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When Evaluating E-Sourcing Solutions, Consider On-Demand

SAP E-Sourcing On-Demand Drives Sustainable Results for Your Sourcing and Procurement Operations

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Between 25% and 50% of most companies' revenue goes toward purchasing goods and services, so the ability to keep these costs down is paramount. Applying strategic sourcing methodologies to pinpoint spend categories and select qualified suppliers allows organizations to reduce expenses and positively impact the bottom line (see **Figure 1**).

To maximize results as quickly as possible, more and more companies are leveraging electronic sourcing (e-sourcing) solutions. These solutions help organizations better manage their entire sourcing process, including essential steps such as collaborative project management, competitive bidding, contract negotiation, and ongoing contract management.[1] SAP's experience shows that the average savings for product or service categories sourced through an e-sourcing solution is often greater than 20% – a significant savings, especially in today's economy.

Why Is an On-Demand Model Important?

When evaluating e-sourcing solutions, many companies are looking at on-demand options. An on-demand deployment model has many benefits, including pay-as-you-go pricing with no upfront capital outlay, resulting in very little risk so that organizations can start achieving results quickly. Key aspects of an on-demand solution include:

- **Rapid time-to-value.** On-demand solutions provide rapid access to focused process and functional innovation and increased speed to market so that customers can take advantage of new releases and key enhancements almost immediately. This enables customers to employ new sourcing strategies quickly, easily, and effectively.
- **Collaboration.** E-sourcing is a collaborative business process that requires easy access to suppliers and business partners and the ability to communicate across geographic boundaries. Employees working remotely are becoming the norm. And traditional, on-premise applications housed behind an organization's firewall don't always effectively serve today's mobile business users, including sourcing professionals, for whom collaboration outside of an organization's four walls is a key part of what they do.
- **Fast deployments.** On-demand deployments enable sourcing and procurement departments to quickly drive spend categories through the system to start achieving immediate results in improved negotiated savings.
- **Increased efficiency.** With an on-demand solution, IT teams can eliminate operational tasks from their workday. More complex implementations and long upgrade cycles become problems of the past. IT can focus on the strategic needs of the lines of business they support and play an active role in evaluating the best solutions that will bring the most value to their customers.

[1] For a helpful introduction to e-sourcing, see "E-Sourcing Best Practices: Lay the Groundwork for Automated, Integrated Procurement" by Carolyn A. Beal in the April-June 2007 issue of *SAP Insider* (sapinsider.wispubs.com).

FIGURE 1 ▼ The cost savings and income-boosting opportunities associated with just a 2% decrease in the costs of goods and services

		As reported ($ millions)	If purchases at 2% less ($ millions)
Revenue		6,625	6,625
COGS		5,613	
Purchases - Direct	50%	2,807	2,751
Purchases - Indirect	25%	1,403	1,375
Other Direct Expenses	25%	1,403	1,403
Gross Profit		1,012	1,096
SG&A Expenses		813	813
Operating Income		199	283
Taxes and Other Expenses	65%	129	184
Net Income		70	99
Shares Outstanding		56.3	56.3
Earnings Per Share		$1.24	$1.76
Stock Multiplier (P/E Ratio)		25	25
Market Value Per Share		$30.93	$43.96
Improvement			42.1%

- **Multi-tenant architecture.** This architecture enables more than one customer to share resources, creating a robust, scalable solution with high availability and failover. This translates to cost-effective offerings that companies can leverage quickly without the hassle of capital investments and approval processes.

What Is SAP's On-Demand Solution for E-Sourcing?

SAP offers the SAP E-Sourcing on-demand solution, which combines traditional strategic sourcing processes with seamless integration to SAP ERP to drive realizable cost savings and deliver maximum value to the lines of business (see sidebar).

The SAP E-Sourcing on-demand solution provides large enterprises with a solution that complements their existing SAP investments while also extending their value. The solution includes hosting services, training, sourcing event support, as well as customer user and supplier support. Key strategic sourcing enablement services are also provided (see **Figure 2**).

The solution tailors sourcing and contracting processes to your specific business needs, allowing you to use analytic tools to evaluate and compare supplier proposals on factors that matter most to your company. For example, your procurement team can weigh and score responses to requests for proposals (RFPs) using criteria such as key supplier capabilities and pricing.

With SAP E-Sourcing on-demand, you can establish and develop a qualified supply base and optimize the overall value contribution from suppliers. Giving you the tools to improve essential sourcing activities, the solution enables you to:

- Drive a closed-loop, source-to-pay process by seamlessly integrating with your ERP system
- Ensure negotiated pricing terms are adhered to during purchasing execution
- Drive change management through efficient collaborative processes
- Identify the right strategic and sustainable suppliers and effectively monitor their performance
- Manage all requests for information, quotations, and proposals
- Automate the request for proposal response, analysis, and collaborative scoring process
- Perform simple to sophisticated online reverse auctions
- Execute contract creation, authoring, and administration
- Rapidly implement a solution that fully complements your existing ERP system

Key Benefits of the SAP E-Sourcing On-Demand Solution

- Reduced cycle times for executing the entire source-to-contract process
- Enablement services to drive adoption by empowering users and suppliers
- Seamless integration that connects sourcing results to procurement execution
- Improved collaboration across the organization and externally with suppliers
- Enhanced supplier management performance, visibility, and reporting
- The ability to drive best practices and standardize sourcing processes
- Standardized and auditable processes using templates and libraries for sustainable procurement
- A central repository for organizational knowledge retention
- Improved analysis and decision making

FIGURE 2 ▲ A dashboard view of the new user interface for SAP E-Sourcing on-demand

Getting Started

The SAP E-Sourcing on-demand solution can be deployed rapidly, so companies can start driving cost savings immediately. On-demand solutions make it easy for you to deliver value to the business with very little or no risk. For more information, please visit **www.sap.com/usa/solutions/business-suite/srm/e-sourcingondemand.** ■

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