

DRIVING PROFITS ACROSS THE ENTERPRISE WITH SAP® PRICE AND MARGIN MANAGEMENT BY VENDAVO

The SAP® Price and Margin Management application by Vendavo is an enterprise-class application designed to help companies significantly increase profitability by driving improvements in average prices at every stage of the pricing process for better pricing decisions – and more money – on every deal.



At the Leading Edge of Enterprise

Cutting costs is no longer enough. You have to grow profits, and pricing is your most powerful lever. It's crucial to determine the right price for each product in each deal you negotiate. Solutions for enterprise resource planning (ERP), customer relationship management (CRM), and supply chain management (SCM) gather the information you need, but they fail to yield their full value if you don't apply the data to a unified pricing strategy. Without informed control over the prices you charge each customer for each product you sell, you're leaving money on the table in nearly every deal. While the amount of money on each deal might be small, it's substantial when aggregated across deals over the course of the year.

The SAP® Price and Margin Management application by Vendavo gives you true enterprise-wide control of your entire pricing process. It helps you make better pricing decisions – and more money – on every deal. With a combination of enterprise-class software, pricing science, and pricing best practices, SAP Price and Margin Management helps you drive improvements in every stage of the pricing process for dramatic improvements in profitability.

SAP Price and Margin Management is a proven application that meets the demands for flexibility, scalability, and functionality of the largest, most demanding companies in the world.

It has been implemented in multibillion dollar corporations worldwide in industries such as high tech, chemicals, industrial manufacturing, consumer products, mill products, and distribution.

An Enterprise-Wide Problem

Pricing is the most underutilized of all the available profitability levers; it is the last frontier in finding ways to improve the bottom line. A primary reason is that pricing is an enterprise-wide problem, reaching functional areas such as marketing, sales, management, and finance, even at the executive level. In large, complex companies, pricing processes often vary by business unit, division, or product line, making it hard to recognize pricing challenges across an entire organization, let alone get a handle on them. In general, companies face four areas of difficulty in the pricing process.

One-size-fits-all approach. Many businesses charge every customer the same price for a particular product regardless of their perceived value of the product or cost to serve, which can vary significantly by customer-segment attributes. This approach results in money left on the table in every deal.

Ad hoc price setting. ERP, CRM, and SCM applications collect information that can help determine pricing. But often this information is ignored in favor of a "gut feeling" or an ad hoc approach to setting prices. The result is money lost through ineffective pricing.

Manual, error-prone processes. Most companies have highly manual, disconnected processes to manage prices and communicate pricing to customers. This impacts response time to market changes and introduces errors in pricing. These processes are even more limited because they are not integrated with other applications.

Ineffective deal negotiation. All these limitations leave salespeople negotiating in the dark. Without clear visibility into customer segments and policies, it's impossible to negotiate with a customer in a way that best serves the bottom line. The result is lost profits and dissatisfied customers.

An Enterprise-Class Answer

SAP Price and Margin Management is an enterprise-class application that can support your most complex business processes. It helps you make improvements at all stages in the pricing process, so you can maximize your market intelligence, enable your sales force, and get the most out of each deal you make. At each stage, SAP Price and Margin Management helps you make better informed decisions and proactively manage profits. Each new deal provides fresh intelligence, which is incorporated into the process to foster even better pricing in the future.

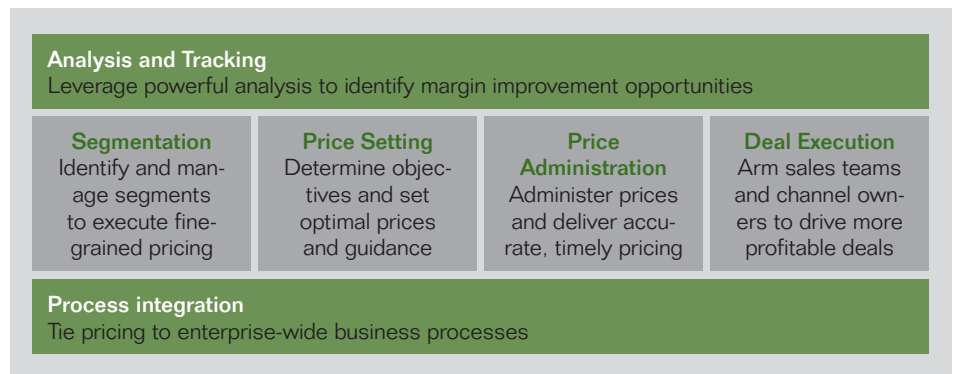


Figure: SAP® Price and Margin Management Addresses Pricing Problem Areas

As the figure shows, the application addresses each of the areas of difficulty encountered in the pricing process.

Segmentation. SAP Price and Margin Management leverages data across applications, such as ERP, CRM, and SCM, as well as legacy systems. It uses this data as input for sophisticated data mining and statistics, along with qualitative business analysis, to identify segments that should be grouped together for consistent pricing. As new data becomes available, the application helps refine existing segments and identify new ones.

Price setting. A pricing power and risk model provides the basis for setting optimized prices and guidance for each segment. Using sophisticated pricing science, the application enables you to take action on your segments by setting segment-specific optimal prices and providing guidance for your sales teams. This forms the basis for consistent and reliable differentiated pricing.

Price administration. The software provides functionality that helps you respond rapidly to changes in the market. You can communicate pricing and policy changes quickly and accurately across your entire organization, while dealing with thousands of SKUs and millions of price points. It also helps reduce invoicing errors that result in costly rework.

Gain enterprise-wide control of your entire pricing process. With market intelligence, you can make better pricing decisions – and more money – on every deal.

Deal execution. Your salespeople will have access to up-to-date contextual information, including segment-specific pricing and guidance, customer transaction history, and peer-group comparisons, enabling them to negotiate profitable deals that maximize customer relationships.

An optimized pricing process consistently delivers significantly higher margins. It's achieved in two ways:

Analysis and tracking. At each stage of the pricing process, the application provides visibility into key performance indicators for pricing through analysis and tracking. This helps you identify opportunities to improve product mix or reduce margin leakage and monitor ongoing performance. Role-based dashboards provide executives and managers the insight they need to make informed pricing decisions.

Process integration. Each stage of the pricing process is integrated with other enterprise-wide business processes and solutions, such as ERP, CRM, or SCM software, enabling you to realize the benefits of pricing across the company.

Enterprise-Wide Benefits

SAP Price and Margin Management gives you the capabilities you need to improve your price and margin management process, grow profits, and get the most out of every deal you make.

A proven solution, it is an ideal choice for organizations that are serious about maximizing the pricing lever enterprise-wide through effective pricing strategy and execution.

Begin Where You Need It Most

SAP Price and Margin Management provides functionality that enables you to set your own pricing priorities according to your business strategies, the markets you operate in, the competitive environment you deal with, and your existing pricing process. You can choose which challenges to address first and expand your focus to other areas over time. For example, depending on your business challenges, you can start with segmentation and price setting and optimization, or decide to focus initially on price administration. You can develop at your own pace, incorporating the application into your larger business plan to make the most of the resources you have allocated for pricing.

Focus on Profits

The application helps you orient your entire organization toward maximizing profits through unified pricing goals and gives everyone in the process a view of the bottom line. It helps you gain more value from your current CRM, SCM, and ERP applications by making better use of the information they gather. Equipped with a reliable basis for effective differentiated pricing and with tools that support price requests and approvals, your salespeople are better able to negotiate deals with the bottom line in mind.

Cutting costs is no longer enough. You have to grow profits, and pricing is your most powerful lever.

Powered by SAP NetWeaver®

SAP Price and Margin Management is powered by the SAP NetWeaver® technology platform. SAP NetWeaver unifies technology components into a single platform, allowing organizations to reduce IT complexity and obtain more business value from their IT investments. It provides the best way to integrate all systems running SAP or non-SAP software.

SAP NetWeaver also helps organizations align IT with their business. With SAP NetWeaver, organizations can compose and enhance business applications rapidly, using enterprise services. As the foundation for enterprise service-oriented architecture (enterprise SOA), SAP NetWeaver allows organizations to evolve their current IT landscapes into a strategic environment that drives business change.

Summary

The SAP® Price and Margin Management application by Vendavo combines pricing science, best practices, and enterprise-class software to drive improvements in average prices at every stage of the pricing process. Added up, these improvements deliver big increases in profits. The goal is simple: make better pricing decisions and more money on every deal.

Challenges

- Make the most of every customer relationship with a segment-specific price setting that doesn't leave money on the table
- Get the most out of available information by taking a systematic approach to price setting that results in effective pricing and higher profits
- Eliminate manual, error-prone processes that can lead to poor communication, wasted labor, and lost sales
- Negotiate every deal more effectively with the bottom line in mind

Supported Business Processes and Software Functions

- **Segmentation** – Use sophisticated data-mining techniques and qualitative business analysis that help you optimize marketing intelligence and segment customers into groups for more effective pricing
- **Optimized price setting** – Set the right price for each segment and provide the best guidance for your sales teams
- **Price administration** – Respond rapidly to changes in the market and communicate pricing and policy changes quickly across your entire organization
- **Deal negotiation** – Give your sales teams up-to-date pricing information and guidance to help them negotiate profitable deals that maximize customer relationships
- **Analytics** – Gain insight into key pricing metrics to improve margins on an ongoing basis
- **Process integration** – Tie pricing to enterprise-wide business processes

Business Benefits

- **Increased revenue** – Realize significant improvements in profitability across your entire enterprise
- **Enhanced productivity** – Improve margins by setting optimal prices and providing guidance for every deal
- **More effective partnerships** – Collaborate effectively with channel partners on pricing to reduce margin leakage
- **Faster response** – Take advantage of market opportunities with timely and effective changes to pricing

For More Information

For more information on SAP Price and Margin Management, contact your SAP representative or visit our Web site at www.sap.com/solutions/solutionextensions/pricemarginmgt.

50 077 918 (08/02)

©2008 by SAP AG.

All rights reserved. SAP, R/3, xApps, xApp, SAP NetWeaver, Duet, PartnerEdge, ByDesign, SAP Business ByDesign, and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP AG in Germany and in several other countries all over the world. All other product and service names mentioned are the trademarks of their respective companies. Data contained in this document serves informational purposes only. National product specifications may vary.

These materials are subject to change without notice. These materials are provided by SAP AG and its affiliated companies ("SAP Group") for informational purposes only, without representation or warranty of any kind, and SAP Group shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP Group products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.