



HCL SOFTWARE

**HCL**

# 5 Ways complex pricing impacts your **B2B** **commerce strategy**

Extract from an interview with Marshall Freiman,  
SVP Digital Commerce Practice @LiveArea



# Is pricing really under your control?

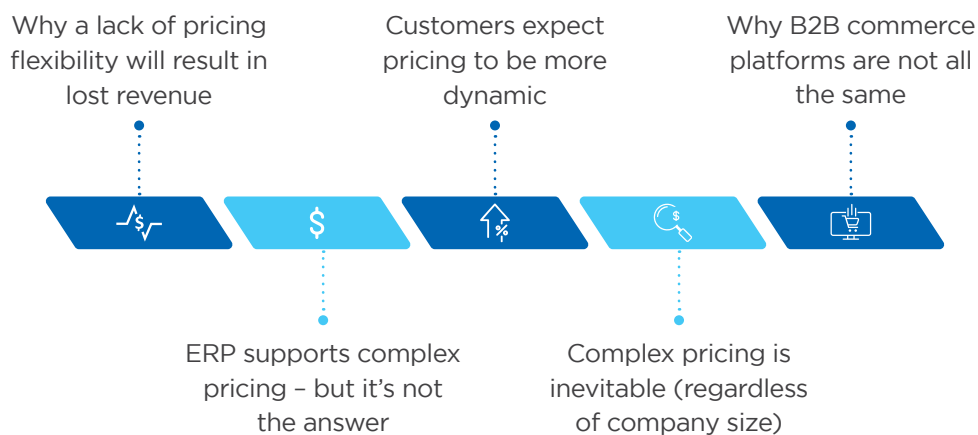
In an ideal world, B2B pricing would be easy, a base price with a simple hierarchical pricing model. Unfortunately, that's not how it works in the real world. You are no longer in control - expect customers, channels and sales team to request new pricing models frequently, either to make it easier for the customer to buy, match a competitor pricing strategy or have the ability to apply contractual terms to a sale. Get pricing wrong and expect the impact to be immediate and potentially long-lasting to your revenues.

In this world of digital disruption, as you figure out whether you are a disruptor or the disrupted, it is best to assume that how you do business today is not how you will do business in the future. As your digital journey evolves, pricing will become ever more complex and you should:

- Plan for pricing to become a core competency for your business
- Plan ahead for the flexibility to meet the expectations of the business and the market. The days of signing an annual contract are gone and customers expect the agility to support frequent pricing changes based on the pace of business

**Ensure your customer always sees their contracted price.**

For you, ERP may be the source for all pricing information but it's your customer-facing platforms that need the flexibility to keep you relevant in today's market. In this discussion brief, we will address 5 ways complex pricing can impact your B2B commerce strategy.



**It's your customer-facing platforms that need the flexibility to keep you relevant in today's market.**

# A lack of pricing flexibility will result in lost revenue

## How will your customers and sales channels react when your solutions cannot match the price of a competitor?

Let's start with the bad news - a lack of pricing flexibility will result in lost business! Assuming that your base price is calculated using a value-based, cost-plus or competitive-based model, you still need flexibility as not every customer or deal can be treated the same. Lifetime Customer Value (LTV), negotiations, contract pricing and buyer segmentation all play a role in the pricing decision. A good sales team or channel understands this and will get quite entrepreneurial to close the deal - it's what you want - a willingness to fight for every deal and to be creative. But this is the good news - the ability to make pricing a core competency, backed by tools that enable flexible pricing, will differentiate the business.

**Differentiate the business by making pricing a core competency**

Many companies just starting on their B2B digital transformation begin with simple hierarchical or tiered pricing like platinum, silver and gold and assume that is how they will do business in the future.

But don't be misled into thinking a simple pricing model will suffice, as you risk:

- Not being able to respond effectively against new, disruptive business models
- Ending up with one pricing model across all channels
- Adding cost to a sale by forcing customers to interact with your call center to get a special price

It's well known that pricing in retail is a top reason for consumers not converting - with internet search, competitive pricing is transparent. The B2B customer buying journey today is evolving, with buyers researching before making a purchase or contacting a salesman. The challenge is making sure that your customer sees the right price - the price in their

contract, their entitled price or the lowest price, to ensure they have the information to make the best buying decision. Unfortunately, many commerce platforms are unable to deliver this without heavy customization.

**Determine if you win deals by customizing your pricing model**

As part of the customer experience, pricing impacts:



### Faceted search

This must reflect the customer specific pricing and not the base price on your site or store.



### Sorting

When a customer searches for example, a product category for all products less than \$20, the results must include all products that meet that customer's specific pricing.



### Work with SEO

Optimize rankings with search engines like Google and Bing, but you should consider the ability to extend out to social networks like Twitter.



### Action

Assess your complex pricing capabilities to determine if you keep adding customizations or work-arounds to support your pricing model to win deals.

# ERP supports complex pricing – but it's not the answer

**In a multi-channel world, you need to be able to support complex pricing across every customer interaction – a call to your ERP platform is not an effective strategy.**

Another potential driver for complex pricing models is ERP. Solutions like SAP were designed to have the flexibility to support multiple pricing models across multiple industries. As a result, when the business is having discussions with customers on contracts and pricing models, the negotiating team will offer the capabilities available in their ERP platform to close the deal or use one of the pricing models from the customer's ERP system. The expectation is that the front-end will support any pricing model offered.

5 reasons why ERP is not the right solution for managing complex pricing interactions:

- ERP is not designed to handle the volume of real-time pricing requests from digital channels and the experience the customer expects
- It lacks a rules engine to support complex pricing rules
- There is no ability to influence search results
- It is often not a 24/7 solution that can take customer orders whenever they want
- It often does not have an intuitive UX designed for business users

Since most people agree that ERPs were not designed to be customer-facing, the expectation will be that your commerce platform can handle the same pricing models available to your ERP. Any disparity in capability will result in having to fall back to the lowest common denominator between ERP and your commerce platform to complete the contract – creating potentially unhappy customers and the business asking difficult questions about IT supporting business growth.

**Action: Check with your channel and ERP teams to identify any plans or customer requests that deviate from a simple tiered pricing structure**

## Customers expect pricing to be more dynamic

**No longer can you 'set it and forget it' for your pricing – customers and market conditions demand more**

Whether it's a competitor offering a lower price or a new tariff that is changing your costs, the pace of change for pricing today clearly shows the need to be more dynamic. The good news is although customers always want the lowest price and treat products like commodities, otherwise known as the Amazon effect, they are still willing to pay more:

**4.2%**  
premium for  
higher quality

**3.1%**  
premium for more  
reliable product delivery

**88%**  
of customers would pay at  
least 2.5% more to avoid  
switching suppliers

As of today, AI has not been a big factor in B2B pricing, so pricing specialists are making decisions based on external factors such as the behavior of customers and competitors, as well as internal factors, such as costs, processes and IT systems.

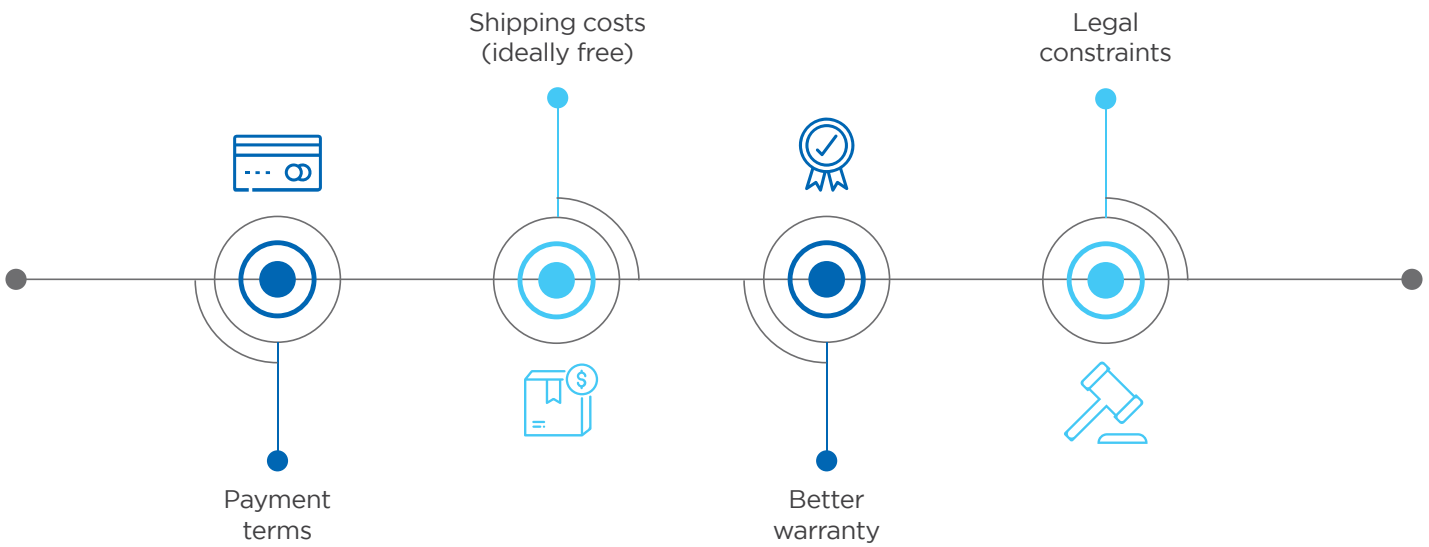
However, business users want to be empowered and have total flexibility and control of pricing in their solutions without having to wait for IT. The goal should be to avoid the manual work-arounds or custom upgrades to the solution that leave you with potential performance issues or a system that is difficult and expensive to migrate to a newer version. Intuitive business user tooling that manages pricing gives you the power to be dynamic, along with the ability to scale based on the volume of calls or traffic to the service.

**Empower business users with the flexibility and control they need to move the business forward.**

### Best price and lowest price are not the same – can your platform figure that out?

Contributing to the complexity of pricing is that the lowest price is not always the best price. Let me explain. The holistic price that the customer pays to acquire your products is impacted by a number of factors, typically laid out in the contract.

For example:



The best price has to factor in all elements of the contract and service and not simply jump to the conclusion that the lowest price is the right option for a customer.

To further complicate pricing, a customer may have multiple contracts and possibly multiple orders in flight at any one time. Savvy customers expect their suppliers to be able to aggregate orders to provide volume-based discounts and apply the right contracts terms to pricing. Failure to meet these expectations can drive us back to point #1 (lost customer/revenue) or result in long and expensive audits and rebates to your customers.

**Action: Make pricing a core competency and a competitive differentiator**



# Complex pricing is inevitable (regardless of company size)

**Ensure your platform has the flexibility to support complex pricing models and avoid an expensive misstep in your digital strategy**

If you need any more convincing of the need to support complex pricing, HCL commerce clients model their pricing using the following attributes:

- Large product lines
- Entitlements
- Customer specific pricing
- Negotiations
- Regional pricing
- Best customer pricing vs contract pricing
- Pricing by segment / industry
- Consumer vs business buyers
- Promotional pricing

And even hierarchical pricing come with their own complexity with overlap, exceptions and overrides based on any number of factors such as organizational structure and entitlement.

**Action: Assess your systems flexibility to support complex pricing**

## Why B2B Commerce platforms are not all the same

**Is your platform holding back your digital strategy?**

We value business experience in our teams – that earned knowledge and its application to serving the customer is often what differentiates us from the competition - it's your DNA. That same logic can be applied to commerce platforms – those who bring a wealth of B2B experience most often have the platforms with the richest set of capabilities, with features and processes that drive value your customers. Equally, when applied to complex pricing, it raises the question: Is B2B commerce and the inherent pricing complexity part of their DNA?

Take Amazon as an example and where they started. Amazon started in retail with books and music CDs. Complex pricing wasn't in their design thinking until much more recently. It wasn't part of their marketing or their business user tooling and as a result, their B2B platform comes across as more applicable to small or medium enterprise selling products one or two at a time, simply because it is so difficult to retrofit complex pricing into a platform.

HCL commerce was designed right from the beginning with an understanding for the need to support complex pricing. Many of the original development team came from an ERP background and its B2B capabilities shine through based on that 22 year pedigree. Not only does it give clients the depth of capability out of the box, but now with an all-new modern commerce architecture, based on an API-first strategy with a series of business services, it has the flexibility to deliver the use cases for B2B without heavy customization. Combine this experience with the tried and tested reliability to handle high transaction volumes, orders with hundreds of line items and transactions worth billions of dollars without sacrificing security – that's what HCL Commerce is all-about.



HCL Commerce has earned my trust which means I don't have to worry about managing the platform and I can focus my time supporting new business innovations that will drive revenue.

**Chris Sell**

Application Systems Lead, nVent



## Why do many commerce platforms struggle with complex pricing?

Commerce platforms limitations:



### SaaS only platforms

By nature of their design, SaaS solutions are often locked down, making it very difficult to move beyond simple consumer based pricing models.



### Open source platform

Capabilities not available out of the box and requires community built functionality, which raises risks on security, performance and scalability.



### ERP provided modules

Critical capabilities not available out of the box and requires heavy customization to deliver for the business – capabilities that are not supported in your commerce engine business tools and leave the business users dependent on help from IT for every change.

## In Summary

The flexibility to support complex pricing is one element in your digital strategy. As you assess your ability to deliver world-class experiences for your customers, ensure that you widen the aperture across all core capabilities for commerce and not fall into the trap of assuming that a B2C commerce platform will provide the flexibility to simplify the complex world of B2B.

Actions to take:

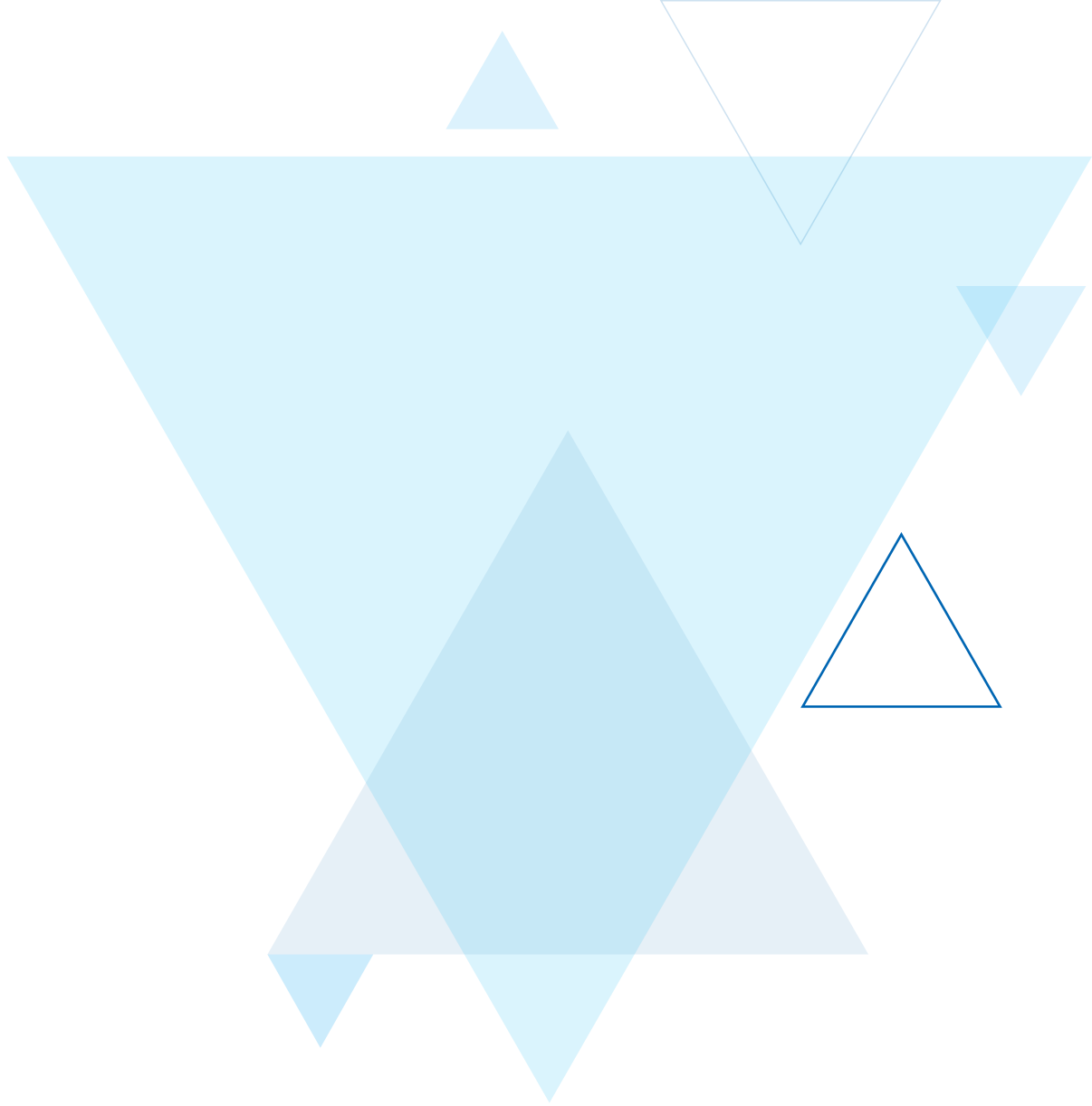
- Assess your complex pricing capabilities to determine if you keep adding customizations or work-arounds to support your pricing model to win deals
- Check with your channel and ERP teams to identify any plans or customer requests that deviate from a simple tiered pricing structure
- Make pricing a core competency and a competitive differentiator
- Assess your systems flexibility to support complex pricing

## More questions?

 [software-info@hcl.com](mailto:software-info@hcl.com)



<https://www.hcltechsw.com/wps/portal/contact-us>



**About HCL Software**

HCL Software is a division of HCL Technologies (HCL) that operates its primary software business. It develops, markets, sells, and supports over 20 product families in the areas of DevSecOps, Automation, Digital Solutions, Data Management, Marketing and Commerce, and Mainframes. HCL Software has offices and labs around the world to serve thousands of customers. Its mission is to drive ultimate customer success with their IT investments through relentless innovation of its products. For more information, please visit [www.hcltechsw.com](https://www.hcltechsw.com).

**Learn more: <https://www.hcltechsw.com>**