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Improve customer retention, improves sales volumes and reduce conflicts.

**exensys**®

**Best Practice**

**eXensys – Contract Management**

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## Introduction:

This document provides the information about the process of eXensys Sales Contract management. eXensys contract is a comprehensive and flexible solution that enables the organizations to standardize their contract policies, improve internal controls, and comply with all contractual obligations. It enables easy, consistent, secure creation and management of sales contracts. eXensys Contract management starts from the creation of contracts and ends with the contract closures. eXensys sales contracts support long-term agreements with the customers enabling them to purchase the products at special rates and with favorable delivery terms. With eXensys sales contracts, an organization can create contracts for a one time and long-term sales agreements. Establishing, long-term contracts improves customer retention and the revenue while providing price stability to the customers. These contracts specify the products, quantity, price, discount, other delivery terms and conditions that regulate future orders from the customers. eXensys contract management helps the organizations to avoid late deliveries, quantity shortages, quality defects, improves customer retention and customer satisfaction.

## Overview:

A Contract is an agreement between the two parties making a consensus on a common thing. A contract becomes a legal document when the documents between the two parties are signed. In a general sales contract, it is an agreement made regarding the sale of goods or services to the customers. The validity period, payment terms, delivery terms, item details, price details, quantities and modes are settled as per their business needs. Every contract has validity periods, when ever the validity period is completed then the contract expired. Contract management cycle covers the contract creation, contract approval, contract amend, contract renewal, contract expiry, contract hold, contract release, contract cancellation, contract force closed and contract closure.

Many organizations enter into different types of contracts with the customers to ensure that they have uninterrupted supply of goods and services to the customers for their production process. This process supports different types of contracts such as quantity contracts and

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value contracts. This classification is done based on the parameter selected for the fulfillment of a contract. A Quantity contract is said to be fulfilled on supplying the total contract quantity against the contract items as per the agreements. A value contract is said to be fulfilled not based on the quantity, but based on the total sales value against the contract. In this scenario, a quantity contract is closed on releasing the orders\contracts for the entire item quantities, while a value contract is closed on releasing the orders\contracts for the values equal to the contract value. Contracts can be raised in any currency based on the organization\customer operating location.

A quantity contract is a type of sales contract and it is an agreement between the customer and the organization, in terms of certain quantity of products requested by the customers during a specified period. The contract contains basic quantity and price information along with the delivery information. The customer fulfills a contract by placing the sales orders against it. Sold to party customers are authorized to release the contract. When a sales order is created with reference to a sales contract then the system automatically updates the executed quantities information in the contract. A value contract is a legal agreement document with a customer, which contains the product information that the customer receives within a specified time period and specified agreement value.

Business Performance Sustained



Multiple sales orders can be generated with reference to a single sales contract, until all the quantities or values are equaled. The status of sales contract will be automatically updated, when ever sales orders executed against those contracts. When ever all the quantities or values are executed completely then the status of sales contract should be updated as closed. Closed contracts will not be available for further references.

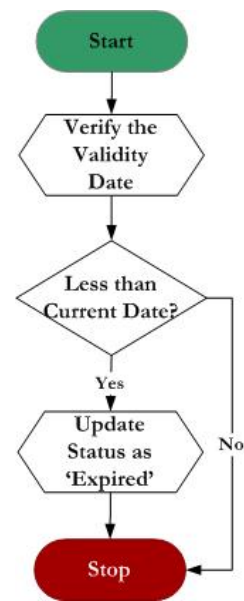
It maintains a history of all the contract amendments for quantities, rates, terms and so on. All the amendments are facilitated subject to proper reasons and approvals. eXensys Smart Responders send alerts and messages when the contract is due for expiry. All the contracts are subjected to a validity period and contracts would be expired on the completion of validity period. This process allows the cancellation of approved contracts prior to the commencement of execution and also force closure of partially executed contracts. All the cancellations and force closures will be facilitated by providing proper reasons and approvals.

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A contract can be **amend** and amendments are applicable only for the approved contracts and any time before the complete execution of the transaction. The new transaction will have a status of ‘Open’ and all amendments are subject to re-submission to workflow (if applicable) or acceptance and only after approval, they will be executable. A single contract can be amended any no. of times before its closure. Only the latest amended contract will be available for execution and the amended contract will not be available for reference in the other transactions. The new contract will be in ‘Open’ status and will become executable on approval. Any information such as transaction details, terms and conditions, price, quantity, items can be modified through amendments. Further, if the customer confirmation is required on the amended transaction, the confirmation details can be captured on receiving the confirmation.

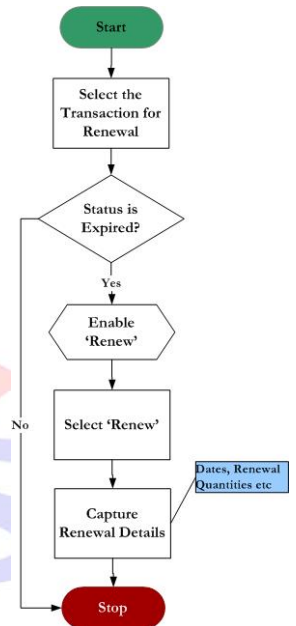
A contract can be **canceled or force closed**. **Cancellation** is the process of annulling an approved contracts, before the commencement of its execution (i.e. executed qty. = 0). **Force closure** is the process of making an approved contracts to ‘Void’ after the commencement of execution but before the completion of execution (i.e. executed qty >1). When a contract is cancelled or force closed, the status against the contract will also be updated to cancel or force closed, accordingly. Cancel and force closed transaction will not be available for further references. Cancel option is applicable only on approved contracts prior to the commencement of their execution. It means that no other transaction should be created referring the transaction under cancellation. Force Closure is applicable only on approved transactions after the commencement of their execution but prior to the completion. This means another transaction has been raised referring the selected transaction.

**Expiry** is the process of updating the process status of contracts to ‘Expired’ when the contract validity expires. Expiry is applicable only on approved transactions prior to the commencement of their execution or after the commencement but, before the complete execution of the transaction. Expired transactions should not be available for reference in any of the subsequent transactions. Prior to reaching the validity date, the



system has to generate alerts and messages regarding the expiry. The frequency settings can be defined in the ‘Smart Responders’.

Contracts can be **renewal**. eXensys contracts can allow to do renewal for expired contracts. If any expired contract is manually renewed by extending the validity date, then it can be sent for an approval. However, in case of partially executed transactions, the transaction quantity, executed quantity and balance quantity will not be changed and the balance quantity can be executed further.



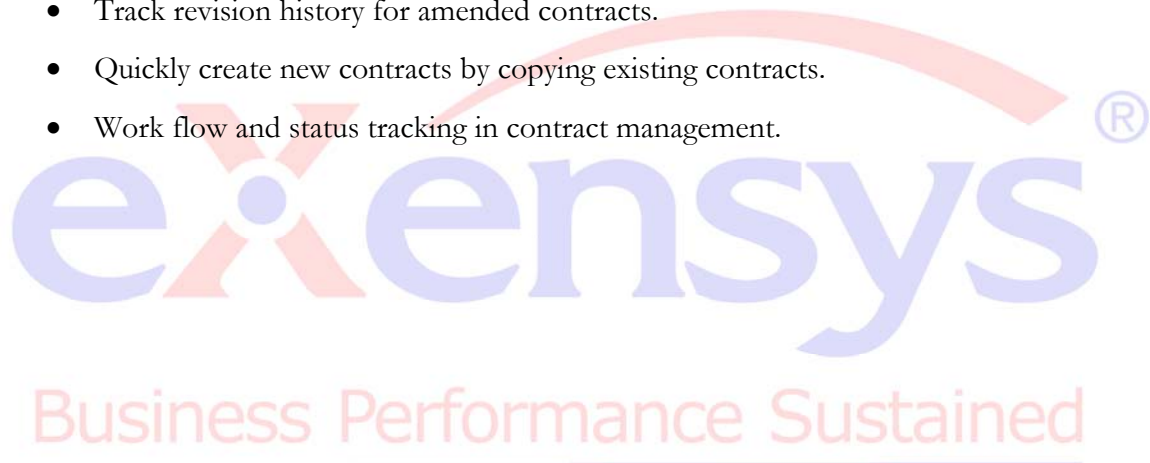
There should be a provision to put a contract on **hold**. Whenever a contract is put on hold all the related sales transactions would be kept on hold i.e. no transaction would be added edited or posted for that particular contract. Further, on hold contracts can be used through release option. **Release** option works for hold contracts only, when ever a contract is released, then it should be available for further references. Sales contract status will be automatically updated as closed, when ever all the quantities or value executed completely through sales orders.

### Benefits:

- Simplify and automate sales contracts.
- Generate and manage long term contracts.
- Improve sales volumes.

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- Contract can be amend.
- Contract can be cancel or Force closed.
- Contracts can renewal.
- Contract can be put on hold.
- If required, then the contracts can be released.
- Contracts expiry.
- Create sales orders with reference to contracts.
- Reduce conflicts between the organization and the customer.
- Improve customer satisfaction.
- Maximize profits.
- Track revision history for amended contracts.
- Quickly create new contracts by copying existing contracts.
- Work flow and status tracking in contract management.



### Conclusion:

Organizations are looking to reduce the time to deliver the goods as per the commitment and reduce the mistakes in sales process. Exensys provides a flexible solution to the organizations to avoid mistakes.

- Integration with other modules.
- Exensys provides analytical reports on contract
- Privileges on usage of contracts on user