



BORDER STATES

SAP® PAYBACKS AND CHARGEBACKS APPLICATION BY VISTEX SAVES TIME AND MONEY

QUICK FACTS

“Implementing best practices for special pricing authorization at Border States with SAP software and our key vendors has greatly reduced our transaction costs, improved our processes and accuracy, and improved our cash flow.”

Tammy Miller, CEO, Border States Industries Inc.

Company

- Name: Border States Industries Inc.
- Location: Fargo, North Dakota
- Industry: Wholesale distribution
- Products and services: Electrical supplies to the construction, industrial, utility, and data communications markets
- Revenue: US\$800 million
- Employees: Over 1,200
- Web site: www.border-states.com
- Implementation partners: IBM Corporation and SAP

Challenges and Opportunities

- Update time- and labor-intensive processes for special pricing authorization (SPA) management
- Improve cash flow by reducing the time it takes to process claims and receive payback from suppliers
- Accurately track sales orders and create rebate requests

Objectives

- Implement a solution to streamline the chargeback process and reduce time and cost of managing SPAs
- Improve accuracy of chargeback data
- Automate chargeback management to receive rebates sooner

SAP® Solution and Services

SAP® Paybacks and Chargebacks application by Vistex

Implementation Highlights

- Implemented solution with minimal cost and disruption due to integration with existing SAP software
- Minimized the need for customization by using industry- and task-specific software
- Facilitated employee adoption with the familiar SAP software interface

Why SAP

- Software that leverages existing investment in SAP software
- Integration and interfaces provided with SAP software
- Industry- and task-specific functionality

Benefits

- Reduced time spent filing and reconciling SPA claims by 63%, from 175 to 65 hours per month
- Gained better visibility and tracking of SPA claims through electronic processing
- Reduced days chargeback outstanding with credits received within 1 to 3 days of filing
- Improved competitive position by reducing the cost of goods sold
- Improved the distributor-manufacturer relationship and helped position the company with a technology foundation for future growth

Existing Environment

- SAP ERP application
- SAP NetWeaver® technology platform

Third-Party Integration

- Database: IBM DB2
- Hardware: IBM
- Operating system: IBM iSeries



For distributors, special pricing authorizations (SPAs) are a common occurrence. Manufacturers will often grant discounted prices to end customers to meet competitive situations. Distributors then recoup the difference between the purchase price and the sale price through a manufacturer rebate or chargeback process. For Border States Industries Inc., one of the largest independent electrical distributors in the United States, this process had become complicated and labor intensive.

Headquartered in Fargo, North Dakota, Border States has 50 branch operations across 11 states and Mexico. As the company grew, so did the complexity of its chargeback efforts, requiring it to streamline operations. Border States upgraded to the SAP® ERP application in 2004 and later wanted to extend the software's core

recommendations to help update its SPA processes with the SAP Paybacks and Chargebacks application by Vistex.

Seeking to Streamline

Border States was spending 175 hours per month filing and reconciling SPA claims. The company had been keeping

“Part of our reasoning for choosing SAP software was to install a technology platform that would enable us to grow. It streamlines our operations, makes us more efficient, and reduces our transaction costs.”

Gary Miller, President, Border States Industries Inc.

functionality to achieve this objective. Adding impetus, the National Association of Electrical Distributors had recently unveiled best practice recommendations to standardize SPA processes. Border States used those

track of SPAs with spreadsheets, e-mails, faxes, and phone calls, so it was difficult to ensure thoroughness and accuracy. The claims and credits were poorly tracked, and it was difficult to measure how long it took to get

credits or systematically determine if credits were received. The company was relying on visual inspection to match credit memos and claims and had no way to automatically track and control the claims process. Manual processes were driving up costs and impairing Border States' cash flow and profitability. As Tammy Miller, CEO at Border States, explains, “Processing special pricing authorizations was an administrative headache. It required great resources, created many opportunities for errors, and required us to wait a long time to receive payment on our claims.”

Finding a Solution

Because Border States was already using SAP software, SAP Paybacks and Chargebacks was the logical and most cost-effective choice. It provides functionality specifically engineered for wholesale distributors, and it works well with SAP ERP, which is powered by the SAP NetWeaver® technology platform. As such, SAP Paybacks and Chargebacks offers easy integration without the need to manage custom interfaces. In fact, the implementation was completed in approximately four months by only five Border States employees, with some assistance from IBM Corporation and SAP. In addition, because the application operates within the SAP software environment, employees were already familiar with



“Processing special pricing authorizations was an administrative headache. It required great resources, created many opportunities for errors, and required us to wait a long time to receive payment on our claims.”

Tammy Miller, CEO, Border States Industries Inc.

its interface. “With this software, we were well on our way to controlling the complexities of chargeback manage-

claims from the issuance of the end-customer invoice through the receipt of the manufacturer credit.

“We have greatly improved our ability to track special pricing authorizations claims from the issuance of the end-customer invoice through the receipt of the manufacturer credit. And we’re receiving our credits much faster.”

Jack Schmitz, SAP System Analyst, Border States Industries Inc.

ment while leveraging our existing technology to achieve a low total cost of ownership,” Miller adds.

Achieving Better Performance

With SAP Paybacks and Chargebacks, Border States is able to manage the entire chargeback life cycle and minimize manual intervention to achieve new levels of efficiency and accuracy. Chargeback and claim data is reported to manufacturers in a variety of ways, primarily as electronic transmissions. Border States can now capture chargeback data, administer claims, and control varied and changing agreements to manage the chargeback process in a systematic and efficient way.

According to Jack Schmitz, SAP system analyst at Border States, “We have greatly improved our ability to track special pricing authorizations

And we’re receiving our credits much faster.” Improved cash flow and other factors contribute to a reduction in cost of goods sold. Another important benefit of the streamlined claims process is that it brings distributors and manufacturers closer together through better coordination of data to improve the distributor-manufacturer relationship.

Operating More Efficiently

With its new processes in place, Border States is able to manage its chargeback claims with lower costs and fewer resources and shorten turn-around time throughout the chargeback process. “Implementing best practices for special pricing authorization at Border States with SAP software and our key vendors has greatly reduced our transaction costs, improved our processes and accuracy, and improved our cash flow,” Miller adds.

Border States now files 95% of its claims electronically, with 80% of those items receiving electronic replies from the vendor. As a result, the company has reduced SPA claims filing and reconciling time by 63%, from 175 hours per month to only 65. The company anticipates even greater efficiencies once it is able to process all of its claims electronically. Greater efficiency translates into reduced costs for suppliers and Border States – and ultimately for the end customer. “If we can spend less time and money on special pricing authorizations, we can keep our costs down,” Schmitz explains.

Looking Ahead

Border States plans to identify additional ways to leverage its technology. “Part of our reasoning for choosing SAP software was to install a technology platform that would enable us to grow,” says Gary Miller, president at Border States. “It streamlines our operations, makes us more efficient, and reduces our transaction costs.” Since many of its vendors also use SAP software, Border States is putting processes in place to leverage this synergy to maximize benefits and create additional opportunities for cost savings.



50 089 426 (08/05)

©2008 by SAP AG

All rights reserved. SAP, R/3, xApps, xApp, SAP NetWeaver, Duet, PartnerEdge, ByDesign, SAP Business ByDesign, and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP AG in Germany and in several other countries all over the world. All other product and service names mentioned are the trademarks of their respective companies. Data contained in this document serves informational purposes only. National product specifications may vary.

These materials are subject to change without notice. These materials are provided by SAP AG and its affiliated companies ("SAP Group") for informational purposes only, without representation or warranty of any kind, and SAP Group shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP Group products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.