

Pricing Discount Groups

SAP Business One, Version 9.0



Welcome to the topic on discount groups.

Objectives



At the end of this topic, you will be able to:

- Set up discount groups

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In this topic, you will learn how to set up discount groups.

Business Example



Your company wants to introduce some new discounts.

Some of these offers will be based on specific customer groups.

Other offers will be available to all business partners but based on specific items or manufacturers.

Some customers will be eligible for multiple discounts on the same product, but others will receive only one of the discounts.

One offer will be a “pay for 3 – get 1 free” deal for a range of products.

To create these discount offers, they will use discount groups.

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- Imagine that your company wants to introduce some new discounts.
- Some of these offers will be based on specific customer groups, other offers will be available to all business partners but based on specific items or manufacturers.
- Some customers will be eligible for multiple discounts on the same product, but others will receive only one of the discounts.
- One offer will be a “pay for 3 – get one free” deal for a range of products such as mobile phones, ink cartridge refills and DVD discs.
- To create these discount offers, you can use discount groups.

Discount Basis

Discount Groups

Discount groups can be assigned to:

- Specific Business Partners
- Business Partner Groups
- All Business Partners

Discount groups can be based on:

- Specific Items
- Item Groups
- Item Properties
- Item Manufacturers

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- Discount groups are the most flexible type of pricing.
- You can assign a discount group to a specific business partner, a business partner group or even to all business partners.
- The discounts are defined for specific items or item groups, a combination of item properties or an item manufacturer.
- Multiple discounts can be defined within the discount group. For example, within the same discount group you can have a discount on an item group as well as a discount for a specific manufacturer.
- Discounts can be set at a percentage or be calculated by quantity purchased.
- Let us go through the different combinations of discounts you can create using discount groups.

Creating a discount group

- ❑ **5% off item group for printers**
- ❑ **1 free case of recycled paper when buying two cases**
- ❑ **2% off products manufactured by Rainbow**
- ❑ **3% items with the item property of business products**



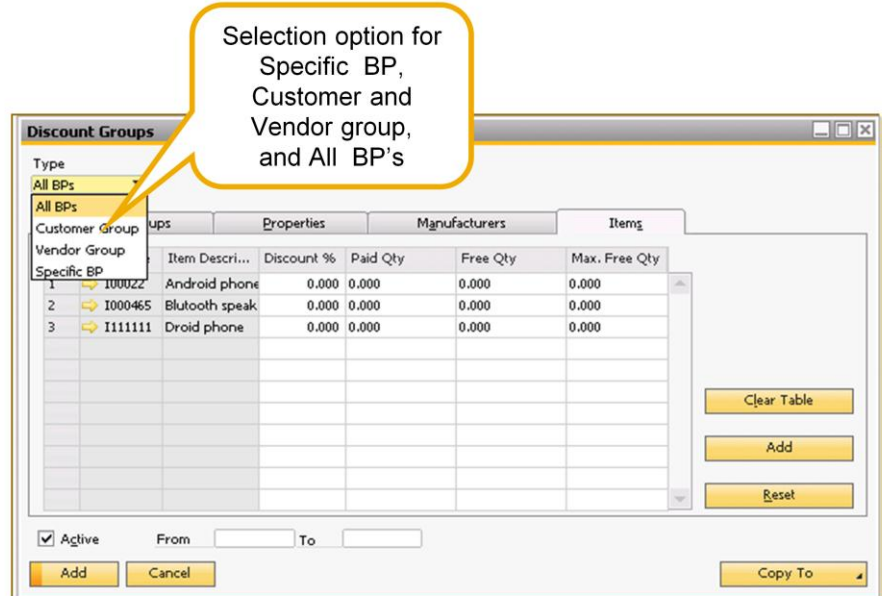
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- The first step in creating a discount group is to think of the kinds of discounts that would be appropriate to one or more business partners and group them together inside the discount group.
- For example you may wish to give retail customers 5% off printers and an offer of 1 free case of recycled paper when they buy 2 cases. A different set of discounts may apply to the customer group for large customers. For them, you might offer 2% off products from the manufacturer Rainbow and 3% off any items that have the item property of business products.
- Once you know the type of discounts you wish to group together, the first step in creating the discount group is to choose the business partners that the discounts will apply to.

Assigning Discount Groups

Assign to:

- Specific BP
- Customer Group
- Vendor Group
- All BPs



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- Previous to release 9.0, discount groups could only be assigned to specific business partners.
- Now, discount groups can be assigned not only to specific business partners, but to business partner groups (such as vendor or customer groups) or even be assigned to all business partners.
- Since you can now assign a discount for groups and for all business partners, SAP has provided the option to exclude specific business partners from discount groups. We will come back to that later on in this topic.
- Now we will take a look at the specific types of discounts available in every discount group and how they are applied.

Discount Groups for Item Groups

The screenshot shows the 'Discount Groups' configuration window. At the top, there are dropdown menus for 'Type' (set to 'Customer Group') and 'Group Name' (set to 'Sales Accounts'). Below these are four tabs: 'Item Groups', 'Properties', 'Manufacturers', and 'Items'. The 'Item Groups' tab is selected and displays a table with the following data:

#	Group	Discount %
1	Accessories	0.000
2	Items	0.000
3	J.B. Printers	5.000
4	PC	0.000
5	Rainbow Printers	5.000
6	Servers	0.000
7	Storage	0.000

Below the table, there are checkboxes for 'Active' (checked), 'From' and 'To' date fields, and buttons for 'Add', 'Cancel', 'New Group', 'Reset', and 'Copy To'.

Callouts in the image:

- 'Tab for Item Group discounts' points to the 'Item Groups' tab.
- 'Set discount amount for item groups' points to the 'Discount %' column.
- 'All Item groups defined for the company' is a bracket pointing to the entire table.

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- Four tabs are available in every discount group for defining discounts: Item Groups, Properties, Manufacturers and Items.
- First we will look at item groups.
- The item group tab displays all the item groups defined for the company.
- You enter the discount you desire on the row for each item group.
- The default form settings show only the option for percentage discounts, however, you can add the fields for giving free items based on quantity purchased in the Form Settings window.
- Once you have set a discount based on an item group, all items belonging to that item group are automatically included in the discount.
- This means that when a new item master is assigned to an item group, it will automatically be added to any discount group that is based on that item group.

Discount Groups for Properties

Tab for Item Properties

Choose a rule for calculating the discount

Set rule for:

- Highest
- Lowest
- Average
- Total of all discounts
- Multiplying the discounts

#	Properties	Discount %
1	Business	3.000
2	Cameras and camera accessories	0.000
3	Cards and Computer Components	0.000
4	Consumer	0.000
5	Desktops and All-in-One Computers	0.000
6	Educational	0.000
7	Electronic	0.000
8	Executive	0.000
9	Family	0.000

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- Another option is to use item properties as way to indicate items that should be discounted.
- A nice feature of discount groups at the item properties level is that SAP Business One allows you to define a discount for several properties at once.
- Additionally, you can use a rule to decide which discount is used by the system for the calculation:
 - The highest discount - The property with the highest discount will determine the overall discount calculated for the item.
 - The lowest discount - The property with the lowest discount will determine the overall discount calculated for the item.
 - The average discount - The system calculates the average of all the discounts for the properties. The average is used as the discount.
 - Discount totals - The system adds together all discounts of the properties that apply to the item. The total (up to 100%) is used as the discount.
 - Discount multiples – The system multiplies the discounts of the properties that apply to the item.

Discount Groups for Manufacturers

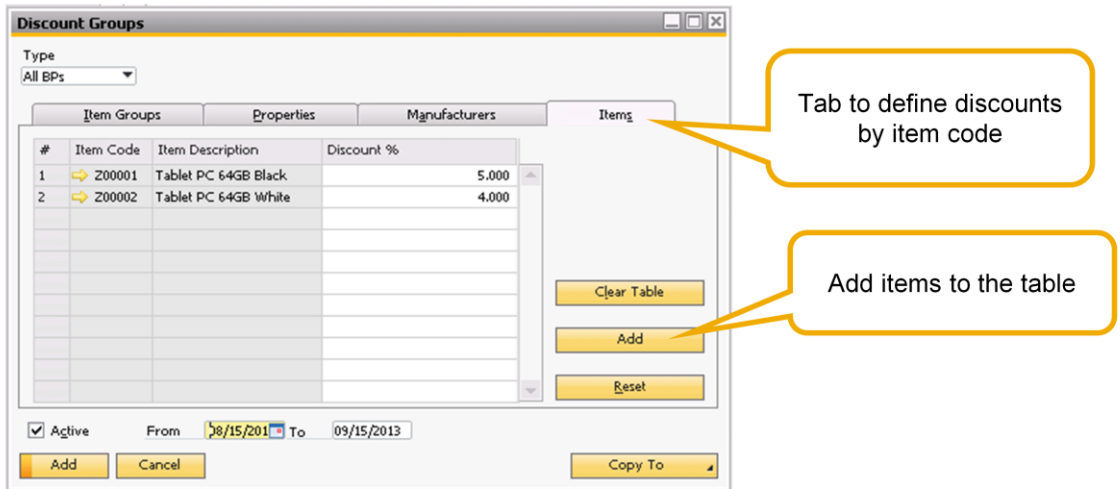
The screenshot shows the 'Discount Groups' configuration window in SAP. The 'Type' is set to 'Customer Group' and the 'Group Name' is 'Large Accounts'. The 'Manufacturers' tab is active, displaying a table with columns for '#', 'Manufacturer', and 'Discount %'. The table contains 10 rows of manufacturer data. A callout bubble points to the 'Discount %' field for 'A+ Electronics', which is set to 0.000, with the text 'Set discount for a manufacturer'. Another callout bubble points to the 'New Manufacturer' button, with the text 'Can add new manufacturers to the list'. At the bottom of the window, there are buttons for 'Add', 'Cancel', 'Copy To', and 'Reset', along with an 'Active' checkbox and 'From'/'To' date fields.

#	Manufacturer	Discount %
1	A+ Electronics	0.000
2	Accent Inc	0.000
3	-I-Tech	0.000
4	I-Tech	0.000
5	J.B.	0.000
6	LeMon	0.000
7	OEC	0.000
8	PCM	0.000
9	Prosoft	0.000
10	Rainbow	2.000

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- Another way to define a discount group is by manufacturer.
- For example, imagine that you sell Rainbow-brand printers and accessories. The manufacturer, Rainbow, offers you a lower price as a distributor for all their products. You would like to pass on some of these savings by discounting all Rainbow products by 2% for large customers.
- You can set up a discount group for the large accounts customer group which includes a 2% discount for all products manufactured by Rainbow.

Discount Groups for Items



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- The fourth tab is the Items tab.
- Here you can list individual items that you want to discount. Unlike the other tabs, the list is empty until you add the items you wish to discount. This makes sense if you think about the large number of items that a company can have.
- Here we see a discount group set up for all business partners to promote tablets in a back-to-school sale.

Free Goods

Free Goods Discounts can be set on all 4 tabs

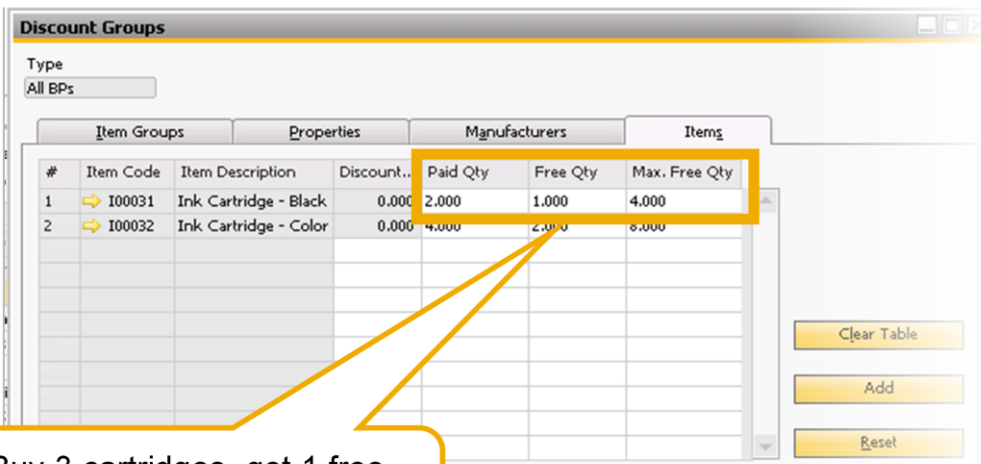
Item Description	Discount...	Paid Qty	Free Qty	Max. Free Qty
Cartridge - Black	0.000	2.000	1.000	4.000
Cartridge - Color	0.000	4.000	2.000	8.000

Discount according to quantity purchased

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- Companies often need to offer incentive pricing with free goods.
- Free goods discounts can be set on all four tabs.
- There are 3 fields for setting a variable discount according to the quantity purchased.
- The fields are hidden until you select them in Form Settings and then widen the window or scroll to view the additional fields.

Free Goods



#	Item Code	Item Description	Discount..	Paid Qty	Free Qty	Max. Free Qty
1	I00031	Ink Cartridge - Black	0.000	2.000	1.000	4.000
2	I00032	Ink Cartridge - Color	0.000	4.000	2.000	8.000

Buy 3 cartridges, get 1 free.
Maximum 4 free cartridges.

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- To set up a variable discount according to the quantity purchased:
 - You specify the paid quantity in the first column. This is the quantity that a customer will pay or that you would purchase from a vendor. In this example the paid quantity is 2.
 - The second column specifies the quantity that is given for free when the paid quantity is purchased. In this example, the customer receives 1 free item for every two purchased.
 - The last field is optional, but specifies a limit for the free items. In the example this is set to 4. A customer will receive up to 4 free items if 8 are purchased. If more than 8 are purchased, the customer still receives only 4.
- Note that purchased items and the free items must have the same item code. The functionality does not cover the purchase of items with a different item as the free item.

Free Goods Discount Calculation

Item #	Paid Qty	Free Qty	Max. Free Qty
I00031	2	1	4

Quantity Purchased	Discount %	Total (LC)	Comments
2	0	Unit Price * 2	No discount
3	33.33	Unit Price * 2	Pay for 2 and get 1 free
4	25	Unit Price * 3	Pay for 3 and get 1 free
5	20	Unit Price * 4	Pay for 4 and get 1 free
6	33.33	Unit Price * 4	Pay for 4 and get 2 free
12	33.33	Unit Price * 8	Pay for 8 and get 4 free
15	26.67	Unit Price * 8	Pay for 11 and get 4 free

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- Let us explore how the discount is actually calculated.
- In the example shown, the discount group is set up as follows:
 - The paid quantity is set to 2
 - The free quantity is set to 1
 - The maximum number of free items is 4.
- If the customer purchases a quantity of 2, no discount is applied.
- If the customer purchases a quantity of 3, the discount is applied giving 33.33% off of the regular price. In other words, the customer buys 3 but gets 1 of the 3 for free.
- If the customer purchases 4 items, they only get the discount based on a quantity of 3 purchased, therefore the discount percentage is reduced from a third to a quarter.
- If the customer purchases a quantity of 6 items, the discount is 33.33%. The customer pays for 4 items and gets 2 items for free.
- The customer essentially gets 1 free item with every 3 items purchased, up to the maximum limit of 4 free items.
- So, if the if the customer purchases 12 items (4 * 3 items), they will get the maximum number of free goods.

Free Goods in the Sales Order

Sales Order

Customer: C23900
Name: Parameter Technology
Contact Person: Daniel Brown
Customer Ref. No.:
BP Currency: \$

No. Primary: 275
Status: Open
Posting Date: 12/06/2012
Delivery Date:
Document Date: 12/06/2012

#	Item No.	Quantity	Unit Price	Disc...	Tax C...	Total (LC)
1	I00031	3	40.00 \$	33.333	PA	80.00 \$
2				0.00		

Sales Employee: Brad Thompson
Owner:

Freight: 0.00 \$
Rounding: 0.00 \$
Tax: 4.80 \$
Total: 84.80 \$

- When item quantity entered in row, the system automatically enters the calculated discount % in the row
- If customer returns an item, customer will receive refund based on the discounted price.

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- We can see the effect of the multiple quantity discount in a sales order.
- When the item quantity is entered in the row, the system automatically enters the calculated discount percentage in the row.
- When the item quantity entered is 3, the system automatically enters a discount of 33.33% in the Discount field in the sales order row.
- If the customer later returns one of the items, the customer will receive a refund based on the discounted purchase price.
- In this example, the customer would receive one third of the total price paid for the three items.

Free Goods or Percentage

#	Item Code	Item Description	Discount...	Paid Qty	Free Qty	Max. Free Qty
1	I00031	Ink Cartridge - Black	0.000	3.000	1.000	2.000
2	I00032	Ink Cartridge - Color	0.000	4.000	2.000	8.000

Mutually exclusive discounts:

- Fixed discount by percentage
- Variable discount according to purchased quantity

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- When you enter discounts on a tab, you must choose whether you want to give free goods or a percentage-based discount.
- You define the discount *either* by a fixed discount percentage or a variable discount according to the purchased quantity.
- In other words, the two types of discount are mutually exclusive.
- In the example, we see the discount percentage column is grayed out because we have defined discount according to purchased quantity for an item on the Items tab.

Price Determination



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- When the system searches for a price, it looks for the most specific type of price first.
- First the system looks for special prices for business partners.
- If none exist, then the system searches for discount groups.
- The system will look for discount groups that apply this business partner, the business partner groups associated with that business partner or a discount group that applies to all business partners.
- Once discount groups are found, the system not search for other pricing types.
- There are some factors controlling whether a discount group will be found when a marketing document is created.

Validity settings

- Can set discount groups active or inactive, with optional date range

The screenshot shows the 'Discount Groups' dialog box in SAP. The 'Specific BP' is set to C107 and the 'BP Name' is Hillsdale School. The dialog has tabs for 'Item Groups', 'Properties', 'Manufacturers', and 'Items'. The 'Item Groups' tab is active, showing a table with the following data:

#	Group	Discount %
1	Accessories	0.000
2	HP Printers	15.000
3	IBM Printers	15.000
4	Items	0.000
5	PC	15.000
6	Servers	0.000

At the bottom of the dialog, the 'Active' checkbox is checked, and the date range is set from 11/01/2012 to 03/30/2013. The 'OK' and 'Cancel' buttons are visible at the bottom left, and the 'New Group', 'Reset', and 'Copy To' buttons are on the right.

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- One of the factors controlling whether a discount group is applied in a document is the validity settings.
- Like all prices, you have the option to mark a discount group as inactive or set a range of validity dates for a discount group.
- You can mark the discount group as active or inactive. Discount groups are active by default.
- If a date range is set for an active discount group, the discount will apply to a marketing document if the document posting date falls in the active date range.

Excluding BPs or Items



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- Another factor for applying a discount group in a marketing document may be that an a business partner or item is excluded from discount groups.
- Even though you set up a discount group to apply to all business partners you have the option to exclude a business partner from all discount groups.
- Perhaps this customer has some very specific contractual agreements or you perhaps choose not to apply any discount groups for new customers until they have purchased a certain amount.
- Similarly you have the option to exclude an item from all discount groups even if that item would normally be included in a discount based on item group, item properties or manufacturer. Perhaps it is a seasonal item that you never discount during peak season sales.
- In any of those cases you can choose to exclude the business partner or item in the master data record.

Excluding BPs

The screenshot shows the 'Business Partner Master Data' form in SAP, specifically the 'Payment Terms' tab. The form is divided into several sections: 'General', 'Contact Persons', 'Addresses', 'Payment Terms', and 'Payment Run'. The 'Payment Terms' section contains various fields such as 'Payment Terms' (set to Net30), 'Interest on Arrears %', 'Price List' (set to Distributor Sales Price), 'Total Discount %', 'Credit Limit', 'Commitment Limit', 'Dunning Term' (set to Standard), and 'Automatic Posting' (set to Interest and Fee). The 'Effective Discount' is set to Lowest. The 'Business Partner Bank' section includes fields for 'Bank Country' (United Kingdom), 'Bank Name' (HSC(House Bank 2)), 'Bank Code' (HSCB), 'Account' (45-276-98888), 'BIC/SWIFT Code', 'Bank Account Name', 'Branch' (2350), 'Ctrl Int. ID', and 'IBAN'. A yellow box highlights the 'Do Not Apply Discount Groups' checkbox, which is currently checked.

- *Do Not Apply Discount Groups* checkbox located on the *Payment Terms* tab.
- If selected, any discount group that would apply is ignored in documents.
- Checkbox affects only discount groups not other special prices.
- You can still set discounts manually in documents.
- Discounts from base documents are copied to target documents regardless of this checkbox.

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- The checkbox is located on the *Payment Terms* tab of the business partner master data. The checkbox is unchecked by default.
- If you select the *Do Not Apply Discount Groups* checkbox, any discount group that would apply normally will be ignored in marketing documents for this business partner.
- This checkbox affects only discount groups and not other special prices.
- Even if the checkbox is marked for a business partner, you can still set a discount manually in the header area or the row of a document.
- When copying a document to a target document, the discounts from the base document are copied to the target document regardless of what is defined in the *Do Not Apply Discount Groups* checkbox.
- For example, there could be a sales order created before the checkbox was marked for a business partner.

Exclude Item from Discount Groups

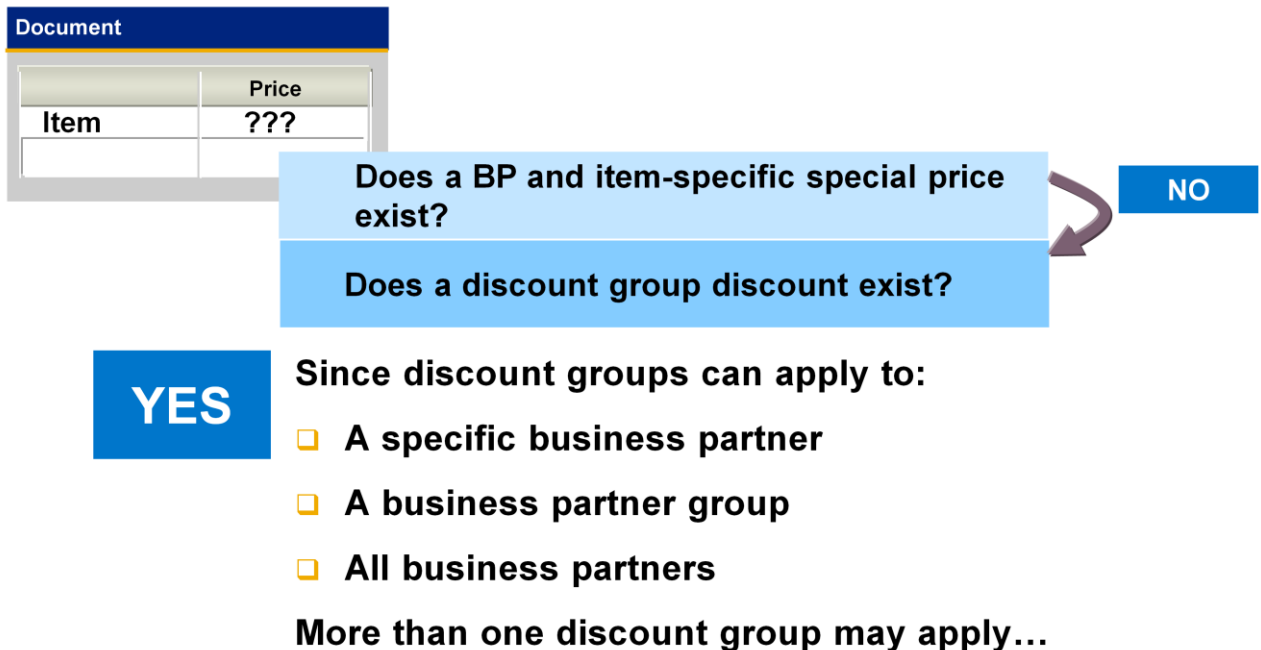
The screenshot shows the 'Item Master Data' form in SAP. The 'General' tab is selected. The 'Do Not Apply Discount Groups' checkbox is highlighted with a yellow box. Other visible fields include 'Item No.' (Manual 999-010), 'Description' (Basic laptop), 'Item Type' (Items), 'UoM Group' (Manual), and 'Price List' (Base Price). The 'Production Data' section includes 'Phantom Item' (unchecked) and 'Issue Method' (Manual). The 'Service Attributes' section includes 'Warranty Template'.

- Same checkbox on item master.
- You can still manually apply discounts in documents.
- Discounts are copied to target documents even if checkbox is set.

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- The same checkbox appears in the item master data to exclude a specific item from discount groups. This might be useful for a seasonal item which you do not want to discount during the prime season.
- As with the business partner setting, you can still manually apply discounts for the item in marketing documents.
- Discounts from a base document are copied to the target document even if the *Do Not Apply Discount Groups* checkbox is set.

Multiple Discounts



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- After the system has eliminated a special price for the business partner and item in a sales document row, the system looks for a discount group.
- However, since discount groups can apply to a specific business partner, a business partner group and to all business partners with overlapping validity periods, the system may find more than one discount group.
- In fact, even within a discount group, multiple discounts could apply, for example if a discount group contains a 3% on an item group that contains items that are also eligible for a 5% discount by manufacturer.
- In all those cases, the system must determine how to apply the multiple discounts found.
- The way to handle the issue of multiple discounts is to set a rule for determining the effective discount.

Effective Discount Rule

Business Partner Master Data

Code: Manual C00079 Customer
 Name: JB Enterprises
 Group: Construction
 Currency: US Dollar

Payment Terms: 2P10Net30
 Price List: Small Account Sales Price
 Total Discount %:
 Credit Limit: 0.00
 Commitment Limit: 0.00
 Dunning Term: Standard
 Automatic Posting: No
 Do Not Apply Discount Groups

Effective Discount: **Lowest**

Business Partner Bank: **Lowest**
 Bank Country: Highest
 Bank Name: Average
 Bank Code: Total
 Account: Multiplied

Customer Groups - Setup

#	Group Name	Price List	Effective Discount
1	Customers		Lowest
2	Large Accounts		Average
3	Distributors	Distributor Sales Price	Highest
4	Small Accounts		Lowest
5	Government		Lowest
6	High Tech		Lowest
7	Construction	Regular Sales Price	Lowest
8	Production		
9	Non-Profits		
10	Schools		
11	Top Tier		
12			

System Message
 Do you want to replace the price lists for all business partners in the groups?
 Yes No

- Effective Discount:
 - Lowest (default)
 - Highest
 - Average
 - Total
 - Multiplied

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- You can set the rule for effective discount for a business partner or for a business partner group. You can select one of five settings for the effective discount – Lowest, Highest, Average, Total or Multiplied:
 - *Lowest Discount* - The lowest available discount is taken (This is the default).
 - *Highest Discount* - The highest available discount is taken.
 - *Average* - The average of all available discounts is taken.
 - *Total* - The sum of all available discounts is taken.
 - *Multiplied* - The system multiplies all available discounts and uses the result as the discount.
- When you create a new business partner record, the system will ask if you want to bring in the effective discount from the business partner group. If you say “no”, the new business partner will default to the lowest effective discount. You can change this at any time in the business partner master data.
- Note: effective discount is obviously disabled if you have checked the *Do Not Apply Discount Groups* checkbox.
- You can also change the effective discount in the business partner groups setup windows. If you select a new effective discount value, you will be asked whether to update all existing business partner records for the group.

Advantages of Discount Groups

- **New items automatically included in applicable discount groups**
- **Can include or exclude items**
- **Can include or exclude business partners**
- **Can set up pricing for free goods**
- **Reporting for discount groups**

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A big advantage in using discount groups is when you create new items, they are automatically included any discount groups that apply. For example, let us say you have a discount group for products assigned to the item group for scanners. Anytime you create a new item and assign it to the item group for scanners, it will automatically belong to the discount group for scanners.

Summary



Here are some key points:

- Discount Groups can be set up for specific BPs, BP groups or all BPs.
- Within a discount group you can set discounts on item groups, properties, manufacturers or items.
- If multiple discounts for properties are set in a discount group, a rule is used to determine how to apply the discounts.
- Discounts can be based on a fixed percentage or on a variable quantity purchased. The latter is used for giving free goods.
- New items are automatically added to any applicable discount groups based on item groups, properties or manufacturers.
- Items and business partners can be excluded from discount groups.
- Discount groups can have validity periods or be marked as inactive.
- Effective discount rules resolve situations where multiple discount groups apply in a marketing document.

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- Here are some key points that show the advantages and flexibility of discount groups.
- Discount Groups can be set up for specific business partners, business partner groups or all business partners.
- Within a discount group you can set discounts on item groups, properties, manufacturers or items.
- If multiple discounts for properties are set in a discount group, a rule is used to determine how to apply the discounts.
- Discounts can be based on a fixed percentage or on a variable quantity purchased. The latter is used for giving free goods.
- New items are automatically added to any applicable discount groups based on item groups, properties or manufacturers.
- Items and business partners can be excluded from discount groups.
- Discount groups can have validity periods or be marked as inactive.
- Effective discount rules resolve situations where multiple discount groups apply in a marketing document.

Thanks!



You have completed the topic for discount groups.

Thank you for your time!

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