How Distributors Increase Income with Automated Rebates and Chargebacks

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The Best-Run Businesses Run SAP™

Increase operating income and turn losses into profits

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Rebate and cost recovery programs offer wholesale distributors numerous opportunities to improve profitability. Integrated with your SAP® ERP application, the SAP Incentive Administration application by Vistex and the SAP Paybacks and Chargebacks application by Vistex enable the management of rebates, chargebacks, and claims-based programs.

The software helps wholesale distributors manage the wide range of complex contracts and agreements with suppliers, manufacturers, and end customers. For example, purchasing and sales contracts can offer special discount pricing terms along with volume- and growth-based rebate provisions. Chargeback agreements include deviated billing, ship and debit, earned income, and special price authorization, all with different terms and conditions. Depletion allowance incentives involve complicated performance-based calculations.

The permutations of agreements are almost endless – and so are the opportunities to recover costs and increase operating income. But manual, unstructured processes and practices such as the use of spreadsheets, e-mails, phone calls, and faxes make it hard to ensure thoroughness and accuracy. Without an enterprise solution in place, missed rebates and cost recoveries and errors in claims and calculations can lead to troublesome profit leakage.

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Facilitating the contract and agreement lifecycle

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Comprehensive rebate management

Complete chargeback management

The SAP Incentive Administration and SAP Paybacks and Chargebacks applications help companies like yours take better advantage of rebate and chargeback opportunities – boosting competitiveness and profitability. Integrated with SAP ERP, the applications facilitate the development and management of high volumes of rebates, chargebacks, and claims-based cost recovery programs throughout the agreement lifecycle, from analysis and authoring to execution and closeout.

Enterprise-wide process automation and support facilitate contract, rebate, chargeback, accrual, reconciliation, and settlement activities. Now you can manage contracts related to single or multiple suppliers, customers, and products. You can manage agreements that include special discount pricing, rebates, and chargeback provisions and make changes that can be calculated and applied retroactively.

Rule-based concepts and proven pricing procedures simplify the development and management of purchasing and sales contracts. The applications enable you to determine quickly which contracts pertain to which business partners, and they give you the greatest possible flexibility in pricing. You can predefine templates and standard text clauses to speed contract development, and you can specify data to be collected for contract analysis.

Continued on next page

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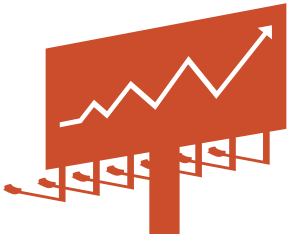
The software helps ensure contract compliance through the direct forwarding of approval requests. The applications use standard communication formats such as electronic data interchange (EDI) to send notifications regarding contracts, changes, claims, reconciliations, resubmissions, and other events. To accommodate supplier requirements, you can track and manage the eligibility of group purchasing organization (GPO) and buying-group member companies.

The bottom line is that you can reduce days chargebacks outstanding (DCO) by resolving disputes and reducing rejection and submission cycles. You can cut rebate and chargeback administrative costs, improve cash flow, and improve your overall profitability.

Promotional costs can be recovered from suppliers through marketing development funds and cooperative advertising chargebacks.



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Comprehensive rebate management

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SAP Incentive Administration facilitates all aspects of your purchasing and sales rebate programs, helping reduce the cost of goods sold and increasing your profit margins. You can track the progress and status of individual rebate programs. You can perform accurate accruing for earned rebate revenues and liabilities, settle rebates on schedule, and report all rebate activity with financial and profitability analysis statements.

The software enables you to create and maintain a full spectrum of agreements. You can manage rebates based on overall volume, growth from one period to the next, or a combination of both. You can handle rebates applying only to certain products or product categories, as well as scaled or tiered rebates for incremental sales increases. For example, business users in procurement can view the next-higher tier in a rebate program and evaluate the potential savings of additional end-of-period purchases. Salespeople can then encourage your customers to make additional purchases to kick in the next level of the rebate.

You can calculate and accrue rebates on a monthly basis for financial reporting and profitability analysis, even if the rebates are settled quarterly, semiannually, or annually. Automated correction functionality and robust default logic let you verify rebate requests quickly and reliably, reducing the need for manual intervention and streamlining the vendor rebate process.

Quickly sign off on documents with your suppliers through the integrated EDI communication interface. For improved visibility into the underlying data the rebates are based on, you can get an overview of source documents such as spreadsheets. Postings are easy to allocate, enabling you to maintain compliance with the Sarbanes-Oxley Act and other legal requirements. Full forward-and-backward document flow and drill-down functionality provide complete transparency and an audit trail.

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Complete chargeback management

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Complete chargeback management

With SAP Paybacks and Chargebacks, you can create, maintain, and execute agreements to maximize claims-based supplier cost recoveries. The application enables you to manage chargebacks from claims based on qualifying sales to other agreed-upon marketing activities. You can initiate agreements for competitive bid or special discount pricing situations, send agreements to suppliers for approval, help ensure correct pricing for end customers, and generate chargeback claim requests.

The application facilitates pricing agreements between your suppliers and end customers, helping ensure that all parties – including you – are properly charged and compensated. For example, you can manage supplier price reduction and price protection programs that apply to items already in your warehouse and that were purchased at the original, higher price. SAP Paybacks and Chargebacks automatically calculates the total claim amount to be submitted to the supplier and updates all open purchase orders to reflect the changes.

You can minimize administrative resources spent on chargeback processes with functionality that makes automatic adjustments within user-defined tolerance limits. By significantly reducing manual intervention and speeding cycle times, you can reduce DCO, accelerate cash flow, cut costs, and boost profits. Changes to chargeback agreements can be entered with retroactive effective dates to determine whether you can take advantage of new claims and cost recovery opportunities. Real-time claims tracking and reconciliation tools help ensure speedy settlement of chargebacks and receipt of credits and payments from suppliers. SAP Paybacks and Chargebacks enables you to determine the true profitability of end-customer sales transactions, including the effect of any supplier customer rebates, qualifying chargeback cost recoveries, and so on.

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Increasing profits, productivity, compliance, and visibility

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SAP Incentive Administration and SAP Paybacks and Chargebacks help you efficiently manage a wide variety of vendor rebate and cost recovery processes – no matter how complex or dynamic. Integrated with your enterprise solutions from SAP, the applications help streamline processes, avoid the need for costly interfaces, and enable a rapid return on your investment.

Now you can increase vendor cost recovery with contracts that harmonize price policies, corporate guidelines, and other conditions. You can improve process visibility with direct, comprehensive access to data on supplier pricing, discounts, rebates, and chargebacks and the ability to share resulting analyses throughout your company. Reduce DCO and vendor disputes with improved monitoring functions. Enable compliance with legal requirements and your own cost recovery policies with auditing and validation instruments that help identify irregularities early in the process. And boost productivity by automating complex, work-intensive, and manual processes.

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Summary

Wholesale distributors have opportunities to improve profitability through cost recovery and rebate programs. Companies adept at managing the contract and agreement lifecycle can significantly increase operating income and even turn operating losses into profits. Integrated with your SAP® ERP application, the SAP Incentive Administration application by Vistex and SAP Paybacks and Chargebacks application by Vistex enable the management of rebates, chargebacks, and claims-based programs.

Objectives

- Seize opportunities to recover costs and increase operating income
- Manage complex contracts and agreements with suppliers, manufacturers, and end customers
- Eliminate manual, unstructured processes and practices

Solution

- Facilitation of contract development and management with automated processes
- Claim management automation
- Compliance and analytics to evaluate and maximize recovery

Benefits

- Increased vendor cost recovery with contracts
- Improved process visibility and the ability to share resulting analyses
- Reduced days chargebacks outstanding and vendor disputes with improved monitoring function
- Facilitated compliance with legal requirements and cost recovery policies

Learn more

Call your SAP representative or visit us online today at www.sap.com/solutions/solutionextensions.

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