Procurement

Procurement Solutions from SAP
Enabling Excellence for Procurement Organizations

SAP

The Best-Run Businesses Run SAP™

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A New Era for Procurement

The role of procurement is entering a new era. Organizations are shifting from a decentralized to a centralized model that gives procurement tighter controls, standardized processes, and power to negotiate with vendors and achieve new efficiencies and savings. What tools are needed to achieve centralized procurement excellence? And what best practices have proven to maximize growth and profits?

Given the global trends driving changes in procurement practices, this shift toward centralization is occurring just in time. Most businesses face aggressive savings and cost management goals – and management looks to procurement to help achieve them. At the same time, as more organizations go global, so do supply bases; this typically introduces new risks to businesses and drives the need for tight controls over supplier performance. With this in mind, the issues of sustainability and corporate social responsibility (CSR) continue to grow in their relevance. These trends are occurring at a time when companies are striving to create the highest levels of operational efficiency while also supporting an increasingly mobile workforce. Now, more than ever, procurement must address these changes and provide organizations with secure access to systems anytime, anywhere.

CREATING LEADERS

Leading companies are responding to these demands by leveraging integrated tools to support key processes. And they are generating results by meeting savings targets, effectively managing and collaborating with suppliers, enforcing contract compliance, and streamlining operations. According to SAP benchmarking surveys of leading global corporations, these organizations achieve results by combining software with recognized best practices for sourcing and procurement. Additionally, the surveys show that these best practices – which can impact both strategic and transactional activities – are making a significant impact on the bottom line. Let's take a closer look at the most important best practices being implemented.

Centralize Procurement Operations
Organizations that operate a single, integrated procurement system to manage all categories of spend have a 46% greater impact on managed spend and savings compared to their peers. This best practice results in a single source of truth for supplier data, expenditure data, and contract data, which in turn drives cost savings and operational efficiencies.

SAP has invested heavily in its procurement applications. Today we offer a comprehensive set of integrated solutions that span spend analysis, sourcing, contract management, operational procurement, invoice management, and supplier management.

Increase Spend Under Management

Best-in-class companies leverage another essential best practice: maximizing the number of spend categories under management. As you increase the number of spend categories managed by procurement, you increase savings realized by the business. That's because unapproved "maverick" spending is kept to a minimum, and everyone makes full use of approved suppliers with whom you have prenegotiated, lower rates.

As you can see in Figure 1, organizations that keep a close eye on off-contract spending achieve 40% less maverick spending compared to their peers. These guidelines are often directed or mandated by automated system controls.

Additionally, companies that conduct regular spend reviews to identify new areas of contract opportunity have a 24% greater impact on managed spend compared to their peers.

Reduce Cycle Times

Best-in-class organizations also leverage technology-enabled best practices (for example, via **automation**) to reduce cycle times for transactions. These companies are able to convert requisitions to purchase orders 47% more quickly than their peers, as Figure 2 illustrates. This allows these procurement organizations to accomplish more with fewer staff members or refocus staff to work on more strategic activities.

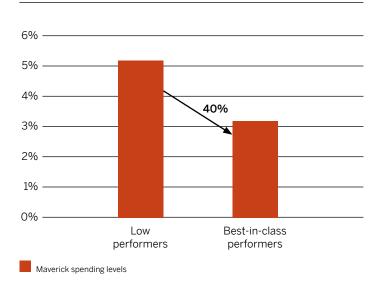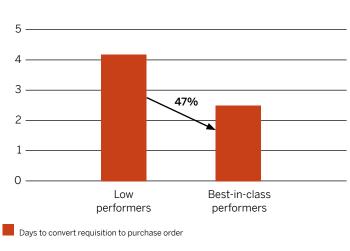### Figure 1: 40% Reduction in Maverick Spending by Best-in-Class Organizations

■ Maverick spending levels

Figure 2: 47% Faster Processing of POs by Best-in-Class Organizations

■ Days to convert requisition to purchase order

How SAP® Solutions Enable Procurement Excellence

Comprising a comprehensive array of source-to-pay products, SAP® procurement solutions help you drive efficiencies and infuse the best practices described previously across the entire procurement lifecycle. Our applications work together to help ensure that your company is meeting its savings targets across all categories of spend, effectively managing and collaborating with suppliers, enforcing contract compliance, and streamlining operations.

We deliver this value through a unique combination of procurement applications, flexible deployment options, and value-added services that increase ROI by properly integrating the software so that it supports efficient, closed-loop processes. Once deployed, our software captures all sourcing activities, contracts, procurement transactions, and supplier interactions in a single system of record. By analyzing this trusted data, you can identify new opportunities for savings and efficiencies.

SPEND ANALYSIS

Is your business struggling with cost containment but not sure where to focus its sourcing efforts? Most likely, the root cause is disaggregated and inconsistent spend data. This situation makes accurate spend analysis nearly impossible due to insufficient granularity of spend category data on goods and services; unclear information on the usage of suppliers across business units; and poor reporting, measurement, and analysis. When management responds with top-down directives to reduce costs, increase purchasing control, gain full visibility into spend, and reduce supply risk, it's time to focus on spend performance management.

SAP offers the spend analysis tools you need to create a well-planned spend and supplier analysis strategy for all categories of spend. Together, these tools enable visibility into organization-wide spending and help you identify cost-saving opportunities. In addition, they help you reduce supplier risk, manage supply continuity, and increase the amount of spend you influence.

With the right SAP solutions in place, you'll benefit from:
- Increased spend visibility through data cleansing and enrichment, so you can identify new savings and supplier rationalization opportunities
- The ability to link spend data across business units

- The ability to normalize, validate, and enrich supplier data and assign classification structures
- Collaborative performance management, which enables you to capture performance goals, contributing factors, and snapshots of savings opportunities
- Predictive supplier risk management through networked performance data

SOURCING

The ability to meet or exceed savings targets is always of paramount importance to a procurement organization. The team must continually find ways to generate additional savings from sourced goods and services without sacrificing quality. A solid supplier negotiation strategy, strong collaboration with internal stakeholders, and streamlined processes help to achieve this goal.

With sourcing solutions from SAP, you can manage projects; model global sourcing best practices; run collaborative requests for information, quotations, and proposals (RFx); conduct auction events; and incorporate supplier profile information. You can then quickly analyze supplier responses and determine your award decisions to shorten your time to savings.

Armed with the right sourcing solutions from SAP, you can:
- Define and repeat a best-practice sourcing process, track key tasks and milestones, and collaborate with stakeholders
- Identify and qualify supplier capabilities using an online RFx, and then evaluate supplier proposals to receive the best value on negotiated goods and services
- Drive competition through online, real-time bidding via reverse, forward, and Dutch auctions
- Navigate all qualitative and quantitative supplier attributes to arrive at a "best value" award decision
- Conduct demand-driven, spot-sourcing activities at the time of requisition to achieve incremental savings

CONTRACT MANAGEMENT

With thousands of transactions and suppliers, your organization faces the uphill task of ensuring there is no leakage of possible savings due to breach of contracts. Equally important,

you need to ensure that suppliers are delivering on promised service levels. Leakage can be the result of cumbersome contract creation, approval, and management processes, as well as a lack of visibility into already-negotiated supplier contracts.

SAP provides you with the tools to enable standardized contract creation; transfer negotiated terms and conditions to operational contracts; and provide portfolio visibility, systemic governance, and compliance management. These tools help increase the amount and percentage of captured cost savings in contracts, increase the percentage of compliant transactions, and cut down contract creation cycle times. As a result, you get the highest value from your contracts while reducing corporate risk.

With contract management solutions from SAP, you can:
- Standardize and automate contract creation and streamline the approval process with consistent, preapproved language and controlled edits
- Improve employee awareness of contract terms, outstanding commitments, and compliance issues through contract performance management
- Encourage purchasing under contract terms, track accruals against contracts, and apply volume discounts through central contract integration with back-end systems and processes

OPERATIONAL PROCUREMENT

If your procurement organization faces pressure to reduce costs while maintaining high-quality output, you need ways to boost the efficiency of your procurement operations. For example, you can gain cost-saving efficiencies by implementing a standardized, automated, and integrated procure-to-pay process that encompasses:
- Daily requisitions
- An automated order-to-pay process
- Online catalogs that your employees can access and use to place orders
- Automated rebate tracking

At the same time, you need ways to maximize process and contract compliance, promote sustainability initiatives, improve procurement productivity, and increase realized savings.

SAP offers operational procurement solutions that enable you to automate, simplify, and accelerate goods and services procurement for all categories of spend. The software supports a "zero touch" process that enforces purchasing from preferred suppliers while shortening order cycle time and driving procurement discipline. These solutions also enable you to:
- Accelerate operational procurement processes, shorten the order cycle, and equip users with intuitive search and shop functionality in catalogs
- Integrate functions such as plant maintenance with intuitive requisitioning functionality
- Provide item-level sustainability information, empowering employees to make smart choices
- Avoid maverick buying, improve compliance, and foster standardization for self-service, plan-driven, and services procurement through requisitioning
- Manage resources, monitor costs, and improve the services procurement process
- Improve spend compliance through integration with multiple back-end systems

INVOICE MANAGEMENT

Managing invoices often involves lots of manual work that drains your internal and supplier resources. Everyone involved must engage in time-consuming historical research, belabored communication with suppliers, documentation activities, requests for more information, manual routing, and labor-intensive monitoring and communications regarding the status of unpaid invoices.

To address these challenges, SAP offers invoice management solutions that help you streamline and drive accuracy into this process. Our software reduces data entry by eliminating paper processing. It also applies appropriate international taxation requirements, helps you manage invoice exceptions and approvals, increases visibility into invoice status, and shortens the payment cycle through use of early-pay discounts. With our invoice management solutions, you can:
- Bring invoices into the system from any source – whether paper based, faxed, e-mailed, or sent via electronic data interchange (EDI) or from a supplier network

- Classify, route, and sort invoices automatically; systematically detect invoice exceptions and duplications; and help ensure that the right invoice reaches the right person at the right time
- Receive both provisional and differential invoices for fluctuating commodities
- Automate taxation and reporting to support everything from corporate financial requirements to trade regulations to continuous improvement programs
- Support a rigorous process to help ensure compliance based on integrated, consolidated information and enhanced reporting features

SUPPLIER MANAGEMENT

Effective supplier management is the keystone to any procurement strategy. As your organization sources more products and materials globally, you need better visibility into and connectivity with your supply base. You also need tools to help ensure that each supplier meets the performance goals you've defined. To address these needs, more companies are deploying supplier management solutions that deliver a 360-degree view of supplier profile, performance, and risk information.

Leveraging supplier management solutions from SAP, you can integrate suppliers throughout your entire purchasing process and gain the insights you need to make informed decisions about your supply base. Our solutions enable you to take both a global and category-based approach to managing your supplier relationships, leveraging your own corporate data as well as networked information. This enables you to take proactive approaches to performance management, as you have visibility into your top-tier suppliers and their suppliers. You can also better enforce your corporate sustainability efforts and avoid potential supply disruptions.

With supplier management solutions from SAP, you can:
- Efficiently bring on board and qualify new and potential suppliers for consideration in future negotiation events
- Classify your suppliers to create a category-based procurement strategy
- Connect suppliers to your procurement processes through document and information exchange, supplier collaboration tools, and supplier portal management
- Evaluate the performance of your supply base, effectively incorporating employee feedback
- Predict future supplier behavior and mitigate risk by leveraging a business information network to enrich your company's supplier performance data with external information
- Develop your suppliers based on performance and a well-defined strategy

Our applications work together to help ensure that your company is meeting its savings targets across all categories of spend, effectively managing and collaborating with suppliers, enforcing contract compliance, and streamlining operations.

Flexible Solutions with Quick Time to Value

SAP offers integrated solutions, flexible deployment options, and value-added services and support for best practices to help you achieve procurement transformation – and do so in a way that maximizes your return on investment. Our solutions are:
- **Available in the cloud** as on-demand solutions
- **Available hosted or on premise** with SAP Rapid Deployment solutions
- **Designed to continually meet your business needs** through enhancement packages and our application enhancement approach that allows you to leverage the solution functionality that is of greatest importance
- **Available on the go** through solutions for your mobile workforce
- **Expandable** through partner solutions built specifically to work with SAP procurement solutions

CHOOSE ON PREMISE, HOSTED, OUTSOURCED, OR ON DEMAND

SAP offers phased implementations and flexible deployment options, including on premise, hosted, business process outsourcing (BPO), software as a service (SaaS) delivered by best-in-class providers, and on-demand solutions provided by SAP directly. You can even choose a hybrid approach and utilize a mix of these offerings while still benefiting from integrated process support. Regardless of your organization's strategy, we can tailor an option that's best for you.

LEVERAGE UPGRADE AND DEPLOYMENT SERVICES

SAP brings together software and services in offerings that deliver functionality more quickly and affordably. Called SAP Rapid Deployment solutions, these bundled offerings include preconfigured software based on proven best practices. Our customers can typically deploy these solutions and go live in a matter of weeks – enabling a strong, rapid return on investment.

We also help keep upgrade costs low by using enhancement packages to provide access to new functionality. You have the flexibility to select just the right upgrade features required by your business, rather than having to include all available enhancements. As a result, you can leverage innovation without disrupting your business environment and efficiently adapt your business as things change.

MAXIMIZE INTEGRATION

The power of procurement solutions from SAP is fully realized by their tight integration, which enables a closed-loop procurement process. With an integrated procurement infrastructure, you can take full advantage of automated support for integrated processes. When all activities, transactions, and supplier interactions are captured in a single system of record, trusted data feeds highly efficient and optimized operational and strategic analytics – exposing new and sustainable opportunities for savings and efficiencies.

SUPPORT WORKFORCE MOBILITY

You can boost employee productivity with SAP solutions for mobile devices. More and more, business users are expected to handle critical tasks and decision making in real time, no matter where they are. SAP provides users with access to procurement processes anytime, anywhere through mobile solutions, enabling employees to act on critical information on the fly, no matter where they are.

LEVERAGE THE SAP PARTNER ECOSYSTEM

SAP has a strong partner ecosystem for procurement that offers you high-value choices. Organizations are increasingly opting for outsourced and cloud-based solutions from providers whose services are powered by SAP applications. These service providers are closely engaged with SAP to help ensure that their customers benefit from high service quality, streamlined integration within hybrid SAP software environments, and economy of scale. Our third-party partners also offer extended-value solutions – for example, sourcing event management, catalog content management, and supplier network software.

Evaluating Procurement Solutions

When evaluating procurement solutions, there are many factors to take into consideration. In our work with customers around the world, we've seen that there's no one-size-fits-all approach. Depending on the unique situation of your procurement organization, a number of options could be right for you. Through our value engineering group, we work with you to define the right strategy and develop the right business case required by your organization.

FIND OUT MORE

With the set of procurement applications from SAP, you can transform your organization to drive sourcing excellence, achieve procurement compliance, increase profitability, and streamline your source-to-pay processes. Our solutions work together to help you:
- **Collaborate better** – Work with your suppliers to achieve aligned goals
- **Decide better** – Drive smart decisions using informed spend analytics
- **Adapt better** – Adjust your purchasing according to economic and political influences
- **Operate better** – Gain efficiency and reduce costs through streamlined procurement

As you achieve greater levels of transformation, your procurement organization can play an increasingly strategic role within your business – driving change and leading the way to achieving corporate goals through collaboration, performance, and business intelligence.

If you would like to learn more about how procurement applications from SAP can help your organization improve performance, visit www.sap.com/procurement.

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