



State of Aftermarket Service Parts Pricing – Survey Report

A study comprising 50 executive interviews of large manufacturers with significant revenues from service parts





We completed 50 phone interviews

with supply chain executives from a variety of companies that manufacture service parts

REPRESENTATIVE SAMPLE OF PARTICIPATING COMPANIES

Accuride Corporation

Ag Growth International Inc.

Albany International Corporation

Babcock & Wilcox Enterprises Inc.

Commercial Vehicle Group Inc.



Polaris Inc.

Rational AG

Rotork PLC

Swisslog Holding AG

Thyssenkrupp North America, Inc.

And many other global enterprises

92%

of manufacturers have begun implementing automated systems for parts pricing processes

WHY AUTOMATE?

- Improve operational productivity
- Data-driven insights for more informed pricing decisions
- Quickly identify and act on profit opportunities
- Eliminate complex, redundant manual processes and spend more time on strategic tasks



While most companies have adopted automated service pricing systems **few are reaping the anticipated benefits** of time savings and data-driven decision making.

48%

of respondents say they spend their time adjusting prices based on industry experience (gut feelings)



52%

of respondents spend the majority of their time fine-tuning automated systems (to get the expected result)

The complexity of the service parts supply chain is reflected in diverse opinion relative to the key factor for establishing price...

25%
of respondents use gut instinct



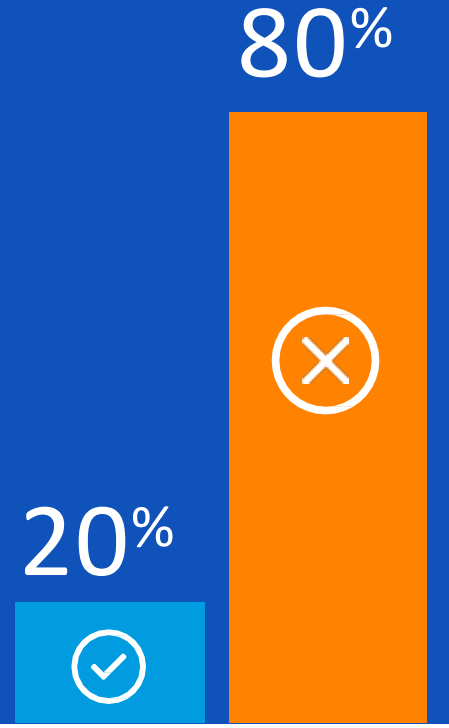
55%
of respondents price using competitive and market knowledge

20%
of respondents use situational knowledge



While all three factors can help in establishing pricing, it's important that your pricing decisions are backed by data driven insights.

The majority of respondents lack the analytics necessary for objective or situational knowledge





Manufacturers find it difficult to trust automated pricing systems due to the complexity of the service parts supply chain.

Companies neglect aftermarket services supply chains because they're tougher to manage than manufacturing supply chains. Their performance suffers by comparison, too.

PARAMETER	MANUFACTURING SUPPLY CHAIN	SUPPLY CHAIN
Nature of demand	Predictable, can be forecast	Always unpredictable, sporadic
Required response	Standard, can be scheduled	ASAP (same day or next day)
Number of SKUs	Limited	15 to 10 times more
Product Portfolio	Largely homegeneous	Always heterogeneous
Delivery network	Depends on nature of product; multiple networks necessary	Single network, capable of delivering different service products
Inventory management aim	Maximize velocity of resources	Pre-position resources
Reverse logistics	Doesn't handle	Handles return, repair, and disposal of failed components
Performance metric	Fill rate	Product availability (uptime)
Inventory turns (the more the better)	6 to 50 per year	1 to 4 per year

Research indicates that no system for service parts pricing is complete without a **robust channel for customer feedback.**

MANUFACTURER PRICING PRACTICES WITH THE LARGEST IMPACT ON CUSTOMER SATISFACTION

According to Respondents



Delivery Speed and/or Availability



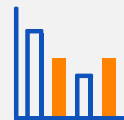
Value Pricing on High Volume Parts Segments



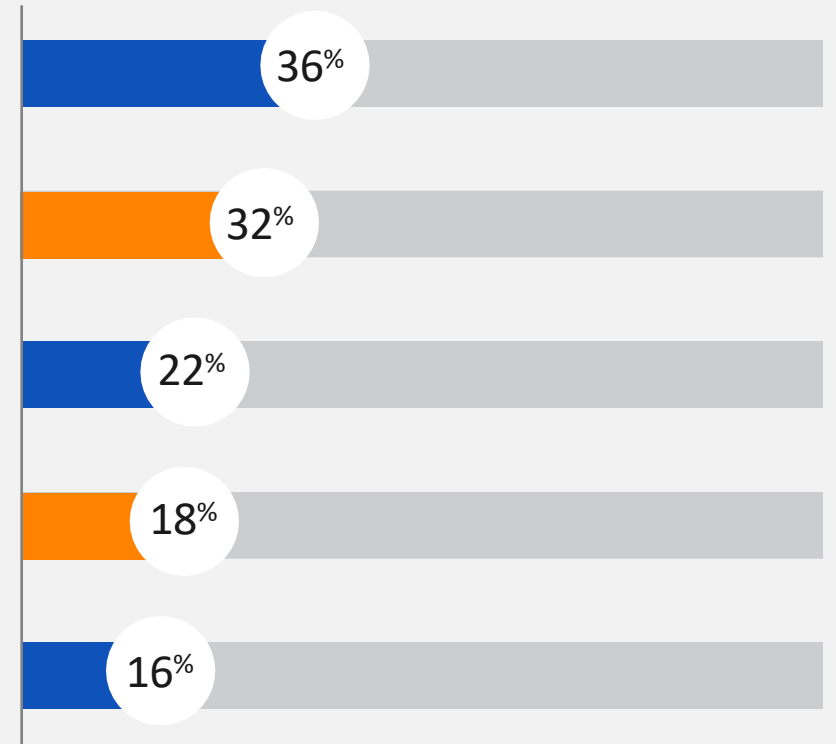
Negative Impressions Based on Captive Part Pricing

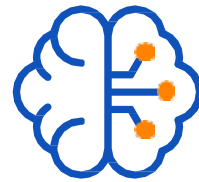


Price Transparency



Frequency and Size of Price Changes

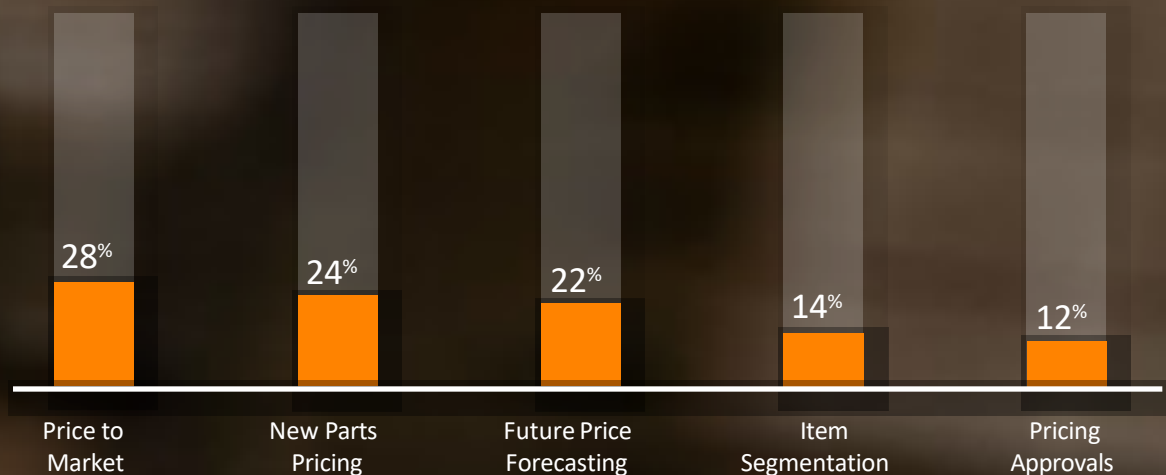




82 %

of manufacturers interviewed believe AI and ML are important for optimizing spare parts pricing

Survey responses show automation is needed across the board when it comes to optimizing parts pricing.

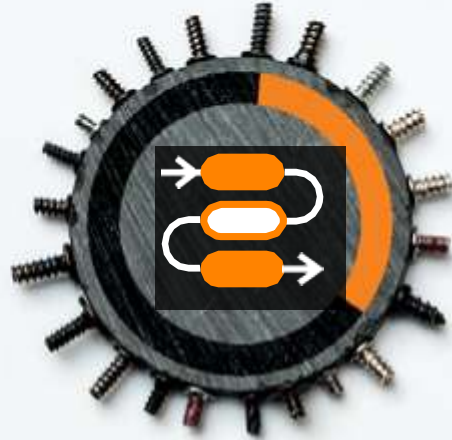


TOP 3 CHARACTERISTICS

Manufacturers Want in a Price Automation Software

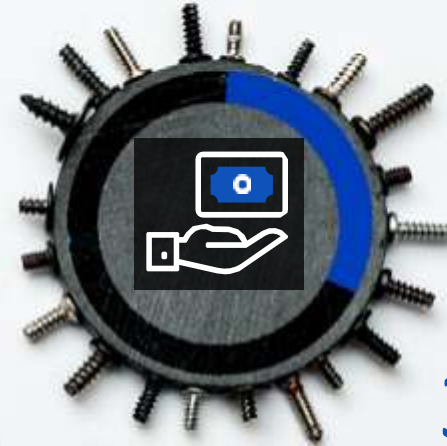
34%

Want to implement
process automation



32%

Want low cost options
to support the system



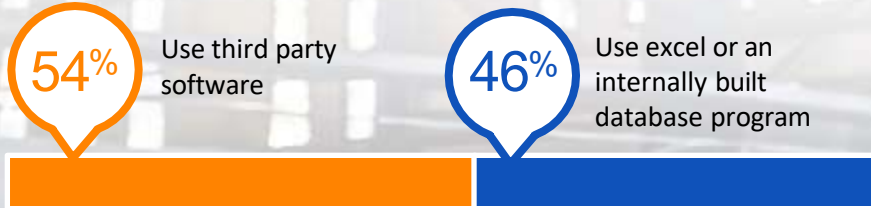
22%

Want a system that is
intuitive and easy to use



WE ASKED:






What kind of pricing software is your company currently using?



No matter what form of pricing system,

90% of respondents want more from their system

Top Improvements wanted in Pricing Systems

-  Better control and maintain profit margins on parts
-  Manage stock levels, supply chain logistics and delivery commitments
-  Provide positive customer experience and high satisfaction
-  Gain better visibility across entire portfolio performance
-  Have a system that is easy to train people to use

CRITICAL ELEMENTS

of a functional AI-based parts pricing system



Search, register and label parts automatically



Web crawler to automatically collect competitive pricing



Segment parts based on appended product master data



Prices set based on rules, clustering, and algorithms



Adjust model via visual analytics, regressions, and price elasticities



INTELLIGENT PRICING PLATFORM

Dynamically Optimize Global Pricing

- ✓ Increase revenue and margins Improve
- ✓ Operational productivity
- ✓ Achieve full visibility across all markets and segments Leverage
- ✓ Advanced AI and ML technology
- ✓ Capture real-time customer feedback Build
- ✓ Deeper customer loyalty



Take stock of the opportunities for improvement
tailored to your business



Guided Case
Study Review



Evaluation and Road
Map to Better
Alternatives



Personalized
Demonstration



Q&A Session to Satisfy
Your Curiosity

www.synchron.com