



## **Efficient Pricebook Strategies**

### **Using Envoy features to manage and control inventory**

This short White paper describes how the Envoy Pricebook is used to effectively manage and control inventory.



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## Introduction

One of the biggest challenges facing today's Convenience Store Retailer is effective control of inventory. Vendors lobby for more shelf space and push a steady stream of new items and/or promotions. Today an average convenience store carries as many as 5,000 items, has implemented scanning at the point-of-sale only, and re-orders each item weekly. Providing services and other new trends are an important part of making some sites profitable, however; effective inventory control is crucial for all sites. Imagine in your organization how much time is devoted to evaluating new products and incorporating them into your product mix, receiving/stocking and making products ready for sale, setting up and evaluating promotions, dealing with items that don't move, and auditing to control shrinkage. Envoy is engineered to provide effective ways for retailers to manage inventory.

## Strategic Decisions

One of the first strategic decisions a multi-site operator has to make is whether to enforce **centralized pricebook control** or allow stores the freedom to maintain their own individual pricebook (add new items,

set different prices, etc...). Envoy supports the retailer by allowing for either option. Company Owned Company Operated (COCO) sites can operate using a centralized pricebook approach while Company Owned Dealer Operated (CODO) sites within the same company are allowed freedom to maintain their own pricebook.

Which **Point-of-Sale (POS)** to use? Another strategic decision for retailers is which POS system to use. This decision can impact functionality available to a site as not all POS providers support promotions like mix-n-match or combo's. Envoy provides support for most major POS providers and the flexibility to use different POS solutions at different sites.

**How to handle corrections?** With any system there are times when corrections are necessary. The "Best Practice" for corrections is to enter them at the site level so that the impact of the correction is propagated throughout Envoy accounting and item inventory.

Selecting whether to use Envoy in a **Thick or Thin client mode?** Envoy supports a traditional "Thick" client mode where each site has its own database and copy of Envoy programs and alternatively a "Thin" client mode where Envoy runs via a web browser

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connected to a central database and/or application server. If your POS at a given site is not supported in "Thin" client mode you can operate the site using the Envoy "Thick" client solution.

Whether to use the **Retail Accounting Method or Item Inventory?** Retail accounting is a common practice that has been used in our industry for many years. This method tracks the dollar



value of inventory at cost and retail only and calculates cost-of-goods sold based on a cost-retail ratio of goods purchased and available for sale. This method does not provide any detailed information about shrink at an item level. Envoy provides the capability to use the Retail Accounting Method for selected merchandise categories and the Item Inventory method for others. In the real world we rarely find cases where Retail Accounting is a better choice.

## Pricebook

Effective inventory control at the item level depends on having an accurate up-to-date pricebook. The Envoy pricebook has been engineered to be easy to use and yet flexible enough to handle the most demanding requirements.

Envoy makes it easy to accept EDI files from vendors. Most multi-site Envoy customers today **import new items, cost, and/or price changes** from their wholesalers electronically.

Items with similar packaging, size or other characteristics can be grouped into **cost or price groups**. Stores can be selected by corporate hierarchy, geographic level, or by **store groups**. The Envoy **global cost / price change feature** allows you to easily select items based on an unlimited number of combinations (using groups) and then apply changes to cost and/or retail for all selected items in a single transaction. This makes changing cost and retail for all flavors of Gatorade a simple process.

Skeleton or **model stores** can be created in Envoy and associated with a geographic level or store group so that whenever changes are made to the pricebook for the skeleton store the same changes can be automatically applied to the pricebook for all stores in the group. Retailers often use this functionality to implement a **market area pricebook** where changes to the skeleton store pricebook are automatically applied to the pricebook for all stores in the same group.

Over time all pricebook systems will become cluttered with items which are no longer used. The Envoy **Pricebook Wizard** provides a user friendly way to remove unnecessary items from your pricebook.

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## Operations

The Pricebook is critical to operations since they have primary responsibility for controlling inventory which is tracked at the item level.

**Hand held scanners** loaded with the Pricebook are used to “scan in” items received, check prices, and perform audits.

Price changes and new pricebook items are downloaded to **Point-of-Sales (POS)** systems so that cashier’s can “scan out” items sold.

**Adjustments** are entered by item for spoilage, damage, shrinkage, or other reasons that inventory is found to be unavailable for sale.

**Transfers** are entered by item for merchandise that is transferred between stores.

**Competitor price surveys** are entered by item to provide marketing with strategic knowledge of comparative pricing between your company and the competition. This feature is most often used to gather information for fuel items.

Use actual item level sales trends for each site with Envoy’s **computer assisted ordering wizard** to generate suggested orders for DSD vendors.

Exception conditions can be used to prevent closing a business day or provide warning messages. Envoy users can program **custom exception conditions** or take advantage of **built in exceptions** for:

1. Zero average cost for an item used in an inventory related transaction
2. Average cost for a delivered item varies by more than a specified tolerance from previous deliveries
3. Gross Profit % for a delivered item varies by more than a specified tolerance from minimum/maximum gross profit for the inventory hierarchy level (department)
4. Any item has a negative on-hand
5. Dry goods sales for the same day of the week vary more than a specified tolerance
6. Items were scanned at the POS which are not in the Pricebook

A number of **Envoy standard reports** are available for operations. All Envoy reports can be printed, published as an Adobe print file, or generated to a file that can be opened with Excel for more detailed analysis.

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## Marketing

The Pricebook is important to Marketing since it is the basis for scanning at the point-of-sale (POS) which provides Marketing with information on what consumers are buying and for tracking POS promotions to increase sales and profits.

Having all receipts scanned in allows Operations and Marketing to **enforce negotiated vendor cost**. Envoy provides the ability by vendor to use pricebook cost, vendor cost, or the lowest.

**POS integration** – Envoy customers are using over 20 models of registers from all leading providers to the Convenience Store industry. NAXML standards are supported.

Depending on capabilities of your POS, with the Envoy pricebook you can offer **combo or mix-n-match promotions** to your customers.

Depending on capabilities of your POS with Envoy you can capture journal level detail and build a database at headquarters for **market basket analysis**.

Envoy allows you to **focus on exceptions**, some of the exception reports available for Marketing include:

1. **Sales and Purchase Gross Profit Exception Reports** both provide exception reporting for transactions where the item level impact is outside of targeted gross profit.
2. The **Cost Management Report** provides a list of items from delivery transactions with differences between delivered cost and Pricebook cost.

3. The **Price Gross Profit Exception Report** provides a list of price changes where resulting gross profit is outside of the minimum or maximum set for the product.

A number of **Envoy standard reports** are available for Marketing. All Envoy reports can be printed, published as an Adobe print file, or generated to a file that can be opened with Excel for more detailed analysis.

## Accounting

The Pricebook is critical for accounting since it is the basis for item cost, retail price, inventory valuation, and collecting sales taxes.

With the Pricebook setup properly all Envoy transactions that effect inventory such as purchasing, sales, and transfers automatically create corresponding **accounting entries**.

A number of **Envoy standard reports** are available for Accounting. All Envoy reports can be printed, published as an Adobe print file, or generated to a file that can be opened with Excel for more detailed analysis.