



Feature at a Glance Commodity Price Escalation Management

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Introducing: Commodity Price Escalation Management

Customer challenge

Price volatility of underlying materials presents a risk to commodity buyers as it impacts the selling price of the end product and causes exposure resulting in a potential loss on the future prices due to a mismatch of the buy price versus the sell price. Reflecting the changes in underlying commodity prices in to the affected contracts helps customer and suppliers gain transparency and help mitigate the risks accordingly. Currently such updates need to be managed manually and this is an effort intensive process when dealing with a large number of contracts.

Meet that challenge with

SAP Ariba

This feature will introduce the capability for users to create and maintain escalation clauses in SAP Ariba Contracts that helps the periodic adjustment of purchased components pricing to reflect market changes to the price of specified base materials. SAP Ariba Contracts will provide the capability for users to create and apply escalation clauses, synchronize escalation terms with related contracts, and reporting on escalation clauses and related price components.

Experience key benefits

Enables customers to effectively manage the impact that price fluctuations of commodities have on the corresponding contracts.

Solution area

SAP Ariba Contracts

Implementation information

This feature is automatically on for all customers with the applicable solutions and is ready for immediate use.

Prerequisites and Limitations

Contracts Line Items Documents must be enabled.

Introducing: Commodity Price Escalation Management

Detailed feature information

Commodity escalation management process deals with mitigating the risk of a part/item price being escalated/deescalated in the market after the contract has been signed between the buyer and a supplier. This helps to keep both the parties on the same page so that both of them are transparent to the market risks. This functionality is intended to implement the commodity price escalation management process within the SAP Ariba Contracts module.

Accessing the commodity price escalation manager

Purchase Orders

Reconcile Invoice

SM Administration

Sourcing Library

Templates

More..

SM Modular Questionna

Spot Buy Administration

Report Search Filters

Queues

Receive

SM Admin

1

Administration

Approvable Role Assignments

Approval Processes

Asset Workbench

Clause Library

Contracts

Core Administration

Forms and Extensions

My Tasks

My To Do

Non Disclosure Agreement

Personal Workspace

Print Templates

2

Integration Manager

Depending upon your configuration: Import and export data. Configure events. Configure external system connection information. Configure the integration shared secret.

Supplier and Customer Manager

Manage suppliers, customers, and their users. Supplier and customer users are members of external organizations who log in to the Ariba system with restricted access.

Customization Manager

Depending upon your configuration: Work with brands and customize user interface text. View, add, modify, and delete partitioned commodity codes and partitioned commodity code maps. Import and export data.

Spend Visibility Manager

Perform administrative tasks for Spend Visibility.

Event Manager

Customize system emails for sourcing events and set up exchange rates for multi-currency auctions.

Commodity Code Manager

Work with hierarchical commodity codes, including creating mappings between commodity code domains.

Enrichment Manager

Perform administrative tasks for Enrichment

Commodity Escalation Manager

Perform administrative tasks for Commodity Escalation

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Commodity Escalation Manager

Perform administrative tasks for Commodity Escalation

Escalation Clause Configuration

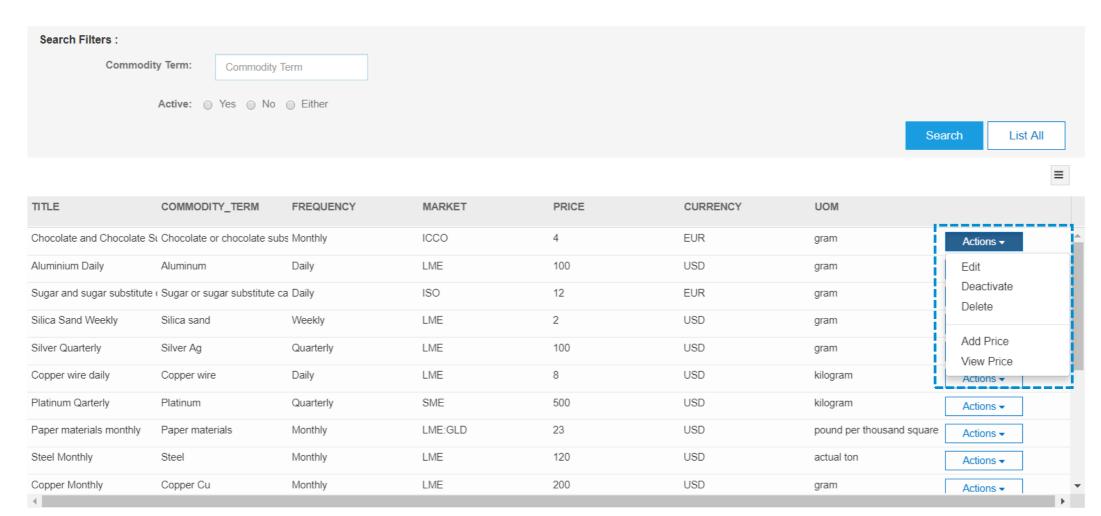
Configure and search Escalation Clauses

Note: User needs to be a part of group 'Commodity Escalation Administrator' to access the Commodity Escalation Manager link in the Administrator page

Administrator view of the commodity escalation clauses

Commodity Escalation Clause Management

Configure / Search Escalation Clause and Add / View Commodity Price.



Creating a new commodity escalation clause

TITLE	COMMODITY_TERM	FREQUENCY	MARKET	PRICE	CURRENCY	UOM	
Chocolate and Chocolate	Si Chocolate or chocolate sul	bs Monthly	ICCO	4	EUR	gram	Actions ▼
Aluminium Daily	Aluminum	Daily	LME	100	USD	gram	Actions ▼
Sugar and sugar substitute	e (Sugar or sugar substitute (ca Daily	ISO	12	EUR	gram	Actions ▼
Silica Sand Weekly	Silica sand	Weekly	LME	2	USD	gram	Actions ▼
Silver Quarterly	Silver Ag	Quarterly	LME	100	USD	gram	Actions ▼
Copper wire daily	Copper wire	Daily	LME	8	USD	kilogram	Actions ▼
Platinum Qarterly	Platinum	Quarterly	SME	500	USD	kilogram	Actions ▼
Paper materials monthly	Paper materials	Monthly	LME:GLD	23	USD	pound per thousand square	Actions ▼
Steel Monthly	Steel	Monthly	LME	120	USD	actual ton	Actions ▼
Copper Monthly	Copper Cu	Monthly	LME	200	USD	gram	Actions -
1							· ·

Create New

Commodity Price Escalation Management Creating a new commodity escalation clause

Commodity Escalation Clause Management

Configure / Search Escalation Clause and Add / View Commodity Price.

Commodity: *	Copper wire
Frequency: *	Weekly ▼
Exchange Rate:	System Currency Conversion Rates
Market:	LME
Internal Comment:	
	//
Calculation Description:	Average price in the period
Currency: *	USD
UoM: *	kilogram
00111.	Niogram
Tolerance: *	5
Tolerance By:	Percentage Value

Commodity Price Escalation Management Adding/updating prices on a commodity price clause

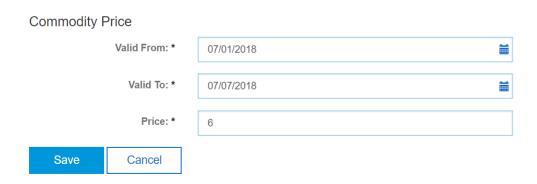
Title	Commodity Term	Frequency	Market	Price	Currency	UoM	
Chocolate and Chocolate S	St Chocolate or chocolate sub	os Monthly	ICCO	4	EUR	gram	Actions ▼
Aluminium Daily	Aluminum	Daily	LME	100	USD	gram	Actions ▼
Sugar and sugar substitute	s Sugar or sugar substitute o	a Daily	ISO	12	EUR	gram	Actions ▼
Silica Sand Weekly	Silica sand	Weekly	LME	2	USD	gram	Actions ▼
Silver Quarterly	Silver Ag	Quarterly	LME	100	USD	gram	Actions ▼
Copper wire daily	Copper wire	Daily	LME	8	USD	kilogram	Actions ▼
Platinum Qarterly	Platinum	Quarterly	SME	500	USD	kilogram	Edit
Paper materials monthly	Paper materials	Monthly	LME:GLD	23	USD	pound per thousand square	Deactivate Delete
Steel Monthly	Steel	Monthly	LME	120	USD	actual ton	
Copper Monthly	Copper Cu	Monthly	LME	200	USD	gram	Add Price View Price
Create New	7						1.511 1 1.05

Adding/updating prices on a commodity price clause

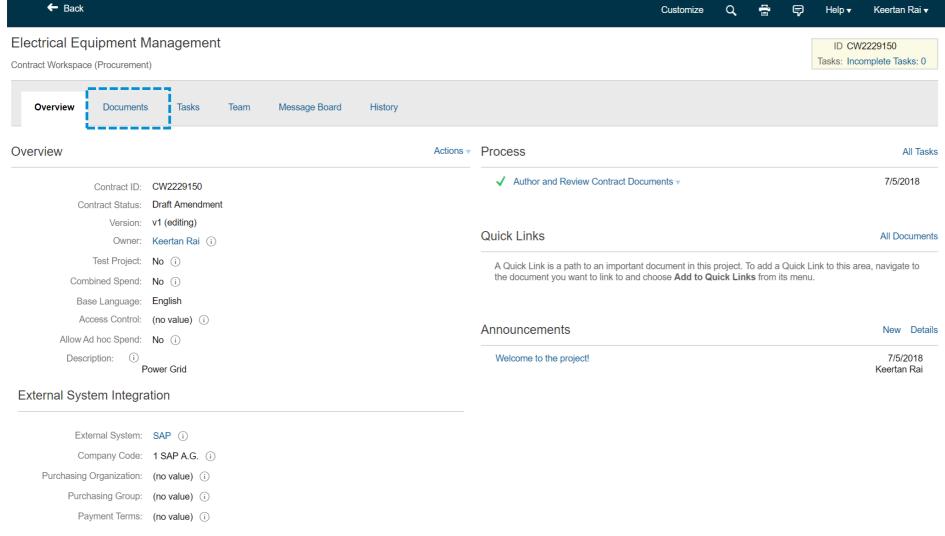
Commodity Escalation Clause Management

Configure / Search Escalation Clause and Add / View Commodity Price.

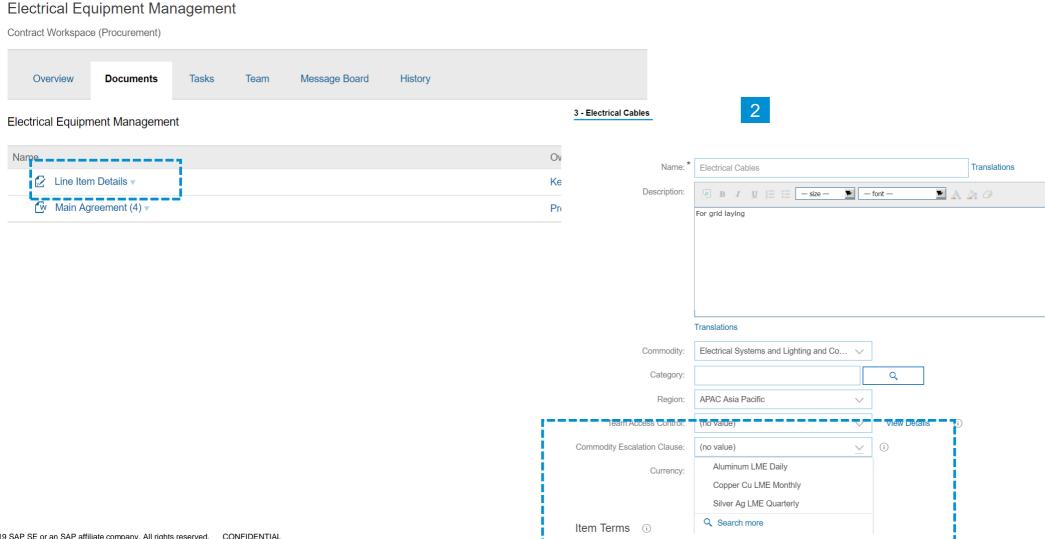
Commodity Term	Frequency	Exchange Rate	Market	Internal Comment	Calculation Description	Currency	UoM
Copper wire	Weekly	System Currency Conversion Rates	LME		Average price in the period	USD	kilogram



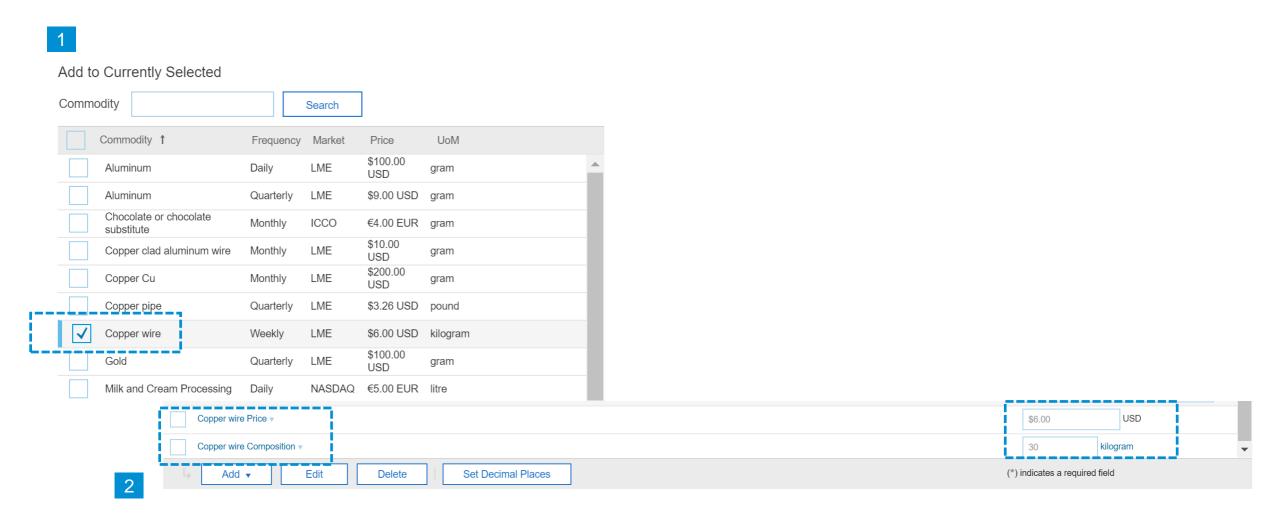
Adding commodity escalation clause to a contract workspace



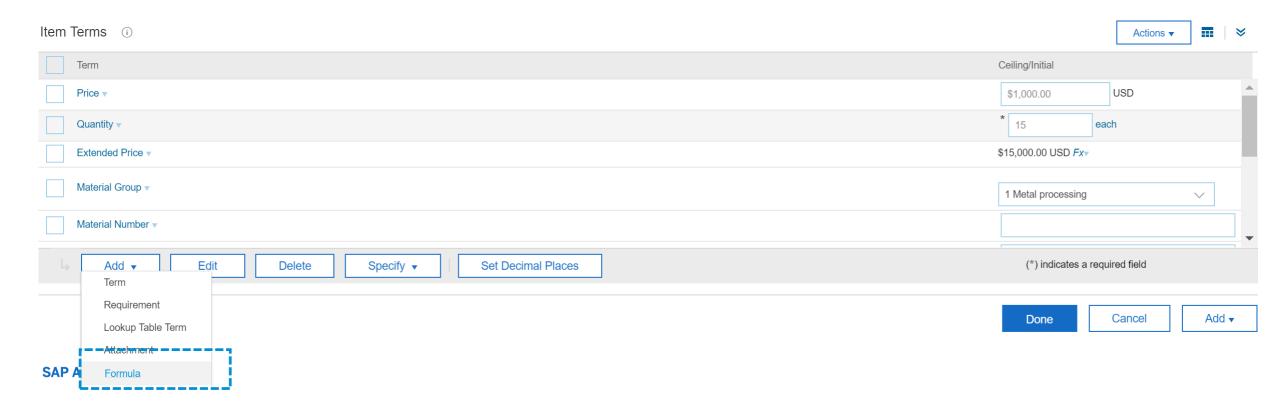
Commodity Price Escalation Management Linking commodity price escalation clause in an CLID



Commodity Price Escalation Management Linking commodity price escalation clause in an CLID



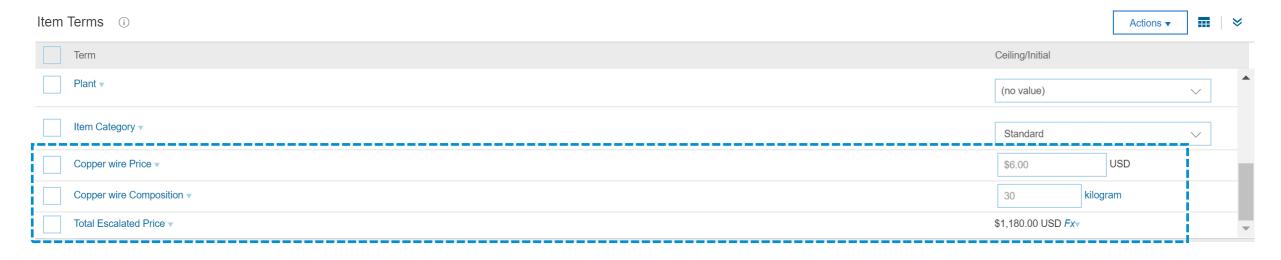
Calculating the total price of the line item based on the price of the commodities



Calculating the total price of the line item based on the price of the commodities

Add Formula		OK Cancel			
Create a formula to use in the event. After you specify the name and other relevant details, create and validate the formula. Select attributes and formulas from the Content area to add to the formula. When required, map values for formula attributes before you add the attributes Mor					
3 - Electrical Cables					
Name: *	Total Escalated Price				
		Translations			
Formula:	'Price'+'Copper_wire_Price'*'Copper_wire_Composition(
Lookup Formula:					
+ - *					

Total price calculated based on the commodity price and composition



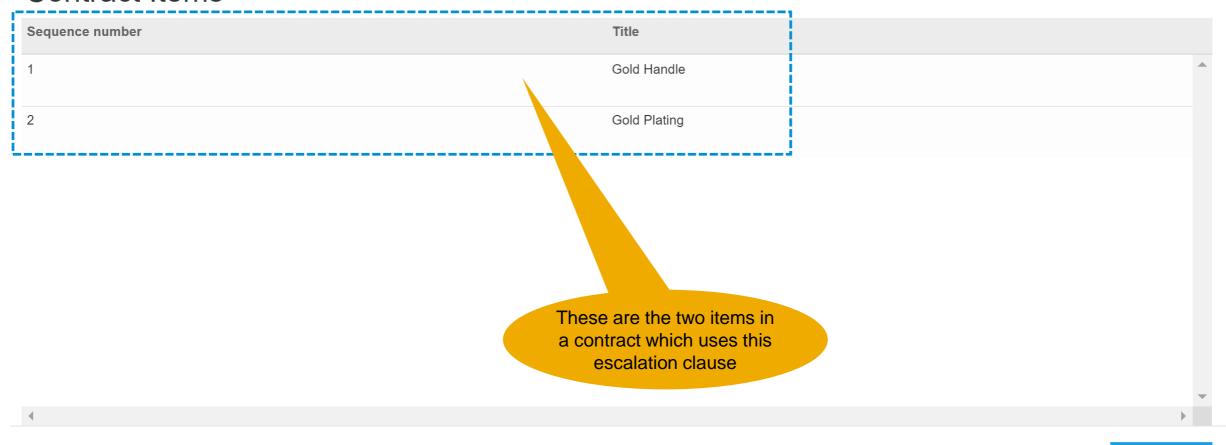
Introducing: Commodity Price Escalation Management

Detailed feature information

The application of the latest prices will happen when the user opens a contract or exports through excel or webservice etc..

Viewing Contracts Associated with a clause

Contract Items



Close

Introducing: Commodity Price Escalation Management

Reporting on Escalation Clauses

A new dimension called Commodity Escalation Clause is introduced as part of the analytical reports. This can be used to report on Escalation Clauses.