

SAP Solution Brief

SAP Ariba Financial Supply Chain Solutions | SAP Ariba Payables, Discounting Capability

# Increase **Cash Returns** and **Optimize Working Capital** with **Early-Payment Discounts**





# Make the most of your short-term cash and working capital

Getting the most out of working capital often means maximizing days payable outstanding (DPO) and holding on to cash – without adding liquidity risk to your supply chain. But short-term investments earning less than 1% annually clearly aren't the answer. The discounting capability in the SAP® Ariba® Payables solution helps you **capture early-payment discounts for better cash returns.**

**Make the most of your short-term cash and working capital**

For organizations looking to increase returns on cash in the current low-interest-rate environment, there's arguably no better option than early-payment discounts from suppliers. By taking advantage of early-payment programs, you can maximize discount savings, earn impressive returns on cash deployed, and substantially increase supplier participation – while maintaining or even increasing overall DPO.

With a cloud-based solution, you can implement an early-payment discount program that works with any enterprise resource planning (ERP) or back-office system. You can turn your accounts payable staff into cash managers, save money on goods and services, and help your suppliers as well.



# Seize early-payment discounts, strengthen your supply base

The discounting capability in SAP Ariba Payables provides a dynamic discounting platform that enables you to improve collaboration with suppliers, so you can better manage your cash and working capital while supporting your suppliers' financial health.

The solution 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, and you determine

which suppliers to target. You can also set the "hurdle rate" – the minimum rate of return you are willing to accept for discounts. And with support for all your invoices, you can take advantage of discount opportunities on electronic invoices as well as invoices that you process manually.

You can also benefit from the expertise of our working capital management services team, which brings years of experience and payment term data to help you formulate an effective program for improving DPO with dynamic discounting.

## Seize early-payment discounts, strengthen your supply base

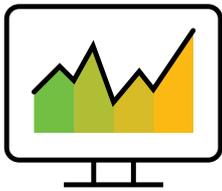
Maintain control of your dynamic discount program

Expand early-payment discount opportunities

Maintain or extend DPO by managing payment terms

Design, run, and maintain a program suppliers will support

Work with our consulting experts to achieve results quickly



Mutually beneficial discount programs help to improve cash management for buyers and suppliers.



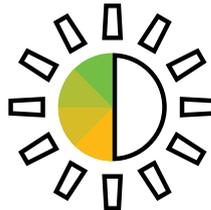
# Maintain control of your dynamic discount program

The discounting capability in SAP Ariba Payables is a collaborative finance solution that works with all popular ERP systems, including the SAP® ERP application. It lets you extend early-payment discount offers to virtually all of your suppliers through the cloud while maintaining control of your dynamic discount programs.

Powerful reporting functionality lets you track metrics such as discount volume, average discount rate, transaction volume, and supplier growth rates. You can compare results to other periods, supplier-specific discount metrics, and other criteria.

For organizations interested in global rollouts, our discounting capability supports the creation of dynamic-discount credit memos on your supplier's

behalf, as required in countries with value-added taxes or other indirect taxes. Buyers can also configure currency-specific annual percentage rates for buyer-initiated discount offers, yielding better business controls and maintaining the stability of their DPO.



Enable dynamic discounting from any back-office system.

Seize early-payment discounts, strengthen your supply base

## **Maintain control of your dynamic discount program**

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# Expand early-payment discount opportunities

Traditional static early-payment discount programs limit opportunities to manage cash. These programs typically involve a small group of suppliers managed by procurement, and they do not allow discounts to be captured after the discount date.

The discounting capability in SAP Ariba Payables gives you another way to collaborate with suppliers. With this capability, you can capture all existing discounts and expand discount opportunities to new groups of suppliers that never

offered discounts before. Discount offers include dynamic, sliding-scale discounts that are available for capture all the way up to the invoice due date.

What about discounts you fail to capture because you can't process your invoices fast enough to earn them? With the SAP Ariba Invoice Management solution, 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.

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## **Expand early-payment discount opportunities**

Maintain or extend DPO by managing payment terms

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Get results quickly with access to millions of suppliers on Ariba Network, many with whom you are doing business today.



# Maintain or extend DPO by managing payment terms

Without a defined strategy and careful management, payment terms can proliferate as buyers negotiate contracts with suppliers. Organizations with a team of buyers and thousands of suppliers can have more than 100 distinct payment terms – and include unusual terms such as “Net 7 with no early-payment option.” These widely varied payment terms can hurt DPO performance by having you pay suppliers more quickly than other companies in your industry, putting your company at a competitive disadvantage.

With the discounting capability in SAP Ariba Payables and a strategic payment terms standardization program, you get the best of two worlds. You can extend payment terms with many suppliers and offer early-payment discounts for others that prefer to get paid sooner. The net effect: you can maintain or extend your DPO as you lower your costs of goods and services, and you can increase your return on cash from these discounts.

Seize early-payment discounts, strengthen your supply base

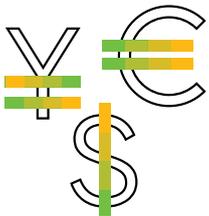
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## **Maintain or extend DPO by managing payment terms**

Design, run, and maintain a program suppliers will support

Work with our consulting experts to achieve results quickly



With the discounting capability in SAP Ariba Payables, you can increase your cash returns and improve management of working capital.



# Design, run, and maintain a program suppliers will support

Many suppliers, especially small and midsize firms, are strapped for cash but don't have easy access to business loans or lines of credit. The discounting capability in SAP Ariba Payables presents a solution where, in exchange for discounts, you can accelerate payment to suppliers to help reduce their days sales outstanding (DSO) and give them the needed liquidity to run their business.

Automated alerts and notifications immediately inform suppliers of discount offers. Suppliers can view payment status from a supplier portal and accept discount offers every time or on an ad hoc basis.

Our cash flow optimizer tool allows suppliers to model early-payment opportunities and choose the most affordable discount offers to meet their cash flow needs. Suppliers can also initiate discount offers or make counteroffers as part of a collaborative cash management process.



Provide your suppliers with valuable liquidity options.

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# Work with our consulting experts to achieve results quickly

For companies that lack the time, expertise, or resources to actively manage a dynamic discounting, payment term, or broader working capital program, our working capital management services team can help. We bring many years of experience working with organizations to design, run, and maintain an effective program.

Our consultants can assess your current payment terms, working capital, and cash positions; compare them against industry averages; and formulate a plan to drive sustainable working

capital improvements. And unlike solution providers with a narrow focus, our consultants can manage the rollout or expansion of converting checks to electronic payments, as well as manage purchasing card, supply chain finance, and remittance data cleanup programs.

With our help, you can free up significant working capital, dramatically expand early-payment discounts, and jump-start related working capital programs. Our specialists can also reach out to new suppliers as part of your program.

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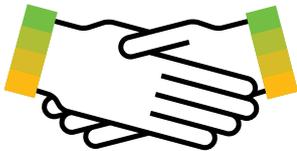
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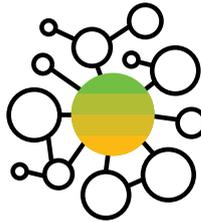
Align with our working capital management services team to maximize results.



# Manage cash better and unleash new business potential

The discounting capability in SAP Ariba Payables is a proven solution for improving early-payment discount performance. It lets you effectively manage your cash and working capital while helping your suppliers remain financially strong.

The discounting capability helps make it possible for companies like yours to earn double-digit cash returns from early-payment discounts, with no risk, while maintaining or extending DPO. And you can expand early-payment discount programs to a much larger group of suppliers than can be served through traditional approaches.



Capture all available early-payment discount opportunities and broaden supplier participation in discount programs.

**Manage cash better and unleash new business potential**



### Summary

The discounting capability in the SAP® Ariba® Payables solution helps you mine your payables for profit while providing your suppliers with new opportunities to improve their cash flow. Our working capital management experts can help you develop and implement effective early-payment discount programs and payment terms strategies. The result is a collaborative approach to managing cash that benefits both trading partners.

### Objectives

- Improve cash returns over existing short-term investments, with less risk
- Reduce costs of goods and services
- Improve management of working capital

### Solution

- Cloud-based, dynamic discounting with greater payment control
- Proven services team for recruiting targeted suppliers
- Working capital management consulting experts for implementing an integrated, dynamic discounting and payment term standardization program

### Benefits

- Realize substantial cost savings on targeted discountable spend
- Help to achieve double-digit cash returns, with no risk
- Increase supplier participation in early-payment discount programs
- Expand discount opportunities while maintaining or extending days payable outstanding (DPO)

### Learn more

For more information, visit [SAP Ariba Payables](#).



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