Artificial **I**ntelligence & **S**trategies
vs
Price **E**lasticity & **R**ules

- pricing in a volatile competitive market!

PE & Rules

With highly qualified business analysts and complex price elasticity algorithms it is possible to calculate customer price sensitivity from a static set of historical data. Based on this knowledge a strategy can be planned and implemented buy applying a complex set of rules. In a static non-volatile market and with plenty of highly experienced resources this can provide good results to a certain extent.

The challenge of this approach to pricing is that it involves rough estimates and assumptions as well as a permanent off set in a historic market "as it has usually been". Therefore it is evident that this approach requires a lot of qualified resources to scale and a fair amount of "luck" to get close to optimal results in a volatile and changing market.

AI & Strategies

With a pricing system based on AI (artificial intelligence) and Big Data (all data relevant to the sales) it is possible with very few resources to constantly observe and learn customers' change in behavior and price sensitivity as well as the competitors' ever changing pricing strategies – you may say that an AI pricing system is staying in touch with its local market. Combining this "near real time" data acquisition with the sum of similar historical patterns, it is possible to adapt and optimize the strategy and thereby the sale accordingly.

The key to reaching optimal pricing with the use of an artificial intelligent pricing system is data access. The system can only be as good as the data it works with. Give it the optimal access to live data and it will give you optimal live pricing. This does not mean that the system only will work with live data – hourly or daily data feeds will do – but it will usually be worth investing in an infrastructure that can deliver Big Data in near real time.

Price Elasticity & Rules

- Highly qualified resources required
- No specific infrastructure requirements
- Strong in static non-volatile markets
- Price setting on multiple stations
- Expensive and poor scalability
- Semi-automated solution

Artificial Intelligence & Strategies

- Few resources required
- Strong Infrastructure required
- Strong in volatile competitive markets
- Price setting and optimization on individual stations and products
- High scalability with few resources
- Fully automated pricing solution