



Pricing Challenges for Auto Parts

An Advanced Pricing Logic White Paper

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CHALLENGE

Pricing in the automotive market must take into account a wide variety of factors. So many, that it can make the task seem impossible.

INFLUENCERS

Large numbers of parts to price, coupled with multiple distribution channels make product pricing for the automotive market difficult. Product movement, margins, trends and changing economics are a constant concern. For retailers, warehouse distributors and manufacturers, stock levels, lifecycle and supply chain performance all figure into extracting the right price for every product. Tracking and controlling multiple price lists adds to the complexity. Which customer group is buying what, in which location(s) and when? Simplifying and streamlining these processes is the key to unlocking the pricing puzzle.

Businesses must delineate and isolate product differences in order to optimize their prices and maximize profits.

DIVIDE AND CONQUER

In the automotive industry, there is often a necessity to price based upon particular product assortments, regions and market segments. Additionally, margins vary widely from one group of product type to the next. Businesses must delineate and isolate the differences in order to optimize their prices and maximize profits.

PRICE OPTIMIZATION

Controlling variable costs and expanding unit volume and market share are all important business goals.

However, nothing has a greater impact on profit than implementing a pricing initiative. Price remains the most powerful profit driver – a 1% improvement in price can result in a 12% or more improvement in profit¹.

THE GOAL OF PRICING

The goal should always be to discover and execute pricing based upon the true market value that your customers are willing to pay. Visualize a bell curve. Your goal is to place a dot for every product at or near the top of the curve.

STRATEGIC ADVANTAGES

Many companies in the automotive space spend too much of their time and energy on the process instead of on the strategies and tactics necessary to optimize prices. They often work from business rules that do not take into consideration the true value of their offerings. For mature companies, the necessary raw data to price intelligently already exists in their ERP, it just needs to be extracted and analyzed.

WHAT DOES IT MEAN?

It may seem easier to simply go with a cost plus routine (or something like it) rather than trying to take into account the massive amount of influencers in the industry. “Seem” being the key word because ignoring influencers means leaving profit on the table and missing out on the opportunity to monetize what differentiates

¹ Baker, W. L., & Marn, V. M. (2010). *The Price Advantage*. Hoboken: John Wiley & Sons.

you from your competitors. In this day and age, that approach could make or break a business.

ABOUT THE AUTHOR



Dave Leonard is the CEO of Advanced Pricing Logic. He has over 30 years of executive management experience in multi-channel retail, distribution, manufacturing, and catalog

merchandising. Mr. Leonard also has extensive experience in the area of technology analytics as it relates to price optimization for the mass marketer, inventory control and optimization, purchasing optimization, and consumer pricing psychology.

ABOUT APL

At Advanced Pricing Logic we are dedicated to designing innovative analytic software that makes our customers more profitable. Our software transforms data into insight and provides the platform to turn insight into action. Designed by business professionals, our software follows three guiding principles: encapsulate world class analytics, enable customers to take sound action through easy to use applications and ensure ROI less than a year after purchase.

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