

## Reading Sample

This excerpt from Chapter 4 discusses the ordering and receiving of goods and services (also known as purchasing), which is a subset of the wider procurement process. Learn how to work with different functionalities within the Purchasing submodule in Materials Management. This sample explores a few standard purchasing tasks: quotations and outline agreements.

-  "Introduction"  
"Purchasing"
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-  The Authors

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### Purchasing with SAP MM—Practical Guide

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## Introduction

When deciding to write this book, we started by reviewing the basics. First, any company that procures products or services must be able to efficiently place, track, and receive orders for products and services. Second, SAP has an integrated Materials Management system, which includes sophisticated procurement processes that enable companies to create contracts and agreements, acknowledge order receipts, and process incoming invoices. In today's competitive environment, a tool that can effectively handle the cost of these processes is vital. Procurement in the Materials Management (MM) component of SAP ERP is such a tool. Furthermore, MM is one of the most important and most often implemented SAP logistics functionalities for managing the different stages of the procure-to-pay process, making the information more manageable and accessible.

This book is a practical guide to the key processes in procurement; it provides you with practical, detailed guidance for the day-to-day use of procurement in MM, including troubleshooting and problem-solving information. It covers typical functionality such as master data, sourcing, purchasing, material requirements planning (MRP) and forecasting, special procurement functions (e.g., third-party, subcontracting, cross-company), inbound logistics, inventory management, warehouse management, and invoice processing. This book will help you make use of SAP ERP MM more effectively.

### Who This Book Is For

There are many books on the market that cover a lot of SAP ground, from the basics to technical details, configuration, optimization, and more. This book addresses the needs of a wide spectrum of users—from end users learning to crawl in SAP, to a group of firmly walking procurement team members already using SAP transactions, to the runners at

the front lines supporting the systems and implementing new processes and functionality.

New SAP family members getting their implementation projects started can use this book as a guide bringing a wealth of knowledge to the table from the start. Experienced SAP professionals will find it handy as a memory refresher when needed. This book will also be useful for the SAP business user community craving to learn what SAP can offer and stretch its capabilities to the limit. The IT side of the world can use the book as a guide to close the gap between process and SAP functionality. Although it's never easy to address so many different readers at once, we hope to bring as much interesting material as possible to satisfy the hungriest of appetites for procurement knowledge in SAP.

## Chapter Breakdown

The book begins by providing an overview of the SAP components and organizational structures that build a foundation for procurement activities. We briefly talk about other tools in the SAP arsenal that can help build further on the core. In a chapter on master data that covers the building blocks needed to perform the procurement functions, we touch on material masters, service masters, business partners, sourcing master data, pricing, taxes, routes, batch records, and manufacturer part numbers, just to mention a few major ones.

We then move to a planning and forecasting chapter that describes the beginning steps of procurement—identification of requirements—where we focus on MRP, forecasting, planning, and evaluation methods.

**Chapter 1** introduces the SAP ERP system and the organizational structure as it applies to the MM component, an overview of the same MM component, and a brief description of other procurement tools within the SAP Business Suite.

**Chapter 2** covers the master data used in procurement by explaining the different master catalogs (e.g., material master and the vendor master) and all of the specific purchasing master data (e.g., info records and source lists).

**Chapter 3** is all about planning, how the MRP subsystem generates requirements, the relationship with the master data, and how to evaluate the data produced by MRP.

**Chapter 4** covers how purchasing documents are created and maintained, including requisitions, purchase orders, RFQs, and outline agreements. We also discuss vendor evaluation, including how it is structured and executed.

**Chapter 5** covers special procurement functions. We step outside of common procurement functionality and talk about subcontracting, third-party procurement, cross-company transactions, Kanban, and retail-specific load builder transactions.

**Chapter 6** discusses the procurement of external services, including processing service requirements and service agreements, purchasing services, recording service entries, and integrating with other processes.

**Chapter 7** dives into inbound logistics, inbound shipments, appointments, and shipment cost document processing, along with its integration with purchasing and reporting.

**Chapter 8** covers Inventory Management, including receiving, managing of special stocks such as sales order stock and consignment, transfer postings, and stock transfers.

**Chapter 9** talks about Logistics Invoice Verification, along with how to handle taxes and delivery costs; how to block and park invoices; how to handle progress payments, down payments, and reversals; and how to use accounts payable everyday reports.

And finally in the **appendices**, additional charts and tips are provided that cover everything from the most-used MM tables to some quick tricks and tips that can save you a few minutes when performing day-to-day procurement tasks.

We'll start off with the overview of SAP ERP components and the system's integrated architecture. We'll review the foundations that procurement is built on—organizational structures—and how they influence the functionality of your organization and material master overview, which we'll discuss in detail in the next chapter. As we mentioned at the beginning,

SAP's offering does not stop with the core SAP ERP. We'll introduce you to some of the other tools from the SAP Business Suite that are available if your organization needs to close some gaps between standard SAP ERP and your business processes. We'll also briefly focus on SAP HANA, a new SAP initiative. Let's begin our introduction journey through SAP ERP procurement with an overview of SAP ERP components and integration.

*All of the items used in a company in its productive or operating processes are acquired through the action of purchasing. This action happens in different ways, depending on what is being purchased.*

## 4 Purchasing

*Purchasing* is the process through which a company buys materials that are essential to its business processes. A manufacturing company buys raw materials that will be transformed or assembled to produce a finished product that will later be sold. A trading company buys finished products in large quantities from different manufacturers and later sells them in smaller lots to its clients.

Today, these materials are being bought all around the world from companies in different countries. Buyers need tools to make sure they are buying the right material at the right price and that will show up in the warehouse dock at the right time. In this chapter, we'll describe how the SAP ERP system, and specifically the Materials Management (MM) component, supports the whole purchasing cycle as shown in Figure 4.1. We'll explain each of the tools the system has and take a practical approach to show you how to use each of them.

The Purchasing submodule is part of Materials Management in SAP ERP and supports every step of the purchasing process. You can use Purchasing to do the following:

- ▶ Invite vendors to submit quotes.
- ▶ Create contracts to guarantee the conditions of the purchase.
- ▶ Create scheduling agreements to guarantee on-time delivery upon requirements.

Purchasing  
activities

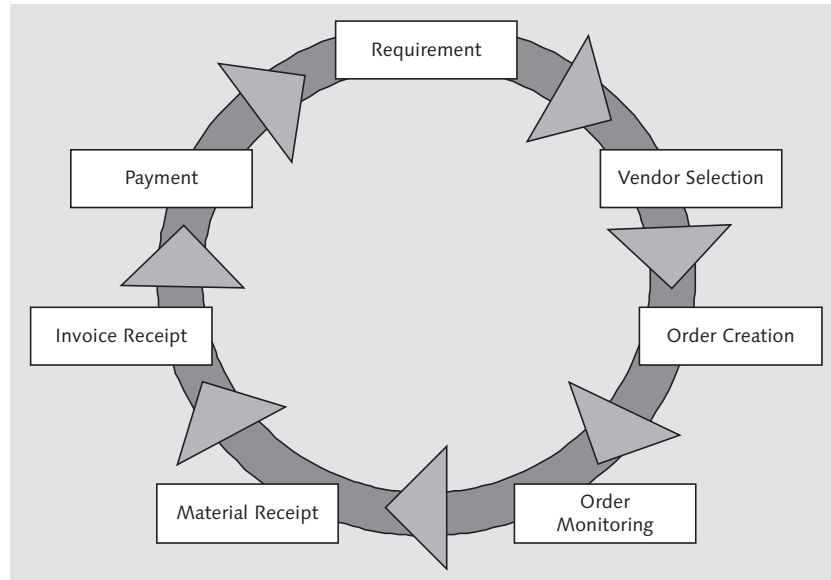


Figure 4.1 The Continuous Process of Purchasing

- ▶ Create purchase requisitions either manually or based on material requirements, and optionally submit them to an approval process.
- ▶ Create purchase orders (POs) either manually or based on purchase requisitions, and also submit them to an approval process.
- ▶ Evaluate a vendor's performance based on its timely deliveries and accuracy to deliver orders.

In this chapter, we'll discuss each of these activities in turn. We'll start with the first activity: working with quotations from vendors.

### 4.1 Requests for Quotation (RFQ)

Requests for quotations (RFQs) are created in the SAP ERP system to invite vendors to submit quotes for materials the company needs to buy. These requests can be sent to either existing vendors or to vendors that haven't yet been created in the system through the use of the one-time vendor functionality. In this section, we'll explain how to create and maintain

an RFQ, as well as how to process the RFQ when the vendor returns it with prices and conditions.

#### 4.1.1 Creating an RFQ

When you create an RFQ, you're creating a document that will be sent to different vendors with a list of materials you need them to quote (see Figure 4.2 and Figure 4.3). This list contains the estimated quantity you'll be buying from them, a date when the material is required to be delivered to your company, and a deadline for the vendor to submit a response. The vendors in return will send price and conditions for each of the materials included in the document. With this information, you'll update the same RFQ document, and then those prices and conditions can be compared with the ones sent by other vendors using a price comparison list. The best bid can be saved to an info record, and you can send rejection letters to the rest of the vendors.

Bid invitation to vendors

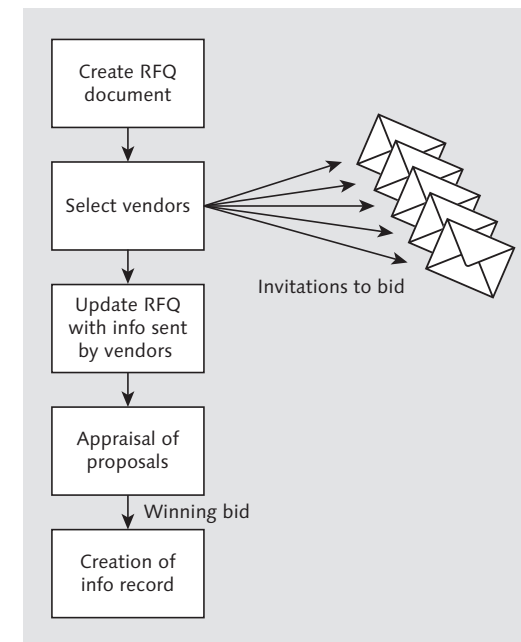


Figure 4.2 RFQ Cycle



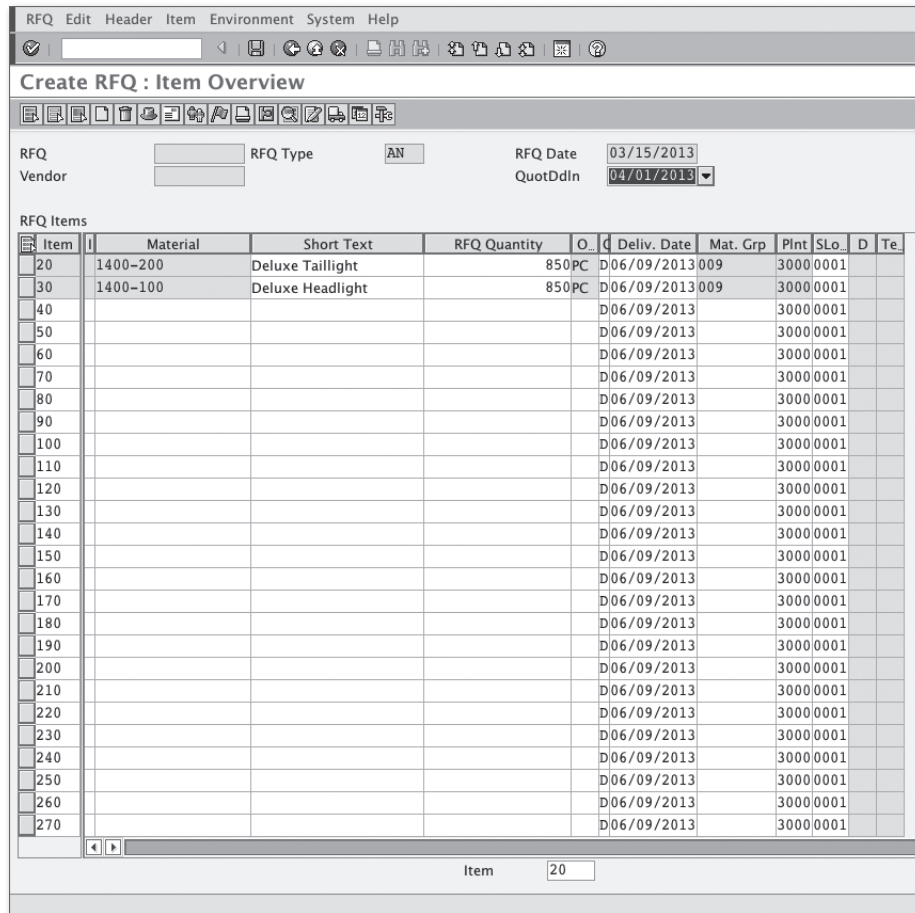


Figure 4.3 Required Delivery Date in RFQ

**RFQ references** RFQs can be created with reference to other RFQs, which is useful if you bid the same items periodically, and also to send the same request to several different vendors. You can also create RFQs with reference to an existing purchase requisition or with reference to an existing purchasing agreement. This way, you can quote items that are requested by members of the organization or get a new quote at the end of the validity of a contract.

When the vendors send back their proposals, you have to maintain quotations in the SAP ERP system. In a quotation, you can enter all of the conditions that make up the total price such as the unit price, and any

discounts or surcharges that may apply. You can also capture the delivery lead time and the country of origin. All of this data will be used to create the purchasing info records when the winning bid is selected.

When you create an RFQ, you need to create a different document number for each vendor (see Figure 4.4). To create an RFQ, follow these steps:

1. Use Transaction ME41, and in the ITEM section, enter the material number, quantity, and delivery date. Repeat this step as many times as materials are needed.

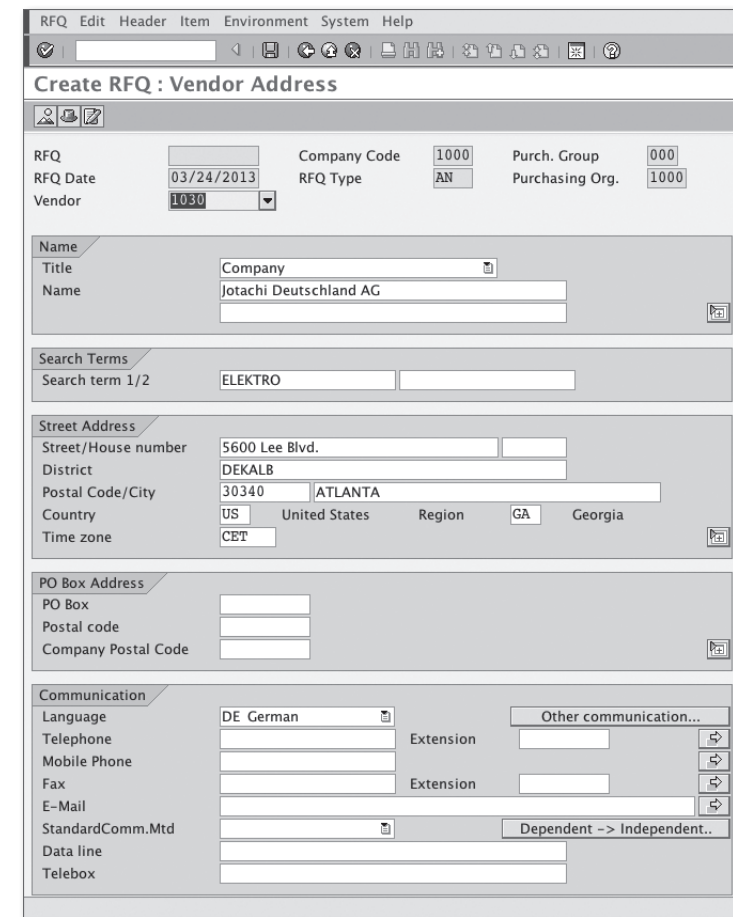


Figure 4.4 Adding Vendor Address Information for the RFQ

- Go to the VENDOR ADDRESS screen by choosing HEADER • VENDOR ADDRESS, by clicking the little envelope icon on the button bar, or by pressing **F7**.
- Enter a vendor number, and make sure the address and contact information is correct.
- Save the document. Repeat this step for as many vendors as you want to invite.

#### 4.1.2 Processing the Quotation

When the vendors send you back their quotes, you can enter their pricing conditions and delivery times by maintaining the quotation. This is done in Transaction ME47 or by following the path LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • RFQ/QUOTATION • QUOTATION • MAINTAIN. In the initial screen, you enter the price and delivery date. You can also set comments chosen from a previously configured list, and even set a rejection indicator if needed, triggering the printout of a rejection letter to the vendor (see Figure 4.5).

##### Saving the Quote to an Info Record

One very important step is the selection of a value in the INFOUPDATE field. With the right value, an info record is created automatically for that material and that vendor upon saving the quotation.

InfoUpdate options

- There are four options to select for this field:
- ▶ Blank: No updating.
  - ▶ A: Update with or without plant.
  - ▶ B: Update with plant (if no plant ban).
  - ▶ C: Update without plant (if no plant requirement).

When you select the winning bid, you have to maintain the quote and update the value of this field using any of those three values. All of the conditions from the quotation are written to an info record. The quotation number and item are also written to the info record.

The screenshot shows the SAP 'Maintain Quotation' screen for item 00010. The main window displays fields for Item (600000019), Material (1400-200), Short Text (Deluxe Taillight), RFQ Quantity (850), and Delivery Date (06/09/2013). A 'Deadline Monitoring' section includes fields for 1st, 2nd, and 3rd Rem./Exped. and TrackingNo. A 'Quotation Data' section shows Net Order Price (47.25 USD) and Qty Conv. (1 PC). A pop-up window titled 'Internal Comment on Quotation 4 Entries' is open, displaying a table of rejection options:

QuCo	Internal comment: Descr. text
AB1	Rejection for price reasons
AB2	Rejection for quality reasons
OK1	OK for price reasons
OK2	OK on quality grounds

Figure 4.5 Entering Comments and Rejections

When you change a quotation, the conditions are also changed in the info record.

##### Comparing the Quotes

After you've captured all of the offers, you can compare them using the price comparison report to look at how individual prices compare to each other. To reach this report, go to Transaction ME49, or follow the path LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • RFQ/QUOTATION • QUOTATION • PRICE COMPARISON. The price comparison report gives you a visual comparison of the total value of the order for each item, ranking the price of each vendor for each item, and a percentage of how far off the average is for each of the items (see Figure 4.6).



Material	Quot.:	6000000021	6000000020	6000000022
Sh. Text	Bidder:	1011	1030	1111
Qty. in Base Unit	Name:	SKF Americas	Jotachi Deutschla	Suppliers Inc.
1400-100 Deluxe Headlight 850 PC	Val.: Price: Rank:	42,500.00 50.00 1 86 %	43,350.00 51.00 2 88 %	62,262.50 73.25 3 126 %
1400-200 Deluxe Taillight 850 PC	Val.: Price: Rank:	39,950.00 47.00 1 87 %	43,562.50 51.25 2 95 %	54,187.50 63.75 3 118 %
Total Quot.	Val.: Rank:	82,450.00 1 87 %	86,912.50 2 91 %	116,450.00 3 122 %

**Figure 4.6** Price Comparison Report Showing Ranking and Comparison to the Average Price of Each Item

**Ranked comparison**

This report should help you make a decision on which vendor to select. To do this, the report shows you a ranked comparison of the prices of each vendor based on the quantity entered in the RFQ document. It shows you the unit price and total value for the whole lot. It also shows you the variance from the mean price among the different vendors. In Figure 4.6, you can see that the vendor with the best quote for material 1400-100, quoted 24% (86% of the mean price) below the mean price, while the worst quoted 26% above it.

If you selected to create an info record when you created the PO, all of the conditions contained in it are automatically copied. If you selected not to create an info record when you updated the quotation, you can still create the PO based on the quotation, and all of the conditions will be copied at that point.

Table 4.1 provides a list of transactions for RFQ and quotation maintenance.

Transaction	Menu Path
ME41: Create (RFQ)	LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • RFQ/QUOTATION • REQUEST FOR QUOTATION • CREATE

**Table 4.1** RFQ and Quotation Maintenance Transaction Codes

Transaction	Menu Path
ME42: Change (RFQ)	LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • RFQ/QUOTATION • REQUEST FOR QUOTATION • CHANGE
ME43: Display (RFQ)	LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • RFQ/QUOTATION • REQUEST FOR QUOTATION • CHANGE
ME45: By Collective Number (Display)	LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • RFQ/QUOTATION • REQUEST FOR QUOTATION • LIST DISPLAYS • BY COLLECTIVE NUMBER
ME47: Maintain (Quotation)	LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • RFQ/QUOTATION • QUOTATION • MAINTAIN
ME48: Display (Quotation)	LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • RFQ/QUOTATION • QUOTATION • DISPLAY
ME49: Price Comparison	LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • RFQ/QUOTATION • QUOTATION • PRICE COMPARISON

**Table 4.1** RFQ and Quotation Maintenance Transaction Codes (Cont.)

## 4.2 Outline Agreements

In the SAP ERP system, contracts or other binding agreements between two companies to supply goods or services on a long-term basis are represented by *outline agreements*. After a company realizes that it's going to enter one of these relationships, the company can set up an outline agreement in the SAP ERP system to control and monitor its execution. Different types of agreements can be set up depending on their reach inside the system, on how they will be measured, or on the triggering mechanism for releasing partial quantities.

Contracts/binding

In the SAP ERP system, outline agreements are divided into two basic types: contracts and scheduling agreements. On both of them, you have to set a target value or a target quantity that you've negotiated with your

vendor and based upon which that vendor is giving you specific benefits. We'll discuss each type in greater detail in the following sections.

### 4.2.1 Contracts

Several types of contracts exist in the SAP ERP system, as detailed in Table 4.2.

Document Type	Contract Type	Description
CCTR	Central contract	Valid for several different plants
DC	Distributed contracts	Available across different SAP instances
MK	Quantity contracts	Belong to a specific plant and have a target quantity
WK	Value Contracts	Belong to a specific plant and have a target currency value

**Table 4.2** Document Types

The two most used types of contracts are value contracts and quantity contracts (we'll discuss how to create them later in the "Creating a Contract" section). You can create a contract within your purchasing organization or create a central contract for a reference purchasing organization that is valid for all associated purchasing organizations. By using plant-based pricing conditions, each plant can determine individual pricing, which allows for different transportation costs to different places. Also, vendor partner roles can be determined at the plant level so that the right member of the vendor organization can deliver the materials.

A central contract is useful when a central purchasing organization is buying for the entire corporate group, and it's necessary that all of the associated purchasing organizations are set up in the same SAP ERP system.

Distributed contracts

Similarly, there is another type of contract that helps you buy for an entire corporate group, but the contract is distributed among independent distributed SAP ERP systems. The prerequisite to use this type of contract is that all of the purchase organizations and purchasing groups exist in all of the systems.

There are other communications prerequisites that have to be met before the contracts can be distributed by Application Link Enabling (ALE).

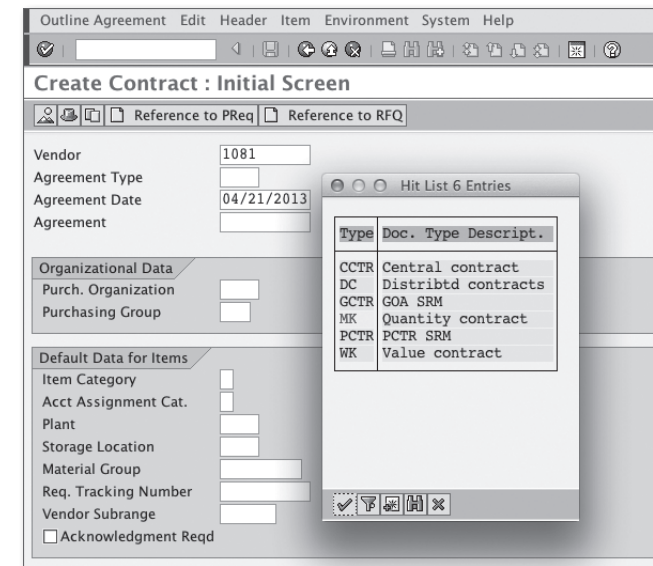
### Creating a Contract

In this section, we focus on how to create a contract for stock material; however, contracts can also be created for account assigned items or for services.

To create a contract, follow the path LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • OUTLINE AGREEMENT • CONTRACT • CREATE, or go directly to Transaction ME31K.

You can create a contract either manually by typing all of the required data or by referencing other purchasing documents such as purchase requisitions, or RFQ/quotations. If you want to use a reference document, either click the REFERENCE TO PREQ button for a purchase requisition, or click the REFERENCE TO RFQ button for an RFQ (see Figure 4.7).

Reference document

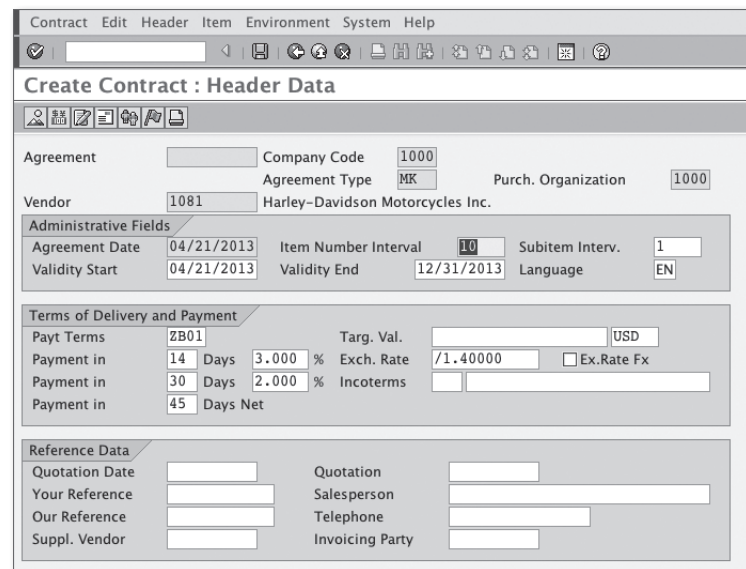


**Figure 4.7** Selecting the Contract Type

If you create the contract manually, you need to follow these steps:

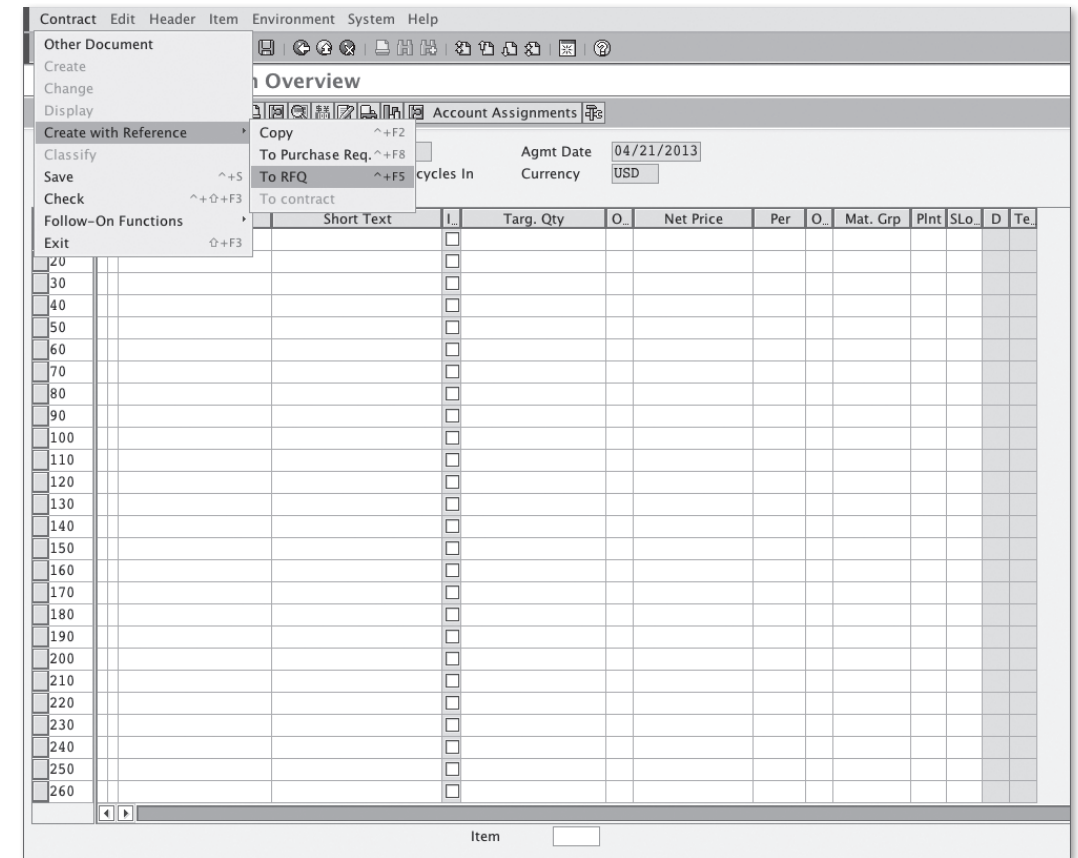
Manual creation

1. In the first screen of Transaction ME31K, select a vendor number, agreement type, purchase organization, and purchasing group at a minimum (see Figure 4.7). Press **Enter** to proceed to the header screen.
2. In the next screen, enter the header data, such as the contract's validity end date and the maximum contract value, if applicable. The header copies information from the vendor about the terms of payment and cash discounts, which you can edit if they don't apply for the contract (see Figure 4.8). Press **Enter** to continue to the ITEM OVERVIEW screen.



**Figure 4.8** Header Data Copied from the Vendor Master Record

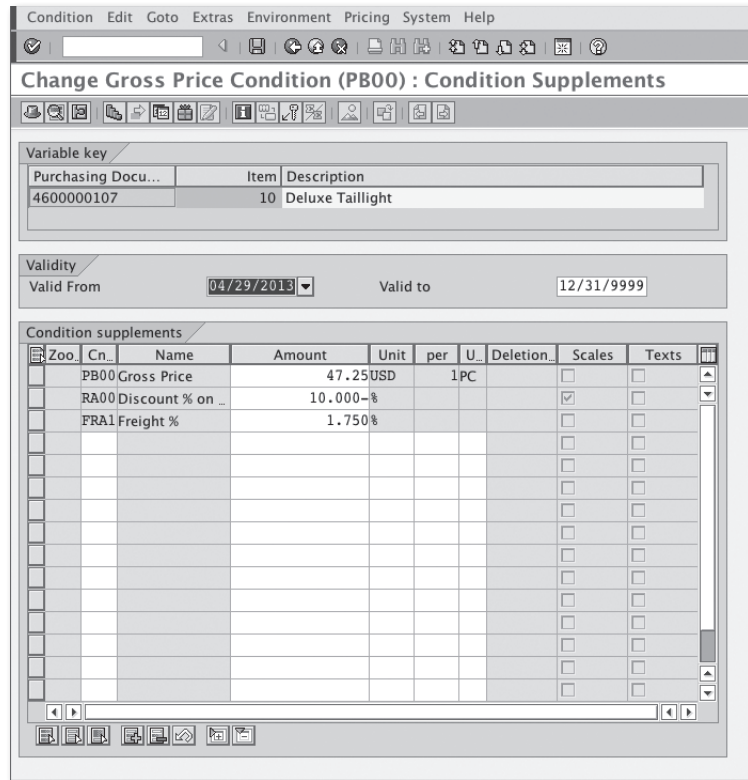
3. In the ITEM OVERVIEW screen, enter the materials and quantities that will be committed for purchase from the vendor (see Figure 4.9). At this point, you can still choose to copy from a reference document or proceed to enter the materials manually.



**Figure 4.9** Option to Copy the Items from an Existing Document

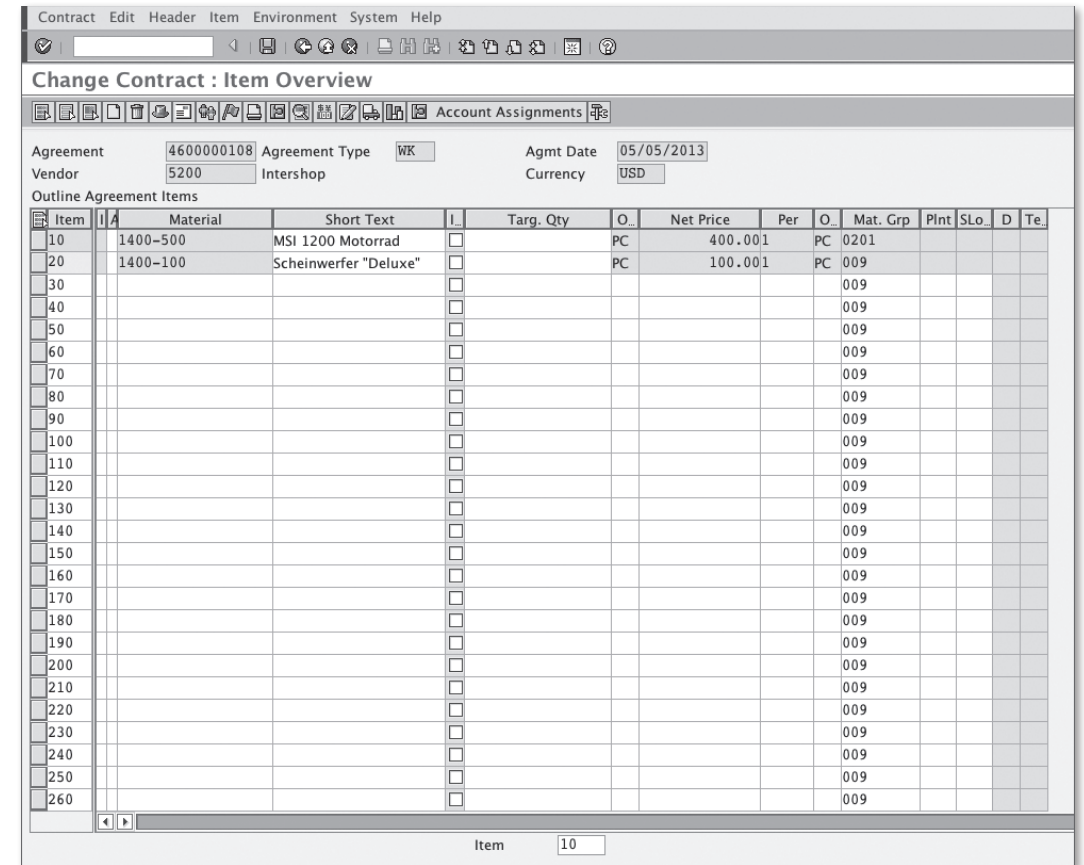
- If you copy the items from a reference document by selecting **CONTRACT • CREATE WITH REFERENCE • TO PURCHASE REQ** or **TO RFQ**, then all of the pricing conditions are copied along with the materials and quantities; if you're entering the contract manually, you have to enter the pricing conditions at both the header and item level.
4. By selecting the menu entry **ITEM • CONDITIONS**, you can enter all of the conditions you've negotiated with the vendor, including all of the discounts and all of the surcharges (see Figure 4.10).

Referencing method



**Figure 4.10** Item Conditions Copied from a Reference Document or Entered Manually

**Value contracts** As we discussed previously, you can either create a contract based on value or based on quantity. Value contracts (agreement type WK) are based on a fixed target monetary value on purchases of a set of materials that you enter in the contract. You enter a target contract value in the document's header (refer back to Figure 4.8) as you start creating the document. After completing the header's data, you can proceed to entering the materials that will be part of the contract. When the materials are entered in the contract, you can enter a quantity for each one, but it's not required; remember these contracts depend on a global value and not on individual quantities (see Figure 4.11).



**Figure 4.11** Materials Entered in a Value Contract: No Individual Quantity Needed

Quantity contracts (agreement type MK), on the other hand, don't require you to enter a target value in the header, but they do require that you enter a target quantity for each of them in the item details.

Both types of contracts, value (WK) and quantity (MK) allow you to create an item without entering a plant. You can then use these same documents in several different plants, as long as they belong to the same purchasing organization.

### Referencing and Updating the Contract

Contracts are reference documents that need to be updated constantly with either the quantities or the values of the POs created for the materials they contain. Fortunately, you don't have to worry about updating them manually.

**Source lists** After you create the contract document, it's a good practice to create or update the source list (see Figure 4.12) for that material with the contract number, so that when you create a PO, it's automatically referenced, and all of the conditions are copied into it. Otherwise, you have to reference it manually every time you create a PO. Source lists are discussed in detail in Chapter 2.

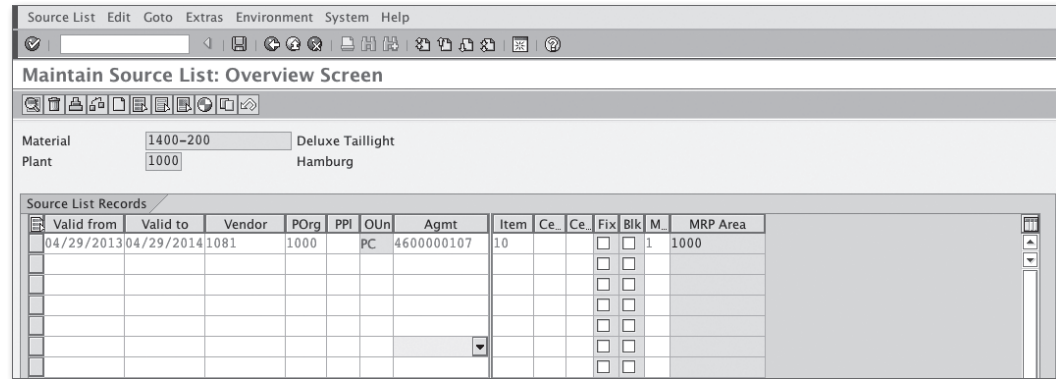


Figure 4.12 Source List

**Contract release order** Each PO that is created with reference to the contract, known as a *contract release order*, is registered in the contract's history, and the item quantities and values entered in the PO are discounted from the contract's target value or quantity. To reach the statistics for the contract (see Figure 4.13), select the menu option **HEADER • STATISTICS • GENERAL**. After you get to the target quantity or value of the contract, you'll see a warning message or an error, depending on the configuration of your system, telling you that the maximum quantity or the maximum amount of the agreement has been reached.

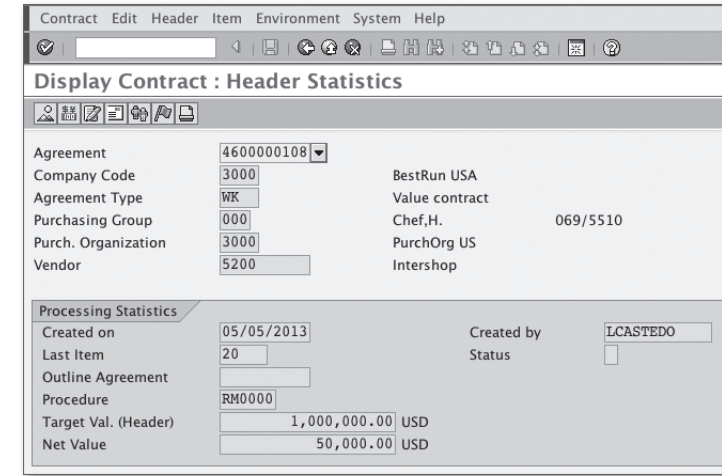


Figure 4.13 Contract Header Statistics Showing the Net Value and Total Target Value

Value contracts have the statistic of how much of the target value has been released at the header level, and the quantity contracts can be reviewed at the item level. The documentation can be displayed in the release documentation in the item statistics (see Figure 4.14) by choosing **ITEM • STATISTICS**.

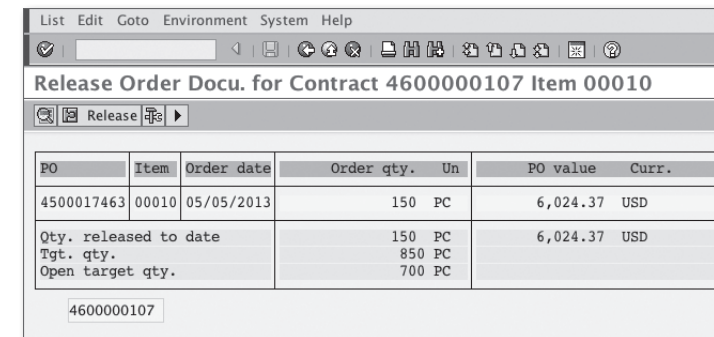


Figure 4.14 Item Statistics for Released Documentation

Table 4.3 lists some useful transactions for working with contracts.



Transaction	Path
ME31K: Create	LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • OUTLINE AGREEMENT • CREATE
ME32K: Change	LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • OUTLINE AGREEMENT • CHANGE
ME33K: Display	LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • OUTLINE AGREEMENT • DISPLAY

**Table 4.3** Contracts Transactions

### 4.2.2 Scheduling Agreements

Scheduling agreements are another type of outline agreement, and they are a very powerful purchasing tool that can be used to plan the delivery and create a very integrated relationship with your vendor. The scheduling agreement can take forecasting information for a given material and send it over to the vendor to provide full visibility of your material requirements so that the vendor can take that information and also plan purchases from its vendors, production, and transportation schedules.

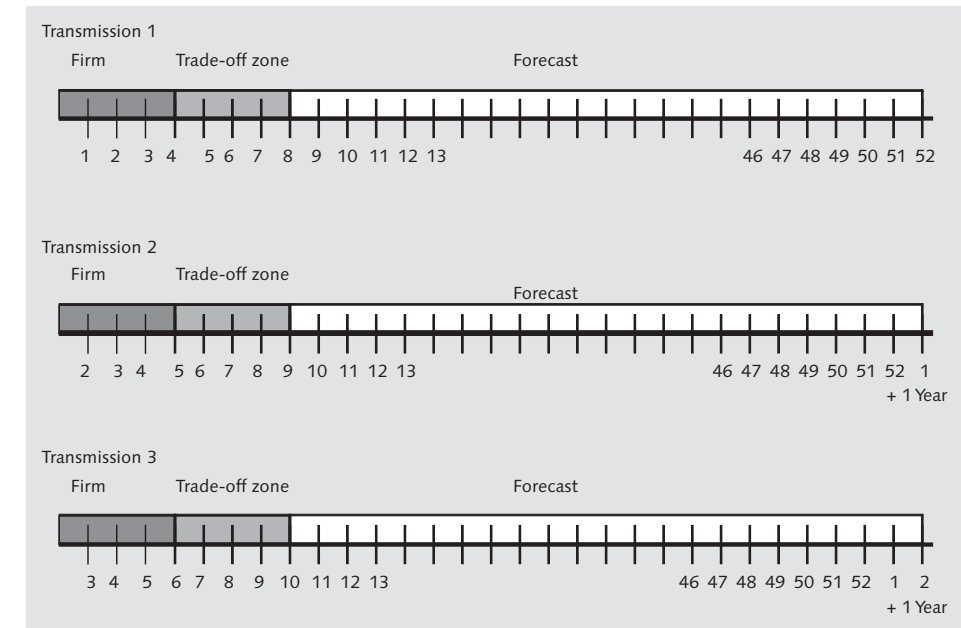
Visible planning and horizon

Scheduling agreements cover the entire planning horizon and mark a date range as firm, or go ahead for build and ship; transition, representing the next firm zone where changes to requirements are still acceptable; and forecast, where changes may occur more freely.

When working with scheduling agreements, you send releases or transmissions to your vendor with information that covers the whole planning horizon. As shown in Figure 4.15, you can send 52 weeks of requirements every week in a rolling schedule format so your vendor knows exactly what to ship, how much to commit with its own vendors, and how much to plan ahead.

The information that is sent in each release to the vendor can use different periods, or time buckets, for each of the zones. For example, if the vendor can deliver to you daily, you can send daily requirements in the firm zone, weekly requirements in the trade-off zone, and monthly

requirements in the forecast zone. This is set in from the item detail screen; follow the menu ITEM • MORE FUNCTIONS • ADDITIONAL DATA.



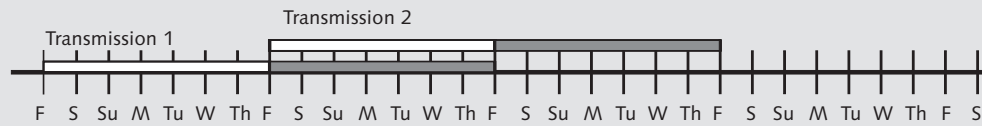
**Figure 4.15** Weekly Demand Becoming Firm Requirements

**Note**

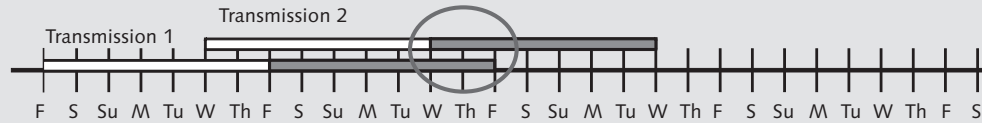
Be very mindful about the timing for sending releases to your vendors. When working with daily buckets, there is a risk of duplicating order quantities or leaving "orphan" requirements that won't be covered. If the release is sent before the specified day, the vendor may duplicate orders for the first days included in the trade-off zone, and if it's sent after the specified day, the number of days you skip will also be skipped by the vendor during order creation.

Weekly buckets, as shown in Figure 4.16, won't present the same problem; if the release is late, the impact is shown in the current week, where the quantity is reduced by the requirements of the skipped days. Any open quantities from previous days are still shown and still marked as FIRM.

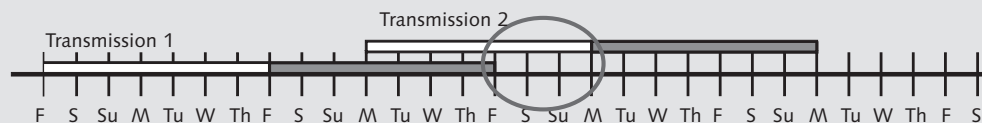
Scenario 1: Transmission is always on the same day.



Scenario 2: Transmission is two days ahead of time.



Scenario 3: Transmission is three days late.



Legend: Firm zone (white bar), Trade-off zone (grey bar)

Figure 4.16 Weekly Buckets for Late or Early Releases

Combination of daily/weekly buckets

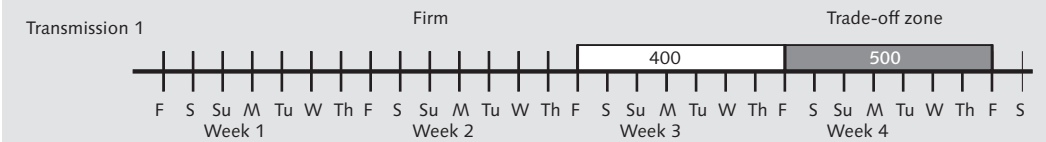
Working with weeks along the overall scheduling agreement horizon creates one problem for purchasing: the delivery date is always on the Monday of the specified week. To solve this problem, use a combination of daily and weekly buckets so that as time goes by, a requirement that was marked for a specific calendar week becomes a shipping instruction for a specific day (see Figure 4.17).

**Creating a Scheduling Agreement**

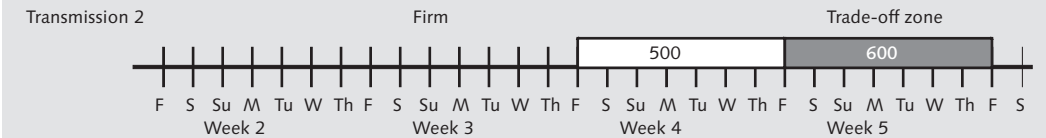
Now let's discuss how to create a scheduling agreement. These documents are always created for stock materials because their intention is take the material requirements planning (MRP) requirements and send them to the vendor.

Follow the path LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • OUTLINE AGREEMENT • SCHEDULING AGREEMENT • CREATE • VENDOR KNOWN, or use Transaction ME31L.

Step 1: We send out a requirement for 500 ea for week 4.



Step 2: Over time, week four comes forward.



Step 3: When we fall inside the first two weeks of the transmission, we start showing actual dates and quantities to be interpreted as shipping instructions.

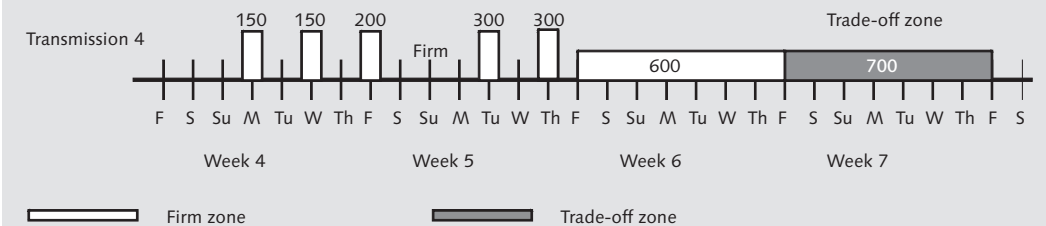


Figure 4.17 A Combination of Weekly and Daily Requirements for Specific Shipping Instructions

You can create a scheduling agreement either manually by typing all of the required data, or by referencing other purchasing documents such as purchase requisitions, RFQ/quotations, or a contract. If you want to use a reference document, click REFERENCE TO PREQ for a purchase requisition, click REFERENCE TO RFQ for an RFQ, or click REFERENCE TO CONTRACT for a contract.

If you create the contract manually, you need to follow these steps:

Create contract manually

1. In the first screen of Transaction ME31L, select a VENDOR number, the AGREEMENT TYPE LP, PURCH. ORGANIZATION, and PURCHASING GROUP at a minimum (see Figure 4.18). Press  to proceed to the header screen.

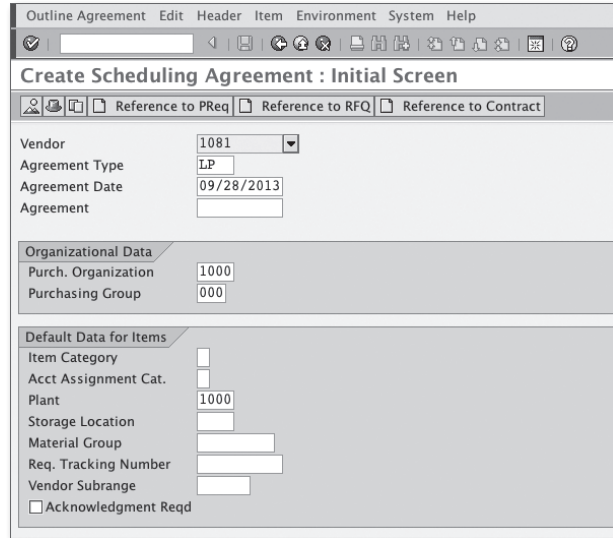


Figure 4.18 Initial Screen to Create a Scheduling Agreement

2. Enter the header data, such as the contract's VALIDITY END date and the maximum contract value, if applicable. The header copies information from the vendor about the terms of payment and cash discounts, which you can edit if they don't apply for the contract (see Figure 4.19).

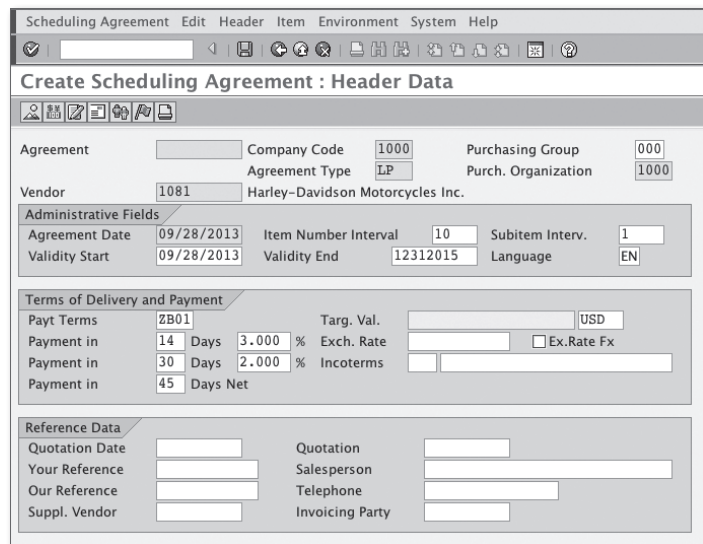


Figure 4.19 Entering the Validity Date for the Contract Target Value

3. Press **[Enter]** to continue to the ITEM OVERVIEW screen.
4. Enter the materials and quantities that will be committed for purchase from the vendor (see Figure 4.20). At this point, you can still choose to copy from a reference document or proceed to enter the materials manually.

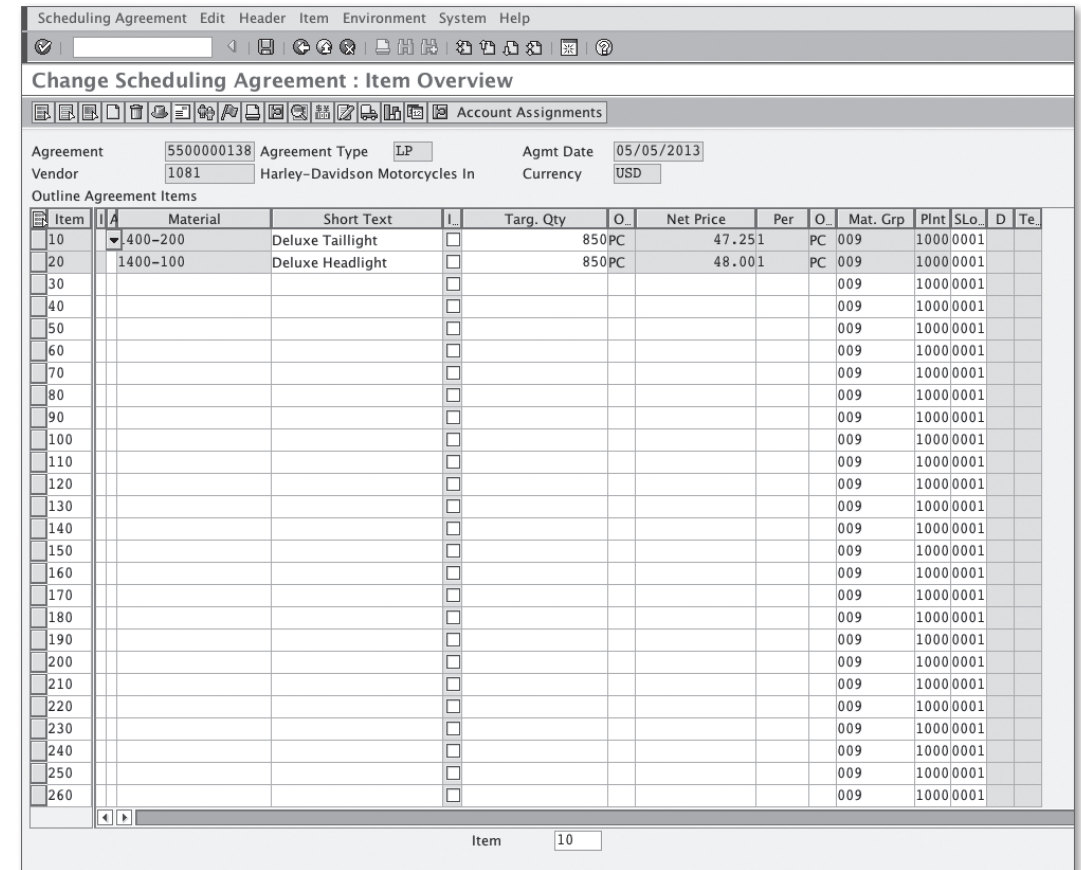


Figure 4.20 Overview Screen: Materials and Estimated Target Quantity

If you copy the items from a reference document by selecting the menu entry SCHEDULING AGREEMENT • CREATE WITH REFERENCE • PURCHASE REQ or RFQ, then all of the pricing conditions are copied along with the **Copy from reference**

materials and quantities. If you're entering the contract manually, you have to enter the pricing conditions at both the header level and item level.

1. By selecting the menu entry ITEM • CONDITIONS, you can enter all of the conditions you've negotiated with the vendor, including all of the discounts and surcharges (see Figure 4.21).

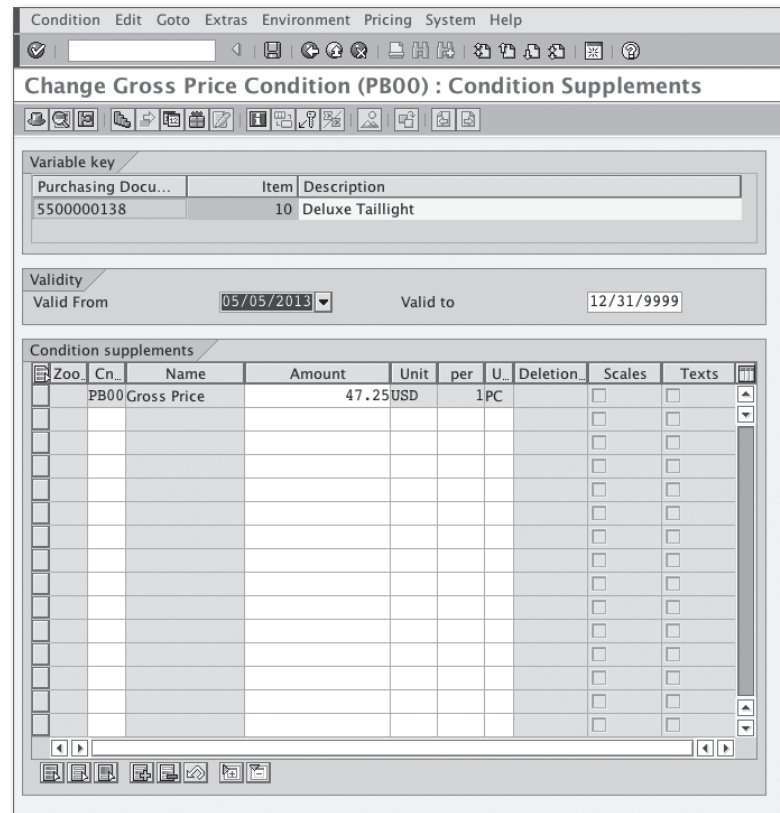


Figure 4.21 Entering Discounts and Surcharges in the Conditions Screen

2. Select the menu option ITEM • MORE FUNCTIONS • ADDITIONAL DATA, and enter the duration for the FIRM ZONE and the TRADE-OFF ZONE. Everything after the trade-off zone is considered the forecast zone (see Figure 4.22).

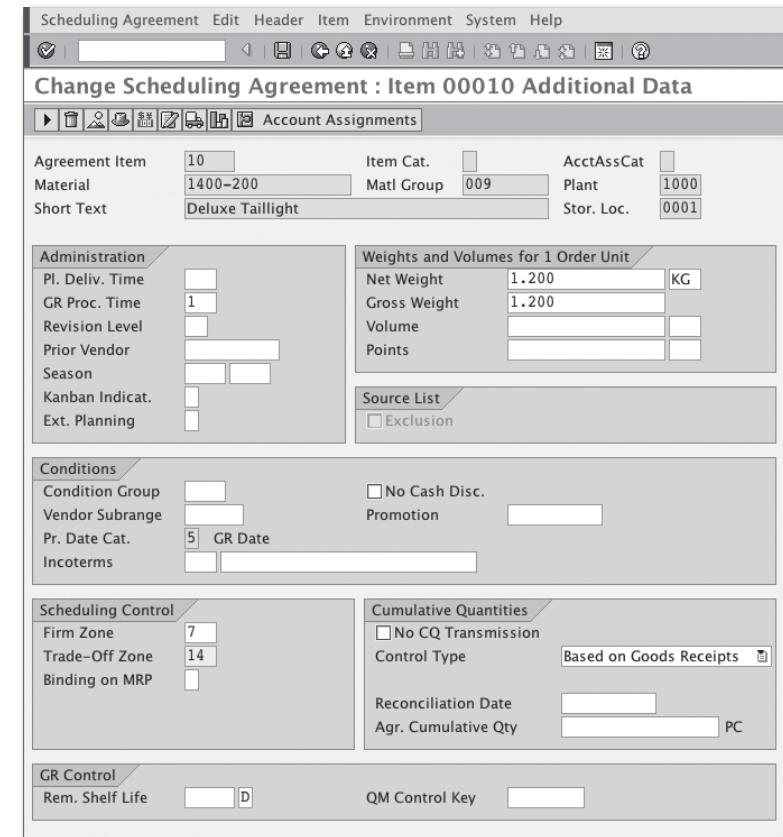


Figure 4.22 Entering the Duration for the Firm Zone and Trade-Off Zone

### Generating Schedule Lines

To have the MRP system generate the schedule lines in the scheduling agreement, you need to make sure that every material that is included in a scheduling agreement has a source list that is relevant for MRP and that automatically generates schedule lines. These schedule lines are included in the scheduling agreement for the complete planning horizon. To generate the schedule lines automatically, make sure the SOURCE LIST USAGE IN MRP is set to 2 (see Figure 4.23). Source lists are described in detail in Chapter 2.

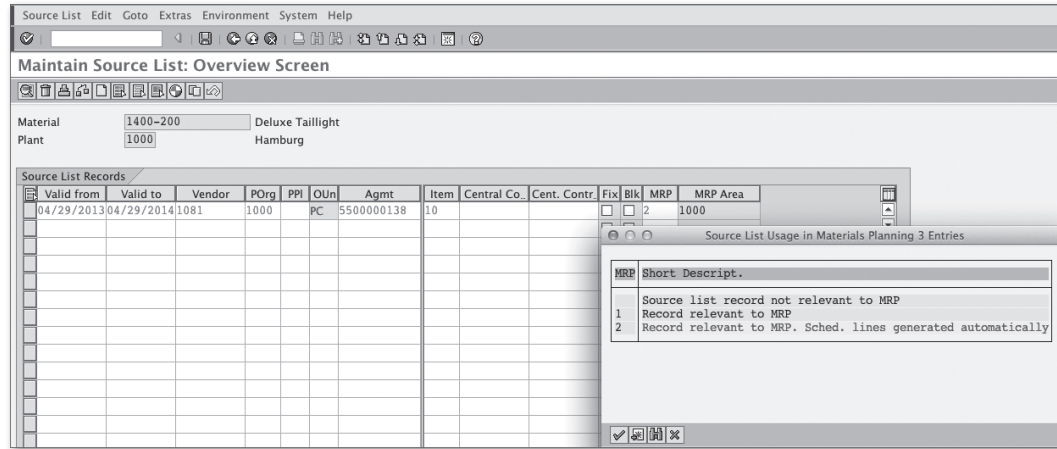


Figure 4.23 Generating Schedule Lines Automatically

**Generating Output**

After MRP runs, the schedule lines are generated and passed to the scheduling agreement. From there, you can generate an output to send them to your partner. Of course, when you have to send out releases for hundreds or maybe even thousands of parts, manual isn't the way to go. The best way to guarantee that the releases are sent in a timely manner, especially in a high-volume environment, is to use electronic communications in which the releases are sent automatically every time they are produced by the MRP system.

**Electronic communication**

Electronic communications out of the SAP ERP system vary from emails to direct interfaces with your vendors, but the most widely adopted form of communications is through Electronic Data Interchange (EDI). EDI has been the international standard for many years, and it's based on international standards set by ANSI and EDIFACT.

EDI To get an output from the scheduling agreement, use Transaction NACR to create a condition record for output type LPH1 for the scheduling agreement. This output type generates a DELFOR01 IDoc, which can be sent to your vendor according to its EDI setup.

In return, the vendor sends back a shipping notification DESADV01, which is recorded in the scheduling agreement.

The outbound DELFOR01 IDoc contains the header and item information for the scheduling agreement, including the forecast information for each of the items for the whole planning horizon.

The IDoc indicates the firm and trade-off zones with an end date for each of them according to the settings of the scheduling control data in the scheduling agreement's item additional data. For firm, it sends the end date as "End of material go-ahead," and for trade-off, it sends an end date as "End of production go-ahead." This way, the vendor is always kept informed of all of the document details. The rest of the schedule lines are considered forecast information (see Figure 4.24).

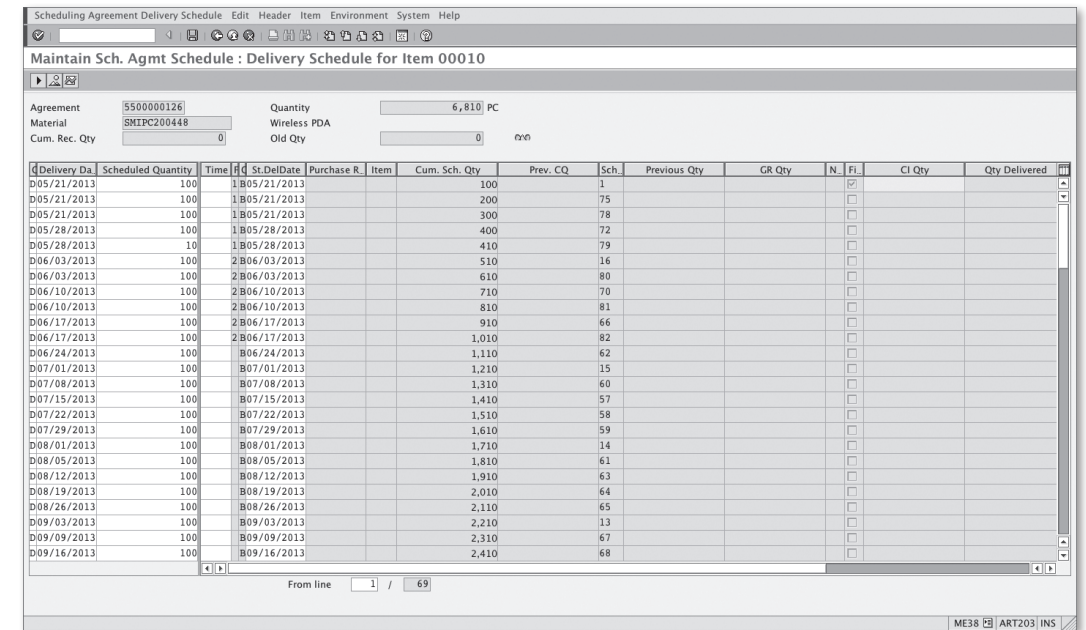


Figure 4.24 Schedule Lines Produced by MRP and Passed to the Scheduling Agreement

**Note**

Starting EDI communications with vendors isn't an easy undertaking and is a big project by itself; normally a team formed of buyers, functional analysts, and basis analysts take on this challenge.



Table 4.4 lists some useful transactions for working with scheduling agreements.

Transaction	Menu Path
ME31L: Create from Known Vendor	LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • SCHEDULING AGREEMENT • CREATE • VENDOR KNOWN
ME32L: Change	LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • SCHEDULING AGREEMENT • CHANGE
ME33L: Display	LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • SCHEDULING AGREEMENT • DISPLAY
ME38: Maintain	LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • SCHEDULING AGREEMENT • DELIVERY SCHEDULE • MAINTAIN
ME9E: Print/Transmit	LOGISTICS • MATERIALS MANAGEMENT • PURCHASING • SCHEDULING AGREEMENT • DELIVERY SCHEDULE • PRINT/TRANSMIT

**Table 4.4** Scheduling Agreements Transactions

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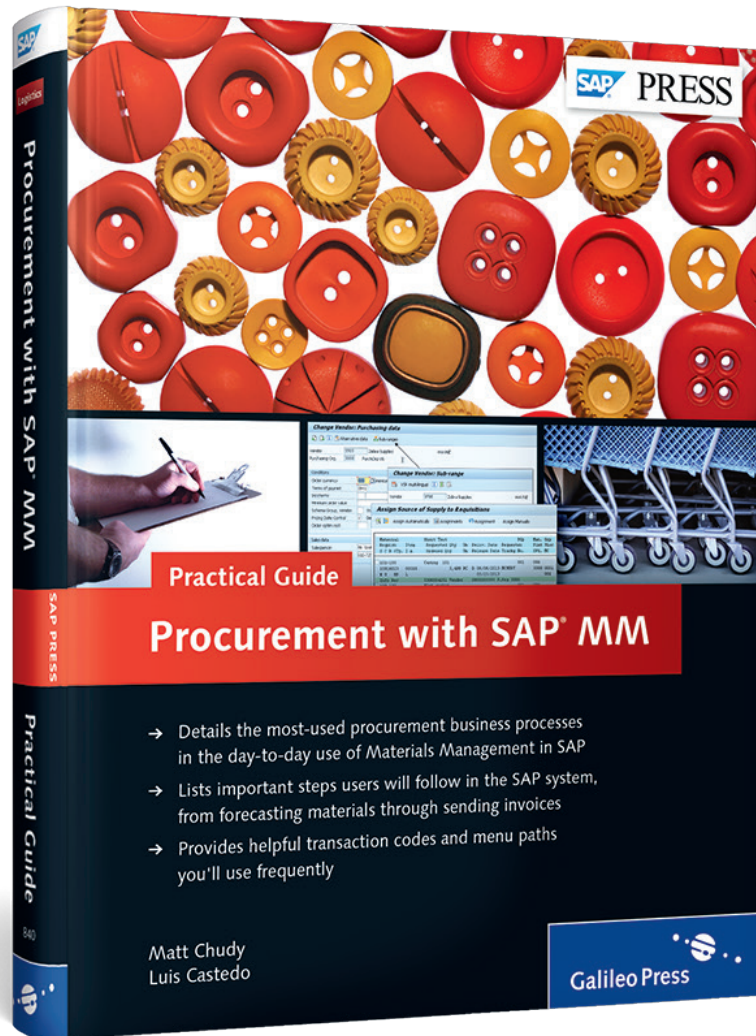
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