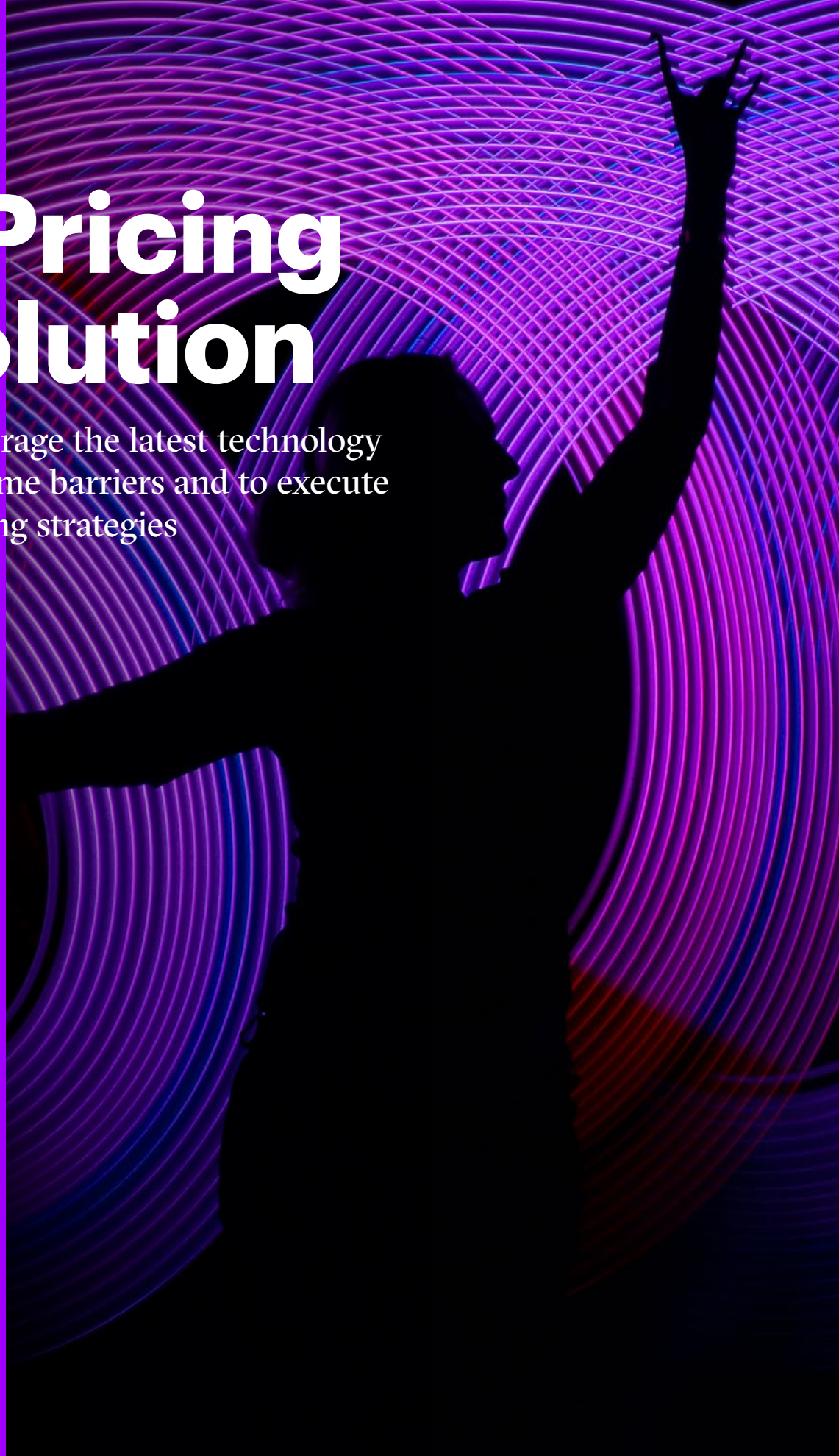
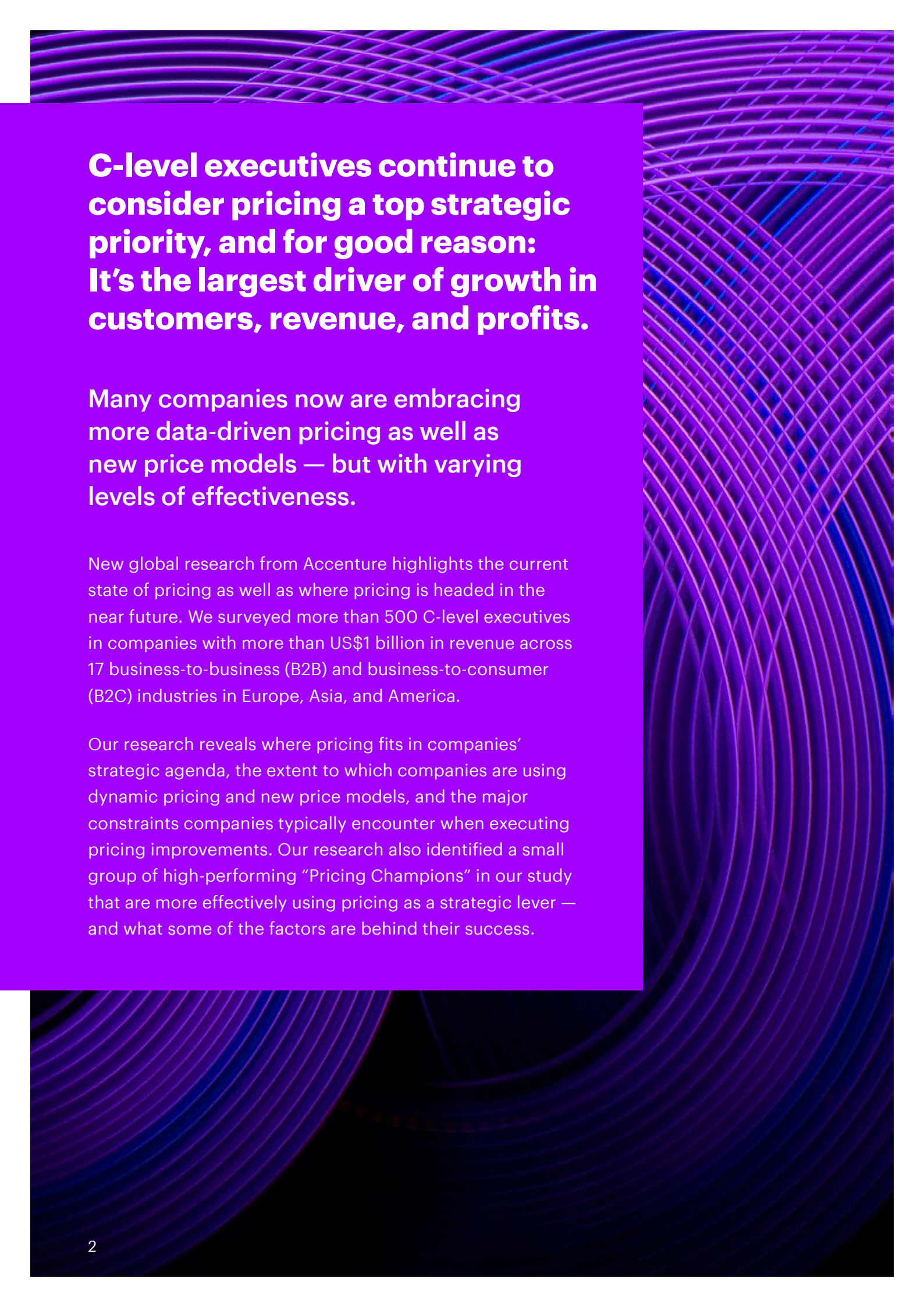


The Pricing Revolution

How leaders leverage the latest technology and AI to overcome barriers and to execute world class pricing strategies





C-level executives continue to consider pricing a top strategic priority, and for good reason: It's the largest driver of growth in customers, revenue, and profits.

Many companies now are embracing more data-driven pricing as well as new price models — but with varying levels of effectiveness.

New global research from Accenture highlights the current state of pricing as well as where pricing is headed in the near future. We surveyed more than 500 C-level executives in companies with more than US\$1 billion in revenue across 17 business-to-business (B2B) and business-to-consumer (B2C) industries in Europe, Asia, and America.

Our research reveals where pricing fits in companies' strategic agenda, the extent to which companies are using dynamic pricing and new price models, and the major constraints companies typically encounter when executing pricing improvements. Our research also identified a small group of high-performing "Pricing Champions" in our study that are more effectively using pricing as a strategic lever — and what some of the factors are behind their success.

Pricing has unquestioned strategic importance, but is being revolutionized

Pricing remains high on executives' agenda, with over 9 in 10 in our study stating it's a top strategic concern and just under half saying it's their top priority.

Furthermore, executives indicated pricing plays a major role in executing strategy, with about 8 in 10 citing pricing's importance in price setting innovation, new business models, and new monetization forms.

Interestingly, while there's no doubt about pricing's importance to virtually all companies in our study, it's especially critical to a small group of firms. These companies, which we identified as "pricing champion", are further characterized as having outperformed their peers in terms of pricing power, growth, and profitability. As we discuss shortly, the secret to these leaders success is how and where they focus their investments in pricing — particularly in overcoming obstacles to effective pricing execution.

“Some years ago, having a good pricing strategy was a good first step to success. Nowadays, we really see a dramatic change that you can only be a 'champion' in pricing if you have made the right investments in technology and IT.”

Patric Kirchner
Managing Director, Pricing
& Commercial Strategy

Our study also found that more and more companies have begun to introduce some form of innovative price model and data-driven pricing, which increasingly are leveraging technology, big data, and analytics as never before. In particular, about one-third of executives see the use of artificial intelligence (AI) and new price models based on the Internet of Things as major game changers. Looking ahead, one-quarter of C-level respondents strongly agree that within three years, pricing will be handled by data scientists instead of price, marketing, or sales managers. About the same percentage also believe the biggest areas for pricing improvement in the future will be technology, talent and skills, and analytics. Combined, these trends point to a true revolution in pricing.

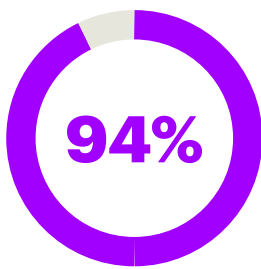


A pricing revolution is under way with pricing being split in ‘creative strategists’ designing new monetization models on the one hand and a small number of ‘pricing data scientists’ executing the operational pricing on the other hand.”

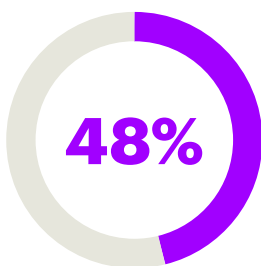
Tom Jacobson

Managing Director, Global and North America Pricing & Commercial Strategy Lead

Pricing is on top of C-Level’s agenda



of executives say pricing is one of the main strategic priorities in their companies



say it's at the very top of strategic priorities



The potential of intelligent dynamic pricing is unlimited. Firms need to move from the test-and-pilot phase into the actual ‘doing’ phase backed by visionary and committed tech leadership.”

Tom Jacobson

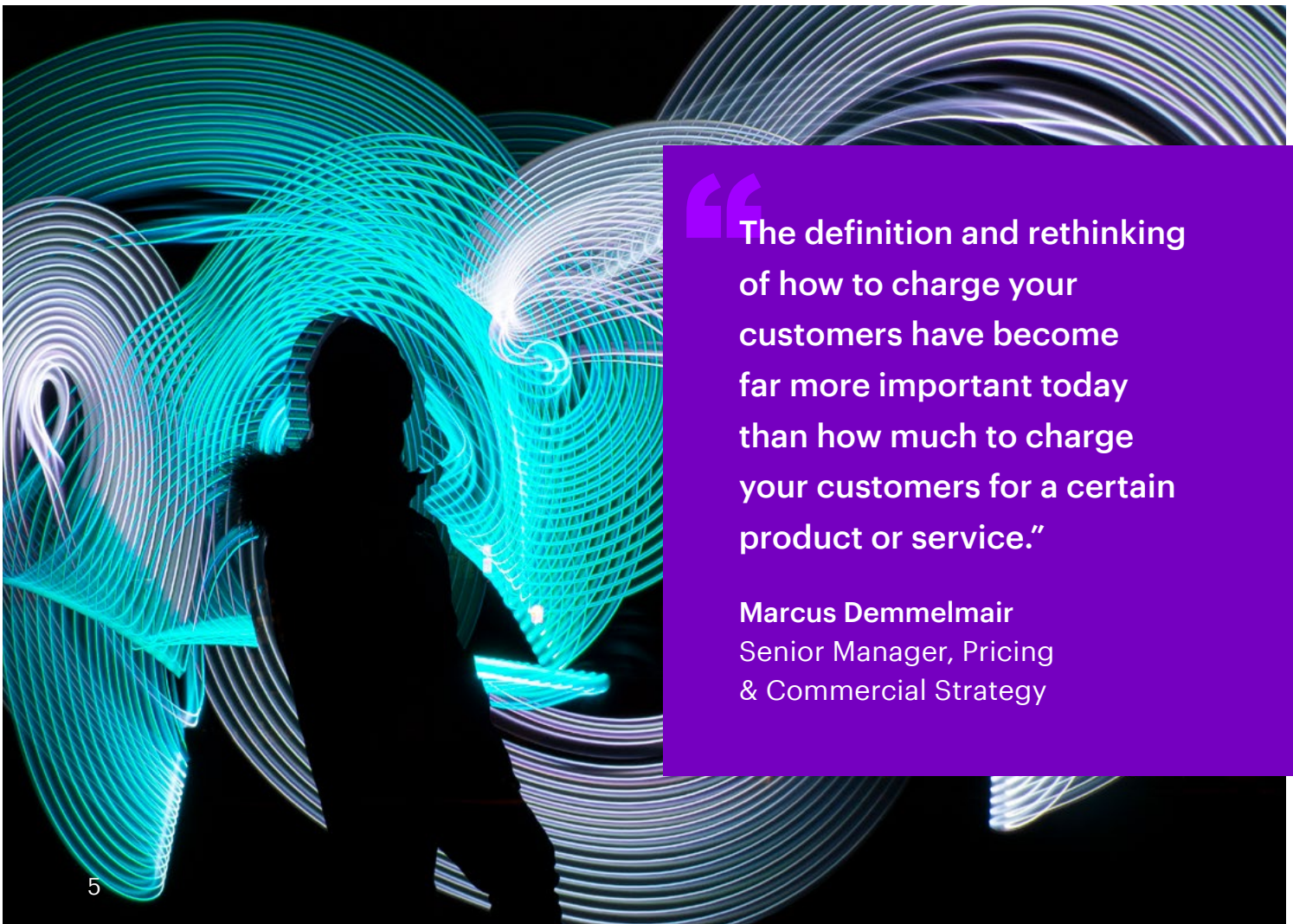
Managing Director, Global and North America Pricing & Commercial Strategy Lead

New price model continue to challenge many companies

Most businesses, especially those with a strong digital footprint, understand how “new” price models such as freemium, subscription, tiered bundles, pay-per-use, and others can drive growth and profitability.

However, many typically face significant hurdles when building the necessary infrastructure to integrate traditional and new pricing practices. About three in 10 executives in our study see major constraints and obstacles to implementing new price models, and only 34% stated they widely use such new price models across the company. On the other

hand, pricing champions are almost twice as likely to use them, and their success is driven by a number of factors. These include a clear top-down vision, alignment of pricing operations across the company, continuous investment in a robust IT infrastructure and the best talent, and use of advanced analytics to optimize prices.



“The definition and rethinking of how to charge your customers have become far more important today than how much to charge your customers for a certain product or service.”

Marcus Demmelmair
Senior Manager, Pricing
& Commercial Strategy

Key constraints prevent consistent execution excellence

Prioritizing pricing as a top strategic concern is one thing. Successfully executing pricing to fully realize its benefits is another. And here's where many companies in our study continue to struggle.

The most common implementation constraints, each cited by about half of respondents, are customer acceptance, high level of investment in new technology, and talent and skills.

There are no easy fixes for these constraints. However, we have seen some leading companies using AI to segment and analyze their customer base upfront to help avoid adverse customer reactions to new pricing strategies and models. Furthermore, many champions (54%, versus 34% of other companies) use new price models to sell highly desired outcomes and experiences instead of just products, making it more likely for customers to accept changes in pricing.

Arguably the biggest constraint when it comes to pricing execution excellence involves issues with legacy ERP and CRM systems, data quality, and data silos. Even today, we see many companies still running pricing with simple and error-prone manual tools such as Excel Spreadsheets that aren't integrated with a company's main systems. Pricing champions appear to be further along than other companies in solving the technology and data equation: On average, leaders are much more likely than the rest of the companies in our study to invest in innovative price-setting technology (61% versus 40%), use customer data as strategic assets (61% versus 40%), and use advanced analytics and AI to set prices (51% versus 36%). In fact, when it comes to pricing, three-quarters of champions see technology as a very high investment priority.

“Many executives recognize the potential of data-driven pricing but struggle with its execution due to legacy IT, wrongly skilled employees, and overanxious expectations of customer behavior. Pricing execution needs investments and a transformation to bring pricing to the next level.”

Patric Kirchner
Managing Director, Pricing
& Commercial Strategy

Last but not least, all companies are on the hunt for the right talent and are working to develop key new skills and capabilities — especially in data science — to implement and operate pricing more effectively. Champions go even one step further. They're more likely than other companies (56% versus 36%) to actively work with partners in their ecosystems — such as suppliers, customers, or as-a-service data science providers — to augment their own staff with critical pricing skills and capabilities.

Conclusion

Pricing is a longstanding strategic priority for most companies. But it's become even more important as a differentiator and growth accelerator with competition — in many cases, from disruptive upstarts — intensifying across industries.

That's why it's critical for companies to break free from the constraints that keep them from fully capitalizing on advanced pricing capabilities, as the pricing champions in our study are doing.

To learn more about our study's findings on dynamic pricing, new price models, and pricing execution excellence, read our "deeper dive" articles in which we explore each topic in greater detail and provide our insights on what companies can do to become a pricing champion.



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