



Research School for Operations
Management and Logistics

Pricing of maintenance contracts

Laurens Deprez – KU Leuven

Full-service maintenance contracts are common practice in industry involving the maintenance of capital goods. In exchange for a (series of) fee(s) or premium(s) these contracts cover all future costs of (preventive and corrective) maintenance and potentially also down-time compensation over a predetermined time horizon. Accurate price setting is a major challenge for service agents offering full-service maintenance contracts, since the maintenance costs are stochastic in nature. Moreover correct pricing is crucial to guarantee profitability and competitiveness. In our research we try to develop a pricing methodology which relies on risk assessment of the product and the customer. This approach is inspired by actuarial pricing.