In uncertain times, working capital and cash management become increasingly critical for supply chain stability. The SAP® Ariba® Discount Management solution lets you give suppliers fast access to working capital while helping you manage cash, payment terms, dynamic discounting, and workflow processes more efficiently to ensure business continuity and success.
WITH SUPPLY CHAIN AND WORKFORCE DISRUPTIONS IMPACTING BUSINESSES WORLDWIDE, THE NEED FOR EFFECTIVE TOOLS TO PROVIDE MUCH-NEEDED LIQUIDITY TO YOUR SUPPLIERS BECOMES MORE IMPORTANT THAN EVER – AND THAT’S WHAT SAP Ariba Discount Management DELIVERS. THE SOLUTION LETS YOU OFFER A SPEEDY SOURCE OF WORKING CAPITAL TO YOUR SUPPLIERS DURING THIS CHALLENGING PERIOD WHILE HELPING YOU MANAGE CASH, PAYMENT TERMS, DYNAMIC DISCOUNTING, AND WORKFLOW PROCESSES MORE EFFORTLESSLY. USING SAP Ariba Discount Management TO INJECT LIQUIDITY INTO YOUR SUPPLY CHAIN BENEFFITS YOUR BUSINESS IN MANY WAYS, ALLOWING YOU TO:

• Mitigate supply chain risk and protect top-line revenue: While economic disruption may mean your cash position is less than ideal, the cash position of your supply chain is potentially worse. Injecting liquidity to normalize your supply chain and consequently protect your top-line revenue is essential for your business strength, and may also be your suppliers’ best chance of survival.

• Foster lasting relationships with suppliers: By providing a fast, automated process to help your suppliers get paid earlier, you establish yourself as a trusted partner invested in supporting their financial health and business continuity.

• Enhance social responsibility and brand reputation: Offering a helping hand during this difficult time can build your image as a socially responsible organization, strengthening your brand value to suppliers, customers, and the broader community in ways that enhance your business success moving forward.

• Provide a flexible, non-debt source of capital for suppliers: While many small- to medium-sized suppliers have access to short-term funding from government programs, these programs create debt and administrative burdens that can strain supplier resources. SAP Ariba Discount Management gives you an alternative financial tool to help suppliers in a more direct way. The solution is highly flexible, making it easy for you to offer customized discount rates to specific suppliers that you select.

Dynamic discounting is a process that allows you and your suppliers to negotiate a continuous, sliding-scale discount that you receive for early payment of invoices. The sooner you pay, the higher the discount rate. For example, if you have a 30-day net term, you and your supplier might agree that you’ll receive a 2% discount if you pay on day 10 and a 1% discount if you pay on day 20, sliding down to a 0% discount if you pay at the full term of 30 days, as shown below. The SAP Ariba Discount Management solution
automates the entire process, calculating and applying the correct discount based on the exact date of your payment. This gives both you and your suppliers a high degree of flexibility to balance cash needs with savings, so everyone wins.

Dynamic discounting automatically implements a sliding-scale discount based on the date you pay a supplier’s invoice.

How does SAP Ariba Discount Management work?

SAP Ariba Discount Management combines dynamic discounting technology with consulting expertise in payment terms strategy, enabling you to increase net income and improve cash flow while helping your suppliers manage their cash better and gain visibility into their cash position. The solution delivers these benefits through four key functionalities:

- **Dynamic discounting** lets you efficiently manage supplier discounts on a sliding scale based on invoice payment dates, allowing you to collaborate effectively with suppliers and better manage cash while supporting your suppliers’ financial health.
- **Payment terms management** automates early-payment discount management from initial offer to agreement, including transactions with prorated or dynamic discounts. You control the amount of cash that’s applied to discount programs, the desired hurdle rate, and which suppliers to target. Robust reporting gives you critical insights into early payment program metrics and savings.
- **Self-service supplier portal** supports early payment collaboration with 100% of your suppliers, no matter what invoice submission method they use (suppliers do not need to electronically transact on Ariba Network to earn discounts). The portal also gives suppliers full visibility into scheduled payment status, reducing manual inquiries.
• **Working capital management services** to help you develop an effective strategy to balance discount income capture and cash flow improvement. Our working capital management services team has decades of experience in program design and deployments across the globe – including segmented supplier targeting, education, and supplier enablement – and uses best practices to reach out to your suppliers and help you increase program adoption.

In an upbeat economic climate, these SAP Ariba Discount Management functionalities can help you realize financial gains of US$1 million to $2 million in early payment discounts and $40 million in cash flow per $1 billion targeted spend. Increased cash flow in your organization can help drive a wide range of positive business outcomes, such as the ability to open new stores, build new factories, invest in research and development (R&D), and raise shareholder dividends.

During times of economic uncertainty, you can use the same functionalities to inject liquidity into your supply chain, strengthen suppliers’ ability to manage cash needs, and foster lasting relationships with your suppliers by helping them get paid early.

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**What overall benefits does SAP Ariba Discount Management provide?**

The solution offers a wide range of benefits to you and your suppliers, including the following:

**Buyer benefits**

- **Strengthen your financial supply chain:** Mitigate risk and support business continuity in your supply chain by strengthening suppliers’ ability to manage liquidity needs.
- **Enhance your cash flow and working capital position:** You can expect approximately $40 million of increased free cash flow for every $1 billion of spend extended 15 days.
- **Capture early payment discounts at any point to invoice maturity date:** Automate the early payment terms process to reduce missed discounts and capture additional savings from supplier discounts on all spend per supplier or an invoice-by-invoice basis.
- **Increase cash returns:** SAP Ariba-led early payment programs enjoy, on average, APRs between 24% and 36%, significantly outperforming most internal investment hurdle rates or returns on short-term cash.
- **Give suppliers greater transparency and access to capital:** Through Ariba Network, suppliers gain full visibility into when they’ll get paid, reducing the volume of inquiries to your accounts payable department.
• **Fund business objectives through early payment program**: Cash flow and/or income generated can be put to work to build new plants or stores, increase R&D spending, enter new markets, conduct mergers and acquisitions, pay down debt, or issue dividends.

**Supplier benefits**
• **Accelerate cash flow**: Suppliers can accelerate payments with buyers on Ariba Network based upon their cash flow needs.
• **Reduce days sales outstanding (DSO)**: By expediting conversion of receivables to cash, suppliers can reduce DSO and free up working capital for other needs.
• **Control payment timing**: Suppliers can request automatic early payment on all invoices upon full approval to pay, or on an individual invoice-by-invoice basis as cash flow needs dictate.
• **Gain payment visibility**: Suppliers can use Ariba Network to see the details of their scheduled payments along with line-item rich remittance information, closing the loop between invoice and payment.

**Why should I choose SAP Ariba Discount Management rather than another discounting solution?**

SAP Ariba Discount Management is the only discounting solution available that offers all of the following advantages:

• **Seamless integration with your other cloud-based procurement solutions** so you can efficiently manage all procure-to-pay processes within a single, end-to-end system
• **Fast, easy integration to any ERP system** through Ariba Network to support back-end connectivity
• **Coverage across 100% of your supplier invoices**, regardless of whether suppliers are transacting electronically on Ariba Network or not
• **Automated dynamic discounting** that gives you a quick, simple way to negotiate and manage sliding-scale supplier discounts based on invoice payment dates
• **Payment terms optimization** through access to benchmark and historical data about payment term trends for supplier and category spend
• **Program management and execution support** including design, training, enablement, and program growth to help you achieve savings and optimize cash flow

**How does SAP Ariba Discount Management interact with other SAP Ariba solutions?**

SAP Ariba Discount Management resides on Ariba Network, and is a set of configurable and detailed logic that lets you and your suppliers collaborate dynamically on early payment options for approved invoices. The solution capitalizes on the speed of the overall SAP Ariba solution suite, enhancing discounting benefits through fast invoice reconciliation and instant communication with suppliers over Ariba Network.
Are there other capabilities of SAP Ariba Discount Management that I should know about?

Because the SAP Ariba Discount Management solution resides on Ariba Network, it is fully configurable directly in the user interface (UI). As a buyer you can easily add or delete payment terms, configure rules, suspend early payment offers, run detailed reporting, or add suppliers to terms quickly and in real time. The solution supports a variety of payment term options for you to configure early payment programs based upon your goals.

Suppliers can access payment information and early payment offers for all their participating customers in their Ariba Network account. This portal gives suppliers details about their scheduled payments, rich remittance data, reporting capabilities, and access to SAP Ariba’s cash optimizer, which allows them to accept early payment on invoices based upon specific cash flow needs.

Does a supplier need to accept an early payment on all invoices?

No, suppliers can accept early payment on an invoice-by-invoice basis. This option is called the buyer-initiated early payment option since you, the buyer, are offering a certain rate at which the invoice discount is calculated.

Does the solution work with standard account suppliers?

Yes, the solution is compatible with standard account suppliers.

What reporting is available to buyers and suppliers for SAP Ariba Discount Management?

SAP Ariba Discount Management includes capabilities for robust reporting that users can run directly in the UI in real time, making it simple to:

• Track and report on discounts taken over Ariba Network
• Review suppliers that have accepted payment terms on Ariba Network
• Review program metrics and savings

How can SAP Ariba Discount Management allow me to help some of my key suppliers whose cash position deteriorates quickly?

The solution offers you a great deal of flexibility to assist suppliers. You always have the option to turn off a discount already set up, or to leave it on but not take it. For example, if you’re still negotiating discount terms with your supplier through the solution, you can agree to set up a certain discount based on early payment, then choose not take the discount even though you still pay them early. Or if the discount terms are already set up
in the solution, you can turn off the term requiring the discount, yet still pay the supplier early. This allows you to provide fast access to working capital for specific suppliers based on their cash needs.

I want to do the right thing to help my suppliers, but what if the pace of early payment becomes too costly for my own business?

Again, the solution gives you a high degree of flexibility that makes it simple to quickly adjust discount offers at any time. If the cash acceleration window becomes too expensive for your business and your cash flow, you can ease it back to lessen the impact to you. For example, instead of the default 2% 10, net 30, you can set the window to 2% 15, net 30 or 2% 20, net 30. You can easily readjust this again once your business situation improves.

How can I use SAP Ariba Discount Management to emerge from the economic downturn with a stronger financial position?

A supplier may have accepted early payment discounts that you decide not to take during the economic downturn, meaning you turn the discounts off and pay the supplier at the net date of the invoice rather than on the early payment discount date. When your supplier’s cash position improves, you can use SAP Ariba Discount Management to accumulate a “rainy day fund” of incremental value simply by turning discounts back on. This creates a built-in savings lever that can enhance your cash position and/or fund investments during economic recovery and boom periods.

We don’t have internal teams available to support the rollout of an additional software project. Can SAP Ariba help?

Yes, SAP Ariba provides technical integration, functional design, enablement, and ongoing project support for the life of the contract. The SAP Ariba integration team will make sure your system integration functions as expected, and our dedicated working capital management services team can help with your supplier enablement and payment strategy. A typical deployment can be fast-tracked to get key suppliers up and running in 8 to 10 weeks (instead of the typical 12-week timeframe). We will support your internal resources along the way to help drive the project and ensure success.
TECHNICAL AND INTEGRATION INFORMATION

What integration support services are provided for SAP Ariba Discount Management?

SAP Ariba provides consulting assistance through our integration team to assist and validate the connection between your ERP system and Ariba Network. We will help implement the mapping of documents on the Ariba Network adapter from cXML to your ERP interface for the following Ariba Network documents:

- Payment proposal
- Payment proposal update
- Remittance

Our integration team also provides sample test plan documentation.

The standard services term for the integration team is a total of 12 consecutive calendar weeks, which may include up to 2 weeks of post-go-live support.

How does SAP Ariba Discount Management integrate with my ERP system?

SAP Ariba Discount Management is delivered as a cloud-based solution within Ariba Network and easily integrates with any ERP system to provide a payment status and dynamic discounting portal for 100% of suppliers and spend.

The discounting flow begins when an invoice is approved either in your SAP Ariba solution or in your ERP system. An SAP Ariba payment proposal is sent to Ariba Network and shows up as a scheduled payment in the supplier’s Ariba Network account. From there the supplier can review payment status and choose whether they would like to accept an early payment. If a supplier does accept an early payment, an updated payment proposal, or PayMeNow file, is sent back to the ERP system, updating the invoice record with a new payment date and discount amount. The normal payment process then occurs. The loop can further be closed with the addition of a remittance document that can be sent to Ariba Network once the payment is made, providing additional supplier visibility.

The diagram on the next page illustrates this process.
SAP Ariba Discount Management integrates easily with any ERP system, providing a payment status and discounting portal for 100% of your suppliers and spend.

Once a supplier accepts an early payment, what is updated in my ERP system to ensure the payment is made with the new terms?

Once a supplier accepts an early payment on Ariba Network, the network automatically sends a message called a payment proposal update back to your ERP system. The message will update the invoice record with a new “days to pay” and discount percentage. When this update has been completed, the invoice record proceeds to be paid according to its specific payment method as indicated in the ERP system.

Is SAP Ariba Discount Management supported by SAP Ariba Cloud Integration Gateway?

Yes, the solution integration is supported by SAP Ariba Cloud Integration Gateway for SAP ERP customers.

What services are provided with SAP Ariba Discount Management?

DEPLOYMENT AND DELIVERY

SAP Ariba provides the following services to support your discounting and working capital initiatives:

Discount management technology
• Manages supplier discount offers globally on one platform
• Automates payment terms to minimize missed discounts
• Offers static and dynamic discounts
• Captures additional discounts from suppliers on an invoice-by-invoice basis
• Includes seamless, cloud-based integration between ERP systems and Ariba Network
Discounting program enablement
- Provides global enablement services consisting of 700+ specialists to drive program adoption and savings
- Drives deep knowledge and understanding of best practices related to program design and outreach
- Supports multifaceted outreach methods including phone, email, mail, and Webex
- Offers tailored program communication development

Payment terms extension service
- Aligns corporate DPO with industry peers
- Is rationalized across Ariba Network
- Enables strategic review of extension of net terms to specific suppliers/categories
- Includes full business case and strategy development
- Delivers DPO improvement and/or adoption of early payment program
- Helps drive internal stakeholder alignment through education, training, and targeted communication efforts

Supplier portal access
- Gives suppliers real-time visibility into scheduled payments with buyers
- Lets suppliers take advantage of early payment opportunities
- Makes it easier to manage working capital requirements
- Is available for 100% of your suppliers and invoices, regardless of invoice submission method

The working capital management services team for SAP Ariba solutions is one of the most knowledgeable in the industry, with decades of experience designing, running, and maintaining successful payment term management and dynamic discounting programs. Understanding that most companies do not have the time, expertise, or resources to actively manage a dynamic discounting or payment terms initiative, the services team brings its expertise to help define a clear strategy. The team employs structured methodology to actively drive supplier onboarding and discount participation, delivering rapid ROI in the form of net-new discount savings.

Some advantages of the working capital management services team and its methodology are:

- **Industry-leading experience and expertise:** The working capital management services team has decades of combined experience in dynamic discounting and payment terms management/DPO improvement.
 Several team members helped to develop the market’s first dynamic discounting solutions and have since led the march forward to what is now recognized as a best practice.

- **Deep working capital and dynamic discount analysis and strategy:** At the beginning of an engagement, the team brings proprietary data and methodology to the analysis of supplier spend and payment terms. Knowing that certain suppliers and supplier groups are more likely to embrace discount programs than others, our experts help organize and categorize suppliers into the right discount offers based on propensity to offer discounts. The output of this analysis is a strategic wave plan to optimize payment terms and onboard suppliers for program goals of terms extension and/or dynamic discounting.

- **ROI realization:** As part of our services to you, we will actively reach out to your suppliers to recruit and onboard them for dynamic discounting and/or new payment terms. We have a team of people whose sole job is reaching out to suppliers’ finance, accounts receivable, and treasury organizations to educate them about early payment opportunities and enable them to take advantage of offers. This results in rapid realization of your business case ROI, often to the degree that it funds an entire initiative in a matter of months – and frequently funds other initiatives as well.

- **Life-of-contract involvement:** The working capital management services team for SAP Ariba solutions stays with you for the life of your program. This includes ongoing supplier outreach, quarterly strategy reviews and updates, and monthly program updates and reporting.

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**Does a supplier need to be transacting electronically on Ariba Network in order to use SAP Ariba Discount Management?**

No, suppliers do not need to be transacting electronically on Ariba Network to use the solution. This allows you to leverage SAP Ariba Discount Management for 100% of your supplier invoices. Suppliers do need a valid relationship with the buyer on Ariba Network to view their scheduled payments and choose payment acceleration options.

Note that if your business operates in regions with indirect tax schemes (such as VAT), you should consult your SAP Ariba Discount Management consultant for guidance about solution dependencies.

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**How does the discounting capability work with e-invoicing?**

The discounting capability within the SAP Ariba Discount Management solution complements your e-invoicing solution and supplier enablement flight plans on Ariba Network. In cases where you fail to capture discounts because you can’t process your invoices fast enough to earn them, we offer the SAP Ariba Invoice Management solution. With it, you can
automate invoice processing and speed invoice approval cycles from weeks or months to a few days – so you can capture all eligible discounts and not just a small percentage of them.

What countries and currencies does SAP Ariba Discount Management support?

The discount program in the solution is available globally, with support for the United States, Canada, Hong Kong, Malaysia, Australia, New Zealand, Singapore, South Africa, and 14 European countries. We can easily add and manage any currency with our platform. To facilitate global rollouts, our discounting capability supports the creation of dynamic discount credit memos on your supplier’s behalf in countries where credit memos are required. As a buyer, you can also configure currency-specific early-payment limits and annual percentage rates for buyer-initiated discount offers, ensuring better business controls and maintaining the stability of your DPO.

How long does it take to deploy SAP Ariba Discount Management?

The standard deployment timeline is 12 to 14 weeks and includes technical integration work, program strategy development, stakeholder training, supplier outreach, and go live. This timeline assumes integration with SAP systems. Non-SAP system integration may result in longer deployment timelines due to additional integration touchpoints and testing.

Note that additional phases of supplier onboarding can continue after go live, as the SAP Ariba Discount Management services team will remain part of an engagement for the life of a contract.

Who is responsible for customer service and support?

SAP Ariba provides full customer service and support for your solution rollout and dynamic discounting program. We guide suppliers through account configuration and offer technical support for using the dynamic discounting platform. For any invoice or discount discrepancies, we work with you to identify the reasons and help to resolve them.

Does SAP Ariba benefit from my earned discount volume over Ariba Network?

No, SAP Ariba does not receive any benefit from the discounts you earn over Ariba Network.

Do suppliers pay an SAP Ariba fee to access early payment options?

No, suppliers do not pay an additional SAP Ariba fee to access the early payment options.
Learn more

For additional information about how the SAP Ariba Discount Management solution can benefit your business, go to https://www.ariba.com/solutions/solutions-overview/financial-supply-chain/dynamic-discounting-and-discount-management.