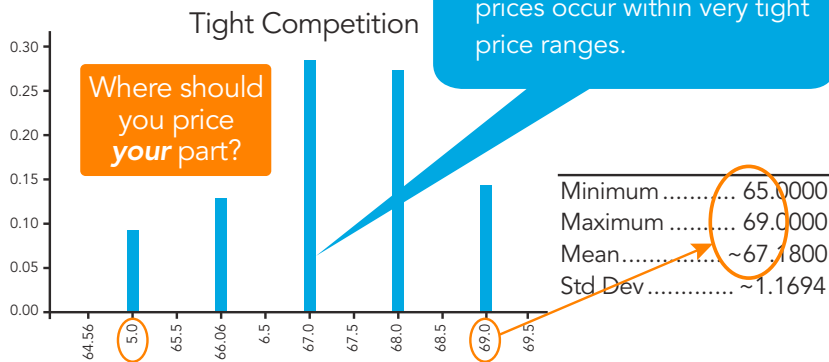


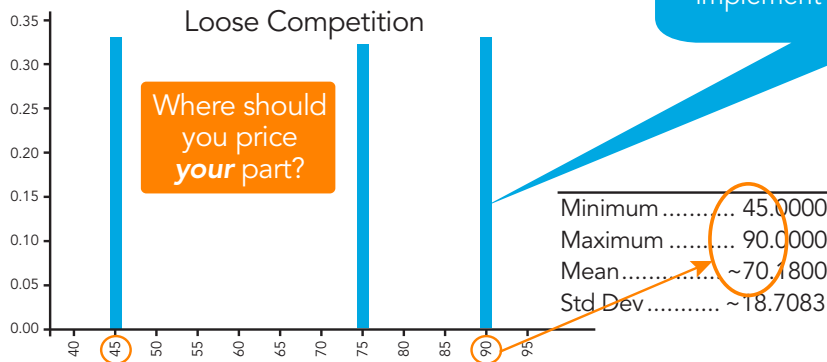
Figure 1: Highly Competitive Parts



Assume that 10% -20% of revenue comes from highly competitive parts, where prices occur within very tight price ranges.

Figure 1 illustrates that highly competitive parts have tight competition. An effective way to implement market-based pricing is to price these parts to the average of competitors' prices.

Figure 2: Competitive Parts



Assume that 60% - 70% of revenue comes from competitive parts. Analysis shows that more than half of these parts have loose competition, making it more difficult to implement marketbased pricing.

Figure 2 illustrates that competitive parts are more likely to have loose competition. Parts that fall into a loose competition category, therefore should not rely upon the average competitive price even when the data is completely accurate. In order to price the vast majority of parts that exist in loose competition situations, companies need other methods to establish optimal pricing.