



HITACHI

INDUSTRY

Construction equipment manufacturer

COMPANY

- 100-year history
- Operations in 90 countries
- 295,941 employees
- 115 factories
- 3rd largest full-range construction equipment manager in the world

HEADQUARTERS

Tokyo, Japan

CHALLENGES

- Difficult to compete with changing market dynamics
- Legacy pricing system not robust

SOLUTION

Syncron Price™:

- Built in approval handling
- Leverage analytics-based pricing
- Optimizing pricing based on science

RESULTS

- Price revision lead time reduced from 5 to 3 months
- Reduced pricing lead time for new parts by 30%
- Ability to handle 1 million parts, and add 24k annually

Hitachi optimizes market pricing to boost margins by billions

Established in 1970 with facilities in Europe, USA and Asia, Hitachi Construction Machinery has over 2,000 employees with estimated revenue of JPY 774 Billion (\$8 Billion) in 2012.

Headquartered in Tokyo, Japan, HCM's main product line is hydraulic excavators, among additional transportation machinery and devices. HCM implemented Syncron Price™ to optimize its pricing processes through science-based segmentation, pricing guidance and advanced analytics.

THE HITACHI CHALLENGE:

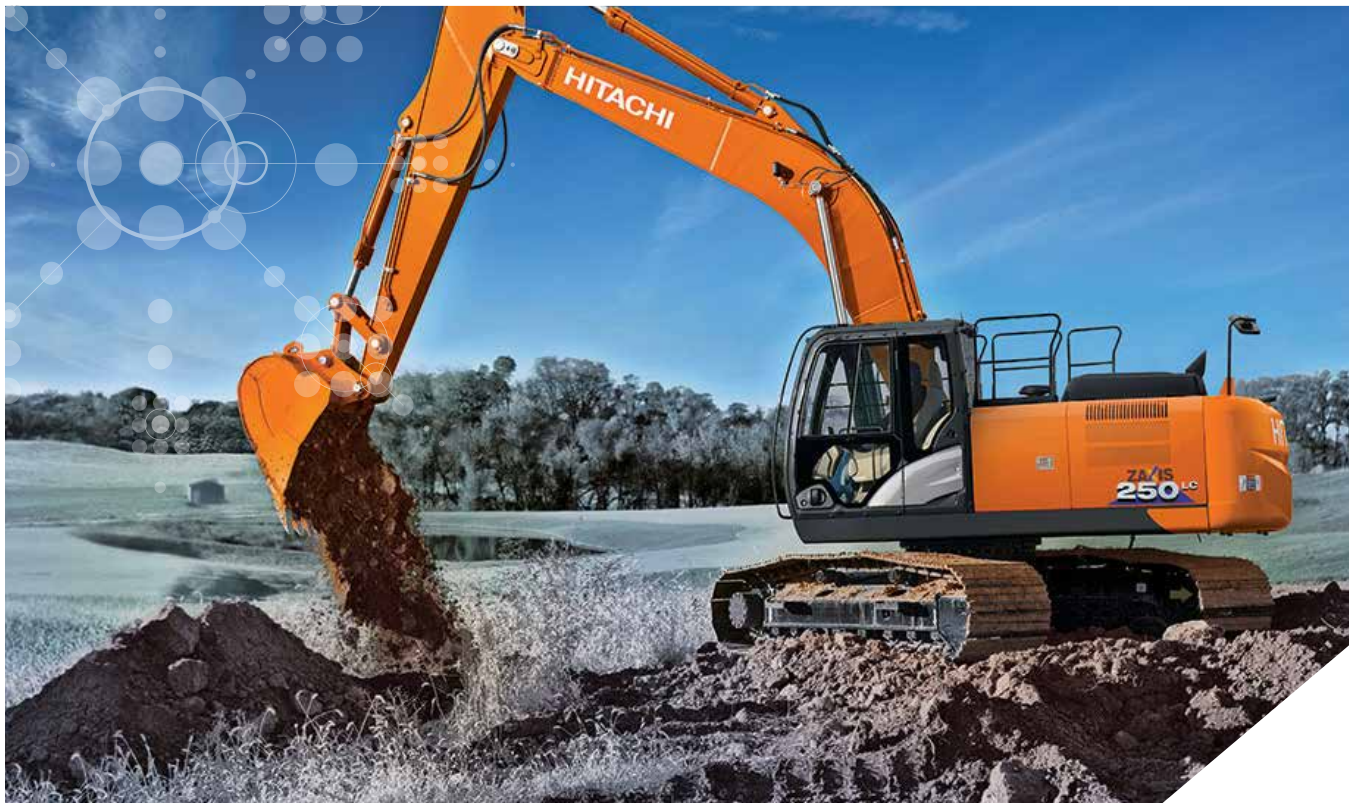
With high-volume inventory comes a need for high-velocity pricing optimization. Pricing more than 1,000,000 parts with 24,000 new parts introduced annually, HCM was not fully satisfied with their pricing system, as their process required increased support for value-based optimization, price management and distribution, including built-in approval handling and advanced analysis capabilities with the option to simulate multiple price revision scenarios.

The main challenge HCM was facing was that their previous pricing system, a manual cost-plus model, couldn't keep up with the competitive market that favors those specific approaches to pricing optimization. Additionally, the cost-plus pricing calculations were disregarding the customer's willingness to pay and the fluctuating market situation.



HCM needed a solution to help improve their pricing analysis and data visibility in order to become more competitive in a changing market. This need was crucial, given they were experiencing eroding margins from low-cost country competition and increased grey market challenges. To better compete, they needed to improve their competitive pricing capabilities and streamline its pricing processes, which relied on several different tools and data sources.

On top of these challenges, their annual price revision took five months to complete due to the manual pricing process managed in spreadsheets and home-grown databases, which lacked data-driven segmentation and pricing logic. The company suffered from delayed pricing updates a result of the long lead times, collecting the relevant data, running the simulations and implementing the pricing. Long lead times applied to both the annual price revision, along with all newly introduced parts. Ultimately, with an inconsistent pricing system and without a powerful analytic process, HCM struggled with pricing optimization, pricing parts in a timely manner and ultimately increasing sales.





THE SYNCRON SOLUTION

HCM selected the Synchron Price™ solution to optimize its pricing through science-based segmentation, pricing guidance, and advanced analytics. The solution was implemented in a timely manner and on budget, with no significant customization or add-on development required.

Synchron Price™ provided HCM with one central system, consolidating all pricing processes and providing global price visibility across their complex supply chain. With the pricing solution, HCM has gained a better understanding of the details behind pricing for each part number, allowing them to develop strategies for market-leading pricing.

Prices that were incorrectly set from using cost-plus models were discovered and converted into a value- and market-based methodology. Now, Synchron Price™ automatically scans for the right price logic for each and every part, recommending the optimum price and, thereby, increasing productivity.

“The yearly price revision workload has drastically reduced by implementing Synchron Price™. We are able to get faster return financially from the new price.”

KAZUHIRO ISHIDO
HITACHI

The infrastructure for capturing and analyzing competitor prices allow HCM to combine data sets to leverage existing transaction data and then add the competitive data. Market data and feedback from point of sales is managed and aggregated in the system, all for better decision making. By using flexible reporting and simulation of price change impact, for example, the pricing team can quickly adjust prices for individual parts and bring them in line with both optimized and competitive prices.

“We are now able to price parts more logically using the Synchron solution with price logic capability.”

OSAMU ADACHI
MARKETING GROUP, HITACHI

What HCM needed was a system that included those functionalities, along with built-in approval handling and advanced analysis capabilities, and that's exactly what Synchron Price™ provides. By leveraging analytics-based pricing and optimizing pricing through science-based segmentation, pricing guidance and advanced analytics, HCM was able to improve the pricing strategy for more than 1,000,000 parts with 24,000 new parts introduced annually.



THE PARTNERSHIP RESULTS

HCM now has a strategic pricing system with advanced analysis capabilities that assists HCM fully in managing their pricing operation. Many manual, error-prone tasks have been automated allowing the pricing team to effectively reutilize their time from data collection to data analysis. Today the pricing team, who are responsible for pricing hundreds of thousands of parts, can effectively use Synchron Price™ to capture time-sensitive profit opportunities and successfully implement competitive pricing for each and every part.

HCM projects a gross profit increase of JPY 2 Billion (\$20M) in the next 5 years as a direct result from accelerated pricing analysis and better pricing strategies. Furthermore, productivity increased substantially:

- Projected gross profit increase of JPY 2 Billion (\$20M) in the next 5 years.
- Price revision lead time decreased from 5 months to 3 months.
- Reduced pricing lead time by 30% for new parts.
- Enabled pricing managers to optimize prices based on market conditions.

With the consistent pricing system, quick response time and correct competitors pricing, HCM's dealers, partners and stakeholders is getting a great benefit from Synchron Price™ globally.

“We see Synchron as a strategic partner for aftermarket service business.”

KATSUAKI ISHII
MARKETING GROUP MANAGER, HITACHI

HCM is now planning to expand the usage of Synchron Price™ to their foreign depots to price locally supplied parts and implement regional price adjustments.

With the option to simulate multiple price revision scenarios and incorporate science-based segmentation, pricing guidance, and advanced analytics through Synchron Price™, Hitachi Construction Machinery was able to dramatically streamline service parts pricing processes and productivity.

► **For more information, visit [Synchron.com](https://www.synchron.com)**