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Competitive Information Systems in Support of Pricing

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ABSTRACT

Considerable attention has recently been paid to the opportunities presented by information systems technology for implementing, or even driving, corporate strategy. But organizations attempting to identify systems that provide competitive advantage are finding the search to be frustrating and often unrewarding. This paper combines two familiar information systems concepts, the Anthony model and information attributes, to produce a framework for identifying one class of competitive information systems, systems in support of product pricing.

For the vast majority of companies operating in imperfect markets, pricing is an information intensive process, in which ambiguous cost projections are balanced with elusive estimates of demand in an attempt to satisfy conflicting stakeholders. As such, pricing presents a rich opportunity to creatively apply information systems technology for competitive advantage. To assist in identifying applications we present a framework to structure the search and a series of working examples that can motivate synergistic discovery.

The framework, shown below, categorizes pricing information systems according to decision type and information attributes. The Y-axis contains the three levels of management decision making proposed by Anthony [1965]; four areas of pricing decision—choosing a pricing strategy, setting the basic price level, determining the price structure, and the price administration—are mapped into the Anthony model. The X-axis includes categories of information attributes that information systems are likely to impact. We illustrate the matrix by mapping examples into the cells.

We are hopeful that readers familiar with a particular firm's attributes and competitive environment will find that the examples help stimulate the discovery of new pricing applications. The paper concludes with some thoughts on using the framework. An appendix to the paper presents a "pricing primer" for those unfamiliar with the pricing process and its information requirements.

		Attributes of Information Impacted By IST						
Anthony	Key Pricing Processes	Timeliness			Content		Format	
		Age	Response Time	Frequency	Accuracy Completeness	Level of Detail Relevance	Medium Ordering	Graphic Design Access
Strategic Planning	Choosing the Pricing Strategy	← hotel room pricing →			Telcot Delta		Red Lobster Intermodal Transportation	
	Setting the Basic Price	Red River Construction			communication company		real-estate appraisal	
Management Control	Determining the Price Structure	← Delta →			hotel promotion tracking AHS		"The Coupon Solution"	
					Red Lobster			
Operational Control	Price Administration	← ARCO →			frequent flyer generated ads Car/Puter		Grand Union	

Exhibit I

Improving Information Characteristics for Key Pricing Processes