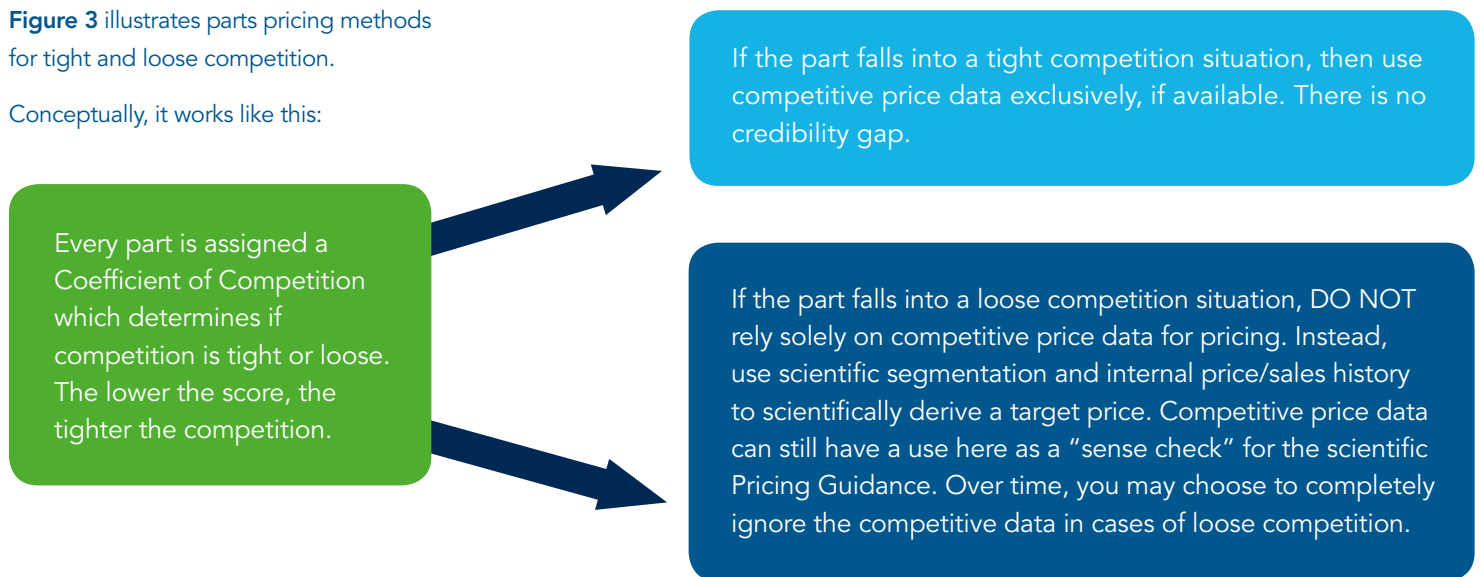


Figure 3 illustrates parts pricing methods for tight and loose competition.

Conceptually, it works like this:



Every part is assigned a Coefficient of Competition which determines if competition is tight or loose. The lower the score, the tighter the competition.

If the part falls into a tight competition situation, then use competitive price data exclusively, if available. There is no credibility gap.

If the part falls into a loose competition situation, DO NOT rely solely on competitive price data for pricing. Instead, use scientific segmentation and internal price/sales history to scientifically derive a target price. Competitive price data can still have a use here as a "sense check" for the scientific Pricing Guidance. Over time, you may choose to completely ignore the competitive data in cases of loose competition.

Note that since the Coefficient of Competition is a number (versus the visual representation of tight/loose competitive price range shown graphically in the sidebar), the Coefficient of Competition for any part can be

operationalized or plugged into a formulaic price strategy, and automated by the same software that utilizes advanced scientific analysis (Pricing Guidance) to produce a target price.