How do you deal with the complexity of price agreements in a B2B digital commerce environment?

Price structures in the B2B market are complex, causing many organisations to struggle with a successful transition to digital commerce. Digital commerce shifts the pricing mechanism from the back office (ERP) to the front office. The customer can see the product range and start placing orders themselves. However, discounts based on e.g. order volume, customer relationships or regional availability can lead to a lack of uniformity and transparency as soon as a customer starts looking up prices in an e-commerce environment. Organisations run the risk that customers will leave as a result. In order to provide optimal customer service, and to prevent them from being offered different prices through different channels, it is essential that there is only one single source of truth for price information. This article will provide you with solid tips on how to achieve that.

Price agreements in the ERP system

Whether the customer places an order by phone, email or web shop, they always need to have the right prices at their disposal. In contrast to the B2C market, which only has one single price for each product, there are often all types of specific discount structures in the B2B market, sometimes unique to each customer. There are many reasons why the price could deviate from the listed rates, so negotiating price is therefore an option. Until recently, all of these prices were documented in the back-office system: the ERP. Sales, customer service, marketing: everybody used the same prices supplied by this system. However, now that digital commerce has arrived on the scene, the functionality has shifted to the front end. Customers want to be able to place orders easily and at any time of day, but they can only do that if they can see the right price instantly. How do you make sure that the logic rules stored in the ERP system are also shown properly to the customers?

Lack of speed and transparency

A customer who requests a price by email and then calls the sales department to negotiate price is not an exception in the B2B market. There is always that chance that a sales rep goes the extra mile for you. However, the moment customers will start placing their own orders online, those individualised actions that used to be so normal will also disappear. That means that the complete order must be immediately accessible online for the right price. In order to make the price structures from the ERP system available to the customer, organisations often opt to reconstruct the logical rules from the ERP system into an ecommerce system. However, the amount of data and the complexity of the discount rules has made this hard to realise in practice. Most ERP systems are simply not equipped to feed massive volumes of price calculations into an ecommerce system or calculate prices in real time. In other words, an ERP system is usually not intended to be used directly by customers or brought to the front end. If set up properly, an ERP system will for instance calculate the price of an order within ten seconds. That is fast enough when you are speaking to a customer on the phone, but takes far too much time for an e-commerce environment. Each time a customer adds, changes or removes something, they will have to wait for the system to implement it. The ERP system has not been selected and purchased based on the speed of calculating online prices or its response time.

The customer experience

Another option is that organisations choose to document price agreements and make them available in the digital commerce environment, in addition to the existing ERP system. However, that means that prices are now documented and calculations are implemented in (at least) two different places in the organisation. This has a serious impact on the customer experience, since it will lead to inconsistent pricing in practice. Prices will be calculated in different ways, so there is no single source of truth. That might lead to a customer preparing an order based on the prices provided in the e-commerce system, placing it, and then getting a different price due to a recalculation by the ERP system. Organisations using multiple systems for the same purpose will never succeed in creating transparency for the customer, and that has consequences.

Business risk factors due to lack of insight

Transparency is crucial for successful digital commerce. B2B organisations that do not take steps to centralise price information and make it uniformly available are sure to suffer negative effects in practice. If there is no single source of truth:

1. It will have a negative effect on conversion on the digital channel. Customers will get different prices for the same order. This will lead to a breach of trust with the customer, increasing the chance that the digital channel will no longer be used for self-service (one of the purposes of the digital channel).
2. Chances will increase that the customer will switch to a competitor that is actually able to provide the right price information online when the customer wants it.
3. Organisations will spend an unnecessary amount of time and money on order rectifications and communication regarding price differences – both within the company and to the customer.
4. Any investment in digital commerce will lose its value. Customers and dealers often choose the path of least resistance – in this case most probably the offline channels. As soon as better prices can be offered by contacting sales reps, customers will choose that route instead of the digital channel. This means that the investment in digital commerce will immediately lose its value.

B2B organisations that aim to get a return on their investment in digital commerce will have to make choices. The ERP system is deeply ingrained in price calculations, which is why it is complicated and inadvisable to make an e-commerce system the dominant decision-making system. At the same time, elevating the ERP system to the front end will not be suitable either. The best way to achieve accurate and consistent pricing across all channels is through a seamless integration of the ERP system and the B2B e-commerce system. By doing so, you offer the customer the price consistency of the ERP system, but with a digital commerce experience.

Integration: the approach

In order to create a single source of truth and optimally feed data into the e-commerce system, it is key that organisations first have an accurate overview of their pricing structure, including all dependent interconnections. It is important to know how prices are calculated, what complexities are involved, and of course which exceptions should be taken into account. Organisations are often not aware of all the exceptions they use compared to the standard price, while it is precisely these rules that make the price structure so complex.

Achieving transparency in price agreements, price structures and discount rules is the first step towards a simplified and transparent pricing policy. There is a good chance that the current price structure will no longer be aligned with the digital strategy. To guarantee transparency to the customer, it might be necessary to simplify current structures, for instance by no longer allowing any manual changes. If you also take promotional campaigns into account, it is important to know ahead of time what is possible and what is not. Which promotions can be offered and where are the limitations? E-commerce systems offer many new options in the area of pricing and promotion, but how do you deal with that in the ERP system?

To be able to handle this complexity in pricing, it is crucial for B2B organisations to invest in an ecommerce system that is developed specifically for this market. A standard e-commerce system is less flexible and often not capable of taking complex price structures into account within their configuration, which means that customers cannot be absolutely sure that they will get the right information. The digital commerce system for the B2B market, SAP Hybris, will not only ensure that all digital channels are provided with the right price information, but also that the information is presented to the customer in the right way. From content information to price information, all the master data will be neatly displayed and clearly communicated to the customer. Due to an optimal integration with the ERP system, price information will always be available to the customer in real time.

By choosing to keep the ERP system in the lead as the single source of truth, but also providing a B2B ecommerce system that is a direct reflection of the ERP, you will use the prices and logic rules that are already in place, while at the same time providing better service to your customers. Real-time pricing is crucial in a digital commerce environment. Make sure you get the most out of your investment by spending serious attention to real-time pricing in your digital commerce strategy. That way you can create the transparency and user experience that your customer expects of you.