SAP FSCM – Financial Supply Chain Management

Unit 1 – FSCM Overview
Course Overview

Unit 1.1 SAP Financial Supply Chain Management
Unit 1.2 SAP Credit Management
Unit 1.3 SAP Biller Direct
Unit 1.4 SAP Dispute Management
Unit 1.5 SAP Collections Management

Course Objectives

At the conclusion of this course, you will be able to:

- Explain the features and benefits of SAP FSCM and the SAP FSCM components SAP Credit Management, Biller Direct, Dispute Management, and Collections Management
- Describe the functions, architecture options, and integration options of these SAP FSCM components
- Describe how an organization can actually implement these SAP FSCM components in its sales order processing
- Apply the basic steps of the SAP FSCM components listed above
Unit 1.1 SAP Financial Supply Chain Management

Topics from this unit:

- Definition and components of the Financial Supply Chain (FSC)
- Optimization potential in the financial supply chain as a starting point for Financial Supply Chain Management (FSCM)
- Introduction of the SAP FSCM components as a solution set for supporting or implementing financial supply chain management within an organization
- Definition of the course content

Definition of Financial Supply Chain Management

Financial Supply Chain Management is designed to optimize the financial supply chain with the aim of maximizing and retaining long-term profits.

Financial Supply Chain Management (FSCM) is therefore an integrated approach to increasing the transparency, control, and supervision of all processes linked to the flow of capital, the result of which is (for example) a reduction of working capital, an increase in cash flow projection, and a reduction of process costs.
The solution set of SAP Financial Supply Chain Management as part of mySAP ERP consists of different FSCM components, which can be used to optimize the financial supply chain either independently of one another or in combination with one another.

**SAP FSCM – Credit Management**

SAP Credit Management provides tools to evaluate the creditworthiness of customers using internal rating policies and external credit data, and enables quick and consistent credit decisions.

Organizations can use SAP Credit Management to reduce delays in payments, non-payments, and process costs, as well as to improve relations with their top customers.

**SAP FSCM – Biller Direct**

SAP Biller Direct allows you to issue a bill electronically, which is sent to the customer by a link to a server provided by the biller, or by attaching the file directly as an e-mail attachment. SAP Biller Direct provides the customer with a Web site, which the customer then uses to obtain an overview of payables due to the biller (open items, paid bills, credit memos), download billing data, or make payments online.
The biller sends **bills electronically to the Biller Consolidator**, which then converts the format as necessary and posts the bills with the appropriate value-added tax to the relevant customer.

The **bill is issued to the customer's ERP system (B2B) or displayed in a portal** (especially in B2C scenarios).

Issuing the bill to the (commercial) customer’s ERP system allows the customer to **optimize the bill receipt process**:

- Automatic entry of billing data
- Automatic comparison of invoice and purchase order
- Automatic posting

**SAP FSCM – Collection Management**

SAP Collections Management allows you to **evaluate, identify, split cost components, and prioritize accounts** from a risk management and customer relations point of view. Furthermore, it supports **proactive processing of receivables** and enables **process optimization and automation** for large numbers of open items.

**Manages customer-specific receivables by:**

- Identifying, prioritizing, and evaluating accounts
- Processing receivables proactively
- Optimizing processes and automating large volumes of open items

**SAP FSCM – Dispute Management**

SAP Dispute Management allows you to resolve **disagreements between the vendor and the customer** quickly and efficiently, **taking into account the customer’s existing financial obligations**. It allows you to analyze the problem and the reasons for the outstanding amount, and provides a starting point for an organization to establish a quality management concept, reduce DSO, and increase customer satisfaction.

**Increases customer profitability and decreases DSO by:**

- Recognizing problems in the payment cycle at an early stage
- Monitoring factors that influence the DSO
- Decreasing price reductions and underpayments

**SAP FSCM – Course Scenario**
The SAP FSCM components Credit Management, Biller Direct, and Dispute & Collections Management, which are dealt with in this course, are represented in the following B2C scenario (private customer scenario):

- When you create a sales order (SO) for a customer in the SAP Sales and Distribution component (SAP Sales), the customer's creditworthiness (CW) is checked online using SAP Credit Management; subsequently the order is processed and released in SAP Sales if there is a block set by SAP Credit Management.

- The sales order is then invoiced electronically using SAP Biller Direct; payments and complaints entered by the customer using SAP Biller Direct are processed using the integrated SAP Financial Accounting (SAP Financials) and SAP Dispute Management systems.

- SAP Dispute Management is used to clarify customer problems that have been entered using SAP Biller Direct.

- SAP Collections Management is used for active communication regarding the overdue receivable that resulted from the sales order.

- The receivable for the sales order is then cleared.
Definition

SAP Credit Management is a component of SAP Financial Supply Chain Management.

SAP Credit Management provides functions for integrating external credit information, scoring, categorizing new and existing customers on the basis of their credit data, and converting this information into quick credit decisions.

SAP Credit Management allows organizations to monitor and control their customer's credit risk in one central system.

SAP Credit Management is particularly suitable for handling credit management processes in extremely distributed system landscapes.

➤ Profit Margin Versus Sales

Organizations with a low profit margin suffer particularly from the default probability of receivables from their deliveries and services.

Compensation for losses on receivables is much more difficult for organizations with low profit margins than for organizations with higher profit margins.

➤ Probability of Default Defines Hedge

Credit managers often classify their customers in risk classes, which are derived from the customer’s score (represents the customer's credit status).

The risk class dictates how the customer's credit risk is controlled and monitored. It therefore controls the specification of payment conditions, including the allocation of payment targets and provision of collateral.

Features

Credit limit management
- Implementation of an organization-wide credit policy
- Central management of credit limits in a distributed system landscape

Credit case
- Central, electronic creation of credit limit applications
- Status and result monitoring of credit limit applications
Credit rules engine
- Categorization of customers using valuation rules
- Automatic calculation and assignment of customer-specific scores and credit limits
- Check rule for credit decisions that are relevant to an order (order check)

Credit information
- Interface for external credit agencies
- Input parameters for scoring formulas
- SAP BW content

Credit manager portal
- Role-based access to credit management information and analyses

Credit Management Integration Overview

Summary

SAP Credit Management is a component of SAP Financial Supply Chain Management.

A high number of non-payments represents a significant threat, especially to organizations with a small profit margin.

Customers are rated according to their credit risk and their sales volume potential (scoring, risk class) in order to avoid non-payments, and also to improve the organization's relationship to particularly appealing customers.
The result is a credit limit, on which the credit decision for the sales order is based (specification of the payment and delivery conditions).

SAP Credit Management enables automated scoring, risk class, and credit limit calculations using formulas; central management of these evaluations; integration of external credit information; and connection to SAP BW and SAP NetWeaver Portal.

SAP Credit Management can be connected as a central system to various external systems (for example, SAP systems, non-SAP systems, or external credit agencies) using the SAP NetWeaver technology SAP XI (Exchange Infrastructure).
Unit 1.3 SAP FSCM – Biller Direct

Definition of SAP Biller Direct

SAP Biller Direct is a component of SAP Financial Supply Chain Management, and along with SAP Biller Consolidator provides an SAP solution for Electronic Bill Presentment and Payment (EBPP).

SAP Biller Direct allows organizations to set up electronic billing, electronic payments and integrate customer service and financial management using an Internet portal.

SAP Biller Direct supports the entire communication process, from presenting the bill to clarifying discrepancies and reconciling accounts and payments.

SAP Biller Direct is a Java-based application, which allows organizations to work closely together with their customers and partners.

SAP Biller Direct Versus SAP Biller Consolidator:

SAP EBPP – SAP Biller Direct solution:

- The customer downloads the bill electronically from a link to a server set up by the biller, or opens the file directly as an e-mail attachment.

- 1:n relationship (point-for-point)
- You can present the bill in the portal, send a URL, and the customer can manually process the bill.
- Customer licenses the software and installs it.
- If there is a strong increase in sales, this is not beneficial for customers who receive their bills from several portals.
SAP EBPP – SAP Biller Consolidator solution:

- The biller sends bills electronically to the consolidator, which then converts the format as necessary and posts the bills with the appropriate value-added tax to the relevant customer.
- The customer can pay the bill by point-and-click.

- **n:m** relationship (network)
- You **send the bill** to the customer’s ERP system or present the bill in the portal.
- Service provider provides the service and the customer pays for this service.
- Customer does not install any software requiring a license, but connects instead to the Consolidator
- If there is a low increase in sales, the network efficiency is not used to its advantage.

Features

- Billing, payment history and account balance display
- (Partial) payments using SAP Biller Direct
- Cancellation of scheduled payments
- Clear payments against open items
- Customer notification
- Collection authorization assignment
- Integration with SAP Dispute Management and SAP Cash Management
- E-invoicing (Payer Direct)

Summary

SAP Biller Direct is a **Java-based component of SAP Financial Supply Chain Management**, and along with SAP Biller Consolidator provides **an SAP solution for electronic bill presentment and payment** (EBPP).

By using SAP Biller Direct, the customer receives the **electronic bill** either by downloading from a link (text message or e-mail) to a server set up by the biller, or by opening the file directly as an e-mail attachment. The customer can then carry out further activities electronically (for
example, approving payments, clearing credit for invoices, or creating requests or complaints).

Along with the processes set previously in the B2C scenarios, SAP Biller Direct can also be set up for different B2B scenarios, such as assigning open items, comparing balances, maintaining master data, or preparing reports. As an alternative to the services offered by service providers to their customers, Biller Direct can also be used as a service offered by customers to their service providers, and can be used to track invoices assigned to customers in the customer system (payer direct).
Unit 1.4 SAP FSCM – Dispute Management

Definition

SAP Dispute Management is part of **SAP Financial Supply Chain Management**.

**SAP Dispute Management** provides functions to **process discrepancies between organizations and customers regarding the customer’s financial obligation** (in other words, the dispute case).

It **enhances the following logistical process chains** in the stage between billing and payment, should discrepancies arise with the customer:

> Customer order – Delivery – Billing – Payment
> Contract – Service provision – Billing – Payment

➢ **Events that Cause Dispute Cases**

**Receivable-related dispute cases arise if customers:**
- pay an amount that exceeds the difference tolerated by the selling organization
- or withhold a payment

**There are justified reasons:**
- ☐ Damaged goods
- ☐ Incorrect price
- ☐ Late delivery

**There are unjustified reasons:**
- ☐ Delivery was on time
- ☐ Price was correct

➢ **Visibility of Dispute Cases**

**When do selling organizations know that there are dispute cases?**
- ☐ The customer informs them by:
  - o Contacting the call center
  - o Contacting the accounts receivable accountant
- ☐ **The incoming payment is an underpayment.**
  - o Reprocessing incoming payments (account statement)
  - o Manually posting incoming payments
The customer does not pay a bill.

Dispute cases can arise in various types of organizational units such as accounts receivable accounting or in a call center.

The selling organization must be able to create and process dispute cases in different departments.

Integrating dispute case processing into financial and logistical processes is the basis for optimizing processes.

**Functions**

- SAP Dispute Management controls and streamlines processing of dispute cases.
- SAP Dispute Management organizes and stores all information and documentation relating to a dispute case centrally.
- As the central component for handling dispute cases, SAP Dispute Management facilitates a solution for resolving dispute cases across departments.
- SAP Dispute Management is integrated into financial and logistical processes.
- SAP Dispute Management provides reporting for:
  - Recognizing problems with quality
  - Controlling the workload
  - Tracking the dispute process

**Summary**

- Dispute cases can arise for various reasons, and occur during different processes and in different types of organization, such as in accounts receivable accounting or in a call center.
- SAP Dispute Management provides functions for cross-departmental and cross-process handling of dispute cases involving receivables.
- SAP Dispute Management organizes and stores all information and documentation relating to a dispute case centrally.
Unit 1.5 SAP FSCM – Collection Management

Definition

SAP Collections Management supports:

- The evaluation, identification, cost component splitting, and prioritization of accounts:
  - From a risk management perspective
  - From a customer relationship perspective

- Proactive processing of receivables
  - Payment reminders
  - Agreements for promises to pay
  - Follow-up

- Process optimization and automation for large volumes of open items
- Workforce management

➢ Opportunity/problems

The difficult economic climate leads to poor payment behavior:
- Increasing DSO
- No reaction to automatic correspondence such as dunning notices
- Financial situation affects customer relationships

Collections Management is now mostly a time-consuming, high-cost, and labored process
- Searching for customers to process
- Searching for account information
- High volume

➢ Business requirements

Increase the proportion of collected receivables:
- Decrease the period outstanding for receivables
- Avoid write offs
- Increase the proportion of payments on time

Reduce the cost of processing receivables
Improve customer relationships

- Retain valuable customers and change the behavior of difficult customers with relevant actions
- Prepare complete picture of customer history
- Increase customer satisfaction

Functions

SAP Collections Management allows you to select and prioritize customer accounts to process.

SAP Collections Management provides new functions for displaying and processing receivables for each customer.

SAP Collections Management offers a new way of processing receivables: agreements for promises to pay
- Creation of promises to pay
- Automatic update of promises to pay
- Automatic evaluation of broken promises to pay

SAP Collections Management is integrated with SAP Dispute Management.
- Create dispute cases for open items
- Display the status of disputed invoices

SAP Collections Management is integrated in real time with SAP Accounts Receivable Accounting.

Summary

SAP Collections Management allows you to select and prioritize customer accounts, display and process receivables for each customer account, and enter promises to pay. Processing is fully integrated with SAP Dispute Management and SAP Accounts Receivable Accounting.