Sustainable savings in procurement can be realized only by closing the loop between your strategic sourcing activities and your procurement order cycle. How can you create a transparent, comprehensive, and fully integrated source-to-pay process? With software and services from SAP.

INTEGRATED SOURCING AND PROCUREMENT FOR SUSTAINABLE SAVINGS
A CLOSED-LOOP APPROACH REDUCES COSTS, INCREASES COMPLIANCE

The pursuit of operational excellence in the area of procurement starts with the recognition that procurement is not an isolated activity. It's part of a continuum of activity that starts with spend analysis and the sourcing of goods and services. It extends through the management of your contracts and suppliers and proceeds through to operational procurement and the day-to-day actions associated with ordering, tracking, and receiving goods and services from those suppliers.

In an economy with high market velocity, low margins, and unavoidable spending increases, it is critical to tune and refine each part of this process, and even more important to bring all the parts of this process together. By integrating all aspects of the sourcing and procurement processes – end to end – you can gain the kind of complete transparency that leads to sustainable savings, lower operational costs, and ongoing compliance with contracts, corporate guidelines, and regulatory requirements.

How do you realize this vision? Integrated software and world-class services from SAP can help.

Maximize Savings Opportunities and Spend Under Management

Start with the basic critical questions: how much are you spending now and where are you spending it? If you can't answer completely, you're not alone. Many procurement organizations still have poor visibility into their spending, which often results in missed savings opportunities. With disparate, decentralized systems and inconsistent master data requiring many manual manipulations, these organizations often fail to aggregate and get clean spend data. For example, there are duplications and inconsistencies in how items are identified and how vendors are named and tracked. You may have procurement personnel in six locations ordering the same item under three different names – from "paper" to "stationery" to "office supplies." They're ordering from four different suppliers, which are, in reality, the same supplier whose name has been spelled four different ways. You may have preferred vendors with solid negotiated contracts, but you may also have maverick procurement departments that procure goods and services from other vendors.

Eliminating these inconsistencies and gaining complete visibility into spending is a critical first step in the pursuit of savings opportunities. Only when you gain full transparency into the entire source-to-pay process can you deliver sustainable savings.

Software from SAP can help you gain both the visibility and the control you need to realize these goals. With complete support for spend classification, supplier normalization, and supplier enrichment, you can consolidate spend data from multiple sources and automatically cleanse duplicate and inconsistent data. As a result, you gain real insight into just how much you are spending, on what, and with whom. For example, you can identify off-contract buying

anomalies, price variances among identical commodities, and inconsistent performance among vendors. You can view spend through multiple filters – from classes of goods and services to regions and enterprise divisions – and then you can use the insight to put plans in place to drive savings downstream.

Transform Savings Opportunities into Negotiated Savings

Greater insight into overall organizational spend helps identify opportunities for increasing savings. It may become immediately apparent where spend is fragmented and where groups within your organization would benefit from an optimized supply base and aggregated contracts. You might see right away where there are opportunities to foster competition among vendors for better prices, terms, or performance guarantees. But do you have a formal, consistent sourcing process that enables you to find the suppliers with capabilities and prices that are best aligned with your savings objectives?

Again, integrated software from SAP can help you identify and engage with these suppliers. You can streamline the entire sourcing process, define and apply sourcing best practices, collaborate with different procurement groups, and extend the transparency of the spending analysis into the realm of supplier identification and management. SAP® software can also provide you with the functionality you need to negotiate savings effectively with suppliers.

This covers everything from collaborative project management, online requests for information and proposals, and reverse auctions to sourcing analyses, a centralized self-managed vendor database, and contract management. You can even use the software to define metrics for supplier performance scorecards that will help you manage suppliers and keep your integrated sourcing and procurement process streamlined over time.

Capture Negotiated Savings in Your Contracts

With deep insight into enterprise spend and initiatives to optimize your supplier environment, you and your internal stakeholders can truly work together to develop a solid negotiating strategy and execute upon it. The lock on meaningful savings, however, requires a well-managed contract. And just as there may be inconsistencies in supplier relationships, there may also be inconsistencies among contracts. Consequently, enforcement of contractual obligations may not be as rigorous as it should be. Negotiated terms and conditions may not always be honored because different groups are unaware of them or may be using redundant contracts. Either way, negotiated savings may be lost.

Integrated contract management controls can help you capture negotiated savings in contracts that all your procurement organizations can leverage in the operational procurement process. SAP software provides

the functionality you need to manage all aspects of a contract proactively and transparently – from inception through negotiation and finalization. You can take advantage of a single repository for all procurement contracts, enabling groups within the organization to find them easily and use them consistently. You can track actual contract usage and performance-related details, and stay on top of imminent contract expirations.

Deliver Sustainable Savings Through Operational Procurement

All these efforts to understand and manage spend, optimize the supplier network, and integrate savings opportunities through improved contract management can result in tangible savings. But these savings will be realized only when connected with an operational procurement system that all your agents can use on a day-to-day basis.

SAP supports this fully integrated approach to sourcing and procurement with software that helps you manage and control spend from end to end. This approach helps reduce operational costs by standardizing and automating the entire procure-to-pay process, including support for requisitions, operational sourcing and contracts, purchase order processing, supplier collaboration, and settlement.

Such a unified operational process can also help you ensure compliance with contracts and policies by embedding terms and conditions within transactions

and improving collaboration with suppliers to facilitate the actual procurement of goods and services. You gain identified savings, sustain better relationships with suppliers, and move your entire procurement process toward new levels of operational excellence.

Delivering an Integrated Solution: SAP Software and Services

Software and services from SAP can provide you with the functionality you need to realize this integrated model and fully connect the source-to-pay process for maximized cost savings:

- The SAP BusinessObjects™ Spend Performance Management application helps you aggregate, normalize, classify, and enrich spend data while providing analytical tools designed for ease of use.
- The SAP E-Sourcing application helps you manage negotiation activities including category and project management; requests for proposals, information, and quotation; forward and reverse auctions; contract generation and management; and supplier management.
- The SAP ERP Operations solution helps you manage the entire procure-to-pay process including requisitions, operational sourcing and contracts, purchase order processing, supplier collaboration, and settlement.

You can empower your procurement personnel to be more productive than ever by providing personalized, role-based interfaces into this operational

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procurement environment. With easy access to relevant information, your personnel can accomplish more – and accomplish it more quickly and more consistently.

The SAP Services organization can help you assess your procurement processes and show you a clear road map to an integrated approach based on best business practices developed during more than 140,000 business engagements in 120 countries. SAP implementation and ongoing support services help your IT organization keep your SAP software operating at peak levels to support your business goals.

Powered by the SAP NetWeaver® Technology Platform

At the heart of this integrated solution lies the SAP NetWeaver® technology platform. SAP NetWeaver unifies technology components into a single platform, enabling organizations to reduce IT complexity and obtain more business value from their IT investments. As

the foundation for service-oriented architecture, SAP NetWeaver enables you to evolve your current IT landscape into an integrated, strategic environment that supports business change. In short, SAP NetWeaver provides the best way to enhance business applications, integrate your business partners, and facilitate data sharing within your global supplier network, even among systems that are not running SAP software.

Realize Real Benefits Through an Integrated Approach

Your organization can gain real, sustainable savings by transforming fragmented sourcing and procurement operations into one fully integrated process. SAP software and services can facilitate this evolution and help you gain complete transparency over the entire source-to-pay process throughout your organization. Ultimately, that helps you realize end-to-end savings and transform the entire sourcing and procurement function to play an increasingly strategic role in your operations.

For More Information

To learn more about how SAP software can help your organization achieve operational excellence by integrating sourcing and procurement activities, call your SAP representative today or visit us on the Web at www.sap.com /solutions/executiveview/operations /source-and-procure/index.epx.

Summary

Transforming procurement from a disconnected back-office function into a strategic function that links spend analysis, strategic sourcing, contract management, and operational procurement can help an organization overcome the biggest barrier to delivering on cost-saving objectives. Closing the loop between sourcing and procurement creates the transparency needed to identify opportunities to deliver tangible cost savings.

Business Challenges

- Identify savings opportunities
- Source the optimal supply base
- Optimize contract value
- Deliver sustainable savings

Key Features

- **Spend analysis –** Fully understand and classify spend; cleanse and normalize spend data from multiple sources; normalize and enrich supplier information
- **Strategic sourcing –** Manage supplier negotiation activities, requests from suppliers, forward and reverse auctions, contract generation and management
- **Contract management –** Manage contracts from negotiation through finalization and integration into day-to-day procurement activities
- **Operational procurement –** Standardize and automate the entire procure-to-pay process, including support for requisitions, operational sourcing and contracts, purchase order processing, supplier collaboration, and settlement

Business Benefits

- **Sustain savings** by closing the loop between sourcing and procurement and ensuring greater transparency into sourcing and procurement activities
- **Maximize savings** by enabling sourcing and procurement personnel to interact with an optimized supplier base in accordance with well-defined procedures and well-negotiated contracts
- **Help ensure compliance** with contracts and policies by managing all aspects of the life of a contract and ensuring its consistent use throughout the organization
- **Reduce operational costs** by automating procurement operations to eliminate manual tasks and reduce purchasing errors

For More Information

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