
contribution margin Margin based pricing

Posted by gliibs - 2010/02/10 17:18

customer, customer group, inventory group etc. in the same way set pricing can. ... But you do can calculate prices for certain customer, customer group or even warehouse and have result saved in price agreements! Please, pay attention to Price/discount agreement journal functionality (Accounts receivableJournalsPrice/discount Price/discount agreement journal). Here you can select prices (for example for certain customer) and calculate them (button Adjustment) as Standard cost price + percentage (or something like that). In this journal you also can create price agreements for one customer by copying price agreement from another customer and adjusting prices. By doing adjustment in several iteration you can have different margin for different groups of items or warehouses. The only disadvantage of standard functionality is that you cannot change warehouse while copying lines in Price/discount agreement journal. It would be nice if guys from Microsoft could be able to extend copying functionality of Price/discount agreement journal.

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Posted by Robert Rudd - 2010/02/10 17:18

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Posted by Allan Wallis - 2010/02/10 17:18

Axapta allows an overall contribution margin to be defined for an inventory item to set a price. This is very limited margin based pricing (cost plus amount or percentage set the price). Margin based pricing should be included in the trade agreements so that margins can defined for item for a warehouse, customer, customer group, inventory group etc. in the same way set pricing can. Margin based pricing is used extensively in industries where the product cost changes frequently or commodity type industries where the cost of the product is know throughout the industry. A number of ERP packages in the mid-market have this functionality.

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customer and customer group. IMHO Axapta does have such functionality :-) It is not automatic... but it exists.

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Posted by Robert Rudd - 2010/02/10 17:18

- Margin based pricing can be based upon actual costing methods such as FIFO or Average costing. The journal only supports standard costing only. Not only standard cost. You can tick Latest cost price checkbox in item card and each time you purchase or produce an item the standard cost price will be updated by: (unfortunately) almost actual cost price. So you can calculate your price based on last cost price. The only disadvantage of Latest cost price checkbox functionality is that in some cases it does not provide correct last cost price update. But this issue can be fixed very easy. If calculating price based on AVERAGE of FIFO cost price is critical to you, you can extend standard price adjustment functionality to calculate prices based on current cost price. I believe it will be easy to code such a feature.

- This method requires the user to put through a price adjustment every time there is a movement in costs. For example, in the cut-flower industry, flowers are purchased every three days (they have a short shelf life) and the purchase price can move up to 30-50% over that time. The price to the end customer is established by marking-up the cost of the flowers i.e. 30%. This way the user does not need to change the price of the flower every time the costs changes because its based upon a margin rather than a fixed price. I think it is not good idea to allow system to calculate prices completely automatically. People at least should pay attention at calculation results. You have provided good example, but in general business is much more difficult. It is hard to work with customers if your prices are changed spontaneously. Let us imagine your customer calls you and asks for an quotation, but in half an hour when it makes decision you have invoiced purchase order and 30 percent of prices have been changed. There are a number of other industries based upon this methodology. For example, computer components. The price of computer components move on a weekly basis thus rather than setting an end price a margin is established. This is more reasonable approach. In this case you can calculate new price list in Pricediscount agreement journal each Monday morning, for example. - The user has to monitor the cost movements in stock and change prices accordingly. This is a major concern for industries where the price changes occur regularly. For example, computer components. The user may have a stock list of 1000's of items and does not want to have to monitor them for movements in costs. I agree Axapta does not have convenient standard report for monitoring dynamics of cost price of item. I have experience of designing a report for monitoring cost price deviations in issues in MS Access (we had to check inventory closing functionality results). I think it is not hard to design a report for your request. The functionality I am asking for exists in competing products such as Epicor. In Epicor you can set margin based pricing for an item, item group, customer and customer group. IMHO Axapta does have such functionality :-). It is not automatic... but it exists.

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