Procurement Excellence: Strategic Sourcing and Contracting
Cut Costs and Collaborate with Suppliers

As a procurement executive, you need to understand spend, identify savings opportunities, manage contracts, and ensure quality while generating more savings. You need to empower procurement staff to work more effectively with suppliers.

Procurement organizations are under pressure to generate sustainable savings. To achieve this goal, you need to streamline spend analysis, sourcing, and contract management processes. Equally important, you must ensure that the right stakeholders and supply base are included in deals and process steps are consistently used.

It’s also important to proactively identify and eliminate impediments to success. For example, many organizations lack visibility into organizational spend, supplier risk, contract content, and expiration dates. Others struggle with procurement noncompliance or lack standardized, centralized closed-loop procurement processes. This leads to a host of problems such as inconsistent results with leakage from identified to realized savings, incomplete or misaligned sourcing strategies, and use of improper contract clauses and terms.

Spend analysis, strategic sourcing, and contract management tools drive procurement efficiency and help automate standardized processes, reduce noncompliance, and boost savings.

85% average spend under management by best-in-class companies, compared to 54% for all others

Source: Ardent Partners
Maximize Procurement’s Impact

Move beyond spend reduction to gain a competitive advantage. Our spend analysis, sourcing, and contract management solutions drive procurement excellence, increase profitability, and help transform sourcing and procurement practices – resulting in a measurable return on investment.

Having the tools and analytics to quickly identify savings and balance risk enables you to support critical spend analysis processes – the foundation for sourcing strategy and compliance insight. The result is reduced spend, lower risks due to supplier disruption, and improved company performance. But achieving these results requires a consistent, automated approach to procurement processes.

The most effective solutions provide templates and dashboards to help manage and track all sourcing activity and results, reduce cycle times, and operationalize best practices.

Discovery tools make it easy to identify new supply sources. Contract management solutions can support end-to-end processes for all contract types and enable integration with back-end systems for contract execution and compliance. This helps you realize full contract value, which results in higher profits and reduced legal and financial risk.

Solutions from SAP and Ariba, an SAP company, help you do all this and more.
Realize Savings and Drive Compliance

Implementing our spend analysis, strategic sourcing, and contract management solutions helps you meet procurement goals. Spend analysis identifies cost-saving opportunities and supplier risk. Strategic sourcing introduces process consistency while improving collaboration, strengthening supplier relationships, and boosting savings. Contract management streamlines creation, execution, and tracking to minimize risk and maintain compliance. You can:

- Reduce process costs and accelerate cycle times by automating procurement processes and leveraging workflow
- Deepen and enrich supplier relationships by facilitating electronic transactions and collaboration
- Act strategically by utilizing data visibility across suppliers
- Reduce risk by ensuring proper contract language is incorporated

69%

Spend that is contract compliant at best-in-class companies, versus 48% at all others

Source: Ardent Partners
SAP and Ariba Innovations

Innovations in spend analysis, sourcing, and contract management enable advanced analysis of spend, easier supplier discovery, and advanced support for complex formulas and change management. You also gain improved integration and better usability.

Spend analysis innovations enable advanced analysis of spend via waterfall, savings, and what-if. These solutions also include risk analysis tools, as well as integration with the SAP HANA platform and D&B’s global database through Ariba Spend Visibility Solution with D&B. You can also display briefing books to present key findings.

Sourcing innovations enable easier supplier discovery through the Ariba Network. Improved integration with the SAP ERP and SAP Supplier Relationship Management (SAP SRM) applications enables information to flow between systems of record and SAP or Ariba sourcing solutions. Savings tracking functions track progress toward sourcing goals.

Contract management innovations include automated signatures and advanced functions for identifying and making changes to clauses. Master agreements can support formula pricing and levels such as units, line items, and line item groups. Bar codes can be placed on every page in multiple places for increased security and fraud prevention.
Save More and Reduce Risks

**Solution Overview**

**Spend Analysis**
Identify savings opportunities by enriching, classifying, and analyzing company spend data.

**Strategic Sourcing**
Streamline sourcing management to generate cost savings.

**Operational Sourcing**
Automate processes that drive simple and complex sourcing activities.

**Contract Lifecycle Management**
Automate and standardize contract generation, storage and management reducing risk and enhancing compliance.

**Operational Contract Management**
Enhance contract usage improving on contract spend with centralized distribution, execution, monitoring and reporting.
Initiate the Procurement Process

**Solution Overview**

Spend Analysis

Strategic Sourcing

Operational Sourcing

Contract Lifecycle Management

Operational Contract Management

Procurement

**Why SAP?**

Analyze, source, and contract solutions automate the processes of spend analysis, strategic sourcing of goods and services, and contract authoring and storage.
Spend Analysis

Our spend analysis solutions help you identify savings opportunities and launch procurement initiatives to meet goals, such as cutting costs, finding contract leakage, and identifying supplier risk.

Now you can tie spend information to supplier risk alerts, trade costs, and supply plans while making allowances for discretionary spending. You can also account for cross-business impacts, including budgets; plans; import costs; trade compliance; market trends; and historical spend, pricing, and supplier performance.

Armed with the tools, insight, and analytics, you can quickly identify savings and balance risk factors needed to support critical source-to-pay processes; this, in turn, enables you to reduce spend, mitigate and manage risks associated with supplier disruption, and drive company performance.

26%

Higher average annual savings with systems that track and communicate quantitative and qualitative performance KPIs to suppliers

Source: SAP Performance Benchmarking
Gain Full Visibility into Spend

**Savings identification** highlights present savings potential and supplier rationalization opportunities.

**Collaborative performance management** captures performance goals, contributing factors, and snapshots of savings opportunities.

**Proactive risk identification** identifies supplier risks and prioritizes alternate supplier strategies.

**Spend and supplier data validation and enrichment** link spend data across business data views; normalizes, validates, and enriches supplier data; and assigns classification structures.

17%

Higher spend managed where regular spend reviews are conducted to identify new areas of contract opportunity

Source: SAP Performance Benchmarking

**Business process support** enables supplier risk analysis processes with workflows, metadata, and industry expertise. It also provides detailed procurement analytics by leveraging data from back-office systems as well as real-time feeds from news, credit ratings, and financial indicators.
Optimize Costs, Supply Continuity, and Spend Under Management

Gain visibility into spend to identify cost-saving opportunities and supplier risk. Spend analysis and data enrichment help cut costs, manage supply continuity, and increase spend under management.

SAP and Ariba offer solutions that help you:

- Gain full spend visibility by automating data capture from disparate systems and improving data accuracy
- Lay the foundation for full spend visibility by optimizing the collection and verification of data
- Understand purchasing activity with transactions that are classified to a consistent standard for goods and services
- Rapidly identify savings opportunities by finding savings potential and supplier rationalization opportunities
- Reduce supplier risks by pinpointing single-supplier dependencies and analyzing supplier risk factors
- Drive continuous improvement by adding business expertise to enrichment and classification processes

33%

Less maverick direct spend with systems that provide real-time visibility into supplier performance for proactive improvements

Source: SAP Performance Benchmarking
Innovations in spend analysis support advanced analysis of organizational spend and integration of enrichment data sources.

Integration solutions from Ariba incorporate the global D&B database of over 200 million suppliers.

Briefing books provide a reporting and dashboard interface to present key information to stakeholders.

Advanced analytics allow you to take snapshots of data at different points in time, calculate savings over a time period, or conduct what-if analysis to model different sourcing activity scenarios.

Risk analysis allows you to identify and analyze supplier risk factors and trends, allowing you to assess and respond quickly.

Integration with the SAP HANA platform enables faster data loading and reporting for more insightful analysis – all with decreased data latency.

17% Higher average annual savings where organizations accurately measure both direct and indirect spend using a single repository of data.

Source: SAP Performance Benchmarking
Our sourcing solutions provide powerful project management tools that help drive more effective procurement processes. Use them to bring internal stakeholders together with a shared, online project plan that includes status reports and alerts. Track and monitor savings within a project to confirm realized savings.

Preconfigured templates and centralized dashboards help manage and track all sourcing activity, reduce cycle times, and operationalize best practices. The solutions model best practices, including methodologies, contract language, and RFx content. Discovery tools help you identify new supply sources.

89%

Higher direct spend sourced via e-auctions – where formal RFI, RFP, and RFQ processes collect multiple responses for both new and renegotiated buys

Source: SAP Performance Benchmarking
Manage the Strategic Sourcing Process

With SAP and Ariba software, you can capture best practices, **find qualified suppliers** quickly, issue requests for proposals, run auctions, assess supplier responses, and generate contracts with favorable terms.

**Project management functions and collaboration tools**, such as a shared online project plan and instant messaging with suppliers, drive more effective procurement processes and user adoption.

**A central supplier repository** provides a full view of supplier information (updated by suppliers themselves) and activity.

**Multiround sourcing** allows you to qualify suppliers and carry key data forward into a request for proposal or auction.

**Competitive bidding environments** are available for reverse, forward, and Dutch auctions.

33% Of survey respondents said they will "source more" as their second highest priority to reach procurement goals

Source: Ardent Partners

Predefined reports show supplier responses side by side to aid comparisons of pricing, potential savings, and more.

**Savings tracking** monitors the lifecycle of each savings initiative, capturing spend and savings data for reports that help evaluate progress toward goals.
Strategic Sourcing

Capabilities

Benefits

SAP and Ariba Innovations

Solution Overview

Achieve a consistent strategic sourcing process with improved knowledge sharing and collaboration. You gain stronger supplier relationships, greater savings from supplier agreements, and rapid ROI.

Our strategic sourcing solutions offer low investment requirements, powerful functionality, and ease of use, enabling you to generate substantial savings for your organization. At the same time, automation helps everyone on your team work more efficiently and make better decisions that optimize the value contribution from suppliers.

Now you can source from qualified suppliers that deliver the best value to the enterprise, compare supplier bids based on key factors for your organization, and negotiate win-win contracts. You can also develop a well-qualified supply base that promotes more strategic engagement with top suppliers.

You can also:

- Track savings with predefined targets, better manage cash flow and effective pricing, and achieve savings by aggregating demand in sourcing events
- Help ensure compliance with sourcing processes that help meet savings and spend under management objectives
- Transform negotiated savings into realized savings through integration with SAP ERP and SAP SRM

14%

Higher average annual indirect savings where multiple suppliers are invited to participate in e-RFx and reverse auction processes

Source: SAP Performance Benchmarking
Innovations for Strategic Sourcing

Sourcing innovations improve supplier discovery, integration, and usability.

Ariba Network
SAP sourcing customers can now access the Ariba Network to discover and engage with suppliers.

Improved SRM and ERP Integration
Information – including master data, price conditions, and central contract information – flows between systems of record and sourcing solutions.

Usability
A sourcing activity dashboard provides current activity status, tracks savings and efficiency metrics, and displays purchaser activity. Multiple supplier responses can be saved in a single download for improved efficiency.

73%
Amount of addressable spend that is sourced annually by best-in-class companies, versus 49% for all others
Source: Ardent Partners
Operational Sourcing

As sourcing needs arise during the procurement process, operational sourcing lets you aggregate the demand generated within your organization and leverage that spend through sourcing activities.

SAP offers operational sourcing technology that helps you reduce costs and cycle times and improve the transparency of the operational sourcing process. Purchasers can use the sourcing cockpit (the central hub for operational sourcing activity) to bundle orders and initiate competitive request-for-quote bids and auctions with multiple suppliers to drive savings.

You can also compare and award bids electronically – resulting in a purchase order – to make sourcing faster and more efficient. The solution enables you to identify and realize significant cost savings, as supplier competition drives better prices.

54%
Higher average annual savings where organizations drive best price through e-auctions, global sourcing, and new suppliers

Source: SAP Performance Benchmarking
Support Sourcing Needs As They Arise

Operational sourcing integrates RFx and auctioning into back-end procurement processes for direct, indirect, and services spend. The SAP ERP application receives requirements and aggregates demand through its sourcing cockpit or the purchase requisition process.

Suppliers receive event invitations and enter bids online and then enter RFx responses either online or through Adobe Interactive Forms, reducing errors and cycle times. New suppliers are invited to register online, improving engagement.

Event functions include spot sourcing, Dutch auctions, and multi-round processing, and side-by-side bid evaluations. You can make awards in the system and use them as the basis for purchase orders, contract creation, and more.

The software captures sourcing data at every step for savings tracking, event analysis, and supplier relationship management.

(Note: Where transactional efficiency or hierarchical services sourcing is the goal, operational sourcing is best. For complicated needs, strategic sourcing is best.)

63% Of best-in-class companies leverage multistage sourcing approaches

Source: Aberdeen Group
Operational sourcing engages suppliers early to discover the true price before approval of a shopping cart. It enables better decision making by providing accurate pricing data. By modifying requirements in the sourcing application, you can automatically trigger relevant SRM process steps to help ensure appropriate best practices are followed consistently.

Embedded supplier analysis allows you to make supplier invitations during RFx creation and ensure that qualified suppliers are competing for your business. The streamlined user interface enables you to choose preferred fields for comparison and evaluate supplier responses to make effective award decisions.

By aggregating demand from back-end ERP systems and engaging suppliers with online sourcing activities, you can efficiently manage transactional sourcing of goods and services.
Innovations for Operational Sourcing

New innovations – from embedded analytics to enhanced reporting and search interfaces – elevate the sourcing experience.

Quick Quote (RFx) from Shopping Cart
Create an RFx directly from the shopping cart. Before a shopping cart is approved, it may be updated based on the RFx responses.

Shopping Cart Modifications
Make changes to shopping carts to correct any inaccuracies and customize which fields trigger an approval workflow.

Embedded Supplier Analytics
Improve sourcing decisions with tools that help you select the most relevant bidders and reports on overall scores, scores based on evaluation criteria, and bidder spend of active bidders.

Enhanced Bid Comparison
Customize user-friendly bid comparisons. Results can be ranked and downloaded as a PDF to easily share with others.

46%
Of best-in-class companies use automated bid collection and aggregation to determine awards
Source: Aberdeen Group
Contract Lifecycle Management

Contract management optimizes corporate contracts by automating contract creation, enhancing visibility, and improving compliance to drive business performance and reduce risk.

SAP and Ariba solutions help manage contract creation, negotiation, visibility, and compliance throughout the enterprise. You can proactively manage all aspects of the contract lifecycle – from strategy and creation to negotiations and finalization, and from contract visibility to internal and external compliance and performance monitoring.

The solutions support the full contract management process for all contract types in the organization and also enable integration with back-end systems for contract execution and compliance. You can realize full contract values and realize higher profits and reduced legal and financial risk.

17%

Higher average annual overall savings in firms that monitor supplier compliance with contract terms and perform terms and conditions reviews

Source: SAP Performance Benchmarking
Author and Centrally Store Contracts

Model contract best practices, including request management, internal and external negotiation steps, and finalization. You can:

Create draft contracts from a clause and template library with the latest approved language.

Compare contract versions so stakeholders can review changes and approve contracts, while keeping an audit trail.

Capture approval and signatory history with automated electronic signatures.

Maintain contracts in one searchable repository. Generate bar codes for offline tracking and document security.

Transfer contracts to SAP SRM, SAP ERP, or Ariba Procure-to-Pay to populate a catalog, create a central contract or outline agreement, and distribute to other ERP systems.

Monitor contract compliance and maverick buying and maintain an audit and performance profile for each contract.

Track accruals against contracts with integration to back-end systems. Set up alerts or tasks at thresholds to proactively manage relationships.

Flag and track contract-related risks to understand which contracts and relationships need attention.

36%

Less direct maverick spend for organizations having a single, centralized repository of supplier contracts

Source: SAP Performance Benchmarking
Realize the Full Value of Contracts with Better Management

Streamline contract creation, execution, and tracking of contract status so that you capture proper contract content and maintain compliance as you procure contracted goods and services.

SAP and Ariba contract management solutions deliver benefits by:

- Streamlining the creation, execution, and monitoring of contracts
- Driving compliance with contracted pricing, terms, and delivery
- Giving you more control across contract lifecycles

Using standardized processes, contract language, and performance controls, you can reduce legal and financial risk and realize contract benefits sooner. The accelerated cycle time also decreases maverick buying.

With a central contract repository, you get full visibility of entire contract portfolios, helping you identify ways to optimize contract coverage and manage risk. And by giving employees controlled access to specific contracts, you maximize value from agreements.

You can also enforce contract compliance. Integration with SAP SRM, SAP ERP, and Ariba Procure-to-Pay automatically establishes contracts to transact against. Transferring contracts to SAP SRM or Ariba Procure-to-Pay and populating catalogs facilitates employee orders of contracted goods and services at negotiated prices.

14%

Higher direct spend managed strategically where organizations have a single, centralized repository of supplier contracts

Source: SAP Performance Benchmarking
Innovations for Contract Management

Innovations include automated signatures and advanced functions for seeing contract changes and using formulas and bar codes.

Electronic signatures are delivered through integration with third-party providers, EchoSign and DocuSign.

Advanced clause change support can show clause changes, showing redline versus clause version in the clause library.

Formula pricing in master agreements can be created with both unit price and line item formulas and assigned to line item groups.

Bar-code generation for contract documents enables every page to be bar coded in multiple places for increased security and fraud prevention.

30%
Higher average direct annual savings with relevant e-RFx and e-auction data automatically prepopulated into contracts
Source: SAP Performance Benchmarking
Operational Contract Management

With operational contract management, you can manage contracts comprehensively. Centralized contracts enable you to enforce global compliance, apply correct pricing, and aggregate volume discounts.

SAP SRM and Ariba Procure-to-Pay offer operational contract management functions that help monitor, identify, and reduce maverick buying. When integrated with SAP ERP, the solutions can serve as a central repository for all operational procurement contracts. The solutions allow contracts to be used as a source of supply across SAP SRM and integrated back-end systems or within Ariba Procure-to-Pay, tracking usage and driving compliance to negotiated terms.

SAP SRM and Ariba Procure-to-Pay assess requirements and identifies the optimal contract to fill a need, taking price, delivery time, and location into consideration. It takes discounts into consideration based on value, quantity, group, or rebates.

45%

Less maverick services spend where stakeholders have access to accurate and timely reporting of contract compliance to catch maverick activity

Source: SAP Performance Benchmarking
Enable Closed-Loop Contract Management

Operational contract management, supported by SAP SRM and Ariba Procure-to-Pay, supports rich integration with the spot-sourcing process so the results of a sourcing activity can quickly be turned into an agreement. It unifies and automates contract usage, improving on contract spend with centralized distribution, execution, monitoring, and reporting.

It can also distribute contract items to catalogs and transfer negotiated terms and conditions, for direct input to the procurement process.

The solutions also provide functionality that:

- Tracks contract record changes and versions
- Consolidates contract data
- Tracks usage and compliance
- Provides alerts on contract value, expiration date, and quantity
- Offers embedded analytics

19% Higher direct spend managed in organizations that monitor supplier compliance with contract terms and perform regular contract reviews

Source: SAP Performance Benchmarking
Centrally Manage Contracts for Operational Effectiveness

Use centralized contracts to implement the results achieved from strategic sourcing activities, as well as monitor contract usage to help ensure compliance.

Operational contract management solutions from SAP and Ariba deliver savings through negotiated contracts by ensuring negotiated terms and conditions are applied and used consistently in operational procurement. You can also manage spend against contracts in real time to realize volume discounts based on aggregated global spend. Use of global terms and conditions helps maximize overall group savings.

The software also accelerates cycle time, which decreases instances of maverick buying and speeds up contract utilization across the organization. Contract reporting allows you to monitor contract compliance and maverick buying, identifying opportunities for contract improvement. You can also facilitate compliance by centrally maintaining contract terms and conditions and distributing contracts to back-end ERP systems.

28%

Higher average annual savings where contract compliance is directed, or even mandated, by system controls

Source: SAP Performance Benchmarking
Procurement Excellence Value Map

Solution Overview

- Spend Analysis
- Strategic Sourcing
- Operational Sourcing
- Contract Lifecycle Management

Operational Contract Management

Procurement

Why SAP?

Analyze, source, and contract solutions automate the processes of spend analysis, strategic sourcing of goods and services, and contract authoring and storage.
Why SAP?

Spend analysis, strategic sourcing, and contract management tools from SAP and Ariba standardize best-practice processes and reduce noncompliance, allowing procurement organizations to realize savings goals and optimize supplier interaction.

**Automate and Standardize Best Practices**

Solutions from SAP and Ariba help you blend procurement best practices and your organization’s unique processes. These best practices support continuous improvement, process consistency, and effective performance tracking.

**Collaborate**

Our solutions deliver innovations to help you collaborate with internal stakeholders and suppliers. Examples include supplier discovery services on the Ariba Network, team scoring, contract authoring, and shared reporting.

**Realize Savings**

Leveraging integration across solutions, you can analyze spend and identify opportunities to drive strategic sourcing, generate contracts with preferred pricing and terms, and identify noncompliant spend. These identified savings are realized as part of a closed-loop process.
Executive Summary

Find Out More About How Your Organization Can Become Best-Run

Benchmark Your Performance
Position your organization for dominance in this new economy with the business performance benchmarking program from SAP – available free to SAP customers and select prospects. The SAP benchmarking program has helped more than 3,000 organizations assess their strengths, uncover areas for improvement, and identify best practices and IT strategies that generate clear, tangible value – not someday, but today.

Go Live in Weeks
Here’s the fastest way to run your business better: our rapid-deployment solutions. In one package, you get everything you need to be up and running quickly – including preconfigured software and implementation services – in just weeks. With a defined scope and predictable costs, there are no surprises.

Join Your Community of Practices
Every day, SAP Community Network (SCN) changes the way that thousands of SAP users work. It lets members help one another solve problems, learn, and invent new ways to get things done – faster. Find out how to connect with people, content, and resources.

Solution Overview

Contact Us

Visit valuemanagement.sap.com >>
Visit sap.com/solutions/rds >>
Visit scn.sap.com >>
Visit exchange.ariba.com/welcome >>
To learn more, visit:
www.sap.com/procurement
www.ariba.com
http://thenetworkedeconomy.com

Or visit our community pages:
http://scn.sap.com/community/sourcing
http://exchange.ariba.com/welcome
https://twitter.com/ariba
https://twitter.com/sap PROCUREMENT
© 2013 SAP AG. All rights reserved.

No part of this publication may be reproduced or transmitted in any form or for any purpose without the express permission of SAP AG. The information contained herein may be changed without prior notice.

Some software products marketed by SAP AG and its distributors contain proprietary software components of other software vendors. National product specifications may vary.

These materials are provided by SAP AG and its affiliated companies (“SAP Group”) for informational purposes only, without representation or warranty of any kind, and SAP Group shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP Group products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.

SAP and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP AG in Germany and other countries.