Infor LN Sales User Guide for Margin Control

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About this document

This document describes the process to set up and use margin control. This functionality determines the method to handle sales quotations and orders with prices exceeding the specified margins.

Assumed knowledge

Although you need no detailed knowledge of the LN software to read this guide, general knowledge of the Infor LN functionality will help you understand this guide.

References

Use this guide as the primary reference for margin control. Use the current editions of these related references to research information that is not covered in this guide:

- *User Guide for Sales Master Data U9839 US*
- *User Guide for Sales Quotations U9841 US*
- *User Guide for Sales Orders U9845 US*
- *User Guide for Pricing U9179 US*

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Chapter 1
Introduction and setup

1

Overview of margin control

You use margin control to control margins for sales orders and quotations that are created for standard items. If the net price of the sales quotation or order exceeds the defined margins, the appropriate action is performed. For example, if the margin of an order is exceeded, the order is blocked.

Setting up margin control

The following master data must be specified to use margin control:

1. In the Sales Order Parameters (tdsls0100s400) session, specify these margin control related parameters:
   - **Margin Control**
   - **Gross Margin Check Headers**
   - **Gross Margin Check Lines**
   - **Target Price for Margin Control**
   - **Pre-Defined Hold Reason - Margin Control**
2. In the Margin Control Parameters (tdsls0120m000) session, specify the action that must be taken when a sales order or quotation falls outside the specified margins.
3. Select the **Gross Margin Control** check box in the Sales Order Types (tdsls0594m000) session if gross margin control must be executed for the order type.
4. Select the **Can Release Margin Held Orders** check box in the Sales User Profiles (tdsls0139m000) session if a user can unblock sales orders/quotations that are blocked because margins are exceeded.
5. In the Items - Sales (tdisa0501m000) and Sold-to Business Partner (tccom4110s000) sessions, specify:
   - The upper margin (the percentage by which the target price can be exceeded).
   - The lower margin (the percentage by which the price can be lower than the target price).

Types of margin control

You can specify the following margin types:

- (Price) margin control
- Gross margin control at detail level
- Gross margin control at header level

For more information, refer to *Types of margin control (p. 9)*.

Using margin control

If margin control is implemented, when a sales order or quotation is specified, several checks are automatically executed and exceeded margins are logged.

For more information, refer to *Using margin control (p. 11)*.

Chapter 2
Types

2

Types of margin control

Before you can specify the parameters for (price) margin control or gross margin control, you must select the **Margin Control** check box in the Sales Order Parameters (tdsls0100s400) session. Next, you can decide which type of margin control you want to use.

(Price) margin control

For (price) margin control The target price and sales price are compared and evaluated against the margin limits, as specified in the Items - Sales (tdisa0501m000) session.

Depending on the **Target Price for Margin Control** field in the Sales Order Parameters (tdsls0100s400) session, the target price is:

- The sales price from the Items - Sales (tdisa0501m000) session.
- The suggested retail price from the Items - Sales (tdisa0501m000) session.
- The standard cost of the item from the Item - Costing (ticpr0107m000) session.
- The selling price found after searching in Pricing.

Note

If the item is an effectivity unit, upgrade prices are included in the sales price, the suggested retail price, and the selling price. You can view the upgrade prices for a specific effectivity unit in the Effectivity Unit (tcuef0102m000) session.

Gross margin control at detail level

To control gross margins at detail level, in the Sales Order Parameters (tdsls0100s400) session:

- Select the **Gross Margin Check Lines** check box
- Specify the **Base Price for Gross Profit Calculation** field to calculate the gross profit percentage

For gross margin control, the target price always is the item's standard cost, as specified in the Item - Costing (ticpr0107m000) session, or if an effectivity unit is involved, as specified in the Effectivity Unit (tcuef0102m000) session. The target price and the sales price are used to calculate the gross profit percentage. This percentage is evaluated against the margin limits, as defined in the Items - Sales (tdisa0501m000) session.

Gross margin control at header level

To control gross margins at header level, in the Sales Order Parameters (tdsls0100s400) session:

- Select the **Gross Margin Check Headers** check box
- Specify the **Base Price for Gross Profit Calculation** field to calculate the gross profit percentage

For gross margin control, the target price always is the item's standard cost, as specified in the Item - Costing (ticpr0107m000) session, or if an effectivity unit is involved, as specified in the Effectivity Unit (tcuef0102m000) session. The target price and the sales price are used to calculate the gross profit percentage. This percentage is evaluated against the margin limits for a certain order or quotation, as defined in the Sold-to Business Partner (tccom4110s000) session.

Chapter 3
Usage

3

Using margin control

If margin control is used, when a sales order or quotation is specified, several checks are performed and exceeded margins are logged.

The following steps are completed:

1. LN searches the margin control parameters for the login code of the user who specifies the sales order or quotation. For each login code, margin control parameters determine the action(s) that must be taken when the sales price falls outside the margin. If no margin control parameters exist for the login code of a particular user, margin control is not used for sales orders or quotations that are specified by that user.
2. LN checks the item sales data and the sold-to business partner data for the allowed margin variances, which are defined as a percentage and compared against a target price or standard cost depending on the type of margin being checked.
3. LN determines any of the following:
   - For (price) margin control, the target price for an item. The target price can be the sales price, standard cost, recommended retail price, or the price defined in the price structure. The target price is multiplied by the upper and lower margins, as defined in the item sales data to determine the margin range.
   - For gross margin control, the standard cost of the item from the item costing data. The standard cost is multiplied by the upper and lower margins, as defined in the item sales data or sold to business partner data.
4. LN checks the net price defined for the sales order or quotation line. If this price falls within the margins, the order is processed. If the price falls outside the allowed margin, LN takes the action specified for the user in the Margin Control Parameters (tdsls0120m000) session.
5. Sales orders or quotations whose margins are exceeded and that must be logged, can be viewed in the following sessions:
   - Sales Orders below/above Allowed Margin (tdsls4518m000)
   - Sales Quotations below/above Allowed Margin (tdsls1518m000)

Sales orders whose margins are exceeded and that must be blocked, can be viewed in the following session:
- Blocked Sales Order (Lines) (tdsls4520m000)

6. Logged instances of sales orders or quotations whose margins are exceeded can be deleted in the Delete Margin Log for Sales Orders below/above Allowed Margin (tdsls4218m000) session or the Delete Margin Log for Sales Quotations below/above Allowed Margin (tdsls1218m000) session if these margins are no longer required.

Note

- When a sales order or quotation falls outside the defined margins, more than one action can be taken at a time. For example, LN can signal, log, and block a quotation or an order.
- If an order is blocked due to margin guidelines, the block must be manually removed, even if the price is corrected.
- Blocking occurs at the step specified as the blocking step for the order type.

Example

For ITEM 1, the following is applicable:

- The target price, which is the sales price, is $500.
- The upper margin is 25%.
- The lower margin is 10%.
- The standard cost is $389.

In addition, the following data is available:

- For ITEM 2, the standard cost is $317.
- For sold-to business partner NS Materieel, the upper margin is 20%, and the lower margin is –5%.
- NS Materieel places an order for 25 pieces of ITEM 1 at $600, and 25 pieces of ITEM 2 at $515.

As a result, the following margin checks are calculated:

- (Pice) margin check for ITEM 1.
  The formulas for this check are as follows:
  - Upper margin = target price * (1 + upper margin percentage)
  - Lower margin = target price * (1 - lower margin percentage)
- Gross margin check on line level for ITEM 1.
- Gross margin check on header level.

(Pice) margin check for ITEM 1

Upper margin	500 * (1.25) = $625
Lower margin	500 * (.9) = $450

Because the net selling price is $600, margins are not exceeded.

Gross margin check on line level for ITEM 1

Upper margin	$389 * (1.25) = $486.25
Lower margin	$389 * (.9) = $350.10

Because the net selling price is $600, the upper gross margin is exceeded.

Gross margin check on header level

Standard cost of both items	$389 + $317 = $706
Upper margin	$706 *(1.2) = $847.20
Lower margin	$706 *(1.05) = $741.30
Net selling price for both items	$600 + $515 = $1115

Because the net selling price is $1115, the upper gross margin is exceeded.

Appendix A
Glossary

A

effectivity unit

A reference number, for example a sales order line or a project deliverable line, that is used to model deviations for a unit effective item.

gross margin

The sales revenue minus all manufacturing costs, both fixed and variable.

margin

The percentage that the net sales price is allowed to deviate from the target price.

margin control

The sales submodule that controls whether the sales order or quotation price of an item differs too much from the specified target price. The percentage that the net sales price is allowed to deviate from the target price is known as the allowed margin.

target price

The price that forms the basis for margin control calculations.

A target price can be one of the following prices:

- The sales price
- The recommended retail price
- The standard cost of the item
- The selling price found after a search in Pricing

The target price and the sales price are evaluated in relation to the margin limits registered in the item file.

upgrade price

A price that is defined for a requirement in Unit Effectivity (UEF). If the requirement is used in an effectivity unit's configuration, the upgrade price is added to the effectivity unit's sales price.

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