Guide Pricing Strategy and Improve Profits with Software You Can Implement Rapidly

The Best-Run Businesses Run SAP®

Pricing: Using pricing insight to improve the bottom line

Managing pricing is one of the highest-impact yet least-utilized profit improvement strategies. You can boost net (pocket) prices by controlling variables such as volume discounts, price exceptions, and contract negotiations on everything from packaging to payment terms. So how can you get better control over pricing to improve your bottom line?

Even small pricing changes can make a big difference. For example, just a 1% increase in realized price can translate into a 10% increase in operating profits. But to maximize the impact of pricing, you need to develop an enterprise pricing strategy – and continuously refine pricing decisions based on what's happening in real time.

Most organizations try to tackle pricing using traditional business intelligence tools or specialized consulting services. But traditional tools don't give you the pricing frameworks, real-time business visualization, and in-depth analysis needed to uncover ways to optimize pricing. And while specialized pricing consultants provide useful insights, they can only help address issues at one point in time – not every day.

To address these needs, the pricing dashboard and analytics of the SAP® Price and Margin Management application by Vendavo – implemented in as little as eight weeks – helps you systematize and automate the art and science of pricing analysis.

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Discover untapped opportunities to improve profitability

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Understand price, volume, and profitability changes

Use playbooks to address margin leakage and rising costs

Analyze Big Data to improve pricing strategies

Get started quickly with a rapid, affordable implementation

SAP Price and Margin Management provides industry-leading, pricing-specific analytics that reveal what's really happening across your business. For example, use role-based, prebuilt dashboards to spot profitability problem areas and track key pricing metrics, such as pocket margin, price yield, and per-unit margin variance, across a variety of dimensions. Generate scatter charts of sales transactions, making it easier to identify outliers – indicators of potential price-improvement opportunities.

And at any time, drill down into your enterprise data to learn more, such as:

- Which sales rep made a sale
- Which products were sold
- The customer's name and classification
- How the transaction compares to sales of similar products to similar customers (for example, did you absorb freight costs or offer discounts and rebates?)

As a result, you can quickly identify problems such as excessive discounting, unrecovered costs to serve, and unaccounted-for rebates.

Find out if small customers are receiving concessions reserved for big customers or salespeople are negotiating specialized products at commodity prices.

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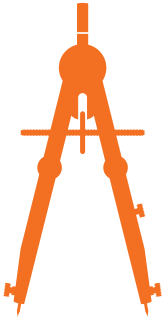
Pricing decisions are typically made in a decentralized manner by many people working in multiple departments across an organization. Because pricing data gets fragmented, you need a way to centralize related data and use it to uncover hidden issues, trends, and profit-eroding decisions. SAP Price and Margin Management supports in-depth, ad hoc analysis using prebuilt analytical models that help you fully understand the drivers of price and volume changes within any slice of the business.

For example, during quarterly account or business reviews, use a causality dashboard to instantly understand the root causes of low sales or profitability for any product, region, rep, or customer, from summary level to minute detail. If it's reported that sales for a certain product line are down by 10%, see the exact contributions of price, mix, and volume – **all in real time.** This way, you can focus on solving problems, not on debating them.

Pinpoint profit or revenue underperformance due to mix, price, or volume changes – in any slice of the business and in real time.



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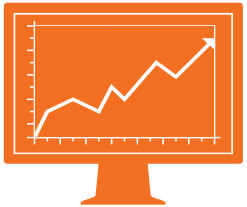
Specialized price analytics quickly pinpoint margin leakage and opportunities to improve pricing. For example, your sales team may be agreeing to terms that, over time, hurt your bottom line. What if a customer consistently negotiates based on large promised volumes that don't materialize? What if they demand expedited shipping, special payment terms, or special packaging? Should you agree? Will the costs to serve drive profitability too low – or even negative? Where should you draw the line?

SAP Price and Margin Management provides pricing "playbooks" – or predefined sets of structured analytical steps – that help your team find margin leakage and identify service cost issues. The most commonly used playbooks come standard with the solution. As your team develops new approaches or uncovers additional insights, they can modify playbooks or create new ones and share them along with reports, pricing insights, and more. Sharing accelerates organizational learning and helps you scale profit improvements across your organization.



Pricing playbooks help your team find pricing opportunities and support organizational learning so you can maximize profit improvements.

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The pricing analytics option of SAP Price and Margin Management is available on the SAP HANA® platform. By combining advanced pricing analytics with the next-generation in-memory computing platform, you gain robust scalability and performance, enabling you to process terabytes of data in real time.

With the power of SAP HANA, you can quickly analyze billions of transaction records and get the profit-boosting answers you need at the speed of thought.

Because SAP Price and Margin Management, pricing analytics, is powered by SAP HANA, you can analyze large amounts of data with high-speed performance.

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Because the pricing dashboard and analytics functionality in SAP Price and Margin Management are delivered as a rapid-implementation service, you benefit from a fast, affordable implementation with unparalleled profit-increase potential. Leveraging services from SAP and its partners, you can start uncovering pricing and margin insights in as little as eight weeks.

When you need to prove the value of the solution, consider implementing it first in a small part of your business – for example, a certain product line or territory. Measure the results, and then use the profit improvements you identify to develop a business case for supporting expanded use of the solution company-wide.

SAP customers report profit increases of up to 1.5% of total revenue with SAP Price and Margin Management.

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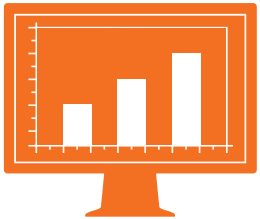
Maximize your pricing power

With the pricing dashboard and analytics available through SAP Price and Margin Management, you have everything you need to lay the foundation for successful price management – now and in the future. Imagine being able to create an enterprise pricing strategy, make pricing best practices transparent internally, and centrally monitor pricing decisions across your business to avoid costly pricing outliers. Imagine having a better understanding of which customers and products are the most valuable to your bottom line so you can make informed, strategic pricing decisions.

You can do all this and more – resulting in profitability increases of up to 1.5% of total revenue, as reported by our customers.

And armed with better insight into customers, sales, the cost to serve, and pocket prices, you'll eradicate ad hoc decisions during contract negotiations, account planning, territory reviews, and more that end up costing you money – rather than making it for you. At the same time, you can maximize cost recovery, minimize pricing errors, and reduce margin leakage.

Deploy the solution in as little as eight weeks – and earn a payback of up to US$15 million annually per $1 billion in revenue, as reported by SAP customers.



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Summary

The pricing dashboard and analytics available through the SAP® Price and Margin Management application by Vendavo deliver powerful pricing insights that can help you realize huge profit increases on your current business. You can identify new profit-improvement opportunities, gain insights needed to create a comprehensive pricing strategy, understand the impacts of price and volume changes, uncover margin leakage, and more. And because it's delivered as a rapid-deployment solution, you can get started in as little as eight weeks.

Objectives

- Enhance profitability by making sound pricing decisions
- Negotiate deals that create strategic advantage
- Set and enforce effective pricing policies

Solution

- Analytics to identify pricing opportunities
- Support for pricing best practices
- Role-based dashboards with prebuilt metrics
- Visualization tools to understand revenue and profit levers
- "Playbooks" to identify root causes and corrective actions

Benefits

- Find opportunities to boost profitability
- Develop an enterprise pricing strategy that increases margins
- Recover more costs to serve and reduce margin leakage
- Identify pricing outliers that represent new margin-improvement opportunities
- Make more-informed decisions in negotiations, account planning, and more

Learn more

Call your SAP representative, or visit us online at www.sap.com/usa/solutions/solutionextensions/pricemarginmgt/index.epx.

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