

EXAMPLES OF THE NEW PRICING MODEL FOR TIGHT AND LOOSE COMPETITION SITUATIONS

Shown below are examples of pricing for automotive parts that utilize the Coefficient of Competition metric and then integrate competitive pricing data and Pricing Guidance to suggest an optimal price.

Keep in mind that the reasons for Pricing Guidance recommendation depend on a vast array of granular data that has been processed through highly sophisticated analysis and formulas and automated by software technology.

In Example A shown here, four competitor prices are listed for an auto filter part. Because competitor prices are relatively close to each other, the suggested part price seems obvious. This is confirmed when calculating a Coefficient of Competition of 7 (a relatively low number), indicating this part belongs in the tight competition category. Using the competitive pricing data, it would be appropriate to price to the competitive average (CA) at \$4.66.

Example B shows four competitor prices for an electronic component that vary over a wide range. Choosing an optimal price is much less obvious in this situation. Note that the Coefficient of Competition for the electronic

component parts is 39, a relatively high number, indicating this part belongs in a loose competition category. Using the competitor average price method would suggest a price of \$260.70. But, by applying granular segmentation and analysis according to specific attributes for this part, (a much more sophisticated, automated process), organizations can determine a price much closer to its real value to customers. In this case, using Pricing Guidance shows a recommended price of \$325.82---much higher than the average competitive price. Without Pricing Guidance, an organization could be foregoing as much as \$85 for every electronic component part it sells if it defaults to using only the competitor average price.

EXAMPLE A

FILTER	PRICE
Competitor 1	\$4.25
Competitor 2	\$4.63
Competitor 3	\$4.68
Competitor 4	\$4.99
Coefficient of Competition	7
Average Competitor Price	\$4.66
Our Suggested Price (CA)	\$4.66

EXAMPLE B

ELECTRONIC COMPONENT	PRICE
Competitor 1	\$169.19
Competitor 2	\$216.55
Competitor 3	\$253.79
Competitor 4	\$403.25
Coefficient of Competition	39
Average Competitor Price	\$260.70
Our Suggested Price (PG)	\$325.82