Market Guide for B2B Price Optimization and Management Software

Published 25 January 2022 - ID G00738432 - 27 min read

By Analyst(s): Mark Lewis

Initiatives: Digital Commerce and CRM Sales Technologies

> Business-to-business price optimization and management software exemplifies how machine learning can deliver substantial business benefits. Application leaders should use this research to determine whether B2B PO&M solutions are appropriate for their organization and to identify suitable vendors.

Overview

Key Findings

- Business-to-business (B2B) price optimization and management (PO&M) software solutions enable rapid and accurate updates of a large number of price points, thereby eliminating the need for complex spreadsheets and error-prone manual processes.

- Most PO&M solutions include machine learning (ML) algorithms that optimize the margin of negotiated deals. This often results in rapid ROI.

- PO&M vendors are broadening their offerings to include additional sales intelligence capabilities, such as white-space analysis, churn prediction and ML-driven upsell/cross-sell recommendations, as well as rebate management and customer sales agreements.

Recommendations

As an application leader responsible for sales technologies, you should:

- Evaluate whether your organization can benefit from a PO&M solution by using the tables in this Market Guide.

- Work with one or more PO&M vendors to build a business case for deploying PO&M software. The vendors should run their algorithms over your data to identify existing inefficiencies and potential benefits.

- Select a vendor that can deliver significant business benefits quickly with minimum capital expenditure and risk.

Market Definition

Price optimization and management (PO&M) software solutions enable an organization to efficiently manage and optimize the price of its goods and services. These offerings also offer a growing range of sales intelligence advice, such as best-next-action recommendations and customer churn warnings.

Some vendors focus on back-office price management and product management roles. Others focus on providing sales intelligence in real time to sales representatives and B2B digital commerce websites. The most successful vendors offer both.

This Market Guide focuses on vendors whose software supports B2B and business-to-business-to-consumer (B2B2C) business models. Vendors that specialize in retail price optimization, such as Blue Yonder, Nomis and Aptos (Revionics), are not included in this report.

Market Description

PO&M products are used by multiple industries, including travel and transportation, wholesale and distribution, energy, chemicals and petroleum, financial services and insurance, life sciences, high tech, manufacturing, telecommunications, food and beverage, and consumer packaged goods (CPG).

Table 1 illustrates the typical capabilities provided by PO&M software.

Table 1: Typical Capabilities of Price Optimization and Management Software

(Enlarged table in Appendix)

Capability	Description
Load organization's data	Provide a framework for loading the organization's customers, products, product lines, price lists, costs, sales agreements, promotions, rebates, stock levels and historical transactions.
Data cleansing	Data loaded from external systems must be loaded and normalized. Outliers may be stripped from the dataset to help ML. Data from external providers may be joined to enrich customer records (such as company size, industry, revenue).
Scrape competitors' data	Scrape data from competitors' websites (for example, data about products, prices or stock levels) and match it to products sold by the organization. Note that even with PO&M software, matching a vendor's products to competitive products is usually a manual process.
Analyze historical transactions	Support a wide array of analytics to report on, for example, revenue and profit by sales representative, region, product, product line and time period. Note that deciphering these analytics typically requires considerable expertise in pricing science. Gartner believes the future lies in using ML and algorithms to elucidate pricing insights, instead of having highly trained humans interpret graphs.
Calculate list prices	Calculate new price lists using formulas and logic. This is particularly valuable when there is a very large volume of slowly changing price points. The calculation can incorporate simple factors such as cost and target margin, as well as the results of advanced analysis, such as customer segmentation and price-sensitivity.
Simulate revenue and profit	Before publishing new price lists, the organization can simulate the impact of the price changes on, for example, the last quarter's sales transactions. Some applications simply recalculate the total revenue and profit. More advanced applications simulate potential changes to when deals are won or lost, based on observed price-sensitivity.
Segment customers	Customer segmentation identifies groups of customers that exhibit similar buying behaviors. This enables algorithms to identify patterns across a more statistically significant dataset — that is, all transactions for customers in a segment — in order to identify pricing outliers within the segment and predict the behavior of new customers who match the segment's profile.
Cluster products	Product clustering identifies groups of products that elicit similar buying behaviors. This enables algorithms to identify patterns across a more statistically significant dataset — that is, all transactions for products in a cluster — in order to identify pricing outliers within the cluster and better price new products introduced to the cluster.
Segmentationless price optimization	Segmentationless price optimization uses ML (for example, a neural network) to identify similar transactions to a new transaction in order to determine the best price. This new approach avoids the need for upfront human-assisted segmentation, can leverage more data points than a segmentation model, and can better use deal-loss data.
Recommend list price changes	By identifying outliers in the pricing of products in a cluster, a price optimization application suggests increases and decreases to product prices for a particular price list — that is, for a customer segment. A pricing expert then reviews and accepts or rejects these suggestions, based on the potential benefits and risks. The new price lists are then approved and published to quoting and order capture systems.
Recommend transaction line price	In real time, use metadata about a deal (such as customer segment, urgency or competitors) and product availability to calculate one or more prices for a transaction line. Typically, the application calculates a floor/walk-away price, a target price and an optimal price. This calculation may also determine the price at which approval is needed by various levels of management.
Recommend transaction price	It is often more important to look at the quality of a whole transaction than of individual lines. For example, one product may be sold at cost, but the overall deal may be good because other products are sold with a high margin. Considering the whole transaction is a harder problem for price optimization algorithms. Gartner recommends looking closely at each software vendor's ability to support whole transaction pricing during the software evaluation process.
Recommend renewal uplift	When a subscription contract is renewed, it is common to increase the subscription rate. Algorithms can recommend the optimal increase, which balances likelihood to churn against total customer lifetime value.
Recommend customer sales agreement prices	In real time, use metadata (such as committed volume, historical volume, competition, purchasing trends, previous price) to calculate discounts for a long-term customer sales agreement.
Identify customer price changes to achieve a desired revenue uplift	Determine where it is best to raise prices to achieve a specified revenue or margin goal.
Optimize for corporate objectives	Use a solving algorithm to optimize the balance between corporate objectives such as generating revenue, preserving margin and retaining customers. This type of algorithm can significantly reduce the number of rules that need to be administered in the pricing solution. It enables an organization to easily shift priorities (for example, at the end of a quarter when more deals are needed to meet a revenue target)
Explain recommendations	Recommended prices and discounts presented to price administrators or sales representatives have no value if they are ignored. A critical aspect of any price optimization solution is how it explains its recommendations in compelling human terms and establishes trust. For example, an application might list similar recent deals together with their price points.
Automatically approve discounts	Price optimization applications identify which discounts applied by sales representatives require human review and which can be automatically approved. This logic is either based on calculated price/margin thresholds or learned from the behavior of human approvers. Automatic approval significantly decreases the time to quote and can therefore improve win rates.
Support CPQ/CRM integration	Real-time price/discount recommendations and other sales intelligence are typically presented in the customer relationship management (CRM) or configure, price and quote (CPQ) application used by sales representatives. Most PO&M applications include open APIs to integrate with any CRM or CPQ solution. Some vendors have gone further by productizing an integration with either their own CPQ application (for example, PROS with Smart CPQ) or a leading CPQ product (for example, Zilliant's integration with Salesforce CPQ). These prebuilt integrations reduce implementation time and cost.

Source: Gartner (January 2022)

Table 2 provides examples of other sales intelligence capabilities provided by PO&M applications.

Table 2: Other Sales Intelligence Capabilities

(Enlarged table in Appendix)

Capability ↓	Description ↓
Make cross-sell recommendations	Suggest add-on products that have a high attachment rate to products already on the quote (for example, batteries might be suggested for a flashlight). Historically, CPQ applications have used manually administered rules to make these recommendations. PO&M vendors can now support this capability using ML.
Make upsell recommendations	Suggest switching a product that is currently on the quote for one that is more expensive or has a higher margin. ML can be used to identify the best suggestion from manually identified upsell options.
Identify customer churn likelihood	Indicate the likelihood that an existing customer will churn. This might be determined from a range of customer behaviors, including lack of engagement, low usage of a product, a higher number of service issues, or observed churn within a particular customer segment. This metric is used to trigger proactive customer retention activities.
Assign deal quality score	This is an easily understood metric that represents the "quality" of a deal. Quality is typically a blend of high revenue, high margin and likelihood to win. This metric is often presented as a traffic light or a simple score from one to 10.
Gauge win probability	The win probability for a transaction is based on the customer, competitors, urgency, products included, pricing offered and so on.
Recommend promotion	Suggest a promotion to offer a customer in order to increase a deal's size (for example, a volume price break), increase the margin (for example, a bundle with a high-margin product), improve retention (for example, a price break for a longer contract term), improve the win probability (for example, free shipping) or accelerate a deal (for example, a discount that expires after 48 hours).
Recommend best configuration	Preconfigure a product based on a customer's business requirements or previous configurations by that customer or similar customers.

Source: Gartner (January 2022)

Market Direction

Gartner expects the PO&M software market to continue growing over the next three years, driven by several key factors:

- PO&M software has a rapid payback on investment (often less than six months).

- PO&M technology will be increasingly available as part of cloud CPQ solutions.

- Cloud deployment, improved usability and adoption of ML will make PO&M applications less expensive to implement and maintain. This will increase the likelihood of large companies investing in this software and greatly increase the number of companies that can afford to deploy it.

- ML and artificial intelligence (AI) are currently the subject of much hype. CIOs are under pressure to deploy these technologies within their organizations. PO&M software can deliver demonstrable business value today.

- Inflation and supply-side instability is causing a higher volume and a greater frequency of price changes.

Most of the leading PO&M software vendors now have some CPQ capabilities. Gartner expects most of the leading CPQ vendors to gain their own PO&M capabilities in the next 24 months, either through acquisition or in-house development.

Market Analysis

Gartner estimates that the market for B2B PO&M software plus related services grew by 9% in 2020 to $542 million. This figure includes revenue generated by the software vendors but does not include revenue from pure consulting companies or from complementary products such as CPQ offerings. This slower growth (compared with 20% in 2019) is attributed to companies delaying purchase decisions, due to the COVID-19 pandemic. Early indicators suggest that growth in 2021 will also be lower than in 2019.

Gartner estimates that about 1,800 companies had deployed PO&M software at the end of 2020, with an average annual spend of about $300,000.

North America accounted for most of the PO&M software revenue in 2020 (66%, with year-over-year growth of 11%), followed by Europe, the Middle East and Africa (28%, with 6% year-over-year growth), Asia/Pacific (5%, with 1% year-over-year growth) and Latin America (2%, with 8% year-over-year growth).

Gartner estimates that at least 10,000 B2B companies globally might benefit from a PO&M deployment. As software and implementation costs fall, the addressable market will expand. The market is currently lightly penetrated.

Representative Vendors

The vendors listed in this Market Guide do not imply an exhaustive list. This section is intended to provide more understanding of the market and its offerings.

Market Introduction

Table 3 gives basic details of the 14 vendors covered in this Market Guide. For the basis of their inclusion, see Note 1.

Table 3: Representative Vendors of B2B Price Optimization and Management Software

(Enlarged table in Appendix)

Vendor ↓	Headquarters ↓
Bubo.AI	Middlesbrough, U.K.
Deloitte	Amsterdam, Netherlands
Flintfox	Auckland, New Zealand
Model N	San Mateo, California, U.S.
Periscope by McKinsey	New York, New York, U.S.
PriceEdge	Stockholm, Sweden
Pricefx	Munich, Germany
Pricemoov	Paris, France
PROS	Houston, Texas, U.S.
SPOSEA	Hoofddorp, The Netherlands
Syncron	Stockholm, Sweden
Vendavo	Denver, Colorado, U.S.
Vistaar	Parsippany, New Jersey, U.S.
Vistex	Hoffman Estates, Illinois, U.S.
Zilliant	Austin, Texas, U.S.

Source: Gartner (January 2022)

Vendor Profiles

Bubo.AI

Website: www.bubo.ai

Profile: Bubo.AI provides AI-driven sales intelligence insights. Founded in 2019, the company has six employees. At the time of writing, it has a relatively small number of deployments. Its product incorporates continuous feedback from the quoting process to monitor and improve pricing models. It also supports customer churn prediction, upsell/cross-sell recommendations and revenue forecasting.

PO&M Products: Discount Bands Optimisation (Bubo.AI dbx); Customer Bands Optimisation (CBX); Product Bands Optimisation (PBX); Field Market Price (FMX)

Location of Headquarters: Middlesbrough, U.K.

Other Locations: Vienna, Austria; Brussels, Belgium; Krakow, Poland; Gothenburg, Sweden

CPQ Integrations: None out of the box

Implementers: Merlin, Intact, Simon-Kucher, Pearson Ham, Deloitte, LEK

Deloitte

Website: www2.deloitte.com/nl/nl/pages/deloitte-analytics/solutions/pricecypher.html

Profile: PriceCypher is a PO&M product that was launched in 2018 by MarketRedesign, a company acquired by Deloitte in 2021. Customers are mainly in the bulk manufacturing, transportation and logistics, wholesale, energy and telecom industries. The PriceCypher solution provides dynamic deal insights, such as willingness-to-pay price recommendations, churn prevention, and upsell and cross-sell recommendations. Pricing managers can run pricing scenario simulations to optimize margin, volume or conversion rate. They can monitor margin, churn and volume growth, as well as forecast accuracy.

PO&M Products: Price & Margin Optimization Module for Sales; Price & Margin Steering Module for Pricing Management; Price Monitoring Module for Pricing Management

Location of Headquarters: Amsterdam, Netherlands

Other Locations: New York, U.S., Bucharest, Romania; Mumbai, India

CPQ Integrations: myDealWinner CPQ (for manufacturing); B2Bid CPQ (for telco and logistics)

Implementers: Deloitte

Flintfox

Website: www.flintfox.com

Profile: Founded in 2008, Flintfox is a global revenue management software vendor with about 145 employees and more than 250 customers, across retail, CPG/fast-moving consumer goods (FMCG), discrete manufacturing and distribution industries. Its product supports price management, including ML-based price recommendations, as well as a price execution engine and rebate management.

PO&M Products: Flintfox Intelligent Pricing Platform for Dynamics, Flintfox Intelligent Pricing Platform for any ERP

Location of Headquarters: Auckland, New Zealand

Other Locations: Washington, Colorado, New York, Arizona, Florida and California, U.S.; Toronto, Canada; London and Glasgow, U.K.; Sydney and Melbourne, Australia; Sao Paolo, Brazil

CPQ Integrations: Microsoft Dynamics 365 Quotes

Implementers: Flintfox

Model N

Website: www.modeln.com

Profile: Founded in 1999, Model N is a public company providing revenue management software to the life science and high-tech industries. The company has about 1,000 employees and more than 160 customers. Its product supports quoting and sales agreement negotiation supported by ML-based price recommendations, as well as a price execution engine, rebate management and management of marketing development funds. It did not support price management at the time of this research.

PO&M Products: Deal Management, Deal Intelligence, Channel Management, Price Intelligence

Location of Headquarters: San Mateo, California, U.S.

Other Locations: Denver, Colorado, U.S.; Chicago, Illinois, U.S.; Princeton, New Jersey, U.S.; Waltham, Massachusetts, U.S.; Hyderabad, India; Geneva, Switzerland

CPQ Integrations: Model N Deal Management

Implementers: Model N

Periscope by McKinsey

Website: www.mckinsey.com/business-functions/marketing-and-sales/solutions/periscope/overview

Profile: Periscope by McKinsey is a wholly owned arm of McKinsey & Co. Founded in 2007, the company has more than 700 employees supporting a wide range of analytical services, including B2B PO&M and B2C PO&M. It currently has about 150 B2B PO&M customers in the chemicals, industrials, basic materials, agriculture, medical technology/medical devices, high tech, telecom, automotive, aftermarket and distribution industries. The product supports: next best alternative value pricing; rule-based pricing; advanced analytics-based price optimization; price web scraping; price management; price execution; price performance management; analytics; scenario generation and analysis; discount and rebate management.

PO&M Products: Periscope Price Advisor, Periscope Performance Vision, Periscope Deal Advisor, Periscope Deal Execution Platform

Location of Headquarters: New York, New York, U.S.; Brussels, Belgium; Singapore

Other Locations: 27 locations within the following countries: Austria, Belgium, Brazil, China, Costa Rica, Germany, Hungary, Italy, India, Luxembourg, Mexico, Netherlands, Poland, Singapore, Ukraine, the U.K. and the U.S.

CPQ Integrations: Periscope Deal Advisor

Implementers: McKinsey & Co.

PriceEdge

Website: https://priceedge.eu

Profile: PriceEdge provides a flexible SaaS platform for implementing price management calculations, managing price lists, applying ML algorithms to optimize prices and rebate management. The company was founded in 2014 and has 24 employees and more than 30 customers. It is possible to model promotions and simulate their impact. Focused on the aftermarket parts, manufacturing, e-commerce and retail industries, the vast majority of PriceEdge's business is currently done in Europe.

PO&M Products: PriceEdge Collect, PriceEdge Price, PriceEdge Analyze, PriceEdge Optimize

Location of Headquarters: Stockholm, Sweden

Other Locations: Bucharest, Romania; Singapore; Palo Alto, California, U.S.

CPQ Integrations: PriceEdge can be configured to act as a CPQ solution.

Implementers: PriceEdge

Pricefx

Website: www.pricefx.com

Profile: Pricefx offers its products either as a SaaS subscription or as a "pricing as a service" subscription with software, implementation and maintenance rolled into a fixed monthly fee. Pricefx pioneered rapid, low-risk deployments of PO&M software. Its Lightning Accelerator implementation packages deploy the software in as little as six weeks. Founded in 2011, the company has about 420 employees and more than 130 customers. Customers are split between Europe and North America. The software offers a flexible price management solution. It also has more than 100 prebuilt algorithms that can be configured to calculate value-based prices, cross-sell and upsell recommendations, and revenue and profit projections, and to predict responses to price changes. Alternatively, a company can build its own algorithms. Pricefx has its own CPQ solution, as well as rebate management capabilities, sales agreements and a deal desk UI. In partnership with Bain & Company., it offers PricefxPlasma, which provides industry-specific benchmarking metrics based on anonymized data from Pricefx customers.

PO&M Products: Pricefx Plan, Pricefx Price, Pricefx Profit

Location of Headquarters: Munich, Germany

Other Locations: Chicago, U.S.; Prague, Czech Republic; Brisbane, Australia; Paris, France

CPQ Integrations: Pricefx CPQ, SAP CPQ

Implementers: Big Data Pricing, Cognitus, ManpowerGroup-Experis, ISB Global, KPMG, Mashfrog, CLARITY, Delaware

Pricemoov

Website: https://pricemoov.com

Profile: Pricemoov delivers price management and price optimization solutions to rental businesses, B2B distribution and services companies, transportation and logistics companies, and tourism companies. Founded in 2016, Pricemoov has 50 employees and about 15 B2B customers, which are all in Europe. Pricemoov Deals, its B2B product, supports price setting (with price list management, AI-powered price list optimization, price targets and thresholds, impact calculation), price execution (with a deal advisor, quote generator and approvals workflow), performance management (with outlier identification, price increase potential and performance management opportunity) and client list management (with customer lifetime value and revenue).

PO&M Products: Pricemoov Spot (for B2C retail and fixed capacity businesses), Pricemoov Deals (for B2B price optimization), Pricemoov Promotion

Location of Headquarters: Paris, France

Other Locations: New York, U.S.

CPQ Integrations: Pricemoov Deals CPQ, Salesforce CPQ, Conga CPQ

Implementers: Infosys, Pricemoov

PROS

Website: https://pros.com

Profile: Founded in 1985, PROS is a public company with about 1,400 employees and one of the largest PO&M customer bases. Its customers cover a wide range of industries, including manufacturing (discrete and process), food and consumables, automotive (including OEM, aftermarket and supply chain), high tech (hardware and software), medical devices, chemicals, oil and gas, transportation and logistics, and industrial distribution. The PROS Platform includes pricing analytics, pricing waterfalls, approval workflows, price strategy management, formula building, synchronizing of prices with external systems, mass sales agreement updates, and a real-time pricing service (with an SLA for availability and response time). There is a productized integration with Enable to support rebates. Price optimization capabilities include headless, real-time delivery of deal-specific price recommendations to quoting applications, segmentation models, elasticity-based price optimization for non-negotiated e-commerce portals, rationalization of prices across agreements and channels, transparent views into peer prices and other sales benchmarks to build confidence in recommendations, aggregate views of potential revenue leakage recovery, and prioritized views of price correction opportunities.

PO&M Products: PROS Smart Price Optimization and Management

Location of Headquarters: Houston, Texas, U.S.

Other Locations: Toulouse, Biot and Paris, France; London, U.K.; Frankfurt, Germany; Sydney, Australia; Sofia, Bulgaria; Abu Dhabi, United Arab Emirates

CPQ Integrations: PROS Smart Configure, Price, Quote

Implementers: Accenture, Capgemini, CGI, Deloitte, EY, Comforth Karoo, LTI, PROS

SPOSEA

Website: www.sposea.com

Profile: Founded in 2015, SPOSEA has over 35 employees and about 100 customers, mostly in the CPG, manufacturing, chemicals, fashion and automotive industries. SPOSEA BrightPrice Manager is a price management offering that enables SAP customers to update SAP price lists and conditions more easily. BrightPrice DealManager provides price guidance and improves the usability of standard SAP quoting tools. BrightPrice Insights provides prebuilt analytics over pricing and transactional data. BrightPrice Optimizer uses AI/ML to segment and cluster customers and products, highlight prices that need attention, and simulate the effects of price changes. BrightPrice Customer Pricelist Manager enables price list management and simulation in SAP. BrightPrice RebateManager supports the definition and tracking of direct, indirect and distribution-based rebates.

PO&M Products: BrightPrice Manager, BrightPrice DealManager, BrightPrice Insights, BrightPrice Optimizer, BrightPrice Customer Pricelist Manager, BrightPrice RebateManager

Location of Headquarters: Hoofddorp, The Netherlands

Other Locations: Calicut, India; Morristown, New Jersey, U.S.

CPQ Integrations: BrightPrice DealManager provides CPQ functionality.

Implementers: SPOSEA

Syncron

Website: www.syncron.com

Profile: Founded in 1999, Syncron has more than 700 employees and over 100 globally distributed B2B pricing customers for service parts in the following industries: agricultural equipment, automotive, construction and mining, industrial equipment, aerospace and defense, energy, utilities and HVAC, high tech and electronics, medical equipment, and wholesale and distribution. Syncron Price supports base price management (including segmentation and value-based pricing strategies), regional price management, net price management (including price corridors), rebate management, price feedback management, quotation management, real-time price execution, deal desk and analytics.

PO&M Products: Syncron Price

Location of Headquarters: Stockholm, Sweden

Other Locations: Atlanta, Georgia, Chicago, Illinois and Tampa, Florida, U.S.; Munich, Germany; Paris, France; Malmo, Sweden; Bangalore and Hyderabad, India; Warsaw, Poland; Tokyo, Japan

CPQ Integrations: Quotations Management (part of Syncron Price), Tacton CPQ

Implementers: Syncron, Percall, Accenture, Carlisle & Co., Simon-Kucher

Vendavo

Website: www.vendavo.com

Profile: Founded in 1999, Vendavo has approximately 400 employees and about 150 B2B PO&M customers. It targets companies in a wide range of industries but has a particular focus on discrete manufacturing, process manufacturing, distribution and high tech. It offers a wide range of pricing capabilities, including: analytics to accurately measure and monitor the business impact of complex changes in prices, volumes, product mix, and other dynamic market factors, such as currency fluctuations; analytics to help identify actionable opportunities for revenue and/or margin improvement; continuous monitoring of key metrics for any potential risks to a business; deal-specific pricing guidance for CRM and quotation workflows based on volume and the customer's willingness to pay, but also considering the risk of price moves; formula-based pricing for cost-plus industries; price management; and support for deal negotiation for both sales reps and the deal desk. Vendavo also offers predictive analytics for intelligent cross-sell and white-space guidance for sales.

PO&M Products: Vendavo Pricepoint, Vendavo Deal Price Optimizer, Vendavo Margin Bridge Analyzer, Vendavo Commercial Analytics, Vendavo Intelligent CPQ, Vendavo Enterprise Profitability Solution

Location of Headquarters: Denver, Colorado, U.S.

Other Locations: Dallas, Texas, U.S.; Prague, Ostrava and Hradec Králové, Czech Republic; Stockholm, Sweden; Düsseldorf, Germany

CPQ Integrations: Vendavo Intelligent CPQ, Salesforce CPQ

Implementers: Accenture, Deloitte, EY, PwC, Vendavo

Vistaar

Website: www.vistaar.com

Profile: Vistaar delivers price management and price optimization solutions to manufacturing and distribution companies, particularly in the beverage industry. Founded in 2001, the company has 350 employees and about 90 B2B customers. List prices can be edited and approved at a global, regional or market level. ML algorithms generate list price guidelines, predictive impact simulations and deal price guidelines. High-performance web service APIs price transactions sent by an external system. Rebates can be defined and managed. Vistaar SmartQuote is used by sales and the deal desk to price transactions and customer price agreements.

PO&M Products: Smart Pricing, Smart Pricing Engine, Smart Price Optimization, Smart Rebates, SmartQuote, Retail Price Optimization Solution, Market Price Optimization, Trade Promotion Management

Location of Headquarters: Parsippany, New Jersey, U.S.

Other Locations: Mumbai, India; London, U.K.

CPQ Integrations: Vistaar SmartQuote

Implementers: Vistaar

Vistex

Website: www.vistex.com

Profile: Founded in 1999, Vistex provides a wide range of software and services to support go-to-market programs, primarily on the SAP ERP platform. The company has 1,600 employees, and about 160 companies are currently using its PO&M solution. Product capabilities include: price maintenance (list, MSRP pricing, commodity, index pricing, freight pricing, sales costing, derivative/reference/formulaic pricing), customer-specific pricing, price guidance (segment pricing, markdown strategy), price optimization (goal definition, constraint definitions, segment analyses), price planning (price simulation, workflow approval), price analytics (including bid/deal scores, win probability), on-order promotions, rebate and incentive management, and revenue management. Vistex's SaaS PO&M solution is resold by SAP as SAP Extended Price Management by Vistex and sold directly through Vistex as GTMS Price Management.

PO&M Products: SAP Data Maintenance for ERP Pricing by Vistex, SAP Extended Management by Vistex, GTMS Price Management

Location of Headquarters: Hoffman Estates, Illinois, U.S.

Other Locations: Kent, Washington and Los Angeles, California, U.S.; Fredericton, New Brunswick, Canada; London, U.K.; Appenzell, Switzerland; Lodz, Poland; Moscow, Russia; Walldorf, Germany; Cape Town, South Africa; Dubai, United Arab Emirates; Hyderabad and Mumbai, India; Singapore; Sydney, Australia; Cali, Colombia; São Paulo, Brazil; Mexico City, Mexico; Madrid, Spain; Tokyo, Japan

CPQ Integrations: None. Vistex has some native CPQ capabilities.

Implementers: Vistex

Zilliant

Website: www.zilliant.com

Profile: Founded in 1998, Zilliant has about 200 employees and more than 110 customers in the manufacturing, distribution, business services, industrial services, rental, shipping and transportation industries. Price Manager and Price IQ use AI/ML models to segment and cluster products and customers. Price Manager manages price lists, customer-specific prices and rebates. Price IQ uses AI/ML models to measure price elasticity, perform constraint-based optimization and make goal-based price recommendations. Companies can also plug their own algorithms into the Zilliant IQ Platform. Real-Time Pricing Engine executes pricing logic in real time in response to requests by third-party applications. Deal Manager is a Salesforce application used to manage customer specific prices and agreements, and by the deal desk to review pricing and authorize any pricing exceptions that need approval. It also enables sales to enroll individual accounts in rebate programs and make customer-specific adjustments to rebates. Campaign Manager generates omnichannel, customer-specific recommendations based on insights from Sales IQ, Price IQ and Price Manager, or user-defined inputs.

PO&M Products: Price IQ, Price Manager, Deal Manager, Real-Time Pricing Engine, Sales IQ, Campaign Manager, Sales Planner, Cart IQ

Location of Headquarters: Austin, Texas, U.S.

Other Locations: London, U.K.; Paris, France; Walldorf, Germany; Milan, Italy

CPQ Integrations: Salesforce CPQ

Implementers: Accelalpha, Acumen Solutions, Bertelsmann-Arvato, Deloitte, Navint, PwC, Slalom, Standav, TCS, Zilliant

Market Recommendations

PO&M software has been shown to deliver a rapid ROI when well-implemented and enthusiastically adopted. Vendors report the following sample outcomes:

■ Revenue increases of 1% to 5%.

■ Margin increases of 2% to 10%.

■ Elimination of 80% of discount approvals.

■ Increase in customer lifetime value of 20%.

PO&M software is not a good fit for every organization, but Gartner recommends considering it if one or more of the following situations applies:

■ The volume or rate of list price changes is impractical or expensive for people to perform without automation.

■ Price management is distributed across multiple regions but requires some centralized control.

■ The organization seeks to use advanced statistics and ML to fix suboptimal pricing practices identified in historical deals, and it has a large volume of clean, historical sales transactions with which to train the PO&M models.

■ The organization wants to calculate prices and discounting thresholds in real time based on factors such as the type of customer, the mix of products, product costs, product availability, competitors, geography and corporate priorities (for example, targeting revenue or margin).

The following scenarios are unlikely to be a good fit for a PO&M solution:

■ Pricing is defined by a linear formula or calculation. In this case, PO&M software is not needed because CPQ software can handle complex formulaic pricing.

■ The organization sells its products through long-term contracts to a few customers.

- The organization sells a small number of products with limited price negotiation or regional variation.

Most PO&M vendors offer a low-cost or free proof of concept during which they run their algorithms over your company's historical sales transactions to estimate the amount of revenue and margin being lost to inefficient pricing practices. Gartner believes this is a useful way to build the business case for a PO&M investment. Use this initial scoping project or pilot to help measure how big a price problem your organization has, and what the impact of an optimal solution would be. If your organization lacks deep price management expertise internally, be prepared to work with a strategy consultant, a service provider or a vendor's professional services resources to manage the initiative.

Select a vendor that can deliver significant business benefits quickly with minimum capital expenditure and risk. Historically, PO&M projects have been expensive and slow to implement. New SaaS offerings from established vendors and new entrants have simplified the implementation, however, so that rapid, less expensive deployment is now possible. Carefully consider the risk of committing to a multiyear software contract before the business benefit is proven.

Start small, build credibility and expand from there. Large global or cross-industry price optimization initiatives often experience delays and problems related to factors such as organizational price maturity, change management, organizational alignment, and the complexity of data and algorithms. Success is more likely to be achieved by starting with a pilot that manages revenue across a subset of a product line, or a small division, and then expanding from there.

Redesign sales processes and sales compensation to reinforce adoption of the new sales intelligence recommendations. Get buy-in by working with sales executives, sales representatives and sales partners to understand pricing from their perspective. Alignment with the vision, goals and objectives of the sales organization and sales leaders is often key to a successful implementation. "Optimized" price recommendations mean nothing if the sales team ignores them, or if it cannot access and use them easily.

Proactively track improvements to key metrics such as margin, revenue, customer lifetime value, churn rate, win rate, time to quote, and autoapproval rates in an executive dashboard. Price optimization solutions require regular tuning as market conditions change. Gartner often hears from clients that they have neglected their implementation after a successful initial rollout and have hence seen the benefits fade with time. Plan and budget for continual improvement of price recommendations and other sales intelligence insights.

Evidence

The following sources were used for this document:

- Briefings and demonstrations provided to Gartner by vendors

- A vendor survey conducted by Gartner in August 2021

- Inquiry calls with Gartner clients

Note 1
Representative Vendor Selection

Vendors that were the subject of recent Gartner client inquiries regarding PO&M software were considered for inclusion in this Market Guide.

Document Revision History

Market Guide for B2B Price Optimization and Management Software - 26 October 2020

Market Guide for B2B Price Optimization and Management Software - 27 March 2019

Market Guide for B2B Price Optimization and Management Software - 15 March 2018

Market Guide for B2B Price Optimization and Management Software - 15 June 2016

Recommended by the Author

Some documents may not be available as part of your current Gartner subscription.

Magic Quadrant for Configure, Price and Quote Application Suites

Critical Capabilities for Configure, Price and Quote Application Suites

Toolkit: RFP for B2B Price Optimization and Management Solutions

Table 1: Typical Capabilities of Price Optimization and Management Software

Capability ↓	Description ↓
Load organization's data	Provide a framework for loading the organization's customers, products, product lines, price lists, costs, sales agreements, promotions, rebates, stock levels and historical transactions.
Data cleansing	Data loaded from external systems must be loaded and normalized. Outliers may be stripped from the dataset to help ML. Data from external providers may be joined to enrich customer records (such as company size, industry, revenue).
Scrape competitors' data	Scrape data from competitors' websites (for example, data about products, prices or stock levels) and match it to products sold by the organization. Note that even with PO&M software, matching a vendor's products to competitive products is usually a manual process.
Analyze historical transactions	Support a wide array of analytics to report on, for example, revenue and profit by sales representative, region, product, product line and time period. Note that deciphering these analytics typically requires considerable expertise in pricing science. Gartner believes the future lies in using ML and algorithms to elucidate pricing insights, instead of having highly trained humans interpret graphs.

Capability ↓	Description ↓
Calculate list prices	Calculate new price lists using formulas and logic. This is particularly valuable when there is a very large volume of slowly changing price points. The calculation can incorporate simple factors such as cost and target margin, as well as the results of advanced analysis, such as customer segmentation and price-sensitivity.
Simulate revenue and profit	Before publishing new price lists, the organization can simulate the impact of the price changes on, for example, the last quarter's sales transactions. Some applications simply recalculate the total revenue and profit. More advanced applications simulate potential changes to when deals are won or lost, based on observed price-sensitivity.
Segment customers	Customer segmentation identifies groups of customers that exhibit similar buying behaviors. This enables algorithms to identify patterns across a more statistically significant dataset — that is, all transactions for customers in a segment — in order to identify pricing outliers within the segment and predict the behavior of new customers who match the segment's profile.
Cluster products	Product clustering identifies groups of products that elicit similar buying behaviors. This enables algorithms to identify patterns across a more statistically significant dataset — that is, all transactions for products in a cluster — in order to identify pricing outliers within the cluster and better price new products introduced to the cluster.

Capability ↓	Description ↓
Segmentationless price optimization	Segmentationless price optimization uses ML (for example, a neural network) to identify similar transactions to a new transaction in order to determine the best price. This new approach avoids the need for upfront human-assisted segmentation, can leverage more data points than a segmentation model, and can better use deal-loss data.
Recommend list price changes	By identifying outliers in the pricing of products in a cluster, a price optimization application suggests increases and decreases to product prices for a particular price list — that is, for a customer segment. A pricing expert then reviews and accepts or rejects these suggestions, based on the potential benefits and risks. The new price lists are then approved and published to quoting and order capture systems.
Recommend transaction line price	In real time, use metadata about a deal (such as customer segment, urgency or competitors) and product availability to calculate one or more prices for a transaction line. Typically, the application calculates a floor/walk-away price, a target price and an optimal price. This calculation may also determine the price at which approval is needed by various levels of management.
Recommend transaction price	It is often more important to look at the quality of a whole transaction than of individual lines. For example, one product may be sold at cost, but the overall deal may be good because other products are sold with a high margin. Considering the whole transaction is a harder problem for price optimization algorithms. Gartner recommends looking closely at each software vendor's ability to support whole transaction pricing during the software evaluation process.

Capability ↓	Description ↓
Recommend renewal uplift	When a subscription contract is renewed, it is common to increase the subscription rate. Algorithms can recommend the optimal increase, which balances likelihood to churn against total customer lifetime value.
Recommend customer sales agreement prices	In real time, use metadata (such as committed volume, historical volume, competition, purchasing trends, previous price) to calculate discounts for a long-term customer sales agreement.
Identify customer price changes to achieve a desired revenue uplift.	Determine where it is best to raise prices to achieve a specified revenue or margin goal.
Optimize for corporate objectives	Use a solving algorithm to optimize the balance between corporate objectives such as generating revenue, preserving margin and retaining customers. This type of algorithm can significantly reduce the number of rules that need to be administered in the pricing solution. It enables an organization to easily shift priorities (for example, at the end of a quarter when more deals are needed to meet a revenue target).
Explain recommendations	Recommended prices and discounts presented to price administrators or sales representatives have no value if they are ignored. A critical aspect of any price optimization solution is how it explains its recommendations in compelling human terms and establishes trust. For example, an application might list similar recent deals together with their price points.

Capability ↓	Description ↓
Automatically approve discounts	Price optimization applications identify which discounts applied by sales representatives require human review and which can be automatically approved. This logic is either based on calculated price/margin thresholds or learned from the behavior of human approvers. Automatic approval significantly decreases the time to quote and can therefore improve win rates.
Support CPQ/CRM integration	Real-time price/discount recommendations and other sales intelligence are typically presented in the customer relationship management (CRM) or configure, price and quote (CPQ) application used by sales representatives. Most PO&M applications include open APIs to integrate with any CRM or CPQ solution. Some vendors have gone further by productizing an integration with either their own CPQ application (for example, PROS with Smart CPQ) or a leading CPQ product (for example, Zilliant's integration with Salesforce CPQ). These prebuilt integrations reduce implementation time and cost.

Source: Gartner (January 2022)

Table 2: Other Sales Intelligence Capabilities

Capability ↓	Description ↓
Make cross-sell recommendations	Suggest add-on products that have a high attachment rate to products already on the quote (for example, batteries might be suggested for a flashlight). Historically, CPQ applications have used manually administered rules to make these recommendations. PO&M vendors can now support this capability using ML.
Make upsell recommendations	Suggest switching a product that is currently on the quote for one that is more expensive or has a higher margin. ML can be used to identify the best suggestion from manually identified upsell options.
Identify customer churn likelihood	Indicate the likelihood that an existing customer will churn. This might be determined from a range of customer behaviors, including lack of engagement, low usage of a product, a higher number of service issues, or observed churn within a particular customer segment. This metric is used to trigger proactive customer retention activities.
Assign deal quality score	This is an easily understood metric that represents the "quality" of a deal. Quality is typically a blend of high revenue, high margin and likelihood to win. This metric is often presented as a traffic light or a simple score from one to 10.
Gauge win probability	The win probability for a transaction is based on the customer, competitors, urgency, products included, pricing offered and so on.

Capability ↓	Description ↓
Recommend promotion	Suggest a promotion to offer a customer in order to increase a deal's size (for example, a volume price break), increase the margin (for example, a bundle with a high-margin product), improve retention (for example, a price break for a longer contract term), improve the win probability (for example, free shipping) or accelerate a deal (for example, a discount that expires after 48 hours).
Recommend best configuration	Preconfigure a product based on a customer's business requirements or previous configurations by that customer or similar customers.

Source: Gartner (January 2022)

Table 3: Representative Vendors of B2B Price Optimization and Management Software

Vendor ↓	Headquarters ↓
Bubo.AI	Middlesbrough, U.K.
Deloitte	Amsterdam, Netherlands
Flintfox	Auckland, New Zealand
Model N	San Mateo, California, U.S.
Periscope by McKinsey	New York, New York, U.S.
PriceEdge	Stockholm, Sweden
Pricefx	Munich, Germany
Pricemoov	Paris, France
PROS	Houston, Texas, U.S.
SPOSEA	Hoofddorp, The Netherlands
Syncron	Stockholm, Sweden
Vendavo	Denver, Colorado, U.S.
Vistaar	Parsippany, New Jersey, U.S.
Vistex	Hoffman Estates, Illinois, U.S.
Zilliant	Austin, Texas, U.S.

Vendor ↓	Headquarters ↓

Source: Gartner (January 2022)