



The AI Arms Race

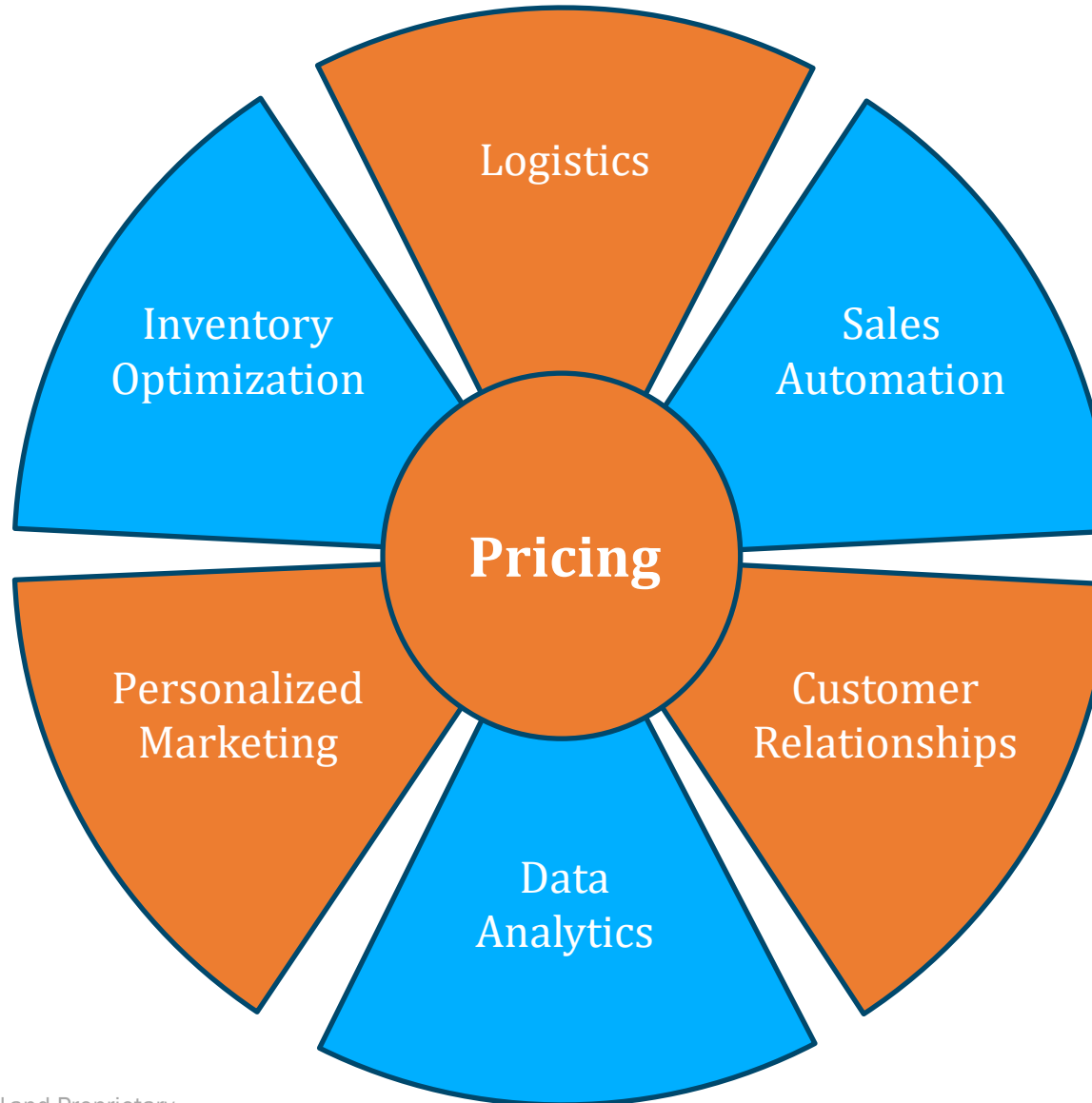
Joshua Bardell, Pricing Principal, PROSai

The Evolving Distributor Situation



- **COVID-19 Crisis:** The pandemic has caused significant disruptions in supply chains, created unpredictable demand, and raised workforce safety issues
- **Disintermediation:** The rise of e-commerce giants like Amazon and Alibaba has disrupted traditional distribution models
- **Increased Competition and Customer Demands:** Customers now expect faster delivery times, superior stock availability, and flawless execution of operations
- **SKU Proliferation:** Distributors often manage hundreds of thousands to millions of SKUs
- **Shrinking Margins:** Even distributors with large volumes achieve small margins, making efficiency crucial
- **Aligning Sales with Backend Systems:** Ensuring that sales strategies align with backend operations is a significant challenge
- **Relationship Management/Customer Service:** Maintaining strong relationships with customers and providing excellent service is more important than ever
- **Regulatory Requirements:** Increasing requirements in areas of customer protection, national mandates, and product traceability add to the complexity and cost of doing business

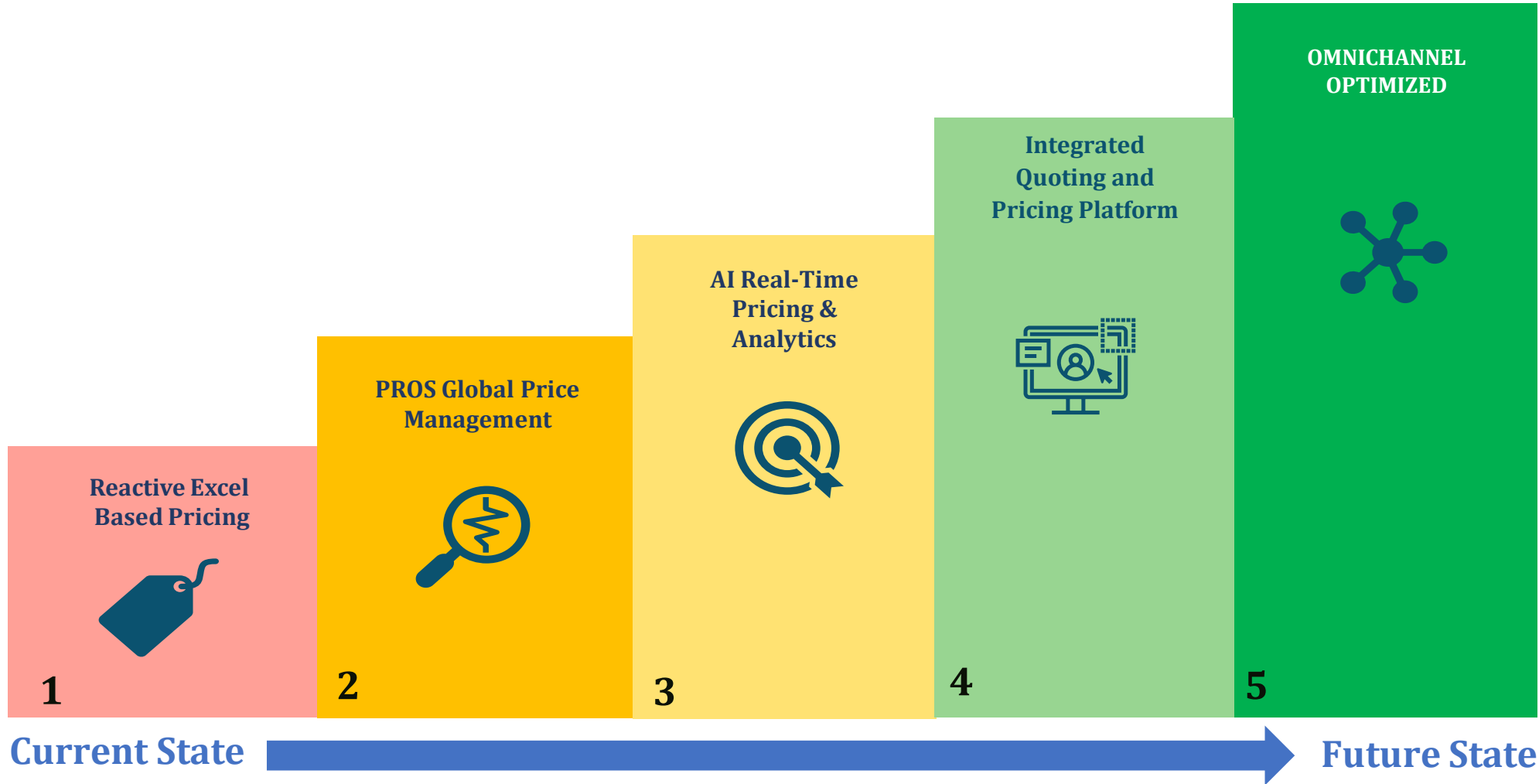
Why Distributors Are Investing in AI



Pricing is the single biggest profit lever

1% increase in price equates to 11% increase in profit

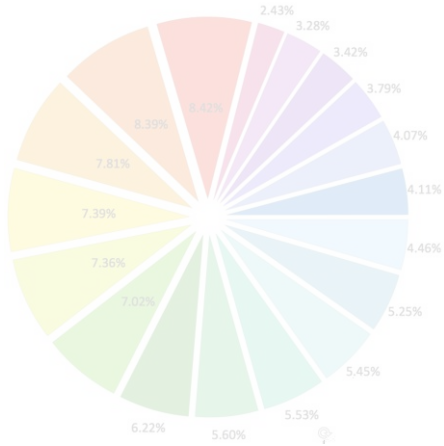
Pricing Maturity



Why AI Pricing for Distribution?

- ✓ **COVID-19 Crisis:** The pandemic has caused significant disruptions in supply chains, created unpredictable demand, and wild cost volatility
- ✓ **Disintermediation:** The rise of e-commerce giants like Amazon and Alibaba has disrupted traditional distribution models
- ✓ **Increased Competition and Customer Demands:** Customers now expect faster delivery times, superior stock availability, and flawless execution of operations
- ✓ **SKU Proliferation:** Distributors often manage hundreds of thousands to millions of SKUs
- ✓ **Shrinking Margins:** Even distributors with large volumes achieve small margins, making efficiency crucial
- ✓ **Aligning Sales with Backend Systems:** Ensuring that sales strategies align with backend operations is a significant challenge
- ✓ **Relationship Management/Customer Service:** Maintaining strong relationships with customers and providing excellent service is more important than ever
- ✓ **Regulatory / Supplier Requirements:** Increasing requirements in areas of customer protection, national mandates, and product traceability add to the complexity and cost of doing business

Leveraging Data In Legacy Science



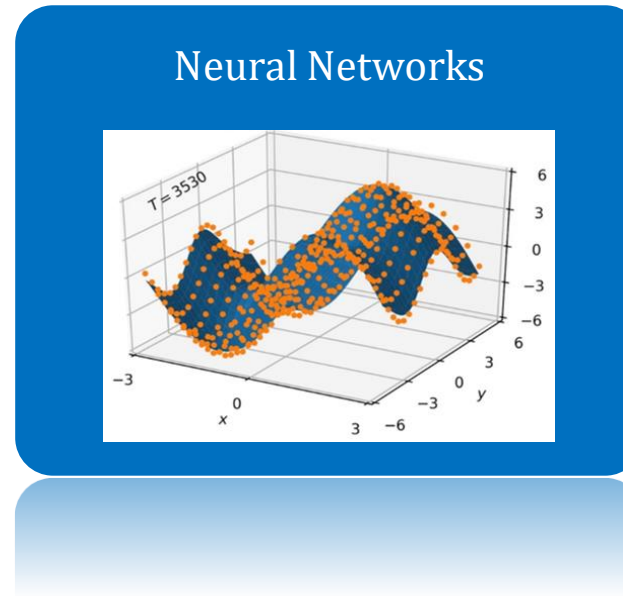
0.05% of Transactions →



- Inaccurate pricing
- Inability to manage market fluctuations
- Cannot account for seasonality
- Low adoption rate
- Manual discounting and overrides

Removing Segmentation

- Revenue & Margin Optimization
- Self Learning / Teaching
- Win-rate Percentage



- Seasonality
- Attributes Driving Price
- Precision | Speed | Value

Removing Segmentation

PROS. SMART PRICE OPTIMIZATION

ALL SEGMENTATIONS ▾ RESULTS ATTRIBUTES DATA MAPPINGS REPORTS ANALYTICS ADMIN GLOBAL CHANGES MANAGER

[← Back to Search](#) [Download PDF Report](#)

Our recommendation for **Transmission Fluid purchased by Quick Fix Service Centers**

For every transaction, the win-probability varies with change in price. We identify the optimal price point that maximizes your margin, taking both individual price and win-probability into account.

Your search criteria >

Floor

\$55.89

The bottom of the recommended envelope. ⓘ

Target

★ **\$56.40**

Our PROS recommendation. Aim to make your sale at target whenever possible.

Expert

\$58.04

The top of the recommended envelope. ⓘ

Our target recommendation has a win-probability of **92%**. This new price is a **+2.3%** increase from the Customer Specific Price ⓘ of **\$55.27**.

How did we arrive at your recommendation?

Win Rate (blue line) and Expected Margin (orange line) are plotted against Price (\$48 to \$64). The Target price of \$56.40 is marked with a green box and a vertical dashed line.

PRICE POINT	PRICE		WIN RATE	PER UNIT MARGIN	EXPECTED REVENUE	EXPECTED MARGIN
Expert	\$58.04	+5.0%	87%	\$12.92 +1.2%	\$63.3K -1.3%	\$12.7K +1.4%
Target	\$56.40	+2.3%	92%	\$11.28 +0.8%	\$66.2K +0.5%	\$13.2K +2.3%
Floor	\$55.89	+1.1%	95%	\$10.77 +0.4%	\$65.9K +0.6%	\$13.1K +1.3%
CSP	\$55.27		96%	\$10.15	\$64.1K	\$12.9K

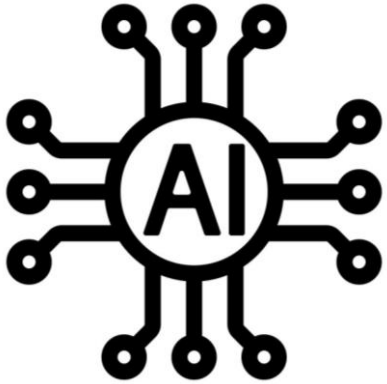
[Hide table](#)

[Learn more about how we calculate prices ▾](#)

The Power of What and Who

	PRODUCT	CUSTOMER	RECENT CURRENT PRICE	MOST RECENT DATE
>	LED String Lights	All Things Hardware	\$8.10	06/23/2021
>	LED String Lights	Ben's Home Improvement	\$7.23	07/15/2021
>	Mini Globe String Lights	Celebration Event Planners	\$9.37	09/20/2021
>	LED String Lights	Central Depot	\$8.75	09/23/2021
>	Mini Globe String Lights	Howe's Home Supply	\$7.03	09/25/2021
>	LED Fairy Lights	S&G Builders Surplus	\$8.22	09/30/2021

Strategic Human-AI Collaboration



Generate

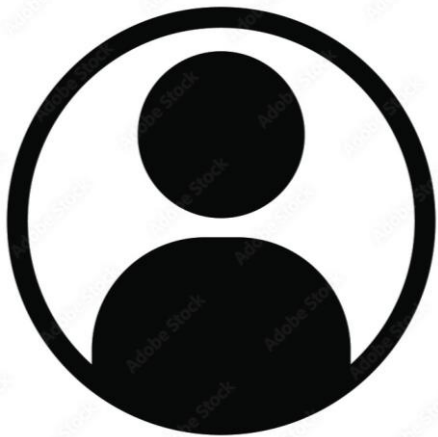
optimized possibilities based on big data analysis

Reason

and simulate options by providing insight and transparency

Enable

people to make and execute decisions with speed and precision



GTM

thoughtfully provide goals, alignment, and guardrails

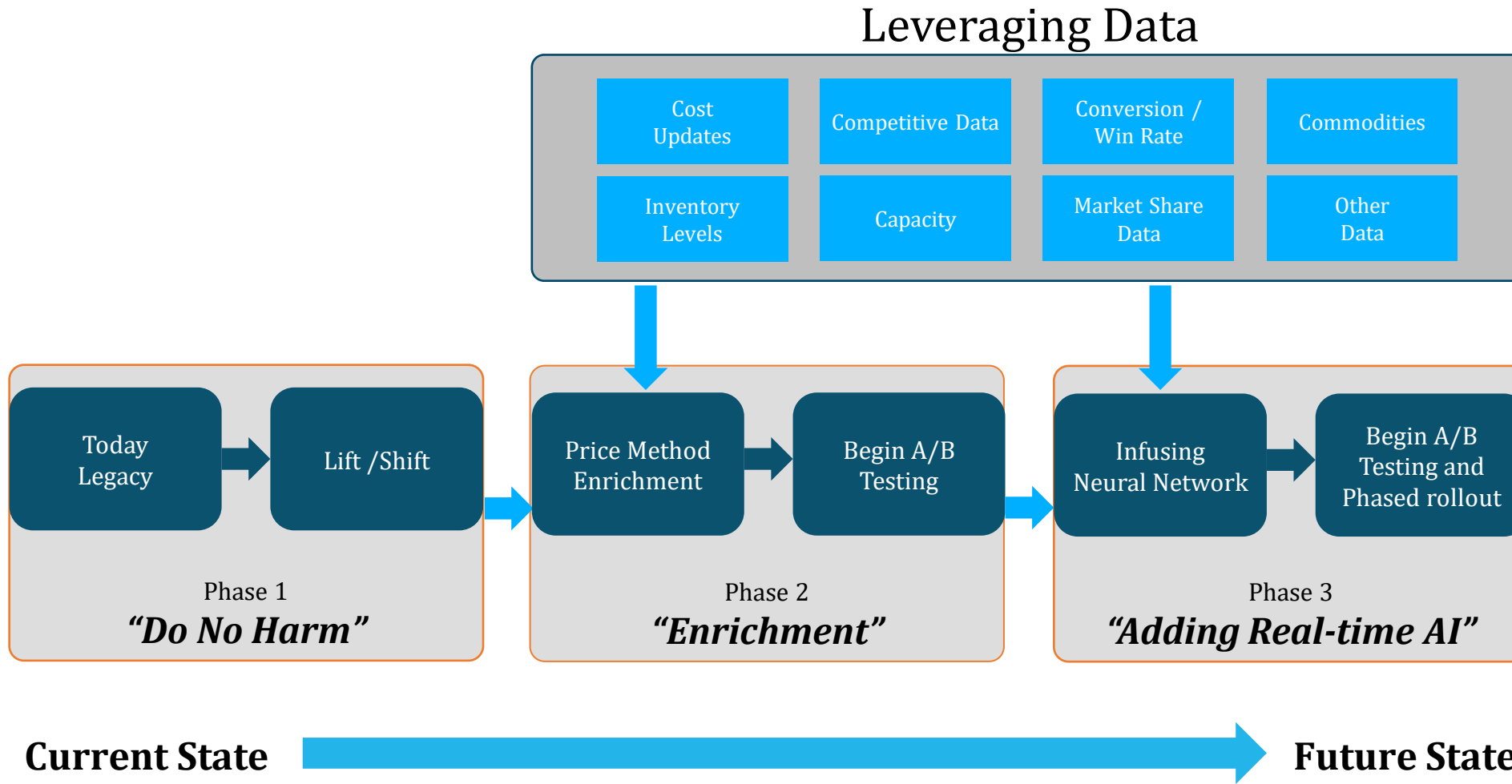
Ask

the right questions and knowing what to look for

Transform

your method of working to make the best use of improved speed and accuracy

Going from As-Is to Future State



Bringing AI Pricing and CPQ Together



**PRICE OPTIMIZATION
& MANAGEMENT**



**CONFIGURE PRICE
QUOTE (CPQ)**

CPQ: Accelerate Your Quote-to-Order Process



Empowering Sales Organizations



ITEM	QUANTITY	UOM	LIST PRICE	DISCOUNT %	NET PRICE	FREQUENCY	TOTAL	STATUS
2 Ton Gold Series Condenser	1	EA	\$1,250.00	6.66%	\$1,166.69	One-Time	\$1,166.69	●
3 Ton Gold Series Condenser	1	EA	\$2,000.00	7.00%	\$1,860.00	One-Time	\$1,860.00	●
SafeHome Tools Replacement Thermocouple	1	EA	\$32.91	5.01%	\$31.26	One-Time	\$31.26	●
10 Year Li-ion Battery Smoke Alarm	1	EA	\$40.82	9.77%	\$36.83	One-Time	\$36.83	●
SafeHome Combustible Gas Leak Detector SKU048	1	EA	\$231.24	13.60%	199.79	One-Time	\$199.79	●

**Negotiation
Guidance**

GUIDANCE

Expert \$ 219.68
Target \$ 212.74
Floor \$ 203.49
\$ 199.79

Apply Reset

**AI Neural
Network**

Pricing Maturity Achieved



Practical Recommendations



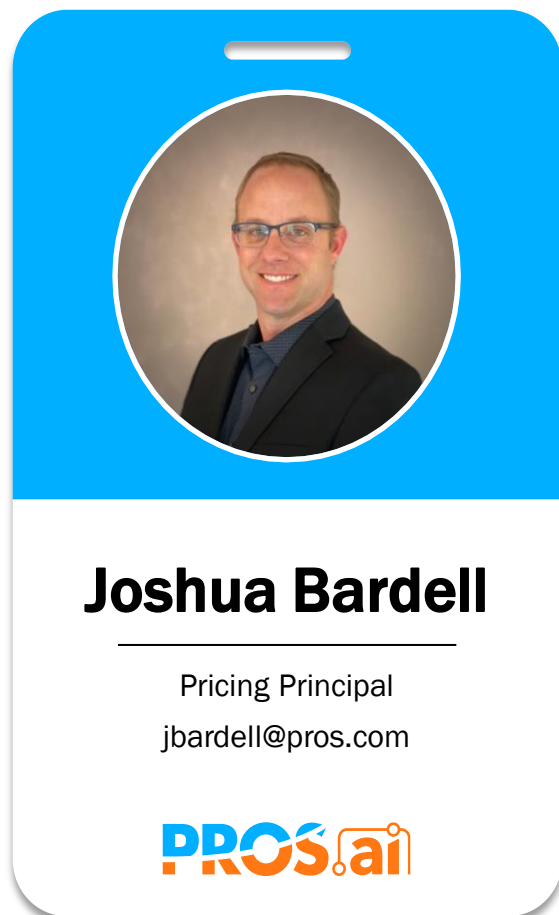
- **Key Takeaways:**

- Business complexities are putting increased pressure on pricing teams
- SKU proliferation, channel expansion, and customer tailored pricing requires technology to ensure pricing parity and performance
- AI technology helps distributors solve many current challenges

- **What Can You Do Now?:**

- Start/continue leadership, sales, finance, and IT discussions around the power of AI pricing
- Bring in pricing platform providers to conduct a value assessment

Thank You!



A business card for Joshua Bardell. The top half is blue with a circular portrait of a man with glasses and a dark suit. The bottom half is white with the name "Joshua Bardell" in bold black text, followed by "Pricing Principal" and "jbardell@pros.com" in smaller black text. The PROS.ai logo is at the bottom.

Joshua Bardell

Pricing Principal
jbardell@pros.com

