

PRICE 5 - JOB DISCOUNTS

See Also

- ✓ DecEzy help files
- ✓ WP - Price 1 Item Pricing
- ✓ WP - Price 2 Item Discounts
- ✓ WP - Price 3 Price Management Tables
- ✓ WP - Price 4 Job Target Margin
- ✓ WP - Price 5 Job Discounts
- ✓ WP - Price 6 Pricing Setup Steps
- ✓ WP - Price 7 Setup Examples

Discounting in jobs can be applied to either item prices, or item margins.

Nomenclature

Discount – a price reduction.

Price Discount – reduction is a percentage of the item price (this is how most people would define discount).

Margin Discount – reduction is a percentage of the item margin. (This concept is unique to DecEzy)

Price vs Margin Discounts

Item and job margins are defined below:

Item Margin (\$) = Item sale price (\$) – Item wholesale cost (\$)

Job Margin (\$) = sum Item sale prices (\$) – sum Item wholesale costs (\$)

In DecEzy, margin discounts can only be applied to a whole job, while price discounts can be applied to a whole job as well as many other sections/groups (see Price 2 – Item Discounts-Overview).

The differences between price and margin discounts are illustrated in Figure 1 below, this figure shows the item margins for the two items in Table 1 as the price and margin discounts vary from 0 to 100%.

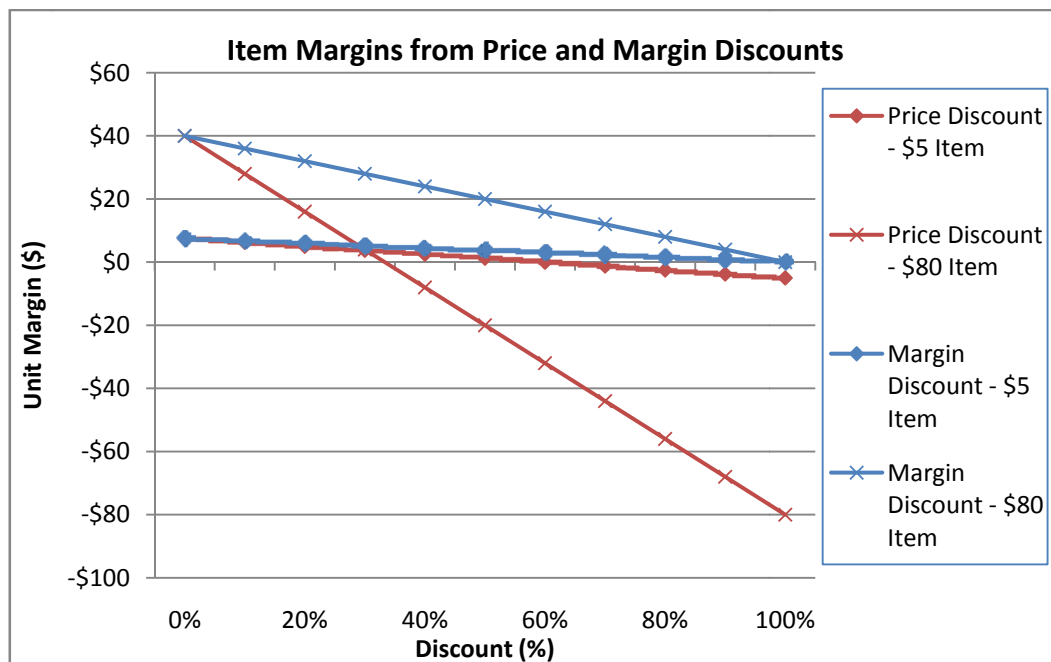
The reason for introducing the margin discount method was to cater for repeat orders from a customer for say work clothes; it allows a customer's average job sales to be assessed and the customer allocated a margin discount on this basis. Using this margin discount for all jobs provides the customer with a suitable discount and results in the same item being priced the same on different jobs as long as no other discounts are used.

Table 1 Item Details

Item	Unit Cost	Mark Up	Non Discounted Sale Price
item A	\$5.00	150.0%	\$12.50
item B	\$80.00	50.0%	\$120.00

PRICE 5 - JOB DISCOUNTS

Figure 1 Price & Margin Discounts



Notes:

1. Blue lines are margin discounts
2. Red lines are price discounts
3. Discounts are limited to being $\leq 100\%$ by the database.

From Figure 1 it may be seen that the differences between the two methods are:-

1. The item margin cannot go negative when using margin discounts but can for price discounts, therefore, price discounts can lead to the item selling below its cost price.
2. A price discount for a job may produce a profit from one item but a loss in another; in Figure 1, a discount of 40% has item B selling at a loss but item A selling at a profit.
3. When used for job discounts, both methods may end up with the same job margin, however, the prices of the items making up the job could be significantly different for the two discount methods.

As a guide:-

- Job price discounts are OK when:
 - selling one item only
 - selling different items with similar mark-ups.
 - discounts are small.
- When a sale consists of many items with very different mark-ups, you can use line discounts on each line to achieve the total job margin you are after. The margin from each item is shown in that job item line.
- Use of job margin discounts:

PRICE 5 - JOB DISCOUNTS

- removes the possibility of selling any item at a loss.
- Allows automation of discounts over a wider range of markup values than price discounts.
- When combined with price breaks for low cost/high markup items provides an automated pricing system covering a wide range of items.