



How JLG Industries took a fresh look at service parts pricing, revamping their pricing strategy to keep up with competitive pressures while putting their customers first.

JLG Industries rallied around a new approach to pricing strategy, going from a network of spreadsheets to a comprehensive service parts pricing solution with PTC's Service Parts Pricing to respond to competitive pricing pressures and continue to provide best-in-class service for their customers.

Faced with mounting competitive pressures on its replacement parts business, JLG needed a solution that enabled more strategic service parts pricing of replacement parts to meet mission critical goals to increase profit, increase revenue, and improve data integrity to better compete in the marketplace.

Pricing, availability and distribution costs were all important, but pricing was identified as paramount to customer satisfaction. Dali Ribeiro, Parts Pricing Manager at JLG, sought to address the challenge and keep customers buying JLG parts. How will a department of one optimize pricing for 140,000 service parts?

JLG Industries, reaching new heights

JLG Industries, Inc. has been earning customer confidence and trust through innovation since 1969 and their brand of JLG® aerial work platforms as well as JLG and SkyTrak® telehandlers are recognized worldwide. JLG's customers are their greatest priority, and they remain steadfast in their commitment to understanding customer challenges.

Cost plus – a business minus

Historically, JLG used cost-plus pricing for its myriad service parts – a pricing strategy where a specific amount is added as markup to a part's unit cost. JLG knew that their existing pricing strategy wasn't effective. This approach to pricing created a "blind spot" and it lacked market adaptation. SPP allowed JLG to not only organize and develop their strategy, but it was also a guide to how they could assess their competitive environment. "We quickly realized that we weren't just competing with other OEMs, we were sometimes even competing against our own suppliers or other parts of our company," says Ribeiro, who manages replacement parts pricing.

Customers were challenged to be more cost effective and over time they were looking for new solutions. Some started to buy non-OEM replacement parts from competitors, at lower pricing but with potentially compromised quality. This trend was a clear sign to JLG that they needed to implement a new approach to parts pricing. Ribeiro adds,



We wanted to adapt our pricing to the market, solidify our competitive position, and have a system that measured success across our many product lines."

Teaming up with the JLG IT department, Ribeiro and IT presented PTC's Service Parts Pricing solution to JLG's leadership team. "There was a strong belief from our leadership that we needed a tool to support our new strategic vision for pricing, but we needed to build out a business case," Ribeiro adds. Working with PTC's Customer Success group, Ribeiro and PTC experts worked out the value of SPP to add up what additional benefits could be gleaned from adopting a holistic view of pricing using PTC's solution. The value analysis, along with a commitment to closely monitoring and tracking SPP's impact on service parts revenue and profit, lead to SPP being adopted as a strategic initiative for JLG. It was time to roll up the sleeves and ask tough questions.

Digging In – and Out

JLG's current pricing was applying a common pricing formula to their service parts. This approach is not ideal, because it's agnostic to outside factors. "Each category of parts requires a unique pricing strategy, as well as different rules and workflows," says Steven Caldwell, PTC's VP of Product Management. An invigorated pricing policy and strategy prompted several inquiries:

- Who are JLG's competitors?
- Does JLG have current competitive data?
- Are competitors price leaders or price followers?
- What is the perceived value of JLG OEM parts?
- What is the current part sales volume?
- What is JLG's desired competitive positioning?
- What is the current profitability of JLG service parts?

JLG answered these questions and leveraged competitive data to hone in on their strategy vis-à-vis the competition.



Understanding costs and competitive strategies allows JLG to define strategic service engagements with customers. It also helps JLG engage with each competitor uniquely to be better positioned to win business."

They also have a better understanding of their own pricing strategies which helps them negotiate with sourcing partners. Indeed, JLG confirms that parts managed by the PTC solution significantly outperformed the rest of the parts population in both revenue growth and gross margin contribution.

With only 29% of parts placed under management of the Service Parts Pricing solution, JLG was able to compare the performance of these parts against the performance of other parts managed under their traditional approach. The results were a testament that SPP delivered on its value promise and best of all the tool paid for itself in less than 12 months, a huge victory for Ribeiro and JLG, Ribeiro says.

A banner year



Our revenue increased, our profits increased, and the volume of parts sold also increased. We were clearly delivering the best value to our customers."

After one year, a follow up analysis was conducted to the original impact assessment of SPP provided by PTC teams and concluded that the three-year cumulative value to JLG would be 60% higher than originally projected.

There were other benefits to implementing SPP, including a move away from managing pricing strategy through an extensive array of spreadsheets that required deep company knowledge to work through. "We were able to add analysts and expand our pricing strategy group. SPP gave us a system that was simpler to adopt and teach, making it easier to bring people on board," says Ribeiro.

Another benefit was scalability. Even with 140,000 existing parts to manage the number of parts no longer mattered because of the quality and strength of the pricing strategy, enabled by SPP. More than that, SPP allowed for exception-based management, giving local input with about 20% of parts while automating the pricing of 80%.

Lastly, by hosting SPP on its servers, PTC was able to alleviate the burden of maintaining an on-site solution by JLG's IT department. "When cloud services is a part of the client solution, we are able to guarantee maximum application performance and uptime which is essential for the solution," says Sanjay Verma, DVP Global Services for PTC Cloud Services.

Putting customers first

“There once was a common belief in our industry that OEM service parts are always priced higher and that OEMs are always raising prices on parts to increase their revenue and bottom line,” says Ribeiro. “But, with optimized pricing using SPP, we were able to communicate our pricing strategy to our customers and show them that in many cases, we were able to offer a lower price with OEM commitment to quality and service support.” Getting their pricing just right allowed JLG to see increased revenues from increased volume and customer loyalty. While JLG believes that pricing is always evolving with the market, they are now more confident that a once common belief is now just a myth; OEM pricing is not always higher.

Keep rising

With optimized pricing and keeping its parts competitive, the JLG replacement team can continue to evolve their pricing strategy along with their business strategy, continuing JLG’s service transformation. Having a robust service parts pricing solution also improved data integrity at JLG, and they gained visibility into cost changes coming from their suppliers.

Beyond service parts pricing strategy, SPP was a key component of profit optimization. And it worked. Revenue growth continues to outpace the rest of the legacy-managed parts, while the growth of gross margin contribution outstrips the field by even greater margins.

“We’ve come a long way from our spreadsheets,” says Ribeiro, “but it’s an area where we can continue to evolve and explore new possibilities that benefit and bring us closer to our customers and put them first. PTC provides a good vision of what more needs to be and can be done.”

To learn more, please visit:

[PTC.com/service-lifecycle-management/service-parts-pricing](https://ptc.com/service-lifecycle-management/service-parts-pricing)

© 2017, PTC Inc. (PTC). All rights reserved. Information described herein is furnished for informational use only, is subject to change without notice, and should not be taken as a guarantee, commitment, or offer by PTC. PTC, the PTC logo, and all PTC product names and logos are trademarks or registered trademarks of PTC and/or its subsidiaries in the United States and other countries. All other product or company names are property of their respective owners. The timing of any product release, including any features or functionality, is subject to change at PTC’s discretion.

J8555-JLG_SPP-EN-0117



We are thrilled with the results at JLG. Going from an outdated system to a holistic view of market and costs, and seeing an ROI in a year, that’s what we want. We’re looking forward to continuing to work with JLG as they continue their service transformation across business units.”

Steven Caldwell
VP of Product Management, PTC