



Price

SKF was under a constant competitive pressure to keep price increases at or below the inflation rate.  
• For the aftermarket, (motor dealers and factories), the price was higher because they were prepared to pay more than OEM.

Place

- Europe 30 %
- Latin America 35 %
- Unites States 12%
- Other countries 15 %

Roots of the problem

- The only one strategy, that they apply to all of the customers
- The traditional slow-moving culture of the company
- With the rise in the oil prices in the 80's, SKF start cutting staff and underinvesting the manufacturing process in the investment policy.
- The higher prices in the aftermarket enabled SKF to do OEM business that otherwise may not have been justified.
- The aftermarket had not been given enough attention, almost ignored but nothing had been done because not clear the strategy to use and the financial significance.

Str

Market orientation through

before and after market\*  
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It's a Swedish bearing company founded in 1907 which supplies bearings, seals, maintenance products, power transmission products, lubrication systems and mechatronics products and related services. It's the number one in Europe and Latin America

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In 1981 Maurice Ohlson, CEO of SKF, the world's largest bearing company decided that it was necessary to improve profitability and return on assets. Production had already been rationalized, leaving little space for real savings. R & D expenditures were essential in having technological progress and quality standards. Cutting back on staff would upset the unions and cause costly work stoppages. He was convinced that the only viable long term solution was to change the strategic orientation of SKF from the production line to the market. He expelled contention, controversy and conflict among the divisions.

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Key factors

The Japanese entered the European bearings market. SKF was forced to cut costs. The rise in oil prices in the early 80's a drop in real wealth and in demand.

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Loss of market share

1985 change in the US

# Value Selling At SKF Service (B): Facing A Tough Buyer

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acts

environment

segment at the

segmentation  
difficulty in  
acts from other companies.  
relatively ignored.  
ers were left in the

product/market

• OEM always given priority by the SKF factories OEM were allocated the new product funding of the company and attracted the best talent too.

• The aftermarket became the most profitable part of the business, because it contributed 41% to the overall aftermarket sales.

• These customers have the same basic needs wherever they were situated.

### Opportunities

• In the 70's the Japanese, entered the European bearings market.

• Nippon Seiko of Japan, NTN (1978), Germany's F.A.G (R.S.A), Timken of the US (18-50) and Koyo (68) were its closest competitors. SKF had the 20% of the world bearings market.

• Bearings producers were not the only competitors.  
• Automobile manufacturers (Ford, Honda, Mercedes), through their spare parts divisions, were both competitors and customers of SKF.

Threat of entry by new competitors

- 1) Bearing industries
- 2) Bearing services
- 3) Specialty bearings

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“SKF bearings series: Market orientation through services (A):  
Restructuring the before and after market”

Presented by:  
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SKF found it more difficult to differentiate its product from others. It had always applied one strategy and organization for all bearing customers. High quality products were sold in large quantities at competitive prices. SKF questioned this approach and, late in 1986, commissioned research to examine the bearings market in detail. They wanted to establish whether the market could be segmented along any natural split amongst the product lines according to specific customer needs.

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Customer were grouped into three categories

1) Automotive OEM (cars, trucks, electrical) with 32% of SKF bearing sales.

2) Machinery OEM (heavy industry, railway, general machinery), with 27% of SKF bearings sales.

3) Aftermarket (vehicles and industrial), with 41% of SKF bearings in sales.

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The aftermarket was subdivided into two separate categories:

- 1) The industrial aftermarket (factory owners and plant managers), with 66% of SKF aftermarket sales.
- 2) The vehicle aftermarket (fleet owners and repair shops), with 34% of SKF aftermarket sales.

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