



Manage Affiliate Commissions

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Channel Revenue Management

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Introduction

Over the last few years the growth of affiliate marketing programs and affiliate marketers has dominated Internet marketing. For companies in the travel and hospitality industries, growth in this area has exploded and companies are allowing free and open admission to thousands of affiliates each year. See how Channel Revenue Management can help manage complex commission programs and the tracking, managing and automating of payments.

Business Problem

Businesses that promote their brands or products are usually e-trailers that look for avenues to promote their offerings through channels outside of their own. Below are the typical problems they face due to the dynamics and rapid changes in the programs offered.

- Lack of a centralized system for handling affiliate commissions
- Commission calculations happen in a local access database or excel sheets and not integrated to ERP
- No proper system controls to support internal and SOX audit
- Lack of analytics to measure if the commissions being paid bring in business value
- Not nimble enough to adapt to rapidly changing business models

Solution

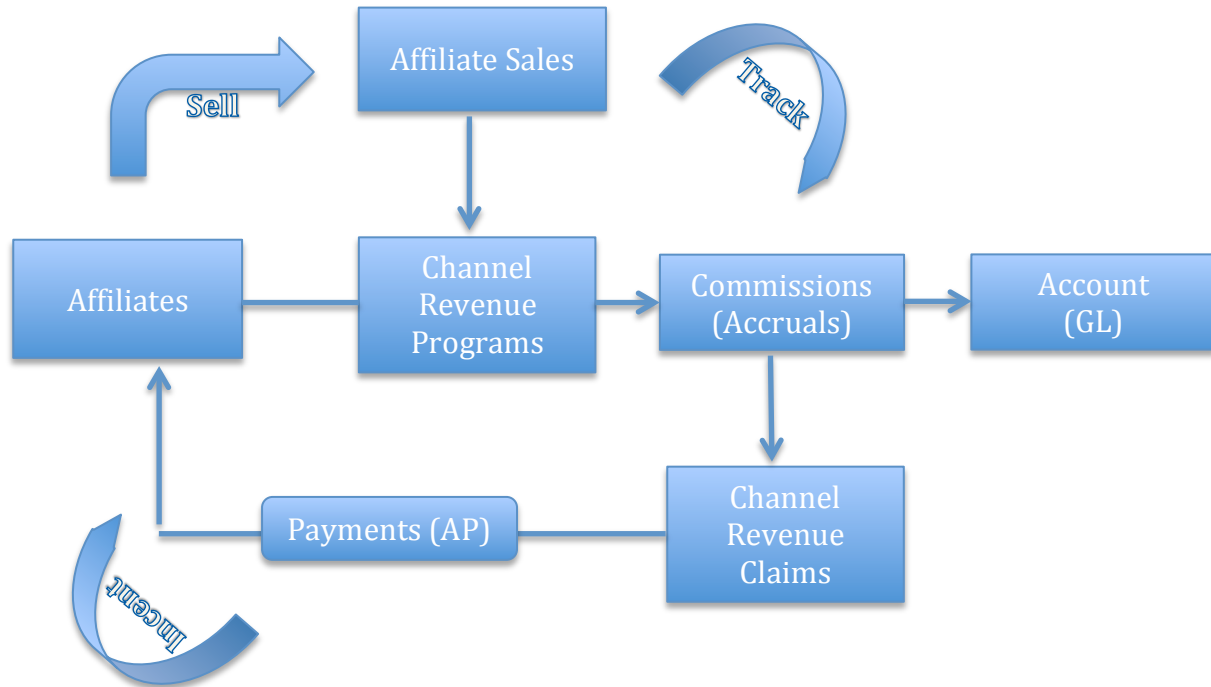
There are several point solutions offered in the market place to handle affiliate commissions, but it's difficult to find a single solution that can address all the key business problems and more importantly tie them all together to provide a closed-loop analysis.

This whitepaper will discuss how Oracle's Channel Revenue Management and Advanced Pricing, which are both a part of the E-Business Suite of applications, can provide a complete closed-loop solution for managing affiliate contracts, calculating commissions and processing payments. Below are some of the commonly seen processes and requirements that have been leveraged using this suite of products.

An affiliate entity can be a person, organization or a group of organizations. Most of the affiliate programs are volume driven and would consider the consolidated volume of an entity whether it be single or multiple locations. This core configuration is achieved by setting them up as a buying group, which creates a group organization. Channel Revenue enables the setup of volume tier programs, which look at a buying group's volume and determine the tier in which commissions can be calculated for given the volume period considered. This type of program sets the stage for handling the robust calculations for most commonly used affiliate programs.

Sales influenced by affiliates can be brought in as sales orders in Order Management or as Point of Sale data within Channel Revenue. Both approaches enable the calculation of commissions on the sale after aggregating the affiliate volume and create accruals for these commissions. These commission accruals are posted to the General Ledger and can be tracked as a liability and are posted to the affiliate marketing account. Since these accruals are tracked at the sales line details, it seamlessly enables detailed profitability analysis.

Channel Revenue's Claim feature was used to process payments on a period basis, usually monthly or quarterly, based on what the program dictates. Since these accruals are tracked with great detail, the payments can be automated using the Autopay feature. Autopay tracks all the commissions due to an affiliate and once it crosses the minimum threshold it initiates, routes for approval and sends to accounts payable after final approval with minimal user involvement.



Below are the benefits seen in the system as a result of the implementation

- Ability to handle large volumes of booking data
- Provides detailed visibility to commissions at the booking line level
- Determination of commissionable basis using complex formulas
- Splits to handle payments to different entities on a single booking
- Handles different commission calculation models
- Commission calculations based on booking volume
- Combine volume of subsidiary companies for volume determinations
- Bonus payments on reaching volume tiers
- Pre-payments to affiliate to handle their startup costs and re-coup over a period of time
- Handle systematic write-off for unpaid aged commissions
- Drive calculations based on booking attributes
- Automatic payment initiation on reaching minimum thresholds
- Handle calculations for bookings in various currencies
- Provides detailed accounting for commissions in GL with its own sub ledger

Results

By leveraging Oracle Channel Revenue Management, companies have successfully achieved these results:

- Fully integrated to Payables to handle all types of payment methods
- Reduces the time to close books and reconciliation activities between different systems
- SOX compliant system with complex approval setups
- Flexibility to adopt to new calculation models
- Provide details for viewing profitability by affiliate and booking product type

Closing the Loop

This solution is ideal for customers already using Oracle's E-Business Suite or planning on implementing a solution in-house using a package software solution. Channel Revenue Management can be implemented as a standalone alongside other ERP systems as it provides an open interface for loading affiliate sales data, a robust calculation engine to handle complex rebate contracts and calculations, and has workflow driven settlements to integrate payments with other financial systems.

Conclusion

Channel Revenue Management provides a comprehensive solution and meets the requirements of a merchant to manage affiliate commissions in an integrated ERP system. It also enables tracking of the commissions for profitability reporting, affiliate reporting and audit compliance which all come in from a single source making reconciliation between different departments easier.