

The challenge

Hitachi Construction Machinery (HCM) prices more than 1,000,000 parts with 24,000 new parts introduced annually. HCM was not fully satisfied with their pricing system as their process required increased support for value based optimization, price management and distribution including built-in approval handling and advanced analysis capabilities with the option to simulate multiple price revision scenarios.

The solution

Syncron's Global Price Management

The results

- Projected gross profit increase of JPY 2 Billion (\$20M) in the next 5 years.
- Price revision lead time decreased from 5 months to 3 months.
- Reduced pricing lead time by 30% for new parts.
- Enabled pricing managers to optimize prices based on market conditions.

About Hitachi

HCM is the third largest full-range construction equipment manufacturer in the world and is headquartered in Tokyo, Japan. HCM'S main product line is hydraulic excavators along with other transportation machinery and devices. Established in 1970 with facilities in Europe, USA and Asia, the company has over 2,000 employees with estimated revenue of JPY 774 Billion (\$8 Billion) in 2012.

www.hitachi-c-m.com



Hitachi Optimizes Market Pricing to Boost Margins by Billions

The Syncron Global Price Management solution combines pricing methodologies, optimization techniques, best practice processes and a comprehensive execution platform supporting implementation of your parts prices.

The challenge

Hitachi Construction Machinery (HCM) needed to improve its pricing analysis and data visibility in order to become more competitive in a changing market. This need was important as HCM was experiencing eroding margins from low-cost country competition and increased grey market challenges.

To better compete, HCM needed to improve their competitive pricing capabilities and streamline its pricing processes, which relied on several different tools and data sources. Additionally, too often the pricing

calculations were based on a cost-plus model, which completely disregards the customer's willingness to pay and the market situation.

The annual price revision took 5 months to complete due to the manual pricing process managed in spreadsheets and home-grown databases lacking data-driven segmentation and pricing logic. The company suffered from delayed pricing updates as a result of the long lead times, collecting the relevant data, running the simulations and doing the pricing. Long lead times applied both to the annual price revision and to all the newly introduced parts.

With an inconsistent pricing system and without a powerful analytic process, HCM struggled with pricing optimization, pricing parts in a timely manner and ultimately increasing sales.

The solution

HCM selected the Syncron Global Price Management solution to optimize its pricing through science-based segmentation, pricing guidance, and advanced analytics. The solution was implemented in a timely

“The yearly price revision workload has drastically reduced by implementing Global Price Management. We are able to get faster return financially from the new price.”

Kazuhiro Ishido

manner and on budget, with no significant customization or add-on development required. *“Global Price Management is an out-of-the-box system but has a lot of flexibility,”* said Osamu Adachi, Marketing Group at Hitachi.

The solution provided HCM with one central system, consolidating all pricing processes and providing global price visibility across the complex supply chain. With Synchron Global Price Management HCM has gained a better understanding of the details behind pricing for each part number, allowing them to develop strategies for market-leading pricing.

Prices that were incorrectly set when using cost-plus were found and converted to a value-based and market-based methodology. The solution automatically scans for the right price logic for each and every part and recommends the optimum price thereby increasing productivity. *“We are now able to price parts more logically using the Synchron solution with price logic capability,”* said Osamu Adachi.

The infrastructure for capturing and analyzing competitor prices allow HCM to combine data sets to leverage existing transaction data and then add the competitive data. Market data and feedback from point of sales is managed and aggregated in the system for better decision making. By flexible reporting and simulation of price change impact for example, the pricing team can quickly adjust prices for individual parts and bring them in line with both optimized and competitive prices.

The results

HCM now has a strategic pricing system with advanced analysis capabilities that assists HCM fully in managing their pricing operation. Many manual, error-prone tasks have been automated allowing the pricing team to effectively reutilize their time from data collection to data analysis.

Today the pricing team, who are responsible for pricing hundreds of thousands of parts, can effectively use Synchron Global Price Management to capture time-sensitive profit opportunities and successfully implement competitive pricing for each and every part.

HCM projects a gross profit increase of JPY 2 Billion (\$20M) in the next 5 years as a direct result from accelerated pricing analysis and better pricing strategies. Furthermore, productivity increased substantially:

- Price revision lead time decreased from 5 months to 3 months
- Reduced pricing lead time by 30% for new parts.

With the consistent pricing system, quick response time and correct competitors pricing, HCM’s dealers, partners and stakeholders is getting a great benefit from Global Price Management globally. *“We see Synchron as a strategic partner for after service business.”* explains Katsuaki Ishii, Marketing Group Manager at Hitachi. HCM is now planning to expand the usage of Global Price Management to their foreign depots to price locally supplied parts and implement regional price adjustments.

SYNCRON CASE STUDY HITACHI CONSTRUCTION MACHINERY

About Synchron

Synchron maximizes global supply chain performance, easily. Our ERP-independent software solutions for global inventory management, global order management, global price management and master data management, are implemented faster and at lower cost than other solutions. Synchron has had years of experience with cloud services and Software-as-a-Service (SaaS) as an alternative to hosted solutions and perpetual licenses. We deliver superior results to our customers through combining software expertise with extensive experience from selected industry sectors within manufacturing and distribution. To stay ahead, many world-leading global companies have chosen Synchron: Atlas Copco, Volvo, Tetra Pak, JCB, Mazda, Alfa Laval, Scania, BAE Systems, Electrolux, Renault, and Komatsu.

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