Maximize Margins, Retain Customers, and Grow Market Share Through Optimal Pricing
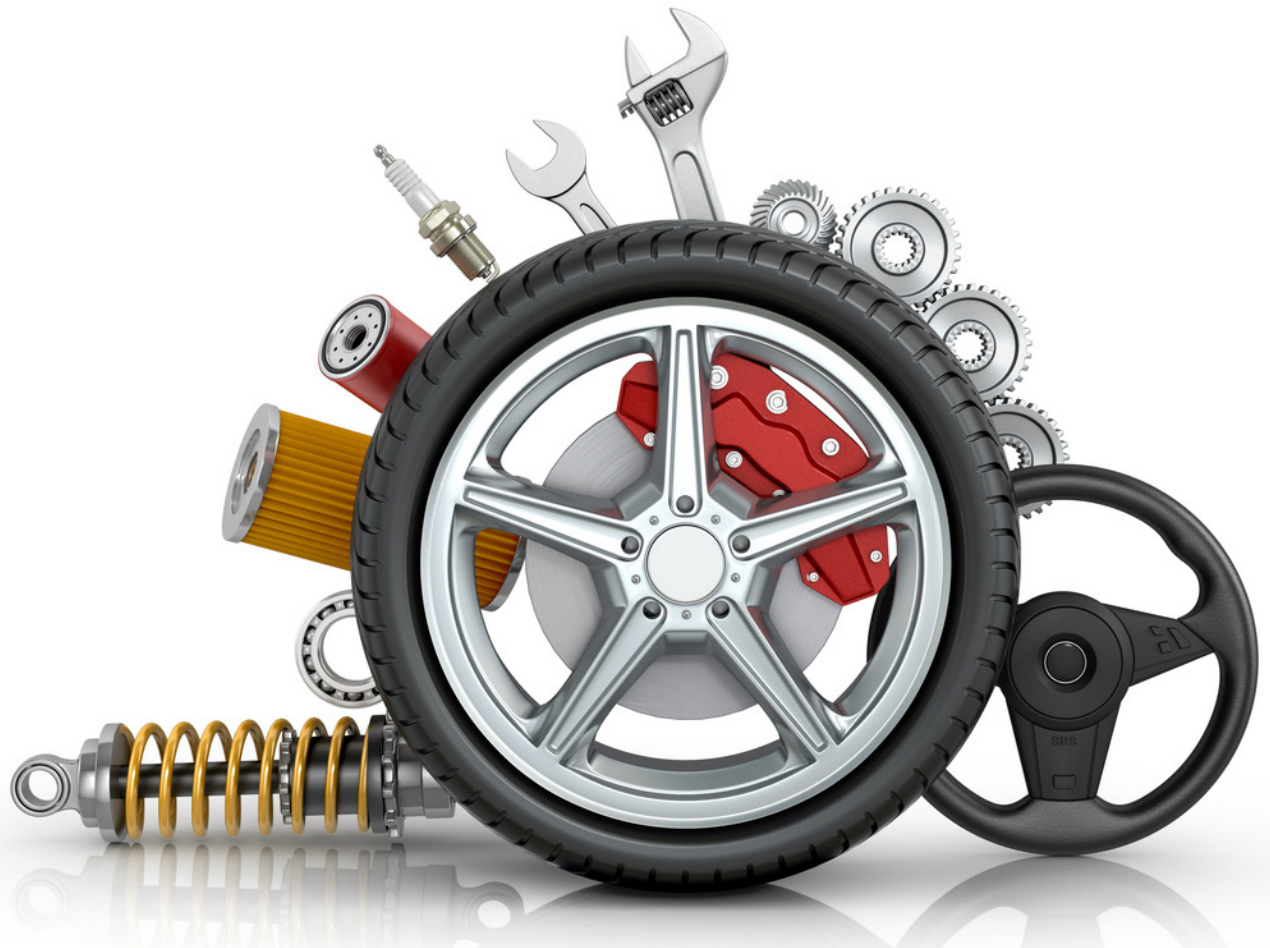
The Challenge:
Aftermarket part sales present unique challenges due to supply cost constraints & variability, OE pricing volatility, party quality, and a demanding customer base.

The Solution:
QueBIT implemented a robust solution, combining IBM Planning Analytics (TM1/PAW) connected to a powerful GUI-based modeling engine endowed with faster and more accurate algorithms/nodes (SPSS Modeler and QueBIT Euclid).

The Benefit:
Manual pricing efforts were reduced by 3 days per week while simultaneously fostering greater visibility, flexibility and structure.

About the Client

As a leading global distributor of specialty automotive repair parts and accessories, with operations in North America, Europe, and Taiwan the company offers its customers a broad range of replacement systems, components, equipment and parts to repair and accessorize automobiles, trucks, and recreational and performance vehicles.

The Challenge

The company must respond quickly to fluctuating market conditions to effectively support customers in their Retail and Commercial sales channels. Aftermarket part sales present unique challenges due to supply cost constraints & variability, OE pricing volatility, part quality, and a demanding customer base. Amongst these challenges was also the need to have a cost-effective way to systematically manage pricing 200,000 parts, across 10 cost regions. Their legacy Excel-based process made it difficult to dynamically set prices on parts while adherence to existing category management goals. Additionally, the company was unable to automate data loads and consistent calculations.

Approach

The company engaged QueBIT to address the challenges associated with optimizing back-end pricing models that were previously implemented. QueBIT immediately recognized the need to improve the performance of the price optimization models, while reducing the manual labor required to manage pricing. The limitations of the legacy process were also inflexible and did not provide the company with visibility into the process.

Focusing on price automation enabled the company's team to handle more strategic analyses and responsibilities. The optimization models needed to ultimately be improved/enhanced to take advantage of key causal input variables and differential levels of elasticity. The delivery of recommended pricing, adjustments to the pricing, and reporting on the results needed to be significantly upgraded. Additionally, the pricing team needed flexibility to change pricing and quickly respond to changing business conditions.

"Doing a price review on existing parts and pricing new parts used to take 2-3 days every week, now it takes less than an hour."

- Product Pricing Manager

Solution

The company's pricing process consisted of a series of excel spreadsheets spread across multiple users who leveraged their own unique variables and logic which drove inconsistent pricing decisions. In these spreadsheets, the pricing team manually edited Excel formulas for hours each week to calculate costs and prices for all products in the company, followed by a manual export to the external pricing system. This resulted in time lost due to repeating the same task multiple times, inconsistent results, and no traceability to why a price or calculated value might be incorrect. The process was largely rule based, with hundreds of 'exceptions to the rule' that needed to be considered. QueBIT's pricing solution leverages SPSS Modeler to build visual processes to replicate the complex pricing logic in a consistent, maintainable, and traceable way. SPSS is also used to schedule jobs to automatically run these processes every day to ensure new data is loaded and priced every morning before the team arrives.

Once prices are calculated in SPSS, they are fed into IBM Planning Analytics so that users can graphically view and interact with the output of the system in PAW (Planning Analytics Workspace). Here users can review the calculated pricing recommendations and make any necessary adjustments. To aid decision making, users can report on both historical and projected sales & margin, in addition to explanatory variables ensuring visibility into the underlying pricing process. Users can then leverage dropdowns and filters to view or export subsets of parts they are most interested in. If an assumption used in the streams needs to be changed, parameters used in the pricing calculations can be adjusted within these reports. This ensures usability while enforcing a standard process to maintain consistency in the pricing process.

> *"All of the pricing rules and exceptions we used to have to remember and calculate manually now happen automatically. It saves a lot of time."*
>
> *-- Product Pricing Manager*
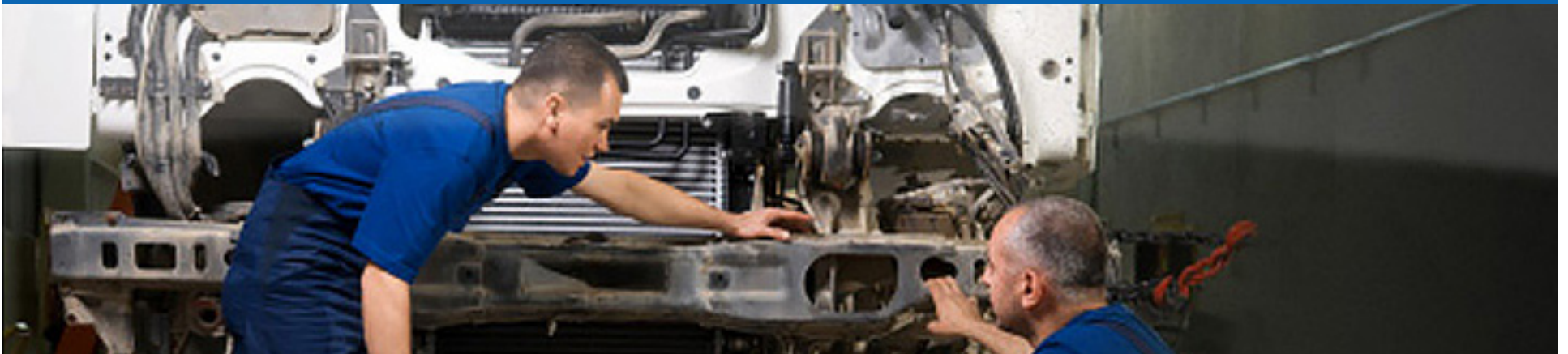
Benefits

The company leveraged algorithms able to identify profitable pricing inefficiencies based on elasticity and other causal variables (Greater than $48 million of incremental margin potential to date).

- Manual pricing efforts were reduced by 2-3 days per week while simultaneously fostering greater visibility, flexibility and structure.

- Provides the company the ability to quickly adapt to changing market conditions by updating company-wide pricing logic in minutes.

- Complete visibility and traceability into how every price is calculated.

Products Used:

- QueBIT Price Optimization Solution
- IBM Planning Analytics
- IBM SPSS Modeler
- QueBIT's Euclid® engine

QueBIT®

About QueBIT

QueBIT enables organizations to achieve a business-focused integration of Financial and Operational Planning and Analysis, extended with Artificial Intelligence (AI) and Machine Learning (ML). This area of expertise is known as Extended Planning and Analysis (xP&A). The goal of every xP&A transformation is to infuse more intelligent and agile decision making throughout the business, resulting in Revenue and Profit maximization, while increasing competitive advantages. QueBIT's collaborative, incremental and business-driven approach is driven by over twenty years of experience in delivering successful xP&A solutions to hundreds of mid-market and large companies across all industry sectors and lines of business. For more information on how your organization can Analyze, Plan and Achieve your own xP&A journey, please check us out at www.quebit.com