

SPEND PERFORMANCE MANAGEMENT

MAXIMIZE SAVINGS, REDUCE SUPPLIER RISKS

How do you effectively rationalize your company's supply base to generate visible savings while meeting the needs of your stakeholders? In a challenging economic environment, companies' top initiatives include reducing spend, increasing cost savings, and managing risks. To accomplish this, procurement teams must tie spend information to supply risk alerts, trade costs, and supply plans, yet make allowances for discretionary spending. Heads of purchasing must account for cross-business impacts – including budgets; plans; import costs; trade compliance factors; market trends; and historical spend, price, and supplier-performance information – when establishing and executing strategic initiatives. In turn, these initiatives can contain and reduce spend, increase savings, and contribute to a company's performance.

The SAP® BusinessObjects™ Spend Performance Management application can help you discover significant savings opportunities through an intuitive user interface that brings together accurate measures for spending, supplier or buyer volume, budgets, plans, and prices across multiple dimensions. You can use the application to establish key performance measures, identify hidden negotiating power, and launch procurement initiatives that meet strategic goals. These goals may include reducing costs, identifying sole-sourced suppliers, or identifying compliance leakage.

Rapidly Identify Savings Opportunities

Deriving insights on savings opportunities and compliance leakage based on aggregated and enriched spend data is essential for business users throughout your organization – be they procurement category managers, finance analysts, or line-of-business managers. To make the most of supplier relationships and contract opportunities, these employees must be able to identify fragmented contracts, distributed supply bases, or multiple contracts with single suppliers on an ongoing basis. They need a way to easily analyze the distribution of company spend and market factors that may affect that spend in the future. And they need to spend less time uncovering these opportunities manually.

With SAP BusinessObjects Spend Performance Management, procurement business users can view aggregated spend data by volume and price performance. The software provides continuous spend analysis across such key dimensions as supplier, category of purchased goods and services, geographic area, business unit, spend type, and contract usage. This helps you identify opportunities for savings and supply base rationalization that are low hanging and also incremental.

Procurement business users are proactively presented with opportunities, based

SAP offers software for spend performance management to provide full visibility into direct and indirect spend. The software helps procurement business users to proactively identify measurable cost-savings opportunities, analyze supplier risk factors, and plan supply and sourcing strategies.



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on preestablished targets or guidelines, which are shown together with information about contributing factors on which they can make informed decisions, prioritize initiatives, and take appropriate action.

Integration with the SAP E-Sourcing application, or any other Web services-enabled sourcing solution, provides the business user with one-click functionality to launch sourcing initiatives from an identified opportunity. Contextual information related to the opportunity – for example, historical spend volume, suppliers, items or service descriptions, price, and quantity – automatically carries over to the sourcing initiative. This eliminates the need for complex spreadsheets to design a sourcing project.

Reduce Supplier Risks

An effective procurement organization must be able to proactively identify supplier risks and effectively manage strategic supplier relationships. It must also respond quickly to business needs that are changing due to increased

competitive pressure, greater economic globalization, or new government regulations.

The application helps you gain access to reliable and enriched supplier data. It also gives you the ability to leverage the enriched data in identifying supplier risks. These may include using sole-sourced suppliers, ensuring compliance with corporate initiatives to use minority suppliers, and accounting for market risks and opportunities. You can also answer such key spend questions as whether to incorporate a master supplier agreement with volume discounts or identify alternate sources to mitigate supplier risks. Correlating a supplier risk factor with spend volume, for example, can help you prioritize your actions.

Gaining Spend Visibility: “How Do I Get to My Spend Data?”

Many enterprises, however, lack access to the data they need or cannot use their data effectively. They may have problems extracting and aggregating supplier payment data because it is spread throughout the organization in various general ledgers, purchasing cards, or travel and expense reports. The data may also be incomplete or missing. A spend category may not be fully defined or the linkages between suppliers may not be clearly identified. Determining the amount of spend for a particular supplier can be troublesome, for example, if you have to search for all the variations of a supplier’s name.

With the application and its complementary services, you can aggregate,

normalize, validate, and enrich your spend data from disparate sources. This provides procurement business users with continuous access to spend insights based on accurate data.

Aggregating Your Data

The application integrates with existing enterprise resource planning (ERP) software. Through an integrated and self-service approach to data management, the solution includes tools to link spend-data sources to extract relevant business data and context for spend analysis. It facilitates the data extraction process by supporting extract, transform, and load processes for data from various SAP, non-SAP, and legacy software sources.

Normalizing and Validating Your Data

Once spend data has been extracted, proven SAP technology enables you to normalize supplier data, address any issues of consistency, ensure validity of the supplier you are doing business with, and remove duplicate information. You can organize supplier information according to corporate parent-child relationships and roll up your organization’s overall spend with each parent supplier.

Classifying Spend Data

Normalized data is then classified using proven SAP technology and methodology to assign a standard classification structure for goods and services. These classifications can include the United Nations Standard Products and Services Code (UNSPSC), eCI@ss, North American Industry Classification System, and Standard Industrial Classification

codes. You can also use your own custom classification structure. Classifying spend data to a taxonomy that benefits sourcing teams can provide a critical negotiation platform.

Enriching Your Data

With the application, you can analyze spend based on enriched attributes of your data – for example, whether a supplier has diversity status or is a credit risk. This additional information can help you identify and choose suppliers that support your goals for supply base risk and compliance management.

Aggregated and enriched spend data empowers category managers and buyers with relevant information. For example, to view spend information, you can toggle between different spend classification taxonomies such as UNSPSC, an ERP taxonomy, or your custom taxonomy. You can also drill into subsidiaries of a parent supplier to understand how spend is split across multiple tiers of that supplier's business. In addition, you can compare suppliers' prices against one another and with the market price. All of this gives you information you need at the negotiation table to establish strategic supplier relationships.

Increase Spend Under Management

Spend under management is a key performance indicator that helps identify how much of a company's spend is visible, addressed in terms of strategic suppliers and contracts, and monitored on an ongoing basis. Procurement business users often have no visibility

into how they are performing and rely on IT resources to generate reports on their day-to-day work or to make data more meaningful. Data generated for spend analysis initiatives via spreadsheets or offline applications frequently cannot be carried over to strategic sourcing and procurement applications. As a result, procurement professionals may be unable to create their own views of data and may have to wait to get reports from corporate IT staff – who have their own strategic initiatives to manage.

SAP BusinessObjects Spend Performance Management can provide an answer. It helps procurement business users set performance goals for critical success factors, discover opportunities to impact those critical success factors, and create their own dashboards and alerts – thereby reducing the burden on IT staff. Specifically, it helps them:

- Establish performance goals against critical success factors, monitor actionable opportunities, and take action quickly
- Identify contributing factors and capture snapshots to rapidly collaborate and determine initiatives to focus on, thus aligning action with performance goals
- Create their own dashboards, and establish alerts and exceptions through an intuitive interface and navigation
- Drill down into data hierarchies – for categories of purchased goods and services, enterprise parent organization, enterprise divisions, or geographic areas – to view spend at a detailed or a roll-up level

- Apply advanced filters that narrow data, for example, to show only direct spend or addressable spend
- Drill down to source information to gain deeper insight, for example, into the line items or cost components of a purchase order

Quick-Start Deployment Options

You can choose to implement the solution in-house, or choose a hosted deployment option or subscription service model from our partners for a quick start on spend management initiatives. That way you can avoid waiting for upgrades of your back-end legacy and ERP software, business intelligence platforms, or strategic sourcing applications. When the time comes for a global rollout, you can also choose an on-premise migration from a hosted deployment. In addition to spend classification, supplier normalization, and supplier enrichment tools from leading service providers, you have access to top-quality SAP consultants and partners for project management and services to bring staff onboard. A help desk, configuration services, training support, and sourcing opportunity assessments are also available through SAP and its partners.

Find Out More

To learn more about how SAP BusinessObjects Spend Performance Management can help you get the most value from corporate spend, call your SAP representative or visit us at www.sap.com/sapbusinessobjects/spend_performance_management.

Summary

The SAP® BusinessObjects™ Spend Performance Management application provides full visibility into direct and indirect spend, and helps companies proactively identify cost savings opportunities and supply risks, reduce costs, maintain supply continuity, and increase spend under management.

Business Challenges

- Create a complete spend picture for your organization
- Identify procurement savings opportunities systematically
- Determine supply risks in advance
- Increase spend under management
- Reduce maverick spending and contract leakage

Key Features

- **Data aggregation, classification, normalization, validation, and enrichment** – Link spend data across business data views; normalize, validate, and enrich supplier data; assign a goods and services classification structure; and determine whether a supplier has diversity status or is a credit risk
- **Identification of savings opportunities** – Present savings potential, contract leakage, and supplier rationalization opportunities to business users
- **Immediate action on sourcing initiatives** – Analyze the business context around a savings opportunity and launch strategic sourcing initiatives to address it immediately
- **Proactive risk identification** – Identify supplier risks and prioritize alternate strategies to mitigate them
- **Collaborative performance management** – Capture performance goals, contributing factors, and snapshots of spend and savings opportunities to share with stakeholders; prioritize actions to improve key performance indicators, such as spend under management

Business Benefits

- **Gain full spend visibility** by automating data capture from disparate systems and improving data accuracy for faster insights
- **Rapidly identify savings opportunities** by finding savings potential and proactively monitoring contract compliance
- **Reduce supplier risks** by pinpointing single supplier dependencies and establishing supplier risk mitigation priorities
- **Increase spend under management** by setting up performance goals on critical success factors and collaborating to act on insights

For More Information

Call your SAP representative or visit us online at www.sap.com/sapbusinessobjects/spend_performance_management.

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