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WHITE PAPER

The Case for Implementing a Technology Solution to Manage Pricing

Why the Spreadsheet-Based Process Will Become Extinct

GREATVINES

Do you want to know the secret to boosting beverage alcohol sales force efficiency; saving your sales teams time and money while capturing incremental profits currently being lost to distributors and retailers? Of course you do! One of the chief strategies for achieving maximum efficiency and profitability involves exerting and maintaining solid control over your pricing. Beverage alcohol suppliers selling through the three-tier system (with distributors selling to the trade) need a tool to manage their pricing through the entire sales chain. This is because whether you have one brand or thirty to manage, you're still faced with the challenge of developing pricing for each state and distributor individually. Whereas the venerable Excel spreadsheet may have been a boon to users in the 20th Century, the spreadsheet-based process is no longer adequate to handle the task. Companies embracing the next generation of technology tools for delivering on-strategy pricing will surely outperform those opting to stay with "how we've always done things".

"... five mission-critical ways in which the spreadsheet model has become increasingly problematic and inefficient."

This paper will examine five mission-critical ways in which the spreadsheet model has become increasingly problematic and inefficient. It will also report on the state-of-the-art technology available to create a data-driven pricing strategy and then manage the pricing across multiple markets to effectively implement brand strategies. Learn about the amazing capabilities offered by today's leading technology products and how easy it is to use them. Discover what is important when selecting the right tools to invest in, and how quickly such an investment pays for itself. We even provide a "use case" to illustrate how recent advances in beverage alcohol business process automation tools outperform the manual processes they replace.

So, What's Wrong With My Spreadsheet-Driven Approach to Pricing?

Where do we begin? How about with the most obvious problem facing a growing supplier reliant on spreadsheets to manage pricing?

Scalability

Almost every sales organization has experienced the challenges of maintaining effective version control when using spreadsheets. "Who has the last version of the Atlanta Market spreadsheet?" Is it clear who made the last set of changes to the document? Are you sure the document you're about to modify is the latest version? How many times have you modified the data in a document only to learn that more current data had been appended to a newer version, resulting in the need for you to engage in tedious rework? Even more disquietingly, how many times have you made revisions to an outdated version without realizing the more current data had been overlooked? There is an unacceptably high probability of errors in publishing and executing the wrong version of a spreadsheet.

Moreover, since each state and/or distributor typically requires its own pricing model and plan, a typical supplier can have as many sheets as states they operate within. National distribution? 50 spreadsheets! Not to mention the number of tabs needed for each product! The odds for errors in version control are significant. And have you ever tried to take 50 different spreadsheets, each with numerous tabs, and integrated it into one? It's almost a certainty that mistakes will occur.

Beyond the overarching challenge of scalability, the spreadsheet-driven solution also struggles in a number of other areas. For example:

Lack of Analytics Capabilities

More than one stakeholder is involved in these processes—sales, marketing, finance, management, etc. It is difficult for these stakeholders to engage in concurrent activity in any given market because only those with the latest spreadsheet can view the most current data. This adds time to strategy and planning as the document wends its way – one-by-one – through the process flow. Add revisions to the process and it slows even further.

"... we can see the shortcomings of spreadsheet-based management not only losing money, but also, slowing operational efficiency ..."

The spreadsheet does not provide easily-generated summaries or reporting. Want to look up the average on-premise price or average "deep deal" for a product in a given market? Who has the spreadsheet for that market? When will she be done with it? Want to know the "by the glass price" in every market for a specific product? Let's collect all 50 sheets and look it up. Don't have all the latest sheets? Better send a dozen emails around to each sales manager to get the info, and pray they aren't on vacation. But first, call your spouse and let them know you'll be staying very late at the office! Wouldn't it be easier if all the data were available via a centrally located reports and dashboards?

Inability to Enforce Approvals

The hierarchy of your organization was developed to ensure checks and balances exist in your processes and that leadership is able to approve activities before execution. Yet, highlighting and correcting pricing that falls outside of a strategic range isn't exactly easy using Excel. So often, an organization will rely on its sales team to comply with established business rules, and leadership takes it on faith that sales will do its best to adhere to said rules.

Overspending on a price support budget is common without a strict approval process in place and nothing is worse than getting a bill from a distributor to support a low price that wasn't approved. Trying to renegotiate with distributors after the fact can damage important relationships and is almost always a waste of effort since they rarely agree to modify terms. Asking HQ or marketing for additional funds to support a low price after the cost has been incurred, can damage your Sales department's credibility with finance and marketing. Again, we can see the shortcomings of spreadsheet-based management not only losing money, but also, slowing operational efficiency, causing redundancy of efforts and even damaging critical business relationships.

Poor Communications for Change Orders

This one is pretty straightforward. If you aren't in custody of the latest version of the Excel file, you simply don't have access to the most current pricing figures. If pricing is modified for any reason, at any point in the process, others on the team will not necessarily be made aware of the change. The spreadsheet does not support a workflow nor does it provide automation to alert relevant stakeholders when changes are made after their involvement. Sales people managing distributors can't afford changes like price increases sneaking up on them without properly modeling the changes and agreeing to new plans with distributors.

No Dynamic Logic Capability

Excel does not offer any dynamic logic solving capability; the kind well-suited to run margin maximization exercises. Sure, Excel supports formula building, but only for one calculation method at a time. With the spreadsheet, you know the drill: get out your calculator, run the numbers on other potential scenarios, then return to the spreadsheet to enter the new data. Reworking deals with a calculator to model shelf price or feature price for different channels is too manual and impossible to synergize without a proper tool. Again, you're burning valuable time with purely tactical activities at the expense of strategic planning.

Unless you are able to manage an entire market in one spreadsheet, Excel is poorly suited to manage distributor negotiations because the rolled up "total weighted margins" are not accessible in the spreadsheet. Perhaps the biggest gap in using Excel to manage your pricing is the inability to accurately model and analyze distributor margins across a portfolio of products. Each distributor has different margin requirements and must be dealt with individually to suggest their pricing plan. But too many suppliers give their distributors the upper hand, and all the power in the negotiations over pricing because they don't have a tool to help them negotiate smartly. If a distributor pushes back on a suggested price from a supplier because their margin would be "too low" on that deal, the supplier has no leg to stand on if they can't quickly model it in a tool and offer a meaningful rebuttal or counter offer to the distributor. A $1 per case change in a price support offered to the distributor can mean thousands of dollars to the supplier, but literally nothing in the overall weighted margin for the distributor. A tool with proper analytics is required to give the supplier these key insights and the power to negotiate smartly and effectively.

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A 21st Century Solution for Pricing

It should be clear by now that to manage the three-tier system effectively – and to compete with the leading suppliers in your segment – the forward-thinking supplier must utilize a technology tool to manage pricing! Here is some information on how a best-in-class, Software as a Service (SaaS) solution can transform your pricing processes and practices from adequate, tactical efforts into super-profitable, highly efficient, strategic activities that don't just check the box on "pricing plan completed", but deliver real quantifiable incremental value to the company.

A SaaS solution is superior because unlike the manual processes it replaces, the application delivers functionality to support each of the five tasks left unaddressed by the spreadsheet driven process.

Scalability | Analytics | Approvals | Communications | Logic

The great thing about SaaS as a delivery model is that it is configurable to be as inclusive as needed for any organization. Whether you want access for five users or five hundred, SaaS is easily scaled to meet your needs (without adding cost) and requires nothing more than an internet enabled computer and web browser.

The leading solutions for the beverage alcohol industry generally offer interfaces that mimic the spreadsheet format because structurally, it is still a good way to organize your data and users are intimately familiar with it. The difference is that the SaaS solution acts as a central repository for the spreadsheet(s) and provides access to standardized information to all stakeholders, wherever they're situated, in real time. No more version control challenges. This model also allows for templating of the pricing workbooks so that all the key logic required is built in for each user to adopt and take advantage of.

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What's more, these tools typically integrate with ERP systems connecting such data as products, distributors and FOB prices directly with their respective locations in each spreadsheet, reducing the significant amount of time required to input this information. And as parameters change, the information is automatically updated without need for user intervention. These tools also integrate shipment and depletion data as well as retail invoice level data from distributors, which allows users to fully analyze plans vs actuals and model fully loaded plans that eliminate poorly developed volume estimates. This is critical because a $5 per case price support planned against 100 cases is a lot less expensive than an actual program of 500 cases. Where will the funds come from if the estimate fell short of the actual?

With the extra time captured by eliminating tedious data entry and the back-and-forth of version updates, users of the SaaS solution can concern themselves with making strategic decisions using the robust analytics and dynamic logic functionality supported by the technology. Top solutions provide users with real-time visibility and computing power needed to fully manipulate and model a pricing plan using up to 14 different "solve for" methods. Need to build a model to hit a retail feature price of $19.99? No problem. All stakeholders – including distributor/partners if desired – can participate in the modeling. Users should even be able to modify and tweak pricing models while negotiating with distributors in real time to maximize profitability.

Having all the pricing functions and underlying data fully accessible in a central location also makes it much easier to enforce business rules. Approval chains and constraints can be configured to accommodate every organization's particular workflow ensuring no deals are closed without the approval of designated managers or other approvers. This not only reduces the potential for less-than-optimal pricing being offered, but it also provides a clear audit trail for full accountability. In cases where pricing is changed or updated, system generated messaging and other communication/collaboration functions ensure all stakeholders are operating with the most current pricing data.

The Bottom Line

"A good solution will more than pay for itself every year with real quantifiable profit enhancements."

It always comes down to the bottom line when considering whether or not to implement any new systems or solutions. Not all technologies are created equal when it comes to return on investment. Investing in a pricing software tool happens to be a very smart decision. Implementing a SaaS tool requires a very modest initial investment (one of the defining characteristics of the Software as a Service model). The savings of man-hours invested by CFOs, Sales Executives and Sales Managers alone more than offsets the cost of the subscription fees. The costly mistakes of off-strategy pricing and unapproved funding of price supports prevented by a technology solution returns to increase the margins on bottom line earnings. A good solution will more than pay for itself every year with real quantifiable profit enhancements.

Simply put, a SaaS solution for strategic pricing like GreatVines helps suppliers:

1. Save time
2. Stay on strategy
3. Save on A&P spends
4. Increase margins

USE CASE

Caution: Not all solutions are created equal. Talk to a GreatVines representative today for more information on how the GreatVines solution stacks up against some of the other solutions in the market like Vistaar or Trade Pulse. Leverage the sample use case below to determine what you'd have to do to accomplish the stated goals using Excel. Then compare how GreatVines' pricing solution accomplishes the goals versus another technology offering.

Use Case Example

A Sales Manager needs to develop pricing for a new item for release in five states. Finance has given the Sales Manager the FOB starting point to build from and develop the distributor price-to-retail suggestions. Marketing has given the Sales Manager the strategic price points they want to hit at retail (price to consumer), and other channel-specific promotional concepts to implement. A pricing tool needs to be able to:

1. Set up the product specs including size and units per case;
2. Set up all costs of goods for the distributor including taxes and freight;
3. Establish dates the pricing will be in effect;
4. Model all the discount levels required to meet the needs of every retail account type while hitting the desired retail pricing to consumer strategy;

5. Ensure distributor margins requirements are being met but not exceeded;
6. Capture any incremental profit by tweaking the FOB or reducing/eliminating price supports;
7. Capture negotiated investment “bank” dollars from distributors;
8. Review the total weighted margin across all discount levels and tweak any level that can deliver additional profit;
9. Share the plan with the distributor to get their buy in using both detail reports of each pricing level and dashboards showing summaries and rollups;
10. Approve the final pricing plan and publish to the distributor to execute;
11. Give HQ finance and marketing visibility into the plans to get their buy in and continued support; and
12. Show finance how much incremental profit you were able to squeeze out of the model and ask for that money to be granted back to sales to spend on trade promotions.

About GreatVines

GreatVines is a privately held company with a strong team of implementation consultants, advanced software developers and subject matter experts. GreatVines, LLC is based in Portland, Oregon, with team members in Los Angeles, Northern California (Napa) and New York. Since no software is required to install, GreatVines is able to work with producers and distributors worldwide!

GreatVines aims to provide superior software solutions for producers and distributors of wine, spirits and beer. The team’s focus is constant innovation, leveraging the best technology available. As a Force.com ISV partner (Independent Software Vendor) of Salesforce.com (NYSE:CRM), GreatVines is able to leverage the technological strengths of the Force.com platform while applying its industry expertise to develop specific application features and functionality unique to the Beverage industry.

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