



NATIONAL ASSOCIATION OF
ELECTRICAL DISTRIBUTORS

Smart Tools for Smart Distribution.™

SPA Process Efficiency: Recommended Industry Vocabulary



Developed for the Membership of NAED
by NAED's Task Force on SPA Process Efficiencies

NAED's Overall Mission:

The National Association of Electrical Distributors is the voice of electrical distribution, providing members with the best in tools, information, and assistance to help them thrive financially and to improve the electrical distribution channel. This is accomplished through promotion of networking, advocacy, education, and defined standards.



Goal of NAED's Task Force on SPA Process Efficiencies

NAED brought together teams of manufacturers and distributors to develop solutions to make the process of claiming SPAs more efficient. The first deliverable from the task force was the **Inventory Carrying Cost Calculator** to enable distributors and their suppliers to work together in measuring additional costs on a case-by-case basis. The task force determined that another critical tool needed to reduce costs for both trading partners was a common vocabulary across the channel to improve communications. **The Recommended Industry Vocabulary** is designed to facilitate a dialogue among distributors and manufacturers for the purposes of making the SPA process more efficient and reducing costs for all parties involved.

Please note: This vocabulary is designed to facilitate a dialogue among distributors and manufacturers for the purposes of making the SPA process more efficient and reducing costs for all parties involved. This document is not intended to express any views regarding individual manufacturers' decisions to provide SPAs, including whether, when, to whom or in what amount SPAs are provided. All distributors and manufacturers will continue to make their own independent decisions regarding pricing and other competitive issues.

Dedication

Thanks to All of Our Industry Volunteers

This recommended vocabulary set is the result of an industry effort! Both manufacturers and distributors were involved in its development. Originally, it was the brainchild of Annie Warren of Rexel and Lori Cruz of Wabash Electric Company. Jerry Hagerman of OSRAM Sylvania and Bernie Westapher of Panduit shared Annie and Lori's commitment and spent countless hours volunteering their time to help the industry speak a common language—the first step in standardization and more efficient processes.

The Distributor SPA Claim Filing Process Efficiencies Task Force

The Distributor Task Force included 10 volunteers from 10 companies:

- ▶ Border States ElectricTammy Miller
- ▶ Standard Electric SupplyLarry Stern
- ▶ D.S. Electric.....Darrel D. Daniel
- ▶ Wabash ElectricLori Cruz
- ▶ RexelAnnie Warren
- ▶ Sonepar (EOFF Electric).....Jackie Angel
- ▶ North Coast ElectricChristina Ide
- ▶ The Hite CompanyRon Eberhart
- ▶ WESCO.....Richard Stone
- ▶ Madison Electric Company.....Ben Rosenthal

The Manufacturer SPA Claim Filing Process Efficiencies Task Force

The Manufacturer Task Force included Fran Piscitelli and Jerry Hagerman from OSRAM Sylvania, Marjorie Frett from Schneider/Square D, Bernie Westapher from Panduit, and more than 33 other volunteers from the companies listed below:

- ▶ Schneider/Square D
- ▶ OSRAM Sylvania
- ▶ Cooper Industries
- ▶ Panduit
- ▶ Thomas & Betts
- ▶ Advance Transformer
- ▶ Hoffman Enclosures
- ▶ Hubbell
- ▶ Rockwell Automation
- ▶ Philips Lighting
- ▶ Ideal Industries

Additional Key People

Mary Shaw , formerly of IDEA, was brought into the process to incorporate the Recommended Industry Vocabulary into the IDEA file format standards she was responsible for developing. NAED’s general legal counsel, Ron Rucker, provided legal guidance during each conference call.

When the vocabulary was sent out for public comment in November 2004, 234 additional people provided comments and suggestions. The comments were reviewed by Annie Warren, Bernie Westapher, Jerry Hagerman, and Lori Cruz, and incorporated into this document. On February 24, 2005, the second version of the Recommended Industry Vocabulary was emailed to manufacturers and distributors. Between February 24, 2005, and April 24, 2005, 5,200 other industry members viewed the vocabulary at www.naed.org/vocabulary.pdf. It was released on May 12, 2005 and updated January 24, 2007.



Table of Contents

| | Page |
|---|-------|
| ▶ Definition of SPAs & various types of quotes | 5 |
| ▶ Recommended vocabulary pages | 6 -12 |
| ▶ Glossary of terminology..... | 12 |
| ▶ What you can do to make sure the vocabulary is up-to-date | 13 |



Definition of SPA and Various Types of Quotes ¹

▶ **Special Pricing Authorization or SPA**—A discounted price granted by a manufacturer to a distributor to meet a competitive situation. **Note:** *Depending on a manufacturer's published procedures and guidelines, such transactions may be known as **Ship and Debit, Direct Ship Quote or Sale, Distributor In-To Stock Price Program or Quote, or Promotional Quote**. These 4 types of special pricing authorizations are defined below:*

▶ **Ship and Debit Quote or Sale**—Distributor ships from stock to end-customer and requests a rebate from the manufacturer for discounted amount as authorized by the manufacturer's published procedures and guidelines.

▶ **Direct Ship Quote or Sale**—Manufacturer ships an order directly to the end-customer.

▶ **Distributor In-To Stock Price Program or Quote**—The resulting price (per item) reflected on a manufacturer's invoice to the distributor.

▶ **Promotional Quote**—A special price offered by a manufacturer to a distributor on specific products for a limited period of time. A manufacturer generally requires some form of special designation by distributor at time of order entry to insure proper pricing.

¹. *This vocabulary is designed to facilitate a dialogue among distributors and manufacturers for the purposes of making the SPA process more efficient and reducing costs for all parties involved. This document is not intended to express any views regarding individual manufacturers' decisions to provide SPAs, including whether, when, to whom or in what amount SPAs are provided. All distributors and manufacturers will continue to make their own independent decisions regarding pricing and other competitive issues.*

Recommended Vocabulary

▶ **Column Pricing (Column 1, Column 2, Column 3)**—A pricing structure that can be distributor cost and/or suggested resale pricing that have had a multiplier or discount percentage applied based on incremental price break quantities, *Broken* versus *Standard Carton*, from *Standard Price* to *Best Price*.

▶ **Direct Ship SPA Cost**—The SPA cost to the distributor on an order shipped directly from the manufacturer to the end-customer. *Note: The Direct Ship SPA Cost may differ from the SPA Cost for material shipped to the distributor's stock. This is often due to the manufacturer's shipping & handling charges.*

▶ **Discount Multiplier**—Number used to multiply against a pricing column on a designated distributor cost sheet or suggested resale price to determine net distributor cost. *Note: A multiplier can be used to communicate pricing on any type of quotation (i.e. SPA, Distributor's Into Stock Purchase Cost schedule, etc.), and is applied per a specific manufacturer's published procedures and guidelines. Multipliers can be applied to an individual item, Vendor Product Groups, or an entire product offering. Multipliers can be applied to a variety of price sheets or pricing columns (i.e. Published Distributor Cost, Manufacturer's Suggested Resale Price, or Column Pricing). In a Special Pricing Authorization example:*

1. Assume suggested resale is \$100.00
2. Assume SPA discount multiplier is .70
3. SPA Cost = \$100.00 x .70 = \$70.00

If the Manufacturer's Discount multiplier on Manufacturer's Suggested Resale Price or column pricing is known and the distributor wants to determine the discount percentage to put on a specified Manufacturer's Suggested Resale Price, column pricing, or price sheet, all that has to be done is subtract the discount from 1.00 and multiply by 100.

Discount Percentage = $1 - .70 = .30 \times 100 = 30\%$

▶ **Discount Percentage**—The discount percentage supplied by the manufacturer to be applied to a designated distributor cost sheet, or suggested resale price, to determine net distributor cost. *Note: The discount percentage can be used to communicate pricing on any type of quotation (i.e. an SPA, Distributor's Into Stock Purchase Price schedule, etc.), and is applied per a specific manufacturer's published procedures and guidelines. Multipliers can be applied to an individual item, Vendor Product Group, or an entire product offer-*

ing. In a *Special Pricing Authorization* example:

1. Assume *Suggested Resale* is \$100.00
2. Assume *SPA discount percentage* is 30%, so $SPA\ Cost = 100 - (100 \times .30) = \70.00

If the Manufacturer's Discount Percentage is known and the distributor wants to determine the multiplier to put on Manufacturer's Suggested Resale Price, specified column pricing, or price sheet, all that has to be done is subtract the discount from 1.00.

Discount Multiplier = 1 - .30 = .70

▶ **Distributor Into Stock Purchase Cost**—The net into stock purchase cost being invoiced by a manufacturer. *Note: Depending on the manufacturer's published procedures and guidelines, **Distributor Into-Stock Purchase Cost** can be **Published Distributor Cost**, **Published Distributor Cost** less a discount, **Manufacturer's Suggested Resale Price** less a discount, or a **Net Priced** quotation.*

▶ **Distributor Invoice Date**—The date the items were billed by the distributor to the end-customer.

▶ **Distributor Invoice Number**—Number of the distributor's invoice to the end-customer.


▶ **Distributor SPA Claim Filing**—The process a distributor must complete to substantiate the rebate amount to be paid by the manufacturer to the distributor per the terms and conditions of the SPA or the manufacturer's published procedures and guidelines.


▶ **Distributor SPA Claim Reference Number**—Unique distributor internal reference number for each submittal. *Note: The distributor-generated reference numbers are a means to track the receipt and application of SPA credits issued by manufacturers. The reference number used may be a debit number, purchase order number, date, or other miscellaneous identifier.*

▶ **Distributor's SPA Credit Request**—When a distributor submits SPA claim documentation, but does not issue a debit for the SPA claim amount they are requesting credit from the manufacturer.

▶ **Distributor's SPA Debit**—A deduction taken by a distributor from a payment to a manufacturer for the amount of SPA credit requested from the manufacturer. *SPA Debits* are submitted with *SPA Claim* documentation to support the amount being deducted.

▶ **EAN Number**—*European Product Code*, an 8- or 13-digit number used primarily in Europe. Unique for each manufacturer’s item, EANs standardize product information for scanning via bar code. (For further information, please see the definitions of *GTIN* and *UPC*).

| EAN/UCC-13 (EAN-13) | | |
|---|-----------------------|--------------------|
|  | Original Encoded Data | Full 14-Digit GTIN |
| 0123456789104 | 0123456789104 | 00123456789104 |

| EAN/UCC-8 (EAN-8) | | |
|---|-----------------------|--------------------|
|  | Original Encoded Data | Full 14-Digit GTIN |
| 01234565 | 01234565 | 00000001234565 |

▶ **Electronic Data Interchange (EDI)**—The exchange of business documents electronically instead of mailing or faxing paper. Businesses use EDI to reduce errors and the cost associated with the manual keying of data and to speed up the process of sending and receiving standard business documents. EDI uses standard transaction sets and formats that have specific transaction numbers assigned to them. The transaction set numbers identify the standard use and function of the individual transaction that is being transmitted.

▶ **EDI 832: Prices/Sales Catalog**—EDI transaction used to furnish the price of goods or services in the form of a catalog. The EDI 832 keeps internal item files up-to-date with accurate product and price information.

▶ **EDI 844: Product Transfer Account Adjustment (also know as SPA Credit Request)**—EDI Transaction used by a distributor to request credit for transactions covered by a manufacturer’s pre-authorized **SPA Quotation**.

▶ **EDI 845: Price Authorization Acknowledgement/Status**—EDI Transaction used by a manufacturer to provide a distributor with pricing or an SPA quotation.

▶ **EDI 849: Product Transfer Account Adjustment Response**—EDI Transaction used by a manufacturer to issue an *SPA Credit* or an *SPA Credit Discrepancy Notice* in response to a *Distributor SPA Claim Filing*.

▶ **Electronic Communication**—Communication via EDI, Flat File, emailing Excel files and/or Online entry directly into the recipient’s business system. Electronic communications take costs out of the channel because manual intervention—*interpretation, price verification, re-keying, printing, filing, and/or internal routing of hard copies*—is not required.

▶ **End-Customer Name**—The distributor’s customer(s) who is listed as an authorized recipient of an *SPA Quotation*.

▶ **Exercise Period**—The time period after a sale has been made to an end-customer that a distributor may apply for a rebate. *Note: The Exercise Period will be found in each manufacturer’s published procedures and guidelines.*

▶ **GTIN Number**—Acronym for *Global Trade Item Number*, a 14-digit number, unique for each manufacturer’s item, used to standardize information with trading partners globally. *Note: Effective January 2005, GTINs have replaced both EANs and UPCs.*

▶ **Item Description**—Manufacturer’s description of the item ordered.

▶ **Manufacturer’s Distributor Identification Number**—Unique number the manufacturer has assigned for each store/location/branch of a distributor, (*i.e., account number*).

▶ **Manufacturer’s Price Sheet**—*Manufacturer’s Suggested Resale Price, Published Distributor Cost, and/or List Price Sheet* as specified by date and/or number as defined by manufacturer’s published procedures and guidelines.

▶ **Manufacturer’s SPA Credit**—The credit memo issued by the manufacturer for the distributor’s *SPA Claim Amount* when validated against the *SPA Agreement* and the distributor has not issued an *SPA Debit*.

▶ **Manufacturer’s Suggested Resale Price**—A suggested reference sell price developed by the manufacturer for end-customers. *Note: The number of, and meaning behind manufacturer’s suggested resale price(s) varies. This reference price(s) is often referred to as List Price, Trade Price, Contractor Cost, Column Pricing, or Column 1,2, or 3. Some examples of manufacturer’s offering more than one suggested resale price level are: Broken vs. Standard Carton Pricing, and Price Breaks for various quantities purchased. For example, if Distributor Cost is \$1.00, then a Manufacturer’s Suggested Resale Price could be:*

| | |
|-----------------|--------|
| 1—9 pcs | \$2.00 |
| 10—24 pcs | \$1.75 |
| 25+ pcs | \$1.50 |

▶ **Manufacturer’s Price Sheet**—*Manufacturer’s Suggested Resale Price, Published Distributor Cost* and/or *List Price Sheet* as specified by date and/or number as defined by manufacturer’s published procedures and guidelines.

▶ **Published Distributor Cost**—The manufacturer’s current published distributor cost sheet. *Note: Depending on the manufacturer, a distributor may receive some sort of discount from the current published distributor cost sheet as their current into stock purchase cost.*

▶ **Quantity Returned**—Quantity of each item returned by the end-customer to the distributor or by the distributor to the manufacturer by item or catalog number.

▶ **Quantity Sold**—Quantity of each item sold to the end-customer (*distributor’s customer*) by item or catalog number.

▶ **SPA Chargeback Invoice**—An invoice generated by a manufacturer when there is a discrepancy between the SPA claim amount deducted by the distributor and the credit amount issued by the manufacturer.

▶ **SPA Claim Amount**—Dollar amount distributor is to receive credit for based upon sales to end-customer of an SPA. Depending on the manufacturer’s published procedures and guidelines, the SPA Claim Amount is calculated as:

$$(Distributor’s Into Stock Purchase Cost—SPA Cost) \times Total Units Sold = Claim Amount.$$

▶ **SPA Claim Period**—Range of distributor invoice dates included in SPA claim submitted by distributor.

▶ **SPA Cost**—The resulting net cost for an item per the manufacturer’s SPA published procedures and guidelines.

▶ **SPA Credit Discrepancy Notice**—A notification with explanation code generated by a manufacturer to a distributor when there is a discrepancy between the SPA claim amount submitted (*no deduction taken*) by the distributor and the credit amount issued by the manufacturer.

▶ **SPA Quotation Effective Date**—The start date of an SPA, to be used in accordance with the manufacturer’s published procedures and guidelines. Depending on the manufacturer, the effective date is the first date the distributor can ship to the end-customer and qualify for the SPA or the first date the distributor can invoice the end-customer and qualify for the SPA.

▶ **SPA Quotation Expiration Date**—The end date of the SPA, to be used in accordance with the manufacturer’s published procedures and guidelines. Depending on the manufacturer, the expiration date is the last date the distributor can ship to the end-customer and qualify for the SPA or the last date the distributor can invoice the end-customer and qualify for the SPA.

▶ **SPA Quote Number**—A manufacturer-designated reference number or name to a specific SPA agreement.

▶ **SPA Set-Up**—The steps in setting up an SPA including transmitting an SPA Quotation to the distributor, uploading the SPA Quotation in the distributor’s system, and synchronizing SPA information.

▶ **SPA Updates**—Updating an SPA involves any change to an SPA Quotation after the original documentation is transmitted to the distributor.

▶ **SPA Version Number**—A tool used to identify whether the distributor is in possession of the most current SPA document in effect. *Note: Depending on a manufacturer’s published procedures and guidelines, the SPA Version Number can be a number or alpha code. Examples:*

| | <u>Numeric</u> | <u>Alpha Code</u> |
|----------------------------|------------------------|------------------------|
| <i>Original SPA</i> | <i>Version 1</i> | <i>Version A</i> |
| <i>Subsequent versions</i> | <i>Version 2, etc.</i> | <i>Version B, etc.</i> |

▶ **UPC Code**—Acronym for *Universal Product Code*, a 12-digit number used primarily in North America. Unique for each manufacturer’s item, UPCs standardize product information for scanning via bar code. *Note: Can be converted into a GTIN by adding 2-digits (typically zero’s) to the left of the UPC.*

| UCC-12 (UPC) | |
|-----------------------|--------------------|
| Original Encoded Data | Full 14-Digit GTIN |
| 012345678905 | 00012345678905 |

▶ **Vendor Product Group**—Designation created by a manufacturer to group specific parts or families of parts. *Note: Manufacturers group items for a variety of reasons—pricing purposes, product categorization, or item velocity. Some manufacturers may have multiple levels of categorization. For example:*

Circuit breakers = Vendor Product Group XXXX

Single pole circuit breakers 15-30 amp = Vendor Product Group AAAA

Glossary of Terminology

Obsolete Terminology

NEW Recommended Industry Vocabulary

- Bill Back InvoiceChargeback Invoice
- Column 3.....Column Pricing
- Contract Cost/PriceSPA Cost
- Contractor End ColumnColumn Pricing
- Golden RodPublished Distributor Cost
- Into Stock CostDistributor Into-Stock Purchase Cost
- List PriceManufacturer’s Suggested Resale Price
- Purchase CostDistributor Into Stock Purchase Cost
- Quote NumberSPA Quote Number
- Quote Cost/PriceSPA Cost
- Rebate Reference CostDistributor Into Stock Purchase Cost

- Replacement CostDistributor Into Stock Purchase Cost
- SPA Cost/PriceSPA Cost
- SPA NumberSPA Quote Number
- Suggested Resale Sell PriceManufacturer’s Suggested Resale Price
- Suggested Resale Sell Price #1Column Pricing
- Suggested Resale Sell Price #2Column Pricing
- Suggested Resale Sell Price #3Column Pricing
- Suggested User Price ScheduleColumn Pricing
- Trade PriceManufacturer’s Suggested Resale Price

What You Can Do

The Recommended Industry Vocabulary and Glossary of Legacy Terminology is not meant to be all-inclusive, but we’d like to know if we missed anything. Please send an email to customerservice@naed.org with your comments or suggestions of terminology to be included.

To make sure that all suggestions are reviewed, NAED has created a team of “*Vocabulary Volunteers*” consisting of 2 distributors and 2 manufacturers. The current vocabulary volunteers are Annie Warren of Rexel, Lori Cruz of Wabash Electric, Bernie Westapher of Panduit, and Jerry Hagerman of OSRAM-Sylvania. To view the most up-to-date vocabulary, go to www.naed.org/vocabulary.pdf.



NATIONAL ASSOCIATION OF
ELECTRICAL DISTRIBUTORS

Smart Tools for Smart Distribution..