MarketScope for Price Optimization and Management Software for B2B: 2013

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Analyst(s): Chris Fletcher

VIEW SUMMARY

Price optimization and management is now on the executive agenda, aligned with CxO priorities on revenue generation, client acquisition and profit/margin improvement. Pricing executives should initiate small, focused projects to gain expertise, then leverage them to broader, global sets of products.

What You Need to Know

Price optimization and management (PO&M) projects increase margins and revenue, and they support sales governance for pricing strategies; however, complexity, long deployment cycles and specialized vertical industries hinder broad market adoption. Pricing executives should start with smaller, focused projects to gain expertise and support, then leverage this insight and sponsorship to a broader and global set of products.

MarketScope

The 2013 MarketScope for PO&M helps clients evaluate vendor software and service offerings, as well as align their price management strategies with the major trends affecting pricing professionals. The findings in the MarketScope are based on primary research conducted by Gartner, client interactions and inquiries on the multiple considerations that are part of developing a PO&M strategy, and Gartner research in technology and business adjacent to price management.

The last Gartner MarketScope on B2B PO&M software was published in 2011. Since that time, PO&M vendors have extended the functionality of their products, provided customized or configurable solutions for additional vertical industries, extended core functionality to include price execution capability for sales effectiveness and sales governance, and have begun to leverage advances in big data, SaaS and cloud deployment models, and mobile and tablet devices. However, the PO&M industry continues to be a niche applications segment, compared with the size and growth of CRM, ERP, mobile computing and other high-profile/fast-growth industry segments.

Key Findings:

PO&M offers a compelling value proposition in terms of the ability to provide a significant and measurable positive impact on margin, revenue and profitability: A successful PO&M implementation can increase margins by 50 basis points or more, and increase revenue by 2% to 4%. Based on this success, price optimization has shown steady growth during the past two to three years and has found its way onto the CxO’s agenda, aligning closely with executive priorities of revenue generation, customer acquisition and profit/margin improvement.

Big data is a major priority. Reference customers identify big data, along with data visualization tools and integration with configure/price/quote (CPQ) suites, as the top-three technology priorities during the next three to five years. Improvements in competitive insight using Web crawling agents and third-party data sources, integration with tablets for sales-facing applications, and integration with e-commerce applications are also cited by reference companies as priorities.

Managing price optimization through internally developed spreadsheets and database tools is no longer viable. The increasing sophistication and capacity of the analytic, data, and application tools used for PO&M are increasing the granularity of pricing, while the growing volumes of data, the ability to use advanced analytic and visualization tools to enable the parallel analysis of product and price data, market segment insight, sales and customer data, inventory and competitive data, and the integration of both internal and external data sources are enabling the ability to create and manage microsegments.

However, companies should also approach PO&M initiatives with a level of caution:

PO&M implementations can be complex and lengthy; individual projects vary widely, based on scope, the IT and data environment, and internal expertise; however, reference companies reported that a full implementation across the organization took a mean time of 17.3 months.
The evaluation process prior to implementation, including setting internal scope and objectives, evaluating vendors and RFPs/requests for information (RFIs), and contract negotiation took a mean of 12.7 months. Pilot implementations had a mean of 4.0 months. Some vendors offer fixed scope/price/time frame projects as a way to deliver price management value more quickly, as well as to demonstrate proof of concept (POC); other vendors have developed SaaS or hosting options that can help to drive down implementation times. Nonetheless, PO&M projects are a substantial undertaking for most organizations.

Data collection, cleansing and management was cited by 67% of references as one of the top three challenges. Other challenges include lack of sufficient resources or time (47%) and lack of price optimization expertise in the organization (40%). Only 11% cited a lack of support from senior or line management for price optimization projects as a top challenge.

Several of the vendors highlighted in this MarketScope have been in the market for more than 10 years, and yet are still struggling with relatively small levels of revenue, as compared with other enterprise application segments. Several of the vendors have announced technology partnerships to extend their technical and organizational reach within the enterprise — for example by supporting big data tools and architectures, or through integration with CRM or CPQ applications.

PO&M is not yet a homogeneous technology market. Vendors have historically focused on a relatively small set of vertical industries, such as manufacturing, energy and chemicals; on the specialized needs of an industry niche, such as the pricing of spare parts or the financial services industry; or on providing a high proportion of strategy and consulting-based services that leverage a focused core of reusable software assets. The lack of homogeneity among vendors, technology offerings and solution approaches is reflected in this MarketScope, with vendors or product offerings from several niche areas or approaches represented. Vendors with specialized solutions that manage price optimization for spare parts management, vendors with primarily service-based offerings, and vendors with broad, cross-industry solutions and deep analytic capability, are included in this MarketScope.

Market/Market Segment Description

Core Functional Segments

The PO&M market includes three core functional areas:

- **Price analytics** — Analytic discovery processes that assess product, pricing, sales and customer data to identify and explain trends in pricing and the impact of market dynamics and pricing anomalies.
- **Price optimization** — The modeling and forecasting processes and tools used to identify and define optimal pricing strategies and project price recommendations.
- **Price execution** — The process that provides guidance and governance for product pricing, administration and integration with sales force automation (SFA), ERP, order management and other related applications used by salespeople. Price execution provides integration with tactical sales tools, such as CPQ systems, as well as sales-effectiveness systems that automate the pricing process.

These three functional capabilities enable companies to implement and improve closed-loop pricing processes that quantify the size and scope of the pricing challenge; provide guidance to maximize margin, revenue and profit; and enable pricing governance and oversight for sales processes and direct/indirect sales channels.

Vertical Industry

PO&M adoption is most visible in industries that provide high-volume commodity products, rely on price as one of the key competitive differentiators, or are sold via B2B and B2B-to-consumer (B2B2C) processes. Major industry segments include:

- Airlines and travel
- Chemicals
- Consumer goods
- Energy
- Financial services
- Food and beverages
- High tech
- Life sciences — pharmaceuticals and medical devices
- Manufacturing
- Telecommunications
- Wholesale and distribution

The PO&M vendors in the market tend to develop deep levels of expertise in two or sometimes three vertical industries. This is due to the relatively specialized nature of each industry’s requirements, and to the steep learning curve associated with identifying the business processes, data sources and enterprise applications that are unique to that industry. As a result:
Price optimization vendors tend to cluster around industries in which they've already achieved success. A vendor's vertical industry expertise is a critical consideration for end-user organizations looking for price optimization solutions.

Although horizontal and cross-industry in design, price optimization applications are vertical in practice and in implementation, which creates a barrier to entry for new vendors or for vendors looking to broaden their market penetration.

Some industries, such as retail, have specialized price management requirements that require custom development, retail-specific functionality or high levels of customization of standard price optimization packages. Similarly, the service parts and field service industries have specific functional and integration requirements that are unique to their markets.

Adjacent Price Management Application Segments

Several adjacent software and service segments involve pricing or price management, but are not part of the PO&M market segment, as defined by Gartner:

**Retail price management** — Price management applications used specifically in retail applications in support of business-to-consumer (B2C) sales activities (e.g., in price management related to inventory management or merchandising).

**CPQ** — Operational or tactical applications that support CPQ activities and are used primarily by direct or indirect sales teams, or by the consumer.

**Buy-side price management** — Applications or technologies involved with the supply chain that are implemented and used to support purchasing or buy-side activities.

**Contract life cycle management** — Applications that are designed to manage contracts, terms and negotiations with customers and are used primarily to guarantee contractual compliance with pricing, terms and agreements.

Inclusion and Exclusion Criteria

To be included in the PO&M MarketScope, a vendor must meet the inclusion criteria for market presence and technology, which are described in the sections that follow.

Market Presence Criteria

Vendor must provide PO&M application functionality with a licensed/on-premises application or SaaS-based applications that provide functionality for price analytics, price optimization and price execution.

Vendor must provide professional services to support customer implementations, training, consulting, custom development, system integration and other nonsoftware products that support PO&M deployments.

Vendor must have a minimum of 10 production implementations worldwide.

Vendor must have production implementations in at least two vertical industries (e.g., manufacturing; wholesale and distribution; and high tech). Vendors with demonstrable expertise and implementations in more than two verticals are rated more highly.

Vendor must have a minimum of $20 million in revenue during the past four quarters. If a company is privately held and chooses not to disclose revenue information, the company can provide the total number of installed customers, growth rates in 2011 and 2012, total number of customers acquired in 2011 and 2012, and the average deal size. (Gartner may estimate revenue for vendors that choose to not submit financial and revenue information.) Vendor revenue includes:

- Product license fees
- SaaS revenue
- Annual maintenance
- Professional services provided by the vendor

The vendor must have a direct or indirect sales and customer support presence in at least two of the following three regions: North America and Latin America; Europe, the Middle East and Africa (EMEA); and the Asia/Pacific (APAC) region. In addition, the vendor needs to have system integration, consulting, technology, or sales and support partnerships in at least two of those regions. Examples of these partnerships can include system integrators (SIs), service providers, third-party application developers, add-on application vendors or service providers, and strategy or process consulting providers, as well as value-added resellers (VARs), distributors, OEMs and technology providers.

The vendor must demonstrate and articulate a technology and service road map for PO&M that plans for potential technology and service developments during the next three years.

The vendor must demonstrate market viability and interest, measured in part by inquiries from Gartner clients.

Technology Criteria
Vendors need to have a generally available PO&M application software package, either as a licensed/on-premises product or as a SaaS service, that provides price analysis, price optimization and price execution capabilities:

- Price analysis and price execution capabilities can be provided as an integral functional capability of the product, or can be supplied by either professional services or through integration with third-party CRM, SFA, sales execution management (SEM) or sales performance management (SPM) applications.
- Some functionality may cross over one or more application modules, as defined by Gartner, or it may not map directly to a vendor's specific products or product options.

**Price Analysis**

Vendor must demonstrate the ability to aggregate, deduplicate, store and analyze price-related data from a variety of sources and content types, which could include ERP, CRM/SFA, order management, contract management or financial management applications; internally developed, legacy or industry-specific applications; desktop tools, such as spreadsheets; and third-party or external data sources, such as market data, point of sale (POS) data or competitive data.

Vendor must demonstrate the ability to identify and explain trends in pricing and assess the impact of market dynamics and pricing anomalies.

Vendor must demonstrate the ability to analyze product, pricing, sales and customer data to identify outlier or high-deviation product/pricing areas and identify margin leakage areas.

Vendor must demonstrate the ability to visually display the results of this analysis using preconfigured tools, graphic reports, dashboards, management/sales alerts, and related visual, graphic or reporting tools — e.g., pricing waterfall diagrams, scatter plots, management or sales reports, and preconfigured or formatted reports.

Vendor must demonstrate the ability to develop segmentation analysis, including performance and potential performance across multiple market segments, product segments, distribution channels and customer segments.

Vendor must demonstrate the ability to run simulation, modeling or what-if scenarios, based on current or proposed pricing, product, customer, segment or distribution channel options.

**Price Optimization**

Vendor must demonstrate the ability to identify and define optimal pricing strategies and project price recommendations, based on pricing, product, customer, segment or distribution channel data.

Vendor must demonstrate the ability to calculate the recommended or optional pricing for a product or family of products, based on strategic, market, custom, financial or business objectives.

Vendor must demonstrate the ability to calculate recommended or optimal pricing, based on such criteria as corporate or strategic objectives (e.g., market share growth or margin maximization), competitive market activity, win/loss analysis and price elasticity.

Vendor must demonstrate the ability to manage real-time data inputs from internal data sources — such as CRM, ERP, order management, e-commerce, financial management, SCM, distribution management or other enterprise applications or data sources — as well as the ability to take data inputs from external data sources, such as competitive information, POS data, market data or economic data.

Vendor must demonstrate the ability to analyze and create price optimization recommendations for subsegments, including by product, product segment, customer segment, geographic segment, market-size segment or distribution/sales channel segment.

Vendor must demonstrate the ability to forecast product demand, costs, and potential impact on revenue and margin by product, product segment, customer segment, geographic segment, market-size segment or distribution/sales channel segments.

Vendor must demonstrate the ability to calculate price elasticity across multiple product lines by segment.

Vendor must demonstrate the ability to develop and recommend optimized prices.

**Price Execution**

Vendor must demonstrate the ability to export optimized price data to various CRM, SFA, ERP, CPQ, or related sales effectiveness applications available from application vendors — e.g., Microsoft Dynamics, Oracle, salesforce.com or SAP. (Vendor applications identified are examples and are not required; however, the ability to export optimized price data is required.)

Vendor must demonstrate the ability to define and enforce pricing compliance, rules, policies and guidance.

Vendor must demonstrate the ability to develop price review/approval/exceptions workflows to automate the proposal process.
Vendor must demonstrate the ability to automatically monitor pricing governance, such as pricing approvals and exceptions through integration with CRM, SFA, CPQ or sales-effectiveness tools, or through a vendor-provided tool or desktop/tablet application.

Optional

Vendor must demonstrate the ability to model and provide price/quote guidance through integration with SFA or similar sales tools for the most appropriate or profitable prices and terms.

Vendor must demonstrate the ability to provide sales guidance on recommended pricing or margin levels, through integration with CRM/SFA applications or through a vendor provided CRM/SFA/sales-effectiveness tool.

Vendors and Inclusion Criteria for the 2013 MarketScope for PO&M

The 2013 MarketScope for PO&M focuses specifically on packaged applications technology that provides price optimization and management and that meet the Technology and Market Criteria published by Gartner earlier in 2013 (see "Criteria for the Price Optimization and Management MarketScope: 2013"). Clients with price optimization and management projects who are using this MarketScope to develop their plans and investments in this area should keep in mind the following guidelines:

The MarketScope focuses specifically on packaged (licensed, on-premises or SaaS) applications that meet the criteria and is not intended as a comparison of service or consulting capabilities. Several service or consulting organizations provide valuable expertise for PO&M projects, but are not included in this MarketScope because they do not sell a packaged application that meets the criteria. For example, Deloitte provides consulting and advisory services for price strategy, technology implementation, price execution and pricing analytics. Deloitte provides implementation and integration services as a partner with several major PO&M vendors. In addition, Deloitte provides its own proprietary technology for price analytics, but is not included in this MarketScope.

Some of the vendors in this MarketScope have a narrow industry or usage scope, such as providing price optimization for parts management, or primarily for the financial services industry. When selecting a vendor, clients should evaluate their needs in terms of breadth of functionality and industry experience.

Vendors Added or Acquired Since the "MarketScope for Price Optimization and Management Software for B2B, 2011" Was Published

FICO Corp. (FICO) was added; FICO provides PO&M capabilities specific to the financial services industry.

McKinsey Solutions, a wholly owned subsidiary of McKinsey & Co., was added to the 2013 MarketScope. Although McKinsey & Co. is known primarily for its consulting services, McKinsey Solutions (and its Periscope product) meets the inclusion criteria for this MarketScope by offering a software solution for PO&M, in addition to professional services.

Servigistics was acquired by PTC and is included in this MarketScope as PTC.

Vendors Dropped Since the "MarketScope for Price Optimization and Management Software for B2B, 2011" Was Published

Model N provides revenue management capabilities for the life sciences and high-tech industries. Model N was included in the 2011 MarketScope on Price Optimization and Management, but did not meet the technology criteria for the 2013 MarketScope.

Oracle did not meet the technology criteria and is not included in the 2013 MarketScope.

SignalDemand did not meet the revenue criteria for the 2013 MarketScope and is not included.

Rating for Overall Market/Market Segment

Overall Market Rating: Positive

PO&M offers a compelling value proposition in terms of the ability to provide a significant and measurable positive impact on margin, revenue and profitability, and the segment has shown steady growth during the past two to three years. Most importantly, PO&M aligns closely with the CxO focus on profitability, revenue and customers. The scope and alignment of PO&M applications continues to evolve and to move more closely in line with major technology priorities of CIOs and IT professionals, as PO&M vendors integrate with and leverage client investments in CRM/SFA, big data, mobile and tablet computing, cloud/SaaS and analytics.
However, the segment continues to be relatively fragmented, with many vendor PO&M products specific to a subsegment, such as price management for spare parts or a narrow range of vertical industries. Compared with enterprise application segments, such as ERP, CRM, CPQ or supply chain management (SCM), PO&M is still an emerging market as characterized by its smaller total revenue size, fragmented market segments and relatively rapid adoption of new technologies to expand functionality and value. Wider client recognition of PO&M, as measured by the number of Gartner inquiries, lags the much higher level of inquiries around more-established markets, such as CRM, SFA, e-commerce, customer experience and other adjacent software categories.

### Evaluation Criteria

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<tr>
<th>Evaluation Criteria</th>
<th>Comment</th>
<th>Weighting</th>
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<tbody>
<tr>
<td>Market Understanding</td>
<td>Ability of the vendor to understand buyers’ wants and needs and to translate those into products and services. Vendors that show the highest degree of vision listen and understand buyers’ wants and needs, and can shape or enhance them with their added vision.</td>
<td>Standard</td>
</tr>
<tr>
<td>Customer Experience</td>
<td>The availability and viability of internal customer service and support capabilities, including support resources, systems, policies and global scope; external resources, including partnerships with global SIs, consulting organizations, as well as technology partnerships; and related internal or external resources, such as third-party tools or consulting methodologies, customer-led social networking initiatives, and the availability of user groups and SLAs.</td>
<td>High</td>
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<tr>
<td>Offering (Product) Strategy</td>
<td>Vendor strategy for product development and delivery that emphasizes market differentiation, functionality, methodology, time to market, competitive activity, technology and industry advances, and other relevant criteria as they affect the customer experience and map to current and future requirements. Product strategy will also include the company’s business model, such as the soundness and logic of the vendor’s underlying business proposition; its vertical or industry strategy that will direct resources, skills, and investment to meet the specific needs of individual market segments, users, or vertical industry groups; and its global strategy that will affect the ability of the company to meet the needs of a global customer base.</td>
<td>High</td>
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<tr>
<td>Innovation</td>
<td>Investment of financial, management, or technology resources, expertise or capital in areas such as product development, sales and support infrastructure, third-party and partner relationships, or mergers and acquisitions, and that are intended to expand the scope, capabilities, or global presence of the company and its products for its customers.</td>
<td>High</td>
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<tr>
<td>Product/Service</td>
<td>Licensed or SaaS applications offered by the vendor that provide price optimization and management functionality and integration with adjacent applications, data or services. This includes product capabilities, feature sets, technology base, architecture and integration capabilities.</td>
<td>High</td>
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<tr>
<td>Overall Viability (Business Unit, Financial, Strategy, Organization)</td>
<td>Viability of the organization’s overall financial strength, the financial and practical success of the business unit or company, and the likelihood of the business unit or company to continue selling, supporting and investing in the product, and to advance the state-of-the-art in the company's product portfolio.</td>
<td>Standard</td>
</tr>
<tr>
<td>Market Responsiveness and Track Record</td>
<td>Ability to respond, change direction, be flexible and achieve competitive success, as opportunities develop, competitors act, customer needs evolve and market dynamics change. This criterion also considers the vendor’s history of responsiveness. This area involves the vendor’s strategy to direct resources, skills and offerings to meet the specific needs of geographic regions outside the headquarters region, directly or through partners, channels and subsidiaries, as appropriate, for that geography and market.</td>
<td>High</td>
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Source: Gartner (November 2013)
FICO (formerly Fair Isaac) provides predictive analytic software and services to the financial services, energy, travel and airlines, and retail industries and is known for its credit scoring services. Publicly traded, FICO generated approximately $670 million in revenue in FY12; Gartner estimates that approximately $30 million of this revenue came from PO&M-related software and services. FICO has about 65 companies using its PO&M applications, with approximately two-thirds of this business coming from North America and the remainder from EMEA and APAC regions. The FICO Pricing Optimization Suite (POS) is an umbrella product name; a customer solution could be based on several FICO applications, such as the Xpress Optimization Suite, Xpress Insight, Decision Optimizer, Decision Management Platform, and FICO Model Builder. In addition, FICO may integrate scoring services, such as the Credit Capacity Index and Economic Impact Index, as well as professional services, such as price strategy consulting.

**Strengths:**

**Scope and viability** — FICO is publicly traded, global and profitable. It provides sales and support capabilities through its direct sales/support channels or through partners, and is well-established in its target markets. These core markets include financial services, energy, and travel and airlines, as well as primarily B2C markets, such as hospitality and telecommunications.

**Product and services breadth** — FICO meets all of the criteria required for this MarketScope, and is strong in developing predictive analytic, modeling and what/If, and product/customer segmentation pricing and guidance. POS also provides capabilities such as collaboration and workflow between product, pricing and finance teams. The Decision Management Platform can model and recommend to sales teams optimal pricing for a specific customer or product situation. POS is supported on several major OSs and commercial databases, can be licensed and implemented on-premises, or it can be hosted by FICO.

**Industry expertise** — FICO has deep expertise in analytics and in providing decision support and insight to the financial services, energy, travel, and retail industries and in the B2B, B2B2C, and B2C business models. Its Pricing Optimization Suite product is a relatively small part of FICO’s total revenue, but the product is able to draw on other FICO applications, scoring and economic index data and professional services to provide PO&M capabilities, as well as adjacent product guidance and insight in these target industries.

**Cautions:**

**Narrow focus** — FICO has strong experience in its target industries, particularly those involving PO&M and decision support for financial related products; however, it is not implemented in several of the core industries in which PO&M is most prevalent. PO&M solutions continue to be industry-specific: companies that require PO&M solutions for manufacturing, chemicals, or service parts management should evaluate vendors highlighted in this research that have demonstrable expertise in their industries. POS provides APIs for integration with CRM and SFA applications, but there are no standard and supported integrations with salesforce.com, Microsoft Dynamics CRM or other leading SFA applications. There are no packaged sales-facing applications and no current iPad or tablet application designed for sales/price execution; for mobile integration. The use of APIs is required.

**Custom analytics** — The broad range of functionality available in the POS suite, combined with FICO’s predictive analytics engine, may require a higher level of integration services, strategy or design services than required with alternative solutions. Although this may also result in a more highly optimized platform for a specific industry or company, prospective customers should carefully evaluate all software and services resources required to develop and implement a complete solution.

**Recent entry** — Although well-established in predictive analytics and credit scoring, FICO is a relatively new competitor in the PO&M market and its PO&M specific revenue is a relatively small piece of FICO’s total revenue. Prospective customers should evaluate FICO’s product and services and compare them to those of other vendors highlighted in this research.
Navetti provides price management and optimization solutions for customers primarily in the retail and wholesale/distribution industries. Periscope has more than 30 customers globally, and has seen 30% growth in new logos since 2012. Although McKinsey & Co. is known primarily for its consulting services, Periscope Solutions and its Periscope product meet the inclusion criteria for this MarketScope by offering a software solution for PO&M, in addition to professional services. The company has more than 150 staff dedicated to the Periscope product suite in product development, sales or business development roles directly associated with the Periscope product. It also draws on other specialized expertise in adjacent technology and business areas within McKinsey overall. Periscope acquired Lixto Software earlier this year and provide consulting services, McKinsey Solutions has seen 30% growth in new logos since 2012.

McKinsey & Company

Rating: Positive

McKinsey Solutions is a wholly owned subsidiary of McKinsey & Co., a well-known, privately held consulting organization. McKinsey Solutions owns the PO&M product, Periscope, as well as Periscope, the company that produced this product. This entity now provides price analysis and optimization capabilities for the consumer goods, chemicals, manufacturing, airlines, food, banking, retail and wholesale/distribution industries. Periscope has more than 30 customers globally, and has seen 30% growth in new logos since 2012. Although McKinsey & Co. is known primarily for its consulting services, Periscope Solutions and its Periscope product meet the inclusion criteria for this MarketScope by offering a software solution for PO&M, in addition to professional services. The company has more than 150 staff dedicated to the Periscope product suite in product development, sales or business development roles directly associated with the Periscope product. It also draws on other specialized expertise in adjacent technology and business areas within McKinsey overall.

The primary components of the Periscope offering are Performance Vision, an analytics and performance management platform; Price Advisor, which supports price segmentation, price setting, and price management; and Deal Advisor, a custom-developed set of front-end tools typically used by the sales organization. Periscope University provides training, assessment and change management capabilities that support price management activities related to Periscope and PO&M activities within their customer organizations. Periscope is offered primarily as a SaaS application, and is built on Microsoft technologies, including .NET, Silverlight, C# and SQL Server.

Strengths:

- **Domain expertise** — Periscope has a strong understanding of PO&M, and can draw on a combination of packaged solution technology and professional services expertise to provide a highly customized level of insight to its customers. Periscope Performance Vision has strong analytics capabilities that can be used to initially visualize the scope and breadth of a customer's pricing challenge, and to then provide periodic insight and management guidance around price areas that need continuous management. Periscope can also draw on professionals in the broader McKinsey organization for specialized insight or skills in adjacent areas, such as CRM, analytics or change management.

- **Global footprint and reputation** — McKinsey & Co. is well-known and has a global presence with its consulting organization and McKinsey Solutions. Periscope is hosted across three global hosting centers, including a hosting center located in Europe that helps to eliminate concerns about cross-border data storage.

- **Analysis, visualization, contract management** — The SaaS deployment model for Periscope helps to reduce overall implementation time, including at the early price analysis stage of the project when data uploading and analysis is done. Strong analysis capabilities, including the ability to model microsegments of products, channels or geographies. The ability to support or integrate with contract management — including the ability to capture and track volume-based discounts, minimums and penalties, as well as to track multiple contracts throughout the organization — has become key functionality. Integration with contract life cycle management is becoming a major requirement with clients, due to potential risk, control and margin management issues, and is not generally found in other applications as standard functionality.

Cautions:

- **Services model** — Although Periscope provides a packaged set of functionality, the McKinsey go-to-market model emphasizes consulting, services and custom development. Clients should compare the total project cost of this approach with other solutions, and should be prepared to take internal ownership of the technology and solution sets at an earlier stage of the project to manage long-term costs and build internal expertise.

- **API-based price execution capability** — The Deal Advisor functionality, which is intended for price setting and quoting use by sales teams, is based on custom front ends built for each implementation, although back-end components are standard and reused across all implementations. Periscope provides APIs for CRM integration, but does not provide out-of-the-box integration with the leading CRM/SFA applications. An iPad reporting application, Performance Vision, is available through the Apple iStore for viewing reports or story boards; however, other tablet applications for specific implementations would have to be developed using APIs.

- **Primarily SaaS platform** — Periscope is deployed as a SaaS service hosted by McKinsey Solutions in most implementations, although some deploy on-premises. In those instances, full synchronization with ERP systems can occur no more than every 30 minutes.
industrial, manufacturing and automotive industries. Navetti is headquartered in Sweden, has
offices in Germany and the U.S., and has a development center in Macedonia. Gartner estimates
Navetti’s revenue to be approximately $20 million, with approximately 80% of its customers located
in Europe. Navetti PricePoint provides a set of structured price management applications designed
to manage global pricing for industrial organizations. Navetti PricePoint is designed as a total price
management system, with its PO&M capability, including the ability to analyze pricing, create pricing
waterfalls and integrate competitive price insights. Navetti PricePoint 4, the company’s latest
product, includes modules for price and market management, deal management, transfer price
management and Web-based price crawling for competitive insight. Navetti PricePoint 4 is built
using Microsoft Windows Server 2008, SQL Server, .NET and C#. The product is available as a
licensed, on-premises application, via annual subscription or as a SaaS service; pricing is based on
a combination of revenue under management, and the number of functional modules implemented.

Strengths:

- **Broad pricing management capability** — Navetti provides a price management application
designed to organize and manage several aspects of pricing, including PO&M. Navetti
PricePoint is designed for global manufacturing companies. It enables clients to implement
value-based pricing, market-based pricing and refined cost-based pricing.

- **Product strengths** — Navetti PricePoint 4 supports centralized pricing and distributed local
pricing within a single, global instance of the product. The product strengths are in PO&M,
specific functionality and insight tailored for its target segment in terms of a broad, structured
approach to pricing. Navetti is an appropriate choice for companies in Navetti’s target markets
that require PO&M functionality, as well as generalized price management functionality.

- **Industry expertise** — Navetti has a sizable list of well-known customers in their target
industries, and can provide a software product and professional services, such as price
management consulting. Price Point includes an integration tool and has been integrated with
most of the well-known ERPs and product data management (PDM) systems.

- **Software and professional services** — Navetti provides a packaged price management
application, as well as price management consulting and services.

Cautions:

- **Market-specific solution** — Navetti is focused on the industrial and manufacturing sectors,
has a large percentage of its revenue coming from companies located or headquartered in
Europe, and has recently initiated several projects in North America. Companies in Latin
America or Asia should evaluate Navetti’s ability to provide support and services in their local
regions.

- **Unproven for verticals outside the industrial and manufacturing sectors** — Companies
outside Navetti’s core vertical focus should evaluate other PO&M products with
implementations and expertise in their industry.

- **Size and scope** — Navetti is privately held and depends on the European and Northern
European region for most of its business. Prospective customers should evaluate Navetti’s
relatively strong customer base and product capabilities, but should also consider its regional
scope and ability to invest in R&D against larger, more-global competitors.

Pros Holdings

Rating: Strong Positive

Founded in 1985 and headquartered in Texas, Pros Holdings, which is generally known as Pros
Pricing, is one of the largest and most established firms in price optimization and management. Pros
reported 2012 revenue of approximately $118 million in FY12, with 44% of revenue coming from the
U.S., 35% from EMEA, and 20% from APAC and other regions. During its 3Q13 reporting, the
company gave guidance on full-year 2013 revenue of approximately $144 million. Pros has more
than 150 customers in industries including manufacturing, service parts, chemicals, distribution,
business services, and travel and airlines. The company works closely with consulting companies,
including Accenture, Deloitte, IBM, L&T Infotech and McKinsey, and has technology partnerships
with IBM, Microsoft, Oracle, salesforce.com and SAP. In October, 2013, Pros announced its intention
to acquire Cameleon Software, a provider of CPQ. Although the acquisition had not been completed
at the time of publication, Gartner expects Pros to integrate Cameleon and provide an integrated
price optimization/CPQ solution, as well as enhance its SFA and sales-effectiveness capabilities.

The latest version of Pros Pricing Solution Suite (PPSS) 3.24 for enterprise customers includes
Scientific Analytics, Price Optimizer, Deal Optimizer, Sales Optimizer, Quote2Win and Rebate
Optimizer. Pros has announced plans to release its Price Planning module in December 2013. Pros
also has products and services specific to the travel industry, including Pros Analytics for Airlines,
Pros Revenue Management and Pros O&D, as well as Pros Step, a PO&M product designed for
midsize organizations and divisions of larger companies. Pros offers a variety of professional
services, including project management, software configuration and design, data assessment and
integration. PPSS can be deployed as an on-premises application or can be hosted by Pros.

Strengths:

- **Depth and breadth of product** — Pros has one of the most functionally rich PO&M product lines
in the market, and has been implemented in various primarily B2B industries. The company has
maintained deep expertise and functionality in price analytics and optimization, and has
extended the product to support price execution through integration with Microsoft Dynamics,
PTC

Rating: Promising

PTC is a $1.3 billion company, providing a range of computer-aided design (CAD), application life cycle management (ADLM), product life cycle management (PLM) and service life cycle management (SLM) products to the industrial and manufacturing industries. PTC completed its acquisition of Servigistics in 2012, and provides PO&M capabilities as an integrated feature set in its SLM/Service Parts Pricing (SPP) solution. Gartner estimates that approximately 15% of PTC's total revenue comes from its SLM product category.

SPP supports the functionality needed for global service parts management and pricing, including segmentation and optimization and the ability to include factors such as product life cycles, parts volume, the presence and pricing impact of aftermarket parts alternatives, and the support of different pricing strategies based on geographic markets, distribution channel, or competitive activity. PTC is appropriate for companies that are focused specifically on the price optimization and management of spare parts for aerospace and defense, industrial equipment, automotive, and other manufacturing organizations. Because the PO&M capability is integrated with other PTC/SLM capabilities — such as service parts management or warranty and contract management — analyses and processes associated with the pricing of spare parts are simplified. For example, all of the data related to the volumes of a particular part or set of parts is contained in the same data repository, which simplifies and speeds up the analysis of relevant pricing information. Pricing decisions that affect a range of parts are reflected in other related applications within SLM, such as warranty and contract information.

Strengths:

Parts/price management expertise — PTC provides a complete SLM solution, including integrated PO&M capabilities designed specifically for the pricing of spare parts. This integrated approach provides depth of functionality and an integrated SLM/PO&M set of solutions. Because the data and applications affecting parts pricing decisions are kept in a consistent format and application set, implementations of the pricing components of SLM tend to be shorter and more predictable than with PO&M products that have broader industry applicability and functionality.

Industry insight and focus — PTC provides a range of CAD, PLM, ADLM and SLM products for the industrial and manufacturing industry, and can leverage this industry expertise with products and professional services designed to deliver industry-specific functionality. Price
management strategy and tactical pricing decision-making also tend to take less time in pricing focused specifically on spare parts. The number of distinct stock-keeping units (SKUs) that make up a spare parts inventory can be extremely large, adding complexity to the management of data and processes involving parts pricing. On the other hand, parts management is generally a mature and well-understood discipline within most manufacturing, industrial or automotive companies, and the management of internal processes, sales and distribution channels, and overall parts/pricing management is often focused within a single organization, simplifying and shortening average implementation times.

**Market presence and global footprint** — PTC is a global organization with a broad range of well-known customers in its target industries, although most of PTC's revenue comes from non-SLM and PO&M areas. PTC has partnerships with Accenture and Deloitte for strategy and implementation support, as well as with specialty services companies such as Carlisle and Co., Eucon and Simon Kucher Partners. PTC provides professional services for implementation, integration, training and support, and can also provide competitive pricing research and data for specific customer data requirements.

**Cautions:**

**Service parts/price management focus** — PTC's products, including its PO&M capabilities, are focused exclusively on service parts and price management. Companies with PO&M requirements that are not specific to spare parts price management should evaluate vendors in this MarketScope that support broader industry and usage models.

**Integrated functionality** — Price optimization functionality is embedded in the SPP product. Although SPP can be implemented as a stand-alone application, most SPP implementations include SLM.

**Scope** — Although PTC is a global organization with a large number of customers, Gartner estimates that only approximately 25 companies have implemented the price optimization solution.

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**Syncron**

**Rating: Promising**

Syncron provides PO&M and global price management solutions for companies in the construction equipment, industrial equipment, automotive aftermarket, consumer product and aerospace industries. Headquartered in Sweden, most of Syncron's revenue comes from customers in Europe, with approximately 15% to 20% from North America and 10% from APAC. Privately held, Gartner estimates that 2012 revenue was approximately $30 million. Syncron has a Dun & Bradstreet (D&B) AAA ranking. Syncron integrates with SAP NetWeaver through a certified adapter, and has partnerships with CGI, D&B, IBM, Oracle, Red Hat, Wipro and others. Syncron has implemented its solutions in more than 90 countries. In areas without a subsidiary or in projects where additional consulting services are requested, Syncron has established a network of partners, such as Atos, Barkawi, Simon Kucher and Siemens, to jointly fulfill their customer requirements.

**Strengths:**

**Global price management** — Syncron provides a centralized, global price management capability for companies that manufacture complex industrial or construction equipment, and that also provide PO&M functionality. Syncron's latest release, Global Price Management 13.1, integrates with other Syncron applications, including inventory management and order management. Other enhancements include the ability to manage bulk pricing and changes, set price corridors to provide guidance for discounting or price concessions, and capture feedback on pricing anomalies or competitive activity. Syncron provides analytics that support pricing decisions such as what/if analyses, model or project change simulations, and real-time pricing management for Internet or e-commerce applications, as well as price guidance for the management of discounting and price waterfall management. Global Price Management is available as a licensed or on-premises solution, or as a single-tenant SaaS service. **Industry expertise** — Syncron has domain expertise, including professional services and consulting, for companies in its target construction, industrial equipment, automotive and aerospace markets typically focusing on service parts divisions. It has several recognized industrial brands from the Global 500 in its installed base. Syncron is certified with SAP NetWeaver and provides a business process platform that is used by its customers to develop workflows and automated activities around price management functions. Syncron can also integrate with third-party sources of competitive pricing data, although it does not provide its own Web crawler technology for competitive insight. **Value** — Syncron customers comment on the ability of the platform to support all their pricing requirements for global sales; its ability to improve profits by 3% or more; and its relatively short time to productivity of between six and 12 months for most customers enabled by an out-of-the-box configuration designed for service part pricing. Syncron's business process management (BPM) platform enables process change requests and helps reduce operational costs.

**Cautions:**

**Regional focus** — Syncron has historically had a customer base primarily in Northern Europe although it now has professional services in the U.K., U.S. and Japan, in addition to Sweden. Customers should confirm the availability of support and services resources in their area, and should evaluate the availability of third-party services or expertise, if required.
Most of Vistaar's customers are located in North America. Vertical industries professional services make up about 70% of the company's staff resources and are located in India. Vistaar is a PO&M company founded in 2001, with headquarters in New Jersey. R&D and technology partnerships to extend its product functionality and reach; Vistaar is resold by SAP as "SAP Price and Margin Management by Vendavo" under an SAP Solution Extension partnership. The latest version, Vendavo 8.1, provides support for SAP Hana and Sales Negotiator, a sales-facing application for Apple iPad tablets. Vendavo's solutions also maintain support for Oracle and DB2 database.

**Strengths:**

- **Depth of functionality** — Vendavo's products, Profit Analyzer, Price Manager, Power and Risk, and Deal Manager, provide broad PO&M functionality and have been implemented in multiple industries. Target prices can be delivered to Deal Manager, the iPad application or third-party CRM or CPQ systems. Profit Finder is a fixed time frame/fixed cost services engagement often used for pilots or POCs. Reference customers gave Vendavo high marks for Vision and Product Road Map, and for Features/Functionality, although lower than average scores for Ease of Deployment and Ease of Use.

- **Innovation** — Vendavo has a good track record of innovation in PO&M. The latest 8.1 version, released in mid-2013, provides support for SAP Hana, sales-facing iPad applications for price execution, integration with salesforce.com and Vendavo Connect software development kits (SDKs) for integration with other applications. Version 8.1 also provides support for Sales Negotiator for either salesforce.com or iPad users. Vendavo has announced Vendavo Profit Advisor, a multitenant SaaS application that enables algorithmic analysis of client data and insight into margin leakage areas; however, Profit Advisor was not fully released at the time of publication.

- **Ecosystem** — Vendavo and SAP are working together to enable the Vendavo solution to run on SAP Hana. Vendavo has two products running on Hana — Vendavo Profit Analyzer and Vendavo Profit Finder — although, at the time of publication, no customer sites were in production with Hana. In addition to SAP, Vendavo has technology partnerships with salesforce.com, IBM Sterling Commerce and Oracle. It also has SI or consulting relationships with Accenture, Deloitte, IBM and Hitachi.

**Cautions:**

- **New functionality tied to 8.1** — Vendavo 8.1 provides several functional improvements over prior releases, but only about a dozen customers have migrated to 8.1 at the time of publication. Companies looking for Hana, iPad support or out-of-the-box integration with salesforce.com that would require 8.1 should ask for production references, and should consider the potential risks involved with implementing a new release with several major enhancements. Vendavo Sales Negotiator for salesforce.com or iPad requires Vendavo Deal Manager. Vendavo Power and Risk requires Price Manager and Deal Manager. Sales Negotiator and Power and Risk require 8.1.

- **SAP** — SAP resells Vendavo as part of its product catalog under the terms of the SAP Solution Extension partnership, and provides first-level support to customers. However, SAP has limited Vendavo services capability for implementations or professional services. Companies looking to buy Vendavo through its SAP relationship should identify Vendavo or third-party services and implementation support resource availability.

- **Scope** — Vendavo can leverage Profit Finder and professional services for a fixed time frame/fixed cost engagement that provides shorter time to value for customers. However, customers evaluating this approach as the first step in a more complete PO&M implementation should be aware that, although this POC can deliver value, it typically focuses on a limited part of the customer's complete product line. It does not substitute for a companywide, "full product/full scope" implementation that provides price analysis, price optimization and price execution functionality, as defined by Gartner.

**Vistaar Technologies**

**Rating:** Positive

Vistaar is a PO&M company founded in 2001, with headquarters in New Jersey. R&D and professional services make up about 70% of the company's staff resources and are located in India. Most of Vistaar's customers are located in North America. Vertical industries include...
beverage/alcohol distributors and manufacturers, high tech and industrial, business services, medical devices and retail. Vistaar provides configurable and customized price management solutions for companies with specialized price management requirements. The company also provides industry-specific solutions for the beverage and alcohol industry, which has unique, multtier distribution and pricing requirements, and for high tech, industrial and business service companies that require both price management and price optimization expertise for complex, negotiated B2B sales. Vistaar has consulting or technology partnerships with Amazon Web Services, Microsoft, Oracle, salesforce.com, TCS and Wipro. Gartner estimates the company generated approximately $20 million in revenue in 2012. Vistaar is privately held and privately funded.

Strengths:

Industry knowledge — Vistaar has established a strong presence in the beverage manufacturing and distribution industry with more than half of its business in this segment; Vistaar can offer a highly optimized product and professional services that addresses the unique price management needs of companies with complex, multtier distribution channels. The company also has customers in high tech, business services, medical devices and retail fuel distribution. Vistaar has a large proportion of its development, support and professional services staff located in India, which can provide it with a cost differential when delivering highly optimized solutions or custom pricing analytics.

Pricing platform — Vistaar's Price Management Suite provides product, price and revenue planning; price and incentive setting; geography, sales and channel management; and deal/contract price management capabilities. The Price Management Suite also supports price optimization and price execution through sales-facing tools and provides customers with a single platform to manage all price-related activities, in addition to price optimization. Price analytics capabilities support the ability to model multiple price and discount structures and predict impact on sales, market share and profitability. The price suite also supports adjacent functionality, such as demand forecasting and volume and production planning.

Flexibility — Price Management Suite application server support includes Apache Tomcat, IBM WebSphere and JBoss. Database support includes Oracle, MySQL Server and MySQL. The price management is designed to accommodate unique price and distribution channel requirements, and includes a business rules/workflow engine for the flexible modeling of business processes.

Cautions:

Industry-specific functionality — Although Vistaar's price platform can be configured and implemented in multiple industries, approximately 40% of the company's revenue comes from the beverage and alcohol industry and about 30% from high tech and industrial. The company has shown its ability to enter new markets, but customers should evaluate their needs against Vistaar's packaged solutions and identify whether the available industry templates will meet their needs without customization or development.

Integrated with price management — Customers should be aware that Vistaar's price optimization capability depends on its Price Management Suite, and may not be the optimal solution when other price management applications are in use and the core requirement is for price optimization and price analysis. However, Vistaar also offers a stand-alone Pricing Science Workbench that can provide pricing recommendations to other price management suites or transactional systems.

Offshore model — A large proportion of Vistaar's development and services is located in India. Although this can bring a cost advantage to Vistaar in terms of staffing and development, prospective customers should evaluate Vistaar's services and support resources against their own requirements and expectations.

Zilliant
Rating: Strong Positive

Zilliant is a P&O&M vendor founded in 1998 with headquarters in Austin, Texas. The company has transitioned from a licensed, on-premises product to a totally SaaS-based product. Zilliant has about 80 customers in manufacturing, distribution and business services, including equipment rentals, with approximately 80% of the revenue from those customers in North America. Zilliant is privately held. Gartner estimates 2012 revenue at approximately $23 million, although it should be noted that the transition to a SaaS deployment and license model has affected recent revenue. Technology relationships include Tableau, Pervasive and salesforce.com, Strategy and implementation partners include Accenture and Deloitte. Zilliant has raised approximately $18 million in outside investment since 2010.

Strengths:

Deployment time — Zilliant has transitioned from a licensed, on-premises product to a multitenant SaaS platform, emphasizing time to productivity and execution through the sales channels. Zilliant's MarginMax 8.0, released in mid-2013, provides price analysis and optimization functionality, supports what-if scenarios, price elasticity, and the ability to model current or proposed pricing against corporate market strategies and desired outcomes. Reference customers that have recently implemented Zilliant's SaaS offering confirm that deployment time, required resources and time to productivity were all reduced as a result of the SaaS model. However, Gartner estimates that approximately 33% of Zilliant customers are still using the prior, on-site solution.
Value — MarginMax is licensed only as a SaaS application, and is based on a revenue under management model that includes all usage, hosting, data storage and maintenance fees. There is a named-user fee for pricing or financial users that create pricing strategies or build analytic dashboards and reports. There is also a one-time implementation and customization fee. The SaaS/revenue under management licensing model helps align monthly or annual license fees with profit improvement, and reduces or eliminates the upfront investment in software and platforms required for on-premises implementations.

Leverage of technology platforms — Zilliant has integrated several technology platforms into its product, including Pervasive for data integration, Tableau for application services and Force.com for user interfaces in salesforce.com environments. Reference customers commented on the high degree of flexibility the MarginMax product offered.

Cautions:

SFA integration — Zilliant provides integration with salesforce.com using the MarginMax Price Connect product, but integration with other SFA applications need to be developed by the customer's internal resources or by a partner. No iPad or tablet applications available for sales-facing usage.

Partners and ecosystem — Based in part on Zilliant's market transition, it revamped its partner program beginning in 2010. It has a limited partner and technology ecosystem in comparison with several other P&M vendors highlighted in this MarketScope. Potential user organizations should evaluate their needs in terms of implementation and integration services against Zilliant's limited ecosystem. Zilliant has successfully leveraged third-party technology platforms in its product, such as using Tableau for visual analytics or Pervasive for data acquisition and enrichment; however, broader technology partnerships — particularly in CRM/SFA — are largely absent.

Transition — Zilliant's market transition has affected its recent revenue performance and partner ecosystem. Competitors lead Zilliant on technology alliances with vendors such as SAP or Apple, and often have broader consulting or SI partnerships.