

## Contract Compliance

Lower Costs and Better Negotiations Through Accurate Invoices

Contracts for outsourced manufacturing and logistics can be incredibly complex, with rates and fees shaped by variables that are nearly impossible for brand owners to manually monitor. When partner invoices are received, manually cross-checking them against the contract is slow and administratively costly. E2open<sup>®</sup>'s Contract Compliance application automatically captures and digitizes all service-based costs incurred by manufacturers and logistics partners, validating them against the contract to eliminate payment of incorrect charges.

When brand owners outsource work to partners, it becomes a challenge to track realized service levels and prevent overpayments — especially with contract manufacturers and logistics service providers (LSPs). To compound the issue, many partners are shifting from traditional item-based pricing to a service-based, value-added model. Many contract manufacturers now combine parameters such as cost of materials,

manufacturing steps, time spent on machines, volume and testing times all together in one invoice. As a result of this added pricing complexity, when it comes time to reconcile and validate invoices, brand owners frequently lack the data to confirm timely that an invoice is correct and risk significantly overpaying.

One of e2open's Collaborative Manufacturing intelligent applications, e2open Contract Compliance creates a digital representation of service-based contracts and provides brand owners with detailed visibility into the steps their partners actually take to produce and transport goods. It calculates service charges as they occur at supplier locations by assessing work-in-progress (WIP) activity. It then cross-checks the contract, invoice and other sources of data, flagging mismatches to ensure that brand owners quickly and easily identify incorrect charges.

### Key Features

- Uses a detailed manufacturing data model and actual work-in-progress data to accurately calculate what brand owners owe to suppliers
- Ensures correct payments by harmonizing contracts, POs, shipping information, receipts and invoices
- Supports every major type of commercial contract
- Includes spend-analytics dashboards to monitor supplier performance and ensure superior collaboration
- Offers user-authored business workflows to resolve invoice discrepancies

## Key Benefits

- Lowers the cost of goods by reducing overpayments and improving contract negotiations
- Significantly lowers auditing costs by automatically reconciling contracts and invoices
- Promotes effective supplier relations by expediting payment cycle times
- Improves cash-flow management by providing greater confidence in the billing process
- Empowers brand owners to form optimal supplier relationships based on billing accuracy and performance against the contract

## Accurate Invoices and No Overpayments

E2open Contract Compliance enables brand owners to right-size their costs by ensuring they pay only for services included in contracts and rendered by partners. It promotes accountability by contract manufacturers and LSPs and strengthens the brand owner's position during negotiations.

### **Deep Manufacturing and Pricing Visibility**

The application uses a detailed manufacturing data model and product attribute-based pricing to calculate accurate charges for the work that service-based partners are actually doing. A system of payment points and triggers collects and tracks the data at every step in the production process, providing real-time visibility into the true costs being incurred. With this level of detail, brand owners can proactively flag contract compliance issues and ensure the invoices they receive — and payments they ultimately make — are accurate.

### **Efficient Reconciliation for the Perfect Invoice**

Automatic five-way matching — comparing contracts, POs, shipping information, receipts and invoices — means freedom from manual invoice audits so teams can spend time on more valuable work. Once the application validates invoices, it automatically uploads correct ones to the enterprise resource planning (ERP) system for

payment and flags incorrect ones for further review and resolution. This automation enables brand owners to establish paperless, invoice-based payment processes and reduce payment cycle times, improving their relationships with partners.

### **Oversight of Manufacturing Steps**

If contract manufacturers do not measure parameters — such as time on a particular machine — while they work, it is easy for them to diverge from what the contract specifies. This increases the risk that brand owners will be incorrectly charged. With this application, brand owners monitor how contract manufacturers are using their assets and compare that with the contract to ensure all specifications are followed.

### **Support for All Industry Contracts**

Brand owners gain the flexibility to manage a wide variety of contracts, such as tiered component purchase pricing, specialized service pricing, foundry, assembly, test contracts, logistics and warehouse contracts and retail contracts. For example, they can distinguish between the base cost and additional fees for logistics services by automatically comparing the provider's actual invoice — which may be industry-specific and complex — to the original contract. This capability helps identify discrepancies that arise from certain types of partners.

### **Fact-Based Predictive Analytics for Better Negotiations**

Brand owners can analyze incorrect invoices to identify trends across suppliers, products, geographies and other factors. They can predict the cost of new products and designs based on features, manufacturing processes, contracts and supply chain configuration. This means that when the time comes to renegotiate contracts with suppliers, brand owners have the right data to leverage lower costs and eliminate the suppliers that consistently bill incorrectly.



## End-to-End Supply Chain Management Platform

Once an organization implements any e2open platform application, it is easy to add more capabilities in the future for better visibility, coordination and control over the end-to-end supply chain. The e2open platform creates a digital representation of the internal — and optionally external — network, connects internal ERP and financial systems using SAP® and Oracle® certified adapters for timely data feeds, and normalizes and cleanses the data to make it decision-grade. Using machine learning-enabled algorithms and supply chain management applications, the platform processes the data and provides bi-directional, closed-loop communications back to ERP systems for execution. This facilitates the evolution of supply chain processes towards true convergence of end-to-end planning and execution.

Now brand owners can prevent overpayments and leverage data-driven insights to improve negotiations with partners. Technology and automation reduce workloads and help ensure every invoice is correct before payment.

## About e2open

At e2open, we're creating a more connected, intelligent supply chain. It starts with sensing and responding to real-time demand, supply and delivery constraints. Bringing together data from customers, distribution channels, suppliers, contract manufacturers and logistics partners, our collaborative and agile supply chain platform enables companies to use data in real time, with artificial intelligence and machine learning to drive smarter decisions. All this complex information is delivered in a single view that encompasses your demand, supply and logistics ecosystems. E2open is changing everything.

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