

YOUR GUIDE TO PRICING BEST PRACTICES

Last Modified on 04/04/2019 3:36 pm EDT

A key driver of sales for your website is pricing. How you price parts and accessories online will depend on your business' goals. Following these steps will help you price your parts and accessories so you can meet your online objectives in a long-term and sustainable way.

DEFINE YOUR GOALS:

You've probably heard the phrase, "to sell more, you need to lower your prices." This statement is only partially true. Your online customers can easily compare your prices with your competitors' with a click of the mouse. However, having the lowest prices does not mean you will be the most successful dealer. At SimplePart, we recognize every dealer defines his or her success differently. Before you lower your prices, let us help you define your goals and how pricing your parts and accessories plays a role in reaching them.

Volume - Is your goal to be a volume player, even if this means pricing competitively and maintaining lower margins? Some volume players receive most of their revenues from backend OEM financial incentives. If this is your case, then pricing your products very competitively is the right strategy for you. However, keep in mind that a large number of orders means allocating more resources to fulfilling those orders, on a daily basis.

A combination of Volume and Gross Profit- Do you consider your website a natural extension of your existing parts counter? If this is the case, you have more flexibility with your strategy and can increase your prices, within a competitive range. You might sell less volume, but your online parts store will be more profitable per order and require fewer resources. Also, our team can work with you on solutions to keep prices higher, but still be competitive in the market. For example by running marketing promotions, or optimizing your prices to offer free shipping.

A web presence - Are you new to the e-commerce world or just looking to add an online presence for parts and accessories to your dealership? If either is the case, you can start out pricing your parts and accessories at or around MSRP. Keep in mind this will generate less orders, but your resource commitment will be minimal.

UNDERSTAND HOW YOU CAN USE PRICING TO REACH YOUR GOALS:

Pricing your parts and accessories is important, but there are other tools you can use to meet your objectives too. Shipping rates and advertising spend can also help you sell more. For example, pricing an accessory at \$20 with a \$10 shipping fee may be less attractive than pricing an accessory at \$30 with free shipping. Keep this in mind as you work on your pricing strategy. Just lowering prices on your parts and accessories may not always be the best course of action.

Let's start by analyzing where you are in terms of pricing. SimplePart makes this part easy for you. Our customized reports coupled with our team of experts can help you analyze and improve your online performance.

Here are some reports you should be monitoring on a regular basis:

The Gross Profit Report (by Month)- Located in the Reports section of the Control Panel, this report highlights key metrics to measure your success. For example:

- Cart Conversion Rate: The percentage of people who are viewing their cart, most likely after adding products to their cart. The higher the percentage, the better.
- Conversion Rate (C/R): The percentage of people who, after landing on your website, place an order. The higher the percentage, the better.

Month	Orders	Visitors	V / day	Cart C/R	C/R
2019-03	74	5,538	221	11.56 %	1.34 %
2019-02	69	6,056	216	11.13 %	1.14 %
2019-01	139	8,836	285	11.11 %	1.57 %

By leveraging these two metrics you can quickly assess if your pricing and shipping are competitive. Every dealer and every brand is different, but as a rule of thumb, you should strive to at least 8.2% for Cart C/R and 1.25% for a C/R.

Also, this report can give you an indication if your pricing and shipping are misaligned. If your Cart C/R is high, but your C/R is low, your prices are probably competitive, but maybe your shipping rates are not. Customers add products to their carts, but ultimately may not buy because of higher shipping costs.

The Ranked Performance Reports - Our Dealership Strategy team uses these reports, including the Pricing Matrix report, to help dealers visualize where they stand in terms of pricing compared to similar dealers. This report is designed for dealers who set up pricing in a "Cost + X%" structure, and belong to one of our official OEM programs. However, it will also provide most metrics for dealers who are unaffiliated.

Organized by Accessories, Maintenance, and Parts, this report can help you organize your pricing strategy around parts, accessories and gear by price brackets - \$5-10, \$10-15, etc. For example, you may want to price parts and accessories in lower brackets closer to MSRP, but those in higher brackets at a more competitive Cost + 15%; or you may want price items less competitively to offer free shipping across the board.

Again, every dealer and every brand is different, but as a rule of thumb, dealers who are seeking strictly volume price their products at Cost + 16% to Cost + 25%. Dealers who are seeking a combination of volume and gross profits tend to price their products at Cost + 23% to Cost + 43%.

Accessories Matrix							
	Bracket	% of Accessories Products Viewed	Your Markup	6 Other Dealers			Rank
				Low	High	Med	
1	\$0 - \$5	0.00%	1.15	1.10	1.55	1.10	 2 / 3
2	\$5 - \$10	0.28%	1.15	1.10	1.55	1.15	 2 / 4
3	\$10 - \$15	0.18%	1.15	1.10	1.55	1.10	 2 / 3

In order to further streamline the accessory sales experience, we encourage dealers to set up SimplePart's new pricing functionality for their Accessory Configurator. This new functionality allows you to choose and display a customized pricing set on your Accessory Configurator.

The Support team at SimplePart can assist with the activation and setup of this new custom pricing set. If you have any other questions about pricing, pricing sets, or this new feature, they can assist with that as well.

Reach out to our SimplePart Client Services Team to recommend solutions to help you optimize your pricing strategy based on your goals and objectives.

MAKE CHANGES:

Once you have a good understanding of where you are, you can work with SimplePart to organize your pricing strategy. Again, you do not need to be the "lowest priced dealer" to be successful. We can help you optimize your pricing to meet your goals.

MONITOR RESULTS:

It's very important to monitor your performance regularly and make adjustments accordingly. Changes in your performance will not be immediate, which is why we generally recommend reviewing your data every two weeks.

Our experienced Client Services Team is knowledgeable in these areas and is available 24/7 to help you with any questions or concerns. You can contact us by email at support@simplepart.com, or call 1-888-843-0425.
