# INVENTORY PRICE PROTECTION ( IPP) IN S/4 HANA AT HPE

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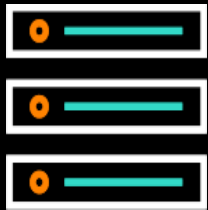Kris Jayakrishnan, Deloitte Consulting
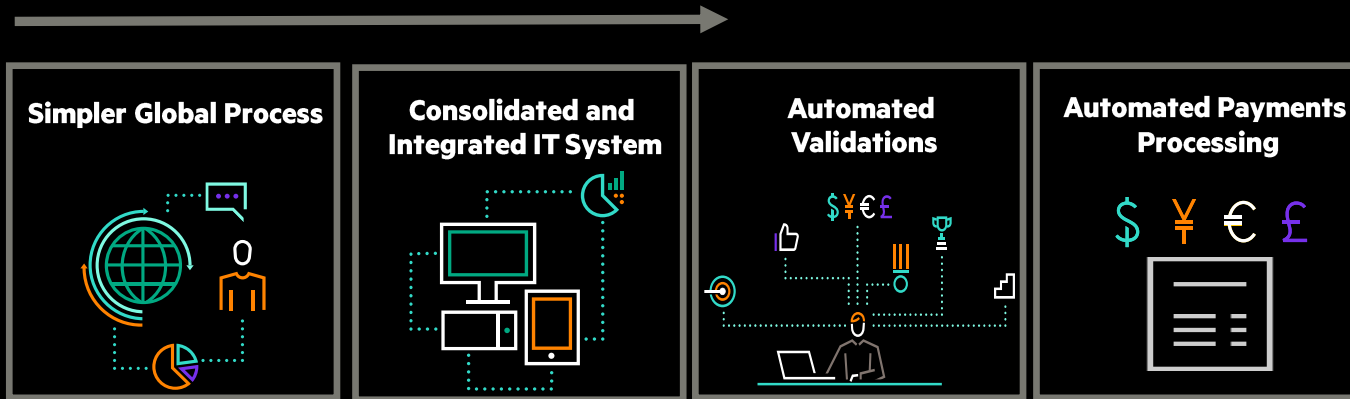
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# AGENDA

- HPE Next Gen IT transformation
- IPP Program Scope and Focus
- Guiding principles
- Project Phases
- IPP Process Flow
- IPP Concepts
- Settlement Management Module
- IPP S/4 HANA Architecture
- IPP Pricing Tool Design
- IPP Design Review
- IPP End to End Process
- Lessons Learned
- Q&A

# HPE NEXT GEN IT TRANSFORMATION

## HPE S/4 Hana

## HPE Next Gen IT transformation

**Simpler Global Process**

**Consolidated and Integrated IT System**

**Automated Validations**

**Automated Payments Processing**

## Customers, Partners & Global Sales

### Transformation Goals

- **Make it simpler and easier to do business with HPE**
- **Innovate to support future business models**

### Implementation steps

- **Consolidating and modernizing the IT systems**
- **Streamlining the processes by standardizing, automating, and increasing no-touch efficiencies**

# IPP AND THE HPE NEXTGEN IT PROGRAM – SCOPE AND FOCUS

## Background

- Prior to the HPE Next transformation program , the IPP process was enabled through a combination of legacy systems and manual processes to enable HPE to protect partner inventories that have been subject to a price drop.

## HPE Next transformation program and IPP

- Within the HPE Next / NextGen IT program, the objective has been to move completely to an end-to-end automated process implemented entirely in S/4 HANA.

## IPP Scope

- IPP program will be enabled as an automated global end-to-end process in S/4 HANA across EMEA, AMS and APJ regions.

# GUIDING PRINCIPLES

**1**  **Adopt Global Standards**

Adopt a global template across all regions and accommodate differences only for legal and tax considerations

**2**  **Adopt best practices for IPP**

Encouraged to use the latest and best Deloitte practices in IPP. Freely encouraged to challenge the status quo

**3**  **Flexible Scalable Design**

No restrictions on customizations. The objective was to get to an optimal design that met all the current requirements and also able to accommodate future changes Minimize moving parts , handshakes, additional maintenance

**4**  **Automated process**

Encourage to automate the processes as much as possible with minimal and strategic manual touchpoints

Approach extended to notifications and reports

**5**  **Process/ Data Transparency**

Business to be easily able to trouble shoot issues . No need for a specialist to come in to detect problems or extract information

**6**  **Collaborative approach**

Involve the business and IT users all the way through the process from Design to build, realization and testing

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# PROJECT PHASES



| Pre work | Design and build | Test | Go live & Hyper care |
|---|---|---|---|

**Pre work**
- Project Planning
- Setup of pre-configured systems
- Best Practices review
- Fit Gap Analysis
- Functional Specifications

**Design and build**
- Functional design
- Build
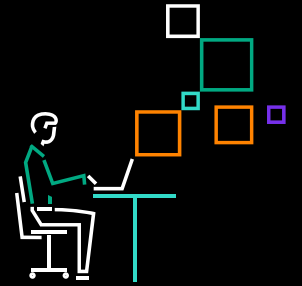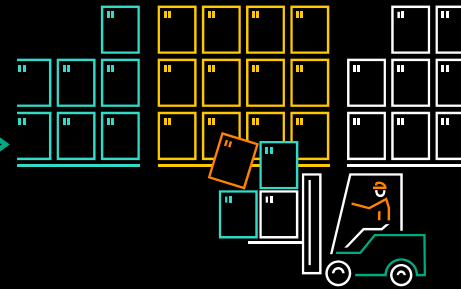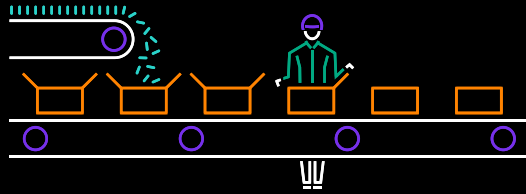- Technical & functional unit tests

**Test**
- E2E Functional testing
- Interface testing
- SIT / UAT
- Defect resolution

**Go live & Hyper care**
- Cutover activities
- Trainings
- Technical support
- Defect resolution
- Handover plan
- Training

# IPP PROCESS FLOW



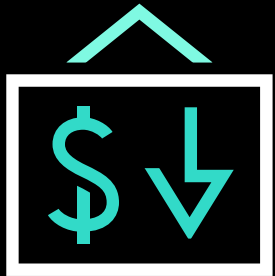Partner place order to HPE

HPE process the order and delivers it to Partner

Products in transit

Products are in the partner warehouse

Partner reports sell-out and inventory to HPE

HPE drops the prices

S4 Hana Automated Data Validations:
Partner stock, HPE orders, Prices
S4 Hana automated credit creation

S4 Hana Automated Credit Payments

Partner receives credit

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# IPP CONCEPTS ( 1)

| Terminology | Description |
| --- | --- |
| Inventory Price Protection | HPE compensation program in which partners are compensated for the net price drop in their inventory |
| Aging Limit Period | IPP is only valid for the reported inventory that has been shipped to the partner within a certain number of ( x) days prior to the NDP Drop . The x day period is called aging limit that is represented by total number of days. |
| Net Dealer Price ( NDP) | List Price minus Contractual Discount |
| Net Price Drop | Old NDP minus New NDP<br>Drop in the Net Dealer Price ( NDP) can occur due to the following:<br>Drop in the list price of the product and / or<br>Increase in the Contractual Discount |
| Partner Inventory | Inventory is the quantity of products available in partner's warehouse on a certain date. IPP looks at the Partner inventory on the date prior to price drop for compensation calculations |
| Submission Window | Partners must submit their files within the submission window. Any submissions outside the window will not be considered for compensation. |
| Price Drop Date | Date on which the net price drop occurs |

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# IPP CONCEPTS (2)

| Terminology | Description |
| --- | --- |
| In-Transit Deliveries | A delivery is considered in transit when invoice date is less than price drop date and delivery date is greater or equal to price drop date |
| Shipment Documents | Provides proof of delivery of the product to the partner site and the actual delivery date. |
| Buffer Period | Refers to the period of x days after the price drop when the IPP program will run to calculate IPP compensation |
| Subsequent Price Drops | Price drops that happen one after the another. In some situations the aging limit period between price drops can overlap |
| IPP Invoice Eligibility Rules | The rules based on which the invoices to the partners will be validated against the partner inventory to determine the protected inventory quantity and the compensation amount. |

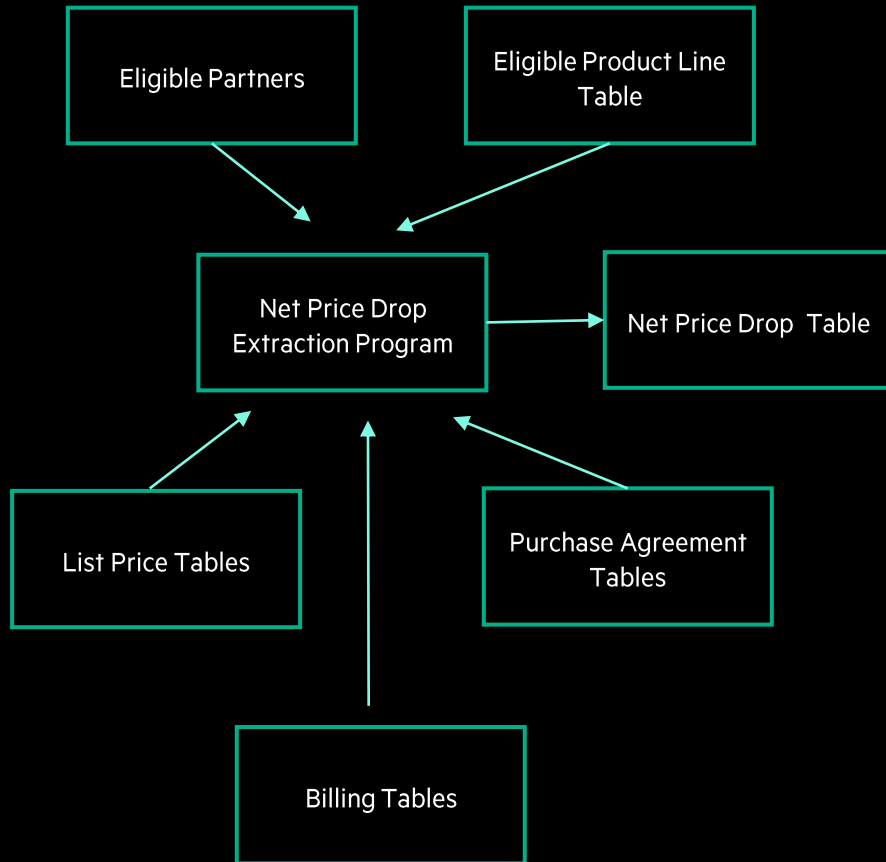# SETTLEMENT MANAGEMENT MODULE –CAPABILITIES FRAMEWORK

Settlements to Customer or Vendor

Settlements based on Go to Market Plans

Expense Settlements

| | |
|---|---|
| **E2E Rebate Settlement** | **Supports end to end Partner compensation processes (contract creation, rebates calculations processing, accrual and settlement)** |
| Natively Integrated | **Fully integrated in order-to-cash or procure-to-pay as well as standalone processes** |
| Automated Accounting | **Accrual accounting entries related to accrual , settlement and post settlement adjustments** |
| Integration with profitability | **Posts to profitability analysis and transfer incomes, rebates to profitability accounting.** |
| Partner Transmission | **Transfer of Contract/Deals and Settlement data to partners vis EDI or SOA services** |
| Rebate Reconciliation | **Ability to record the partner responses and execute rebate reconciliation with related accounting adjustment postings.** |
| Mass processing of documents | **Processing of documents and document lists individually or in batches (release, reverse, complete, reopen)** |
| Clear Audit Trail | **Clear audit trail provided by tracking of documents from invoice entry through to posting to accounting** |
| Flexible Processes | **There are in total 83 BAdI's provided for various purposes that can be utilized in condition contracts** |

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# S/4 HANA IPP ARCHITECTURE



**Front End**

Fiori

Process Flow
Data Flow

**Master Data**

Business Partner

Material Master

Pricing records

**Logistics/ Billing**

Shipment Documents

Invoices

**Settlements**

Partner Profile Table

Eligible Product Line Table

Price Drop Table

Price Drop Program

Aging Limit Table

IPP Processing Program

Partner Inventory Table

IDOC

Settlement Document

Partner Submission Portal

**Accounting**

Post accounting entries/COPA posting

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# PRICING TOOL DESIGN

Eligible Partners

Eligible Product Line Table

Net Price Drop Extraction Program

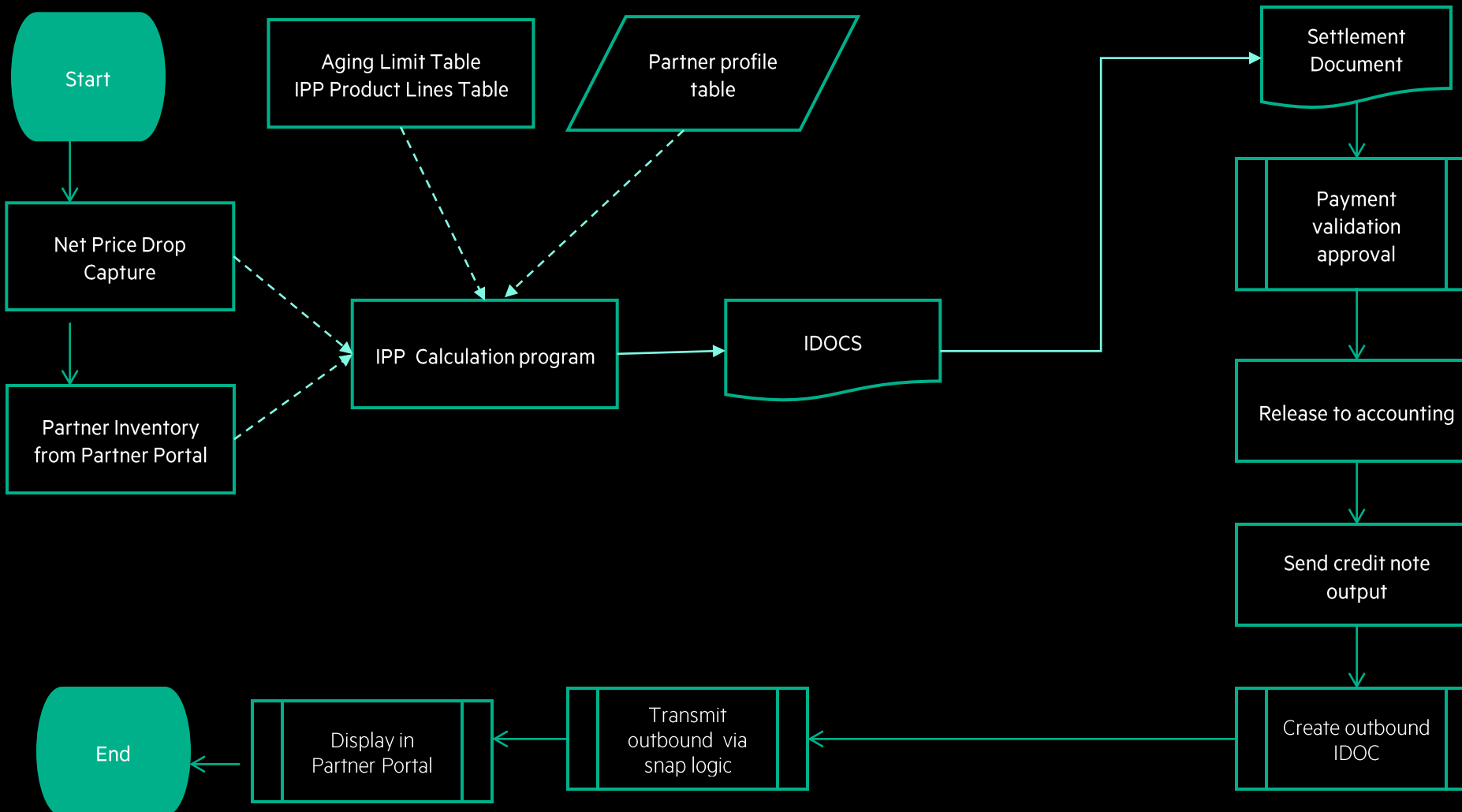Net Price Drop Table

List Price Tables

Purchase Agreement Tables

Billing Tables

- Pricing tool within S/4 HANA will extract the Net Price Drop information and store them in Net Price Drop Tables

- Settlement module will use the price drop information to perform the required validations, calculations and generate payment requests.

- Works globally to evaluate net price drop changes across multiple sales orders

- Runs on a daily basis

- Reads the list price changes and Purchase agreement changes for IPP eligible product lines and Partner

- Combines the information above to determine Net Price Drop per Partner/ Material combination

- Since program performance is critical , performance was built into the pricing tool design

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# IPP END TO END PROCESS OVERVIEW



Start

Net Price Drop Capture

Partner Inventory from Partner Portal

Aging Limit Table
IPP Product Lines Table

Partner profile table

IPP Calculation program

IDOCS

Settlement Document

Payment validation approval

Release to accounting

Send credit note output

Create outbound IDOC

Transmit outbound via snap logic

Display in Partner Portal

End

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# IPP DESIGN FEATURES/ CAPABILITIES (1)

| Feature | Capability |
|---------|-----------|
| Eligibility Tables Setups | Capability to specify IPP eligibility based on Partners and product lines. |
| Partner Profile Table | Capability to capture customer partner settlement parameters specific to the IPP program that includes payment methods, transmission contacts, transmission languages, allowed settlement currency and special holds. |
| Aging Limit Table | Ability to maintain aging limit parameters at the Region/ Sales Org/ Partner / Material level . Design must optimize maintenance so that record maintenance is kept to the minimum. |
| Net Price Drop Extraction Engine | Enables the automated capture of the net price drop for all materials belonging to IPP eligible product lines on a daily basis. The tool will check both contractual discount tables as well as list prices to determine the Net price drop . |
| Partner Inventory Table | Ability to store partner inventory information from the partner portal into the partner inventory table in an efficient manner suitable for subsequent IPP processing |
| Net price Drop calculation Engine | Provides the capability to: Validate invoices to the partner within the aging limit against the partner inventory . Validate the shipments against the invoices to determine in transit shipments. Compares the net price on the invoice against the contractual NDP to determine the IPP payment amounts. Creates Settlement documents in S/4 to capture the settlement amounts calculated for approval processing. |

# IPP DESIGN FEATURES/ CAPABILITIES (2)

| Feature | Capability |
| --- | --- |
| Subsequent Price drops | Capability to process subsequent price drops with overlapping aging limit periods |
| Approvals | Capability to facilitate multi level approvals of IPP settlement amounts to partners |
| Finance Postings | Capability to make accurate accounting postings, profit center determination, Segment derivation and profitability segments postings.<br>Ability to post to A/R or A/P depending on the payment method postings. |
| Taxes | Ability to calculate taxes according to taxation authorities across more than 130 countries<br>Ability to calculate multiple tax rates / Jurisdiction taxes. |
| Partner Transmission | Ability to transmit credit notes and Invoice request to partners based on partner transmission parameters.<br>Ability to receive invoices from the partner and reconcile partner specified amounts against calculated amounts.<br>Multiple languages translation. |
| Dispute Handling | Ability to facilitate post settlement adjustments . |
| Reporting | Ability to provide a wide variety of reports such as :<br>✓ IPP Credit detail report per price drop date and per partner<br>✓ IPP Partner Credit report with protected inventory quantities and extended price drop amounts<br>✓ IPP Credit Summary report per price drop date and per partner (Protected/Un Protected) |

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# LESSONS LEARNT ( 1) – IPP PROCESS DESIGN

**Aging Limit Period**          **Price Drop Date**

**Scenario 1**

Delivery          POD/Shipment          Invoice

**Scenario 2**

Delivery          POD/Shipment          Invoice

**Scenario 3**

Delivery          No POD/Shipment          Invoice

*IPP – On Hold*

**Scenario 4**

Delivery          Invoice          POD/Shipment

**Scenario 5**
*Not IPP Relevant*

Invoice          POD/Shipment
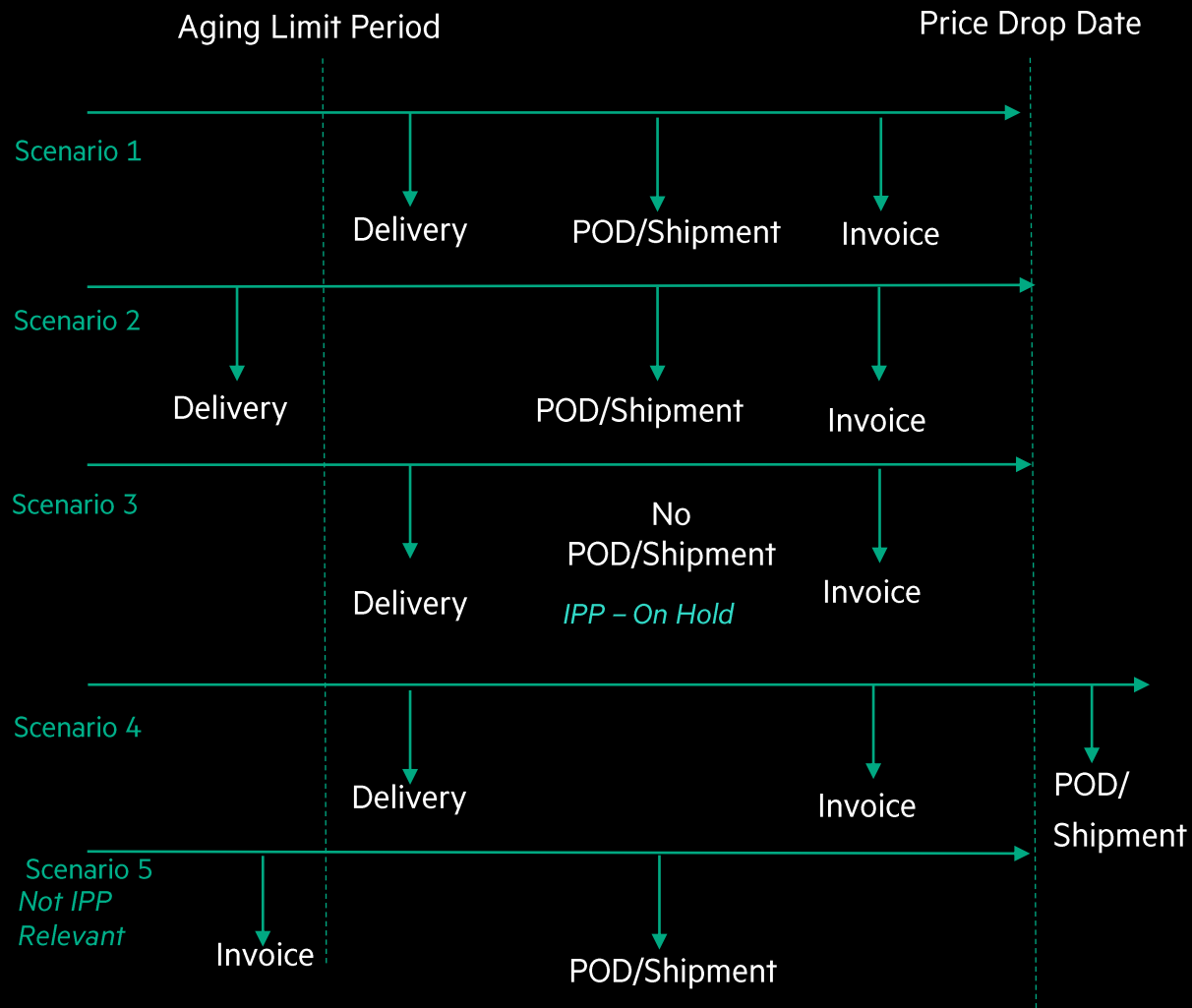
- Pricing Tool performance is critical and must be built into the design

- Impact of IPP Payment calculations from subsequent triggered by subsequent price drop dates and overlapping periods

- Use of Shipment document or POD dates to ensure that products are delivered to the customer within aging limit period.

- Comparison of the Contractual NDP to the actual net value of an invoice when calculating IPP compensation amounts

- Invoice shipments within the aging limit period to be considered when validating partner inventory

- Ensure that Order Management reprices the impacted Invoices on the day of the Net price drop

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# LESSONS LEARNT ( 2) - INTEGRATION

**Master Data**

- Customer Master consolidation
- Customer / Vendor Integration
- Special Partner profile setups

**EDI**

- Consolidate EDI mapping fields for different vendors
- End to end testing with technical teams and partners

**Finance and Taxes**

- Close integration required with A/R
- Impact on Company Code postings
- Tax integration with external software
- Multiple Tax rates

**Closed Loop Integration, Legacy + S4**

- Ensure 100% reconciliation between upstream & downstream systems
- Ensure the order currency is matching the payment currency

# Q&A
For questions after this session, contact us below:

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