A Brief Description of Auto-Pricing in ServiceDesk
Current as of 2/18/08

This document was created to help you understand how ServiceDesk prices parts.

The ultimate purpose is to help you get precisely the prices you want in every circumstance, and with minimum fuss and muss.

We've gone to great pains to create a pricing system that will accommodate every situation, every user preference, and make actual usage *simple*.

The "Catch 22" is that, to accomplish the above, the underlying system has to embrace a bit of complication.

Here are some of the facts it has to deal with:

1. Many if not most users prefer to price special order parts differently than stocking parts;
2. Many (but not all) stocking parts are "commodity items," and regularly feature markups many times greater than is otherwise typical;
3. While it's nice to have "fixed" internal prices for stocking parts, it's also nice to be able to change those prices via some automated (or semi-automated) mechanism;
4. Most servicers find that "Published Prices" (aka manufacturers suggested retail, or List) do not provide sufficient markup, and regularly price their parts higher;
5. A minority of servicers prefer to price at List;
6. Many servicers (and dealers) wish to give differing levels of preferential pricing to particular customers;
7. There are several different operational circumstances where auto-pricing is potentially involved, each with its own unique concerns; and
8. Warranty service is a whole other ball game.

There are four pricing inputs available in ServiceDesk:

A.   The MarginPlanner System.

This system creates a sell-for price on the basis of a formula-based markup from wholesale/cost. The MarginPlanner form (Shift-F10) is used to specify the markup curve that's wanted for each of six "Tiers."

The idea of Tiers is to accommodate different customers, for whom you may wish to give varying levels of preferred pricing. If you wish to price for any customer for an other-than-default Tier, you'll need to have a QuickEntryTemplate for the customer in order to do so. Each

QuickEntryTemplate includes a box where you may specify the Tier that you wish to have used for that customer. You may also use this box (instructions are right next to it) to specify a markup basis *other than* MarginPlanner Tier, such as straight-percent markup from cost, for example, or straight-percent discount from otherwise standard retail.

In the absence of any explicitly-designated markup scheme for a customer (and in any circumstance where price is to be calculated on the basis of markup from cost), the system defaults to MarginPlanner Tier 1 curve for SpecialOrder parts, and MarginPlanner Tier 6 curve for Stocking parts.

B.   MasterPartsPlan-Listed Standard Retail Price

For stocking parts, the MasterPartsPlan includes a column wherein you're expected to provide the price you intend to charge in standard retail sales.

It's considered important to have these as independent listings (i.e,. not just rely on the MarginPlanner), because so many stock parts need human input (based on knowledge of market conditions, etc.) in order to price optimally. In addition, servicers often receive huge discounts by purchasing stocking parts in volume, and most likely wish to pocket the increased margin, rather than whittling it away via an auto-price system.

When adding new listings to the MasterPartsPlan, users (in the appliance service industry) may take advantage of a drop-down that pulls data from our SmartParts system. Upon selecting items from the drop-down, the system can include a retail price insertion. Depending on circumstances, the price as inserted may or may not be optimum.

New in 2008, the MasterPartsPlan also includes mechanisms to auto-insert and/or auto-update all of its price boxes. Items can be specifically included or excluded in the action, updating can be based on percent changes or on new published SmartParts data, and according to any of the Tiered MarginPlanner curves.

C.   Published Price Data.

At present, "Published Price Data" refers exclusively to SmartParts. If in the future we are able to acquire similar data for industries outside the appliance area, we are most anxious to do so.

SmartParts data includes exhaustive parts/prices listings for all the major appliance manufacturers, and several in the less-major category, including Thermador/Bosch, Sub Zero/Viking, Dacor and Fisher Paykel.

The data is kept quite current.

<u>D.</u>   <u>Your Own Manual Input.</u>

In some cases, there's no one better to determine a sell-for price than the owner/manager. While seeking to relieve you of the burden of regularly doing this (via the pricing engines above-discussed), we don't take the option away from here. There are still mechanisms that will allow you to price, on the basis of immediate judgment, any time you wish.

Now that you know what the pricing inputs are, the next question is how, where and in what manner are they applied?

To communicate this, we'll use a chart (as per the next page).

Before you look at the chart, one more note: As prior discussed, though most servicers feel that published list prices are too low, there's a minority that want to charge just that. To accommodate those "low priced nice guys," we've added checkbox in the MarginPlanner form. It's labeled "*Where possible (and where a Markup Tier or MasterPartsPlan price is not explicitly indicated) defer to Published Price.*"

On the chart, you'll notice several sections that show different treatment, depending on whether it's "*Standard Scheme*" or "*DeferToPublishedPricing*" that applies. This difference, simply, depends on whether the above-described checkbox, in the MarginPlanner form, has been checked, or not.

	Type of Customer or Job					
Type of Situation or Operation	**Warranty**		**It's a Customer for Whom Price Scheme is Spec'd in QuickEntryTemplate**		**Other/Normal (i.e., job is not Warranty, and no scheme is specified for the customer)**	
Auto-Pricing, as performed by system, when user types-in cost on S/O Parts via F8 form	Sell-For price is auto-inserted as zero		Sell-For price is auto-inserted as per customer's mark-up scheme		**Standard Scheme:** Sell-For price is inserted on basis of Tier 1 from MarginPlanner **DeferToPublishedPricing:** If is SmartParts List is available, that's used; otherwise same as standard	
POS / FinishedForm	**S/O Parts**	**Stocking Parts**	**S/O Parts**	**Stocking Parts**	**S/O Parts**	**Stocking Parts**
	In Narda Form: If Sell-For price from F8 is zero, system auto-inserts cost. If Sell-For price from F8 is non-zero, then F8's Sell-For is inserted **In Other Forms:** In same circumstance as system would insert cost if to a Narda form, it instead places the word "Warranty" in other forms	**In Narda Form:** System inserts cost **In Other Forms:** System inserts the word "Warranty"	If importing from F8 and Sell-For price was inserted there, uses that price. Otherwise (in particular, if item was inserted via POS operation), price is inserted on basis of QE/Spec'd Markup Scheme	Applies QE/Spec'd Markup Scheme to cost, unless cost is unavailable. If cost happens to be unavailable, then: (a) under *StandardScheme*, the system would look first to MasterPartsPlan price, then (if the former failed) to SmartParts List; whereas, under *DeferToPublishedPricing*, it would look first to SmartParts List, then (if that also failed) turn to MasterPartsPlan	**Standard Scheme:** If cost data is available, system inserts price based on Tier 1 MarginPlanner formula; otherwise looks in SmartParts data for List **DeferToPublishedPricing:** System looks first to SmartsParts List, and turns to Tier1 MarginPlanner formula only if the first effort failed	**Standard Scheme:** Looks first to MasterPartsPlan for price, then (if that failed), to calculated markup based on Tier 6 Margin Planner formula, and last only (i.e., if there was no MasterPartsPlan price and no cost basis) to SmartParts List **DeferToPublishedPricing:** Reverses the order of two and three above (i.e., still looks first to MasterPartsPlan price, but if that fails turns to SmartParts List *ahead* of a Tier 6 markup form cost
When adding entries to MasterPartsPlan and selecting item from the SmartParts drop-down list	**Standard Scheme:** System inserts to MasterPartsPlan Retail box on basis of Tier 6 MarginPlanner formula, using SmartParts indicated DealerCost as cost basis **DeferToPublishedPricing:** System inserts to MasterPartsPlan Retail box on basis of SmartParts-indicated List					

Note that in the FinishedForm context, if you want to know what pricing strategy was used in any particular instance, you can just float your mouse pointer over the box that contains the inserted price. A tool tip will appear, explaining the underlying cost, and the pricing strategy used.