In its new whitepaper, “How to Build Pricing Muscle,” Wipro Pricing & Profitability Solutions examines the best actions to take to tip the pricing scale in your favor.

The internet is full of market data. Sophisticated e-procurement systems (B2B) and price comparison websites (B2C) provide the consumer with a level of intelligence that puts a lot of bargaining power into his/her hands. These systems and websites operate in near-real time, and keep the buyers so well informed, that the pricer is often put at a power disadvantage.

Customers and procurement agents can react to changes in the market much more quickly than was once the case. Unless they are armed with the same near-real time virtual information capabilities, pricers lose ground quickly—either through eroding profits or by losing customers to more price-agile competitors.
In the following comprehensive discussion—included in Wipro’s “How to Build Pricing Muscle” whitepaper—subject-matter expert and Lixto CEO Christian Koestler examines the significance of external pricing data and options for gathering, analyzing and acting on it.

Wipro Pricing & Profitability Solutions: WPPS, Lixto’s Christian Koestler (CK)

**WPPS:** We are talking here about the role of external pricing data in increasing the bargaining power of the supplier. However, this kind of information has not been a key part of the pricing function in the retail operations of the oil and gas industry. Why hasn’t the power of external pricing information been tapped into?

**CK:** There are two reasons why companies have not made use of external pricing data. First, pricing has traditionally had an internal focus, meaning that prices were set based on manufacturing costs, profit margins, and similar factors. Second, and this is true for oil and gas retail pricing, there has been more attention paid to the B2B side of pricing and not to the B2C side.

**WPPS:** What makes the B2C side so significant now?

**CK:** The internet. More and more retailers and e-tailers have recognized the need to have products on the web, not just for sale but as reputation builders because of the increasing strength of consumer opinion through online reviews. This has resulted in a very rich source of external pricing data. This data includes, for example, the price a competitor is charging for a comparable product as well as customer ratings.

**WPPS:** Why are the customer ratings significant? Isn’t that more of a marketing and brand management concern?

**CK:** Online ratings and reviews are certainly of great interest to marketing and brand managers. Pricing managers are also recognizing their importance. For example, Company A may be charging $1.50 for a product that has a 5-star rating while Company B offers a competing product for $1.20 with a 2-star rating. Without the rating data, a Company A pricing manager is more likely to adjust the price downward in order to stay competitive; the difference in customer opinion, however, can actually result in more sales at the higher price.

**WPPS:** This sounds simple and straightforward so far, but if we multiply the number of products and the number of websites that pertain to a company, things get a lot more complex. How can a pricing department gather and analyze such a massive amount of information from the internet?

**CK:** Yes, the actual numbers are quite large. It is not unusual to capture thirty or forty thousand price points per day from websites. That information must then be analyzed and released in a form that is useful to stakeholders like pricing managers, sales managers, category managers and brand managers.

There are basically three choices to do this. All of them are based on technology, with each relying on automation to a greater or lesser degree. At the end with the least amount of automation, a company would need to use employees or contractors to pull the data from the web, “manually” analyze it, and compile reports. At best, this provides a static snapshot of pricing information at a given point in time—which can often be weeks or even months in the past.

The next option is to program an automated solution in house. IT staff could create a system that captures and analyzes the information automatically. There are several drawbacks to this approach: First, the capital
investment in this kind of effort would be significant; second, maintenance of such a system would demand ongoing resource allocations; third, great care would need to be taken to ensure that system operation does not negatively impact the web sites from which information is captured.

The third and most automated option is to use a fit-for-purpose third party application such as Lixto. This allows a company to obtain a daily update on prices in its market and also provides role-specific analyses that are accessible via a dashboard-style interface. Management can get nearly real-time views of market activity related to price: How competitor prices have moved up or down, for example, or how prices have changed in a specific geographical region or product category. Pricing managers can get very specific pricing information while category or sales managers can get a broader view of trends and competitor strategies. In addition, the system itself is managed and maintained by a third party provider who makes sure that data capture adheres to regulatory requirements and does not disrupt source websites.

**WPPS:** Should a system like this provide the ability to test pricing strategies?

**CK:** Absolutely. This is a very important part of the power of external pricing data. For example, a robust system will allow management to gauge the company’s price leadership position by product or product category. A pricing manager could run simulations on the system to see how different prices changes would affect the price leadership position. They would know beforehand how a one percent change would impact their leadership position which in turn would impact sales. Think about the additional margin potential if you are able to find out that a 2% price increase will not affect your price leadership position at all.

**WPPS:** As you’ve mentioned, Lixto offers the highly automated option that you outlined. What benefits have your clients reported as a result of implementing Lixto?

**CK:** At first I need to mention Lixto’s key differentiators. We are the only company in this field that handles the data capture and analysis process entirely with technology. In fact, our data gathering technology was granted a U.S. patent in 2009. Lixto handles the entire process from start to finish; that is, from web data extraction on large scale, match own products with competitive products and finally provide analysis through role-specific reporting and simulation capabilities. If needed, the Lixto Price Intelligence Suite can also integrate with enterprise back end solutions which, for example, are managing product cost and historical deal structures. This adds an additional level of flexibility and value to the pricing function.

Now to benefits that our clients have reported. The primary benefit is the ability to respond to price changes very quickly, on a daily basis if they choose to do so. This translates into a much improved strategic position in terms of pricing; clients can better understand their competitive position and influence their markets with consistent pricing strategies. Another great advantage is the ability to have full visibility about the effectiveness of the set minimum advertised price (MAP) across all retailers; this allows the company to identify MAP-Violations and to reach out timely to the relevant retailers to ensure MAP-parity and help them to increase sales. Finally, we have clients who use Lixto to effectively enter into new geographic regions; they can quickly and comprehensively survey the pricing trends in the new area and align their own prices to compete successfully.

**WPPS:** Christian, thank you for sharing your insights with us. How can more information about Lixto be obtained?

**CK:** It has been my pleasure. If you are interested in further details please visit our website (http://www.lixto.com).
The Best Pricing Strategy Requires the Best Market Price Intelligence

With Lixto you see in a single view how your customers price products and how you match up against the competition.

- **Automated harvesting of online market data** for a complete, accurate and up-to-date market picture without manual effort.
- **Know how your customers price products in online channels** with a daily overview of current prices and products in the market.
- **Know what consumers know** about competitors’ pricing, product reviews, delivery terms and more.
- **Improve your pricing strategies, react quickly to market changes** with powerful competitive analytics, ready-to-use dashboards and reports.

This material is from a copyrighted whitepaper by Wipro Technologies, Inc. To read the entire whitepaper, [click here](#).

Wipro Technologies, the global IT business of Wipro Limited (NYSE:WIT) is a leading Information Technology, Consulting and Outsourcing company, that delivers solutions to enable its clients do business better. Wipro Technologies delivers winning business outcomes through its deep industry experience and a 360 degree view of “Business through Technology” – helping clients create successful and adaptive businesses.