

Streamlining the Rebate Process

Using Channel Revenue Management to Streamline the Rebate Process for Distribution Companies

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Abstract

Learn how a Wholesale Distribution Company took their rebate and promotion processes from a combination of disparate systems and excel spreadsheets to a fully integrated and cost saving Oracle Channel Revenue Management solution. This paper will demonstrate how the time and cost intensive process of rebate management for wholesale distribution can be streamlined by the implementation of Oracle Channel Revenue Management. Additionally, this paper will cover how performance goals and incentives can be used to control the claims and settlement process.

Business Background

As a wholesale distributor, American Tire Distributors has 100 distribution centers throughout North America, and over 60 thousand Customers/Dealers and service centers nationwide. At the time of the Channel Revenue Management implementation, they were leveraging Oracle EBS to manage the processing of 45 thousand plus order lines daily. One of the biggest competitive advantages they have in their industry is their ability to deliver exceptional marketing programs to their customers. They needed a Channel Revenue Management solution that would support and manage the marketing initiatives and gain deeper insight into their effectiveness in the industry.

Legacy State of Promotion Management

Type of Programs and Promotions

To better understand the legacy system state, we will briefly discuss the types of marketing programs and promotions we manage.

The vast majority (90 %) of the promotion transactions are known as system wide promotions; where multiple dealers can be enrolled in the program to receive benefits. These programs can be internally funded through the organization, or they can be externally funded through Vendor Programs. All internally funded programs are tracked, managed and paid to the customer by us. Promotions that are funded by the various manufacturers, can either be directly paid to the customer by us, or managed and tracked by us and reported up to the manufacturer so they can pay the customer directly. In addition to enrollment, most of these promotions have customer purchasing requirements, usually in the form of units or amounts (volume based), that must be met in order to receive the benefits.

The remaining 10% of our promotional activities stem from one off rebates. These tend to be customer or customer ship to specific and do not require enrollment. These promotions are specific for customers within a region or customers serviced by a specific DC.

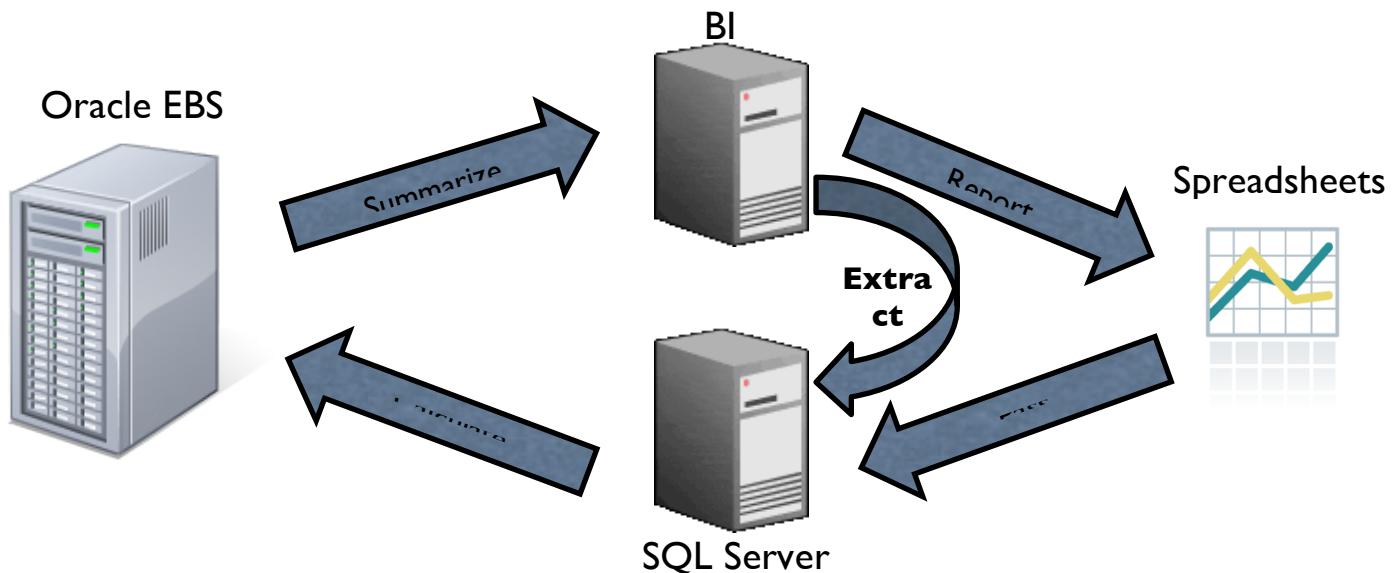
The offers that are managed for both System Wide promotions and one off rebates include:

- Standard Accrual
- Lumpsum
- Amount
- Volume
- Co-Op

Legacy System

Although Oracle EBS was being leveraged to manage the back office applications and order management, promotions were managed in one of two ways. The marketing group used a custom application built on SQL Server to manage the system wide programs including the vendor sponsored promotions and corporate promotions. This server leveraged sales information from a BI cube to perform calculations and accruals nightly. Information was collected in the SQL database until a point in time in which it was interfaced over to AR for credit processing.

One off rebates for the DC specific and Regional specific promotions were managed by the accounting department using a combination of BI reports and Excel sheets to calculate rebate dollars for individual customers / customer locations. Manual accruals were calculated monthly and managed through manual journal entries into the GL. The excel calculations were then converted to a flat file format and passed through the marketing SQL server to be interfaced to Oracle. The graph below depicts the flow of information from the legacy Promotion Management Systems to Oracle.



Business Challenges with the Legacy System

As seen the image above, the legacy process relied on different technologies and multiple inputs. The challenges with managing this process with disparate systems include:

- Multiple systems - burdens multiple departments including marketing, accounting, IT, sales, and DC managers
- Multiple processing schedules – delays and data reconciliation at various points in time by various groups creates incongruities with the data
- Stale Data – Relying on other system synchronizations resulting in calculations performed on outdated Information
- Delayed Reporting – delays in processing and final approval of rebates providing outdated information to both internal and external users

As a result the business was left with many uncertainties regarding the large volume of dollars surrounding their trade promotions. Questions such as who gets paid what? Are my rebates overlapping? What source data should I be analyzing? Which of my promotions are successful? And even the more disconcerting questions, are my customers getting the correct credits? Are they receiving timely credits, or are they not receiving them at all?

Desired State

Primary Drivers

Their continuing focus through our marketing programs is threefold.

First, to provide the real time information to our customers and dealers so that they may make informed buying decisions so they can easily answer such questions as what promotions am I eligible for? What products are included in my programs? How close am I to achieving my goals, and what do I have to buy to reach them? Second, reduce the cost per transaction by streamlining the rebate process through automation and integration. Provide a system that leverages data in the existing EBS environment and reduce the time of managing promotions, claims and settlement. And finally, drive an increase in volume through incentivized programs that work for all parties in the channel from the vendor, distributor, dealers and through to the end consumer.

The business team required a single software solution that would provide a seamless process to manage trade promotions. Functionalities needed included:

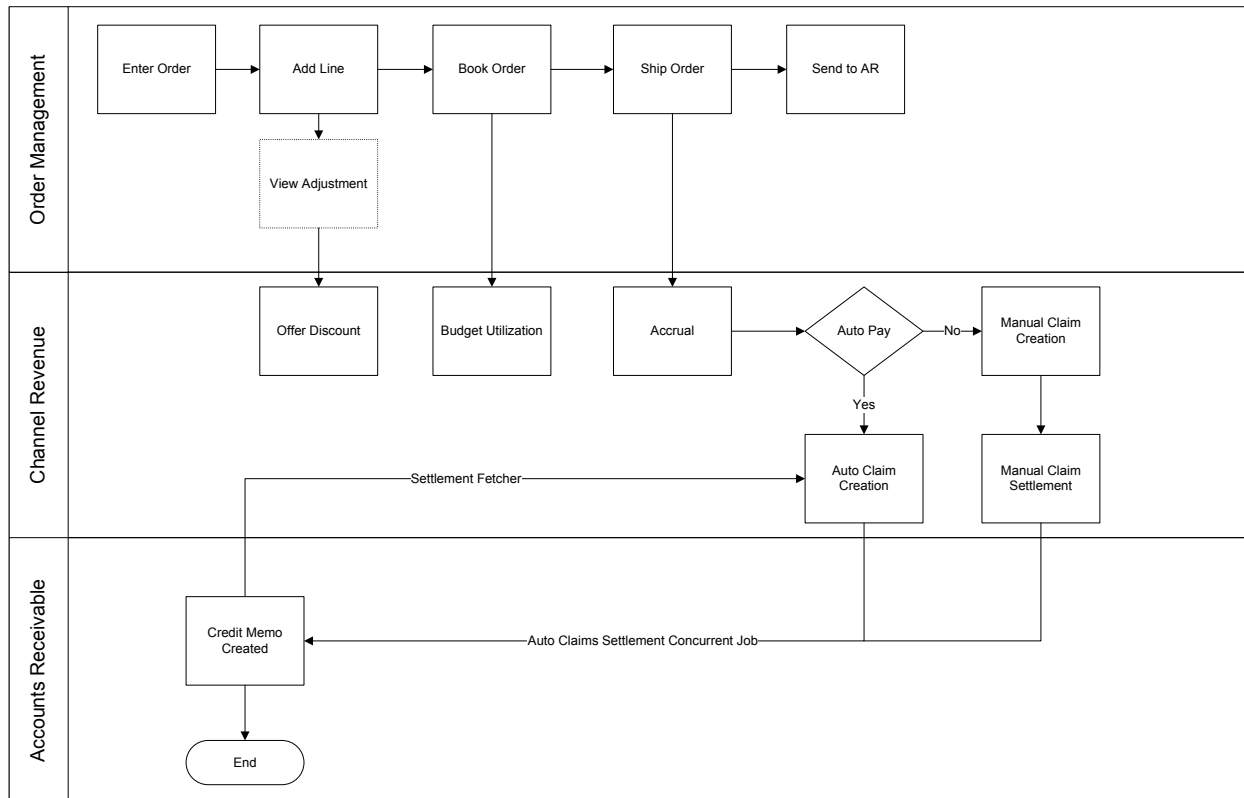
- Unified system for building, executing and managing promotions
- Ability to manage high volumes of data and perform accurate accrual calculations
- Timely and accurate data
- Automated yet flexible
- Accurate invoicing/crediting at the customer account level
- Generate accounting entries at the transactional level for accruals, invoice and payments.
- Analytics to manage liability and trade spend?

Oracle System Solution

Out of the Box Benefits from Oracle Solution

Oracle Channel Revenue Management software was selected for its ability to build both simple and complex promotional offers, its budget management and liability tracking, its advanced calculating engine, and its automated settlement process and claims management. Additionally, by integrating the solution with the current E-business suite, we were able to leverage critical integration points in EBS (see graph below) including:

- Access to direct sales information from Order Management
- Integration for automatic CM creation through Accounts Receivable
- Accrual and Expense accounting with integration with GL
- Advanced eligibility and qualification through Advanced Pricing
- Product Information through Inventory



Highly Configurable and Extensible

Oracle Channel Revenue Management also provides very flexible configuration options that we were able to leverage to manage complicated business requirements and processes. A few of the highlights include:

Pricing Qualifiers for identifying Market Eligibility: Some of the externally funded programs required a vendor defined list of participants frequently updated. This list was provided via a flat file and housed in a separate schema in EBS. The file included ship to location as well as variable levels of participation. Qualifiers were used to identify specific values from this schema to determine customer eligibility across various programs

Performance Metrics: Most of the system wide programs required some form of a volume based incentive. In many cases this incentive included a series of complex and/or groupings of multiple product categories or brands. For example, one offer may require that the customer purchase 75 of X to achieve goal while another offer would require that the customer purchase 75 of X and Y combined as well 100 of Z before goal is achieved.

Autopay and automated settlement: The offers and autopay engine were configured in such a way that payments/credits were automatically created for dealers who achieved the performance requirements in the allotted time as defined by the program.

Account Generator: Accounting measured promotion spend and promotion performance to each DC and their respective regions. Account generator provided a flexible tool to derive accounting based on various factors such as budget types, data house in DFF's as well as default warehouse on the customer master ship to location.

Conclusion

Results

Oracle Channel Revenue Management has provided a dependable and extensible platform to manage a growing number of trade promotion processes. The solution has transformed a legacy system with multiple tool sets and entry points into a streamlined and manageable process on a unified platform. Benefits include:

- Tighter Integration with the core ERP data
- Increased Automation
- Centralized Data Repository
- Timely Information
- Reduced Touch Points
- Increased Customer Awareness