How Ariba and Business Networks are Empowering Purchasing

Luís Matos
EMEA South Procurement and Business Network Solution Adviser | SAP

SAP

SAP Innovation Fórum Lisboa

Digital Business is Here to Stay
Disruption and business opportunities are everywhere

Digital business models are disruptive. The rules have changed.

Under Armour is not just selling shirts and shoes – It is connecting 38 million people on a digital health platform

Facebook is not just a social network – It is the largest media company, even though it doesn't create content

Uber is not just another taxi company – It is transforming into an "urban logistics" company with 200,000 drivers, roughly double the size of the UPS delivery workforce

Siemens is not just an industrial powerhouse – It is a software company connecting its industrial assets in the cloud and enabling customers to generate new revenue streams by selling services, not products

- **Leaders are Emerging from Nowhere**
  90% of CEOs believe the digital economy will impact their industry, but less than 15% are executing on a digital strategy *

- **Early Adopters are Winning**
  Early adopters are achieving +9% revenue creation, +26% impact to profitability, and +12% market valuation.*

- **Industry Boundaries are Blurring**
  Every company is expanding beyond traditional industry boundaries and also becoming a technology company

In a digital economy, speed and agility matter more than ever.

Source: * MIT Sloan and CapGemini, 2013,

What is a Network?

	TAXI	UBER
Geography	Specific to city	Global
Buyers & Providers	Few, city dependent	Many
End-to-end?	Limited to sourcing and buying; payment separate	Source, buy and pay on one platform
# of Apps/Systems	Many, per city basis	1
Value Scope	Point solution	One platform, multiple use cases

The Networked Advantage

Networked enterprises are more likely to increase sales, profit margins as well as their market share compared to classic businesses

McKinsey&Company **CFO** **InformationWeek**

"Networked enterprises were **50% more likely** than their peers to have increased sales, higher profit margins, gain market share, and be a market leader."

McKinsey on Business Technology, Spring 2011 –
"The Rise of the Networked Enterprise"

"Companies are creating collaboration strategies using social tools and business networks to **move beyond** simply reducing operational costs to improve productivity and, ultimately, profits."

CFO Research: Collaborate to Win. August 2012.

"**Three-fourths** of IW 500 companies use networking tools to collaborate with customers and suppliers."

IW 500 Data Shows How IT Rules Have Changed. Sept. 2012

The Digital Economy requires a shift to a Real time Business Collaboration
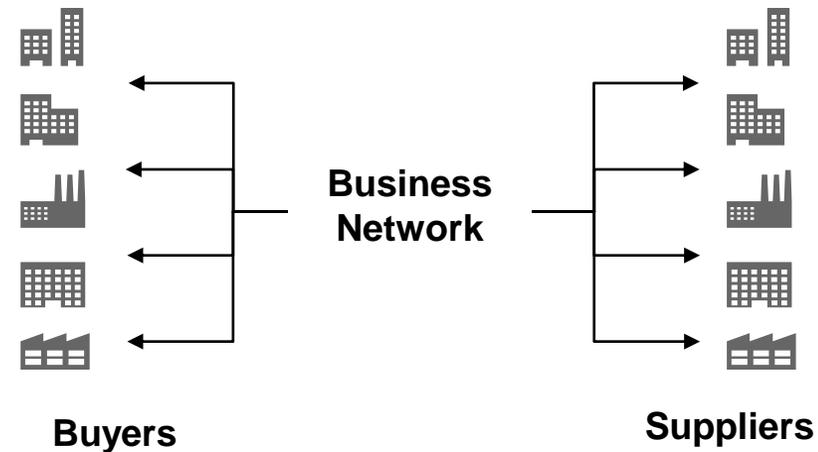
The Opportunity: Business Networks facilitate electronic inter-enterprise collaboration between trading partners

Strong business networks can create competitive advantage and help organizations grow top-line and save on the bottom-line simultaneously[1]

4 -15% reduction in unit price

60% improvement in compliance

4x increase in process efficiency

$ 20% improvement in working capital
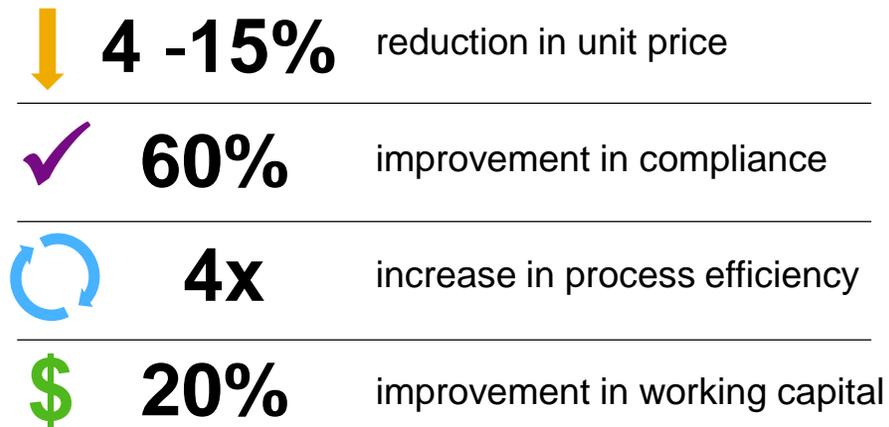
(1) Based on Ariba customer engagements and benchmarks

Higher Margins & Positive EPS Impact

Buyers

Business Network

Suppliers

"65% of Best in Class companies have the capability to effectively collaborate with their network of suppliers versus only 21% of laggards."

B2B Integration and Collaboration: Strategies for Building a ROI Business Case, Aberdeen Group. June 2011

The Ariba Network is the leading business network

The proof: Nearly 1.8 million partners use the Ariba Network for ~$930 billion spend

SAP

ARIBA®
An SAP Company

"Other"
ORACLE
INFOR
IBM Business Partner
maximo
PeopleSoft
JD EDWARDS
LAWSON

Buyers

THE ARIBA NETWORK

Ariba Network

- 1.8 million trading partners across all industries
- 40+ million Purchase Orders
- 60+ million Invoices
- ~$930 billion in spend
- 190 countries
- 72 currencies
- 40 Invoice compliant countries
- 1 company joins every minute

Partner and Ecosystem Solutions

AS2
HTML
cXML
Paper
CSV
Email
EDI
xCBL
Smart PDF

Suppliers

Complete Integrated, Source-to-Pay Suite
You have a choice!

Hybrid scenarios

ARIBA®
An SAP Company
Cloud Solutions

| Spend Analytics | Sourcing | Contract Management | Operational Procurement | Invoice Management |

| Supplier Management |

| Supplier & Buyer Community | Supplier Discovery (Buyer-seller match) | Supplier Enablement | Best Practices | Change Management |

MANAGE CASH
BUY
SELL
THE ARIBA NETWORK
DISCOVER CONNECT COLLABORATE

ARIBA®

SAP ORACLE JD EDWARDS
OnPremise Solutions

| Analytics | Sourcing | Operational Contract Manag. | Operational Procurement | Invoice Management |

| Supplier Management |
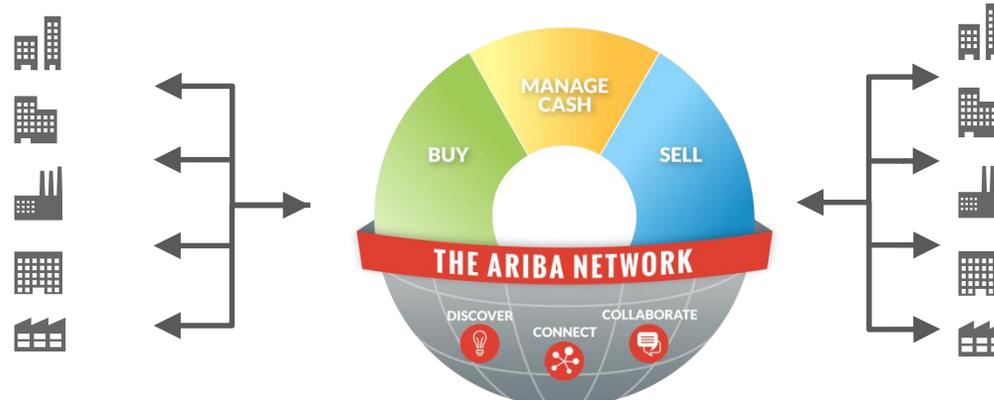
Typical Benefits are Significant

Ariba network and source-to-pay solutions to Companies of All Sizes, Industries, Regions

Buyer Value

1-8% Spend Savings

- WCM & Discount
- Compliance

$3-20 Savings/ Document

- AP Process
- Procurement Process

3-9% Process Savings

- Sourcing

Total Savings

Supplier Value

5-32% Revenue Increase

- Increased Revenue

15-75% Process Savings

- Sales & Marketing
- Processing Orders
- AR Process

15-75% Time Savings

- Faster Payment

Total Savings

THE ARIBA NETWORK — MANAGE CASH, BUY, SELL, YOUR ENTERPRISE, DISCOVER, CONNECT, COLLABORATE

Driving outcomes across your organization and for your suppliers

Source: Ariba customer surveys and interviews

Ariba + SAP Customers
Leaders Across Industries & Geographies

Proven Transformation. Proven Impact. Proven Results.

Cost Savings

Only .2% contract leakage

60 – 80% operational cost takeout

$3 - $20 savings per document

Seller Benefits

Average DSO reduction of 5.6 days

Increase of annual sales by 15%

98% customer retention rate

Productivity

66% decrease in approval times

98% touch-less processing

8x more invoices managed per FTE

Business Results

**+5 - 7%
Net Income Impact**

*Source: Billentis, The Hackett Group
2011 P2P Benchmark Report,
Aberdeen, and Ariba Results*

Over 1.8M suppliers and 15 million users

Proven Transformation. Proven Impact.
Proven Results.

YTL HOTELS

- **>400** suppliers enabled on the Ariba Network
- **25%** of Strategic Sourcing Savings target exceeded
- **19%** Sourcing savings
- **55%** Spend Under Management

AmBank Group

- **15%** identified savings through streamlined Strategic Sourcing
- **29,000** invoices handled annually using touch-less processing
- **75%** reduction in invoice approval and processing times
- **>800** Suppliers enabled on the Ariba Network

SAP Runs Ariba

3,000+ Suppliers enabled on Ariba Network	**Real time**	**6-digit €** Savings — ONE multisupplier catalog by Ariba	**50%** Of manual invoices eliminated
67,000+ Users	**PO** Strongly reduced PO cycle time	**€250M** E-sourcing volume	**Gloablized shared services**
96% Invoice quality	**Search** Type-ahead search/fuzzy search	**7%** Annual savings	**User experience** Significantly improved

SONOCO

80%
Top tier suppliers being managed on a quarterly basis

4
Times increase in the number of supplier being actively managed

60%
Of total spend managed consolidated to a group of 25 spend managers

Carlsberg

Significant expansion of e-auctions usage, executing over 300 e-auctions per year

Auchan: "No Ariba, no payment"

Pascal Delval, AribaLIVE 2015 Munich (Youtube)

What we do
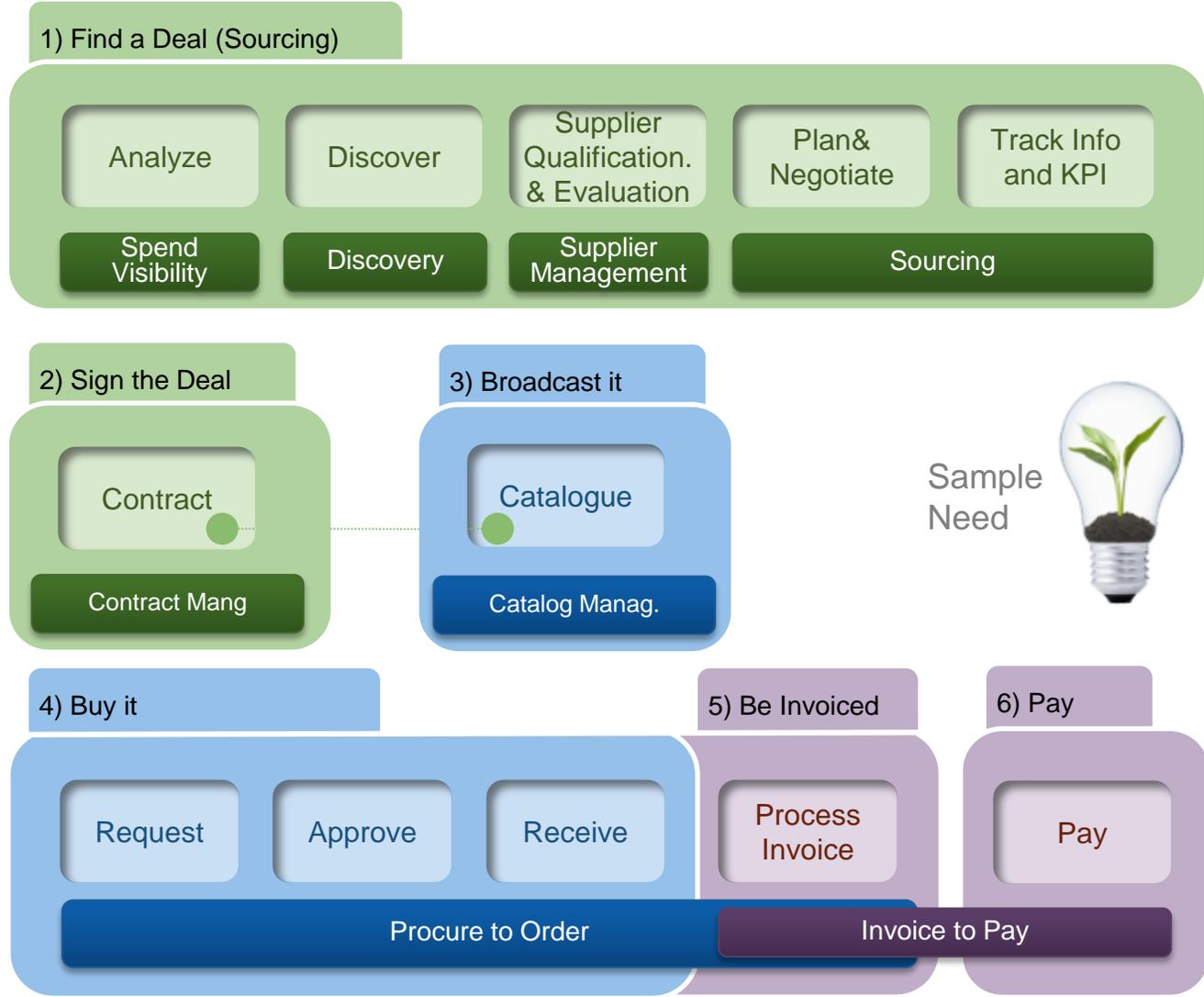
1) Find a Deal (Sourcing)

| Analyze | Discover | Supplier Qualification. & Evaluation | Plan& Negotiate | Track Info and KPI |

| Spend Visibility | Discovery | Supplier Management | Sourcing |

2) Sign the Deal

Contract

Contract Mang

3) Broadcast it

Catalogue

Catalog Manag.

Sample Need

4) Buy it

| Request | Approve | Receive |

5) Be Invoiced

Process Invoice

6) Pay

Pay

Procure to Order | Invoice to Pay

An integrated but modular approach…

Collaborative Commerce

1.8 Million suppliers

- Sourcing
- Contracts
- Catalogs
- Purchase Orders
- Order Confirmation
- Shipping Notices
- Service entry sheet
- eInvoices
- Invoice Status
- Payment Status
- Early Payments

Collaborative Commerce

Collaborative Commerce

1.8 Million suppliers

Sourcing

Contracts

Catalogs

Purchase Orders

Order Confirmation

Shipping Notices

Service entry sheet

eInvoices

Invoice Status

Payment Status

Early Payments

Integrated hybrid cloud and on-premise scenario
Extending SAP ERP without disruptions with Sourcing and Order&Invoice Collaboration

Service procurement scenario example

Ariba Network (Supplier)

| Registration | RFx Response | | Purchase order | Order confirmation | Service entry sheet | Purchase Order update | Invoice (vs PO/GR) | Business rules match | | Invoice status update | Payment status update |

Ariba Sourcing

| Sourcing project | Scenario evaluation | Award |

SAP ERP

| Purchase requisition | | Outline agreement | Purchase order | Order confirmation | Service approval | | Invoice posting | Invoice status update | Payment |

Legend:
- 🟨 Buyer activity
- 🟧 Supplier activity
- 🟦 Other process
- 🟪 Ariba activity (automated or manual)

Source & Contract

Managing Risk and Accelerate Savings through an integrated **Closed-Loop Analyze-to-Manage** solution across all categories of spend

SOURCE

- **Spend Analysis**
- **Supply Market Research**
- RFX Management
  - Strategic Sourcing
  - Tactical Sourcing
- Supplier Management
  - Information Management
  - Risk Management
  - Performance Management
- Contract Management

VALUE PROPOSITION

- Improve sourcing pipeline
- Increase supplier negotiation clout
- Increase spend under management
- Manage supplier diversity and sustainability
- Improve working capital leverage
- Reduce supplier discovery times
- Access qualified supplier pool
- Improve supplier competeveness

Identify Savings Opportunities

Increase Spend Under Mgmt

Sourcing Process

Reduce Sourcing Cycle Times

Improve Compliance

Source & Contract

Managing Risk and Accelerate Savings through an integrated **Closed-Loop Analyze-to-Manage** solution across all categories of spend

SOURCE

- Spend Analysis
- Supply Market Research
- **RFX Management**
  - **Strategic Sourcing**
  - **Tactical Sourcing**

- Supplier Management
  - Information Management
  - Risk Management
  - Performance Management

- Contract Management

VALUE PROPOSITION

- Increase spend under management
- Drive sustainable savings
- Accelerate purchasing transactions
- Access new sources of supply
- Mitigate supply chain risks

eSourcing
View in Presentation Mode

| Enhanced Sourcing Savings | Increased Sourcing Throughput | Reduced Sourcing Cycle Times | Reduced Sourcing Cycle Times | Continuous Improvement |

Procure to Pay
Indirect Materials & MRO

PROCURE

- **Indirect Materials & MRO**
  - Corporate
  - Assets
  - Inventory
  - Tactical

- **Services**
  - Field Services
  - Recurring Services

- **Direct & Supply Chain**

INDIRECT MATERIALS & MRO

- Control maverick spend
- Achieve negotiated savings
- Reduce inefficiencies
- Lower costs
- Provide requisitioner convenience

Procure-to-Pay
View in Presentation Mode

Better Contract Compliance	Req to PO Process Cost Reduction	Re-Sourcing Savings	Invoice / Payment Processing Cost Reduction	Reduced Supplier Inquiries

Procure
Direct & Supply Chain - Consignment Inventory Collaboration Process

Collaborative Network for Real-Time Perfect Order Process

Ariba Collaborative Supply Chain

- Collaborative Network for Real-Time Supply Chain Collaboration
- Supply Chain On-Boarding and Enablement Solutions
- Configurable Business Rules with Automated Validation
- Network Intelligence, Data and Insights to Drive the Perfect Order
- World's largest network of direct materials trading partners

BUYING ORGANIZATION

- Consignment Purchase Order
- Consignment Stock Receipt notice
- Consumption Consignment
- Self Billing/ERS (A)
- Payment

THE ARIBA NETWORK

MANAGE CASH · BUY · SELL · DISCOVER · CONNECT · COLLABORATE · YOUR ENTERPRISE

TRADING PARTNER

- PO Confirmation
- Advance Ship Notice
- Invoice (B)
- Payment status

Includes direct material/industry-specific extensions for retail and manufacturing and support for:

- Scheduling agreement release
- Contract manufacturing
- Direct Purchase Order
- Schedule Agreement Release

Benefits

- Improves buyer cash flow and inventory turns by deferring transfer and payment of goods until they are consumed
- Provides suppliers with early demand signals for long-term planning and short-term execution
- Minimizes risk of material stock-outs
- Reduces replenishment lead times

With Stronger Collaboration Everybody Wins…
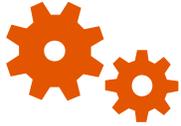
Procurement
- Enhanced buying power
- More time for strategic activities

Finance
- Tighter controls
- Strong audit trail
- Improved WCM

Supply Chain
- Reduced risk
- Better visibility & predictability

IT
- Low maintenance
- Automatic upgrades
- 99%+ uptime

Your Suppliers
- Improved visibility
- Reduced costs
- More leads

"Ariba's on-demand offerings provide us with market-leading technology and expert capabilities that we can access as we need them to effectively control our costs, minimize risk and improve our cash flow and operations."

Luca Guzzabocca, Director of Procurement, Logistics, HSE and Security
MPS

"Ariba's global coverage, standardized implementation, and dedicated supplier management help us maximize efficiency and drive a high degree of customer satisfaction."

Petra Burssens,
Head of Global eProcurement
EMD Millipore

"The adoption of the Ariba system has transformed our approach to the purchase function. This has led not only to significant dollar savings but also to a transparent, open methodology resulting in increased confidence and deeper commitment of our vendor base."

Vishesh Bhatia, Group Director [EET]
Al-Futtaim

SAP Innovation Fórum Lisboa

How Ariba and Business Networks are Empowering Purchasing

Thank you!

Luís Matos
EMEA South Procurement and Business Network Solution Adviser | SAP
E luis.matos@sap.com
T +531214465500

www.ariba.com

ARIBA®
An SAP Company

Go global with the world's largest business network!

© 2015 SAP SE or an SAP affiliate company. All rights reserved.