



EXCELLENCE IN GRAPHIC COMMUNICATIONS MANAGEMENT

HOW TO PRICE FULFILLMENT

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DISCUSSION OUTLINE

- PLANNING REQUIREMENTS
- PROJECT PRICING
- PROGRAM PRICING

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HOW TO PRICE FULFILLMENT

BASIC PLANNING REQUIREMENTS

1. ESTABLISH SELLING RATES FOR VARIOUS LABOR CATEGORIES:

- Hand Assembly
- Fulfillment
- Warehousing
- Customer Service
- Information Technology

$$\text{GPM} = \frac{\text{Selling Price} - \text{Cost}}{\text{Selling Price}} \times 100 = 55\% \text{ (minimum)}$$

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BASIC PLANNING REQUIREMENTS

2. CONDUCT TIME/MOTION STUDIES

- People Generate Revenue
- Industrial Engineering Function

3. UNDERSTAND COST STRUCTURE

- Projects
- Programs

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Q - 5 STEP PROJECT PRICING MODEL

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STEP #1

CONDUCT TIME STUDY

- MAKE A MOCK-UP OF THE PROJECT
- BREAK PROJECT INTO THE SIMPLEST
- ELEMENT
 - Assemble box
 - Collate 2 pieces and place in box
 - Collate 5 pieces and place in envelope
- REFER TO PREVIOUS PROJECTS (DATA)

Outcome – Establish total time (seconds) to complete the fulfillment package

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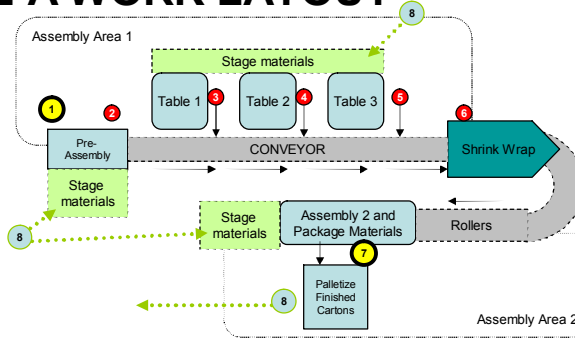
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STEP # 2

COMPLETE A WORK LAYOUT

- MOVE WORK PAST PEOPLE (REDUCE WALKING)
- UTILIZE CONVEYOR OR ROLLER SYSTEMS
- ASSUME LINE PACER
- BALANCE ASSEMBLY LINE AND ESTIMATE
- LABOR REQUIREMENTS



OUTCOME – UNDERSTAND WORKFLOW, MANPOWER LOADING, AND PRODUCTION RATE

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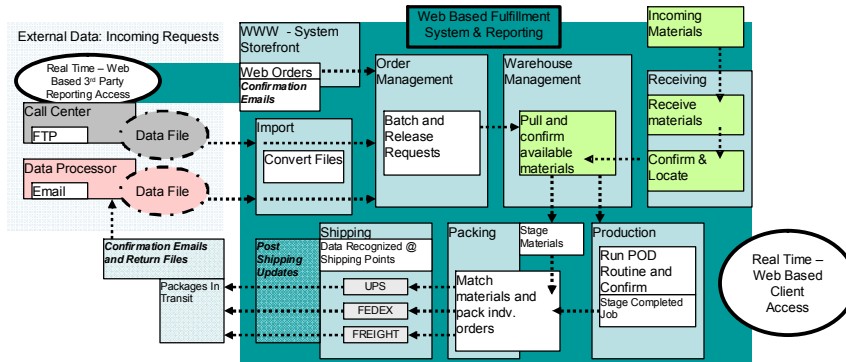


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STEP #3

COMPLETE A WORKFLOW DIAGRAM



OUTCOME – DETERMINE ALL SUPPORT LABOR FUNCTIONS AND HOURS TO COMPLETE THE PROJECT

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STEP #4

CALCULATE INITIAL SELLING PRICE

- +TOTAL ASSEMBLY COST
- +TOTAL WAREHOUSE COST
- +TOTAL CUSTOMER SERVICE COST
- +TOTAL IT COST
- +TOTAL MATERIALS COST
- +TOTAL PROJECT COST (TPC)

OUTCOME: Determine Cost/Unit = $\frac{TPC}{\text{\# of Units}}$

Alternative – Set-Up Cost + Cost/Unit



STEP #5

ADJUST FOR UNKNOWN (DISCOVERY)

ADD	IF
10%	You know account and have done business with them before
20%	You have history with client and know they do not supply accurate information
30%	Unknown history and potentially will give poor information



QUESTION AND ANSWER SESSION



PROGRAM PRICING

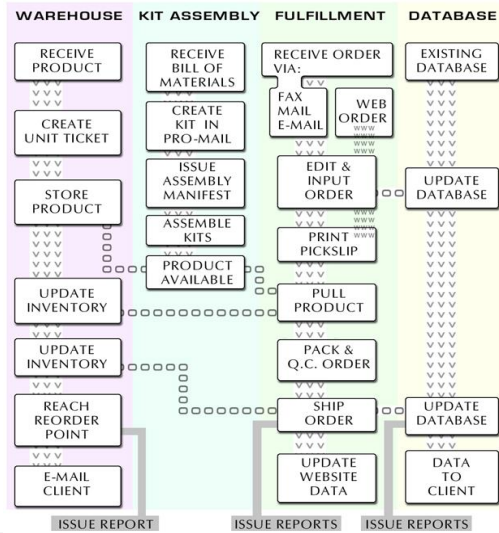
- UTILIZES SAME TOOLS – TIME/MOTION STUDIES, WORKFLOW DIAGRAMS AND LABOR RATE CALCULATIONS
- MANY POTENTIAL PRICING PARAMETERS
- BASIC PRICING PARAMETERS STAY RELATIVELY CONSTANT
- PRICING PARAMETERS WILL VARY BASED ON SPECIFIC APPLICATION



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LITERATURE FULFILLMENT



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WAREHOUSE

- **STORAGE**
CALCULATION METHOD:
 $\frac{\text{TOTAL RENT} + \text{UTILITES}}{80\% \text{ TOTAL PALLET CAPACITY}} = \text{COST/PALLET}$
- **RECEIVING** - \$/RECEIPT
- **NEW PRODUCT SET-UP** - \$/SET-UP
- **WAREHOUSING** - \$/HOUR
- **CYCLE COUNTS** - \$/HOUR
- **QUALITY CONTROL** - \$/HOUR

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KIT ASSEMBLY

- **KIT SET-UP IN SYSTEM - \$/NEW KIT**
- **KIT ASSEMBLY COST - \$/KIT**
- **ESTABLISH OFFERS OR VIEWS - \$/OCCURRENCE**

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HOW TO PRICE FULFILLMENT

FULFILLMENT

- **ORDER RECEIPT**
 - WEB – NO CHARGE
 - EMAIL – \$/ORDER
 - MAIL - \$/ORDER
- **EMAIL CONFIRMATION - \$/EMAIL**
- **FULFILLMENT COST (PULL, PACK, SHIP) - \$/ORDER**
- **SHIPPING CONTAINERS & MATERIAL – Cost + %**

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DATABASE

- **REPORTS**
 - SPECIAL – REQUIRE CUSTOMER SERVICE TIME -\$/Report
 - STANDARD – WEB ACCESSIBLE –No Charge

- **SYSTEM USAGE CHARGE**
 - CALCULATION METHOD:
ESTABLISH MONTHLY SYSTEM COSTS:
 - COMPUTER HARWARE, SOFTWARE AND NETWORK INSTALLATION DEPRECIATION
 - MONTHLY SOFTWARE USE CHARGE
 - TELEPHONE AND WEB RELATED COSTS
 - ASSOCIATED LABOR

MONTHLY SYSTEM COST = MONTHLY USE CHARGE
X NUMBER OF USERS(\$/month)

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CUSTOMER SERVICE

- **CUSTOMER SERVICE TIME** -\$/Hour

- **PROJECT MANAGEMENT** - \$/Hour

- **SPECIAL RESEARCH** - \$/Hour

- **INITIAL SYSTEM SET-UP** – Total \$

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BASELINE PRICING

1. STORAGE - \$/PALLET
2. NEW PRODUCT SET-UP - \$/SET-UP
3. WAREHOUSING - \$/HOUR
4. **RECEIVING – \$/RECEIPT**
5. CYCLE COUNTS - \$/HOUR
6. QUALITY CONTROL - \$/HOUR
7. ORDER RECEIPT
 - WEB – NO CHARGE
 - EMAIL – \$/ORDER
 - MAIL -\$/ORDER
8. EMAIL CONFIRMATION - \$/EMAIL
9. **FULFILLMENT COST - \$/ORDER**
10. SHIPPING CONTAINERS & MATERIAL – COST + %
11. REPORTS
 - SPECIAL – \$/REPORT
 - STANDARD – NO CHARGE
12. SYSTEM USAGE CHARGE - \$/MONTH
13. CUSTOMER SERVICE TIME -\$/HOUR
14. **INITIAL SYSTEM SET-UP – TOTAL \$**

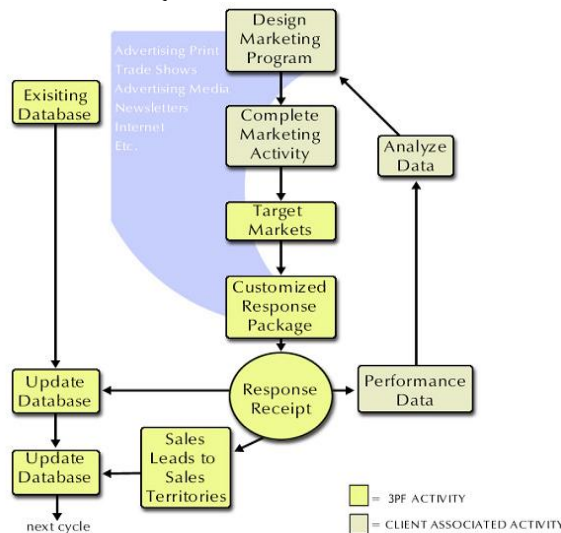
NOTE: BOLDED ITEMS MAY CHANGE WITH EACH NEW CLIENT



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LEAD INQUIRY FULFILLMENT





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POTENTIAL NEW PRICING PARAMETERS

- **TELEMARKETING**
 - LINE SET-UP – ONE TIME FEE - \$/SET-UP
 - LINE USAGE CHARGE – \$/MINUTE
 - TELEMARKETER SCRIPT SET-UP & TRAINING - \$/SET-UP
 - TELEMARKETER TIME - \$/MINUTE
 - DOWNLOAD SET-UP FEE - \$/SET-UP
 - DOWNLOAD PROCESSING - \$/DOWNLOAD

- **MAGAZINE AD PROCESSING (BINGO CARDS)**
 - DATA PROCESSING SET-UP CHARGE - \$/SET-UP
 - DOWNLOAD PROCESSING CHARGE - \$/OCCURRENCE

- **VARIABLE PRINT CHARGE - \$/COPY**

- **PRINT ON DEMAND CHARGE - \$/COPY**

- **WEB PAGE DESIGN & DATA CAPTURE - \$/HOUR**

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PROGRAM PRICING SUMMARY

- VERY FEW PRICING PARAMETERS CHANGE

- UTILIZE PRICING ANALYSIS TOOLS
 - TIME/MOTION STUDIES
 - WORKFLOW DIAGRAMS
 - LABOR COST/ HOUR

- MEASURE YOUR PERFORMANCE

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**QUESTION
AND
ANSWER
SESSION**

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