analyst has to get the relevant data and logic out of the system of record and loaded into Excel. From there prices are manually updated in the spreadsheet, likely in a blanket fashion, then emailed around to P&L owners for approval to send to sales.

The new prices finally get delivered to the sales team, who are sure to provide feedback, which must be collected, considered, and potentially re-approved. Each handoff along the way is likely introducing error as more people manipulate the document. Finally, someone on the pricing team must load the new approved prices back into the system of record and proliferate them out across all customer channels.

This is not a quick activity. Nor is it a particularly effective or measurable one. In that whole process outlined above, there is no consideration of how key competitors are responding to the raw material cost increase. There is no capacity to test strategies or scenarios, or even cascade a list price change down throughout the rest of the pricing architecture. Everything is done by hand and rule-of-thumb.

Fortunately, there is an immediate opportunity available to drive significant value and finally go beyond Excel.

CAPTURE THE IMMEDIATE OPPORTUNITY

The many B2B companies that fit the profile above have a huge opportunity in front of them. Introducing a more robust system of [price management](#) to replace Excel is a proven way to unlock the opaque system of record, while managing this wide portfolio of pricing across each price mode in a fashion that is minimally disruptive to the business.

A cloud-native price management platform seamlessly integrates with both the system of record and each of the commercial applications in which price is delivered, including CPQ, eCommerce, CRM, and others. This tight integration gives teams better control of their pricing strategy as the hours spent manually loading and massaging data into siloed systems is eliminated.

When pricing is done inside a price management solution, what used to take days, weeks or months can be accomplished in hours or less. This is because price management allows users to:

- Automate the extremely arduous cost pass-through process, updating new prices across channels in a fraction of the time
- Manage price exception requests and approval processes in an expedient, structured fashion rather than ad-hoc
- Run scenarios and simulations to understand what the business impact of price changes will be with embedded analytics
- Differentiate price by region, industry, customer type, and other segmentation factors to maintain a more profitable matrix that actually gets used
- House formulas to execute discount-from-list, markup-over-cost, quantity-break, and other strategies without manual effort or pulling logic out of ERP
- Mass update customer agreement prices based on different strategies and instantly publish them to the system of record or your deal management system
- Streamline and increase the effectiveness of [rebate](#) programs
- Provide a foundation for making dynamic pricing a realistic goal

By taking the price management step first, companies realize significant value in short order, often empowering them to take on more robust changes. In the final section of the whitepaper, we will explore that higher level of real-time omnichannel pricing.

LEVEL UP TO DYNAMIC OMNICHANNEL PRICING

As pricing teams begin regaining control of their pricing strategy, more possibilities are revealed. Perhaps they want to dynamically adjust prices based on the new forms of data they are receiving from eCommerce. Or they want to automate price updates in real time whenever a commodity index value changes. Maybe they want to power intelligent interactions like automated negotiation.

What they often find is these next-level pricing goals are hamstrung by their ERP. It doesn't have the flexibility or the scale – the number of calls and calculations necessary in complex omnichannel environments overwhelms ERP. The good news is that companies don't need to limit their imaginations or undergo a painful ERP rip-and-replace. If they have already implemented a robust price management application like **Zilliant Price Manager™**, the groundwork has been laid. This is because Price Manager can actually replicate the legacy system of record's existing logic and, when enmeshed with **Zilliant Real-Time Pricing Engine™**, can execute price calculation and data lookup logic dynamically.

Real-Time Pricing Engine becomes the company's new mission-critical pricing system of record, sitting alongside ERP and performing all the same pricing functions, but now in milliseconds. Companies who have taken this path get exponentially more effective at managing price in their system of record because they can:

- Visualize, calculate, deliver and update prices in real-time across CPQ, CRM, eCommerce and other commercial applications
- Perform financial analysis that informs the right strategic adjustment
- Position their prices relative to the competition
- Better strategize how they update customer-specific pricing, immediately comparing those prices to their deal envelope
- Empower customers with self-service capabilities that reduce their own administrative duties
- Come to rely on endless scalability, high availability and high performing REST-based API integration

Companies who reach this nirvana state are truly powering intelligent commerce. We have seen companies go from changing prices once a year, to once a quarter, to once a month, to now being able to make changes to their pricing strategy on the fly. They are consistently able to make the right pricing decisions to capture more margin while providing a best-in-class omnichannel customer experience.

CONCLUSION

B2B companies have witnessed disruptive trends persist into long-term realities. Now things like digital commerce, supply chain uncertainty, and frequent cost changes are simply the new paradigm. The old ways of managing price don't fit the new economy.

The grand vision presented here may seem too disruptive, and it can be, if you try to jump right into a new real-time pricing system of record. Our recommendation is to grab hold of the immediate opportunity – replace spreadsheets with a robust price management system. It's a step that can be taken today and it represents a massive value proposition. Once you get a feel for it and find you want to be more agile, dynamic and omnichannel in your pricing, it makes sense to explore offloading the pricing burden from your legacy system of record and embracing a real-time pricing engine.

To learn more about **Zilliant Price Manager™**, **Zilliant Real-Time Pricing Engine™**, or to discuss how to unlock immediate value, **contact us** today.