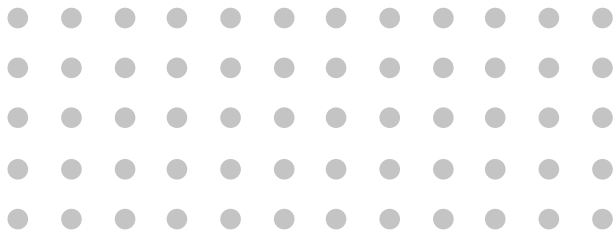


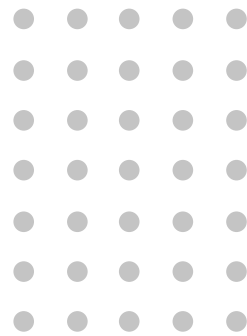
The Ultimate Guide to Market-Based Parts Pricing





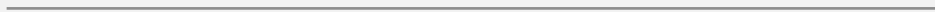
Why market-based pricing?

- Stay up to date: Mirror current price changes in your spare parts business
- Increase customer engagement and trust
- Unlock the full potential of your spare parts business
- Identify your monopoly, chances and your USP
- Increase your revenue



CONTENT

Keep in lockstep with your customers and the market by making fully informed pricing decisions based on valid and reliable market data.





1



01 What is Market-Based Pricing?

Market-based pricing is a pricing strategy that relies on activating real-time market analytics to make informed pricing decisions.



A market-based pricing of parts is informed by market data and insights. Deploying market-based pricing thus requires access to real-time market intelligence regarding a part's price, availability, and lead time, delivering competitive and intelligent insights that grow revenue and profit. Aftermarket sales and parts represent a significant revenue stream for original equipment manufacturers (OEMs). The data driving a market-based parts pricing strategy can help OEMs establish a price in line, above or below prevailing prices to maximize profit or other strategic objectives.

Many OEMs lack visibility of their competitive pricing position, meaning they do not know their competitors' pricing, availability, or lead times for the parts they want to sell. However, to ensure a strong competitive footing, these manufacturers need to get the pricing right for every single part, which requires monitoring of market rates for thousands of SKUs. To further complicate matters, the frequency of price changes continues to grow continually increases as competitors seek to pass along rises in raw material costs and account for inflation, while simultaneously also attempt to maintain or expand their market share. Absent a detailed understanding of the marketplace, many OEMs continue to use cost-plus pricing, where the supplier's cost and the application of a standard markup dictate the price of a part, putting them at a disadvantage without a fully informed pricing decision.





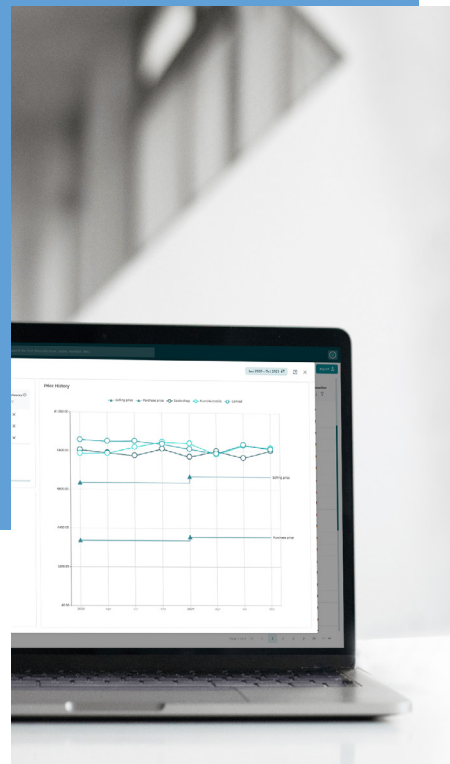
COST-PLUS PRICING

Cost-plus pricing is the most common approach to parts pricing due to its **simplicity** and **wide applicability**. In an increasingly demanding and data-driven marketplace, it has several shortcomings, including wildly fluctuating prices, which can quickly alienate customers, especially if prices are not competitive. Due to their ability to buy parts in bulk and secure heavy volume discounts, when OEMs apply standard markup on parts they bought at heavily discounted prices, they unknowingly pass on the discounts to their customers. As a result, OEMs are often cheaper than their competitors without knowing it.

MARKET-BASED PRICING

A market-based pricing of parts delivers **competitive and intelligent pricing** increases that grow revenue and profit. It also allows OEMs to increase their customer share, become a trusted supplier for all parts, and increase win rates. Just as important, it fosters improvements in customer satisfaction as it delivers pricing and lead times in line with the market. Deploying market-based pricing requires access to real-time market intelligence regarding a part's pricing, availability, and lead time. And OEMs need this intelligence for their entire portfolio.

At every stage of the part lifecycle, from introduction to obsolescence, market-based pricing allows an OEM to price parts according to what the market will bear. It also allows OEMs to increase their customer share, become a trusted supplier for all parts and increase win rates. Just as important, it fosters improvements in customer satisfaction as it delivers pricing and lead times in line with the market.



02 Why Implement a Market-Based Pricing Strategy?

Traditional pricing methods are outdated in Today's Digital Environment and do not make use of valuable revenue potential.

An OEM can use the intelligence gathered to deploy the market-based pricing strategy and confidently increase or decrease prices for existing parts previously subject to cost-plus pricing.

Market-based pricing improves revenues by identifying parts priced below market, capitalizing on purchased part exclusivity and leveraging advantageous lead times.

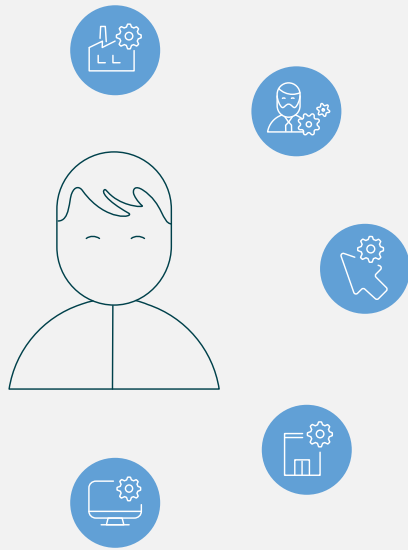
"For machine and equipment manufacturers spare parts contribute 10% to revenue, 25% to EBIT, and grow at 4% annually."

Verband Deutscher Maschinen- und Anlagenbau (VDMA)





BUSINESS BUYERS ARE MORE INFORMED THAN EVER



In today's marketplace, machine manufacturers' customers have many more options when it comes to purchasing parts:

- manufacturers,
- online vendors,
- distributors,
- online shops,
- and marketplaces.

Many of these providers publish their prices and lead times online, putting real-time market intelligence in the hands of customers to make fully informed purchasing decisions. Manufacturers have to adapt and align their pricing strategy with these changes.

Learn how Körber Tissue changes their parts pricing strategy from reactive to proactive by setting their pricing in line with the market and establishing an overall market-oriented pricing strategy.



[VIEW VIDEO](#)

[READ MORE](#) →



MARKET-BASED PRICES INCREASE CUSTOMER LOYALTY

Customers are no longer bound by geographical boundaries, so they are free to buy from any online marketplaces, platforms, etc., all around the world to compare prices, quality and lead times. It is important to show to your customers your value through consistently adjusting prices as needed to show your attentiveness to the market and your position in the market.

When you are making these pricing adjustments, open communication with your customers is necessary. Customers appreciate transparency, and this will raise their willingness to pay for your parts over a competitor.

LEVERAGE DATA TO INFORM OPERATIONS

While a market-based pricing strategy allows OEMs to charge a competitive price backed by data, it also allows for the development of alternative pricing strategies. For example, having established the competitive price for a part, an OEM may decide to charge below the market rate to earn more market share or above it if it deems the part superior to those offered by competitors. In either event, the OEM possesses the data to drive its pricing strategies.



EMPOWER AFTERMARKET SALES

Market-based pricing also empowers the aftermarket sales team as it provides them with competitive pricing they can confidently share with new and existing customers. Instead of relying on cost-plus pricing, the sales team can rely on market-based prices, backed by data and robust analysis.



Increase your sales and customer satisfaction at the same time



Use your monopoly position for spare parts without competition



Raise your sales prices to market price levels in a data-driven and confident way

CONTINUE TO PROVIDE CUSTOMER EXCELLENCE

For parts with a long tail, meaning parts developed years prior for which demand is low but constant, market-based pricing can contribute sustained streams of revenue. Market-based parts pricing can also justify keeping SKUs with low turnaround cycles in stock. In addition to contributing to the bottom line, supplying older parts for longer will build customer loyalty. And when deciding whether to launch new products and equipment or enter new geographical markets, creating financial forecasts using market-based parts pricing can provide a sufficient profit over the long haul to justify expanding a product line.



Increase the success rates of your offers and win customers



With intelligent price reductions at market level, you position yourself as a fair-priced service partner

In many cases, market-based pricing can raise the profile of the aftermarket business, transforming it from an afterthought to a critical component of the OEM's business model. Market-based pricing for parts gives customers confidence and allows OEMs to increase margins for parts since their prices are competitive and fair in the minds of the customer.

03 Which Organizations can Profit from Market-Based Pricing?

Parts sales are a major driver of revenue, profit, and growth opportunities for machine manufacturers.

Manufacturers considering the move to market-based pricing should organize their aftermarket team as a profit centre. Market-based pricing is the pricing strategy best suited for OEMs to classic mid-sized companies to grow their parts business, its share of revenue, and its contribution to the bottom line.

Market-based pricing works best in sectors with scattered distribution, meaning industries that often have tens to hundreds of distributors competing for parts market share. The most successful industries to apply market-based pricing strategies include:

- Machinery: Packaging, agriculture, metalwork, mining, extrusion, cutting tools
- Equipment: Construction, welding or Machine tools, crane and material handling
- Plastics processing
- Commercial HVAC





04 What are the Requirements for a Market-Based Pricing Strategy?

An OEM requires real-time market intelligence to adopt market-based parts pricing.

The data used to derive prices must be accurate, timely, and include every competitor. However, a manual approach for market-based pricing systems will not execute effectively across all distribution channels and required geographies.

ALL-ENCOMPASSING MARKET DATA OVERVIEW

The global marketplace is too large and dynamic for a team of analysts to maintain real-time, exhaustive pricing intelligence. Manual research with a focused approach on a few key parts can work, but it cannot scale or deliver full market coverage. The labor-intensive work can utilize too many resources to be profitable, leading to the prominence of cost-based pricing. Efforts to collate and analyze up-to-date market intelligence will inevitably struggle due to the market's complexity.

DIGITAL DATA COLLECTION

Generic web crawlers allow an OEM to automate and scale its approach to gathering pricing intelligence, yet due to technical limitations, they cannot limit their focus to specific industries, do not offer online and offline market coverage and only supply raw data that re-

With more than 50,000 OEMs globally, selling over 5 million parts, and up to 2,000 distributors within a country, manual approaches to market intelligence fall short.

quires analysis and interpretation. Thus, making fact-checking for data accuracy essential, which is a very tedious and time-consuming process. However, utilizing an intelligent and automated software like PRICERADAR, that delivers full insight and transparency on pricing, lead times and detailed data collections. With an automated solution, you not only reduce cost, but also manual errors.

INTELLIGENT MARKET SOLUTIONS

Intelligent automation provided via dedicated solutions can deliver a comprehensive and fully automated approach to gathering market intelligence.

Using such an approach, OEMs can focus on specific sectors and quickly gather online and offline market data to inform their pricing decisions. Global coverage and the continuous nature of the analysis mean that an OEM's pricing knowledge remains current, complete, and accurate. By limiting manual efforts, intelligent solutions free resources to then dedi-

cate to acting on the new market intelligence. It also provides a scalable approach. Embracing a data-driven approach to pricing decisions allows OEMs to adapt quickly to changes in the marketplace, maximizing internal resources and their return on investment.

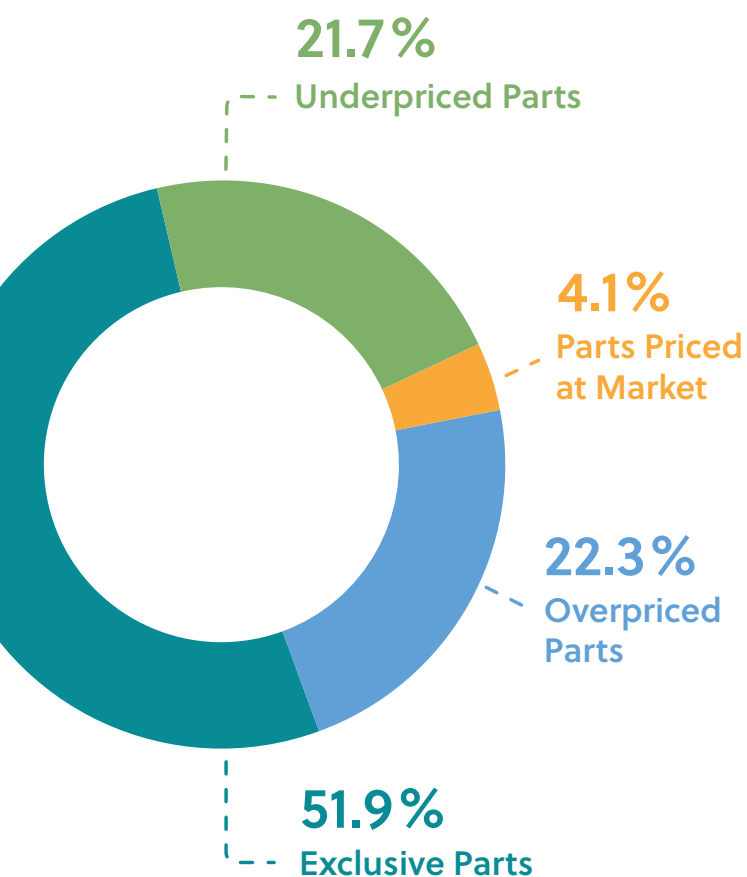
Take the first step towards market-based parts pricing now!

[CALCULATE YOUR ROI](#)





05 How to: Toward a Market-Based Pricing Strategy



te pricing benchmarks from real-time market data and uncover price adjustment opportunities.

It will ensure an OEM has the information to price its entire parts portfolio at competitive rates, including identifying parts that are underpriced, overpriced, or exclusive.

DEVELOP ACTIONABLE MARKET INSIGHTS

From our experience helping OEMs integrate real-time market intelligence in their parts pricing, OEMs uncover approximately 22% of parts that are underpriced, around 52% of parts that are exclusive and candidates for premium pricing, and over 22% that are overpriced – On average, just 4.1% of parts are priced at market. Competitive parts intelligence can also generate pricing data for new parts that the OEM has yet to sell on the open market, avoiding mispricing throughout the part’s lifecycle.

IDENTIFY MARKET OPPORTUNITIES

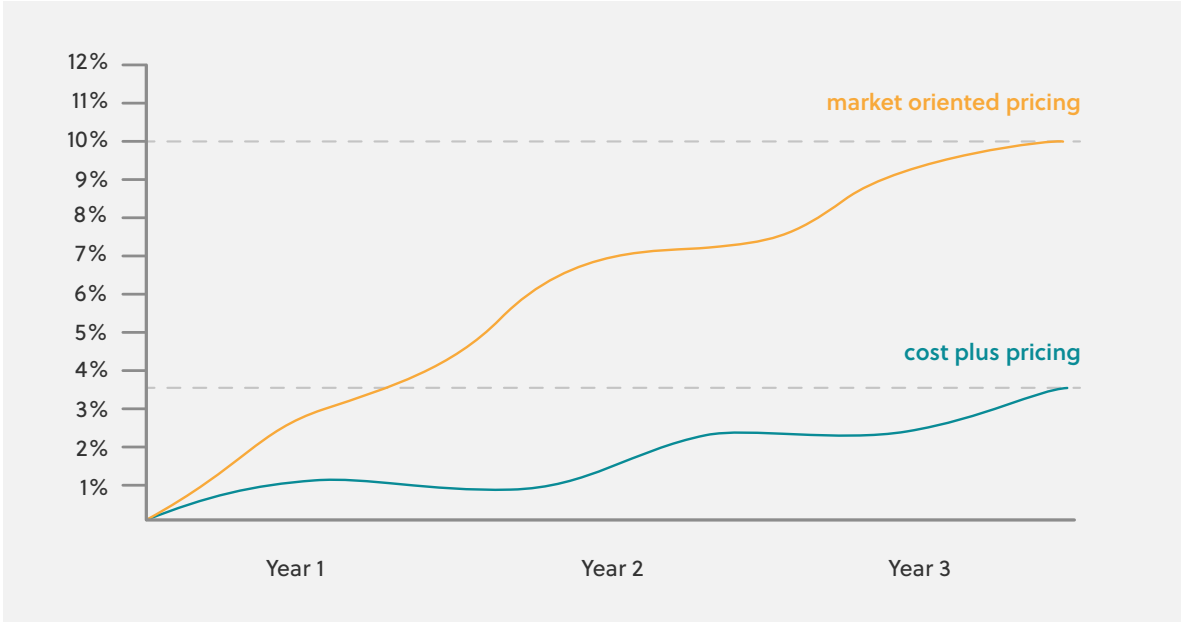
Integrating real-time market intelligence will provide the market price, including prices charged by specific competitors, and compare your lead time against competitors’.

This exercise is to help an OEM analyze its entire parts portfolio to ensure each SKU is priced competitively and in line with the company’s strategic goals. This analysis will also gener-

KEEP PULSE OF MARKET DYNAMICS

As the competitive landscape changes, the pricing framework generated via this analysis allows OEMs to monitor and react to market changes quickly. Just as important, it provides a sustainable digital foundation to migrate the OEM from manual SKU pricing to an automated approach that is cost-effective and far more responsive to changes in market conditions.

While some may view the shift to market-based pricing as a one-time event, monitoring competitors on an ongoing basis is critical to helping OEMs generate significant increases in revenue and profit. Due to inflation and cost surges, third-party vendors change their prices constantly. To react quickly, avoid leaving money on the table, and stay competitive, OEMs need up-to-date information, not just a one-time analysis.



DELIVER HIGHER LEVELS OF CUSTOMER SATISFACTION

While such analysis focuses on the financial benefits of competitive pricing, it also drives improvements in business reputation and customer satisfaction. A data-driven approach to pricing is simple to explain to customers.

Moreover, customers can verify the accuracy and integrity of an OEM's pricing by conducting independent research.

OEMs that commit to market-based pricing often generate ROIs of 1,000%+.

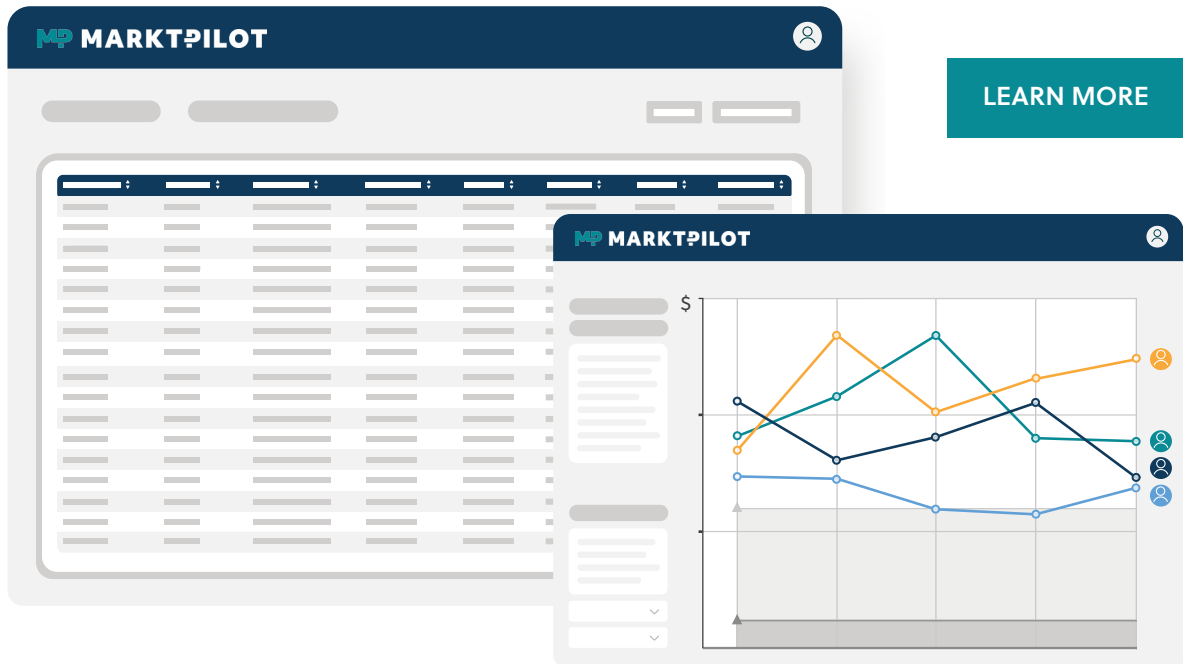




13

PRICERADAR

MARKT-PILOT's Solution for Part Pricing & Lead Time Intelligence



Our Value Proposition



Easy to use & implement

Get started in less than 30 minutes - no setup, integration or user training required.



100% accurate data

Every data point is validated by a multi-stage quality assurance process including AI & data analyst feedback.



Global coverage

Different regions have different market prices & lead times - we screen your competitors by region across the globe.



Exclusive industry focus

Founded by machine manufacturers, our sole purpose is to grow the parts business of companies in this industry.



Save time and effort

We do the analysis so that you can focus on what matters most: growing your parts business.



Scalable

Whether you have 50 or 50,000 SKUs in your portfolio, we meet you where you are today.

LET'S TALK AND LEVEL UP YOUR PARTS BUSINESS.

More than 140 years of experience in after sales of machine manufacturers combined with innovative AI: That's MARKT-PILOT. Our solution enables your parts business to remain profitable even in dynamic markets and reliably make your price potential visible - for more sales and higher customer satisfaction in after sales. Let's talk and find the best solution for you.

LET'S TALK



More than 150 machine manufacturers already rely on MARKT-PILOT and actively benefit from our solution.

KOENIG & BAUER

KÄRCHER

DIEFFENBACHER

HOLMER ▼

