

To really understand what linear pricing is, why R.O. Writer introduced it, and who needs it, requires a bit of history on the way R.O. Writer calculates sell prices.

R.O. Writer originally had CPM or Cost Plus Multiplier.

With CPM, all of your parts were calculated with the same pricing multiplier. For example, everything you sold would be marked up 40%. With this pricing method, pricing was more manual; i.e., you have to make sure that part that cost you \$1 got marked up more than the 40% and that part that cost you \$500 would need to be much less than 40%. So, for those parts that fell outside of the “norm”, you would need to manually price them.

Therefore, to help automate pricing, R.O. Writer introduced Matrix pricing.

With Matrix pricing you now had more control with less attention. You configured your multiplier for different cost ranges. For example, you could have everything costing up to \$1 marked up by 80%, and then scale your margin down as the cost gets higher (see example below). The Matrix took care of everything else.

Parts Price Matrix Wizard

Matrix Name:

Cost Range	\$0 to \$1.00	\$1.01 to \$5.00	\$5.01 to \$20.00	\$20.01 to \$50.00	\$50.01 to \$175.00	\$175.01 to \$300.00	\$300.01 to \$500.00	\$500.00 and greater
% of Total	Not Calc.	Not Calc.	Not Calc.	Not Calc.	Not Calc.	Not Calc.	Not Calc.	Not Calc.
CPM	5.00	4.00	3.00	2.50	2.00	1.60	1.50	1.33
Margin	80.00	75.00	66.67	60.00	50.00	37.50	33.33	24.81
Markup	400.00	300.00	200.00	150.00	100.00	60.00	50.00	33.00
Min Price	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Global Parts Rounding Options (Applies to All Matrices)

No Rounding Round up to

Minimum Profit Margin:

Aggregate Profit Margin:

Default CPM for Manual Price Calc:

Price Ranges | Departments | Sales History | **Margins**

But, there was a problem – Matrix pricing had a stair step effect. For example: in the price matrix example shown, a part that cost you \$5 had a mark up of 75% resulting in a sell price of \$20. But, a part that cost \$5.01 would be marked up 66.67% and resulted in a sell price of \$15.03. So, you paid a penny more but sold the part for \$4.97 less. It wasn't until the cost rose to \$6.67 did the sell price return back to \$20. This is the 'stair step affect'.

There is potential revenue increase by eliminating these stair steps and smoothing out the matrix to a line (hence the 'linear' in 'linear pricing.)

With linear pricing and the same matrix set up, the \$5 part would still sell for \$20, but the \$5.01 part would sell for \$20.04. Linear pricing basically straightens out the stair step effect and you get a smooth transition from one level to the next.



There are several other advantages:

- You also have the ability to set separate matrixes for parts you stock and parts you do not stock;
- It allows you to set up different matrixes for different suppliers and/or departments;
- Set minimum prices;
- And gives you the option to round up (say to \$.99).

So, to answer your question of “who needs linear pricing”: anyone who is trying to maximize parts margin.

The answer to your question on “where prices are set when adding a new part” – the setting is in the Configuration module Configuration --> Parts --> Price Levels --> Default Pricing. This default setting applies any time that a part is not assigned to a department.

As for parts that are assigned to departments, you can set those price levels in Configuration --> Parts --> Departments.

Pricing Levels	RETAIL	LIST	NET	EMPLOYEE	TRANSFER
Multiplier :	2.50	1.00	1.00	1.00	1.00
% Profit :	60.00	0.00	0.00	0.00	0.00
% Markup :	150.00	0.00	0.00	0.00	0.00

Minimum Margin	
Minimum Profit Margin :	50.00

Buttons: Cancel, OK

Thanks
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