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Instructions:

Please answer the questions below in this document and upload the document to assignment 11.1 in Blackboard. Please ensure you number your responses per the correct question number and answer fully.

1. Is it possible for sales and marketing professionals to create demand for their products? If so, explain how they do it.
   Yes, it is possible that sales and marketing professionals can create demand for their products, they can influence the demand of their products by different demand level, these changes can be made through:
   -Advertising
   -Displays
   -Promotional tools
   -Pricing
   It is important to mention that the demand for product will typically go up as the product's price goes down. Some products are more or less sensitive to price changes. Although, circumstances like now with the health measures and changes in customers behaviors because the COVID 19 pandemic, is also influencing the changes of prices and the Sales and Marketing professionals can get some beneficial response in some consumer products.
   The image below shows the common behavior

Downward-sloping demand curve
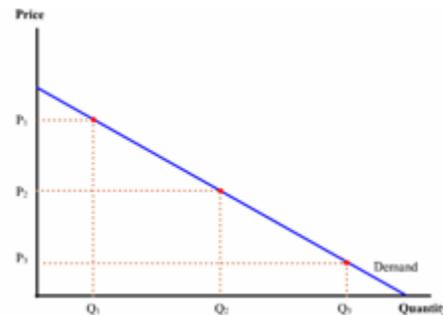
2. Explain the basic managers pricing issue as outlined in your slides. Why is maximum sales volume not necessarily the best goal?

As all companies are trying to boost profit by using Smart pricing, managers have a lot to consider in regards of pricing and sell the product within a right price.

The most common manager's pricing issue is to determine the optimal price to maximize their revenues. Analysis to determine which is the optimal price requires to consider which is the target market and how much money the public is willing to pay for the product.

Managers need to analyze the relationship between pricing and demand for each product, determine the optimal price for each product, this might be involve some complexities, to gather all data that is required to be analyzed, the cost of raw materials, labor, overhead allocated by product, also compare itself with competitors and study competitor's behavior.

Maximizing the number of sales units is not necessarily the best strategy to follow, it is better if you can sale less units on a slightly higher price.

3. Compare and contrast the pricing strategies of "cost – plus" pricing and "competitive pricing".

Cost-plus pricing: This is a basic approach; it is established based on a simply calculating your costs and adding a mark-up. This is a common strategy when there is not much competition in the market, or the product is outstanding in its category.

Competitive pricing: Setting a price based on what the competition charges. This strategy is commonly used for products on a very competitive market. In this kind of strategy where basically the market sets the price, companies are constantly looking for opportunities to reduce the cost of the product to improve profit margin.

4. Compare and contrast the smart pricing approach of "differential pricing" and "dynamic pricing"

Differential pricing: Charging different prices to different customers. In this practice, it is important to segment the customers to identify which price assign to each group.

Dynamic pricing: Charging different prices over the time. It can include different prices during different seasons, different days of the day or even different time of the day. This strategy does not consider any type of customer segmentation.

5. Explain the difference between SAP's "standard pricing" and the "cost -plus pricing" processes.

Standard pricing: First, a standard or Gross Price is calculated or calculate it from tables and then, any applicable discount, surcharge or applicable tax is applied is determined and adjusted from the gross price.

It may be more than one adjustment and the adjustments may be amounts, percentages or other. Then, the final price is then calculated.

Within standard Pricing, we can calculate the gross price, the applies:

Discounts, Surcharges and applicable taxes. And calculates the final price

Final price= gross price-discounts + surcharges +taxes.

Cost-plus pricing: In this process, the first step is to determine the cost of the material and then an additional markup (desired profit margin). After that, any applicable discount, surcharge or tax is determined and adjusted from the margin price.

6. List and describe for main areas addressed by the "pricing" condition (P000) in SAP.

Prices: Material price, can be obtained from a table, can be obtained from a price list, can allow certain item numbers to be associated with the price list and you can make your pricing customer specific.

Freight: Incoterm can be used to change the condition.

Surcharges / discounts: This is the biggest area. It can be segregated by customer, materials, price groups, materials groups.

Taxes: You can use your conditions to bring in all the local taxes required.

7. Explain the purpose of the "condition type" in SAP

The condition master is a master data in SAP

The condition type indicates, for example, whether, during pricing, the system applies a price, a discount, a surcharge, or other pricing elements, such as freight costs and sales taxes. For each of these pricing elements, there is a condition type defined in the system

In the image below, we can see different condition types in SAP, it can be complex as we decide, we can add the conditions as we decided.

Pricing Procedure

Pricing Procedure specifies Condition Types and processing sequence

Condition Types

Procedure RVAJUS Standard - USA /With Jur.Code

Control data

Step	Cntr	CTyp	Description	Fro	To	Man.	Mdt	Stat	P	Sub...	Reqt	AltCTy	AltCBV	ActKy	Accrls
11	0	PR00	Price			☐	✔	☐			2			ERL	
13	0	PB00	Price (Gross)			✔	☐	☐			2			ERL	
100	0		Gross			☐	☐	☐	X	1					
101	0	KA00	Sales deal			☐	☐	☐	X		2			ERS	
102	0	K032	Price Group/Material			☐	☐	☐	X		2			ERS	
103	0	K005	Customer/Material			☐	☐	☐	X		2			ERS	
104	0	K007	Customer Discount			☐	☐	☐	X		2			ERS	
105	0	K004	Material			☐	☐	☐	X		2			ERS	
106	0	K020	Price Group			☐	☐	☐	X		2			ERS	
107	0	K029	Material pricing grp			☐	☐	☐	X		2			ERS	
108	0	K030	Customer/Mat.Pr.Grp			☐	☐	☐	X		2			ERS	
109	0	K031	Price Grp/Mat.Pr.Grp			☐	☐	☐	X		2			ERS	
110	1	RA01	% Disc.from Gross	100		✔	☐	☐	X		2			ERS	
110	2	RA00	% Discount from Net			✔	☐	☐	X		2			ERS	

Position... Entry 1 of 56

Condition Type determines how condition (price, in this case) is calculated

8. When creating a "pricing" condition (PROO) what two elements are being connected?

I went to **VK11 - Create** then

This condition established the basic price

There are different combinations: For example: Price list category /Currency and material with release status

or

Specific customer and specific product are elements that are connected, based in this relationship these conditions are executed

9. Explain the purpose of the "scalability function" (Scales Icon) in creating Condition Masters in SAP.

When I click the Scales icon, indicates "Fill in all required entry fields" if is empty, after is fill in, this function helps us to set up the price. And to create a condition record for a pricing element, define a pricing scale. For instance, a scale based on quantity can determine that the more a customer orders of a product, the lower the price. Also is possible to create condition records with graduated scales in case is need it.

10. In Part 2 of the slides, did the condition master operate correctly? What price was determined?

Condition master was created correctly. It was created with a pricing scale as follows:

As of Pieces	Price per piece
1 pc	29 EUR
10 pcs	28 EUR
100 pcs	27EUR

11. Explain the information that is presented in the "conditions" tab of a standard sales orders.

The "condition" tab is showing the following information:

(Condition type PR00) Price: 28 EUR per PC. The sales order was created for 20 PC, so is taking the second range of price established in the condition.

Discounts: In this scenario is 0.

(Condition type AZWR) Down Pay. /Settlement: In this scenario is 0.

(Condition type MWST) Output Tax: In this scenario is 15%

Explain the role of "validity dates" in a condition master record.

It is the range of dates in which if a sales order is created, the price condition will apply for a specific product and customer.

12. In Part 4 of the slides, did the condition master operate correctly? What price and discount were determined?

The condition master operates correctly for the price condition, the order created for 10 PC and it falls in the range of 28 EUR price per PC but the discount condition is not working well, the first discount starts from 100 PC and in this order was created for 10 PC. The screenshot in part 4 is showing that SAP is giving a 1% discount when this discount was not aligned with the previous information.