

5 Steps to Getting Started with SPAs

A SPA is an agreement between a manufacturer and a distributor to compensate the distributor for selling to an end customer at a discounted price. They are many times a necessary weapon to stay competitive in the marketplace and an important element of profitability.

SPAs are intended to lock in relationships, to secure market positioning and guarantee a protected customer-distributor-supplier trifecta relationship so that everyone wins. But complexity can start to creep in, so where do you begin? This checklist should help you get started.

Step 1: Understand What Benefits SPAs Can Bring

Although SPAs are complex, they have benefits that outweigh the hassle of managing them. SPAs put companies in a better position to react to unforeseen market conditions, because pricing on anticipated sales locks in the business as demand shifts while maintaining margin expectations.

Also, if a trading partner knows they can get the best deal with a particular manufacturer's stocking line, they're far less likely to look to another manufacturer to meet their product and pricing needs.

For manufacturers, this means a loyal partner who comes back year over year to maintain steady (or steadily increasing) product volume purchases. For distributors, this means they're getting the best deal and can more confidently compete in the markets they serve.

Step 2: Take Control of Your Pricing

SPAs still serve their main purpose: to secure "the best price." Pricing needs to be regulated through a centralized group of people whose job is to capture, control, analyze and negotiate "the best price." These folks need to master price rationalization and optimization on the cost and sell side. They need to collect, contain and analyze price intel that currently remains in the hands of so many and they need serve as your internal go-to filter before reaching out to a manufacturer. They need exposure to the embedded data within the business systems with tools that allow them to make good and competitive price decisions.

Step 3: Establish a Strong Trading Partner Relationship

SPAs are invaluable tools for manufacturers and distributors who are focused on maintaining their relationships — they allow manufacturers to increase their volumes while giving distributors a way to target particular market segments that are aligned with their business goals. By building contracts around the unique needs of each partner, SPAs can make relationships more strategic and give manufacturers and distributors powerful incentives to keep working together. They are considered the secret weapon to loyal relationship success.

However, the administrative nature of SPAs has created a sense of mistrust between manufacturers and distributors as distributors sometimes feel that manufacturers attempt to complicate the process to reduce eligible payouts. The process frustrates distributors, and often results in manufacturers declining submissions and reimbursements that can take months to arrive.

That's why the tighter the relationship, the more profitable the relationship will be for both parties — in taking market share as well as ensuring mutual profitability and reduced friction due to problematic claims.

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□ Step 4: Get your SPA Processes in Order

On paper, the process is simple. A contract is negotiated between the distributor and the vendor or manufacturer, outlining the terms and conditions of a special pricing agreement. A customer places an order with the distributor that is eligible for the special price. The distributor submits a claim to the vendor or manufacturer for reimbursement of the special discount. The vendor processes the claim, and the distributor records the payment.

However, the process is not as simple as it seems. For many distributors, it is complicated, time-consuming and error-prone, resulting in costly expenses. The complexities of changing agreements can result in claim disputes and delayed payments. Any leakage of these claimed SPA amounts can result in lost margin and could mean the difference between a profit and a loss. Aging claims can also impact a distributor's financial performance.

When working with SPAs, it's crucial for manufacturers and distributors to move past spreadsheets, physical documentation and other rudimentary forms of data collection and tracking. Manufacturers and distributors need to move into a digital relationship, where technology replaces the tactical, time-wasting work and positions resources to be more strategic.

□ Step 5: Implement Rebate Management Software

With the name of the game being market share and profitable cash flow, how you manage your SPAs is important. As we have already said, a strong process is necessary and is underpinned by automated rebate management software. Very few distributors have business systems that completely automate the SPA process — requiring an inordinate amount of paperwork and manual effort. Using a centralized, collaboration-based rebate management platform that provides a single version of the truth for manufacturers and distributors, eliminates discrepancies and streamlines the SPA process from beginning to end.

Enable can help you manage all of your SPAs in one place for faster and easier negotiation and rapid, accurate claimbacks. **Schedule a demo or get in touch with us at hello@enable.com.**