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УПРАВЛЕНИЕ ПРОДАЖАМИ С ПРИМЕНЕНИЕМ «1С: ПРЕДПРИЯТИЕ»
SALES MANAGEMENT WITH “IC:ENTERPRISE”

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The main indicators of business performance for commercial enterprises are sales profit and profitability. But sometimes such companies may experience problems associated with profit and revenue decline or selling some products at a loss. This fact leads to the relevance of the research. Thus, the primary goal of the research is to develop the best techniques for the product portfolio optimization and the trade margin management.

The product portfolio optimization task is solved by using ABC method. ABC Analysis is a method of tiered inventory or product valuation that divides inventory/ products into categories based on cost per unit and quantity held in stock or turned over a period of time.

ABC Analysis allows managers to segregate and manage the overall inventory/products into three major groups in order to increase revenue and decrease costs. In terms of the Pareto Analysis, it separates the vital few from the trivial many.

“A” category items generally represent approximately 15–20 % of an overall inventory by item, but represent 80% of value of an inventory. By paying close attention in real time to the optimization of these items in inventory, a great positive impact is possible with minimal increase in inventory management costs.

“B” category items represent 30–35 % of inventory items by item type, and about 15% of the value. These items can generally be managed through period inventory and should be managed with a formal inventory system.

“C” category items represent 50 % of actual items but only 5 % of the inventory value. Most organizations can afford a relatively relaxed inventory process surrounding these items. A typically inventory policy for C-items consists of having only 1 unit on hand, and of reordering only when an actual purchase is made. This approach leads to stock-out situation after each purchase which can be an acceptable situation, as the C-items present both low demand and higher risk of excessive inventory costs.

There are six basic steps to do ABC Analysis:

1) identify the objective for the analysis and determine success criteria;
2) collect data on the inventory under analysis;
3) sort inventory in decreasing order of impact;
4) calculate accumulated impact;
5) divide inventory into buy classes;
6) analyze classes and make appropriate decisions.

ABC Analysis is a valuable tool to enable companies dealing with strategic cost management to measure the current status for their products management system and look for the "low hanging fruit", the simple changes that can yield the largest cost management benefits in the short-term and mid-term periods.

The trade margin management task is solved by using the trade margin management model, its main purpose being sales promotion. This model is based on three margin definition approaches: permanent contribution margin approach, target profit approach and linear trade margin definition approach.

The principle of permanent contribution margin approach is that the smallest item batch is sold with the maximal trade margin while the largest one is sold with the minimal trade margin. As a result, trade margin is calculated using the following formula:

$$\mathrm{TM} = \frac{\mathrm{MI_0}}{\mathrm{P}} = \frac{(\mathrm{TM_{max}} - \mathrm{TSEL}) \cdot \mathrm{P_{min}}}{\mathrm{P}} = \frac{(\mathrm{TM_{min}} - \mathrm{TSEL}) \cdot \mathrm{P_{max}}}{\mathrm{P}},$$

where TM – trade margin, expressed in unit fraction; MIo – marginal income; P – batch of items, expressed in procurement cost; TSEL – transportation and storage expenditure level, expressed in unit fraction; Pmin, Pmax – minimal and maximal batch of items, expressed in monetary terms; TMmin, TMmax – minimal and maximal trade margin, expressed in unit fraction.

The principle of target profit approach is that the company determines the trade margin in each specific case. This is the main advantage of this approach. By reducing the size of item batch the firm obtains appropriate trade margin and discount. And trade margin is calculated using the following formula:

$$\mathrm{TM} = (1 + \mathrm{PR}) \cdot (\mathrm{FCL} + 1 + \mathrm{TSEL}) - 1,$$

where FCL – the fixed costs level per unit procurement cost; PR – profitability, expressed in unit fraction; TSEL – transportation and storage expenditure level, expressed in unit fraction.

For calculation of trade margin by using the straight-line margin definition method one can apply the following formula:

$$\mathrm{TM} = \mathrm{TM_{max}} - \left(\frac{\mathrm{TM_{max}} - \mathrm{TM_{min}}}{\mathrm{P_{max}} - \mathrm{P_{min}}}\right) \cdot (\mathrm{P} - \mathrm{P_{min}}).$$

The practical application of these methods depends on the specific character of a particular company performance and implies that the following condition is met – trade margin should exceed the aggregate level of fixed costs and transportation and storage expenditure:

$$\mathrm{TM} > \mathrm{FCL} + \mathrm{TSEL}.$$

Actually, due to the wide spread and development of computer technologies most companies keep accounting by using program "1C: Enterprise", so there has been designed the software product in the 1C development environment on the basis of these sales management method. This software product has been implemented in the accounting system of the wholesale company “Noksteks”. The company’s balance sheet with its annexes for the last 3 years has shown that the economic indicators such as operating revenue and profit on sales tend to decrease. Moreover, sales profitability of some items declined. Accordingly, “Noksteks” needed the product portfolio and sales technique optimization.

According to the results of ABC-analysis of the product portfolio based on the sales volume criterion textiles, flour, manufactured goods, machinery and equipment, as well as textile machinery are in the greatest demand.

The results of ABC-analysis of the product portfolio based on the operating profit criterion have shown that some items, such as machinery and equipment, manufactured goods, textiles and textile machinery are the most profitable for the company.

According to the results of combined ABC-analysis based on the sales volume and operating profit criterions textiles, manufactured goods, textile machinery as well as machinery and equipment have become the absolute leaders and can be referred to as “A” item group.

However, some of the items could be excluded from the company’s product portfolio. For example, by excluding unprofitable items, such as grain, seeds and fodder for farm animals, the company could allocate the released funds for the purchase of more profitable items from the group “A”.

Moreover, after implementation of the trade margin management software module in the company’s activity, the following results were obtained: when concluding sales contracts, the company demonstrated their clients a new trade margin scale, which motivated some customers to purchase larger quantities of the company’s items with lower trade margin. As a result, the sales volume and profit have increased.