

L'EXECUTION DU PRICING

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**LE CLUB DU PRICING
FRANÇAIS**



- 1 le contexte du pricing @ Valeo Service**
- 2 La pricing machine: une méthode pour améliorer l'exécution des prix**
- 3 *Conclusion // Q & A***

VALEO SERVICE: THE AFTERMARKET BY VALEO

Key Figures



COMMERCIAL
PRESENCE IN
150
COUNTRIES



15
DISTRIBUTION
PLATFORMS



MORE THAN
4800
REFERENCES
(launched in 2016)

PRODUCT FAMILIES

320

14
PRODUCT LINES FOR
PASSENGER CARS

11
PRODUCT LINES FOR
COMMERCIAL
VEHICLES

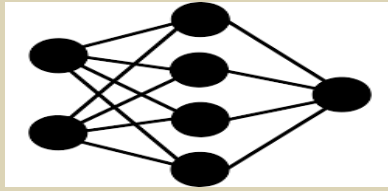


1.

**Introduction: le contexte du
pricing @ Valeo Service**

LES CHALLENGES DU PRICING @ VALEO SERVICE

1



COMPLEXITE DU MARCHE

- Product Range Complexity: 16 product lines, 50 k active product references, 8k new references every year.
- Broad Competition Watch : More than 100 Key Competitors to monitor
- Multi territories & Channels : We operate globally (150 countries delivered) through different distribution channels (Traditional IAM / Retailers/ Internet) and our pricing strategy & structure must match each market specificity (12 k Customers at VS / pricing scheme complexity)



LES CHALLENGES DU PRICING @ VALEO SERVICE

2



PRESSION DU MARCHE

- Price Pressure from Competitors: mature & highly competitive market / pressure from premium + adaptable competitors.
- Market opening: aftermarket pricing is continental. No boarder anymore between IAM / OES (MISTER AUTO → PSA). Price Transparency with Internet players. Risk of best buy-policy.
- Market Consolidation: accelerated market consolidation trend. Risk of best-buy policy + strong bargaining power of these international groups.



LES CHALLENGES DU PRICING @ VALEO SERVICE: FOCUS EXECUTION PRICING @ 2014

3



COMPLEXITE DE L'EXECUTION PRICING

Time-consuming process

- Gathering data for price list preparation & Simulation
- Collecting competitor price lists

Heterogeneous process

- Local and manual excel files
- Various validation flows



LACK OF GOVERNANCE

LACK OF STANDARDIZATION

LACK OF ROBUSTNESS

LACK OF REACTIVITY





- ✘ time-consuming activity for marketing department, penalized by non value-added tasks.
- ✘ decentralized & heterogeneous pricing approaches.

QUELLE PRIORITE POUR AMELIORER L'EXECUTION DU PRICING ?

REDUCE
INTERNATIONAL
PRICE GAPS ?

INVEST IN
PRICING
MANAGEMENT
TOOLS ?

FOCUS ON
MARKETING TEAM
PROFESSIONALIZATIO
N ?

PUT IN PLACE
STANDARD
PROCESSES ?

IMPROVE DATA
QUALITY

DEPLOY SMART
PRICING
GUIDANCES ?

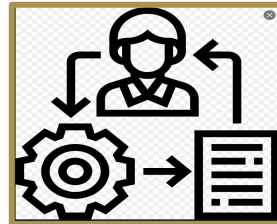
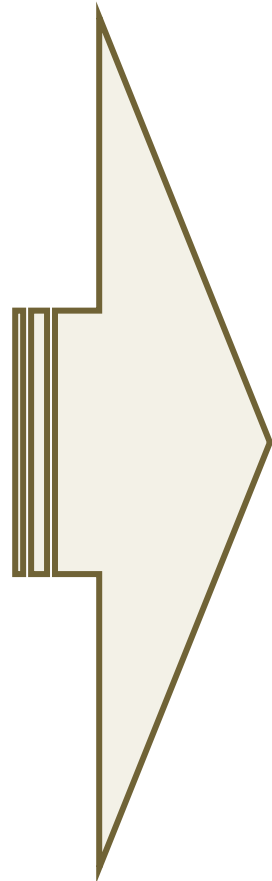


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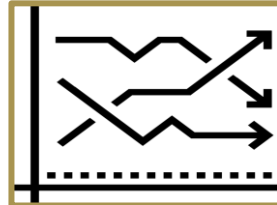
**UNE NOUVELLE METHODE POUR
AMELIORER L'EXECUTION DU
PRICING**

QU'EST CE QUE LA « PRICING MACHINE » ?

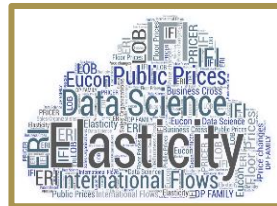
Un nouveau programme dédié à la refonte du pricing :



APPLICATION OF STANDARD PROCESSES



EFFICIENT REGIONAL PRICE CONVERGENCE POLICY



DEVELOPMENT OF SMART PRICING INITIATIVES



DEVELOPMENT OF PRICING EXPERTISE @ VS



EXECUTION DU PRICING: LA « PRICE WATERFALL »

DESCRIPTION DE LA PRICE WATERFALL

TARIF BRUT

- Public Price List
- Professional Price List

Remises contractuelles sur facture

Promotions sur facture

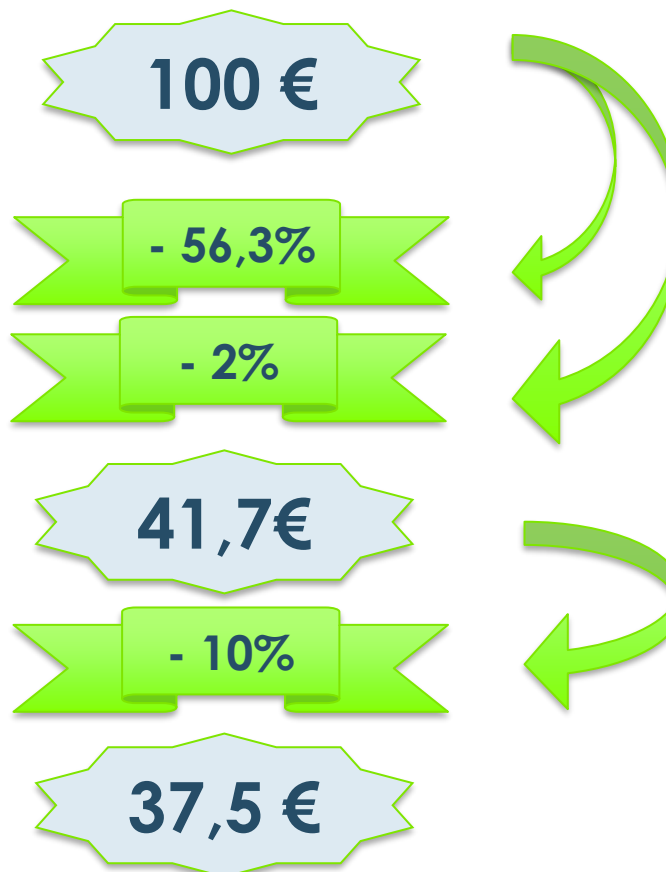
- Product Line Promotion
- Customer Promotion
- Slow Mover Action

RIX SUR FACTURE

Contractual Rebates off invoice
(International & National rebates)

RIX NET (POCKET PRICE)

ETAPES DE FACTURATION

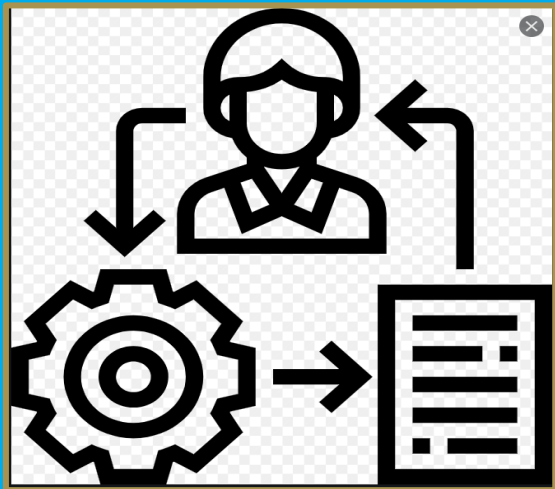


ENTITE RESPONSABLE ?

Managed By
MARKETING dept.

Proposed by Sales /
validated by Marketing &
Finance

Proposed by Sales /
validated by Marketing &
Finance



***STANDARDISATION DES
PROCESSUS LIES A LA
CONSTRUCTION DU TARIF
PRINCIPAL***

EXECUTION DU PRICING: FOCUS SUR LA CONSTRUCTION DU TARIF PRINCIPAL (Tarif Brut)

FOCUS ON TARIFF MANAGEMENT:

Creation of official tariff guidelines per product Lines shared & reviewed one per year with local dicvisions.

Product	Perimeter	Sub-perimeter	Sub-perimeter 2	DP Family	Alignment (with appropriate T&C)
Spare Parts					
Spare parts	Full range	OE & ADAPTABLE	D1D5	VTPC07/08/09	=IAM leader
Asian parts	Asian parts	OE & ADAPTABLE	D1D5	VTPC07/08/09	=IAM leader / Asian specialists MQ +X%
Trad KIT					
TRADITIONAL KIT PREMIUM	Full range	OE	D1 D2	VTPC01, VTPC01A, VTVU01, VTPC02	OES if no IAM adaptable / If IAM adaptable available , VS not cheaper than IAM adaptable
TRADITIONAL KIT PREMIUM	Full range	OE & ADAPTABLE	D3 D4 D5	VTPC01, VTPC01A, VTVU01, VTPC02	= IAM leader
TRADITIONAL KIT TRADING	Full range	OE & ADAPTABLE	D1D5	VTPC01, VTPC01A, VTVU01, VTPC02	= IAM leader +X% max
KIT 3P+CSC	Full range	OE & ADAPTABLE	D1D5	VTPC12,	< vs components
TRADITIONAL KIT PREMIUM	Pricing opportunities	OE & ADAPTABLE (HEC vs. SAC/Xtend; German adaptables....)	Market KVs (competitors top 10)	VTPC01, VTPC01A, VTVU01, VTPC02, VTPC12	= IAM leader -X%
TRADITIONAL KIT CLASSIC	Full range	CLASSIC	D4 D5	VTPC14	= IAM leader -X%
New techno					
DMF & FullPACK DMF	Full range	OE	D1 D2	VTPC06	OES if no IAM adaptable / If IAM adaptable available, VS not cheaper than VS IAM adaptable FullPACK DMF price < DMF + KIT
DMF & FullPACK DMF	Full range	OE	D3 D4 D5	VTPC06	= IAM leader FullPACK DMF price < DMF + KIT
DMF & FullPACK DMF	Full range	ADAPTABLE (VALEO MADE)	D1D5	VTPC06	= IAM leader -X% FullPACK DMF < DMF + KIT
DMF & FullPACK DMF	Full range	TRADING	D1D5	VTPC06	= IAM leader +X% max FullPACK DMF < DMF + KIT
DMF & FullPACK DMF	Pricing opportunities	OE & ADAPTABLE	Market KVs (competitors top 10)	VTPC19	= IAM leader -X%
KIT4P & KIT4P+CSC	Full range	KIT4P & KIT4P+CSC	D1D5	VTPC10/13	= IAM module leader or components -X%
SERVICE KIT	Full range	SERVICE KIT	D1D5	VTPC01	KIT4P -40%
HYDRAULICS (CSC, CMC CRC)	Full range	OE & OE TRADING	D1D5	VTPC04	= IAM PRICE LEADER
HYDRAULICS (CSC, CMC CRC)	Full range	ADAPTABLE (VALEO AND EXTRENAL SUPPLIERS)	D1D5	VTPC04	= IAM PRICE LEADER -X%

EXECUTION DU PRICING: FOCUS SUR LA CONSTRUCTION DU TARIF PRINCIPAL (Tarif Brut)



QUELS SONT LES ELEMENTS CLES POUR CONTRUIRE UNE GUIDELINE TARIFAIRE?

**PUBLIC PRICE POSI. Vs
COMPETITORS**



PRODUCT ENVIRONMENT:

- Product Origin (OE / ADAPTABLE)
- Product range GOOD / BETTER / BEST
- Product Life cycle

MARKET ENVIRONMENT:

- Identification of key competitors
- Evaluation of brand awareness

Price Image



**Focus on Market Fast Movers / Key Value
Items**

TARIFF SETTING OBJECTIVE = COMMUNICATE A VALUE, NOT A PRICE !

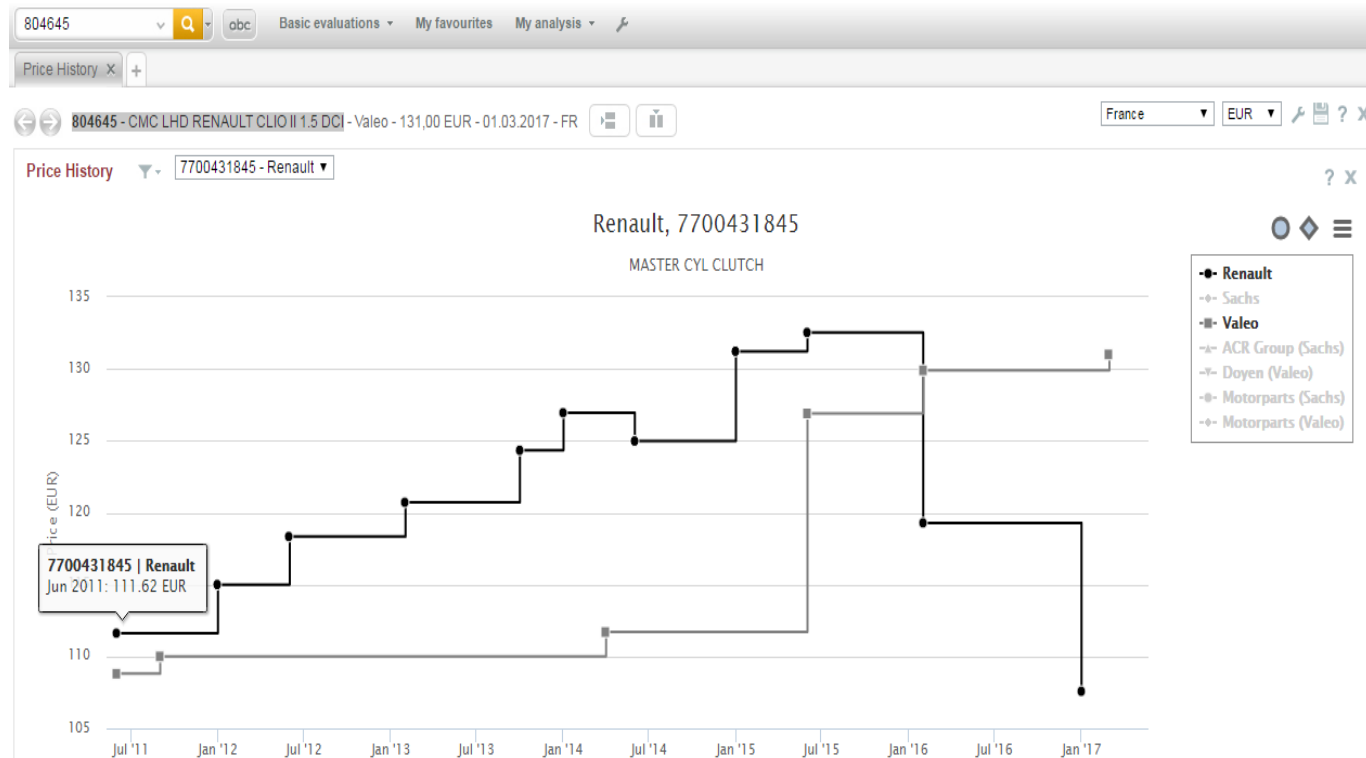


EXECUTION DU PRICING: FOCUS SUR LE SUIVI DU TARIF PRINCIPAL (Tarif Brut)

Example de Monitoring de la guideline tarifaire:

1

AU NIVEAU REFERENCE:



2

A UN NIVEAU GAMME:

PRODUCT FAMILY	NET TO rolling 12mths	VALEO NET TO Split	KEY COMPETIT OR Tariff Variation %	Variation in TO €	New Tariff index VALEO vs KEY COMPETITOR	POTENTIAL TO RECOVERY vs Guideline
TRAD KITS	17 298 923 €	73%	1,0%	172 989 €	99,1	155 690 €
KIT4P	3 015 607 €	13%	-2,0%	- 60 312 €	78,0	- 90 468 €
HYDRAULICS	1 528 333 €	6%	5,8%	88 503 €	94,6	82 530 €
FULL PACKS	1 471 202 €	6%	-3,0%	- 44 136 €	104,0	- 88 272 €
OTHERS	479 083 €	2%	0,4%	2 000 €	99,8	958 €
DMF	63 897 €	0%	1,1%	689 €	102,6	- 2 300 €
Grand Total	23 857 045 €	100%	0,7%	159 733 €		58 138 €

EXECUTION DU PRICING: FOCUS SUR LE SUIVI DU TARIF PRINCIPAL (Tarif Brut)

GAIN EN REACTIVITE : IMPLEMENTATION D'ALERTE PRIX AUTOMATIQUES



Your PartsPool® Premium Package Price change service

Dear Sir/Madam:

You have been using PartsPool® for international price research and competitor monitoring in real time. The PREMIUM PACKAGE with a Push-Service is included in your licenses.

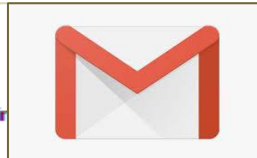
Price change service

You can download the result file of the service by clicking on the link below:

[Netherland_VTR-VES_Feb14_2017_NL_2017_03_14.ZIP](#)

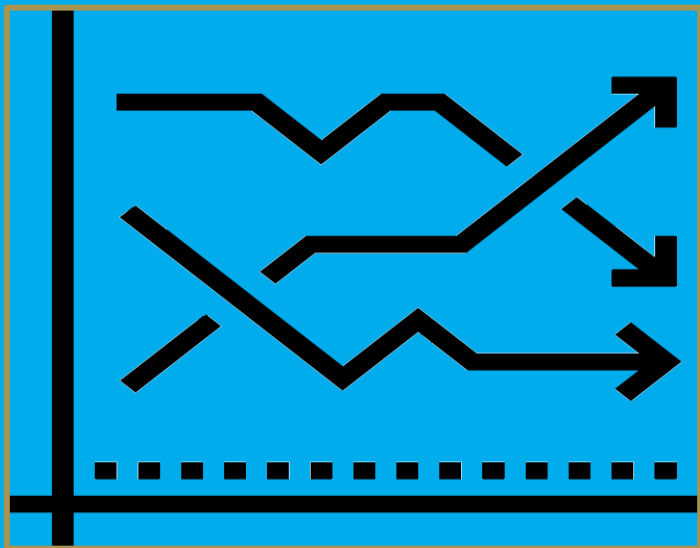
Thank you and much success with your analyses offered by the Premium Package.

Your Eucon-Team



PRICE ALERTS ADDED VALUE: IT'S PROFITABLE WITH A LIMITED EFFORT : VLS FRANCE: 3 successive tariff increases unforecasted in 2018 (including decreases at ref level): +75 k EUR of Margin on yearly basis !



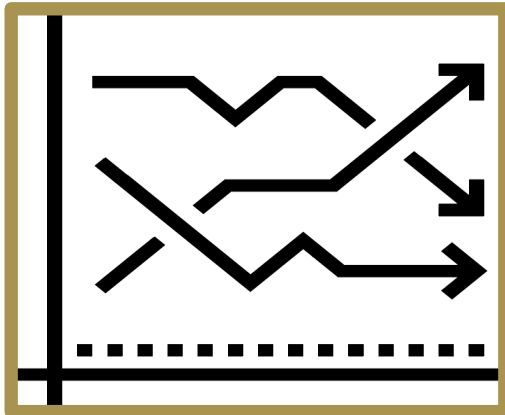


***L'EXECUTION ET LE
CONTRÔLE DES PRIX AU
NIVEAU INTERNATIONAL***

EXECUTION DU PRICING: FOCUS SUR LA POLITIQUE INTERNATIONALE



POURQUOI DEVONS-NOUS MONITORER LES PRIX AU NIVEAU INTERNATIONAL ?



→ IT AIMS AT PROTECTING VS AGAINST MARKET CONSOLIDATION & MARKET OPENING

→ IT AIMS AT PROTECTING PROFITABLE BUSINESS

→ IT AIMS AT PROTECTING VALEO SERVICE PRICE IMAGE



EXECUTION DU PRICING: FOCUS SUR LES FLOOR PRICES



QU'EST CE QU'UN FLOOR PRICE ?



- The floor price designates a European 3 net Price below which no division can sell a product to any customer, unless specifically agreed by VS Activity



- EMEA REGION
- TOP priority = fast movers (50% of TO)



- Estimated Margin Impact = Regional action plans have generated + 0,3 pt of OM in 2017/2018



EXECUTION DU PRICING: MONITORING DE LA POLITIQUE FLOOR PRICE



COMMENT LES MONITORER ?

→ Les DIVISIONS reçoivent un rapport mensuel détaillant :



- Overall DIVISION compliance month after month.
- Performance at Product Line level
- Performance at Customer level
- Performance at reference level.

→ Les INDICATEURS suivants sont suivis:



- Average positioning vs Floor Price (weighted on Division volumes)
- Absolute TO deviation vs FLOOR PRICE (Potential TO recovery if 3net price would stick to FLOOR PRICE)
- % of TO generated under FLOOR PRICE (% of TO generated in compliance vs Floor Price)

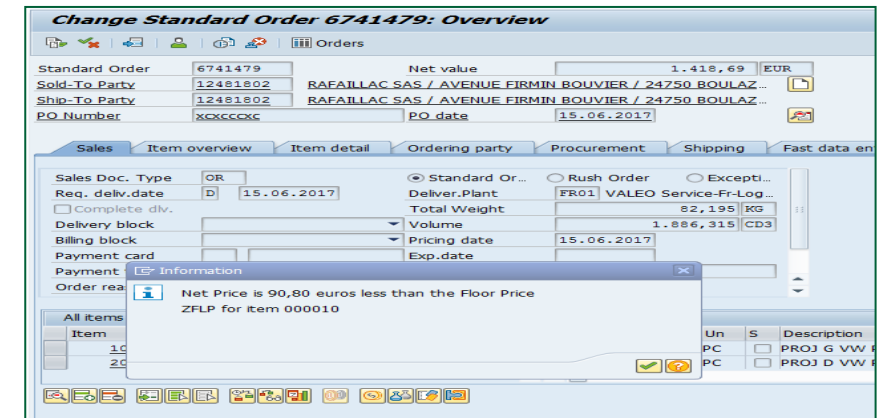


EXECUTION DU PRICING: MONITORING DE LA POLITIQUE FLOOR PRICE

INITIATIVE 2018 : MISE EN PLACE DES ALERTES AUTOMATIQUES DANS SAP.



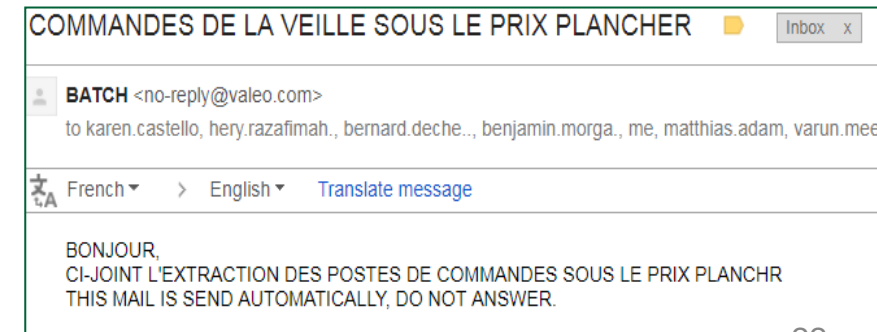
- Reinforces our price convergence policy improving fast tracking of deviations versus Floor Prices directly in SAP.
- Improves monthly performance monitoring with automatic reports detailing identified deviations at order level



HOW DOES IT WORK ?



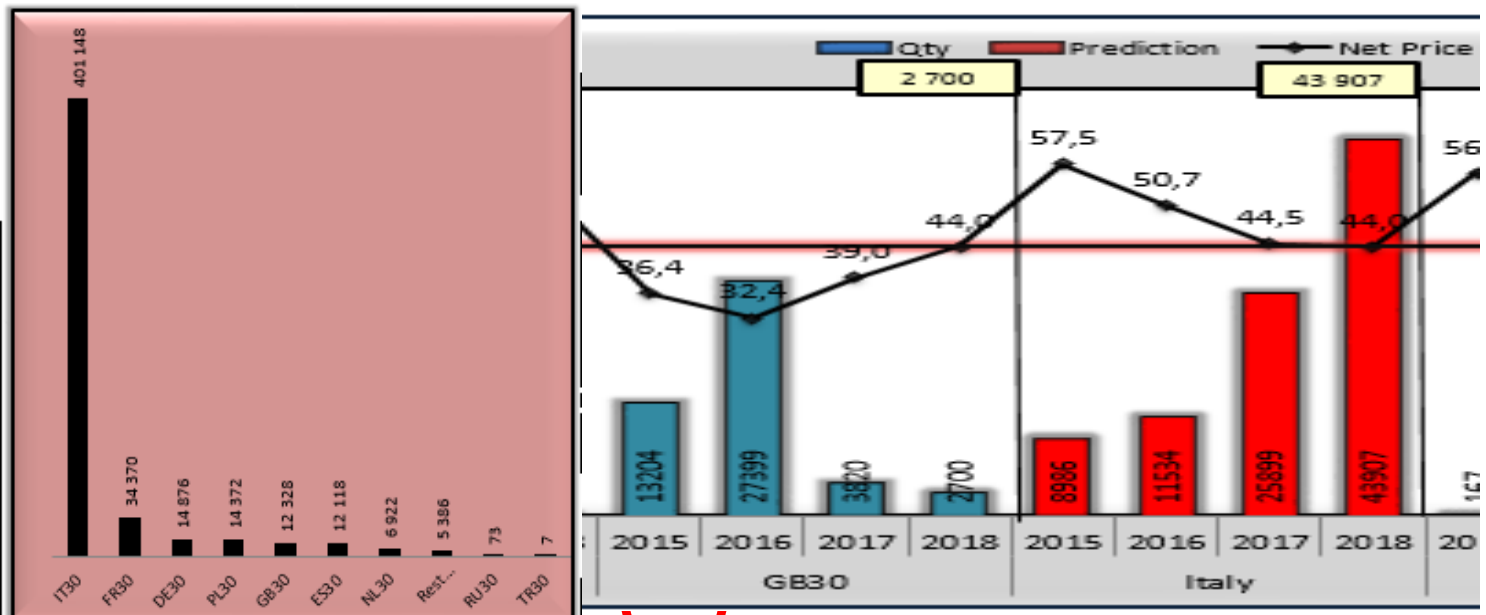
- An alert message is displayed if an item is below Floor Price level (not blocking).
- A daily + monthly report is sent to Marketing directors detailing orders in deviation



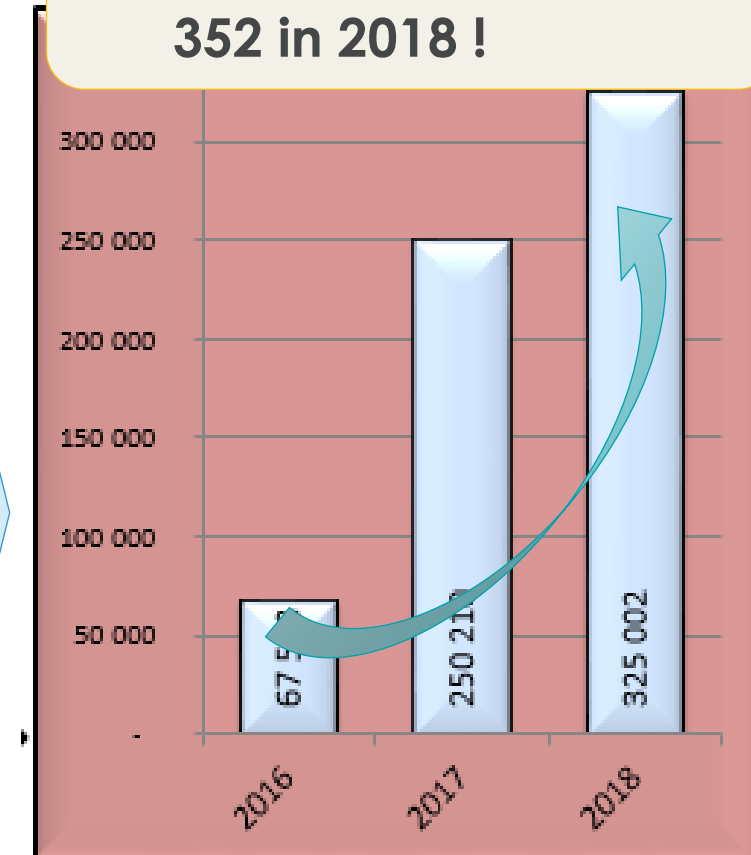
EXECUTION DU PRICING: EXEMPLE DE PLAN D'ACTION CORRECTIF

EXEMPLE SUR UN EMBRAYAGE DE FIAT PANDA

P. No.	FP	DP Family	Description	Segment	Gamma
████████	44,00	VTPC01	CLUTCH KIT FIAT NEW PANDA 1.3 MULTIJET	D3	ITA



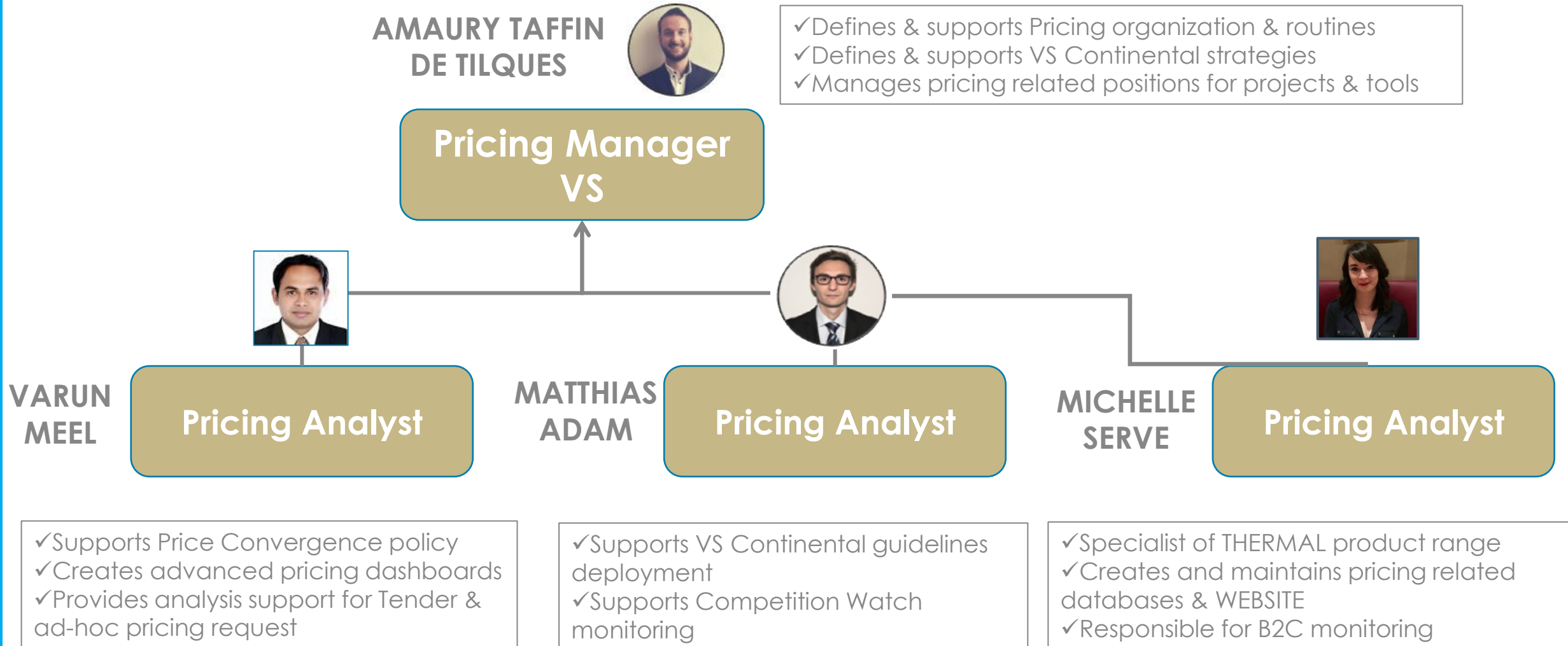
GM EFFECT = FROM 67K EUR GM in 2016 to 352 in 2018 !





***L'EXECUTION DES PRIX...
AVEC QUELLE
GOUVERNANCE ?***

GOUVERNANCE PRICING: UNE EQUIPE CENTRALE EXPERIMENTEE



COMITES PRICING: VALIDATION POUR ASSURER LE SUIVI DE L'EXECUTION DU PRICING

2017: introduction of monthly “pricing committees” at division level.



OBJECTIVE:

- to **improve price decision making** based on standard reports & KPIs
- to **speed up price decision making** bringing together all pricing stakeholders.



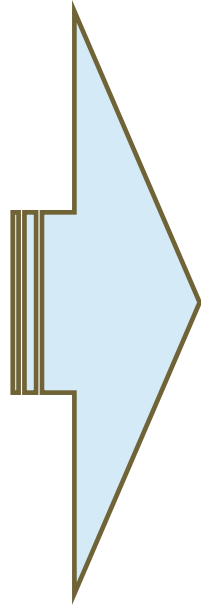
MEMBERS:

- Division Marketing Director (**owner**)
- Division General Manager (**mandatory**)
- Division Sales Director (**optional**)
- Division Financial Controller (**mandatory**)



GOVERNANCE PRICING: DES RELAIS EFFICACES EN DIVISION

Pricing Machine deployment requires a professional management: a pricing coordinator must be nominated in every division:



→ Ensures standardization of Pricing templates used by all trade marketers. Is the main contact between division's marketing team and Activity pricing team.



→ Centralizes reception of Competition Watch alerts.
→ Dispatches Price Watch analysis within his marketing team



→ Centralizes reception of floor price alerts.
→ Dispatches Floor Price alerts + monthly follow-up within his marketing team



→ Supports Pricing Committee preparation coordinating pricing analysis among TM team



3.



CONCLUSION/ Q & A

L'EXECUTION DU PRICING: CONCLUSIONS & NEXT STEPS



- No efficient price execution without support from HQ + Division top management.
- Pricing professionalization of marketing team is a permanent “background task” necessary to continue to push pricing modernization at Valeo Service.
- Harmonization of KPIs between marketing & Finance can also help speeding-up decision making.



MERCI POUR VOTRE ATTENTION

**LE CLUB DU PRICING
FRANÇAIS**

