How Ariba and Business Networks are Empowering Purchasing

Luís Matos
EMEA South Procurement and Business Network Solution Adviser | SAP
Digital Business is Here to Stay
Disruption and business opportunities are everywhere

- 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

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

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

## What is a Network?

<table>
<thead>
<tr>
<th></th>
<th>Taxi (Specific)</th>
<th>Uber (Global)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Geography</strong></td>
<td>Specific to city</td>
<td>Global</td>
</tr>
<tr>
<td><strong>Buyers &amp; Providers</strong></td>
<td>Few, city dependent</td>
<td>Many</td>
</tr>
<tr>
<td><strong>End-to-end?</strong></td>
<td>Limited to sourcing and buying; payment separate</td>
<td>Source, buy and pay on one platform</td>
</tr>
<tr>
<td><strong># of Apps/Systems</strong></td>
<td>Many, per city basis</td>
<td>1</td>
</tr>
<tr>
<td><strong>Value Scope</strong></td>
<td>Point solution</td>
<td>One platform, multiple use cases</td>
</tr>
</tbody>
</table>
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

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


CFO

“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.

InformationWeek

“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.  

<table>
<thead>
<tr>
<th>Improvement</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduction in unit price</td>
<td>-15%</td>
</tr>
<tr>
<td>Improvement in compliance</td>
<td>60%</td>
</tr>
<tr>
<td>Increase in process efficiency</td>
<td>4x</td>
</tr>
<tr>
<td>Improvement in working capital</td>
<td>20%</td>
</tr>
</tbody>
</table>

(1) Based on Ariba customer engagements and benchmarks

Higher Margins & Positive EPS Impact

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

The Ariba Network is the leading business network
The proof: Nearly 1.8 million partners use the Ariba Network for ~$930 billion spend
Complete Integrated, Source-to-Pay Suite
You have a choice!
Typical Benefits are Significant
Ariba network and source-to-pay solutions to Companies of All Sizes, Industries, Regions

**Buyer Value**
- WCM & Discount: 1-8% Spend Savings
- Compliance
- AP Process
- Procurement Process
- Sourcing

**Supplier Value**
- Increased Revenue
- Sales & Marketing
- Processing Orders
- AR Process
- Faster Payment

**Total Savings**
- 15-75% Process Savings
- 15-75% Time Savings
- 5-32% Revenue Increase

**Total Savings**
- $3-20 Savings/Document
- 1-8% Spend Savings
- 3-9% Process Savings

Driving outcomes across your organization and for your suppliers

Source: Ariba customer surveys and interviews
# Ariba + SAP Customers
Leaders Across Industries & Geographies

<table>
<thead>
<tr>
<th>Industry</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services</td>
<td>AIG, Morgan Stanley, MetLife, JPMorganChase, COMMERZBANK, storebrand, ABN-AMRO, BNP PARIBAS, American Express</td>
</tr>
<tr>
<td>CPG &amp; Retail</td>
<td>Unilever, Heinz, HERSHEY'S, STAPLES, Wal-mart, Ralcorp, Auchan, Ann Taylor, Carlsberg, Jilt, Miclean</td>
</tr>
<tr>
<td>Technology</td>
<td>HP, Samsung, Telefónica, Motorola, Dell, EMC, Lexmark</td>
</tr>
<tr>
<td>Chemicals, Energy, Mining</td>
<td>Vale, National Grid, Premier Oil, Rio Tinto, Western Power, Comex, Hess, Chevron</td>
</tr>
<tr>
<td>Healthcare and Pharma</td>
<td>Astra Zeneca, Novartis, GlaxoSmithKline, Johnson &amp; Johnson, Sanofi, Merck, Eli Lilly, Merck Sharp &amp; Dohme, Amgen, Novation, Kaiser Permanente, Aetna, HCSC, Caremark, MetroHealth</td>
</tr>
<tr>
<td>Services and Other</td>
<td>Cox, McGraw Hill, ORIFLAME, Deloitte, COMAIR, MAERSK</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost Savings</th>
<th>Seller Benefits</th>
<th>Productivity</th>
<th>Business Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only .2% contract leakage</td>
<td>Average DSO reduction of 5.6 days</td>
<td>66% decrease in approval times</td>
<td>+5 - 7% Net Income Impact</td>
</tr>
<tr>
<td>60 – 80% operational cost takeout</td>
<td>Increase of annual sales by 15%</td>
<td>98% touch-less processing</td>
<td></td>
</tr>
<tr>
<td>$3 - $20 savings per document</td>
<td>98% customer retention rate</td>
<td>8x more invoices managed per FTE</td>
<td></td>
</tr>
</tbody>
</table>

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

Over 1.8M suppliers and 15 million users

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

Auchan: “No Ariba, no payment”

Pascal Delval, AribaLIVE 2015 Munich (Youtube)

SAP Runs Ariba
- 3,000+ Suppliers enabled on Ariba Network
- Real time
- 6-digit € Savings
- 50% Of manual invoices eliminated
- 67,000+ Users
- PO
- €250M E-sourcing volume
- 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
What we do

1) Find a Deal (Sourcing)
   - Analyze
   - Discover
   - Supplier Qualification, & Evaluation
   - Plan & Negotiate
   - Track Info and KPI

2) Sign the Deal
   - Contract
   - Contract Management

3) Broadcast it
   - Sample Need
   - Catalogue
   - Catalog Management

4) Buy it
   - Request
   - Approve
   - Receive
   - Procure to Order

5) Be Invoiced
   - Process Invoice

6) Pay
   - Pay
   - 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

Profile Completeness

Quick Links

View: Last 31 days

Purchase Orders
New (13)
Changed (1)
Failed (0)
Partially Confirmed (0)
Partially Shipped (1)
Partially Invoiced (3)

Invoices
Failed (0)
Rejected (2)

Collaboration Requests
Response Needed (0)

Search

Purchase Orders
Order Confirmations
Ship Notices
Invoices
Payments
More...

Purchase Order Status

Clients

Invoice Status

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Integrated hybrid cloud and on-premise scenario
Extending SAP ERP without disruptions with Sourcing and Order&Invoice Collaboration
Managing Risk and Accelerate Savings through an integrated Closed-Loop Analyze-to-Manage solution across all categories of spend.

**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 competitiveness

**SOURCE**

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

**SOURCE**

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**Spend Visibility**

View in Presentation Mode

**Advantages of all-flash in financial applications**

- Identify Savings Opportunities
- Increase Spend Under Mgmt
- Sourcing Process
- Reduce Sourcing Cycle Times
- Improve Compliance
Managing Risk and Accelerate Savings through an integrated Closed-Loop Analyze-to-Manage solution across all categories of spend

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

**SOURCE**
- Spend Analysis
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  - Strategic Sourcing
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  - Risk Management
  - Performance Management
- Contract Management

**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
Reg to PO Process Cost Reduction
Re-Sourcing Savings
Invoice / Payment Processing Cost Reduction
Reduced Supplier Inquiries
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

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

Includes direct material/industry-specific extensions for retail and manufacturing and support for:
- Scheduling agreement release
- Contract manufacturing
- Direct Purchase Order
- Schedule Agreement Release
With Stronger Collaboration Everybody Wins…

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

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
If you’re not connected to a network, you’re not connecting to...
your employees. your partners. your potential. me.
How Ariba and Business Networks are Empowering Purchasing

Thank you!

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