



ENTERPRISE SOLUTIONS

150 – COST PROCESSES

151 - Costing and Margin – Sourced Cost

Process Manual

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1. COSTING AND MARGIN PROCESSES

1.1 Definition

- There are two Costing and Margin Processes
 - Sourced Cost
 - BOM/BOL Cost
- The base Sourced Cost is obtained from a vendor or vendors, using the RFQ process. Variable costs are then added and the final landed cost compared with the required price point to give a predicted margin.
- The BOM/BOL Cost is where the quantities of components in the Bill of Materials (BOM), as well as the Bill of Labor (BOL) quantity expressed in standard minutes are used to simulate and validate sourcing scenarios. Variable costs are then added and the final landed cost compared with the required price point to give a predicted margin.

This manual deals only with the Sourced Cost Process, which may be applied to Styles, Materials, Trims or Packaging.

1.2 List of tasks


- For Styles only, set target prices and margins
- Determine the sourced costs
- Create/select costs adds (e.g. Duty, Freight) to calculate Landed Cost
- Create simulations of conditions to see variations and lowest cost scenarios
- Select best scenario

2. SOURCED COST – STYLE


A Sourced Cost instance can be used when there is one total cost of a product versus a list of materials and labor with costs. To create a bill of materials and/or labor costs, see the BOM/BOL Cost manual. A Sourced Cost instance may also be used as the reference cost and a BOM/BOL Cost instance used as a guide for materials and operations.

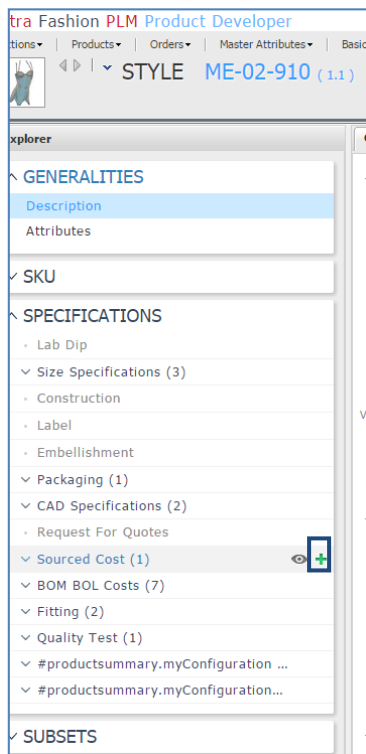
2.1 Creating a Sourced Cost instance

To add a **Sourced Cost** instance:

Click on the  sign beside the **Sourced Cost** branch.

OR

Click on the  sign beside the **Sourced Cost** branch and then click on the **Create Instance** link when the page refreshes.



A blank **Sourced Cost** instance opens in the window.



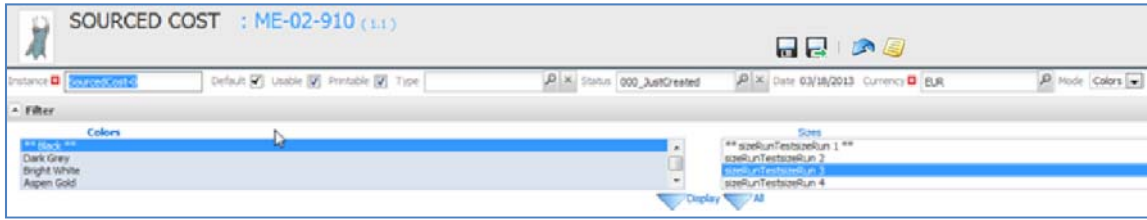
Some information is automatically filled in such as the **Date**, specification **Status**, **Currency**, option.

The user's currency is used by default (if no user currency has been defined, the currency of the product will be used)

An instance name is also generated.

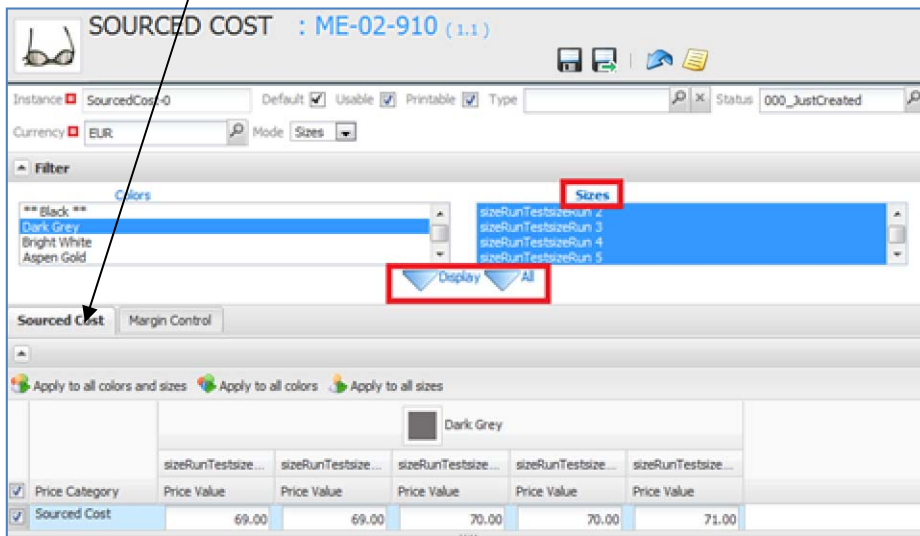
The information in all of these fields can be changed, if desired, apart from the date field.

The sizes and colors connected to the product are also shown.




2.2 Entering Costs

Select the **Sourced Cost** tab. To enter information for each size, change the mode to **Sizes**. Select the colors and size to view and click on the **Display** buttons.

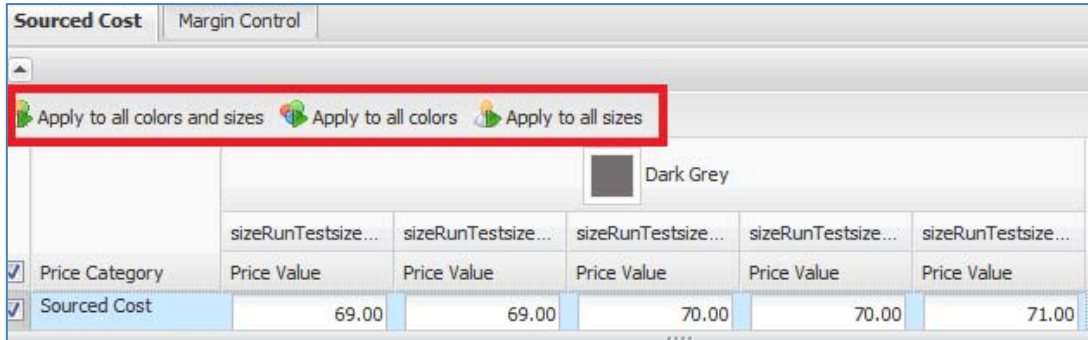


Fill in the **Sourced Cost** per size in the color. Select and use the **Display** and **All** buttons to enter information for the other sizes and colors.

The instance may be saved at any time by clicking on  or  at the top of the page.

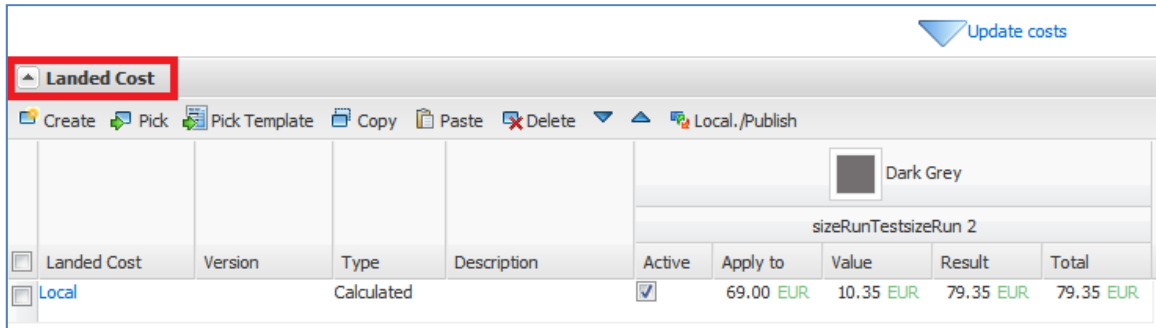
Note that, in the case of Styles, it is usual to only select the mid size and one color at this stage. In the case of trims, for instance a button, all colors and sizes will be necessary for use in a **Manufacturing Cost** instance.

To quickly apply the same price across, colors, sizes, or both, select either the default color and size or another color and size combination. Three additional buttons are available; **Apply to all colors and sizes**, **Apply to all colors**, and **Apply to all sizes**. Fill in the desired price of the selected combination and click on the respective button to apply the price to the desired items.

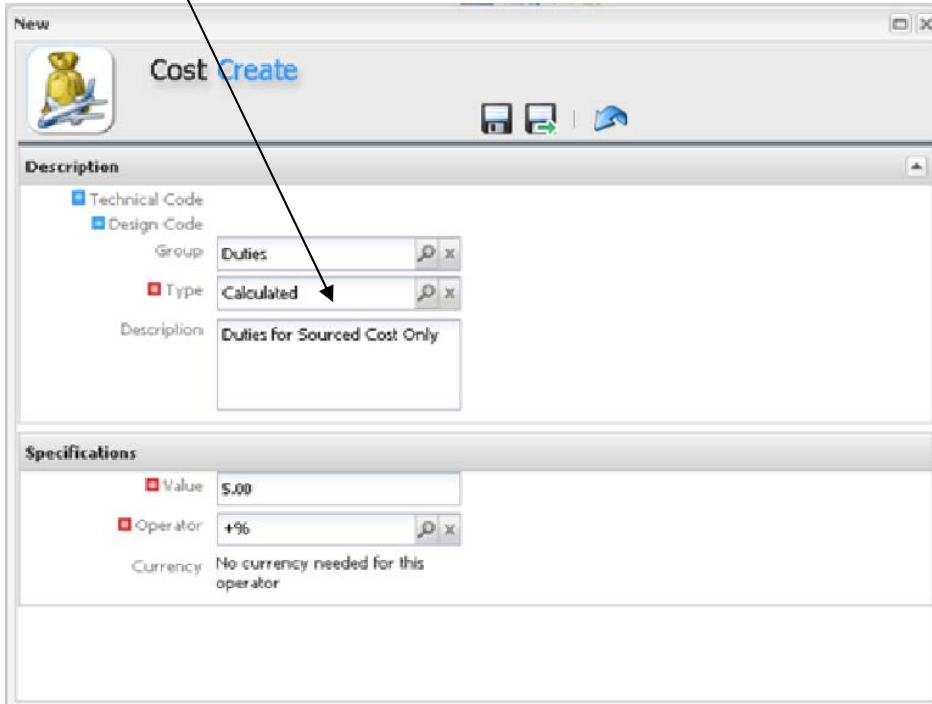


2.3 Adding Landed Costs

On the **Sourced Cost** tab, scroll down to view the **Landed Cost** section. Calculated costs that have a defined added cost amount or additional cost percentage can be added.

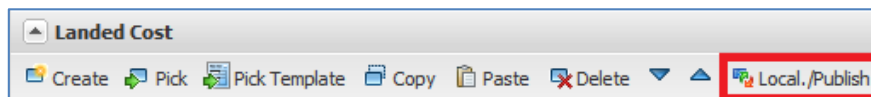


Click on the **Pick** button to choose individual costs from the library. Note that for use with a **Sourced Cost** instance, the cost type must be set to **Calculated**. This means that the calculation is performed on the base cost only.



The value and operator govern the calculation of the **Landed Cost** item. In this case adding 5% Duty to the base cost. A cost item may be added at any time by selecting **Create** on the **Landed Cost** toolbar.

When created, the item may be kept as **Local**, or published to the database by selecting **Local/Publish** on the **Landed Cost** toolbar.

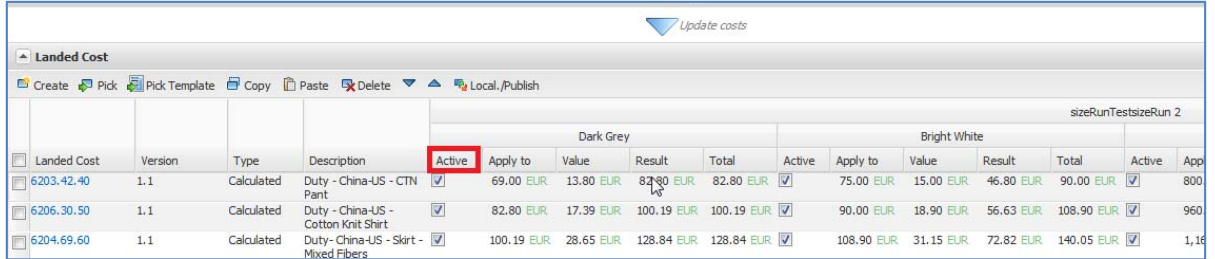


Select the cost items that apply to the **Sourced Cost** instance by picking them from a list and adding them to the **Landed Cost** –

Landed Cost									
Create Pick Pick Template Copy Paste Delete Local./Publish									
Dark Grey									
sizeRunTestsizerun 2									
	Landed Cost	Version	Type	Description	Active	Apply to	Value	Result	Total
<input type="checkbox"/>	6203.42.40	1.1	Calculated	Duty - China-US - CTN Pant	<input checked="" type="checkbox"/>	69.00 EUR	13.80 EUR	82.80 EUR	82.80 EUR
<input type="checkbox"/>	6206.30.50	1.1	Calculated	Duty - China-US - Cotton Knit Shirt	<input checked="" type="checkbox"/>	82.80 EUR	17.39 EUR	100.19 EUR	100.19 EUR
<input type="checkbox"/>	6204.69.60	1.1	Calculated	Duty- China-US - Skirt - Mixed Fibers	<input checked="" type="checkbox"/>	100.19 EUR	28.65 EUR	128.84 EUR	128.84 EUR

The calculations are shown, with the value of the cost and the resulting total.

All landed costs added will automatically be applied to all size and color combinations. They may be removed per SKU by un-checking the checkbox in the **Active** column. Use the breakdown display to display all colors or all sizes.

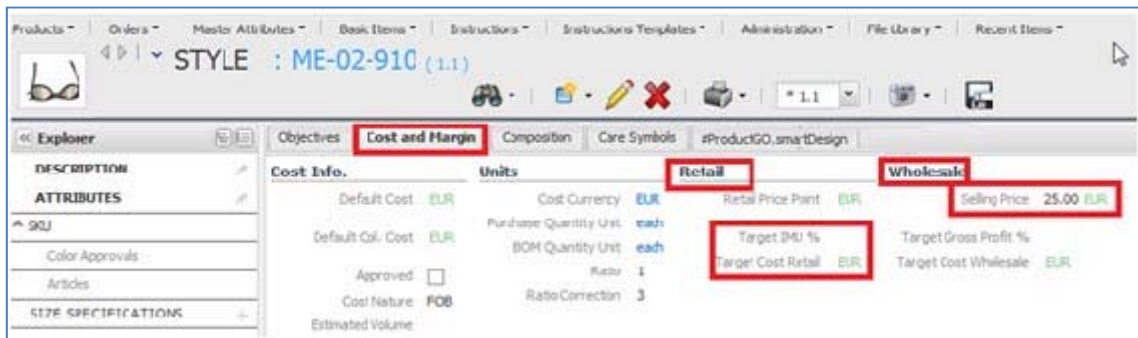


Landed Cost																	
Update costs																	
sizeRunTestsizeRun 2																	
					Dark Grey			Bright White									
<input type="checkbox"/>	Landed Cost	Version	Type	Description	Active	Apply to	Value	Result	Total	Active	Apply to	Value	Result	Total	Active	App	
<input type="checkbox"/>	6203.42.40	1.1	Calculated	Duty - China-US - CTN Pant	<input checked="" type="checkbox"/>		69.00 EUR	13.80 EUR	82.80 EUR	<input checked="" type="checkbox"/>		75.00 EUR	15.00 EUR	46.80 EUR	90.00 EUR	<input checked="" type="checkbox"/>	800
<input type="checkbox"/>	6206.30.50	1.1	Calculated	Duty - China-US - Cotton Knit Shirt	<input checked="" type="checkbox"/>		82.80 EUR	17.39 EUR	100.19 EUR	<input checked="" type="checkbox"/>		90.00 EUR	18.90 EUR	56.63 EUR	108.90 EUR	<input checked="" type="checkbox"/>	960
<input type="checkbox"/>	6204.69.60	1.1	Calculated	Duty - China-US - Skirt - Mixed Fibers	<input checked="" type="checkbox"/>		100.19 EUR	28.65 EUR	128.84 EUR	<input checked="" type="checkbox"/>		108.90 EUR	31.15 EUR	72.82 EUR	140.05 EUR	<input checked="" type="checkbox"/>	1,16

2.4 Margin Control

Margin Control is exercised by comparing the **Landed Cost** (either **Sourced** or **BOM/BOL**) with the **Selling Price**, either **Retail** or **Wholesale**.

The **Selling Prices** and target margins for the product should have already been set using the **Cost & Margin** tab in the **Description** of the style.



Cost Info.	Units	Retail	Wholesale
Default Cost: EUR	Cost Currency: EUR	Retail Price Point: EUR	Selling Price: 25.00 EUR
Default Cl. Cost: EUR	Purchase Quantity Unit: each	Target IPI %	Target Gross Profit %
Approved: <input type="checkbox"/>	BOM Quantity Unit: each	Target Cost Retail: EUR	Target Cost Wholesale: EUR
Cost Nature: FOB	Ratio: 1		
Estimated Volume:	Ratio Correction: 3		

There are three types of margin calculation –

- Initial Markup %, which is percentage that the product is to be initially marked up compared with cost (difference between Cost and Revenue/Cost *100)
- Gross Profit %, which is the percentage of profit compared with Revenue (difference between Cost and Revenue/Revenue*100)
- Coefficient, which is the ratio Revenue/Cost.

The results of these calculations are available by selecting the **Margin Control** tab in the **Sourced Cost** instance.

Sourced Cost		Margin Control	
Retail		Whole Sale	
Retail Price Point	75.00 EUR	Selling Price	25.00 EUR
Target IMU %	35	Target Gross Profit %	25
IMU %	50	Gross Profit %	-100
Type	Cost	Factory O/H	35.00 EUR
#Sourced_Cost	0.00 EUR	Miscellaneous Cost	15.00 EUR
		Ex-Factory Cost	50.00 EUR
		All Taxes	0.00 EUR
		Landed Cost	50.00 EUR

It is now possible to explore different scenarios, based on

- Different Vendors, by using figures from returnin quotations
- Different countries, by varying the duty and transport costs
- Different duties by varying the material content

Each scenario may be saved as a different **Sourced Cost** instance, and used to select the most advantageous conditions for minimising cost and maximising margin.

The different **Cost Scenarios** are summarised on the **Costing and Margin** tab of the Product **Description**

Cost and Margin				
Instance Summary	Type	Calculated Cost	Calculated IMU %	Calculated Gross Profit %
Branch Instance Name SourcedCost-0	Sourced Cost	39.27 EUR	103.67981	36.65738
Currency	EUR			
Type				
Status	Approved			
Date	11/14/2012			
Branch Instance Name SourcedCost-1	Sourced Cost	44.10 EUR	81.38322	28.87097
Currency	EUR			
Type				
Status	Approved			
Date	11/16/2012			