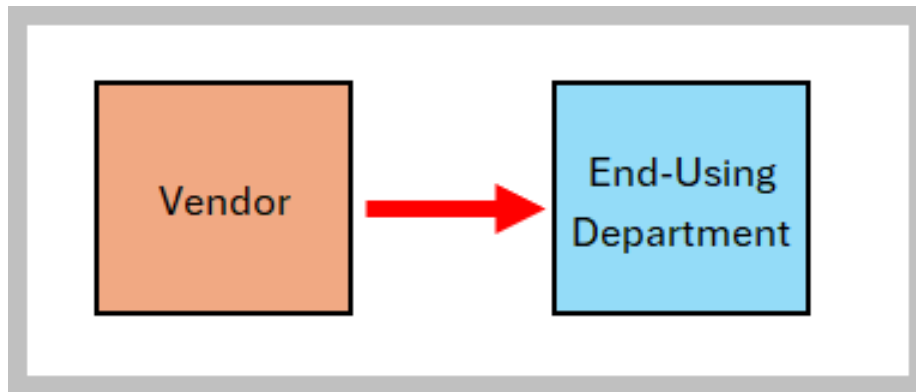


How SAP Materials and SAP Contracts Work

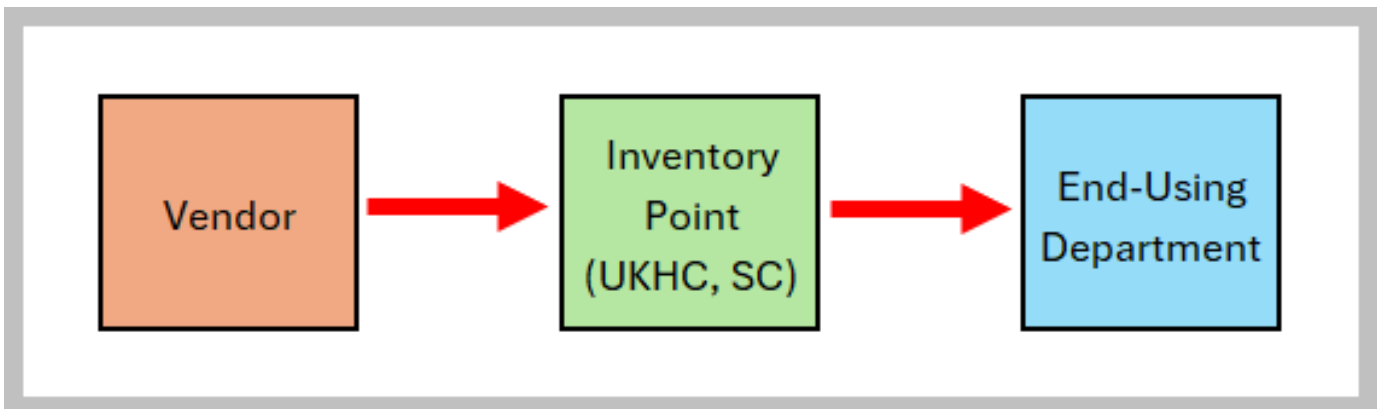
What is SAP Materials Management?

- Most purchases by departments from Ariba e-catalogs, free text carts, etc. are for direct consumption at the department level.
- The department pays for item(s) from their cost center or grant and items are consumed directly into programming at the department.
- The University has multiple “inventory points” that act as “resellers” or “distributors” of items onto other end-recipients (e.g., patients) utilizing recharge systems.
- Two largest are UK HealthCare and Supply Center
- These locations use formal SAP functionality to order, inventory, account for, and recharge their items the same as a private sector manufacturer, warehouse distributor, grocer, etc.
- Inventory points manage the inventory items, but do not directly consume them
- The University has 100K+ items in SAP materials management valued at millions of dollars
- Jody manages all the SAP master data, SAP contracts, and related mechanisms for all inventory points enterprise-wide.

Most departments buy and consume like an end user or consumer:



Inventory points operate more like a store or distribution point/reseller (which they are):



What are SAP Materials?

- Every material has its own SAP data: description, part number, manufacturer, order unit, issue unit, buyer number, material group, etc.
- Think barcode data you may see on items in a store.
- A new material record is created in SAP for every material needed by or distributed at the inventory points
- When materials are ordered, the inventory point requisitioner simply selects the material number needed and quantity and all other ordering details populate automatically on requisitions; no manual entry.

Sample Material:

Display Material 400115 (Stocked Hospital Supplies)

Additional Data Org. Levels

Basic data 1 Basic data 2 Purchasing Foreign trade import Purc...

Material: 400115 TIP NANOSCISSOR 70MM DISPOSABLE ⓘ

UKY Data

☐ EAP Relevant? ☐ Haz.Mat ☐ Latex ☐ NOC ☒ Consignment
☐ Expires

UNSPSC Code: 42294906 EAP Code:

Spend Category: 140

General Data

Base Unit of Measure: EA Each Material Group: 51

Old material number: Ext. Matl Group:

Division:

Product allocation:

X-plant matl status: 02 Valid from:

☐ Assign effect. vals GenItemCatGroup:



Display Material 400115 (Stocked Hospital Supplies)



Additional Data



Org. Levels



Basic data 2



Purchasing

Foreign trade import

Purchase order text



Material

400115



IP NANOSCISSOR 70MM DISPOSABLE



Plant

UK00

University of Kentucky

General Data

Base Unit of Measure	EA	Each	Order Unit		Var. OUn	
Purchasing Group	134		Material Group	51		
Plant-sp.matl status			Valid from			
Tax ind. f. material			Qual.f.FreeGoodsDis.			
Material freight grp			<input checked="" type="checkbox"/> Autom. PO			
<input type="checkbox"/> Batch management						

Purchasing values

Purchasing value key	3		Shipping Instr.		
1st Reminder/Exped.	1	days	Underdel. Tolerance	0.0	percent
2nd Reminder/Exped.	3	days	Overdeliv. Tolerance	0.0	percent
3rd Reminder/Exped.	10	days	Min. Del. Qty in %	0.0	percent
StdValueDelivDateVar	0	days	<input type="checkbox"/> Unltd Overdelivery	<input type="checkbox"/> Acknowledgment Reqd	

UKY Manufacturer Data

		Mfr Part Profile	
Mfr Part Number	AR-10905D-1	Manufact.	138628
Orig.Mfr part number	AR-10905D-1	Orig. Mfr	138628

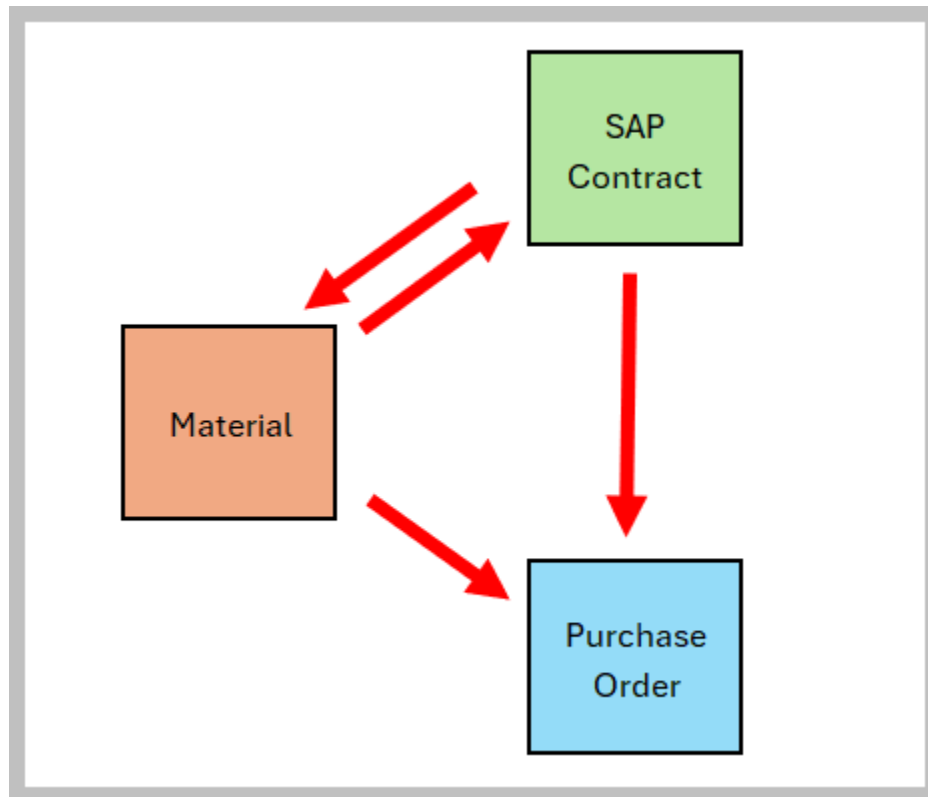
How are they created?

- Materials are created based on requests from respective Procurement buyers for needed items and using an SAP Add Form (available on the Internal Resources Help Library page (formerly SharePoint)).
- Buyers are responsible for having general knowledge of materials against their UK Price Contracts; driven by commodity type.
- Buyers submit requests when new items need added.
- Buyers can also submit material changes when they arise (i.e., catalog number, unit of measure, price, change of vendor, etc.)
- Common materials on campus side could be:
 - David – MRO items from Grainger, Fastenal, Kenway, Ferguson, etc.
 - Randy – IT items for hospital computer inventory from Dell, CDW
 - Bob – AWG gases and dry ice
 - Becky – printed items from Welch, Southland, Presswork
 - Patricia- AMK Services and River Cities Courier

[illegible]

What are SAP Contracts?

- Once materials are created in SAP, they are typically (though not always) governed by SAP Contracts.
- SAP Contracts align with the vendor number and contain all the materials that belong together on that SAP Contract. They also drive the correct freight terms, etc.
- SAP Contracts drive “sourcing” meaning they assign the correct price at the point of ordering
- SAP materials pair with the respective SAP contract jointly and drive the ordering information when purchased.



- Example: If material 411122 was for a specific electrical outlet from State Electric, the material record provides the catalog number, unit of measure, how many per package, etc. for the purchase and the SAP contract for State Electric assigns the current contract price.

The person placing the order only has to indicate they need material 411122 and the quantity needed on their requisition and all other details for items auto-assign on the requisition.

- A single SAP Contract can have a few or thousands of materials

When an SAP Contract is created, it must be supported and underwritten by a UK Price Contract Number to be compliant. An SAP Contract must be paired with a UK Price Contract (or other valid contractual instrument).

The expiration date of the SAP Contract must align with expiration date of the UK Price Contract.

Importance of Not Letting SAP Contracts Expire

- Very important to not let SAP Contracts expire without being extended with new date
- If one expires, all data for materials on the contract expires and creates order issues:
 - PO prices affected
 - Inventory prices for those items in warehouse become corrupted
 - Vendor affected
 - Goods Receipts affected
 - Vendor invoice and three-way match process disrupted
- Also, each material on the contract must be modified manually and individually to correct. Every material has to be touched/adjusted by Jody in order to correct processes.

Most Important Things for Buyers to Know:

1. How to submit request for new material to be created:

- a) Use the SAP Material Add request form from the Internal Resources library page on website.
- b) Complete form with all needed information for each cell and item to be added
- c) Email to Jody for creating and loading

2. How to request a change to an existing material (e.g., price change, part number, etc.):

- a) Can be done formally or informally. If only one or a few materials need updated, provide information to Jody via email. The information will need to include the material number(s), or
- b) If multiple items need updated or extended changes, you can also use the SAP Materials Add form to list the information and simply indicate they are requested changes. Be sure to include the material numbers that need updated.

3. Staying ahead and ensuring UK Price Contracts are renewed or rebid early and notification given to extend SAP Contract before system expiration:

- Jody provides a monthly listing of SAP contracts soon to expire
- Very important to notify Jody of soon-to-expire contracts of their new renewal or extension date before SAP expiration date.
- If you are in process of renewal or rebid, or simply later than expected, you can request to extend the SAP contract for a short time before it expires, perhaps several weeks, three months, etc. and notify of the new date when finalized.

****Very important not to let SAP Contracts expire without being extended if the item(s) still need to be purchased.**