

Pricing Software and the Spanish Armada

Although pricing is a relatively young field in respect to many other academic and business oriented disciplines, pricers can apply lessons learned from history to accelerate the growth and power of pricing at a rapid rate. In this article, the author cleverly uses lessons from the different technological abilities and approaches used in the famous battle between British Pirates and the Spanish Armada to point out disparities in many organizations' approaches to accelerating pricing through technology. Author Adam Corsi is a Business Consultant with Vendavo and has been involved in Pricing for over twelve years. He can be reached at acorsi@vendavo.com.

If history tells us anything, it is that it repeats itself.

While many of the problems faced by an executive today are issues created by the rapid pace of changes in the marketplace, we can still gain many insights from the past. The historic events surrounding the Spanish Armada can provide us insights in the most competitive of all environments – warfare.

How the British Beat the Spanish Armada

In 1588, the Spanish assembled what was to be one of the most formidable forces ever assembled on the sea to invade England and end her aggressive provocations against Spain. The flotilla was composed of approximately 130 ships and manned with an amphibious assault force of over 30,000 troops. En route to England, the Spanish Armada was engaged and harassed by the famous pirate/privateer Sir Francis Drake, who bought much need-

ed time for England to assemble their naval defense. The main battle eventually occurred near Gravelines, off the coast of France in the English Channel. There the main English force relentlessly attacked the Armada and defended their island with the same courageous tenacity they would later demonstrate against Nazi Germany during the Battle of Britain.

The British quickly gained the upper hand in the battle against the Spanish through their superior seamanship, naval tactics, and artillery skills. They eventually sent the “undefeatable” Armada retreating back to Spain via a long and treacherous route. By the time the Spanish fleet returned home, they had lost close to half their fleet and three-quarters of the invasion force.

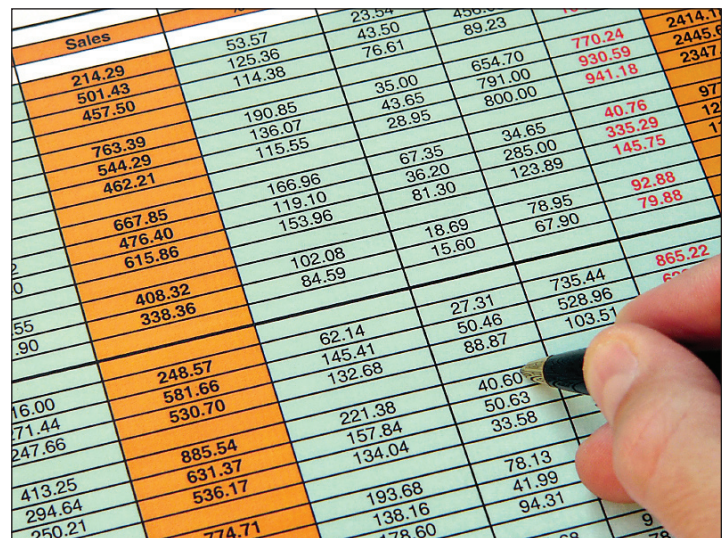
One of the key success factors that contributed to the British victory was their approach to munitions, which was a relatively new technology for the era. The British had interchangeable cannons and cannonballs, while the Spanish did not. Because of this, each Spanish ship had separate piles of cannonballs for each cannon that could not be shared across other cannons.

Once the battle began and the confusion and mayhem associated with it took effect, the Spanish must have quickly realized the inefficiency this caused. As cannons were damaged from enemy fire, piles of cannonballs became useless. And as soldiers were killed or ships severely damaged,

one can imagine the confusion caused with soldiers being unsure of which piles of cannonballs were associated with which cannons – not a desired situation when you are fighting for your life.

What does the Victory Have to do with Pricing?

So what does this have to do with an integrated commercial pricing solution vs. legacy spreadsheets? The analogy in this case is quite simple. The Spanish Armada had a spreadsheet view of artillery, while the British had an integrated commercial pricing solution view. Similar to the Spanish appearing formidable on paper, pricing organizations leveraging Excel spreadsheets as their primary tools appear to have superior flexibility – but just as the British discovered, this does not actually translate into superior



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execution and ultimately responsiveness. The lack of consistency, standardization, and integration of their primary tools ended up actually placing them at a competitive disadvantage vs. a smaller, more standardized, and integrated force.

The Spanish Armada had a very open approach to artillery. They had captured or acquired perfectly good cannons with the associated cannonballs (i.e. multiple spreadsheets for multiple purposes) from various other ventures or sources, and felt this adequately met their needs. The soldiers in this case served as the make-shift integration (knowing which cannonballs belong to which cannon), but had to manage the gauntlet of pulling the right (and consistent) data from multiple systems, developing formats for analysis and scenario planning, and then ultimately making sure these prices get loaded into the final systems for pricing execution on the invoice.

The British, however, had a more integrated view of artillery. They recognized value in standardization, and were even willing to make sacrifices to support it, including not utilizing captured or acquired artillery on military vessels. In a similar way, many companies that select commercial pricing solutions see the value of having one integrated source of truth in pricing across analysis, price setting, and execution.

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posite – they enable the organization to be more focused and responsive. Commercial solutions design pricing tools and processes to support the value-added price differentiation, while avoiding the “differences for differences sake” that many businesses continue to support from inherited decades of legacy tools and spreadsheet differences. And it is commercial pricing solutions that ultimately provide the greatest amount of flexibility and leverage moving for-

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ward as the organizations and pricing approach evolves.

While in hindsight it is easy for us to fault the Spanish, the truth is that they were simply following the conventional wisdom of that period. Just as it is difficult for an executive today to justify replacing a process that provides some degree of functionality with a common pricing solution, it must have been equally difficult for the Spanish Generals to dispose of artillery that still functioned. And while the British standardization solution seems obvious, it was

in fact quite innovative for the period. Imagine the complexity of the process and effort associated with it to develop and define technical standards and manage the supply chain of a highly fragmented blacksmith industry in the sixteenth century.

Winning with Bold Decisions

On the horizon, the Spanish Armada appeared to be a well integrated and formidable force, but in battle they had difficulty adapting in a dynamic, competitive environment. **In today's dynamic business environment, companies that continue to manage pricing via disparate excel spreadsheets will only continue to limp along in terms of pricing capabilities and responsiveness to the marketplace.**

Only the brave leaders who see the value in adopting an integrated approach and solution to pricing will be able to realize the organization's greatest untapped profit opportunity in pricing. As industry peers or competitors begin to embrace pricing and commercial pricing solutions, ask yourself this simple question, “How many piles of different cannonballs do I want on my ship during the next battle?”