



Kroger Modernization: Netting AR/AP Lavante Training

Updated 8/23/2021

KROGER MODERNIZATION: Transforming Kroger Finance and Accounting

Kroger is currently modernizing our Accounting, Finance, Sourcing, and Merchandising systems to streamline and improve many processes – including Supplier Accounts Payables and Receivables.

Key Changes to Remit-To Information for Suppliers

Single Remittance for All Divisions: Kroger currently sends **multiple checks** to our suppliers during each remittance period (daily or weekly) based on how many of Kroger's divisions are doing business with the supplier.

As part of our Modernization efforts, Kroger will be adopting a **one remit-to** process for the purposes of physical checks or reduced number of payment transactions when paid via Electronic Funds Transfer (EFT), or when funds are due.

AR/AP Settlement Netting without Check/EFT Issuance: Kroger will now use Settlement Netting to offset funds due to Kroger from suppliers. While Kroger has always used a form of netting, we will be eliminating \$1.00 checks. Netting will now be taken to \$0.00 and payments applied from remittance data provided through Lavante.

Benefits for Suppliers

- Fewer remittance reference/checks

Why are we doing this?

- Streamline our accounts payables and receivables processes.

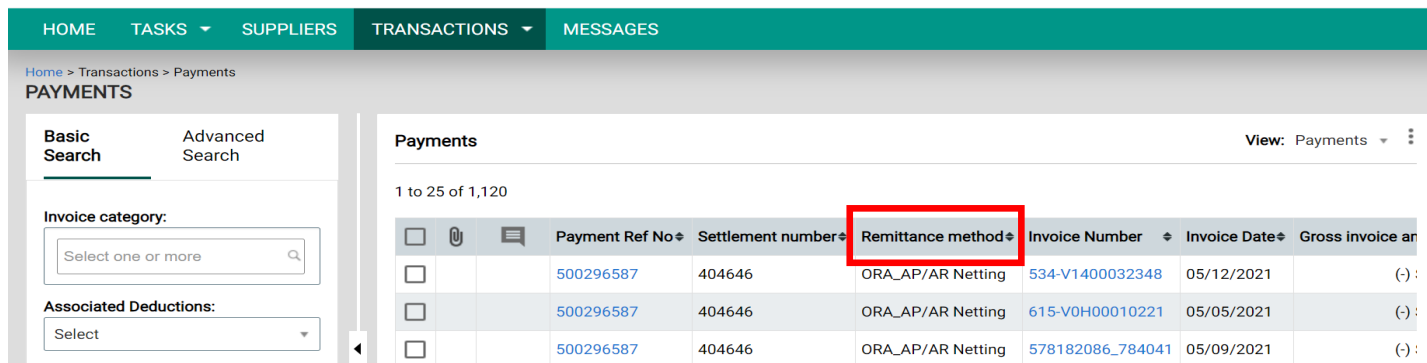
What is Settlement Netting?

- Also known as payment netting, settlement netting totals the amounts due to Kroger by its Suppliers for deductions (Promo, Coupons, Logistics Compliance, Payment Corrections.) and nets (offsets) those receivable balances against Accounts Payable payments due by Kroger for Goods or Services.
- In other words, only the net difference in the total receivables and payables amounts is delivered or exchanged by the party with the net owed obligation. Typically, a payment netting agreement must be in place before the settlement date. Otherwise, each of the individual payments would be due to and from all parties involved.
- **Ex.)** Accounts Receivable from Supplier X = \$1,000, and Kroger Accounts Payable to Supplier X = \$1,500. Therefore, the net amount due to Supplier X = \$500 ($\$1,500 \text{ AP} - \$1,000 \text{ AR} = \500 AP).



Lavante Updates for Modernization: New Remittance Method Types

Discontinuing the use of \$1.00 checks has created the need for new remittance method types. Detailed below are their meanings.



The screenshot shows the 'PAYMENTS' section of the Lavante system. On the left, there are search filters for 'Invoice category' and 'Associated Deductions'. The main area displays a table of payments with columns for 'Payment Ref No', 'Settlement number', 'Remittance method', 'Invoice Number', 'Invoice Date', and 'Gross invoice amount'. The 'Remittance method' column is highlighted with a red box.

Payment Ref No	Settlement number	Remittance method	Invoice Number	Invoice Date	Gross invoice amount
500296587	404646	ORA_AP/AR Netting	534-V1400032348	05/12/2021	(-)
500296587	404646	ORA_AP/AR Netting	615-V0H00010221	05/05/2021	(-)
500296587	404646	ORA_AP/AR Netting	578182086_784041	05/09/2021	(-)

New Remittance Method Definitions:

- **ORA_AP/AR Netting:** Represents a Kroger Deduction or Memo
- **Netting:** Represents payment made against a Suppliers invoice via Netting- these remittance amounts are to be applied too any open balance due for that invoice by the supplier.
- **EFT:** Remittance balance due released on Electronic Funds Transfer
- **Check:** Remittance balance due released on Paper Check to supplier lockbox
- **Refund:** Refund or correction issued on a Kroger Generated deduction

AR Greater than AP Example - Netting

Below is an example of payment data exported from Lavante as an Excel file, that includes a single payment/settlement Number.

Data may be exported daily, weekly, monthly and will included all remittance detail for that time frame based on the Ref Date searched.

Payments Search																					
Payment Ref No	Settlement number	Remittance method	Invoice Number	Invoice Date	Payment Currency	Invoice Currency	Gross invoice amount	Deduction Amount	Discount Amount	Net invoice amount	Paid Amount	Check Amount	Check Status	Payment Ref Date	# Of Claims	PO Number	Payee #	Division	Store #	Supplier name	Supplier ERP ID
500296587	404646	ORA_AP/AR Netting	534-V1400032348	05/12/2021	USD	USD	-32.42	0.00	0.00	-32.42	-32.42	0.00	CLEARED	05/24/2021	0			534 - ROUNDY'S WISCONSIN			
500296587	404646	ORA_AP/AR Netting	615-V0H00010221	05/05/2021	USD	USD	-32.30	0.00	0.00	-32.30	-32.30	0.00	CLEARED	05/24/2021	0			615 - DILLON STORES			
500296587	404646	ORA_AP/AR Netting	578182086_784041	05/09/2021	USD	USD	-32.29	0.00	0.00	-32.29	-32.29	0.00	CLEARED	05/24/2021	0			615 - DILLON STORES			
500296587	404646	ORA_AP/AR Netting	578182076_784041	05/09/2021	USD	USD	-32.29	0.00	0.00	-32.29	-32.29	0.00	CLEARED	05/24/2021	0			014 - CINCINNATI KMA			

AR Greater than AP Example - Netting

The below is an example of what can be done with the payment data exports - this is not the format the data will appear when exported.

We have sorted this data by the supplier generated invoices due for goods/services and the invoices that have been generated by Kroger. See slides 8-13 for guidance on how to perform analysis of exported data using pivot tables.

Settlement/Remittance Number 123456 - AR Greater than AP								
Supplier Invoices						Kroger Deduction Invoices		
Invoice Number	Gross Invoice Amt	Deduction Amt	Discount Amt	Net Invoice Amt	Paid Amount	Invoice Number	Billed Amount	Netted Amount
123456789	\$ 10,000.00	\$0.00	\$0.00	\$ 10,000.00	\$ 10,000.00	092-A125245-534	\$ 1,000.00	\$ 1,000.00
987654321	\$ 55,000.00	\$0.00	\$0.00	\$55,000.00	\$ 55,000.00	092-A057776-424	\$ 1,525.00	\$ 1,525.00
753421869	\$ 2,000.00	(-) \$450.00	\$0.00	\$ 1,550.00	\$ 1,550.00	092-A167499-703	\$ 32,115.00	\$ 32,115.00
923125484	\$ 36,000.00	\$0.00	\$0.00	\$36,000.00	\$ 36,000.00	092-A044298-195	\$ 51,658.00	\$ 51,658.00
741852963	\$ 15,500.00	\$0.00	\$0.00	\$15,500.00	\$ 15,500.00	060-C706886-615	\$ 500.00	\$ 500.00
AP Netted on 123456	\$ 118,500.00	(-) \$450.00	\$0.00	\$ 118,050.00	\$ 118,050.00	060-C800920-021	\$ 675.00	\$ 675.00
<p>Supplier will apply their Payments by invoice number, not the total amount of the netting reference.</p> <p>Example: Invoice# 123456789 was paid in full per what was billed by the supplier and should be marked as such in the supplier system.</p> <p>There will be no check issued when what is owed to Kroger is greater than what is due to the supplier during the remittance timeframe. You must export your data regularly to apply payments and deducitons</p>						060-C740524-026	\$ 6,158.00	\$ 6,158.00
						034-V0500022175	\$ 561.00	\$ 561.00
						701-NCF-0002553	\$ 500.00	\$ 500.00
						000056651651651	\$ 65.00	\$ 65.00
						000012654658456	\$ 8,996.00	\$ 8,996.00
						092-S123156	\$ 1,651.00	\$ 1,651.00
						704-V2015-201561	\$ 38,513.00	\$ 12,646.00
						AR Netted on 123456	\$ 143,917.00	\$ 118,050.00

AP Greater than AR Example - Netting

The below is an example of what can be done with the payment data exports - this is not the format the data will appear when exported.

We have sorted this data by the supplier generated invoices due for goods/services and the invoices that have been generated by Kroger. See slides 8-13 for guidance on how to perform analysis of exported data using pivot tables.

Settlement/Remittance Number 654987/ Check Number 100000566 - AP Greater than AR								
Supplier Invoices						Kroger Deduction Invoices		
Invoice Number	Gross Invoice Amt	Deduction Amt	Discount Amt	Net Invoice Amt	Paid Amount	Invoice Number	Billed Amount	Netted Amount
09876543210	\$ 80,000.00	\$0.00	\$800.00	\$ 79,200.00	\$ 10,000.00	092-A656421-620	(-) \$43.89	(-) \$43.89
00045685629	\$ 42,500.00	\$0.00	\$425.00	\$ 42,075.00	\$ 55,000.00	092-A123456-438	(-) \$491.34	(-) \$491.34
00084318631	\$ 2,000.00	\$0.00	\$20.00	\$ 1,980.00	\$ 1,550.00	092-A235494-701	(-) \$1386	(-) \$1386
00074658137	\$ 28,000.00	\$0.00	\$280.00	\$ 27,720.00	\$ 36,000.00	092-A330936-011	(-) \$2245.76	(-) \$2245.76
00056181961	\$ 5,512.00	\$0.00	\$55.12	\$ 5,456.88	\$ 15,500.00	060-C525231-035	(-) \$43.34	(-) \$43.34
AP Netted on 654987 and paid on Ck# 100000566	\$ 158,012.00	\$0.00	(-) \$1,580.12	\$ 156,431.88	\$ 156,431.88	092-A2008-23065	(-) \$187.88	(-) \$187.88
AP Invoice will appear with a "Netted" remittance and Check/EFT remittance line on extract when there is netting and Supplier will apply their Payments by invoice number, not the total amount of the netting reference/check.						092-A2008-24359	(-) \$705.1	(-) \$705.1
						092-A142667-092	(-) \$216.16	(-) \$216.16
						092-A2008-25121	(-) \$221.65	(-) \$221.65
						092-A305249-018	(-) \$274.05	(-) \$274.05
						AR Netted on 654987	(-) \$5,815.17	(-) \$5,815.17

How to Analyze Netting Data from Lavante

- When analyzing netting/settlement data exported from Lavante, it is important to export the data as an excel file. Doing so will allow you to manipulate the data in a digestible format.

The screenshot shows the 'Payments' section of the Lavante system. On the left, there are search filters for 'Invoice category' and 'Associated Deductions'. The main area displays a table of payment records. An 'Export' button is visible in the top right corner of the table area, with a red box around it and a blue arrow pointing to it labeled 'Click here'. A dropdown menu is open from the 'Export' button, showing options: 'Excel', 'CSV', 'PDF', and 'Download associated deductions'. The 'Excel' option is highlighted with a red box and a blue arrow pointing to it labeled 'Select Excel file'. The table below shows two rows of payment data.

	Payment Ref No	Settlement number	Remittance method	Invoice Number	Invoice Date	Gross invoice amount		Net invoice amount
<input type="checkbox"/>	500296587	404646	ORA_AP/AR Netting	534-V1400032348	05/12/2021	(-) \$ 32.42		(-) \$ 32.42
<input type="checkbox"/>	500296587	404646	ORA_AP/AR Netting	615-V0H00010221	05/05/2021	(-) \$ 32.30	\$ 0.00	\$ 0.00 (-) \$ 32.30

How to Analyze Netting Data from Lavante

- In order to use the pivot table functionality within Excel, you must first delete blank data and merged cells. Specifically, **Row 1** and **Column B** should be deleted in their entirety.
- **Note:** *Column B will not be visible when opening the exported data file. To locate and delete this column, place your cursor between Columns A and C, left click on the line separating the column headers and drag the column to the right. Follow same instructions detailed below for deleting rows in order to delete Column B, but instead click on “Delete Sheet Columns” after left clicking on the Column B header.*

The screenshot shows the Microsoft Excel interface with the 'Delete' menu open. The 'Delete Sheet Rows' option is highlighted with a red box. A blue arrow labeled 'Select Delete Sheet Rows' points to this option. Another blue arrow labeled 'Left click here' points to the row header '1' in the spreadsheet. The spreadsheet data is as follows:

Payment Ref No	Settlement number	Remittance method	Invoice Number	Invoice Date	Payment Currency	Invoice Currency	Gross invoice amount	Deduction Amount	Discount Amount	Net invoice amount	Paid Amount	CheckAmount	CheckStatus	Payment Ref Date	# Of Claims	PO Number	Payee #	Division	Store #	Supplier name	Supplier ERP ID
500296587	404646	ORA_AP/AR Netting	534-V1400032348	05/12/2021	USD	USD	-32.42	0.00	0.00	-32.42	-32.42	0.00	CLEARED	05/24/2021	0			534 - ROUNDY'S WISCONSIN		NESTLE USA INC	3012394

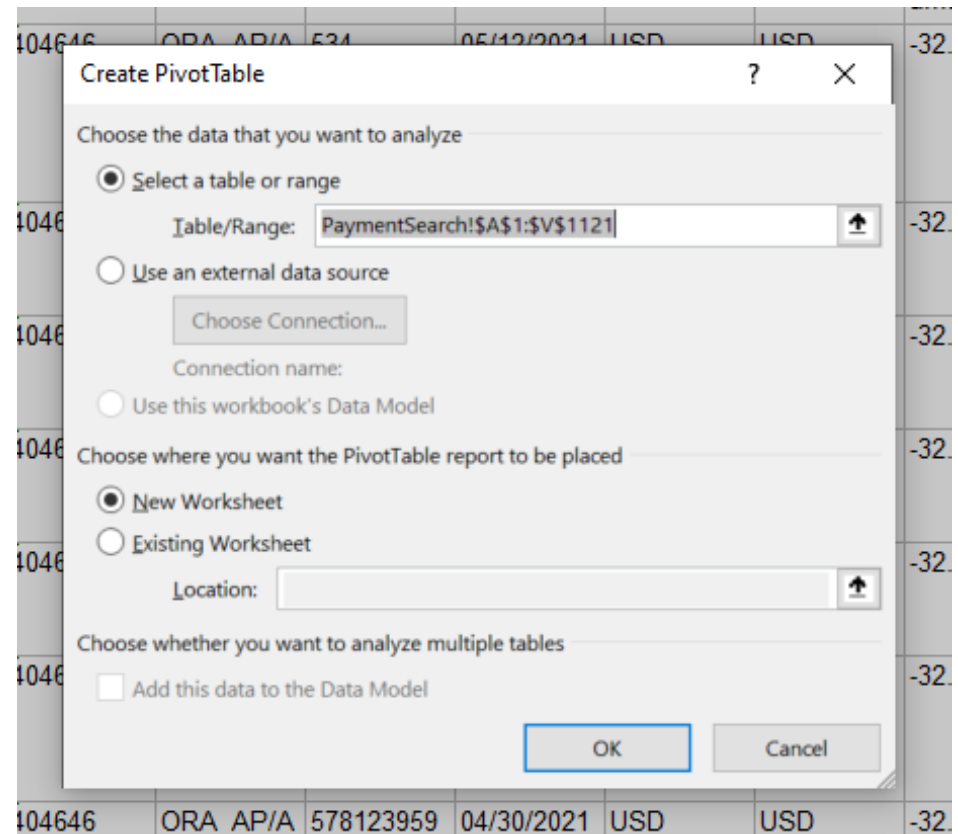
How to Analyze Netting Data from Lavante

- After removing the necessary data fields, click on the **“Insert”** tab at the top of the screen.
- Next, left click on **“Payment Ref No”** in cell **A1**, drag your cursor over to **Column V** and then to the bottom of the data set. All data in the spreadsheet should be selected, including the data headers in **Row 1**.
- After selecting all data, click on **“Pivot Table”** in the top right corner.

Payment Ref No	Settlement number	Remittance method	Invoice Number	Invoice Date	Payment Currency	Invoice Currency	Gross invoice amount	Deduction Amount	Discount Amount	Net invoice amount	Paid Amount	Check Amount	Check Status	Payment Ref Date	# Of Claims	PO Number	Payee #	Division	Store #	Supplier name	Supplier ERP ID
500296587	404646	ORA_AP/A R Netting	534- V14000323 48	05/12/2021	USD	USD	-32.42	0.00	0.00	-32.42	-32.42	0.00	CLEARED	05/24/2021	0			534 - ROUNDY'S WISCONSIN		NESTLE USA INC	3012394
500296587	404646	ORA_AP/A R Netting	615- V0H000102 21	05/05/2021	USD	USD	-32.30	0.00	0.00	-32.30	-32.30	0.00	CLEARED	05/24/2021	0			615 - DILLON STORES		NESTLE USA INC	3012394
500296587	404646	ORA_AP/A R Netting	578182086 _784041	05/09/2021	USD	USD	-32.29	0.00	0.00	-32.29	-32.29	0.00	CLEARED	05/24/2021	0			615 - DILLON STORES		NESTLE USA INC	3012394

How to Analyze Netting Data from Lavante

- Within the “**Create PivotTable**” window that opens, the only option that you should need to address is “**Choose where you want the PivotTable report to be placed**” as long as the necessary data was selected in the previous steps.
- By selecting “**New Worksheet**” the Pivot Table will be generated in a new tab. By selecting “**Existing Worksheet**” you will be presented with the opportunity to select a space on the existing tab to place the Pivot Table.
- Select “Ok” at the bottom to generate the Pivot Table.



How to Analyze Netting Data from Lavante

- After clicking “Ok” in the “**Create PivotTable**” window, a “**PivotTable Fields**” pane will open on the right side of the screen.
- A high level summary of the data can be compiled by selecting the following fields. To add a field to the Pivot Table, simply left click on the field from the list and drag it to the respective category below.
- In order to view AP vs. AR for the desired settlement number, the “**Rows**” category should include “**Remittance Method**”, and the “**Values**” category should include “**Gross invoice amount**”, “**Deduction Amount**”, “**Discount Amount**”, “**Net invoice amount**” and “**Paid Amount**”.

Select desired fields here

Drag desired fields here

PivotTable Fields

Choose fields to add to report:

Search

- Payment Ref No
- Settlement number
- Remittance method**
- Invoice Number
- Invoice Date
- Payment Currency
- Invoice Currency
- Gross invoice amount**
- Deduction Amount**
- Discount Amount**
- Net invoice amount**
- Paid Amount**
- CheckAmount
- CheckStatus
- Payment Ref Date

Drag fields between areas below:

Filters

Columns

Σ Values

Rows

Remittance method

Σ Values

- Sum of Gross inv...
- Sum of Deductio...
- Sum of Discount ...
- Sum of Net invo...
- Sum of Paid Am...

How to Analyze Netting Data from Lavante

- After selecting the desired fields for the Pivot Table, the following data will be presented within the generated Pivot Table.
- **Note:** The “**Netting**” balances represent Supplier Invoices (Kroger Accounts Payable) while the “**ORA AP/AR Netting**” balances represent Kroger Deduction Invoices (Kroger Accounts Receivable). The “**Grand Total**” represents the remaining balance after netting the Supplier Invoices and Kroger Deduction Invoices.
- **Note:** By default, all values will be shown as the sum of the selected value. Additionally, “**Invoice Number**” can be added to the “**Rows**” category for more detailed analysis.

	A	B	C	D	E	F
1						
2						
3		Data				
4	Remittance method ▾	Sum of Gross invoice amount	Sum of Deduction Amount	Sum of Discount Amount	Sum of Net invoice amount	Sum of Paid Amount
5	NETTING	93,584.35	-	-	93,584.35	87,190.67
6	ORA AP/AR Netting	(87,190.67)	-	-	(87,190.67)	(87,190.67)
7	Grand Total	6,393.68	-	-	6,393.68	0.00
8						
9						

FAQ's – Netting/Remittance/Deductions

- **Will Kroger Email or send USPS notice of remittance/netting?**
 - No. Suppliers need to establish a regular process for exporting remittance data from Lavante.
- **If we have not received a check, how have we been paid?**
 - Settlement netting is a form of payment. It is simply deducting what is owed, instead of requiring a separate remittance action from the supplier to clear their open balance with Kroger.
- **Why are we receiving separate deductions?**
 - The majority of deductions generated are contractual based on promotional, coupon, or other sales-based agreement made between a supplier's representative and Kroger's purchasing team. Other deductions are contractual based on fee schedules for Logistics compliance.
 - To identify a deduction by its Kroger invoice format, please see the Supplier Contact List



Thanks!