

Ariba Discount Professional™

New Customer Guide

July, 2011

Discount Pro™ New Customer Guide

This document is intended to be an introductory guide for new Discount Pro™ customers. This guide will provide the following:

- Explanation and overview of the Discount Pro™ product
- Explanation and overview of Discount Pro deployment
- Configuration/setup how-to guide
- Overview of standard customer materials
- Glossary of Terms

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1 Discount Pro™ Explanation and Overview

Discount Pro™ enables Buyers and their Suppliers to collaborate over the terms and execution of early payment of approved invoices in exchange for a discount off the face value of the invoice. It allows Buyers to define offers to their Suppliers for automatic or ad-hoc early payment that the Supplier can then review and accept, ignore or propose a counter offer (if enabled to do so by Buyer). It allows Suppliers to better manage their cash receivables and provides Buyers with discounts in exchange for early payment.

After Discount Pro™ is enabled, the Buyer defines early payment offers that specify discount rates, days for processing payments, and which Suppliers are eligible. If a scheduled payment meets the parameters of one of the offers, Suppliers see an early payment offer in the **Early Payments** tab in their Ariba Network Inbox. The Ariba Network shows them the original amounts from the scheduled payments, the current discounted amounts, and the projected settlement dates. They can select the specific date on which they wish to receive accelerated payment or they can also use the Cash Optimizer, which allows them to intelligently decide which payments they want to request early settlement for, based on criteria they enter.

When Suppliers request early settlements by agreeing to the Buyer's early payment offer, Discount Pro™ executes the discount and sends an updated PaymentProposalRequest (PPR) to the Buyer with the new amount and date of payment. The Buyer then uses this to schedule payment in their payment system.

Discount Pro™ contains the following options to the Buyer for making discount offers:

- **Standing Early Payment Term Offers**—Early payment terms that automatically apply to all applicable invoices from one or more Suppliers.
- **Pre-Accepted Standing Early Payment Term Offers**—Early payment terms that were previously agreed to outside of Ariba Network. Suppliers can only view the details of this offer and cannot cancel or reject it.
- **Buyer-initiated Dynamic Discounts (Ad-Hoc)**—Early payment terms that Buyers offer to some or all Suppliers that they can accept individually, on an invoice-by-invoice basis.
- **Supplier-initiated Dynamic Discounts (Ad-Hoc)**—A Configuration option that enables Suppliers to either 1) initiate an offer of early payment to the Buyer, or 2) make a counter-proposal on a Buyer-Initiated Dynamic Discount they have already received from the Buyer.
- **Buyer auto-acceptance**—Early payment terms that Discount Pro™ accepts on your behalf if a Supplier Initiated Dynamic Discount offer meets the criteria you specify.
- **Payment Schedule** – The Buyer has the ability to define the recurrence pattern and/or specific dates on which they make payments from their payment system, as well as the anticipated time it takes to reach the Supplier from the time of payment execution. This information is used by Discount Pro™ to calculate the discount offered to the Supplier based on the estimated settlement date.

- **Holiday Calendar** – The Buyer has the ability to define a holiday/weekend schedule to define the days on which a payment is NOT made, as well as the rules for when a payment should be made if a normally scheduled payment day falls on a holiday/weekend. Again, this information is used by Discount Pro™ in conjunction with the payment schedule to calculate the discount offered to the Supplier based on the estimated settlement date.

2 Deployment Scenarios

Being engineered upon the Ariba Network platform, the Discount Pro™ product requires a Buyer to connect their ERP to the Ariba Network for the purpose of sending the information required to calculate, offer and execute upon an early payment discount opportunity, as well as to receive back the updated & discounted early payment information which will be used to schedule the actual payment to the Supplier.

There are three potential scenarios in which Discount Pro™ can be technically deployed: 1) With Ariba Invoice Automation™, 2) With another Ariba product that acts as conduit to the AN (e.g.Ariba P2P™, Ariba CD Buyer™, Ariba Invoice Pro™); 3) as a standalone product connecting directly by means of one of the adapter options available.

The actual invoice for which early payment is being proposed does NOT need to have been processed through an Ariba product since Discount Pro™ does not begin its work until the invoice in question has been approved and scheduled to pay. Therefore, Buyers can offer early payment to 100% of their Suppliers, regardless of whether or not the invoice was originally sent by the Supplier through Ariba, or was processed to approval by an Ariba product.

However, once the invoice has been approved and scheduled to pay, Discount Pro™ needs the following data elements in order to properly propose and execute upon an early payment offer:

- PaymentProposalRequest (cXML version) (or)
- PaymentProposalRequest (CSV version) PLUS the Invoice Date from the original invoice (For Standing Terms only)

The cXML version of the PaymentProposalRequest contains all of the information needed by Discount Pro™ , while the .csv version lacks the Invoice Date, which must be then provided directly for Standing Term calculations (through cc: Invoice or directly as a data element).

3 ACS Discount Services & Levels of Support

The table below outlines the key milestones for establishing an Early Payment Program and deploying Discount Pro™ along with a description of the activities leading up to the completion of the milestone. The Ariba Offering column indicates whether the body of work for each milestone is included as part of the basic Discount Pro™ deployment package or if additional services are required.

(Note: the technical adapter work if required should happen concurrently and is a prerequisite to the Configuration milestone)

Milestone	Description	Ariba Offering	Key Ariba Resource
Readiness	Activities focused on making sure a solid foundation is in place to support an Early Payment Program with client's suppliers: - Consistently applied terms across contracts, purchase orders, vendor master files and invoices that is aligned with actual pay dates - Payment practices for the in scope suppliers of >30 days from date of invoice - Understanding of company's working capital goals and how the early payment program will align	Optional with SOW Services	ACS
Flight Plan	Determine which suppliers will be targeted for enablement and in which phase resulting in a flight plan listing of suppliers	Included with Basic Package	Program Manager
Early Payment Offers	Determine early payment term offers by Supplier within flight plan based on Supplier payment terms and Customer's Program hurdle rate as well as best practices	Included with Basic Package	Program Manager
Configuration	Configure approved early payment term offers and Customer's discount rules in Discount Professional system	Included with Basic Package	SE Lead
Communications	Provide standard templates for letters, supplier portal, and other communication vehicles related to Early Payment program and work with customer to customize and make available	Included with Basic Package	SE Lead
Adoption Strategy & Campaign	A complement to Supplier Enablement, this takes place concurrently with deployment and is intended to put a strategy in place to drive supplier adoption of invoicing and/or discounting solutions by defining and executing a campaign to drive adoption	Optional with SOW Services	ACS
Enablement	Establish the technology and process to allow a Supplier to participate in the early payment program, via the Ariba Network and track progress toward achieving discount goals	Included with Basic Package	SE Lead

4 Standard Discount Pro™ Deployment Project Milestones

The following matrix shows the major milestones associated with the standard Discount Pro™ deployment plan, along with a brief description:

Milestone	Description	Owner	Timing
Readiness	Activities focused on making sure a solid foundation is in place to support an Early Payment Program with client's suppliers: - Consistently applied terms across contracts, purchase orders, vendor master files and invoices that is aligned with actual pay dates - Payment practices for the in scope suppliers of >30 days from date of invoice - Understanding of company's working capital goals and how the early payment program will align	Client (unless ACS services have been scoped)	Pre Deployment
Flight Plan	Determine which suppliers will be targeted for enablement and in which phase resulting in a flight plan listing of suppliers	Program Manager (typically NPM)	Pre/Deployment
Early Payment Offers	Determine early payment term offers by Supplier within flight plan based on Supplier payment terms and Customer's Program hurdle rate as well as best practices	Program Manager (typically NPM)	Deployment
Configuration	Configure approved early payment term offers and Customer's discount rules in Discount Professional system	SE Lead	Deployment
Communications	Provide standard templates for letters, supplier portal, and other communication vehicles related to Early Payment program and work with customer to customize and make available	SE Lead	Deployment
Adoption Strategy & Campaign	A complement to Supplier Enablement, this takes place concurrently with deployment and is intended to put a strategy in place to drive supplier adoption of invoicing and/or discounting solutions by defining and executing a campaign to drive adoption	Client (unless ACS services have been scoped)	Pre/Deployment
Enablement	Establish the technology and process to allow a Supplier to participate in the early payment program, via the Ariba Network and track progress toward achieving discount goals	SE Lead	Deployment/Post

5 Configuring Discount Pro™™

5.1 Standing Early Payment Term Offers

5.1.1 About Standing Early Payment Term Offers

Standing early payment term offers can also be understood as “Automatic” early payment terms. That is, they are early payment terms that are offered to the Supplier which, if accepted, automatically apply to that Supplier’s invoices and execute the early payment terms without any further intervention by the Supplier or Buyer. In other words, their agreement on early payment terms “stands” until one of the parties specifically chooses to rescind their agreement via Discount Pro™.

Buyers can set up standing early payment term offers in Discount Pro™ that define net and discount terms that will apply to future payments once accepted. These offers can be applied to a specific Supplier, a group of Suppliers, or all Suppliers. When a Supplier is added to an offer, they receive an automated email notification that describes the terms and instructions for logging in to Ariba Network to accept the early payment terms.

Additionally, Buyers also have the ability to use Discount Pro™ to enforce previously agreed upon (i.e. contracted) early payment terms without needing the Supplier to agree again on the Ariba Network. This functionality is accessed by setting up what is called a **Pre-Accepted Standing Early Payment Term Offer**. The setup of this offer is exactly the same as a regular Standing Early Payment Term Offer (as is explained below), but by using this feature, the early payment discount term becomes effective immediately, and any named Supplier does NOT have the option to opt-out. (For example, some Ariba Discount Pro™ customers utilize this feature to activate discounts for suppliers who have previously agreed to discount terms, either in their contracts or via email as part of a discount outreach campaign).

Standing Term Offers in Discount Pro™ are based on one of two ways of defining the offer:

- 1) Terms based on a defined Annual Percentage Rate (APR) and
- 2) Terms based on a traditional face value discount rate (e.g. 2%/10 Net 30)

5.1.1.1 APR-Based Standing Early Payment Terms

APR-based standing terms allow a Buyer to define an annual rate of return they want to earn on the discount, and define the offer as such. By nature, the discount associated with this offer begins the day the invoice is received (day 1) and pro-rates the amount of discount downward each day until the net due date. Accordingly, the Buyer receives a constant APR return on their cash deployed to early payment, while the Supplier pays a discount only for the number of days paid early.

For example, a 36% APR offer with a net 30 term would earn the Buyer 36% APR throughout the 30 day period of the invoice no matter when they pay. However, the face value % of the discount (and thus the \$ amount of the discount) would go down over the 30 day life of the invoice. In this example, if the invoice was approved to pay on day 10 after received (or 20 days early) the Supplier would give a 2% discount. If the invoice was approved to pay on day 15 after received (or 15 days early), the Supplier would give a 1.5% discount. On day 20, the discount would be 1%, and so on. This is called a pro-rated

or sliding scale discount, in that the actual \$ discount pro-rates on a sliding scale based on how many days the invoice is paid early.

NOTE: The Supplier is ALWAYS shown the discount percentage in terms of the discount % off the face value of the invoice. The Supplier will NEVER see the APR of any offer displayed.

5.1.1.2 Face Value (Traditional) Standing Early Payment Terms

Terms based on Face Value Discount rates are defined in the traditional manner of X% Y Net Z, where X is the % off the face value of the discount, Y is the number of days after invoice receipt that the discount period begins & Z is the net term days (e.g. 2% 10 Net 30). These standing terms can be offered with or without a sliding scale. With a sliding scale, in the 2% 10 Net 30 example, on day 10, the discount would be 2% off the value of the invoice and would prorate down to 0% off the value of the invoice on day 30. Without a sliding scale, if the invoice is approved before day 10, a 2% discount is taken, but if it is approved after day 10, no discount is taken and the invoice is paid in full on the net term due date (day 30).

The following section will explain how to set up each of these Standing Early Payment Terms.

5.1.2 Setting up Standing Early Payment Term Offers

To setup all discount configurations, a Buyer with discount management permissions must sign on to their Buyer.Ariba.Com account and navigate to the Discount Management Configuration page. From there, to setup a standing early payment term offer:

1. Under the Discount Offers section, click on **Add** and select **Standing Early Payment Term Offer**

The screenshot shows the 'Ariba Discount Management' interface. At the top, there are tabs for 'Discount Offers', 'Offer History', and 'Notification Configuration'. Below the tabs, the 'DISCOUNT OFFERS' section is active, with a sub-header 'Use this section to define the Discounting Offer Terms that will apply to invoices from the specified supplier(s)'. A table titled 'Discount Offers' contains three rows: 'Standing Early Payment Term Offer (20)', 'Buyer Initiated Dynamic Discount (4)', and 'Supplier Initiated Dynamic Discount (3)'. Below the table, there are buttons for 'Suspend/Change', 'Resume', and 'Add'. The 'Add' button is open, showing a dropdown menu with four options: 'Standing Early Payment Term Offer', 'Pre Accepted Standing Early Payment Term Offer', 'Buyer Initiated Discount Offer', and 'Supplier Initiated Discount Offer'. At the bottom of the interface, there is a section for 'BUYER AUTO-ACCEPTANCE' with a sub-header 'Create rules to allow automatic acceptan'.

5.1.2.1 APR Based Standing Term Configuration

- For APR based term, select **APR** button and fill in fields (see below figure for definition of fields. When complete, click on **OK**, then click on **OK** again to confirm when prompted.

Configure Standing Early Payment Term Offer [OK] [Cancel]

* Name:

Description: Characters left: **300**

* Choose a payment offering :

APR **i**

Face Value Discount **i**

Net Payment Terms - No Discount

* Processing Time(days): **i**

APR PAYMENT TERMS

* APR:

* Net Term(days): **v** **i**

OFFERED TO

No Suppliers

All Suppliers

Subset of Suppliers

[OK] [Cancel]

Figure 2 -- APR based Standing Term Configuration Screen

- **Name:** A short descriptor for internal ID only. (Will not display to Supplier)
- **Description:** Longer section for internal description. (Will not display to Supplier)
- **Processing Time:** Time it takes method of payment used to get to supplier (i.e. 1 day for ACH, 3-5 days for check). This value is used along with the payment and holiday schedules to calculate the correct discount amount and based on the estimated settlement date from these inputs.
- **APR:** Annual Percentage Rate. Input the numeric value in whole numbers of the percentage rate desired by Buyer (i.e. "24" for 24% APR).
- **Net Terms (days):** Number of days for the net term due date. e.g. "45" for Net 45.
- **Offered To:** Define who to make this offer to. Default setting is "No Suppliers" to allow for setup of the offer ahead of going live. When ready to go live with the discount offer, select **All Suppliers** to offer to all of the suppliers connected to the Buyer on the Ariba Network. Or select

Subset of Suppliers to bring up a search dialogue to find and select specific suppliers or supplier groups.

5.1.2.2 Face Value Based Standing Term Configuration

- For Terms based on Face Value Discounts, select **Face Value Discount** radio button and fill in fields (see below figure for definition of fields. When complete, click on **OK**, then click on **OK** again to confirm when prompted.

Configure Standing Early Payment Term Offer OK Cancel

* Name:

Description: Characters left: 300

* Choose a payment offering :

APR i

Face Value Discount i

Net Payment Terms - No Discount

NET PAYMENT TERMS

* Processing Time(days): i

* Discount Rate(% of payment schedule): i

* Discount Term(days): v i

Sliding scale between net and discount term

* Net Term(days): v i

OFFERED TO

No Suppliers

All Suppliers

Subset of Suppliers

OK Cancel

- **Name:** A short descriptor for internal ID only. (Will not display to Supplier)
- **Description:** Longer section for internal description. (Will not display to Supplier)
- **Processing Time:** Time it takes method of payment used to get to supplier (i.e. 1 day for ACH, 3-5 days for check). This value is used along with the payment and holiday schedules to calculate the correct discount amount and based on the estimated settlement date from these inputs.
- **Discount Rate (% of payment schedule):** Discount % off the face value of the invoice (e.g. "2" for a 2% 10 Net 30 term). Input the numeric value in whole numbers of the percentage rate desired by Buyer (i.e. "2" for 2%).

- **Discount Term (days):** Number of days after invoice is received that the discount calculation starts. For Example, “10” for a 2% 10 Net 30 term.
- **Sliding scale between net and discount term:** Check this box if this offer is meant to pro-rate down from the Discount Rate to 0% on the net term date. Leave blank for terms with no pro-rated sliding scale.
- **Net Terms (days):** Number of days for the net term due date. e.g. “30” 2% 10 Net 30.
- **Offered To:** Define who to make this offer to. Default setting is “No Suppliers” to allow for setup of the offer ahead of going live. When ready to go live with the discount offer, select **All Suppliers** to offer to all of the suppliers connected to the Buyer on the Ariba Network. Or select **Subset of Suppliers** to bring up a search dialogue to find and select specific suppliers or supplier groups.

5.1.3 How Discount Pro™ Calculates Standing Early Payment Terms

Ariba Network calculates standing early payment term offers as follows:

- Net Term: No discount
- APR Term (full sliding scale): Discount Amount = Invoice Net Amount * APR/365 * number of days paid before due date.
- Face value discount:
 - If the invoice is approved to pay **BEFORE** the **Discount Term** (e.g. day 5 on a 2% 10 Net 30 term): The Discount Amount = Invoice Net \$ * **Discount Rate %**.
 - If the invoice is approved to pay **AFTER** the **Discount Term** (e.g. Day 15 on a 2% 10 Net 30 term): The Discount Amount = (Invoice Net \$ * **Discount Rate %**) * (number of days before **Net Term**)/(Net Term - **Discount Term**).

5.2 Dynamic Discount Offers

In general, Dynamic Discount early payment offers are presented to suppliers on an invoice by invoice basis when a Supplier has not already accepted a Standing Early Payment Term Offer (SEPTO).

When a PaymentProposalRequest (PPR) is received by the AN, Discount Pro™ first looks to see if that Supplier has accepted a SEPTO that would apply to that PPR/Invoice. If there IS an active, applicable SEPTO, then Discount Pro™ executes the discount and sends the Updated PPR back to the ERP with the new \$ amount and payment date. No further action is taken by Discount Pro™.

However, if a SEPTO has NOT been accepted by the Supplier, Discount Pro™ then looks to see if the Buyer has setup a Dynamic Discount offer for that Supplier. If they have, then Discount Pro™ sends a notification to the Supplier and makes the offer visible to the Supplier in their Supplier.Ariba.com (Ariba Network) account so the Supplier can review and choose whether or not to take early payment on each individual invoice on an ad hoc basis.

5.2.1 About Buyer-Initiated Dynamic Discounts

Buyer Initiated Dynamic Discount terms allow buying customers to automatically make early payment offers to Suppliers on an invoice by invoice basis as the Supplier invoices are approved and the PaymentProposalRequest is sent to the Ariba Network.

Buyers define the offer parameters (as explained below), and these parameters are used to automatically offer early payment to the Supplier in exchange for a discount. The key to understanding “Buyer Initiated” dynamic discounting is that it is the Buyer who begins (initiates) the conversation automatically on an invoice by invoice basis.

5.2.2 About Supplier-Initiated Dynamic Discounts

The buying organization controls which Suppliers, if any, can utilize Supplier Initiated Dynamic Discount offers, as well as the parameters of the invoices to which those offers might apply. If a Buyer configures Supplier Initiated Dynamic Discounting (as explained below), this will enable the Supplier to do the following:

1. Make a counter offer on any invoice where a Buyer Initiated Dynamic Discount has been applied.
2. Initiate an early payment offer on invoices where a Buyer Initiated Dynamic Discount has NOT been previously applied

When the Supplier undertakes one of the above two actions, Discount Pro™ sends the Buyer an email notification with the terms of the offer. Buyers can then view the offer in their Inbox and either accept or reject the terms. Buyers can also configure the Buyer Auto Acceptance feature to automatically accept Supplier Initiated early payment offers that match Buyer-defined parameters.

5.2.3 Setting up Dynamic Discount Offers

5.2.3.1 Buyer Initiated Dynamic Discount Configuration

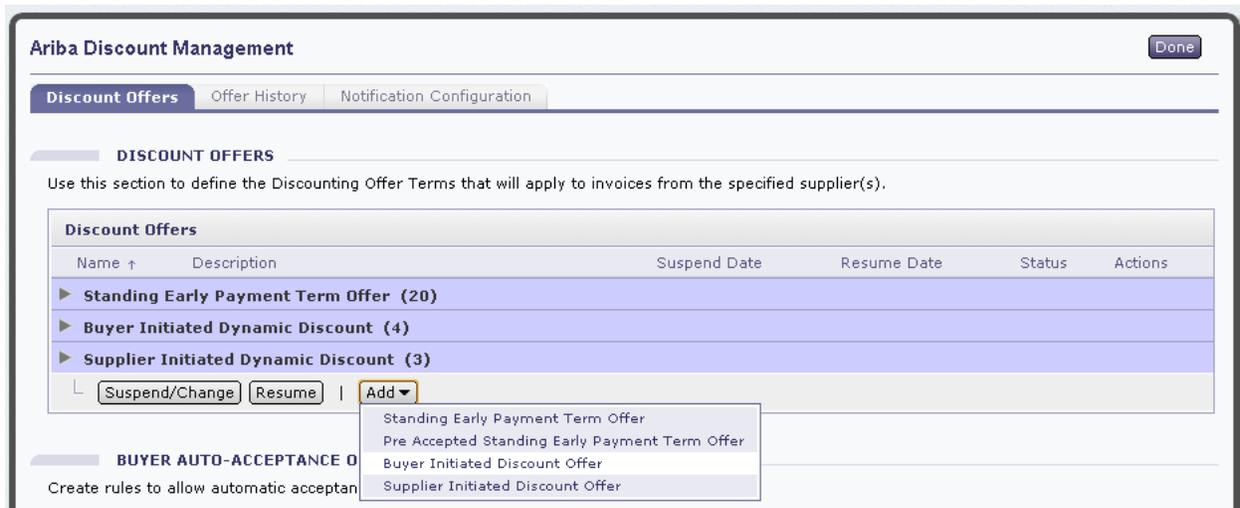


Figure 4 -- Selecting Buyer-Initiated Dynamic Discount Offer to Add

1. Under the Discount Offers section, click on **Add** and select **Buyer Initiated Dynamic Discount**

2. Configure input fields according to dynamic discount requirements (see below figure for

Configure a Buyer Initiated Dynamic Discount Offer [OK] [Cancel]

* Name: 24% APR Test1

Description: 24% APR Net 45 Dynamic Discount Example
Characters left: 261

* Effective Start Date: 1 Apr 2011 [calendar icon] [info icon]

Effective End Date: [calendar icon] [info icon]

Range (low): [] Transaction amount lower limit

Range (high): [] Transaction amount upper limit

* Discount Rate: 10 % + 14 % (Index Rate + Fixed Rate) [info icon]

* Processing Time: 1 days [info icon]

OFFERED TO

No Suppliers

All Suppliers

Subset of Suppliers

[OK] [Cancel]

Figure 5 -- Buyer Initiated Dynamic Discount Offer Setup Screen

definition of fields). When complete, click on **OK**, then click on **OK** again to confirm when prompted.

- **Name:** A short descriptor for internal ID only. (Will not display to Supplier)
- **Description:** Longer section for internal description. (Will not display to Supplier)
- **Effective Start Date:** Date that the offer will become effective. **Note:** Field must be filled in, but can begin with today's date.
- **Effective End Date:** Date on which the offer will expire. Leaving this field blank means that the offer will not expire until and unless a buyer user edits the offer with an end-date.
- **Range (Low/High):** Defines the dollar range of invoices to which the offer will apply. Leaving either field blank means that no limit will be placed on either the minimum or maximum amount.
- **Discount Rate:** Defines the APR of the offer. Index+ Fixed = APR of offer
 - **Index Rate** – Input your hurdle rate or appropriate base index rate here.
 - **Fixed Rate** – Input your desired spread return here.
 - These two fields together **MUST** equal the desired APR return (e.g. 10 + 14 = 24%, as in the example above)
- **Processing Time:** Time it takes method of payment used to get to supplier (i.e. 1 day for ACH, 3-5 days for check). This value is used along with the payment and holiday schedules to calculate the correct discount amount and based on the estimated settlement date from these inputs.

- **Offered To:** Define who to make this offer to. Default setting is “No Suppliers” to allow for setup of the offer ahead of going live. When ready to go live with the discount offer, select **All Suppliers** to offer to all of the suppliers connected to the Buyer on the Ariba Network. Or select **Subset of Suppliers** to bring up a search dialogue to find and select specific suppliers or supplier groups.

5.2.3.2 Supplier Initiated Dynamic Discount Configuration

1. Under the Discount Offers section, click on **Add** and select **Supplier Initiated Dynamic Discount**

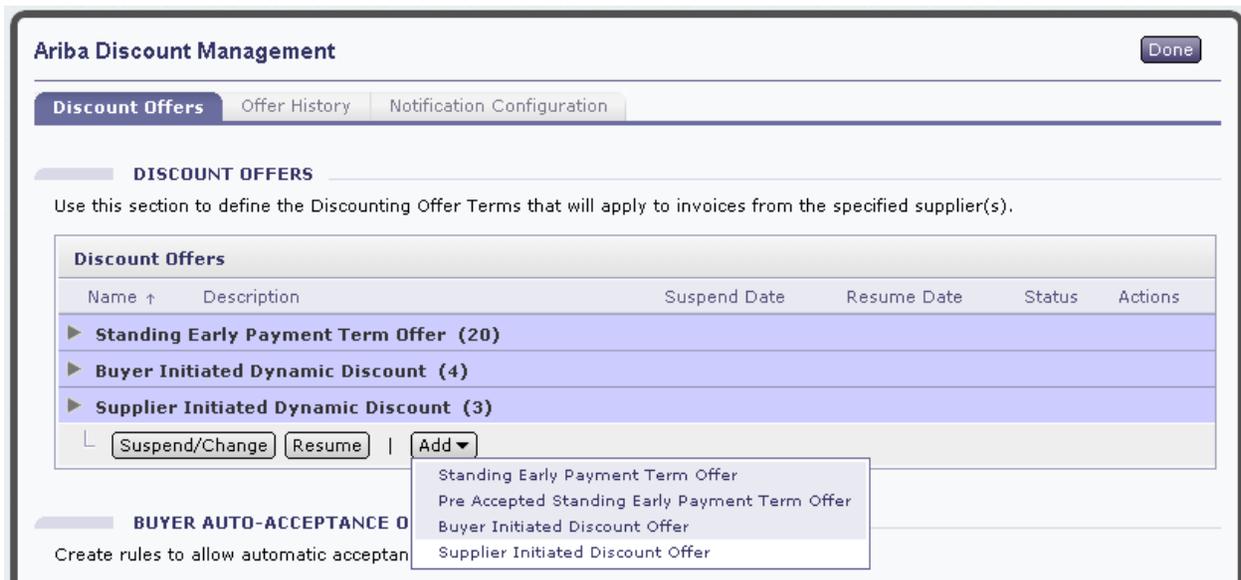


Figure 6 -- Selecting Supplier Initiated Dynamic Discount Offer to Add

2. Configure input fields according to dynamic discount requirements (see below figure for definition of fields). When complete, click on **OK**, then click on **OK** again to confirm when prompted.

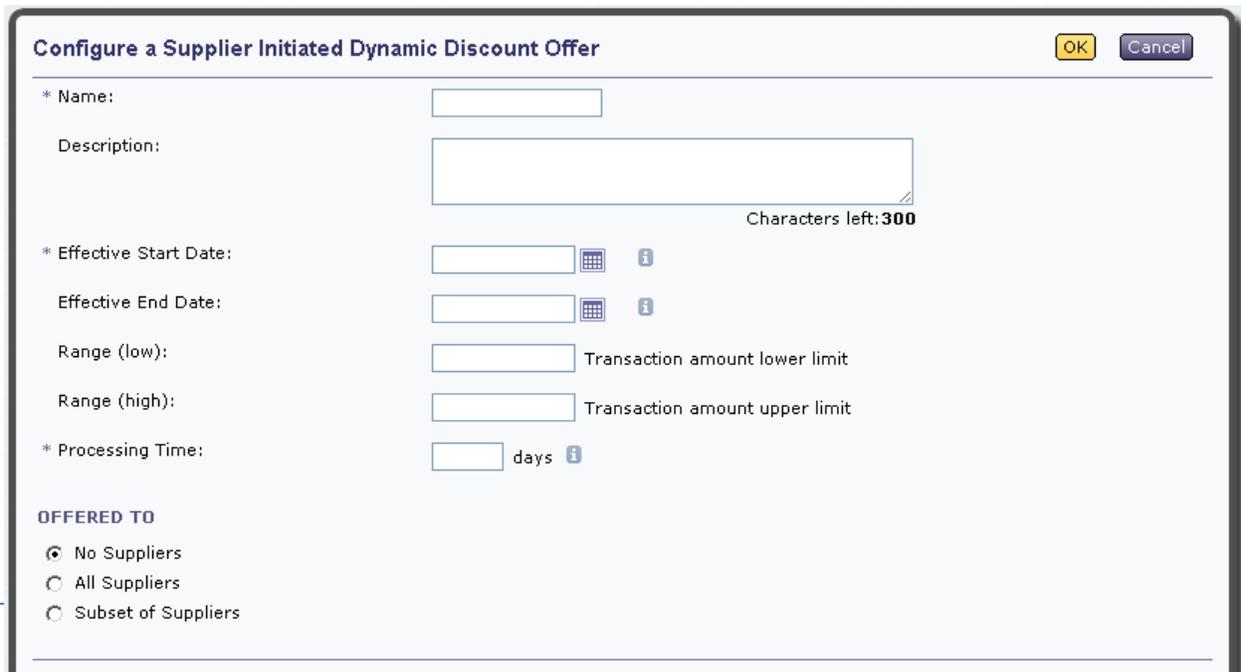


Figure 7 -- Supplier Initiated Dynamic Discount Offer Screen

- **Name:** A short descriptor for internal ID only. (Will not display to Supplier)
- **Description:** Longer section for internal description. (Will not display to Supplier)
- **Effective Start Date:** Date that the rule will become effective. **Note:** Field must be filled in, but can begin with today's date.
- **Effective End Date:** Date on which the rule will expire. Leaving this field blank means that the rule will not expire until and unless a buyer user edits the rule with an end-date.
- **Range (Low/High):** Defines the dollar range of invoices to which suppliers are allowed to initiate offers or make counter offers. Leaving either field blank means that no limit will be placed on that parameter.
- **Processing Time:** Time it takes method of payment used to get to supplier (i.e. 1 day for ACH, 3-5 days for check). This value is used along with the payment and holiday schedules to calculate the correct discount amount and based on the estimated settlement date from these inputs.
- **Offered To:** Define which suppliers are allowed to participate in Supplier Initiated Dynamic Discounting. Default setting is "No Suppliers" to allow for setup of the offer ahead of going live. When ready to go live with the discount offer, select **All Suppliers** to offer to all of the suppliers connected to the Buyer on the Ariba Network. Or select **Subset of Suppliers** to bring up a search dialogue to find and select specific suppliers or supplier groups.

5.2.3.3 Buyer Auto Acceptance Rules Configuration

- Under the Buyer Auto Acceptance section of the Discount Offers tab, select **Add**



Figure 9 -- Selecting Supplier Auto Acceptance Rules to Add

- Configure input fields according to Auto Acceptance requirements (see below figure for definition of fields). When complete, click on **OK**, then click on **OK** again to confirm when prompted.

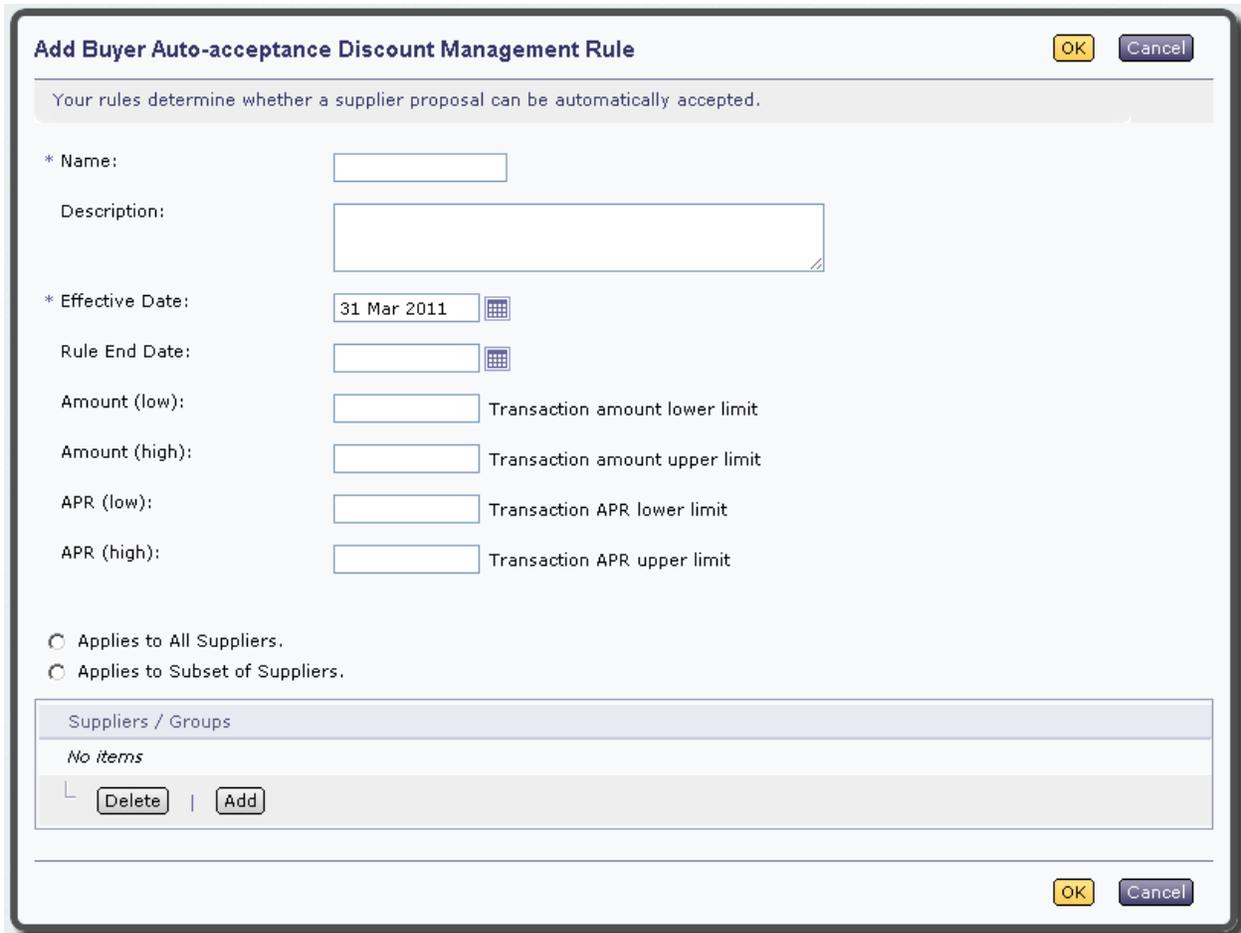


Figure 8 -- Buyer Auto Acceptance Configuration Screen

- Name:** A short descriptor for internal ID only. (Will not display to Supplier)
- Description:** Longer section for internal description. (Will not display to Supplier)
- Effective Date:** Date that the rule will become effective. **Note:** Field must be filled in, but can begin with today's date.

- **Rule End Date:** Date on which the rule will expire. Leaving this field blank means that the rule will not expire until and unless a buyer user edits the rule with an end-date.
- **Amount (Low/High):** Defines the dollar range of invoices to which the auto acceptance rule will apply. Leaving either field blank means that no limit will be placed on that parameter
- **APR (Low/High):** Defines the supplier-initiated APR offer range that will be auto accepted. An offer coming in with an APR outside of this range will require manual acceptance in order to process. Leaving either field blank means that no limit will be placed on that parameter.

5.2.4 How Discount Pro™ Calculates Dynamic Discounts

Discount Pro™ calculates Dynamic Discounts based on the difference between the scheduled payment date (in the PaymentProposalRequest) and the date the early payment is selected, then it calculates the appropriate \$ discount using the number of days difference and the APR of the discount offer.

For example, for a \$100 invoice where the supplier elects to accept the 24% APR Dynamic Discount offer 30 days before it is originally scheduled to be paid, the calculation is as follows:

- $\$100 * (APR/365) * (\text{Scheduled payment date} - \text{elected payment date}) \dots$ or...
- $\$100 * (24\%/365) * (\# \text{ of days paid early}) \dots$ or ...
- $\$100 * (24\%/365) * 30 \text{ (days)} = \$1.97 \text{ Discount (or } \$98.03 \text{ to be paid to suppliers)}$

5.3 Payment & Holiday Schedules

As of the AN49 release of the Ariba Network, Discount Pro™ allows Buyers to define their payment schedule and holiday schedules. These two pieces of information are then used in concert with the **Processing Time** from the offer setup screens to calculate the discount \$ amount based on the anticipated day of settlement into the Supplier's account (as opposed to the day the Supplier clicks the button to accept early payment).

Figure 10 -- Payment & Holiday Schedule Selection

5.3.1 Payment Schedule Configuration

Payment schedules can be defined by recurrence pattern (days of the week in which payments are made by buyer companies) or by specific dates input manually or through an upload of a .csv file.

1. To define the payment schedule, fill out the appropriate fields (as defined below the figure) to match the Buyer's scheduled payment days.

Figure 11 – Recurring Payment Schedule Configuration Screen

- **Allow payment scheduling every day:** Check this box ONLY if the buying organization makes a payment every day of the week.

- **Schedule Type:** Dropdown list allowing choice between defining a recurrence pattern or specifying exact payment dates.
 - **Recurrence:** For a recurring payment schedule, select the days of the week that a payment file is run by the buying organization.
 - **Range of recurrence:** Input the dates between which the recurrence pattern is effective. Discount Pro™ defaults to the current date as the start date, and +3 years as the End date.
 - **Run on Specific Dates:** To schedule payments on specific days, you can either **Add** the dates manually or click **Choose File** and select a .csv formatted calendar file with the dates of scheduled payment

Figure 12 -- Date-Specific Configuration Screen

- **Payment Cut-off Time:** Define by what time of day a supplier must elect early payment for that election to be included in a payment file that is scheduled to be run on that day. For example, if a Buyer company runs their payment file every day at 3:00 PM EST, then for a supplier selecting early payment at 3:30 PM EST, the earliest payment file they could get into would be the next scheduled day. (**Note:** cutoff time is always displayed in the customer’s time zone).

5.3.2 Holiday Schedule Configuration

Holiday schedules are defined in a similar manner as payment schedules and also allow the Buyer to define their policy for paying when a normal payment date falls on a holiday (e.g. pay the next business day vs. pay the next scheduled payment date)

1. To configure the holiday schedule (including weekend days), fill in the Holiday schedule per the following instructions:

Holiday Schedule [OK] [Cancel]

Specify the dates on which your organization does not schedule payments. Check the day(s) of the week, and if needed, add ...

Allow payment scheduling everyday regardless of holidays or weekends.

Weekend: Sunday Monday Tuesday Wednesday Thursday Friday Saturday

Other Holidays:

<input type="checkbox"/> Name	Date
<input type="checkbox"/> Thanksgiving	24 Nov 2011
<input type="checkbox"/> Christmas	26 Dec 2011

[Delete] | [Add]

Upload a Calendar File
The calendar file must contain a date column as the first column. The supported date format is mm/dd/yyyy. A second column to provide a name or description is optional.

[Choose File] No file chosen

[Upload]

[OK] [Cancel]

Figure 13 -- Holiday Schedule Configuration Screen

- **Allow payment scheduling everyday regardless of holidays or weekends:** Check this box ONLY if the Buyer organization runs payments on every defined payment date regardless of whether or not that payment date falls on a holiday or weekend.
- **Weekend:** Check the days that constitute the organization's weekend (or regularly scheduled days closed, and thus not processing payments)
- **Other Holidays:** Use this field to add specific, defined holidays for each year (i.e. Thanksgiving and Christmas).
- **Upload a Calendar File:** The Buyer can select a .csv formatted date file to upload which contains their holiday schedule.

5.3.3 How Schedules are Used to Calculate Discount Amount.

There are 2 keys to understanding how the discount calculation and supplier view of the discount is affected by the above payment and holiday schedules.

Key #1 – Settlement Date: If the calculated estimated settlement date (*calculated as the number of days to settle [defined by buyer client as described above] added to the payment date selected by the supplier*) falls on a weekend or a bank holiday, then Discount Pro™ calculates the discount as if it were settling on the next valid settlement date.

Key #2 – Payment Date Selected: If the supplier selects a payment date in the supplier UI that is NOT a valid payment run date (per the Buyer’s definition of their payment calendar described above), then Discount Pro™ calculates & displays the discount as if it were taking place on the next valid payment date .

5.3.3.1 Example #1 – Payment date is valid, but normal settlement date falls on a weekend or bank Holiday (so NOT valid settlement date).

- Payment date of Friday is a valid day on which Buyer runs a payment file.
- Buyer has previously configured their discount settlement days = 1 day, which means that normal settlement is therefore set to fall on a Saturday.
- Because banks are closed on Saturdays, the supplier will in fact not receive settlement until Monday (or 2 days later than the discount would normally be calculated).
- **Therefore:** Discount Pro™ calculates the discount to account for the supplier getting their funds on Monday, not Saturday (2 days later = smaller discount).

5.3.3.2 Example #2 – Payment date is NOT valid, and next valid payment date DOES have a valid settlement date associated.

- Payment date of Monday is NOT a valid payment date (i.e. no payment files are run on Monday. OR, for example, that Monday is Memorial Day, a US Holiday).
- Next valid payment date is Tuesday
- Buyer has previously configured their discount settlement days = 1 day, which means that normal settlement is therefore set to fall on Wednesday.
- Wednesday IS a valid settlement date
- **Therefore:** Discount Pro™ calculates the discount as though the supplier were getting their funds on Wednesday, not Tuesday (1 days later = smaller discount)

5.3.3.3 Example #3 – Payment date is NOT valid, and next valid payment date does NOT have a valid settlement date associated (Requires delayed settlement).

- Payment date of Wednesday is NOT a valid payment date (i.e. no payment files are run on Wednesday).
- Next valid payment date is Friday.
- Buyer has previously configured their discount settlement days = 1 day, which means that normal settlement is therefore set to fall on Saturday.
- Because banks are closed on Saturdays, the Supplier will in fact not receive settlement until Monday (or 4 days later than the discount would otherwise have been calculated ... [Thursday settlement if Wednesday had been a good payment day]).
- **Therefore:** Discount Pro™ calculates the discount as though the Supplier was getting their funds on Monday, not the preceding Thursday (4 days later = smaller discount).

5.4 Early Payment Notification

Discount Pro™ automatically sends a notification to suppliers whenever a new Early Payment offer is made by the buyer. For Standing Terms, the notification is sent whenever a supplier is added to a Standing Early Payment Term Offer (as described in the configuration section above). For Dynamic

Discounts, the supplier receives a notification every time an applicable invoice is approved and thus a new Dynamic Discount offer is made. (Examples of these notifications can be seen in the figures below).

The Discount Pro™ notifications automatically include standard text explaining the offer, along with the specific details of the offer pulled from the Buyer's configuration. However, these notifications can be customized in two important ways.

First, the Buyer can upload their logo into their account profile on the Ariba Network. This logo will then be added to the notification so the supplier clearly identifies the email as coming from their customer.

Second, buyers can add custom, formatted text to the notification if they want to communicate any special messages.

To customize the Discount Pro™ notifications:

1. Select **Actions** next to the appropriate letter template from within the Notification Configuration tab in the Ariba Discount Management configuration page.



Figure 14 -- Discount Pro™ Notification Configuration

2. Add the unique letter content and format as applicable, then click **Save**

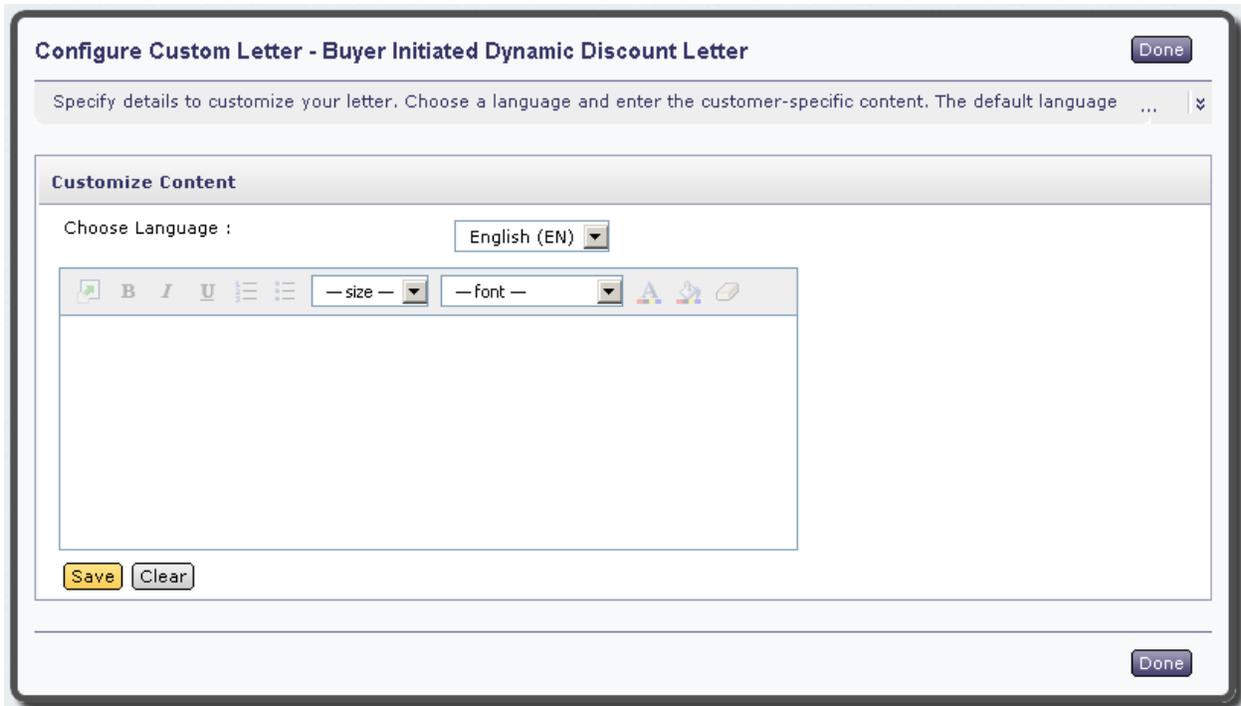
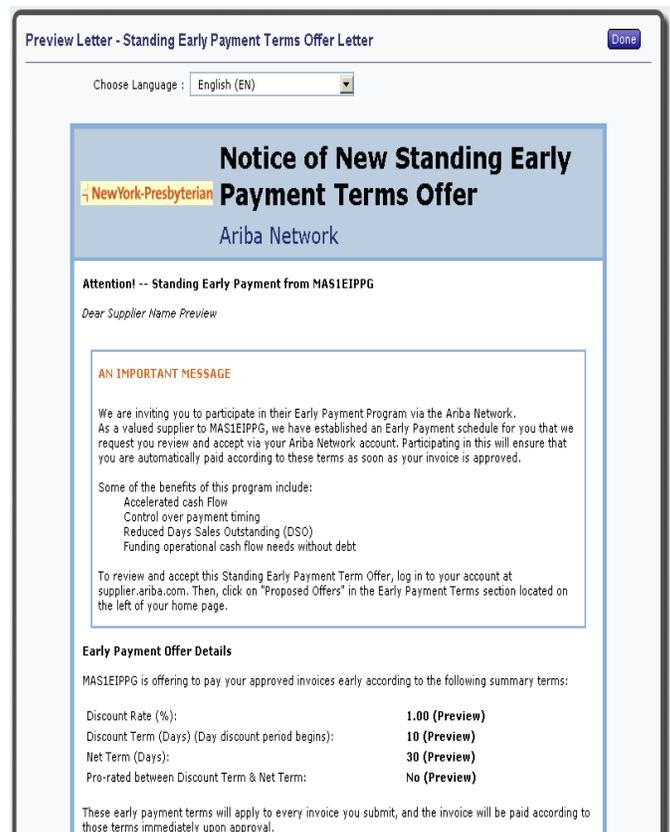
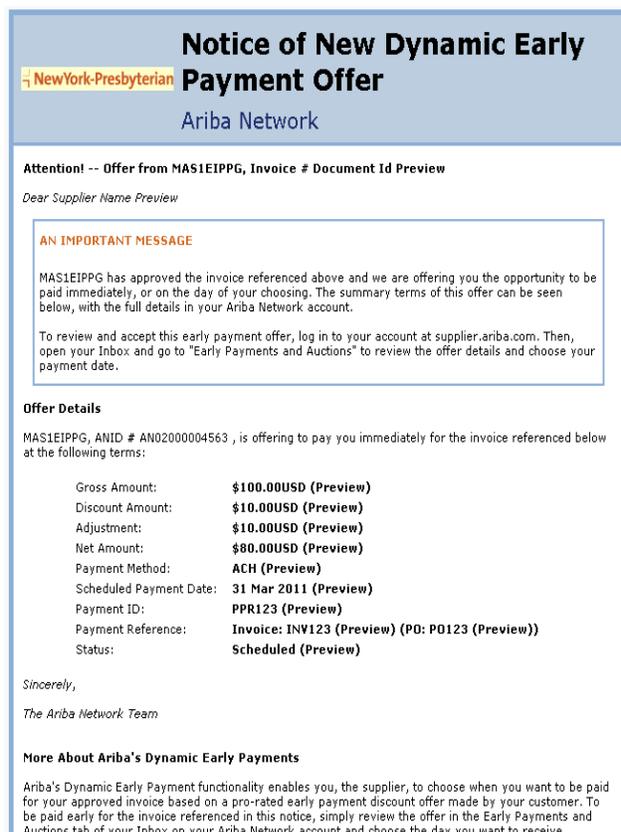


Figure 15 -- Discount Pro™ Notification Custom Content Screen

The Following are examples of the resulting Discount Pro™ notifications:



6 Discount Pro™ Reporting

6.1 About Discount Pro™ Reporting

Discount Pro™ reporting is designed to give the Buyer a view of who of their suppliers has accepted discount terms, what is their supplier-level discount activity, and what are the key metrics around their program-level performance. All of the reports can be accessed through the AN Reporting section of the Buyer's AN account, and can be scheduled or run ad-hoc following AN reporting norms. The reports available to Buyers are:

- Discount Acceptance Report
- Discount Volumes Report
- Discount Metrics Report

6.2 Explanation of Discount Pro™ Reports

6.2.1 Discount Acceptance Report

The Discount Acceptance Report shows a Buyer which of their suppliers have accepted a Standing Early Payment Term within the date range defined by the Buyer when the report is run. The fields in the report are as follows:

- **Supplier**
- **Supplier ANID**
- **Discount Percentage** – Corresponds to the offer set up by the buyer in Discount Pro™ and is expressed as a % of the face value
- **Discount Term** – Corresponds to the offer set up by the buyer in Discount Pro™
- **Net Terms (days)** – Corresponds to the offer set up by the buyer in Discount Pro™
- **Sliding Scale (y/n)** – Corresponds to the offer set up by the buyer in Discount Pro™
- **Pre-Accepted (y/n)**
- **Date Accepted** – Date the supplier accepted (and thus activated) the offer

6.2.2 Discount Volumes report

The Discount Volumes Report can be generated at the aggregate or detail levels. The aggregate report produces one line of data showing the volumes discounted by each supplier in a particular time period as defined by the buyer when generating the report. The detail report, then, produces the same information, but at the invoice level, generating one line of data for each individual discount taken.

Of additional note, as of the release of AN49, this report shows the full buyer discount picture including Discount Pro™ generated discount (Standing and Dynamic discounts) as well as early payment discounts taken by the Buyer's ERP.

The fields in the Discount Volumes (**Aggregate**) report are:

- **Supplier**
- **Supplier ANID**

- **Supplier SIC Code(s)**
- **Private ID** – Buyer ERP-defined ID for supplier (if known)
- **Discount Type** – Standing term, Buyer-Initiated Dynamic Discount, Supplier-Initiated Dynamic Discount & ERP.
- **Number of Discounts** – Number of distinct discounts taken in the time period of the report.
- **Total Net (Currency)**
- **Total Net Amount** – Aggregate net amount of invoices discounted
- **Total Discount (Currency)**
- **Total Discount Amount** – Aggregate amount of the discount earned by the Buyer.
- **Avg. Discount (Currency)**
- **Avg. Discount Amount** – Total discounts earned divided by the number of discounts
- **Avg. Discount %** – Avg. discount expressed as a % of the net (face) value of the invoices
- **Avg. Discount APR%** – Avg. discount expressed as an annual percentage rate
- **Avg. Days Paid Early** – Avg. number of days prior to the Net Term that the discounted invoice was paid
- **Avg. Days Paid From Invoice date** – Avg. number of days after the invoice date that the discounted invoice was paid

The fields in the Discount Volumes (**Detail**) report are:

- **Supplier**
- **Supplier ANID**
- **Supplier SIC Code(s)**
- **Private ID** – Buyer ERP-defined ID for supplier (if known)
- **Discount Type** – Standing term, Buyer-Initiated Dynamic Discount, Supplier-Initiated Dynamic Discount & ERP.
- **Currency**
- **Net Amount**
- **Discount Currency**
- **Discount Amount** – Amount of the discount earned by the Buyer.
- **Face Discount %** – Discount expressed as a % of the net (face) value of the invoice.
- **APR %** – Discount expressed as an annual percentage rate
- **Days Paid Early** – Number of days prior to the Net Term that the discounted invoice was paid
- **Days Paid From Invoice date** – Number of days after the invoice date that the discounted invoice was paid

6.2.3 Discount Metrics Report

The Discount Metrics report shows Key Performance Indicators (KPIs) for the Buyer's Discount Pro™ program as a whole. These reports are generated monthly within a few days after the close of the previous month. Additionally, this report can be run to show KPIs for a single month or on a 12 month rolling basis. As discount activity can spike during certain business cycles, the 12 month rolling report

smoothes these cycles out and shows a better picture of performance trends over time. Both the monthly and the 12-month rolling reports contain the exact same data elements, which are as follows:

- **Supplier Data**
 - **Suppliers on AN**
 - **Transacting Suppliers on AN**
 - **Suppliers with an active Standing Term**
 - **Suppliers with a Buyer-Initiated Discount Transaction**
 - **Suppliers with a Supplier-Initiated Discount Transaction**
 - **Suppliers with a Standing Term Discount Transaction**
 - **Suppliers with an ERP Discount Transaction**
 - **Total Unique Suppliers with Discount Transactions**
 - **Percentage of suppliers Discounting this month**
- **Volume Data**
 - **Total Standing Term Discounts**
 - **Total Buyer-Initiated Discount Transactions**
 - **Total Supplier-Initiated Discount Transactions**
 - **Total ERP Discount Transactions**
 - **Total All Discount Transactions**
- **Transaction Volume Data**
 - **Number of Standing Term Discounts**
 - **Number of Buyer-Initiated Discount Transactions**
 - **Number of Supplier-Initiated Discount Transactions**
 - **Number of ERP Discount Transactions**
 - **Number of All Discount Transactions**
- **Average % Discount Rate for the period**
 - **Buyer-Initiated Face Value Discount**
 - **Buyer-Initiated Average APR Discount**
 - **Supplier-Initiated Face Value Discount**
 - **Supplier-Initiated Average APR Discount**
 - **Standing Term Face Value Discount**
 - **Standing Term Average APR Discount**
 - **ERP Face Value Discount**
 - **Average OVERALL Face Value Discount**
- **Discount Growth Rate from Previous Period**
 - **Percentage of Suppliers Growth**
 - **Percentage of Transactions Growth**
 - **Percentage of AN Discount Volume Growth**
 - **Percentage of Total Discount Volume Growth**

7 Deployment/Adoption Best Practices

The Discount Pro™ Best Practices Guide is intended to provide Discount Pro™ customers with an overview of the key best practices to keep in mind when building and managing a successful Early Payment Program. Best practices are categorized into three areas: Readiness, Program, and Measurement.

Readiness: the following best practices provide guidance on the preparatory activities that should take place before a Discount Pro™ deployment effort kicks off. These best practices are intended to help the customer build the right foundation for a successful program.

- General
 - Set clear goals for program including annual discount income
 - Understand the supplier population well and have a strong handle on the supplier enablement flight plan
- Organization
 - Dedicate appropriate resources to the program
 - Champion for Early Payment Program
 - Internal Supplier Enablement team
 - Designated subject matter expert for Early Payment Program who is ideally part of Supplier Enablement team
 - Involve Treasury, Sourcing, Procurement, Contracts and Accounts Payable early in the program
 - Create program awareness and understanding; work to gain buy-in from the field and/or business consumers who will serve as program advocates
- Terms Strategy and Policy
 - Standardize supplier terms as much as possible and ensure consistency across vendor master, contract, purchase order and invoice level terms for each supplier
 - Consider standardizing terms by supplier segment providing more favorable terms to more strategic suppliers
 - If supplier terms are not consistent, conduct a supplier terms assessment
 - Review terms captured within contracts, purchase orders, vendor master file(s), and invoices and document where discrepancies exist

- Conduct fact-finding to determine the cause of the discrepancies
 - Work with key cross-functional stakeholders (e.g. Sourcing, Procurement, Accounts Payable, Supplier Management and Treasury/Finance) to understand current terms and requirements related to terms
 - Document terms requirements for key stakeholders
 - Formulate go-forward terms strategy based on discrepancy findings and stakeholder requirements
 - Obtain buy-in from key stakeholders and build execution plan
 - Include change management as an integral part of execution
- Formalize supplier terms policy based on terms strategy; where feasible, set terms at 30 days and greater. Keep in mind different categories of suppliers may warrant different standard terms. Your company's working capital objectives should play a key factor in determination of your standard terms
 - Enforce supplier terms policy across all suppliers and incorporate into new and renewed contracts
 - Terms should be enabled through changes in policies, process, approval workflows and authority limits
 - Continuously track terms compliance and act upon non-compliance

Program: the following best practices provide guidance on building, running and maintaining an Early Payment Program.

- Supplier Enablement and Early Payment Program efforts should be closely aligned. Early Payment Messaging needs to be interjected as a key value proposition into all supplier communications and touch points. The program should be positioned as a benefit/incentive of transacting electronically on the Ariba Network
- Design and execute a high touch campaign as part of Supplier Enablement efforts
 - For suppliers deemed high touch (e.g. those who comprise top 80-90% of targeted spend), enlist the internal stakeholder with the best supplier relationship to have him/her explain to the supplier the value proposition of the Early Payment Program and e-Procurement program and solicit participation
 - Understand true payment practices for each supplier by analyzing an AP pay file to customize value proposition for each particular high touch supplier
- Early Payment Offers

- Develop standing early payment offers at a lower discount percentage than dynamic offers to create an incentive for suppliers to accept the standing offer
- Keep offers simple to understand and limit varieties
- For high touch suppliers, there should be a clear negotiation strategy that can be used to compel a supplier to participate in the Early Payment Program derived by using the program hurdle rate to determine lowest negotiated discount that makes financial sense)
- Offers should include pro-ration to maximize discount potential
- Determine how technology affects processes and policies; re-engineer as necessary
- Communicate program status regularly with all stakeholders, including business consumers and the field
- Work with your Finance and Accounting team to determine where the discount income will be booked; the decision should be aligned with your corporate philosophy and considerations should include:
 - Booking discount income to the business unit that incurs the expense will help with obtaining Early Payment Program buy-in from the business
 - Booking discount income to a central or corporate P&L can help fund the program

Measurement: the following best practices provide guidance on establishing meaningful standard metrics and review points for a customer's Early Payment Program to effectively monitor performance and adjust program as necessary.

- Measure the success of the Early Payment Program by establishing a scorecard with well designed metrics and targets; take advantage of the standard reports built within the system
- More is less with metrics – choose a few key KPIs that align to program goals and objectives
- Some sample metrics include number of discount suppliers, discount dollars earned, goal discount dollars, discount dollars projected, number of standing offers accepted, # of dynamic offers accepted
- Measure and report on progress on a timely basis (weekly, monthly) showing graphed trend and measuring against the goal; if performance is off track, move quickly to put a plan in place to address
- Continuously reevaluate program and its success and target new set of suppliers to enable and engage in Early Payment Program

8 Glossary of Terms

Discount Pro™ – Proper term for Ariba’s discount management/dynamic discounting product.

Standing Early Payment Terms – Also known as automatic discount terms. Acceptance of Standing Early Payment terms by suppliers means that invoices applying to the parameters of the term will automatically be discounted and paid early without requiring any further intervention from the supplier. Thus their agreement “stands” until the supplier chooses to remove their agreement.

Pre-Approved Standing Early Payment Terms – These operate in the same manner as Standing terms as described above, with the exception that the supplier does not get an opportunity to accept or reject it, but rather it is immediately, and automatically applied. The use case for this is primarily where a supplier has already agreed to early payment terms in their contract, and the Buyer is using Discount Pro™ to manage and execute upon that agreement. Use of this feature, then, enables buyers to define their contract terms in Discount Pro™, but removes the need for the supplier to agree again.

Buyer-Initiated Dynamic Discounts – Also known as Ad-Hoc discount terms. Dynamic Discounts are offers that are made on an invoice-by-invoice (i.e. dynamic) basis, and which suppliers choose to accept or reject on an individual invoice basis. “Buyer-Initiated” means that the offer of early payment is first initiated by the Buyer and made to the Supplier, who then reviews it in their In-box. No discount is taken on dynamic discounts until and unless the supplier accepts the offer on that particular invoice.

Supplier Initiated Dynamic Discounts – Supplier Initiated dynamic discounts are also Ad-Hoc discounts in the same sense as described above. However, this functionality gives suppliers the ability to do one of 2 things:

1. For those invoices where Buyers have not already initiated a Dynamic Discount offer, a supplier can begin the discussion by making an offer that will be sent to the Buyer to review & decision.
2. For those invoices where the Buyer HAS already initiated a dynamic discount offer, the Supplier can use this functionality to make a counter-offer to the Buyer.

Supplier-Initiated Dynamic Discounting functionality is only available to those suppliers that the Buyers have specifically defined as being eligible to use it.

APR – Annual Percentage Rate. This is the annualized amount of a discount (over a 360 day basis period)

Face Value Discount – The discount taken on an early payment expressed as a percentage of the Net Value of the invoice. For example, in a 2% 10 Net 30 discount, 2% would be the “Face Value Discount”. It is important to note that in a sliding scale/Pro-rated discount, the face value of the discount changes daily, while the Annual Percentage Rate (APR) remains constant.

Sliding Scale – Refers to a pro-rated discount that lowers the face value discount over time as the invoice ages toward the net due date. This ensures fairness in the discount taken based on when the supplier is actually paid. For example, in a traditional 2% 10 net 30 term with a sliding scale, if the invoice is approved on or before day 10, a 2% discount will be taken (for paying 20 days early).

However, if the invoice is paid on day 15, the discount will Pro-rate to a 1.5% discount (for paying 15 days early). If it is paid on day 20 (after invoice date), the discount taken will be 1% of the face value, pr-rated for paying 10 days early.

Working Capital Management/WCM – Working Capital Management is the umbrella term referring to the suite of products designed to help customers maximize their cash flow and earnings on cash based on paying a supplier early. The WCM product suite includes the following individual products:

- Ariba Discount Pro™™
- Ariba Supply chain Financing™
- Ariba Receivables Financing™
- Ariba Enhanced Pcard solutions