

The Total Economic Impact™ Of PROS Smart Price Optimization and Management

Cost Savings And Business Benefits
Enabled By PROS

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ABOUT FORRESTER CONSULTING

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Executive Summary

For organizations that operate in competitive industries, removing friction, complexity, and manual steps from the pricing and selling process is essential to boosting sales productivity and driving deal conversions.¹ Representatives of organizations that use PROS said their firms gained control over pricing management processes and improved pricing strategies with better analytical capabilities and predictive insights, which enabled them to maximize revenue and profitability and improve productivity.

PROS Smart Price Optimization and Management is a profit and revenue optimization solution that helps organizations define pricing strategies and manage prices to improve revenue and profit. PROS utilizes AI to provide optimized prices for product configurations based on predictive insights, including buyer history, market demand, and competitive activity. Designed for omnichannel selling in highly competitive industries, PROS centralizes pricing information, provides fast and AI-powered price calculations and robust analytics capabilities to maximize revenue and profitability, and enables efficiency gains for pricing and selling teams.

PROS commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study and examine the potential return on investment (ROI) enterprises may realize by deploying PROS.² The purpose of this study is to provide readers with a framework to evaluate the potential financial impact of PROS on their organizations.

To better understand the benefits, costs, and risks associated with this investment, Forrester interviewed five representatives from four organizations with experience using PROS. For the purposes of this study, Forrester aggregated the interviewees' experiences and combined the results into a single composite organization that is a multibillion-dollar B2B organization that sells thousands of products within a highly competitive environment.

KEY STATISTICS



Return on investment (ROI)
400%



Net present value (NPV)
\$8.24M

The interviewees noted that prior to using PROS, their organizations suffered from slow and outdated pricing strategies that they manually managed with spreadsheets and paper-based methods. The interviewees' organizations struggled with slow and highly manual processes for updating pricing guides, and they lacked data and analytical capabilities required to improve strategies. As a result of these limitations, the organizations lacked control over pricing practices, lost margins and revenue, and drove frustration for pricing and sales teams.

After the investment in PROS, the interviewees' organizations gained control and understanding of their pricing strategies and they could quickly deliver market-relevant prices. Key results from the investment included higher revenue, improved margins, and efficiencies for pricing teams.

KEY FINDINGS

Quantified benefits. Three-year, risk-adjusted present value (PV) quantified benefits for the composite organization include:

- **An incremental revenue increase of three percentage points.** PROS centralizes the composite organization's pricing information, which enables better control over its pricing strategy, provides analytical capabilities, and improves the ability of its sales force to quickly provide appropriate quotes to prospects. As a result, the composite organization improves its win rate and analyzes market and performance data to update its pricing strategy, which leads to higher revenues. Over three years, the revenue improvement is worth \$2.8 million to the composite organization.
- **A profit margin increase of 0.75 percentage points.** PROS reduces errors associated with the composite's manual, spreadsheet-based pricing processes that previously caused pricing miscalculations. Additionally, PROS drives fast and intelligent analysis and pricing updates that enable the composite organization to execute margin-optimized pricing strategies and swiftly take advantage of or react to evolving market dynamics. Over three years, the improvement in margins is worth \$7.2 million to the composite organization.

- **Time savings of 2,037 hours annually for pricing updates and a reduction in pricing issues that require resolution.** PROS reduces manual pricing work and the number of inquiries from the composite's salespeople and customers, which improves productivity for the pricing team. Enterprise resource planning (ERP) and other pricing-relevant data is automatically integrated into PROS, and corresponding pricing updates are automatically calculated across the composite's products and channels, which reduces manual work it previously incurred. Additionally, the pricing team deals with less inquiries from salespeople or customers due to improved pricing consistency. Over three years, the productivity improvement is worth \$275,500 to the composite organization.

Unquantified benefits. Benefits that provide value for the composite organization but are not quantified in this study include:

- **Reduced time to onboard and train resources.** By moving away from complex pricing spreadsheets to an automated tool, the composite trains its new pricing analysts more quickly. Additionally, new sales representatives require less training time because PROS enables them to understand the organization's pricing strategies more easily.
- **Reduced risk of error.** By automating pricing processes, the composite organization experiences fewer pricing miscalculations caused by human error.
- **Better pricing communication with stakeholders.** Pricing analysts at the composite organization are better positioned to explain the rationale behind pricing decisions, which improves productivity and stakeholder confidence.
- **Ability to manage pricing-related regulatory requirements.** By digitally accelerating pricing

Profit margin increase

0.75 percentage points



processes, the composite organization effectively manages pricing-related regulatory requirements, which reduces its risk of noncompliance and fines.

- **Improved customer experience.** The composite organization improves its customer experience by being able to turn around accurate and optimized prices to sales teams more quickly.

Costs. Three-year, risk-adjusted PV costs for the composite organization include:

- **Licensing and implementation costs.** The composite organization pays licensing fees based on the volume of revenue under management with PROS. Additionally, it incurs costs for implementation support provided by PROS. Over three years, the composite organization pays \$812,700 to PROS for licensing and implementation costs.
- **Internal implementation labor costs.** The composite organization implements PROS over 13 months using 14 cross-functional resources who dedicate 50% of their workloads to the project. Over three years, these labor costs total \$1.2M for the composite organization.
- **Training and change management costs.** The composite organization incurs costs related to training for pricing staff, sales representatives, and IT resources and change management costs for programs to drive adoption. Over three years, the training and change management costs total \$83,000.
- **Ongoing platform administration and management.** Ongoing management of PROS includes 24 hours of effort from a pricing analyst and 52 hours of technical-resource time annually. Over three years, the composite organization incurs \$12,400 in labor costs.

The representative interviews and financial analysis found that a composite organization experiences

benefits of \$10.30 million over three years versus costs of \$2.06 million, adding up to a net present value (NPV) of \$8.24 million and an ROI of 400%.

“PROS has enabled the first fully automated, AI-based system that we have in the entire company. It’s fully AI, pulls in competitive information, does science, and looks at the strategy and the plays we are calling. It determines prices that can flow through our ERP and other systems if nobody touches it. So, we’ve had massive productivity and added an eight-times return on investment.”

*Director of pricing and economics,
refined fuels*



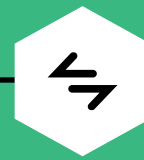
ROI
400%



BENEFITS PV
\$10.30M

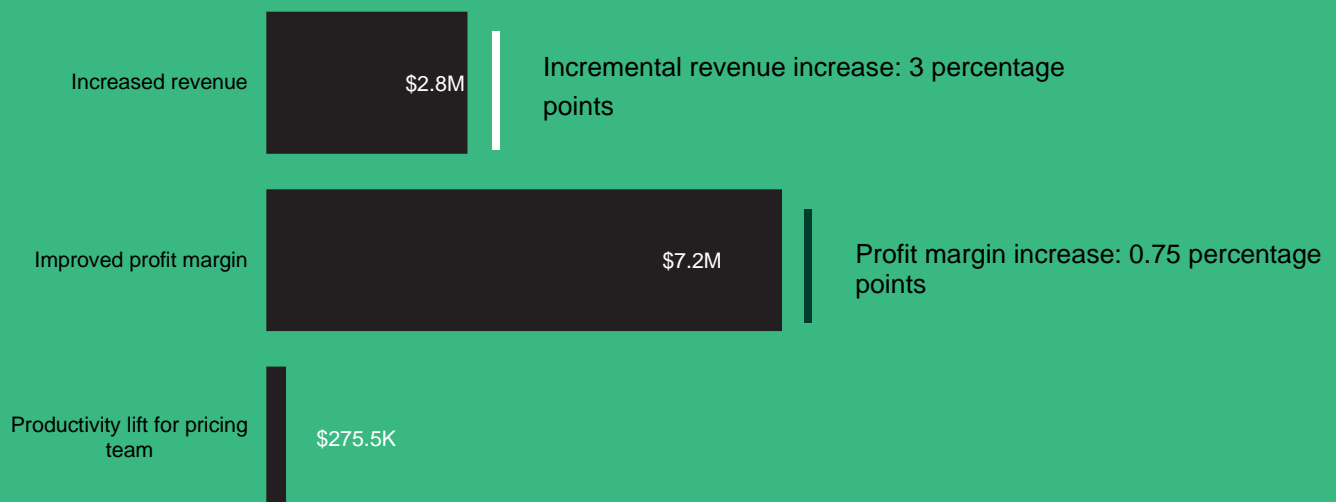


NPV
\$8.24M



PAYBACK
9 months

Benefits (Three-Year)



“For decades, our company never captured inflation. PROS has enabled us to capture the inflationary aspects of the market that we would have otherwise just left on the table.”

— Vice president of business transformation, distribution

TEI FRAMEWORK AND METHODOLOGY

From the information provided in the interviews, Forrester constructed a Total Economic Impact™ framework for those organizations considering an investment in PROS.

The objective of the framework is to identify the cost, benefit, flexibility, and risk factors that affect the investment decision. Forrester took a multistep approach to evaluate the impact that PROS can have on an organization.

DISCLOSURES

Readers should be aware of the following:

This study is commissioned by PROS and delivered by Forrester Consulting. It is not meant to be used as a competitive analysis.

Forrester makes no assumptions as to the potential ROI that other organizations will receive. Forrester strongly advises that readers use their own estimates within the framework provided in the study to determine the appropriateness of an investment in PROS.

PROS reviewed and provided feedback to Forrester, but Forrester maintains editorial control over the study and its findings and does not accept changes to the study that contradict Forrester's findings or obscure the meaning of the study.

PROS provided the customer names for the interviews but did not participate in the interviews.



DUE DILIGENCE

Interviewed PROS stakeholders and Forrester analysts to gather data relative to PROS.



INTERVIEWS

Interviewed five representatives at organizations using PROS to obtain data with respect to costs, benefits, and risks.



COMPOSITE ORGANIZATION

Designed a composite organization based on characteristics of the interviewees' organizations.



FINANCIAL MODEL FRAMEWORK

Constructed a financial model representative of the interviews using the TEI methodology and risk-adjusted the financial model based on issues and concerns of the interviewees.



CASE STUDY

Employed four fundamental elements of TEI in modeling the investment impact: benefits, costs, flexibility, and risks. Given the increasing sophistication of ROI analyses related to IT investments, Forrester's TEI methodology provides a complete picture of the total economic impact of purchase decisions. Please see Appendix A for additional information on the TEI methodology.

The PROS Customer Journey

■ Drivers leading to the PROS investment

Interviews			
Role	Industry	Headquarters	Revenue
Pricing manager	Refined fuels	North America	\$38 billion
Director of pricing and economics	Refined fuels	North America	\$38 billion
Vice president of business transformation	Distribution	North America	\$10 billion
Division pricing manager	Agricultural retail	North America	\$3 billion
Director of pricing	Healthcare	EMEA	\$2 billion

KEY CHALLENGES

Before investing in PROS, interviewed pricing leaders saw their organizations' business suffer from slow and outdated pricing strategies because manual efforts often resulted in poor business outcomes and ill-equipped sales teams.

The interviewees noted how their organizations struggled with common challenges, including:

- **Lost profit “left on the table” by pricing deals unnecessarily low.** Interviewees noted that their organizations' pricing guides were constantly out of date because it took time and effort to gather and analyze market data. In many cases, teams later learned they had been pricing too low and had lost opportunity to grow profit.
- **Lost revenue by pricing deals unnecessarily high.** In other cases, outdated pricing guides did not reflect changes to competitive pressures in the market, and sales teams priced goods and services too high. This resulted in an increase in lost deals and revenue the organizations only discovered after manual course correction.
- **Inability to scale pricing strategy.** Interviewees described many cases in which a heavily manual and customized pricing strategy was unable to

scale to other products. This meant that pricing strategies across business units were prone to becoming fragmented, required frequent correction, and delayed the time to provide prospects with pricing quotes. The division pricing manager at an agricultural retail organization said: “Half of the time, products weren’t priced. Main products were always priced. But if a customer called in on something that was not normally sold, [they wouldn’t get a price,] and that was frustrating for the customer.”

“In our industry, if we miss low, our customers will pull more of our product in a low margin environment. And then, the next day, if we miss high, they’re going to pull less volume and they’ll go pull off somebody else because they can get a better deal.”

Pricing manager, refined fuels

- **Highly manual process to update pricing guides and resolve issues.** In addition to lost profit and revenue from the highly manual processes to update pricing guides, interviewees described the heavy burden this placed on their organizations' pricing teams that analyzed tens of thousands of price points each day. Employee experience often suffered as teams used inefficient spreadsheets and were overwhelmed by the amount of data to analyze.
- **Lack of data and insights for leadership to define and execute vision.** The slow and cumbersome process to update pricing information was parallel to the lack of data and insights that leadership had on market conditions. This slowed the ability of leaders to react to changes in market pressure, and it limited their ability to direct teams.

"We are selling about 2,500 different services. So, that's the spread of how many different products we've got. In the best-case scenario, each pricing spreadsheet probably covered a hundred products, but there was lots of things that a representative would have difficulty pricing."

Director of pricing, healthcare

- Reduce manual labor for pricing teams.
- Gain insights and analytics to support leaders.
- Enable pricing strategies to scale and be consistent throughout the organizations.
- Improve customer experiences both for pricing and sales teams.

"Pricing analysts would review a list of roughly 300 products per sheet. They would have to refresh it with some macros to pull in updated costs and review it either having a set amount or a margin percentage by four to five pricing groups. You're talking 2 to 3 hours of just spreadsheet-staring before you're even ready to make the decision of what price should be set for a macro customer group. It would take 3 [or] 4 hours per sheet."

Division pricing manager, agricultural retail

SOLUTION REQUIREMENTS AND INVESTMENT OBJECTIVES

The interviewees' organizations searched for a solution that could:

- Improve product margins through optimal pricing.

COMPOSITE ORGANIZATION

Based on the interviews, Forrester constructed a TEI framework, a composite company, and an ROI analysis that illustrates the areas financially affected. The composite organization is representative of the five interviewees, and it is used to present the aggregate financial analysis in the next section. The composite organization has the following characteristics:

Description of composite. The multibillion-dollar B2B organization provides thousands of products globally. It has 7,700 employees, a sales force of 750 FTEs, and a pricing team of four analysts. The composite organization generates annual revenues of approximately \$5 billion, and it operates in highly regulated industries. Before it used PROS, its weighted average product profit margin was 10%.

Deployment characteristics. The composite organization begins in Year 1 with 15% of its revenue under management with PROS. This grows to 25% at the end of Year 3 as more usage expands across business units to additional products.

Key Assumptions

- **\$5 billion revenue**
- **10% profit margin**
- **15% to 25% revenue under management of PROS**
- **Four pricing analysts**

Analysis Of Benefits

■ Quantified benefit data as applied to the composite

Total Benefits						
Ref.	Benefit	Year 1	Year 2	Year 3	Total	Present Value
Atr	Increased revenue	\$675,000	\$1,125,000	\$1,687,500	\$3,487,500	\$2,811,232
Btr	Improved profit margin	\$1,721,250	\$2,882,813	\$4,345,313	\$8,949,375	\$7,211,960
Ctr	Productivity lift for pricing team	\$110,772	\$110,772	\$110,772	\$332,316	\$275,474
	Total benefits (risk-adjusted)	\$2,507,022	\$4,118,585	\$6,143,585	\$12,769,191	\$10,298,666

INCREASED REVENUE

Evidence and data. Interviewees highlighted that PROS helped their organizations gain visibility and control over their pricing strategies and provided them with the ability to deliver market-relevant prices with greater speed, which increased deal conversions and revenues.

- The vice president of business transformation at the distribution organization remarked that by managing and optimizing the organization's prices with PROS, it could capture inflationary aspects of the market that would have been left on the table otherwise.
- The director of pricing at a healthcare organization shared that PROS helped their firm understand drivers of revenue, fine-tune pricing strategies, implement corresponding pricing changes, and monitor sales data to ensure that the latest prices were being used. They said, "We make more money because we can control our prices better."
- Similarly, the division pricing manager at an agricultural retail organization noted that PROS provided their firm with greater visibility and analytics of its pricing strategies and that this enabled leadership to make pricing adjustments

based on changes in the market and to set pricing rules for salespeople to ensure consistency.

- One interviewee noted their firm's margins increased by 0.5 percentage points immediately after implementing PROS and that this steadily increased to more than 2 percentage points during the following 1.5 years of use.
- Interviewees said that as a result of the pricing visibility, analytical capabilities, and process improvements driven by PROS, their organizations experienced uplifts in revenue. The pricing manager in the refined fuels industry said

"PROS has helped to prevent revenue leakage. Using the analytical tool over the past year, we've identified about 2 to 5 million pounds of revenue leakage each year, which we've plugged."

Director of pricing, healthcare

their organization increased its revenue by \$9 million within the first year of implementation. The division pricing manager at the agricultural retail organization said their company saw a 4.4% revenue increase for its largest offering under management within PROS. The director of pricing at the healthcare organization shared that PROS helped to identify 2 million to 5 million pounds of revenue leakage every year, which it was able to retain.

Modeling and assumptions. Based on the interviewees' experiences, Forrester assumes the following about the composite organization:

- The composite's annual companywide revenues before using PROS were \$3 billion.
- The percent of revenue under management of PROS is 15%, 20%, and 25% in Year 1, Year 2, and Year 3, respectively.
- PROS increases the composite's revenue by 2, 2.5, and 3 percentage points in Year 1, Year 2, and Year 3, respectively.

- The composite's product profit margin prior to PROS was 10%

Risks. Forrester recognizes that these results may not be representative of all experiences and that the impact may vary depending on:

- Adoption of PROS by the organization's salespeople.
- Various economic factors.
- The organization's previous profit margins.
- The organization's industry.
- Changes in the organization's product or offering portfolio.

Results. To account for these risks, Forrester adjusted this benefit downward by 25%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$2.8 million.

Increased Revenue					
Ref.	Metric	Source	Year 1	Year 2	Year 3
A1	Companywide revenues before using PROS	Composite	\$3,000,000,000	\$3,000,000,000	\$3,000,000,000
A2	Percent of revenue under PROS management	Composite	15%	20%	25%
A3	Percentage point increase in revenue with PROS	Interviews	2.0%	2.5%	3.0%
A4	Incremental revenue driven by PROS	$A1 \times A2 \times A3$	\$9,000,000	\$15,000,000	\$22,500,000
A5	Product profit margin prior to PROS	Interviews	10%	10%	10%
At	Increased revenue	$A4 \times A5$	\$900,000	\$1,500,000	\$2,250,000
	Risk adjustment	↓25%			
Atr	Increased revenue (risk-adjusted)		\$675,000	\$1,125,000	\$1,687,500
Three-year total: \$3,487,500			Three-year present value: \$2,811,232		

IMPROVED PROFIT MARGIN

Evidence and data. Interviewees found that PROS helped their organizations improve pricing accuracy and react to shifting market dynamics faster, which they said ultimately enabled their firms to protect and grow profit margins.

- The two interviewees from a refined fuels organization said PROS helped the company's pricing team to avoid errors and quickly address competitive issues or opportunities. By moving away from spreadsheets and manually driven pricing decisions to an intelligent pricing tool, the organization avoided situations in which pricing miscalculations occurred and margin was left on the table. Additionally, because the organization needed to update prices daily based on constantly shifting market factors, PROS was essential for efficiently assessing market and competitive data and making informed pricing decisions to optimize margins.

The pricing manager at the refined fuels organization said: "PROS tied together data in order for us to build meaningful connections that we didn't have the ability to do very easily before. ... PROS is really analyzing our strategies and the areas that we can try to squeeze out a little more margin. It helps us find opportunities whereas, before, we just didn't have the visibility."

- The division pricing manager at the agricultural retail organization noted that pricing guidance from PROS helped their firm take advantage of market opportunities, which improved its margins. The interviewee shared that PROS enabled their organization to analyze and adjust prices upward when it found itself with inventory in short supply. By being able to quickly set a market-driven price and update guidance for sellers across regions, the organization captured margin gains for inventory that increased in value. The interviewee noted that organizations in regions that adopted PROS saw much higher growth margins than

those in regions that had not, and they cited a 3% increase in margin for one of the first regions to adopt the solution.

- The vice president of business transformation at the distribution organization said their firm experienced an immediate increase in margins which continued to increase during the following 1.5 years of use with PROS. The interviewee remarked that by managing and optimizing the organization's prices with PROS, it could capture inflationary aspects of the market that would have been left on the table otherwise.

"Before [using PROS], getting margin at a terminal product level was tricky. Whereas, now, it's a few button clicks. If we were going to make some sort of temporary adjustment, I would say now it's probably 15 to 20 minutes maybe versus a couple of hours until we're able to gather enough data that we needed to say yea or nay on fulfilling that adjustment on any given day."

Pricing manager, refined fuels

- The director of pricing at the healthcare organization highlighted that PROS helped their firm's pricing staff analyze the services the company was selling and other financial data to drive margin-protecting decisions. They said: "Our improvement of margin is not only due to us being able to change prices, but also because we are now able to analyze what we are selling. We use PROS's analytical tools and our data to run

deep dives of what we are selling so we can make calls on whether we should continue doing certain procedures.”

Modeling and assumptions. Based on the interviewees’ experiences, Forrester assumes the following about the composite organization:

- The composite’s total revenue under PROS management is \$459 million in Year 1, \$615 million in Year 2, and \$772.5 million in Year 3, which includes the incremental revenue in Benefit A.
- For revenue managed with PROS, the composite increases its profit margin by 0.500, 0.625, and 0.750 percentage points in Year 1, Year 2, and Year 3, respectively.

Risks. Forrester recognizes that these results may not be representative of all experiences and that the impact may vary depending on:

- The adoption of PROS by the organization’s salespeople.
- Various economic factors.
- The organization’s previous profit margins.
- The organization’s industry.
- Changes in the organization’s product or offering portfolio.

“The overall customer impact has been huge. It allows us to have a price that is market-driven and relevant because we are running all of the products and additional cost rules through PROS’s price model.”

Division pricing manager, agricultural retail

Results. To account for these risks, Forrester adjusted this benefit downward by 25%, yielding a three-year, risk-adjusted total PV of \$7.2 million.

Improved Profit Margin					
Ref.	Metric	Source	Year 1	Year 2	Year 3
B1	Total revenue under management with PROS	(A1*A2)+A4	\$459,000,000	\$615,000,000	\$772,500,000
B2	Profit margin percentage point increase for revenue managed with PROS	Interviews	0.500%	0.625%	0.750%
Bt	Improved profit margin	B1*B2	\$2,295,000	\$3,843,750	\$5,793,750
	Risk adjustment	↓25%			
Btr	Improved profit margin (risk-adjusted)		\$1,721,250	\$2,882,813	\$4,345,313
Three-year total: \$8,949,375			Three-year present value: \$7,211,960		

PRODUCTIVITY LIFT FOR PRICING TEAM

Evidence and data. Interviewees shared that PROS significantly reduced manual pricing work and the number of inquiries from salespeople and customers, which improved productivity for their organizations' pricing teams.

- Two interviewees highlighted how PROS reduced labor associated with pricing updates. The pricing manager at the refined fuels organization noted that their firm's ERP data automatically integrated into PROS instead of needing to be manually extracted and loaded into pricing spreadsheets and that price calculations could be generated at scale as opposed to being manually determined. These automated processes reduced daily pricing work from more than 9 hours to 10 minutes or less. Similarly, the division pricing manager in the agricultural retail industry noted that their organization avoided manual ERP data management and pricing update work within spreadsheets. They said their firm saved 3 to 4 hours of review and update work across its 80 pricing sheets by automating price-point management processes.
- The director of pricing at the healthcare organization shared that their company would have needed to hire 15 additional resources to properly manage its volume of price points and regulatory mandates. Additionally, they said the PROS e-commerce integration enabled pricing updates to be reflected on the company's website, which saved a week's worth of labor per price change. They shared: "We were reliant on a team to update prices on the website manually. It took days. Now, we don't have to worry about it and [we] know that when we change prices, it's live everywhere."
- The division pricing manager at the agricultural retail organization noted that both customer complaints and inquiries from sales representatives collapsed because prices

became more consistent and less errors occurred. They shared that before using PROS, pricing managers typically dealt with five customer issues and five to 10 sales interactions per day. With PROS, they said the number of customer complaints and sales inquiries decreased to an average of five per week and two per day, respectively.

"Our pricing team has saved more than half of their day just moving bits and pieces around. Now, they're doing serious, high-end analyst work, and we have changed competitive strategies in ways that we couldn't even have dreamed about before."

Director of pricing and economics, refined fuels

Modeling and assumptions. Based on the interviewees' experiences, Forrester assumes the following about the composite organization:

- The composite's pricing team is comprised of four resources.
- The burdened hourly cost of a pricing resource is \$40, which Forrester calculated by adding an additional 35% to the base salary.
- Before adopting PROS, the composite's pricing resources dedicated 8 hours to pricing updates daily. With PROS, they spend 10 minutes on pricing updates daily.
- Before using PROS, each pricing analyst dealt with an average of five pricing issues from customers or sales representatives each day.

- With PROS, each pricing analyst deals with one pricing issue per day.
- Each pricing issue requires 15 minutes to manage.

Risks. Forrester recognizes that these results may not be representative of all experiences and that the impact may vary depending on:

- The frequency of the organization's pricing updates.
- The number of price points the organization manages.
- The burdened cost of the organization's pricing resources.
- The complexity of pricing issues and the typical time to resolution.

Results. To account for these risks, Forrester adjusted this benefit downward by 10%, yielding a three-year, risk-adjusted total PV of \$275,500.

Productivity Lift For Pricing Team					
Ref.	Metric	Source	Year 1	Year 2	Year 3
C1	Burdened hourly cost of a pricing resource	TEI standard	\$40	\$40	\$40
C2	Number of hours spent daily on pricing updates before using PROS	Interviews	8	8	8
C3	Number of minutes spent daily on pricing updates with PROS	Interviews	10	10	10
C4	Hours saved annually from pricing automations	$((C2 \times 60 \text{ minutes}) - C3) / 60 \text{ minutes} \times 260 \text{ days per year}$	2,037	2,037	2,037
C5	Subtotal: Labor cost savings on pricing updates	$C1 \times C4$	\$81,480	\$81,480	\$81,480
C6	Number of pricing team members	Composite	4	4	4
C7	Average number of pricing issues per day per pricing analyst before using PROS	Interviews	5	5	5
C8	Number of pricing issues per day per pricing analyst with PROS	Interviews	1	1	1
C9	Minutes to resolve an issue	Composite	15	15	15
C10	Hours saved per pricing analyst with PROS	$(C7 - C8) \times C9 / 60 \text{ minutes} \times 260 \text{ days per year}$	260	260	260
C11	Subtotal: Labor cost savings on pricing issues	$C1 \times C6 \times C10$	\$41,600	\$41,600	\$41,600
Ct	Productivity lift for pricing team	$C5 + C11$	\$123,080	\$123,080	\$123,080
	Risk adjustment	↓ 10%			
Ctr	Productivity lift for pricing team (risk-adjusted)		\$110,772	\$110,772	\$110,772
Three-year total: \$332,316			Three-year present value: \$275,474		

UNQUANTIFIED BENEFITS

Interviewees mentioned the following additional benefits that their organizations experienced but were not able to quantify:

- **Reduced time to onboard and train resources.**

The interviewees highlighted how PROS reducing training and onboarding time for new pricing analysts and salespeople.

- The pricing manager at the refined fuels organization shared that training time for new pricing analysts on PROS is significantly shorter compared to training on its previous pricing spreadsheet and that training time reduced from 40 hours to 3 hours. The interviewee also noted that in its previous state, it would take three months to trust a new analyst to properly use the pricing spreadsheets. But they said with PROS, the chance of user error is comparatively lower.
- The vice president of business transformation at the distribution organization noted that onboarding and training for new sales representatives is also lower compared to with its prior tool, and they said PROS made it easier to understand the organization's pricing strategies.

- **Reduced risk of error.** Interviewees' organizations reduced the risk of pricing errors by replacing manual pricing work with automation. The division pricing manager at the agricultural retail organization said: "Because everything is integrated and automated, there is no risk of copying a product in the wrong column or typing 20 cents instead of \$2. We didn't have controls over it before or time to manually validate prices. Now, we have all the bells and whistles for that internal to PROS, so were de-risking a lot."

- **Improved access to data and analytical capabilities.** Interviewees noted that PROS provided their organizations with a wealth of data and analytical capabilities that were previously unavailable. The director of pricing at the healthcare organization highlighted that PROS helped pricing staff leverage performance, market, and competitive data to strategically optimize prices. Similarly, the director of pricing and economics at the refined fuels organization said PROS enabled their firm to connect disparate data to drive analytical work. For example, they shared that their organization could test ideas or theories with PROS to analyze projected sales impacts and price elasticity.

- **Better pricing communication with stakeholders.** Interviewees shared that their organizations are better positioned to explain rationale behind pricing decisions, which saves time for pricing analysts and improves stakeholder confidence.

- The director of pricing at the healthcare organization said: "When we changed prices before, sometimes hospitals would complain, and then we would have to go into a discussion as to who's right without really knowing for sure. Thanks to PROS, we can easily share profitability information to drive those conversations."
- Similarly, the pricing manager at the refined fuels organization said, "PROS brought a lot of facts to the conversation where, before, it might have been more [based in] opinion or would have been a lot more strenuous to bring those facts through the conversation."

- **Cost savings due to legacy technology decommissioning.** The vice president of business transformation at the distribution company highlighted cost avoidances associated with sunsetting their firm's legacy pricing

optimization solution. By decommissioning the prior solution, the organization avoided more than \$1 million in licensing, upgrade, and maintenance costs.

- **Ability to manage pricing-related regulatory requirements.** The director of pricing at the healthcare organization said their company previously incurred a fine associated with industry pricing regulations and that this was a key driver in deciding to adopt PROS. The interviewee said without the assistance of PROS, it would be nearly impossible to manage the organization's pricing requirements as dictated by the regulation and that the risk of additional fines would be greater.
- **Improved customer experience.** Interviewees noted that their organizations improved their buyer experiences as a result of being able to turn around accurate and optimized prices more quickly for sales teams. For example, the pricing manager at the refined fuels organization shared that customer dissatisfaction and the number of complaints due to pricing mistakes significantly reduced with the move to PROS.

FLEXIBILITY

The value of flexibility is unique to each customer. There are multiple scenarios in which a customer might implement PROS and later realize additional uses and business opportunities, including:

- **Added value through integration with PROS Smart Configure Price Quote (CPQ) solution.** The director of pricing at the healthcare organization said their firm saw value by using the PROS CPQ solution alongside the pricing optimization solution. They said: "The [price optimization and management solution] provides price control and regulatory oversight. [PROS] CPQ enables sales efficiency and also supports the regulatory oversight. So, there's consistency with how we calculate a price and give it to the patient. And there's consistency in the actual

document that is given to a patient, and all of the legal parts that it needs to have in it."

The vice president of business transformation at the distribution organization noted that their firm plans to adopt the PROS CPQ solution in the future to gain quoting approval workflows.

- **Additional revenue growth through accelerated time to quote.** The vice president of business transformation at a distribution organization expected that PROS and CPQ could help improve their firm's win rates by shortening the time to quote. Instead of looking across spreadsheets and disparate data to determine appropriate prices, salespeople could access real-time price guidance to quickly deliver quotes to prospects.

"Being able to be the first person to provide a reasonable quote within 20 minutes instead of 2 hours is exciting and compelling to the sales team. They lose bids just because they're too slow to get a reasonable bid back. If we're the first one to provide a quote that's within [the prospect's] ballpark, we win the bid and increase the win rate."

Vice president of business transformation, distribution

- **E-commerce integrations.** The director of pricing at the healthcare organization noted that PROS's e-commerce integration enabled updates in pricing to be reflected on their company's website. The pricing integration helped the organization to be well-positioned to handle increased volumes of self-pay patients during the COVID-19 pandemic. As omnichannel selling continues to grow, integrations with PROS (e.g., its e-commerce API) enable organizations to harmonize prices across channels to capture new opportunities for revenue.

Flexibility would also be quantified when evaluated as part of a specific project (described in more detail in [Appendix A](#)).

“With PROS, we can do the analytical work when we come up with a theory with sales. We can see the price elasticity, what the impacts are, and whether we would get the outcomes we thought we would get. Because the data is there to see, we can either roll with the strategy or get rid of it if it doesn’t work.”

*Director of pricing and economics,
refined fuels*

Analysis Of Costs

■ Quantified cost data as applied to the composite

Total Costs							
Ref.	Cost	Initial	Year 1	Year 2	Year 3	Total	Present Value
Dtr	PROS licensing and implementation	\$619,984	\$59,046	\$78,728	\$98,410	\$856,169	\$812,664
Etr	Internal implementation efforts	\$905,625	\$271,688	\$0	\$0	\$1,177,313	\$1,152,614
Ftr	Training and change management costs	\$59,824	\$9,260	\$9,260	\$9,260	\$87,603	\$82,851
Gtr	Ongoing platform administration and management costs	\$0	\$4,991	\$4,991	\$4,991	\$14,973	\$12,412
	Total costs (risk-adjusted)	\$1,585,433	\$344,984	\$92,979	\$112,661	\$2,136,057	\$2,060,541

PROS LICENSING AND IMPLEMENTATION

Evidence and data. PROS calculated the licensing costs for the interviewees' organizations based on the volume revenue under management. The organizations also incurred additional fees for add-on features such as the e-commerce integration and for professional services provided by PROS during the implementation process. These services included solution design, configuration, data validation, integration, and testing.

Modeling and assumptions. Based on the interviewees' experiences, Forrester assumes the following about the composite organization:

- The composite organization incurs licensing costs of \$53,678 in Year 1, \$71,571 in Year 2, and \$89,464 in Year 3 based on the volume of revenue under management with PROS.

- The composite organization incurs implementation fees of \$563,622 during the initial period.

Risks. Forrester recognizes that these results may not be representative of all experiences and that the impact may vary depending on:

- The volume of the organization's revenue under management with PROS.
- The edition of the solution and the additional features the organization chooses to implement.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV (discounted at 10%) of \$812,700.

PROS Licensing And Implementation						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
D1	PROS licensing	Composite	\$0	\$53,678	\$71,571	\$89,464
D2	PROS implementation fees	Composite	\$563,622	\$0	\$0	\$0
Dt	PROS licensing and implementation	D1+D2	\$563,622	\$53,678	\$71,571	\$89,464
	Risk adjustment	↑10%				
Dtr	PROS licensing and implementation (risk-adjusted)		\$619,984	\$59,046	\$78,728	\$98,410
Three-year total: \$856,169			Three-year present value: \$812,664			

INTERNAL IMPLEMENTATION EFFORTS

Evidence and data. The interviewees' organizations incurred internal labor costs associated with their implementation efforts.

- Interviewees cited implementation timelines that ranged from six to 17 months and noted their organizations used multi-phased implementations. For example, the vice president of business transformation at the distribution company noted their organization launched pricing guidance as phase one and then established ERP integration as phase two.
- The division pricing manager at the agricultural retail organization said eight FTEs dedicated 5 to 10 hours per week to the implementation and that 12 SMEs rolled on and off of the project as needed.
- The vice president of business transformation at the distribution company said business executives, IT project managers, business coordinators, and IT professionals for ERP and other integrations were involved during their organization's implementation process.

Modeling and assumptions. Based on the interviewees' experiences, Forrester assumes the following about the composite organization:

- The composite organization implements PROS in two phases. Phase one takes place over 10 months in the initial period and phase two takes place over three months during Year 1.
- 14 resources are involved in the implementation, and they each dedicate 50% of their workload to the project during the two implementation phases.
- The average burdened monthly cost of an implementation resource is \$11,250.

Risks. Forrester recognizes that these results may not be representative of all experiences and that the impact may vary depending on:

- Customization of the solution.
- The ease of integration with the organization's ERP and other systems.
- Pricing complexity.
- The number and type of resources required for implementation and their labor costs.

Results. To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year, risk-adjusted total PV of \$1.2 million.

Internal Implementation Efforts						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
E1	Number of months spent on implementation	Composite	10	3	0	0
E2	Number of resources involved with implementation	Composite	14	14	0	0
E3	Average percent of time dedicated to implementation tasks	Composite	50%	50%	0%	0%
E4	Average monthly burdened cost of an implementation resource	TEI standard	\$11,250	\$11,250	\$0	\$0
Et	Internal implementation efforts	$E1 \cdot E2 \cdot E3 \cdot E4$	\$787,500	\$236,250	\$0	\$0
	Risk adjustment	↑15%				
Etr	Internal implementation efforts (risk-adjusted)		\$905,625	\$271,688	\$0	\$0
Three-year total: \$1,177,313			Three-year present value: \$1,152,614			

TRAINING AND CHANGE MANAGEMENT COSTS

Evidence and data. The interviewees' organizations incurred costs related to training for pricing staff, sales representatives, and IT resources and change management efforts to drive adoption.

- The director of pricing at the healthcare organization noted that pricing resources initially received approximately 15 hours of training on PROS.
- The interviewees at the refined fuels organization shared that 12 to 15 pricing, operational and IT resources initially participated in training. Additionally, a group of account managers received 1 hour of training.
- The division pricing manager at the agricultural retail organization shared that sales representatives, managers, and directors initially received 1.5 hours of training on PROS and that training refreshed annually for managers and directors.
- The vice president of business transformation at the distribution company said change management costs associated with a champion

program involve 24 sales representatives to drive adoption.

Modeling and assumptions. Based on the interviewees' experiences, Forrester assumes the following about the composite organization:

- Four pricing resources participate in 6 hours of training during the initial period. To account for turnover, one new pricing resource participates in 6 hours of training in each subsequent year.
- The hourly burdened cost of a pricing resource is \$40.
- 375 sales representatives (or half the composite's salesforce) use PROS and receive 1.5 hours of training during the initial period. To account for turnover, 94 users (or 25% of PROS users within the sales force) receive 1.5 hours of training in each subsequent year.
- The hourly burdened cost of a sales representative is \$58.
- The composite organization incurs \$20,800 in change management costs associated with a champion advocacy program and technical training for IT resources.

Risks. Forrester recognizes that these results may not be representative of all experiences and that the impact may vary depending on the number of pricing resources requiring training and their burdened costs.

- The number of PROS users within the organization's sales force and their burdened costs.

- Training requirements for IT staff.
- Change management efforts.

Results. To account for these risks, Forrester adjusted this cost upward by 10%, yielding a three-year, risk-adjusted total PV of \$83,000.

Training And Change Management Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
F1	Number of pricing resources trained to use PROS	Composite	4	1	1	1
F2	Number of hours of pricing-resource training	Composite	6	6	6	6
F3	Burdened hourly cost of pricing resource	TEI standard	\$40	\$40	\$40	\$40
F4	Number of sales reps trained to use PROS	Composite	375	94	94	94
F5	Number of hours of training for sales representatives	Composite	1.5	1.5	1.5	1.5
F6	Burdened hourly cost of a sales representative	TEI standard	\$58	\$58	\$58	\$58
F7	Change-management efforts	Composite	\$20,800	\$0	\$0	\$0
Ft	Training and change management costs	$F1 \cdot F2 \cdot F3 + F4 \cdot F5 \cdot F6 + F7$	\$54,385	\$8,418	\$8,418	\$8,418
	Risk adjustment	↑10%				
Ftr	Training and change management costs (risk-adjusted)		\$59,824	\$9,260	\$9,260	\$9,260
Three-year total: \$87,603			Three-year present value: \$82,851			

ONGOING PLATFORM ADMINISTRATION AND MANAGEMENT COSTS

Evidence and data. Interviewees cited ongoing costs related to program management by pricing staff and technical management by IT.

- The pricing manager at the refined fuels organization noted that their firm had a pricing resource involved as a program manager. Over time, the company scales down the program manager's involvement as the organization gains maturity with the solution. The program manager then spends 2 hour per quarter meeting with PROS support and success staff.
- The director of pricing at the healthcare organization said one resource from their firm's pricing team was responsible for managing PROS, but that they did not spend their full workload on the activity.
- The vice president of business transformation at the distribution organization shared that their firm had one IT resource who dedicated 1 hour per week to managing technical aspects of PROS.

Modeling and assumptions. Based on the interviewees' experiences, Forrester assumes the following about the composite organization:

- 24 hours of pricing analyst time is spent on program management annually.
- The burdened hourly cost of a pricing resource is \$40.
- A technical resource spends 52 hours on technical management annually.
- The burdened hourly cost of a technical resource is \$65.

Risks. Forrester recognizes that these results may not be representative of all experiences and that the impact may vary depending on:

- The organization's integration-management requirements.
- The labor cost of pricing and technical resources.

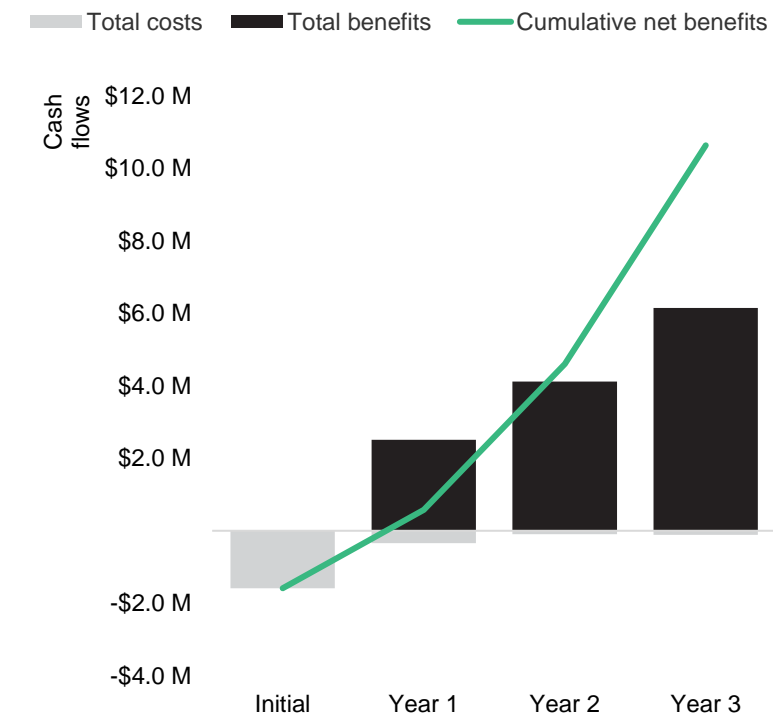
Results. To account for these risks, Forrester adjusted this cost upward by 15%, yielding a three-year, risk-adjusted total PV of \$12,400.

Ongoing Platform Administration And Management Costs						
Ref.	Metric	Source	Initial	Year 1	Year 2	Year 3
G1	Hours dedicated to program management by pricing analyst	Composite	0	24	24	24
G2	Burdened hourly cost of a pricing resource	TEI standard	\$0	\$40	\$40	\$40
G3	Hours dedicated to platform technical management	Composite	0	52	52	52
G4	Burdened hourly cost of a technical resource	TEI standard	\$0	\$65	\$65	\$65
Gt	Ongoing platform administration and management costs	$G1 \times G2 + G3 \times G4$	\$0	\$4,340	\$4,340	\$4,340
	Risk adjustment	↑15%				
Gtr	Ongoing platform administration and management costs (risk-adjusted)		\$0	\$4,991	\$4,991	\$4,991
Three-year total: \$14,973			Three-year present value: \$12,412			

Financial Summary

CONSOLIDATED THREE-YEAR RISK-ADJUSTED METRICS

Cash Flow Chart (Risk-Adjusted)



The financial results calculated in the Benefits and Costs sections can be used to determine the ROI, NPV, and payback period for the composite organization's investment. Forrester assumes a yearly discount rate of 10% for this analysis.

These risk-adjusted ROI, NPV, and payback period values are determined by applying risk-adjustment factors to the unadjusted results in each Benefit and Cost section.

Cash Flow Analysis (Risk-Adjusted Estimates)

	Initial	Year 1	Year 2	Year 3	Total	Present Value
Total costs	(\$1,585,433)	(\$344,984)	(\$92,979)	(\$112,661)	(\$2,136,057)	(\$2,060,541)
Total benefits	\$0	\$2,507,022	\$4,118,585	\$6,143,585	\$12,769,191	\$10,298,666
Net benefits	(\$1,585,433)	\$2,162,038	\$4,025,606	\$6,030,924	\$10,633,134	\$8,238,125
ROI						400%
Payback						9 months

Appendix A: Total Economic Impact

Total Economic Impact is a methodology developed by Forrester Research that enhances a company's technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

TOTAL ECONOMIC IMPACT APPROACH

Benefits represent the value delivered to the business by the product. The TEI methodology places equal weight on the measure of benefits and the measure of costs, allowing for a full examination of the effect of the technology on the entire organization.

Costs consider all expenses necessary to deliver the proposed value, or benefits, of the product. The cost category within TEI captures incremental costs over the existing environment for ongoing costs associated with the solution.

Flexibility represents the strategic value that can be obtained for some future additional investment building on top of the initial investment already made. Having the ability to capture that benefit has a PV that can be estimated.

Risks measure the uncertainty of benefit and cost estimates given: 1) the likelihood that estimates will meet original projections and 2) the likelihood that estimates will be tracked over time. TEI risk factors are based on "triangular distribution."

The initial investment column contains costs incurred at "time 0" or at the beginning of Year 1 that are not discounted. All other cash flows are discounted using the discount rate at the end of the year. PV calculations are calculated for each total cost and benefit estimate. NPV calculations in the summary tables are the sum of the initial investment and the discounted cash flows in each year. Sums and present value calculations of the Total Benefits, Total Costs, and Cash Flow tables may not exactly add up, as some rounding may occur.



PRESENT VALUE (PV)

The present or current value of (discounted) cost and benefit estimates given at an interest rate (the discount rate). The PV of costs and benefits feed into the total NPV of cash flows.



NET PRESENT VALUE (NPV)

The present or current value of (discounted) future net cash flows given an interest rate (the discount rate). A positive project NPV normally indicates that the investment should be made unless other projects have higher NPVs.



RETURN ON INVESTMENT (ROI)

A project's expected return in percentage terms. ROI is calculated by dividing net benefits (benefits less costs) by costs.



DISCOUNT RATE

The interest rate used in cash flow analysis to take into account the time value of money. Organizations typically use discount rates between 8% and 16%.



PAYBACK PERIOD

The breakeven point for an investment. This is the point in time at which net benefits (benefits minus costs) equal initial investment or cost.

Appendix B: Endnotes

¹ Source: “The Configure, Price, Quote Solutions Landscape, Q1 2023,” Forrester Research, Inc., January 27, 2023.

² Total Economic Impact is a methodology developed by Forrester Research that enhances a company’s technology decision-making processes and assists vendors in communicating the value proposition of their products and services to clients. The TEI methodology helps companies demonstrate, justify, and realize the tangible value of IT initiatives to both senior management and other key business stakeholders.

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