

Service Pricing for Hi-Tech Industry.

This study focuses on Services Pricing Solution for one of our pricing clients. Even within services, this case study focuses on asset-attached services. The reason we have picked this particular pricing project for our case study is that it is a very good representation of the Services Pricing issues faced by Hi-Tech Industry, as a whole, also because this client was a pioneer in terms of implementing such a solution amongst large hi-tech Oracle EBS users.

Industry Hi Tech

Client A Fortune 100 company

Problem Managing pricing for services was a near impossible task.

Number of Price Lists There were 600 odd price lists, most of them to support different geographies, currency and partner/end user combinations. Some customers had specific price agreements, which added to the number of price lists.

Number of parts There was a separate part number for all valid combinations of following attributes, resulting into nearly half a million part numbers.

- Level of service (Bronze, Silver, Gold, Platinum)
- Response Time (24-hrs, 2 days etc)
- Coverage (24/7, 8 hrs/5 days a week etc)
- Geography
- Covered Product

The total price points were in 100s of million (500 K parts, 600 price lists)

Solution We implemented attribute-based, multi-currency price lists. We proposed 1 price list, but ended up with some exceptions. Generic part numbers were used for support items, with Level of Service, Response Times, coverage as attributes. We were able to reduce the service part numbers to around 50!

We created custom attributes to source different services attributes and geography details. US Gold, 8hrs/5 Days a week, service was used as the base price. The base price could be at a product/product line/product family level, with precedence deciding which would be used. The formula used other attributes to adjust the price.

Challenges

Service Availability The legacy pricing solution was overloaded to solve for whether a certain service was available, for a certain geography. In short if such a combination was not priced, it was assumed that the service was not available. We took this functionality out of the scope of pricing and used a combination of Configurator rules and Processing constraints to implement it.

Price Publication One of issues with offering a formula/attribute based pricing, in Hi-Tech industry is to be able to generate and publish price lists for partners. Even though the partners have accepted the fact that they need to configure systems online, there is often a push back

from some partners to do the same for Pricing (which thankfully is changing now). Generating and Publishing millions of lines of possible service part combinations can be a pretty onerous load for the system. We used the reporting database for price publication.

Partner Adoption Since the partners were used to one part-one price (or a specific part representing a combination of service levels, geography and product serviced), partner adoption for generic service parts was a challenge. Even though we contemplated using a program to generate old part numbers "synthetically" for price publication and for accepting EDI/XML orders to help partners through migration, we did not have to use the solution.