



# Is Your **Ship and Debit Program** Leaving You Dead in the Water?



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With billions of dollars in revenue leakage across the semiconductor and electronic component manufacturing arena, how do sales leaders effectively maximize revenue at speed and scale across billions of revenue moments daily? By implementing or reevaluating their existing ship and debit programs.







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## Achieve value faster with your ship and debit claims

Mergers and acquisitions add new products and markets—and additional channels. IoT and the pervasive use of semiconductors and electronic components in nearly everything imaginable has created unprecedented demand. And rapid technological advancements continue to shrink product lifecycles.



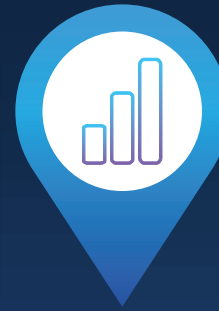
## Beware the drawbacks

There are plenty of challenges to watch for, both on the distributor (buy) side and the supplier (sell) side.



### Poor time management

To help ensure that rebates are issued on time, the supplier must verify distributor claims and debits in a timely and consistent manner.



### Improperly managed claims

While timely claims processing is the goal, underpayment or double payment of claims could potentially cost distributors millions of dollars per year.



### Insufficient audit system

Having a rigorous audit system in place helps the supplier ensure that distributor sales qualify for credits based on the program's requirements.



### Bad data

With thousands of claims coming through in any given month, analyzing data and processing claims and earned accruals can be a daunting task.





## Learning the ropes of ship and debit

Widely used in the tech sector, ship and debit refers to an agreement in which distributors ship specific products to customers at a lower price. The price difference is then debited from the supplier to safeguard distributor margins.

A key component of distribution claims management, ship and debits are unique rebate agreements between distributors and suppliers. The process may seem simple, but there is plenty of room for mistakes. While margins can be traded away with the assumption that an agreement exists, sloppy paperwork and records often make it difficult to receive the payment owed.

Distributors and suppliers must take stock of their existing processes and apply a dependable solution to streamline the ship and debit process and lighten the administrative load.

**When completed properly, a ship and debit program can be used strategically to help you:**





## Set your charter to the perfect price

Distributors buy products at a fixed price from manufacturers, passing the savings on to their customers. On a quarterly or monthly basis, the distributor provides sales reports to the manufacturer, highlighting those sales that qualify for incentives. The distributor then sends a debit to the supplier, who subsequently provides a rebate credit to the distributor. As a result, the distributor can maintain a healthy gross margin.

With ship and debit, a manufacturer sets a single price for their product which the distributor pays for all of its inventory. This eliminates the need for distributors to manage different inventories of the same product simply because it was priced differently for different customers. The end customer often negotiates the price down from what the distributor wants to sell it for. The distributor seeks permission to sell at the discounted price. If the manufacturer agrees, the distributor ships the product and submits a credit claim to the manufacturer to compensate for the discount plus their margin.

**Without the automation of your rebate programs, your margins may run aground.**



## Go with the cash flow

Improved cash flow is the primary reason businesses seek to implement rebate management systems. Claiming a debit as soon as an item ships to a customer can wreak havoc on cash flow. Maintaining cash flow becomes more difficult the longer it takes to sell an item and acquire credit from a supplier.

Incentives are designed to help suppliers and distributors reduce inventory, offset pressures or economic struggles, compete in new markets, and win new business. These incentives also follow good pricing strategy, allowing the supplier to maintain a uniform pricing model offering incentives back to the distributor.

Carried out annually, rebate programs are procurement-focused, typically originate with the supplier, and are issued at the time of inventory purchase.

While manufacturers develop supplier ship and debit systems to pass along reduced prices to partners, distributors also request incentives. In certain market conditions, manufacturers may offer cheaper pricing to distributors who have high volumes. When computing a claim back to the supplier, POS data and applicable sales orders are used. Ship and debit qualification usually requires such data points as a customer PO, invoice number, or waybill.



# Weather the storm: Make ship and debit work for you

An added benefit to both manufacturers and distributors, timely claims processing helps strengthen partner relationships. Say “bon voyage” to piles of overpaid, duplicate, or overlapping claims, slow reimbursement turnaround, and dissatisfied channel teams and partners.

## Benefits for manufacturers

### Maximized revenue

Manufacturers can more easily maximize revenue because they have visibility into end user demand.

### Increased channel dependability

Channel organizations are no longer able to manipulate pricing to offer deeply discounted prices to end customers beyond those who have a special pricing agreement.

### Reduced overpayments

Incentive overpayments can be reduced dramatically.

### Streamlined price changes

With simplified distributor pricing that comes with ship and debit, changing prices to match market conditions is exponentially easier.

## Benefits for distributors

### Increased assurance

Distributors are in the business of driving revenue while sustaining their business. Being able to claim a debit as soon as product has shipped can have a positive impact on distributor relationships and long-term success. When distributors can sell a product and quickly claim the debit from the supplier, it improves their cash flow and keeps the distributors outlook positive and reduces frustrations. Distributors will no longer wait weeks or months for payment to be “made whole”.

### Greater confidence

While there’s an outside chance that distributors may consider undercutting supplier prices, they have already paid the supplier for the product and need the confidence to focus on selling and not making or asking for price adjustments.

### Simplified channel engagement

It’s much easier to work with a manufacturer with a simplified process. This reduces their overhead and ensures timely payment.

## Set a new course for your ship and debit program

Most high tech companies have no integration between their quoting and their actual sales price. Without this integration, the process of matching credits to debit records and quotes is plagued with errors, leaving the company at considerable risk of overpayments, payment delays, and exacerbating their existing revenue execution crisis.

Automated ship and debit processes create smarter, channel-driven manufacturers with enhanced visibility to their customer bases—saving costs, tracking sales-out performance with greater ease, and ultimately creating new opportunities and value for their businesses.



## How technology can make a difference

Customer demands and special pricing agreements are always changing, which is why businesses can greatly benefit from automating special price requests, vendor rebates and claims processes. Often, a company's existing ERP includes severely limited rebate management functionality, or none at all. Businesses using dedicated rebate management software quickly realize that the main benefit of having a robust rebate management system in place is that it provides a way to reduce errors, fuel revenue, increase transparency, improve partner relationships, save time and money, and achieve a higher ROI.

## How Vistex adds value in High Tech

Whether you are a software vendor, semiconductor manufacturer, contract manufacturer or OEM, monitoring program performance, driving demand and protecting margins is crucial for revenue growth. Vistex enables high tech companies through an integrated solution that manages the full breadth of direct and indirect channel management including CDM, contracts, pricing, quoting, design registration, ship and debit, rebates, Co-op and MDF, incentives and IP royalties. As a result, high tech companies gain valuable insights into customer performance, improve their gross to net, increase market share, and maintain financial control. With Vistex, you can realize improved margins and revenue by driving better pricing, increasing attach rates and streamlining revenue management—making sure it all adds up to more growth, not just more costs.



## Deployment Options | Run it your way

Whether you decide to run your systems on-premise, in the cloud or in a hybrid environment, with Vistex solutions your organization is empowered with unprecedented visibility into any program and performance. Gain deeper insight and enable fact-based decisions to drive revenue, control cost, minimize leakage, and streamline processes. With a range of deployment options for all your programs, you choose the way that works best for your business needs.

### Add the right option for your business



On-Premise



In Cloud



Hybrid

### About the author | Jen Gross, Senior Manager – Industry Marketing at Vistex

Jennifer Gross is a seasoned and passionate marketing professional with more than 20 years of experience in both the high-tech and packaging industries. Driven by a can-do attitude and fiery desire for success, Jennifer is highly skilled in the areas of strategic planning, integrated marketing campaigns, events management, and product marketing.

### About Vistex®

Vistex solutions help businesses take control of their mission-critical processes. With a multitude of programs covering pricing, trade, royalties and incentives, it can be complicated to see where all the money is flowing, let alone how much difference it makes to the topline and the bottomline. With Vistex, business stakeholders can see the numbers, see what really works, and see what to do next – so they can make sure every dollar spent or earned is really driving growth, and not just additional costs. The world's leading enterprises across a spectrum of industries rely on Vistex every day to propel their businesses.

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