

e-Invoicing benchmarking special

Compare your performance to world class projects

28th September 2010



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Presented by:



sharedserviceslink.com

Agenda

- Introductions
- What you need to know about how this webinar works
- Why are we having this webinar today?
- e-Invoicing benchmarking special – compare your performance to world class project
- Questions
- Close

Introduction

- Welcome
- About sharedserviceslink.com
- Our webinar programme



What Do You Need To Know About How This Session Works?

- The Support
- Questions

Why are we having this webinar?

- End users still struggle to determine if their KPIs are good or bad
- There is still a lack of clarity around how much e-invoicing will impact KPIs



Payables Performance Measurement

Best-Practice Benchmarks and Processes

28 September, 2010

James Tucker
Global Director Product Marketing
Ariba Collaborative Finance Management

Process Automation AND Performance Measurement

- Process automation gives top performing organizations a 92% cost savings advantage
- However, technology alone is not a silver bullet...

“If you do not *re-engineer and measure* your processes you will fail to gain the full benefits of the technology.”

– *Pierre Mitchell, The Hackett Group, 2009*



What Should We Measure?

Metric	Laggards	Average	Innovators
Processing time from invoice receipt to approval	45 days	23 days	5 days
Processing costs (combination of paper and electronic)	\$22.75	\$13.70	\$5.36
Percentage of invoices received electronically	3%	9%	32%
Percentage of invoices with exceptions	25%	16%	4%
Percentage of discounts captured	18%	40%	75%

Sample Payables Performance Metrics – PayStream Advisors 2010

We love paper...



You can touch it...



You can smell it...

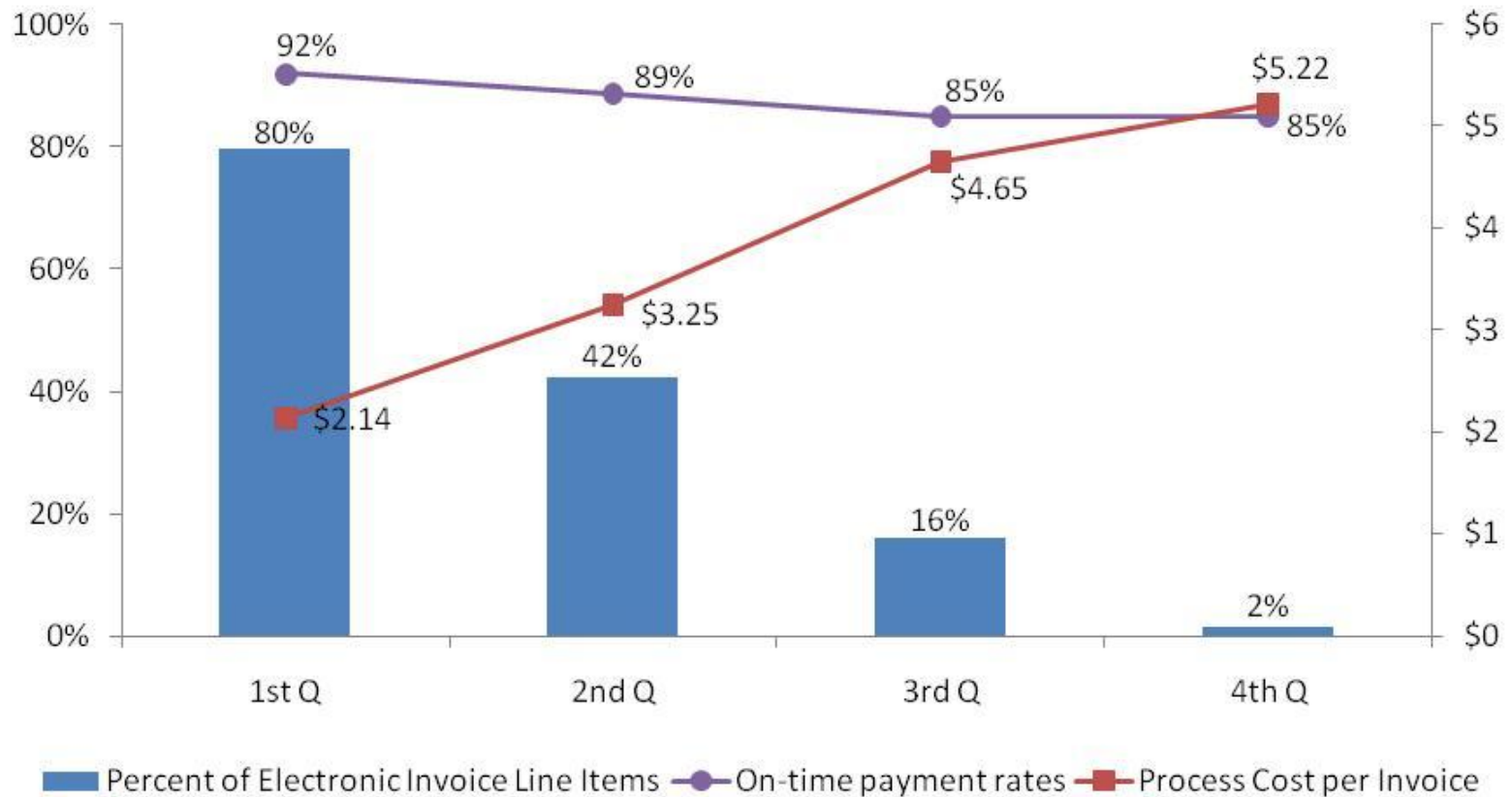


You can even climb it !!!



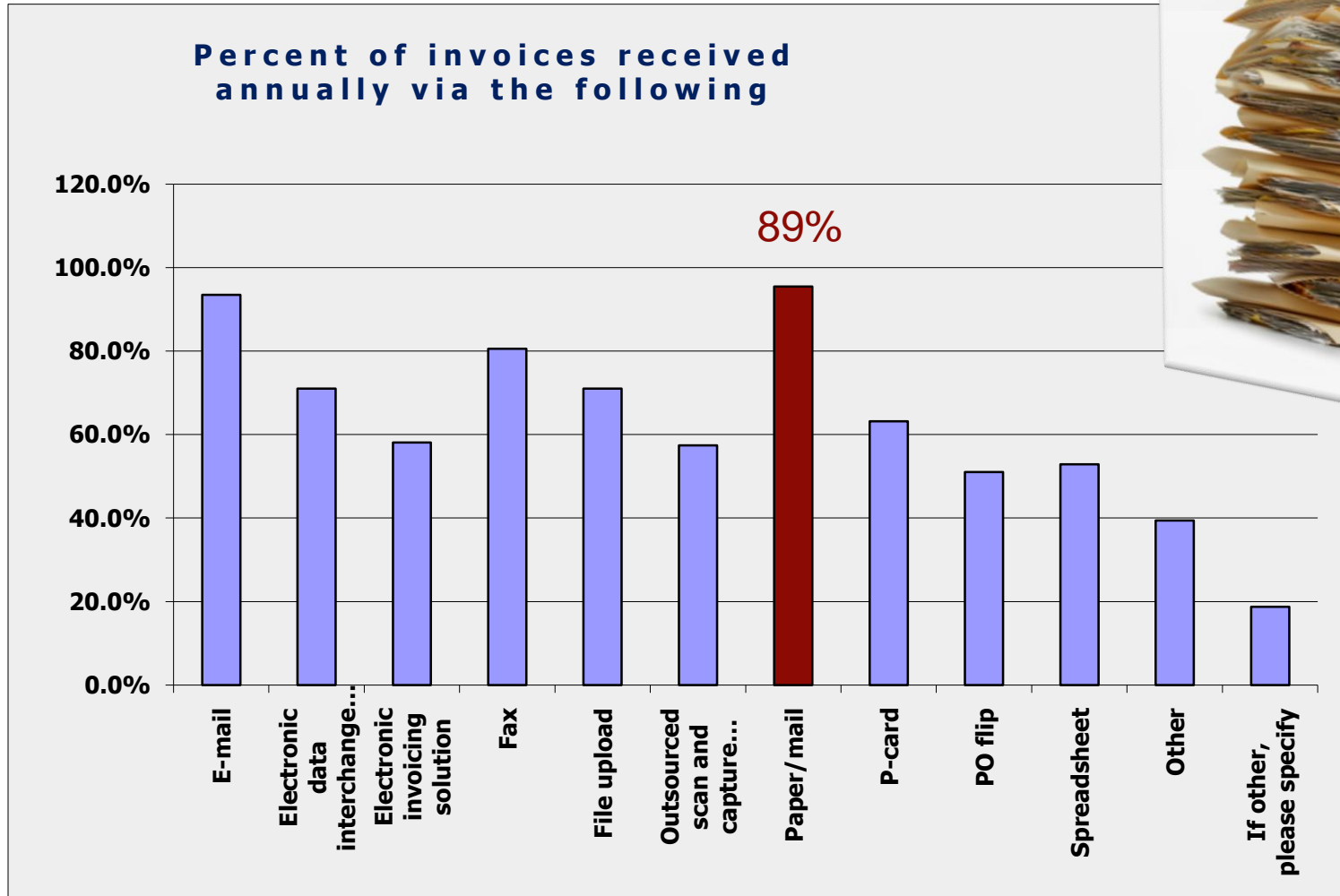
However Paper is too Expensive and Inefficient

Impact of Electronic Invoicing

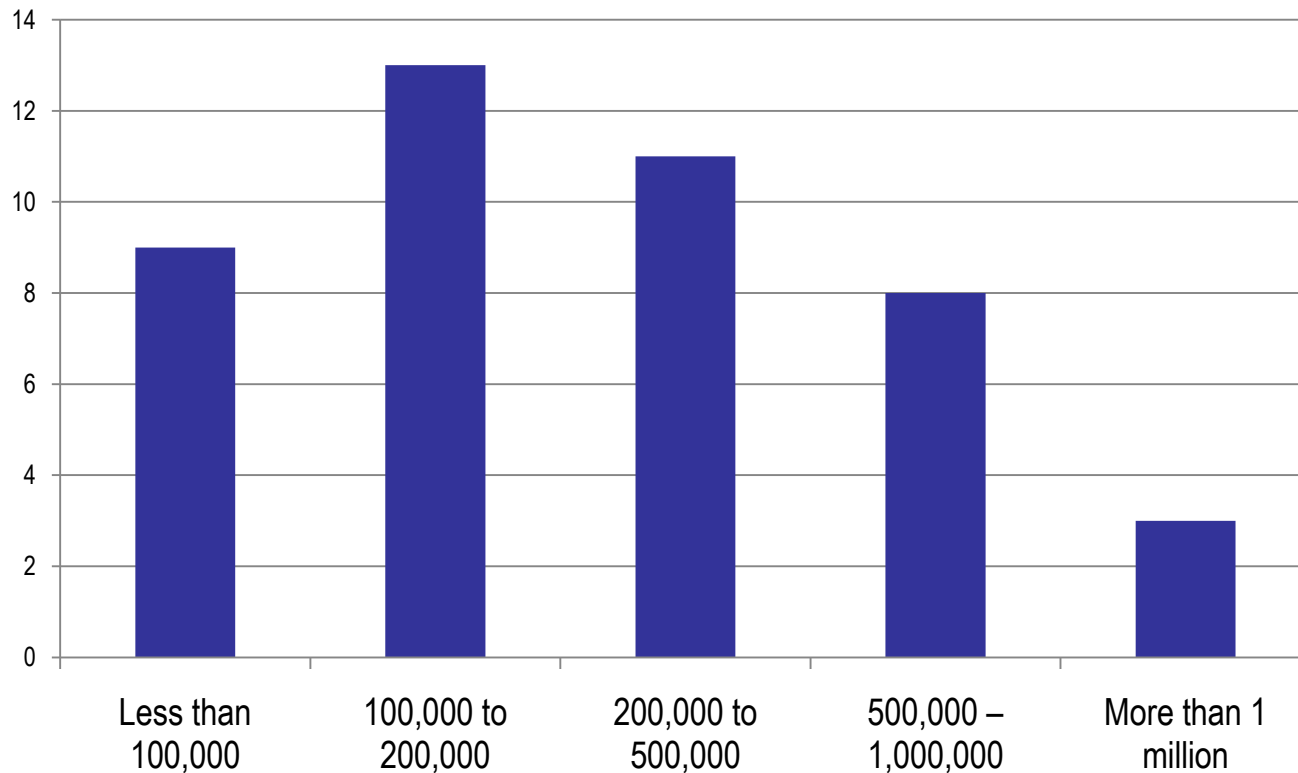


Source: Hackett AP Performance Study, 2010

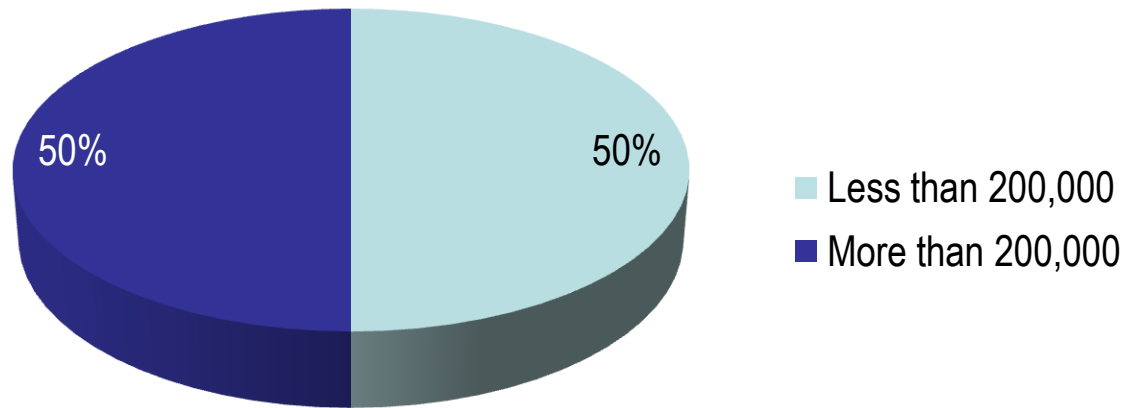
Why So Many Paper Invoices?



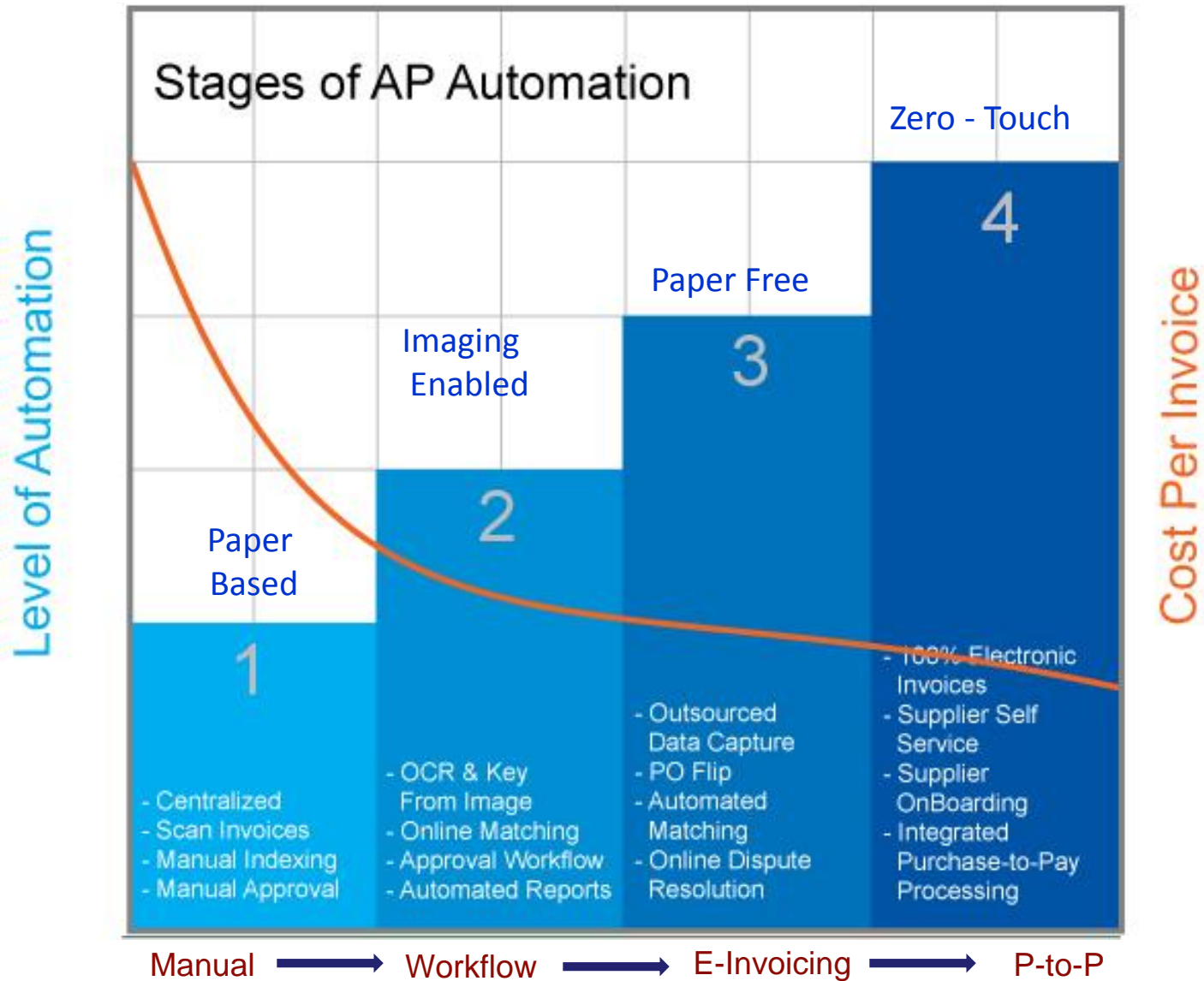
How many purchase invoices do you process per annum?



How many purchase invoices do you process per annum?

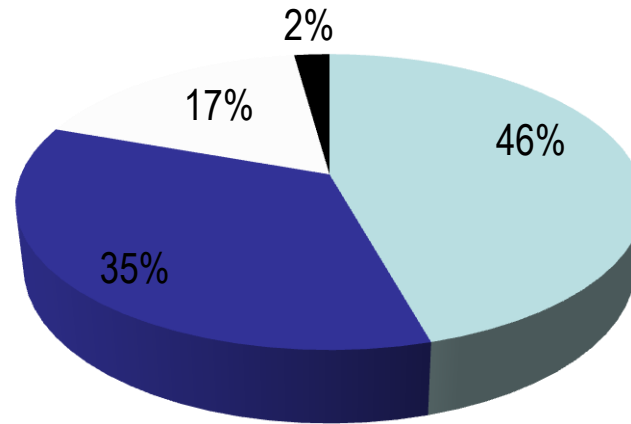


Roadmap to Touchless AP Function



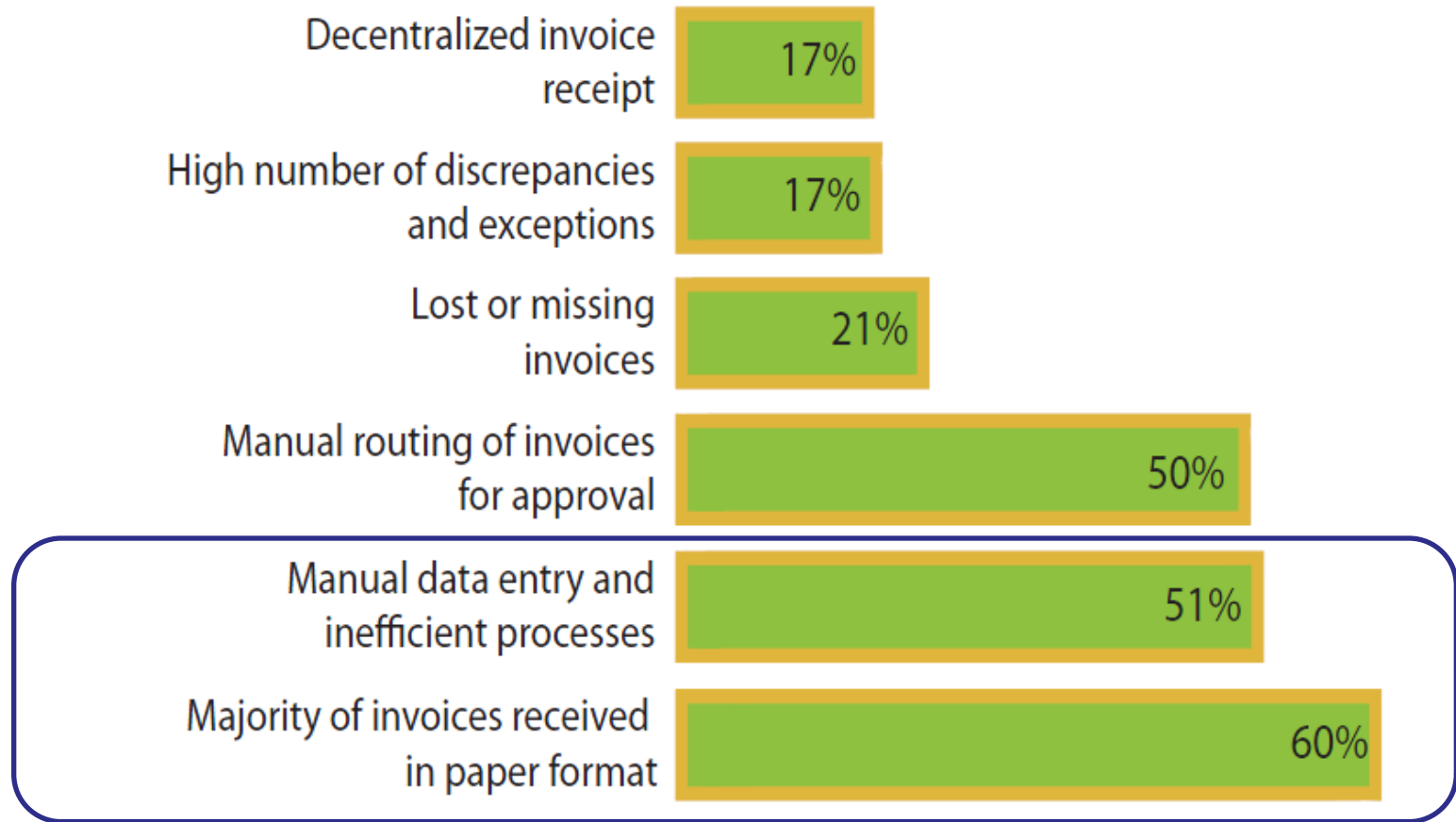
What stage are you currently at?

- Stage 1 (paper based - manual/scan and key)
- Stage 2 (OCR scanning and workflow)
- Stage 3 (paper-free - e-invoicing/PO Flip/automatching)
- Stage 4 (touchless - high % e-invoicing/supplier portal/P2P)



Pain Points in Invoice Management

Q: What are the biggest challenges your organization faces in the invoice management process?



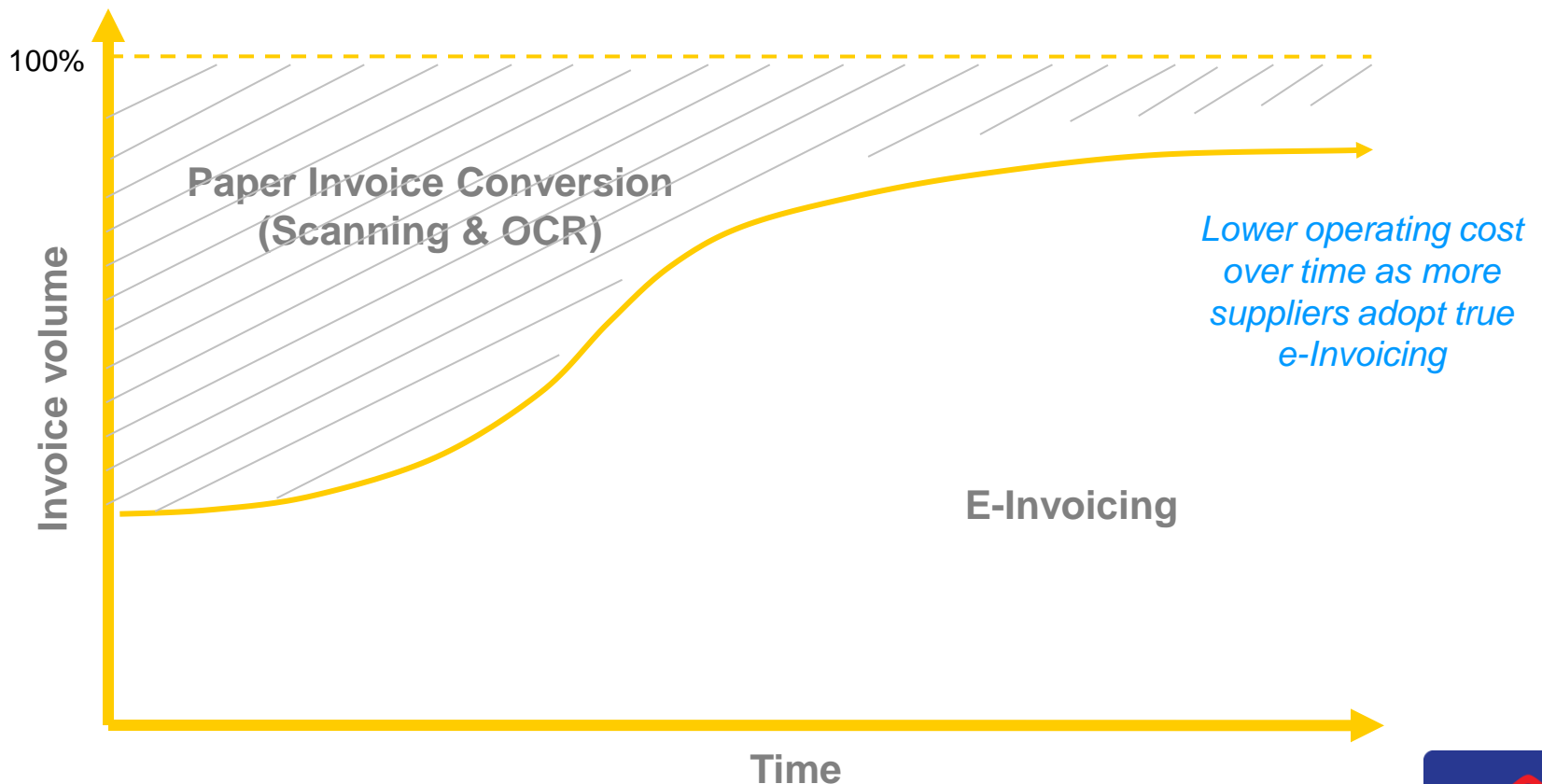
Source: Invoice Automation Benchmarking 2010



100-in-100

Achieve 100% electronic invoice delivery within 100 days

Over time paper invoice conversion is replaced by e-Invoicing for lower overall cost of ownership and increased supply chain value



Paper Invoice Example

Invoices

▼ Search Filters

Supplier: Min. Amount:

Invoice Number: Max. Amount:

Partial number Exact number Status:

Order Number: Routing Status:




Date Range: Number of Results:

* Start Date:

* End Date:

Show Only Invoices Submitted from the Buying Organization's System.

Invoices Page 1

Invoice #	Supplier	Reference	Submit Method	Origin	Source Doc	Date	Amount	Routing Status	Lock Box
▼ Invoice Status: Approved (1)									
 TEST031309-91862369	EN POINTE TECHNOLOGIES-TEST	External PO				13 Mar 2009	\$39.62 USD	Acknowledged	6420
▼ Invoice Status: Sent (95)									
 TEST031309-790	EQUITYFEED CORP-TEST	External PO				13 Mar 2009	\$1,710.00 USD	Acknowledged	6420
 TEST031309-Q2556-00085528	CREDIT COUNSELING FOUNDATION INC-TEST	External PO				13 Mar 2009	\$3.24 USD	Acknowledged	6420

- Paper invoices flow through Ariba like any other supplier entered invoice
- The paper clip icon indicates an attachment - the invoice image captured by Ariba Invoice Conversion Service (ICS)

Ariba Captures Line Level Detail for PO and Non-PO invoices

Standard Invoice Routing Status

Invoice Number: TEST031309-790
Lock Box 6420

Invoice Date: Wednesday 11 Mar 2009 1:00 AM GMT-07:00

Additional Information:
dateOfService: 1/09

Original Purchase Order:

Invoice Line #	Line Ref #	Type	Part #	Quantity
1		Material		6
Description:MICROCAPFEED PROFESSIONAL LICENSE				
Tax Description: Total Tax				
2		Material		6
Description:OTC:BB/PINKSHEET EXCHANGE FEES				
Tax Description: Total Tax				

Tax Summary
Total Tax: \$0.00USD

Tax Description:
Total Tax

Invoice Summary

Attachment(s):

Name	Type
1102TEST0014-00100.tif	image/tiff

AcmeFeedCo
3333 Graham Blvd, suite 302
Montreal, Quebec H3R 3L5
Canada

INVOICE

Invoice No.: 790
Date: 01/15/2009

Sold To:
BuyingCo
Daniel Calica
P.O. Box 200013
Woodstock, GA 30189-0413
USA

Ship To:
BuyingCo
Daniel Calica
P.O. Box 200013
Woodstock, GA 30189-0413
USA

Item No.	Quantity	Unit	Description	Tax	Unit Price	Amount
1	6	Each	MicrocapFeed Professional License		250.00	1,500.00
2	6	Each	OTC:BB/Pinksheet Exchange fees		35.00	210.00
Service month: January 2009						
Due date: January 31st, 2009						
Subtotal:						1,710.00
- No Tax						

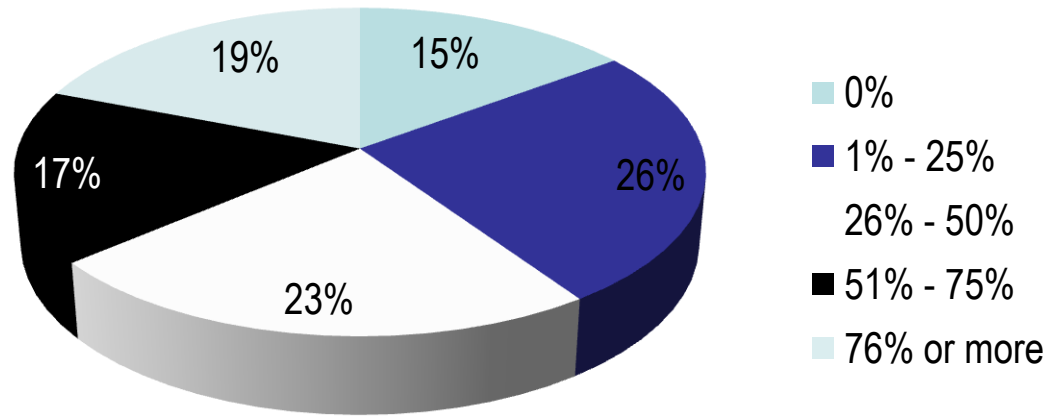
Received in AP
MAR 06 2009


Comments

Freight 0.00

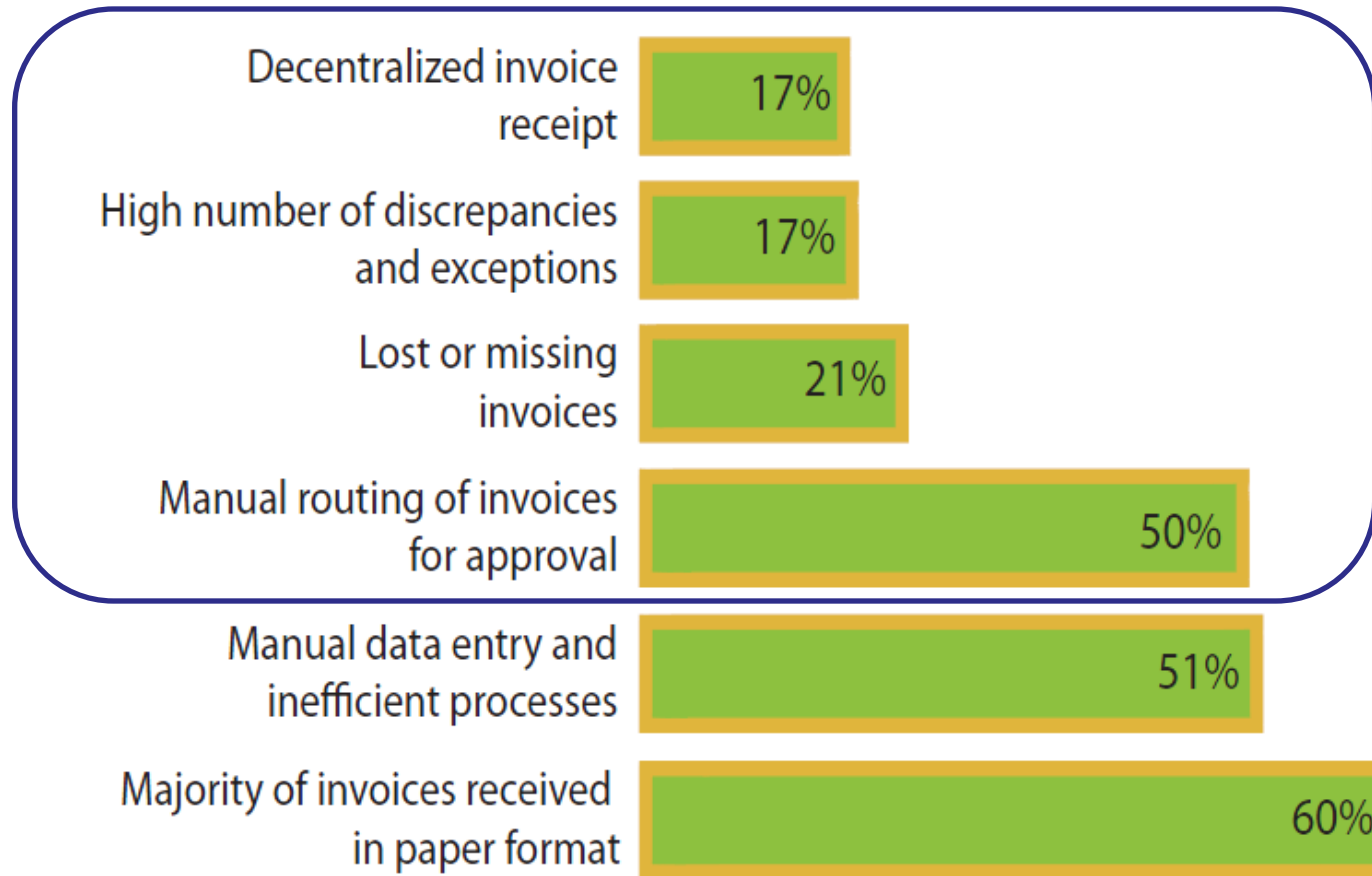
Total Amount in USD 1,710.00

What % of invoices do you currently workflow?



Pain Points in Invoice Management

Q: What are the biggest challenges your organization faces in the invoice management process?

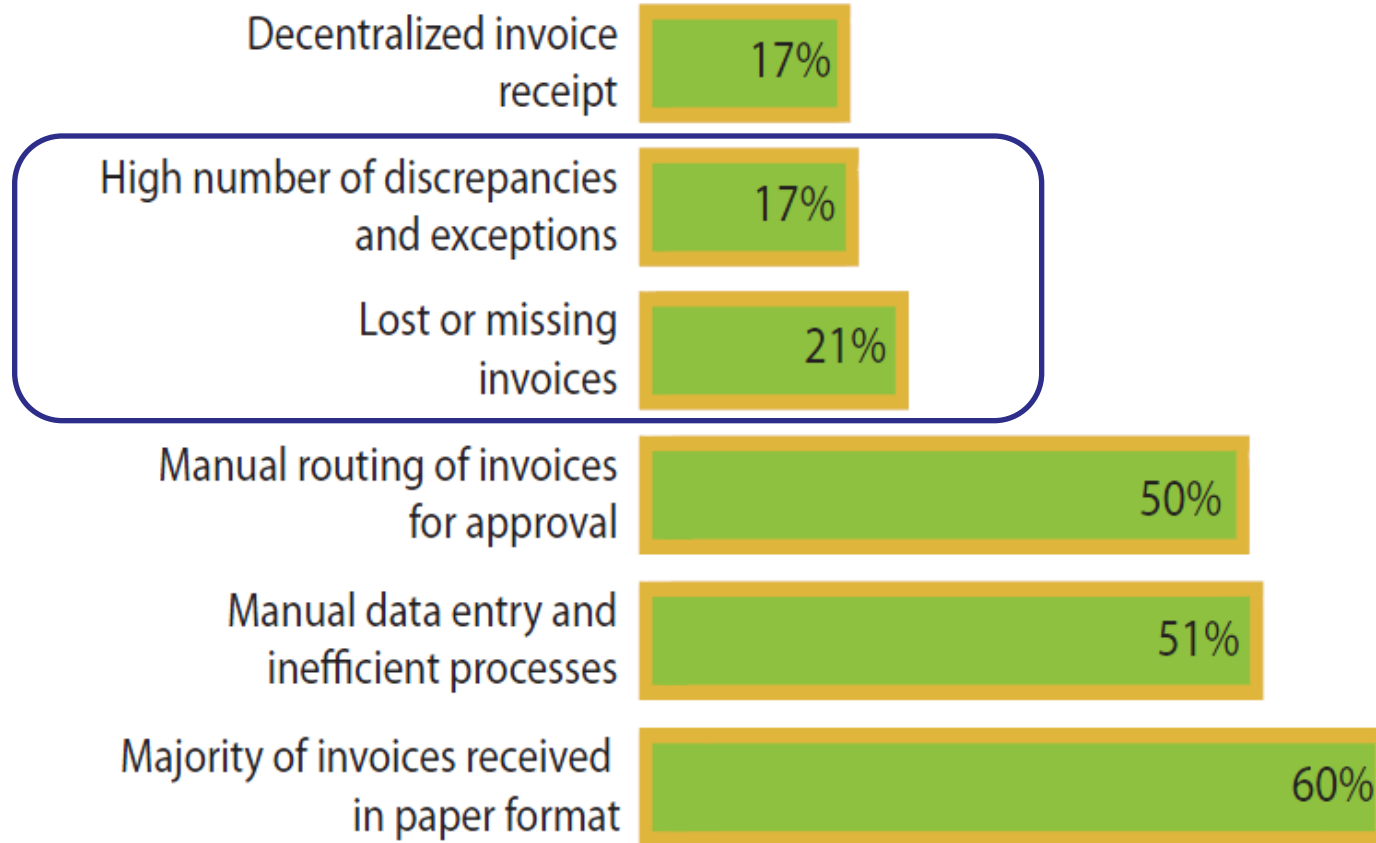


Source: Invoice Automation Benchmarking 2010



Pain Points in Invoice Management

Q: What are the biggest challenges your organization faces in the invoice management process?



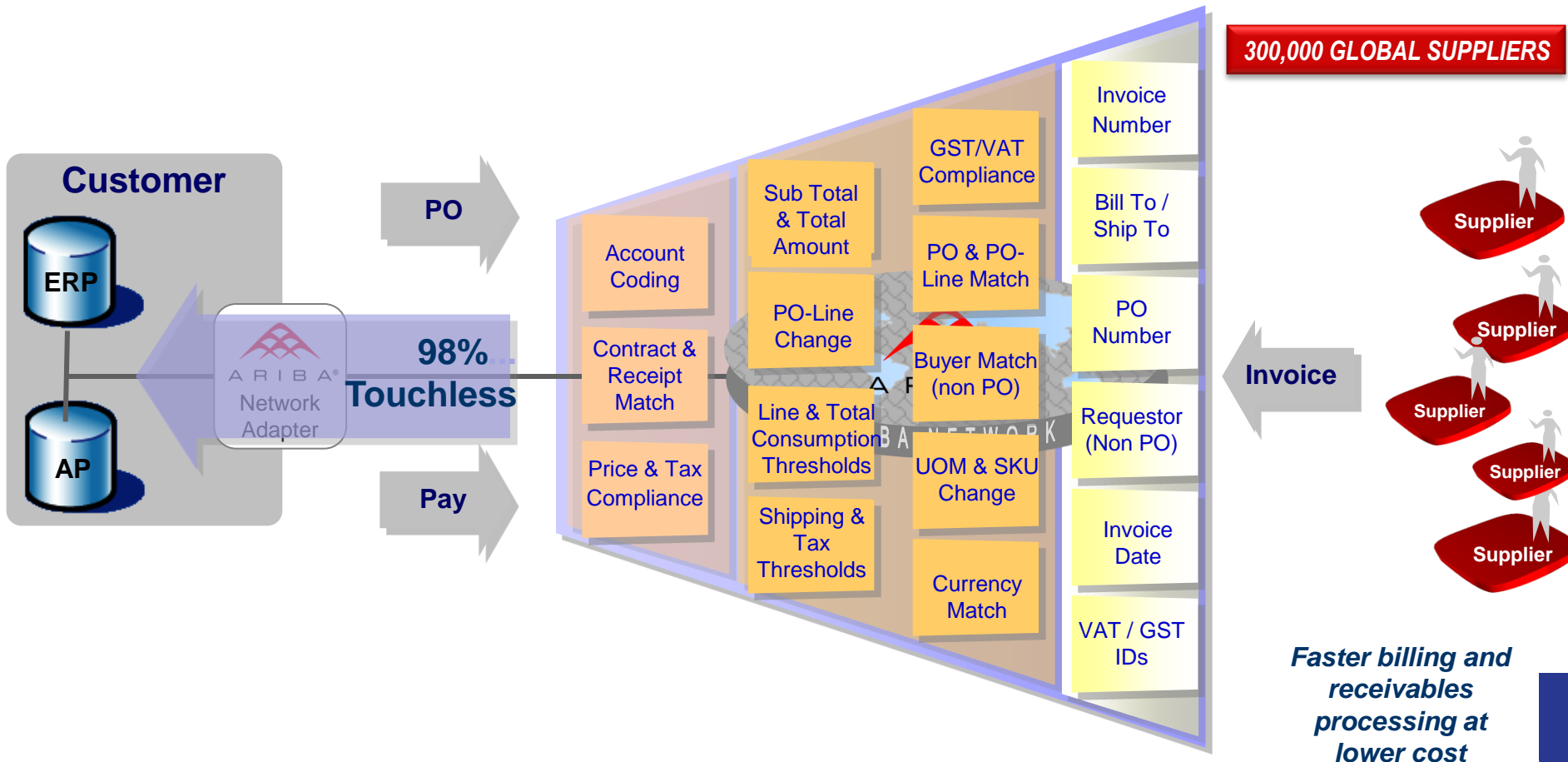
Source: Invoice Automation Benchmarking 2010



Exception Avoidance with *Smart Invoicing*

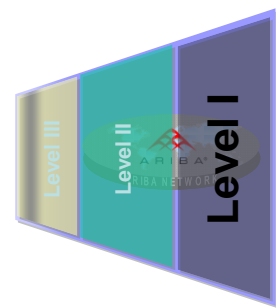
- The **best invoice solution** is the one that is **TOUCHLESS!**
- **Ariba Smart Invoicing** drives **auto post rates of 98%** compared to less than 60% with other solutions

- ☑ Lower AP Cost
- ☑ Faster Cycles
- ☑ Lower Risk



Smart Invoice – Level I Validation

Basic field-level existence and PO and non-PO verification



→ Welcome to the new and improved Invoice entry form. [Learn More](#)>>

⚠ Please correct the following errors and resubmit
* Indicates required field

▼ Invoice Header

Immediate and clear explanation of level I exceptions

SUMMARY

Purchase Order: eipp.holm.generic.0009.po

* Invoice #: 1234

* Invoice Date: 5 Jan 2010
⚠ Invoice date can not be back-dated for more than 0 days

Supplier Tax ID:

TAX Header level tax ⓘ

* Category	Sales	Taxable Amount:	\$84,128.00USD
Location:		Rate(%)	11
Description:	California Sales Tax	Tax Amount:	\$9,254.08USD

SHIPPING Header level shipping ⓘ Line level shipping ⓘ

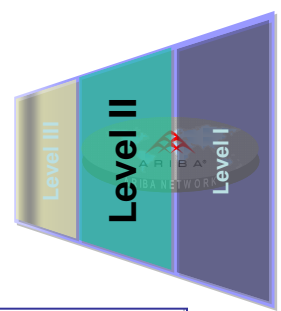
Ship From: **Holm Industries**
Walnut Creek, CA
United States

Ship To: **Sacramento**
Sacramento, CA
United States

Deliver To:

Smart Invoice – Level II Validation

Intermediate field-level, PO and non-PO line level, change and tax verification



SHIPPING header level shipping line level shipping

Ship From: **Holm Industries**
Walnut Creek, CA
United States

Ship To: **Sacramento**
Sacramento, CA
United States

Deliver To:

[View/Edit Addresses](#)

Quantity	Unit	Unit Price	Subtotal
1,100	EA	\$76.48USD	\$84,128.00USD

Quantity exceeds the allowed limit

The subtotal invoiced exceeds limit.

Immediate and clear explanation of level II exceptions

[View/Edit Addresses](#)

[Add to Included Lines](#)

No.	Include	Part #	Description	Quantity	Unit	Unit Price	Subtotal
<input type="checkbox"/> 100001	<input checked="" type="checkbox"/>	AD15153	Adapter Mac/Sony 1302 HD15F/DB15M	1,100	EA	\$76.48USD	\$84,128.00USD

Quantity exceeds the allowed limit

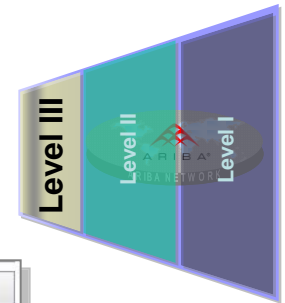
The subtotal invoiced exceeds limit.

Line Item Actions Delete Add Item



Smart Invoice – Level III Validation

Advanced account coding, matching and compliance



Line Item Exceptions

No.	Qty	Description	Price	Amount	Exception	Status
2		California Sales Tax		\$1,373.04 USD	Under Tax Variance	

Under Tax Variance - The Amount field on the invoice tax line item, \$1,373.04 USD, is less than the line item's calculated Tax Amount, \$1,525.60 USD, and the difference is not within the 2% tolerance defined in our configuration.

Tax Code: (none selected) **Tax Variances**

Expected Tax Rate:
Tax Rate: 9%

ACCOUNTING - BY LINE ITEM

Account Type: (no value)
Bill To: (none selected)
Facilities: New York
Business Unit: US001 (US001)
Company: USOPS (01&02) Combin
Account: Misc (Expensed)
SubAccount: New York
Projects: (none selected)
Client Matter: (no value)
Customer Matter: (no value)

Exceptions Approval Flow Invoice Payments Order Receipts History

Display: Exceptions you have permissions to reconcile

Invoice: [INVew.171.inv-1552](#) Order: ew.171.po
Invoice Date: Thu, 12 Nov, 2009 Supplier: [ZCN Technologies \[select \]](#)
Payment Terms: [Net 45, 2%/30, 3%/20 \[select \]](#) Contact: [Joe Bryant : SANTA CLARA \[select \]](#)
Purchasing Unit: [US005](#) Remit To Location: [New York \[select \]](#)
On Behalf Of: [aribasystem](#)
Pay Via: External System

My Labels: [Apply Label...](#)

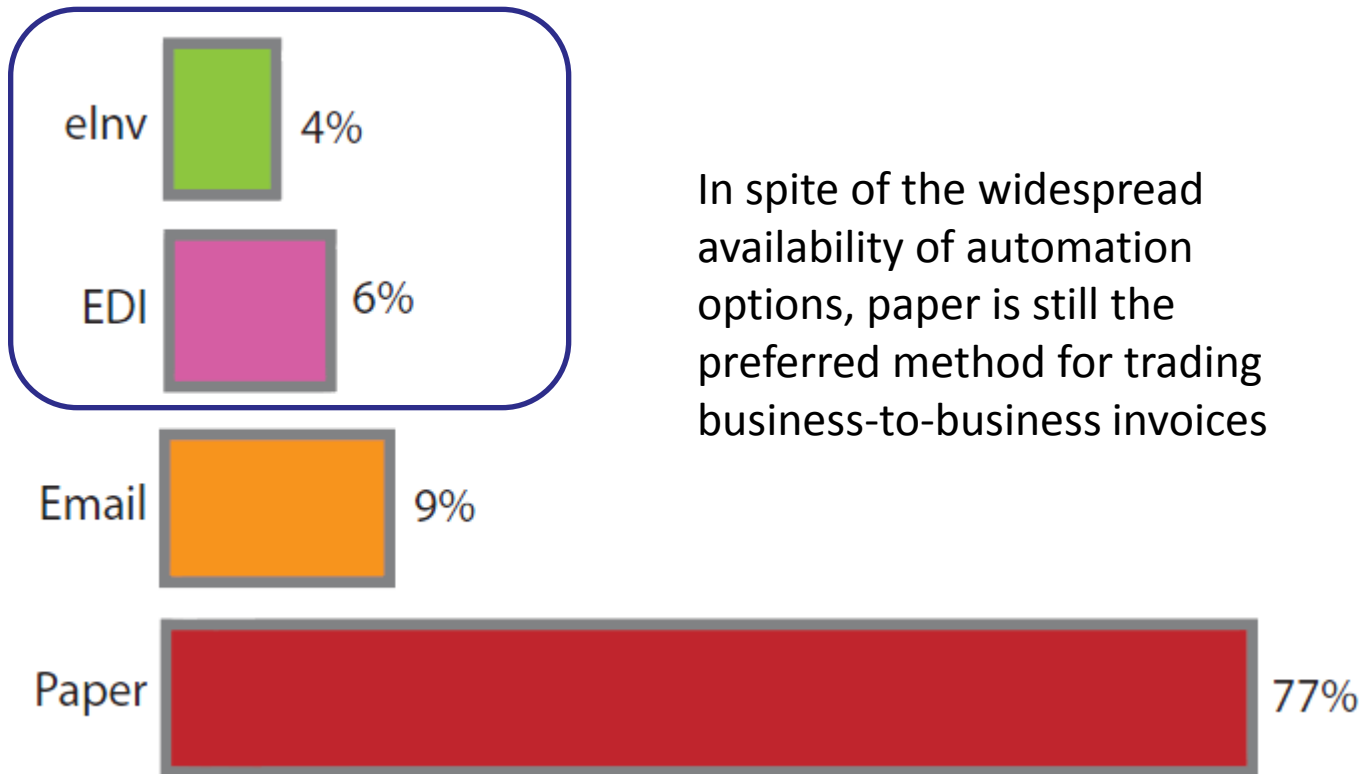
Goods Receipt (3-way match) Variances

No.	Qty	Description	Price	Amount	Exception
1	400	Adapter Mac/Sony 1.02 IN15F/D645P	\$11.11 USD	\$4,444.00 USD	PO Received Quantity Vari
<i>PO Received Quantity Variance - The invoice item's quantity, 400, is different from the received quantity left to invoice on the purchase order line item, 0, set in your configuration.</i>					
Matched To: Item 100,001					
Part #: AD15153					
Unit of Measure: each					
3	1,000	Adapter Sun Server 123454	\$10.11 USD	\$10,110.00 USD	PO Received Quantity Vari
<i>PO Received Quantity Variance - The invoice item's quantity, 1,000, is different from the received quantity left to invoice on the purchase order line item, 0, set in your configuration.</i>					
Matched To: Item 100,002					
Part #: AD15154					
Unit of Measure: each					



Paper is the Rule, not the Exception

Q: What percentage of your invoices is received via the following methods?

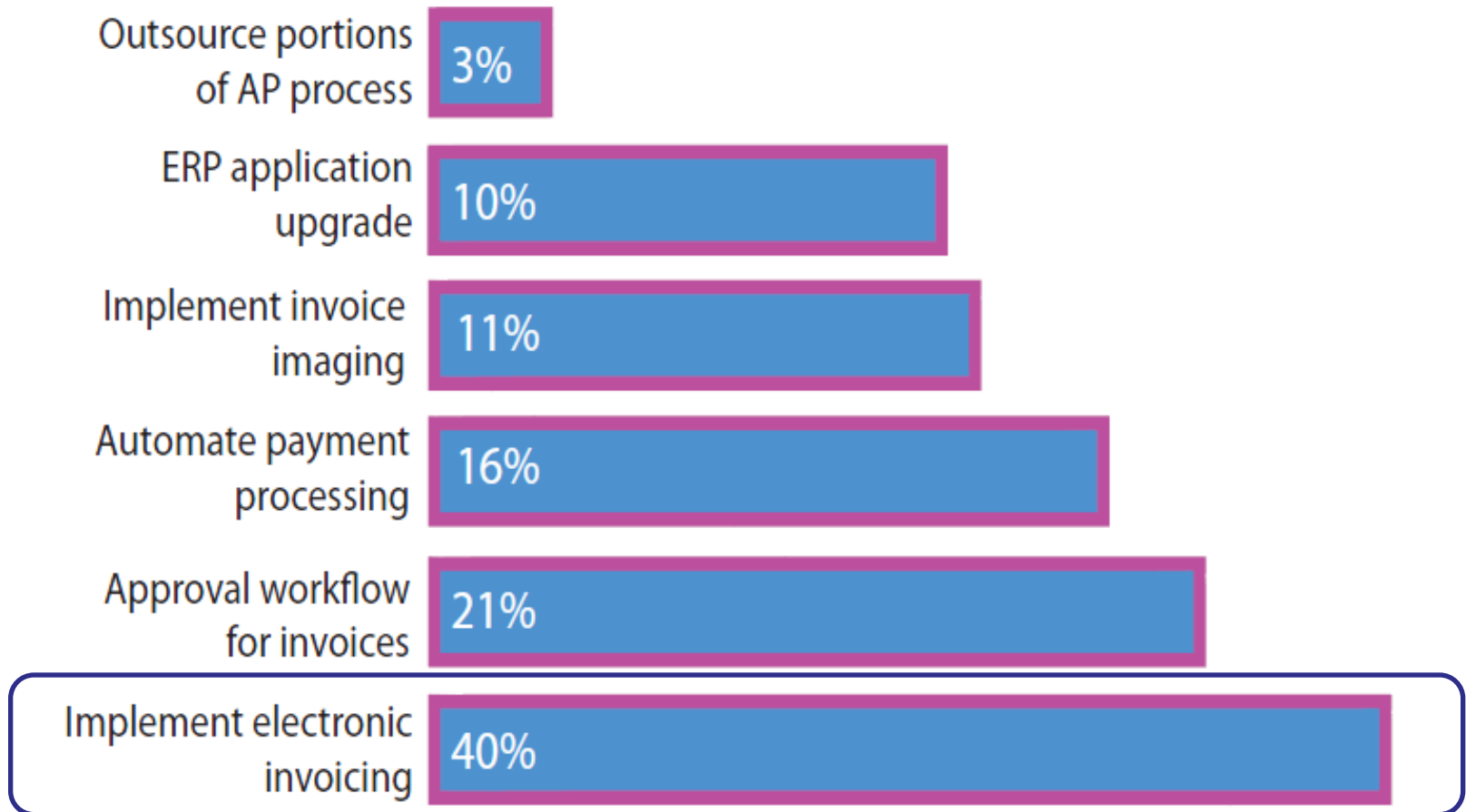


In spite of the widespread availability of automation options, paper is still the preferred method for trading business-to-business invoices

Source: Invoice Automation Benchmarking 2010

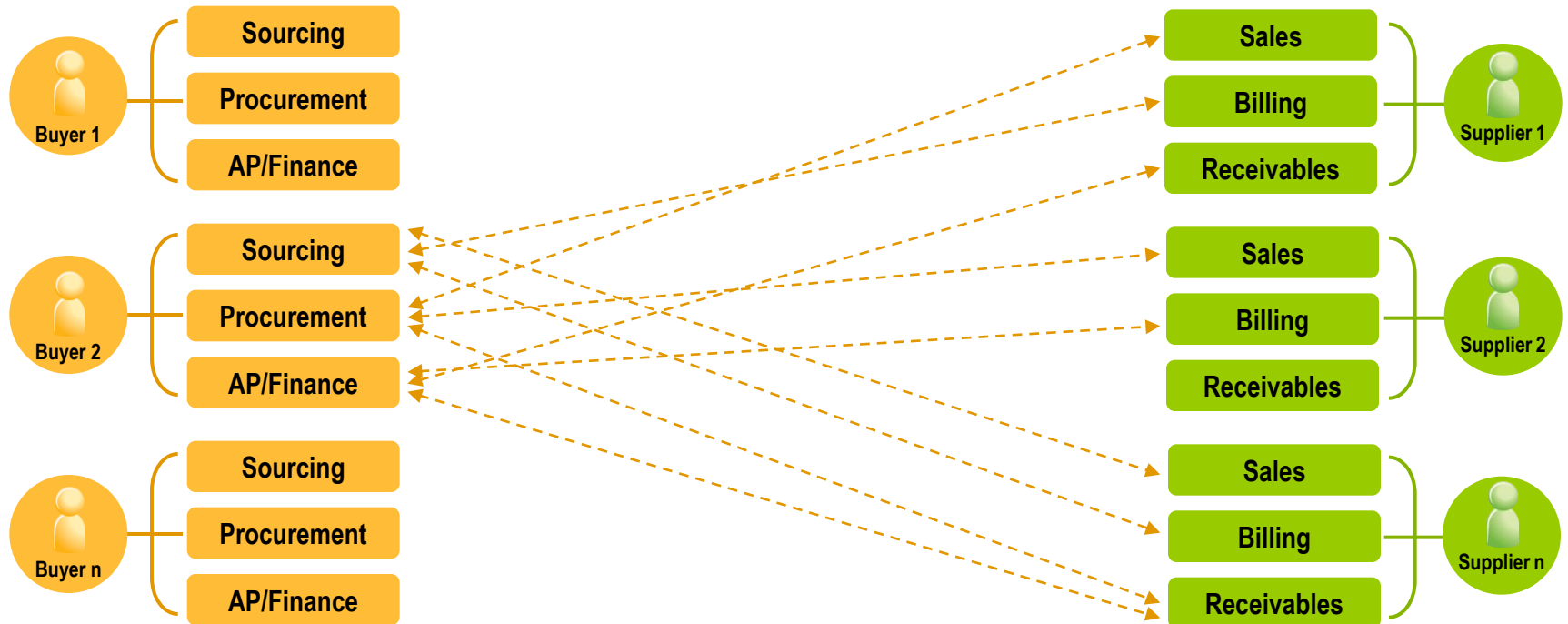
Top Automation Goals

Q: What is your top AP automation goal for 2010?

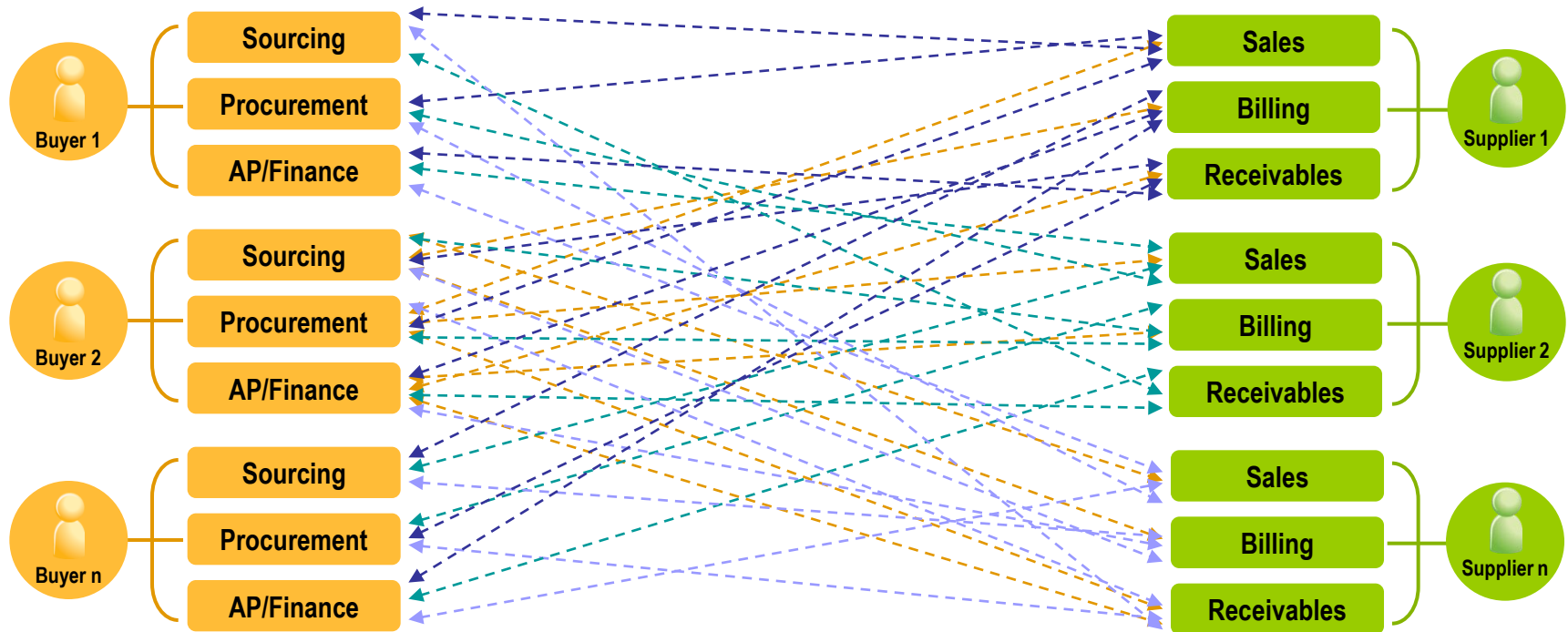


Source: Invoice Automation Benchmarking 2010

Inter-Enterprise Business Collaboration is Complex



... It Is Equally Complex From Your Supplier's Perspective



Buyer and Supplier Participation = Successful Enablement

The Solution: Ariba Network and Ariba Supplier Enablement



Ariba Supplier Enablement

- ✓ **Global Expertise**
- ✓ **Proven Methodology**
- ✓ **Leading Technology**

Ariba Supplier Enablement Framework



Supplier Analysis

- Supplier data enrichment
- Supplier matching
- Value segmentation

Buyer Tools

- Supplier onboarding framework
- Ariba services and self-service tools
- Dashboard to monitor progress

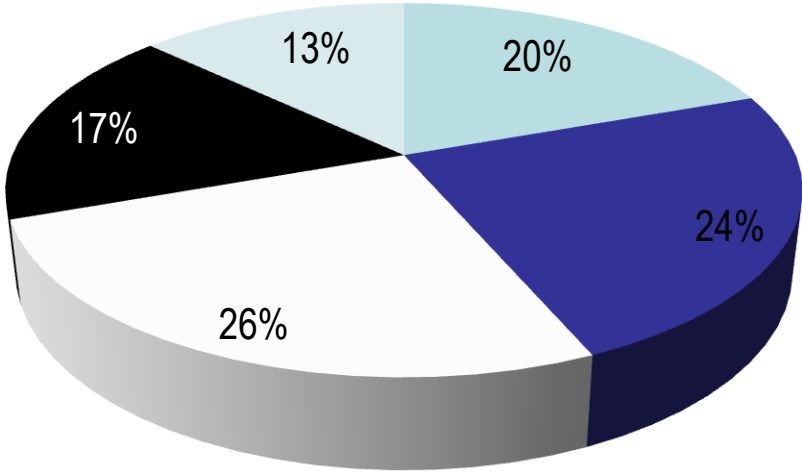
Supplier Tools

- Self-service administration
- Real-time transaction status
- Discovery for sales acceleration

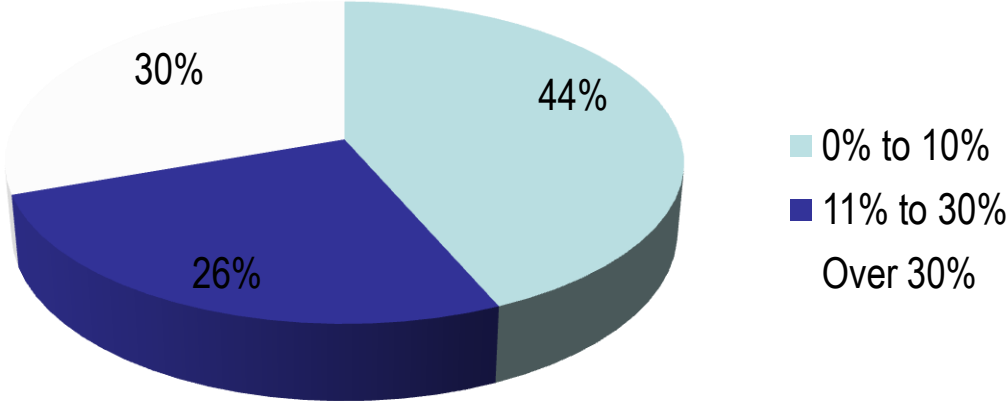


How many invoices are pure electronic today?

■ 0% ■ 1% to 10% ■ 11% to 30% ■ 31% to 60% ■ 61% or more

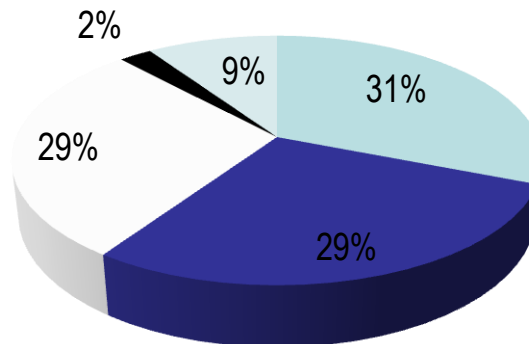


How many invoices are pure electronic today?



How important is it to maintain or extend DPO (days payable outstanding)?

- Very important - we have an active plan to see this through
- Important - this is part of a wider plan but not in top 5
There are more important objectives but this is a focus for us
- This happens by mistake rather than design
- This is not important and we are not doing this



Working Capital Challenges

Competing Objectives between Buyers and Sellers

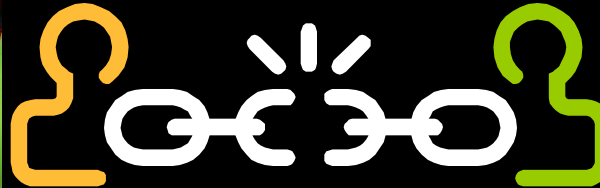
Buyers

Suppliers

**want
to hold
onto
cash**



Working Capital Tension



**want
to get
paid
fast**

Need to unlock working capital

Need to unlock working capital

Maintain or increase DPO

Maintain or decrease DSO

Need better return on cash

Need better access to cash

Need to minimize liquidity risk in supply chain

Face significant liquidity risk due to credit crunch

Challenges with Traditional Approaches

**Maximize
Return on
Corporate
Liquidity**

Money Market Funds
Commercial Paper
Fed Funds/Libor Indices

Problems

Historically Low Return
Fed Funds = 0.00 - 0.25%

**Capture
Full
Discount
Potential**

Contract Negotiations
2-Part ERP Terms
Phone Calls to Suppliers

Problems

Avg. < 10% spend
50% + Discounts Missed

**Unlock
Working
Capital
(Optimize
DPO)**

Extend DPO
Push Terms Out
Pay Suppliers Late

Problems

Introduces Liquidity Risk
Difficult to Implement

Best Capabilities for Liquidity

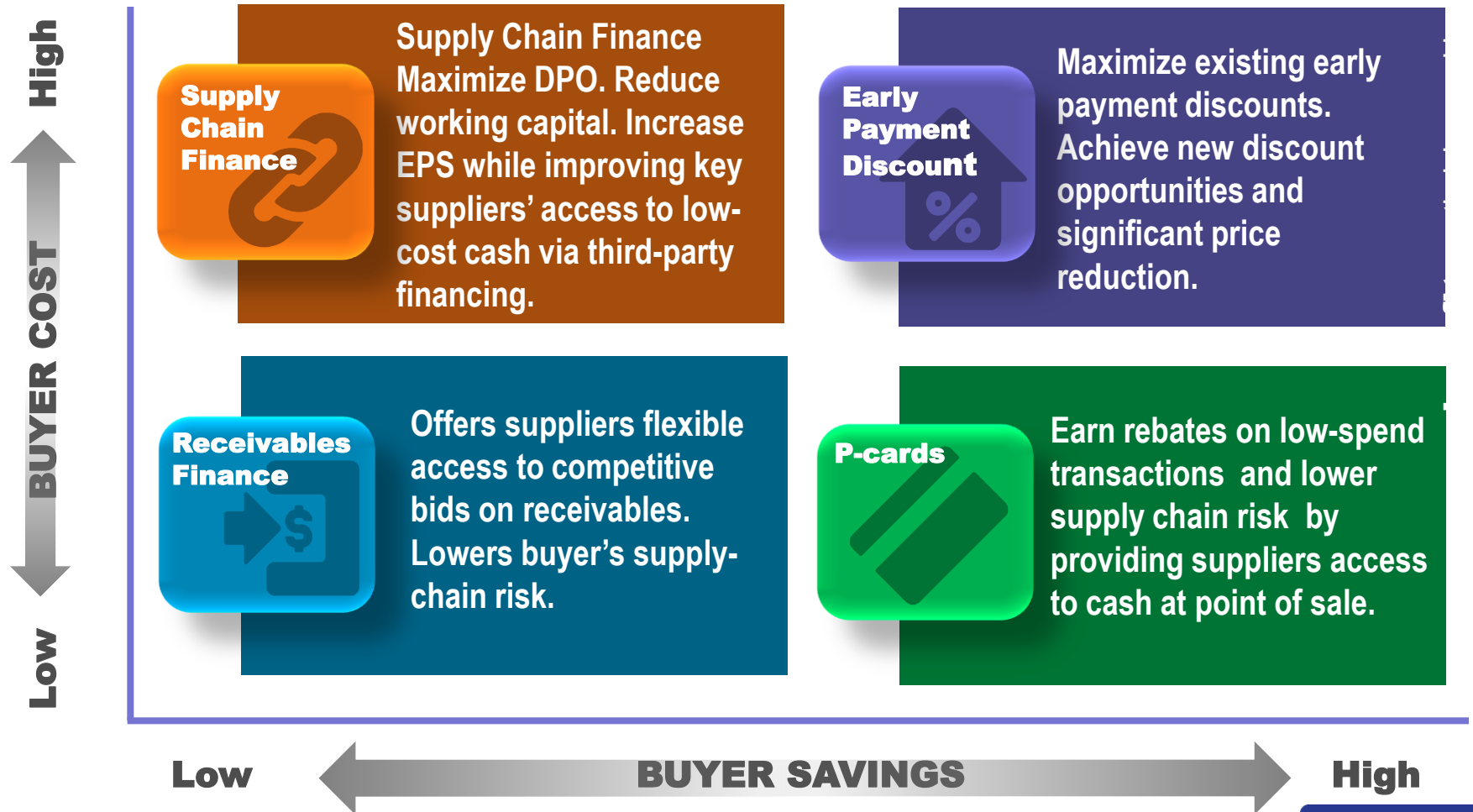


**Dennis
Sweeney**
Deputy Treasurer
General Electric

“The current situation forces us to **rethink where we get liquidity** — and it is not necessarily banks providing the **best services and technological capabilities.**”

Source: *Global Finance* Roundtable: Treasury and Cash Management, January 2009
<http://www.gfmag.com/archives/21/384-features.html>

Different Value Levers for Different Objectives



Ariba's Working Capital Solutions

Flexible suite to help you manage cash better



Payment visibility and low-cost third-party financing permits on-demand payment acceleration

Supply Chain Finance

Suppliers sell receivables in online marketplace to highest bidder and get paid faster

Receivables Finance

Expand supplier participation and leverage dynamic discounting with timing and cash use control

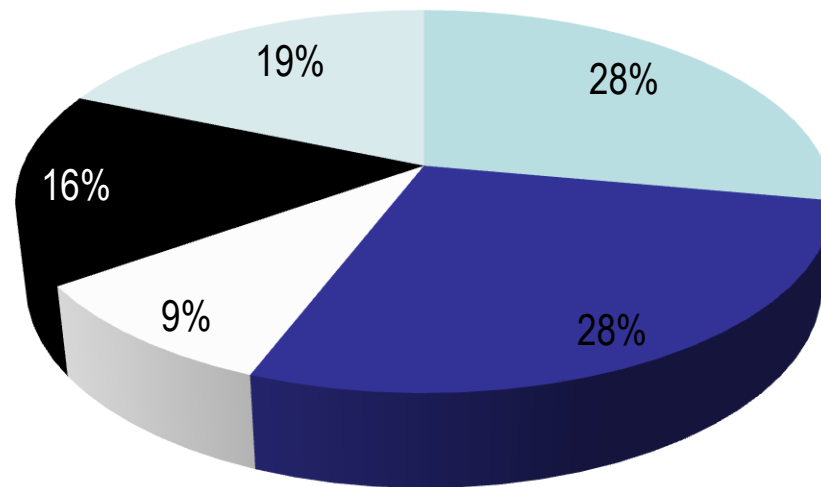
Early Payment Discount

Offer buyers payment extension and rebates while suppliers get paid faster

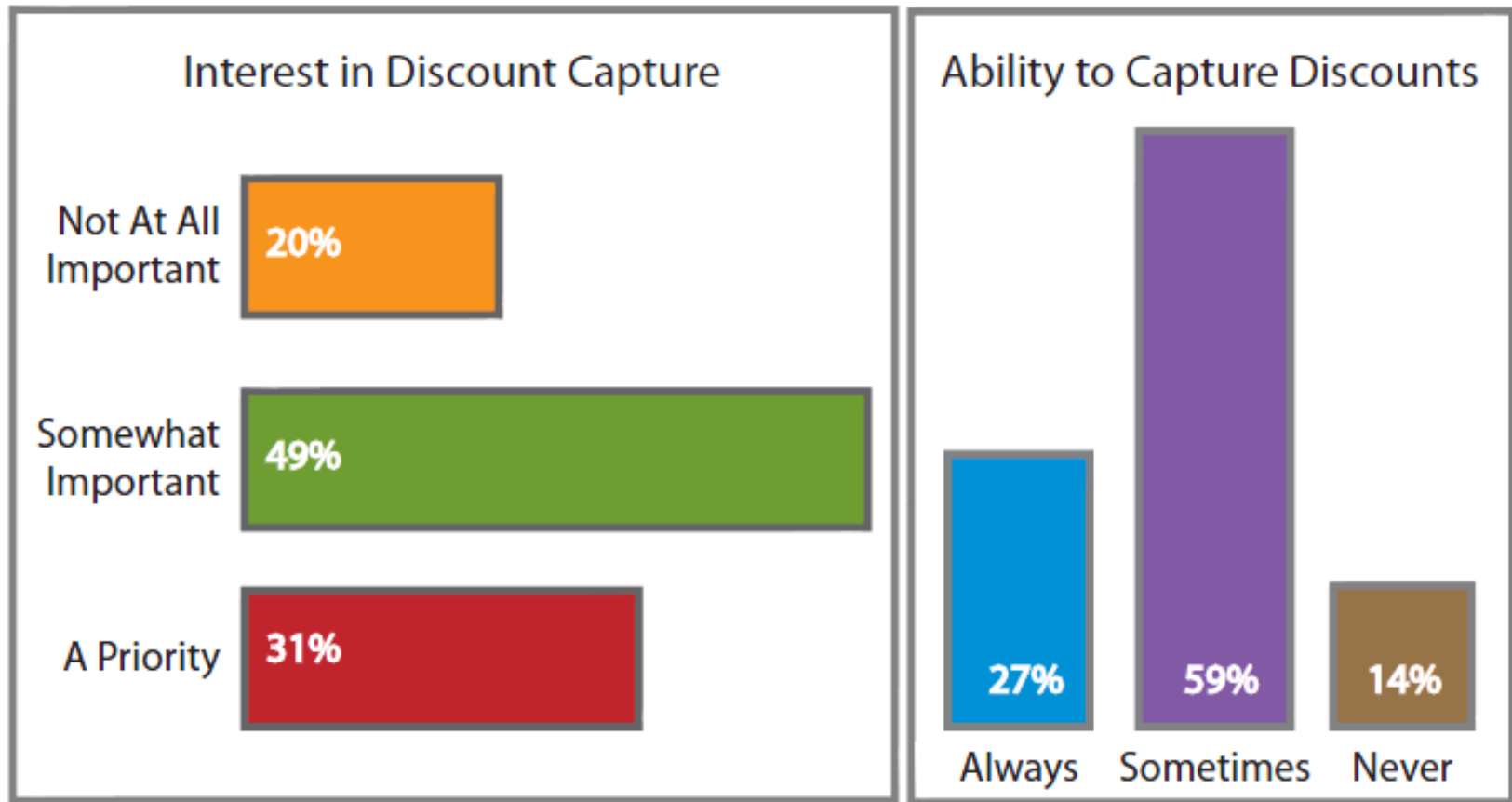
P-cards

What % of available discounts do you capture?

■ 0% ■ 1% to 25% ■ 26% to 50% ■ 51% to 75% ■ 76% to 100%



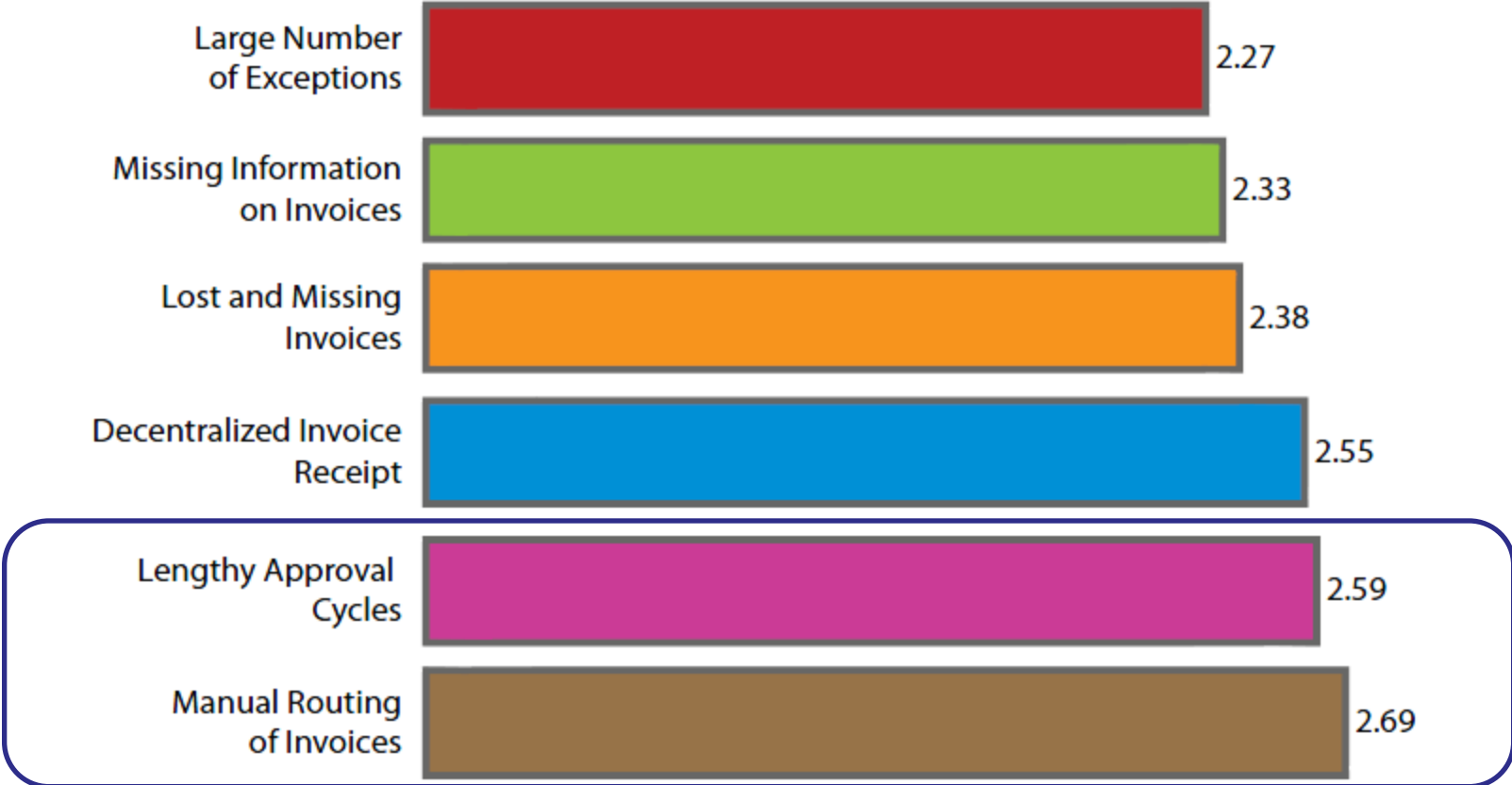
Interest and Ability to Capture Discounts



Source: Electronic Invoicing Benchmarking 2010

Reasons for Missed Discounts

Q: On a scale of 1 to 5, where 1 is the lowest and 5 the highest, rank the reasons for your organization's late payments and missed discounts.



Source: Electronic Invoicing Benchmarking 2010



While average
companies



miss 70%

of their
prenegotiated
discount savings...

**Ariba
Network**

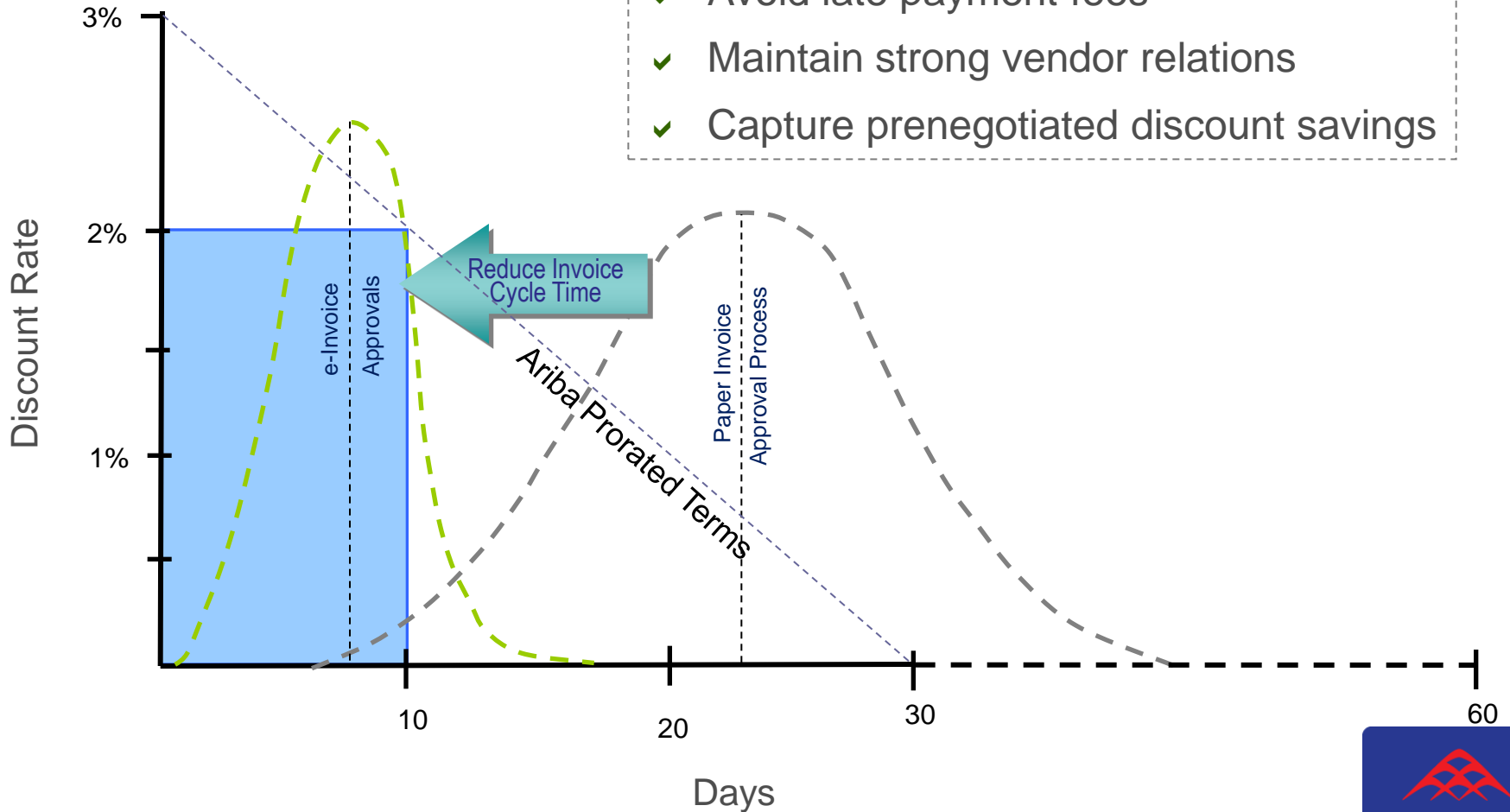


companies
capture virtually
100% of theirs!!

Invoice Approval Efficiency = Discount Capture Success

Reduce your invoice approval cycle and

- ✓ Avoid late payment fees
- ✓ Maintain strong vendor relations
- ✓ Capture prenegotiated discount savings



Discount Success Snapshot: *Retail*



Customer Profile - Sports Equipment Manufacturer with both captive and channel retail outlets

\$600 Million in retail services spend identified for automation and discounts (~260 suppliers)

Procurement owned initiative so procurement reaps the discount savings benefit

Customer Challenges and Ariba Solutions

- ✗ Missed 70% of pre-negotiated early payment discount opportunities
- ✗ Small % of suppliers participating in early payment discounts
- ✗ No opportunity for discount after initial discount due date

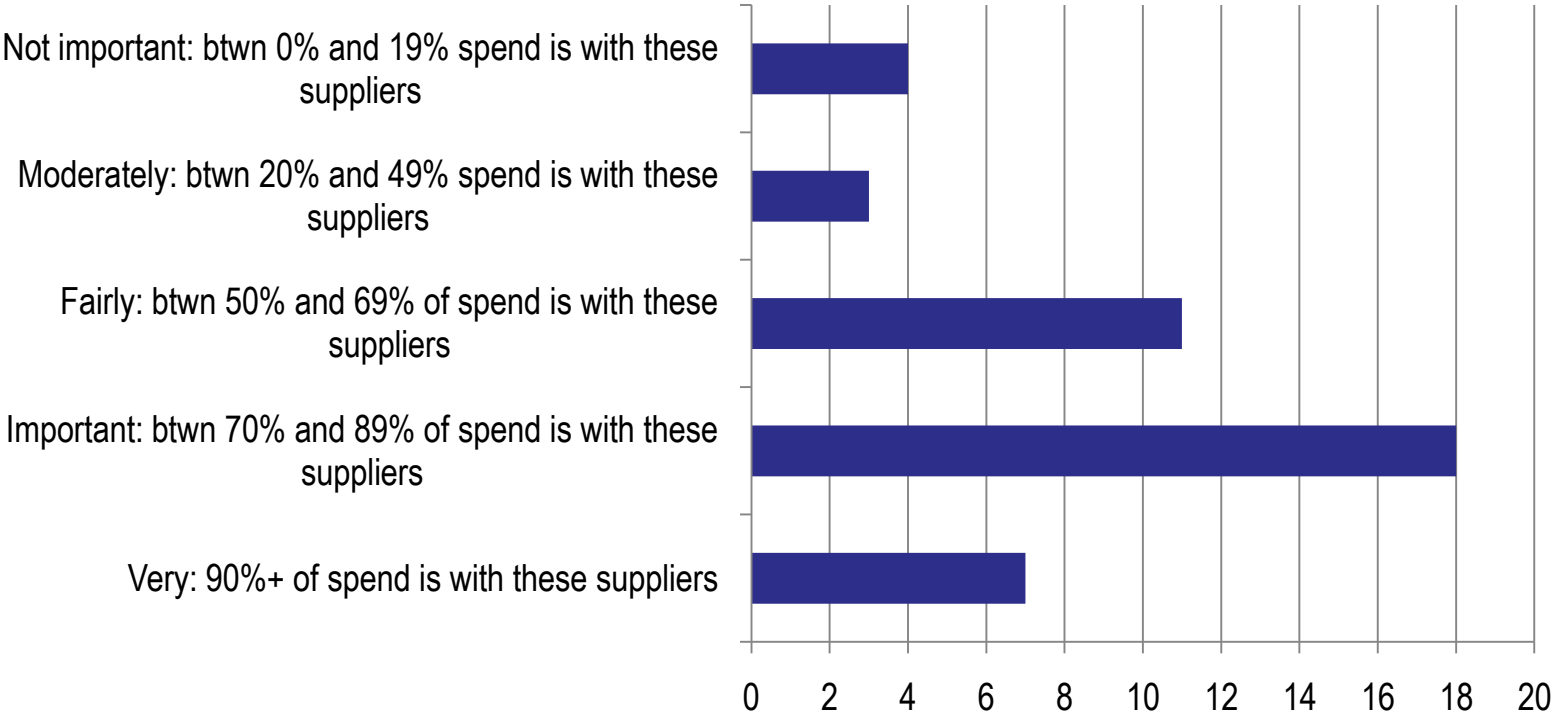
- ➔ **Deployed *Ariba Invoice Automation* and *Ariba Discount Professional***
- ➔ **Utilized *Ariba Supplier Enablement Services* to target discount adoption**
- ➔ **Leverage Ariba's pro-rated, sliding scale terms to maximize discount capture**

Benefits

90% of early payment discounts captured	20% increase in supplier participation of early payment discount program
24% APR on cash used to fund discounted program	\$1 Million in annual savings attributed to discount program

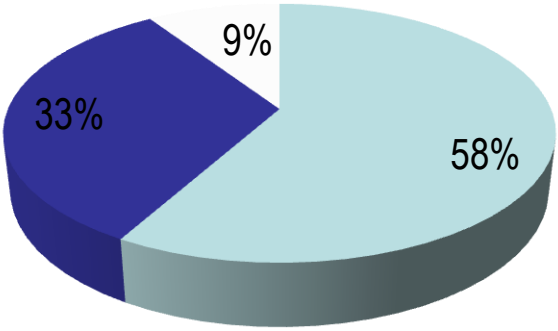


How important is it to buy from preferred/contracted suppliers only?



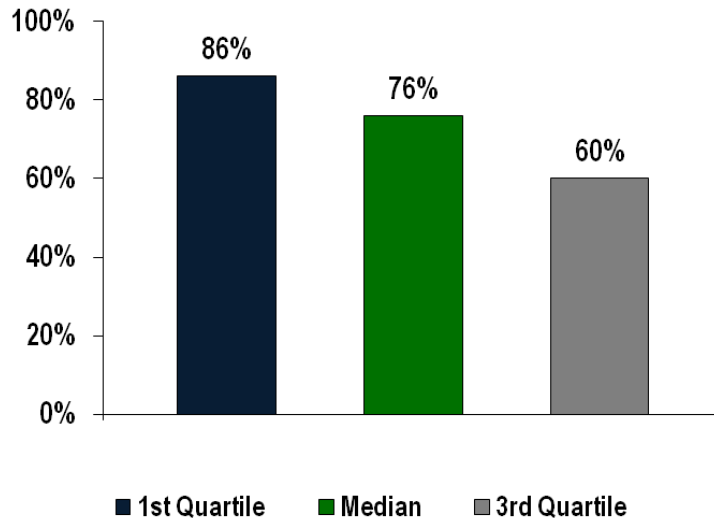
How important is it to buy from preferred/contracted suppliers only?

- Important and Very Important: 70% + of spend is with these suppliers
- Fairly/Moderately Important: btwn 20% and 69% of spend is with these suppliers
- Not important: btwn 0% and 19% spend is with these suppliers

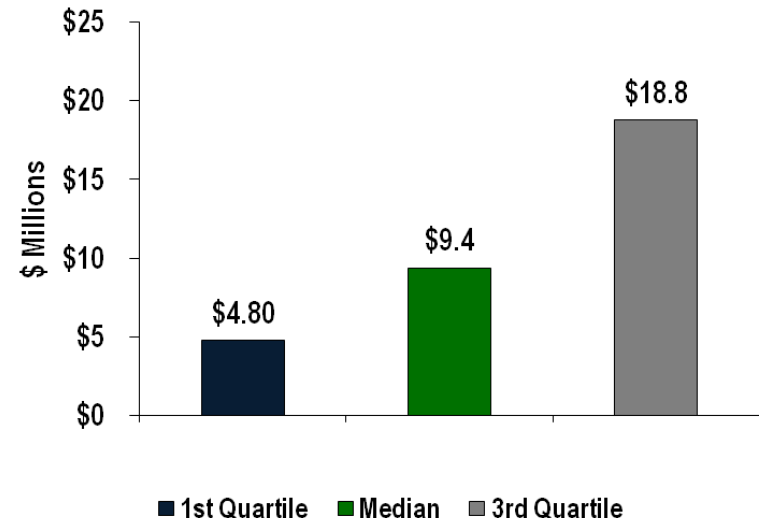


Process Efficiency Drives Contract Compliance in the P2P Process

Compliance to Indirect Preferred Supplier Contract



Lost Savings per \$ Billion of Indirect Spend due to Contract Non-Compliance



Increasing compliance rates by 10% can drive over **\$9 million in value** per \$ billion in spend

Source: Hackett Group Contract Management Survey, 2009



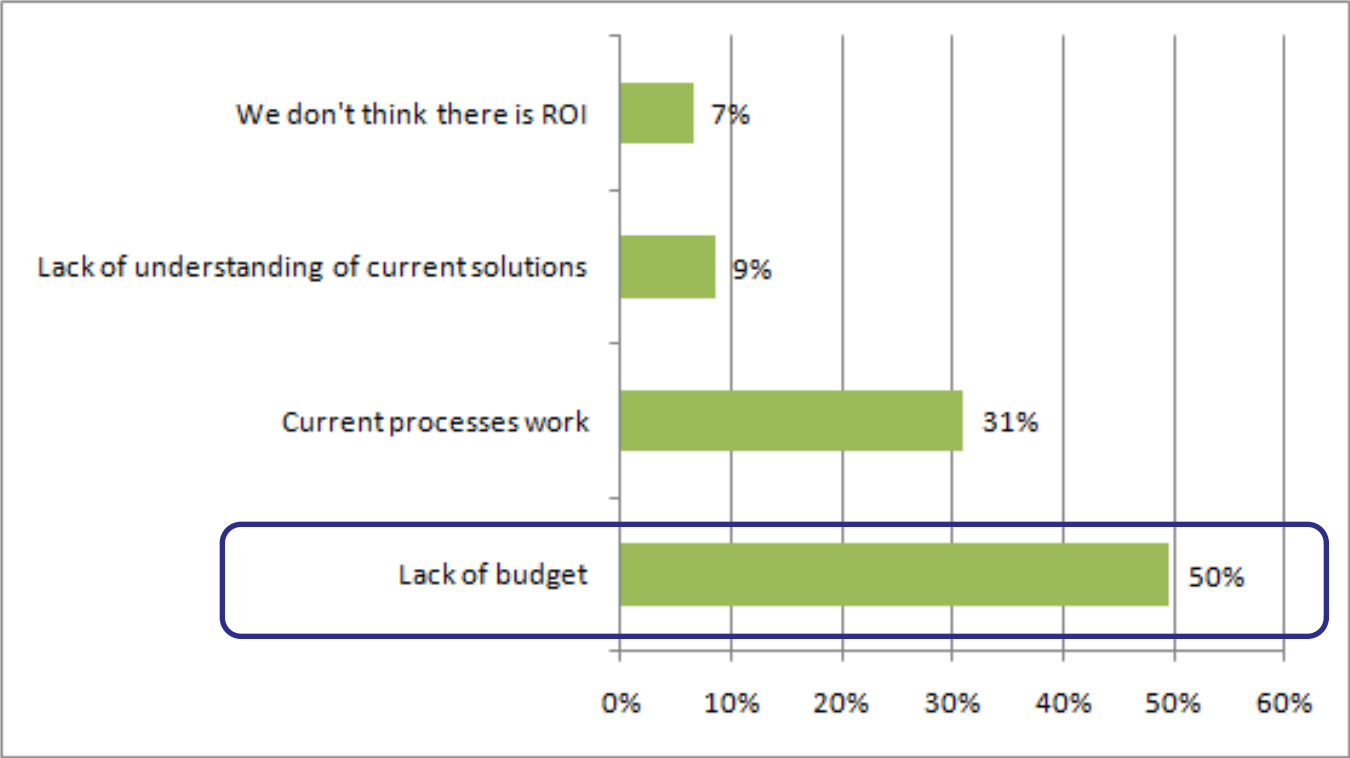
Ariba Collaborative Finance Management Solutions

Manage Invoices Better

Manage Cash Better

Barriers to Invoice Automation

Q: What is the reason your organization has not implemented an invoice automation solution?



Source: Invoice Automation Benchmarking 2010



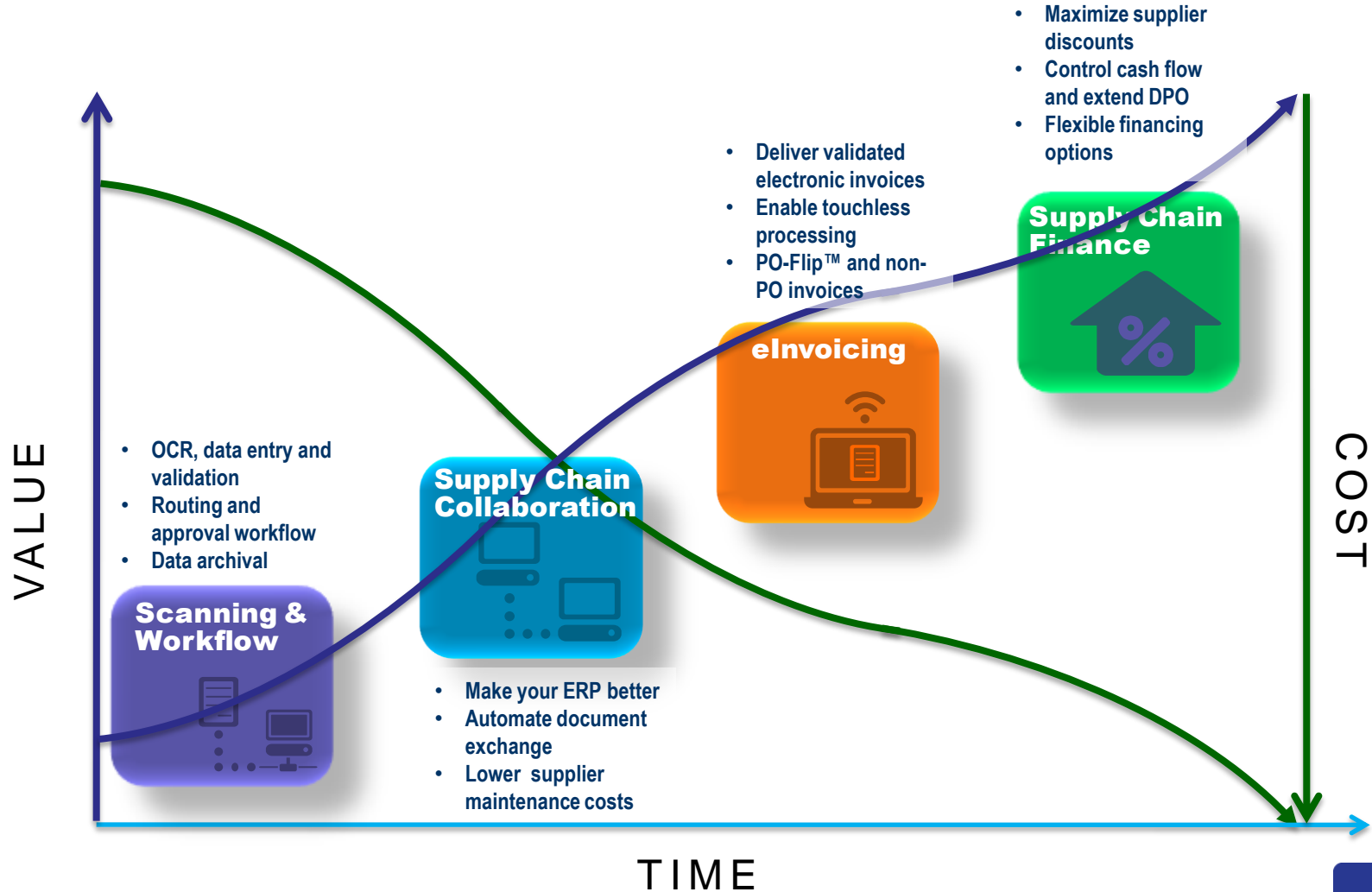
Business Case Potential

\$10 Million in savings for every \$1 Billion in Spend

CHALLENGE	SAVINGS OPPORTUNITY
E-Invoicing	<p>“ 70% Cost Take Out ”</p> <p>70% of FTE cost take out as a result of process automation and paper elimination</p>
Working Capital	<p>“ 40-for-15 ”</p> <p>\$40 Million in working capital impact for 15 days of payables extension (DPO) on every \$1 Billion in spend</p>
Discounts	<p>“ 2-for-1 ”</p> <p>\$2 Million in discount savings for every \$1 Billion in discountable spend</p>
Compliance	<p>“ 9-for-1 ”</p> <p>\$9 Million in contract leakage savings for every \$1 Billion in spend under contract</p>

Source: AP Performance Study, The Hackett Group, 2010

How Can Ariba Help You?



Supplier Participation is Key to Successful Automation Initiatives

Value Drives Supplier Participation

KEY FINDINGS*

Suppliers value:

- ▶ Customer Satisfaction
- ▶ Improved visibility and collaboration
- ▶ Top-line benefits

*SOURCE: Ariba survey of 582 suppliers; 50% Ariba and 50% non-Ariba suppliers

Top Reasons Suppliers Participate*

Increased customer satisfaction

Increased visibility via collaboration

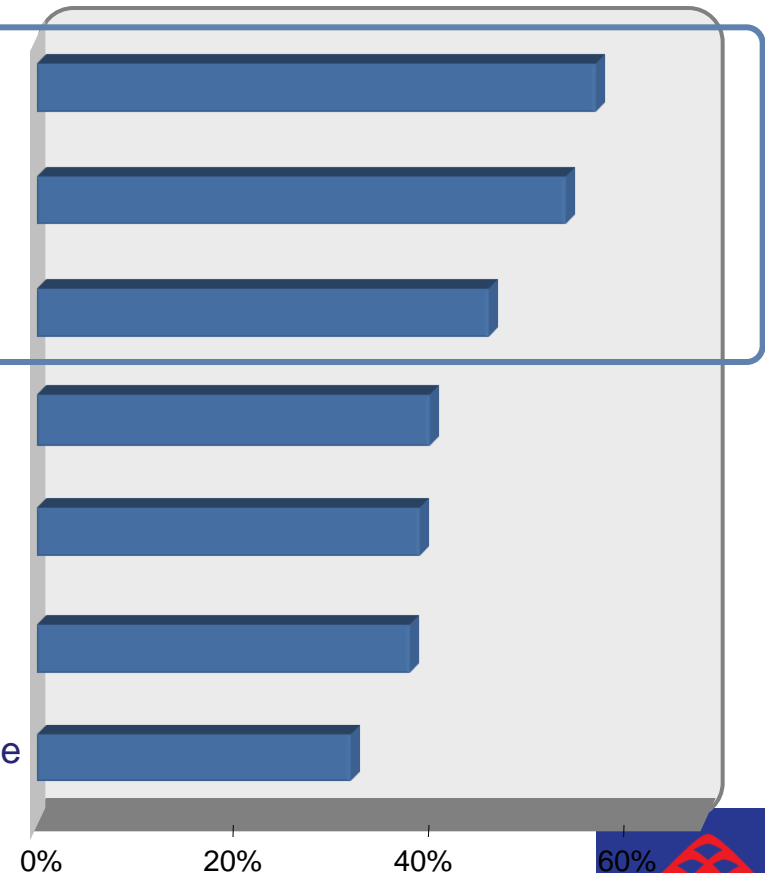
Increased revenues

Decreased costs

Improved product / service quality

Accelerated cash flows

Competitive response



Proven Success

TOUCHLESS PROCESSING

ExxonMobil

- Over 1,000 global suppliers enabled
- From 80% to 96% touchless
- 96% on-time payment w/ e-Invoices
- On-time payments from 50% to 85%

EXCEPTION AVOIDANCE

AstraZeneca



- Replaced pay upon receipt with invoice automation
- Increased on-time payment by over 20% resulting in increased DPO

GLOBAL COMPLIANCE

CATERPILLAR®

- 75% reduction in A/P cost
- 90% of global invoicing thru Ariba including suppliers from China
- Touchless e-Invoicing

Q&A

Take Action

- Get copy of slides – send Email request to webinarseries@ariba.com
- Join the *Collaborative Finance* conversation at Ariba Exchange <http://exchange.ariba.com>
- Register for free *Best-Practice Webinar Series* at www.ariba.com/programs/invoicenow – *get CPE credits from IAPP*
- Contact speaker

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**How ITV is
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Webinar

**The secrets to
building a
successful
purchasing card
program**

21st October 2010

11:00 PDT / 13:00 CDT / 14:00 EDT

Webinar

How
GlaxoSmithKline
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enhanced e-invoicing
services to increase
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26th October 2010

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