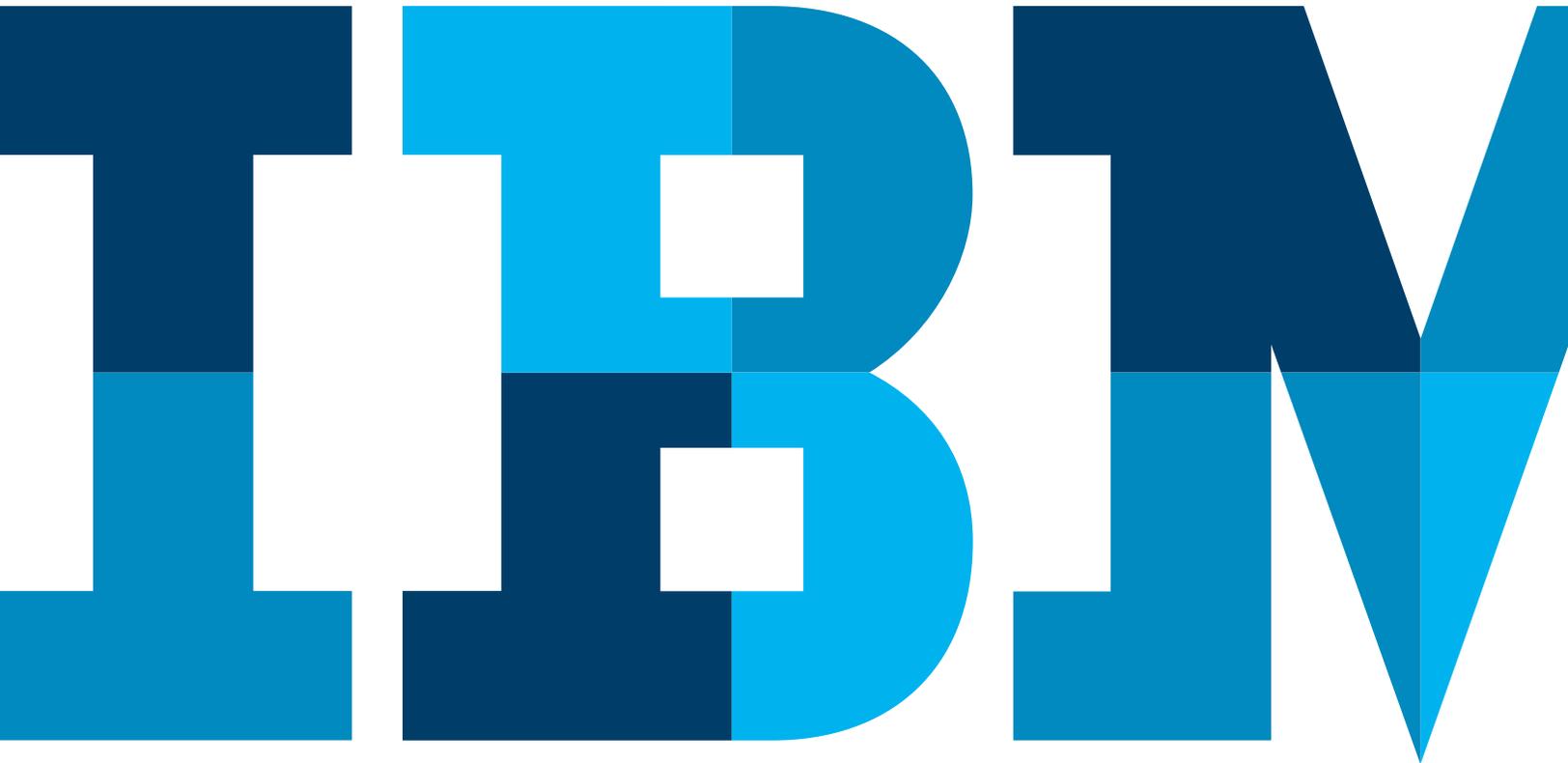# Deal management:
# Raising the price of error

*Do your promotion processes need more effective controls to ensure compliance?*

## Everyone makes mistakes

Dynamic and error prone deal data is the leading cause of invoice errors and a key contributor to data synchronization problems that cost the CPG industry billions of dollars a year.

Deals written on spreadsheets or carbon paper forms are typically reworked at least once because they are inaccurate or incomplete.

Senior managers must attest that their controls deliver accurate financials. Companies that fail to comply risk exposing managers to criminal liability.

## Assessing compliance risk

### The Fast Moving Consumer Goods (FMCG) industry's problem child is trade promotion

Even vendors using best of breed applications for promotion planning hand off their plans to field sales offices that manually transfer the deals to retailers' proprietary forms. These deal sheets do not have internal controls other than the effort of the legions of people who manage them. Errors happen—and they often compound.

For example, a common practice of copying old deals can increase error rates, in part because the product information and retailer's authorization is subject to frequent change.

Sellers rework the deal sheets and send them again and again to retailers who manually re-key the deals into their legacy systems! To meet the compliance requirements for various acts of legislation, such as Sarbanes-Oxley 404 and the Groceries Supply Code of Practice (GSCOP), companies must find a solution for trade promotion processes.

Trade promotions deserve top priority because they are error prone material expenditures that directly affect the financials. Consider that promotions account for most invoice deductions.

### Unconvinced?

At a minimum, every company that uses trade promotions should complete the steps in the diagram on the next page to assess their compliance risk.

It will quickly become obvious to vendors that status quo manual controls are unable to meet the stricter requirements. One alternative is to embed the controls in each document one by one to automate controls and workflow.

*Sections 404 and 302 of the Sarbanes-Oxley Act require internal controls for all documents used to develop financial statements.*

| **1** Count how many different forms your company uses for trade communications – especially deal sheets but also new item forms and price change forms. | **2** Evaluate the existing internal controls for each document. | **3** Review the practice of duplicating older deal related documents with out of date product information. | **4** Determine what is required for your company to meet the new rules for internal controls. | **5** Evaluate solution alternatives – weighing cost, expediency and risk. |

*Figure 1*: Assess your compliance

## Solve the problem with software

Software solutions have an edge over manual processes because process errors can be fixed to avoid repeat occurrences. Manual controls must proofread and catch the same types of errors again and again. Software delivers a high ROI against the manual alternative.

The practical, cost-effective way to embrace automation for your deal management process is through a cloud-based application that accurately documents promotions and automates controls.

Compared to in-house application development or shrink-wrapped software, a shared application is less costly to adopt and maintain. Adopting a shared solution avoids the risk of software conflicts and IT project failure.

Beyond cost considerations, shared applications benefit from the cumulative experience of the users, delivering best practices and robust internal controls to all users as each upgrade is released.

| You Are Here | | You Should Be Here |
|---|---|---|
| MANUAL PROCESSING | LEGACY SYSTEM | CLOUD-BASED APPLICATION |
| ▪ Repeating Errors ▪ Overhead Costs ▪ Time Consuming | ▪ In-house System ▪ Not Hosted ▪ No Best Practices | ERROR FREE! ▪ Cost-Effective ▪ Automated ▪ Best Practices ▪ Accurate |

*Figure 2*: Solve The Problem With Software

## Evaluation Criteria

When selecting your deal management solution, consider that the features of a robust framework of internal controls include:

**Collaboration**: A one-sided solution for managing deals is of limited value. Any solution must embrace both the retailer and the vendor.

**Security**: An automated solution needs to have security rules that determine who has read and write access to which deals at particular times during the process.

**Access control**: Apply password protection and assign rights to users. Consider that some users may be allowed to prepare deal sheets but do not have the authority to sign off on the offer or make representations of compliance with regulations. Other users only need read-only access to reconcile deal sheet data with billing records.

**Segregation of duties**: To help avoid conflicts, look for a solution that supports varied roles with flexible security rules.

**Input**: The largest causes of rework are incomplete data fields or inaccurate data entry. Build capability to integrate the promotion planning and execution processes with the deal sheet system.

**Version control**: Each deal should receive a unique control number that enables tracking of any revisions to each document as a result of negotiations with trading partners.

**Documentation and archives**: Detailed archival of trade negotiations can relieve the burden of research as inquiries develop years after the initial negotiation.

## IBM Deal Management

The IBM® Deal Management application is the leading cloud-based service retailers use to simplify the presentation, negotiation and documentation of trade promotions from vendors. This solution uses the power of an online database and automated workflow to streamline the promotion communication process. A retailer can use deal management to convert its current paper process to an electronic data feed of vendor deal information—delivering efficiency, cost savings and increased productivity.

Deal Management also normalizes output to the proprietary requirements of each retailer's legacy systems. Consider the automated deal processes made possible with the IBM Deal Management service:

COLLABORATION    SECURITY    ACCESS CONTROL    SEGREGATION OF DUTIES    INPUT    VERSION CONTROL    DOCUMENTATION AND ARCHIVES

*Figure 3*: Evaluation criteria

### Deal creation

Deal Management ensures that all data fields are completely and accurately filled out. As part of the system configuration, the retailer's specific logic is embedded to simplify the completion of deals and avoid common errors.

### Deal negotiation

Deal Management enables users to negotiate revisions to a deal, tracking all versions within a shared deal history, tracking and maintaining the communication thread between the vendor and buyer to provide third parties, such as accounting personnel, insight into the negotiation process.

### Deal archive

Deal Management stores many years' worth of records in a secure database and makes data backup copies daily. It also supports printing out deal sheets for those companies that want to retain a paper copy. This is a mutually accessible repository of all promotion negotiation information that is available to adjudicate any billing discrepancies.

*IBM Deal Management is delivered through a SaaS (software as a service) deployment model, which means retailers can implement Deal Management easily with minimal IT resources.*

### About IBM Commerce

IBM Commerce enables clients to uncover and realize new, sometimes hidden, growth and efficiency opportunities by infusing intelligence and context into key processes across the commerce cycle. Our market leading products and services help organizations orient their entire business around the customer from procurement to supply management, to marketing, merchandising, eCommerce, payments and customer analytics. Differentiated by deep industry expertise and service capabilities, we help our clients create value as they engage with their customers, partners and suppliers. This is the power of IBM Commerce.

### For more information

To learn more about IBM's Omni-Channel Merchandising solutions, please contact your IBM representative or IBM Business Partner, or visit the following website: **ibm.com**/merchandising.