Next generation analytics for price recommendations to increase market share and optimize revenue

Abstract - ANLY 699 90

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ABSTRACT

For any company, it is imperative to identify the optimal price to sell that matches the customer's willingness to pay. In general, the optimal price is the combination of multiple other factors such as competitive prices, value proposition of the product along with the customer's willingness to pay. For companies which have a handful of products, this approach is fairly straight forward. However, the process of finding analytically driven optimal prices becomes exponentially complex as the number of products in the company increases.

Manual practices for setting prices makes it virtually impossible to see pricing patterns in the data and unlock the true value of price. It gets more complex in a B2B industry where every customer pays a different price based on the discount levels and volume commitment. It's simply too overwhelming for large companies to get granular and manage the complexity of these pricing variables, which change constantly, for thousands of products. At its core, this is a big data issue. Data Analytics especially pricing analytics leverages transactional and competitive data at a customer – product level to identify trends and patterns in data to make a well informed decision based on the customer value proposition and willingness to pay to recommend optimal prices to maximize the overall revenue for the organization.

The objective of this paper to assess existing pricing methodologies, evaluate the validity of existing pricing metrics in the real world and propose new metrics that would add additional insights in recommending pricing guidance. In this paper, we will also evaluate various pricing related processes and could benefit for the right execution of the next generation analytics. The research paper also aims at identifying and evaluating the best practices of the relevant literature and then establishing pricing analytics to maximize revenue and gain market share.