The Truth Behind 8 Common Pricing Myths

Pricing strategies are crucial for a company's success, yet many businesses fall for common misconceptions that hinder profitability. This article debunks eight pricing myths and reveals truths to optimize your approach. From the limitations of consulting firms and spreadsheets to the power of AI-driven pricing software, discover essential insights to stay competitive and maximize revenue.

MYTH #1

"Once we define our price strategies, we are set."

Truth: Pricing is not a destination. It is a continuous journey of small adjustments. Consultants can help you fix the pricing gap you have today, but it is only a short-term fix. The market is always changing. Even if you set up and deploy a new go-to-market (GTM) strategy, you will need to continue making pricing updates to keep up with the constant fluctuations in the marketplace. Especially if your business operates in digital sales channels.

Also, the moment you extract data from business intelligence (BI) tools, ERPs, etc., to calculate new price books, the data becomes stale. By the time your new calculations are complete and re-uploaded, driving inefficiencies and risk of error, it will be time to start all over again. Price optimization software can help you align your pricing dynamically and with higher precision to the latest external conditions and buyer preferences. Such incremental improvement in your business will provide tremendous advantages and help you become even more competitive in your industry.

MYTH #2

"Pricing software is for large enterprises only."

Truth: Whether you are a big manufacturer or small distributor, all businesses are facing similar challenges like manual tasks, cost fluctuations, rebate complexity, and deviations in margin leakage. Even the smallest distributor still has millions of price points to consider.

What is more, all businesses have the same challenges of providing a fast and personalized experience that customers demand. Most B2B buyers expect the same buying experience they receive in the B2C world, and that requires real-time dynamic pricing across multiple channels.

MYTH #3

"We use a consulting firm to help us manage pricing, so we do not need pricing software."

Truth: Consultants can help you tackle a new market, grow in a new region, or adapt a brand or private label. However, to be successful in a dynamic and complex business environment, you must not only manage a multitude of pricing points, but also deliver the right price, at the right time, in the right channel, for every sales engagement. Only smart pricing software can provide that kind of power.

MYTH #4

"We can provide price recommendation for our products at a national / regional level."

Truth: It is important to understand that creating pricing at the broad national level and not at the granular customer and product/SKU level is not enough. That is where all the profit potential is hiding! If you are only addressing pricing at the national level, you are leaving 200-500 basis points of margin on the table across all customer and SKU combinations. That is why so many top-tier companies quit doing national-level pricing a decade ago.

It is impossible to effectively manage pricing in a table if you have 15,000 customers and 25,000 SKUs and you are serving two sales channels, for direct and online selling. That comes to 7.5 million different price points that you need to address every day if you are going to effectively manage pricing.

What if you have 225,000 SKUs? That comes to 6.75 billion price combinations that you need to manage. Add the volatility in cost and customer willingness-to-pay and a pricing professional could be trying to adjust hundreds of thousands of prices each day. That means, you will need over 16,000 spreadsheets to update pricing at a granular level—and that is just for one price update.

Achieving this level of precision is impossible without real-time pricing software. PROS implemented AI-powered pricing for a large office supply distributor

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to streamline their complex pricing structure for each individual customer. This transition to PROS AI-powered pricing resulted in a $74 million revenue increase.

MYTH #5

"We built great spreadsheets, so our pricing seems under control."

Truth: Without pricing software, the pricing output from any human is only applicable at the time you receive it. This is not dynamic pricing. Every time there is a change to costs, indices, or competitor prices, you must manually update your pricing. Every time you want to expand into a new sales channel, you must deliver appropriate pricing for that channel. This approach of relying on price execution spreadsheets leaves potentially billions of dollars in profit on the table.

MYTH #6

"We use BI tools to help us manage pricing, so we have all the pricing capabilities we need."

Truth: BI tools provide business analytics, which might give you some visibility into your price realization and help you figure out historically where you left money on the table. But BI tools do not handle price management, price execution, or price delivery. BI tools cannot help you proactively manage your business today to make sure you are staying relevant and that your pricing is maximizing every single selling transaction.

"8X Return on Investment."

– PROS Customer, Director of Pricing & Economics, Refined fuels company

Myth #7

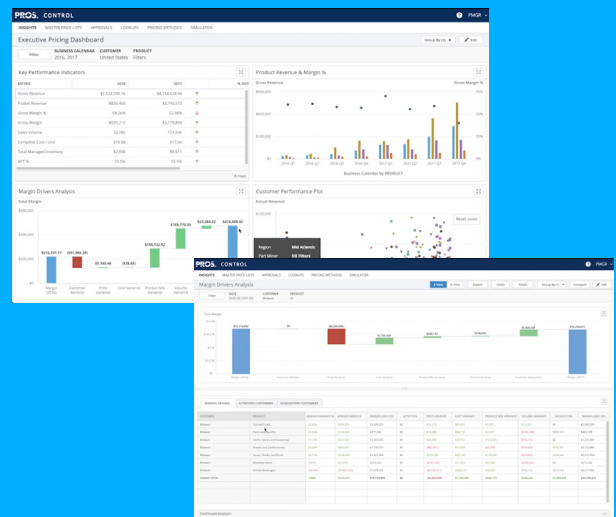### "AI is going to take over my pricing job."

Truth: With AI, businesses have access to powerful tools that can revolutionize their profit optimization strategies while enabling employees to work more efficiently and strategically.

At PROS, we have seen tasks that would have taken hours or even days be reduced to minutes. This new level of productivity frees up pricing teams to work on priorities that they previously did not have time for, and it allows teams to grow and hire more pricing professionals to expand their organization.

Myth #8

"Pricing software is too expensive."

Truth: The right pricing solution can drive profitable growth, and even pay for itself in a few months! According to a Forrester Total Economic Impact Study, PROS software delivers 400% ROI with a 9-month payback. Read the full study.[1]

Price to Profit with PROS

Deliver personalized, market-relevant, AI-powered prices and grow revenue with PROS Smart Price Optimization and Management.

Scan to learn about PROS Smart Price Optimization and Management