

The Internal Customer Experience in Purchase-to-Pay

by The Hackett Group



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The Internal Customer Experience in Purchase-to-Pay

By Amy Fong and Laura Gibbons

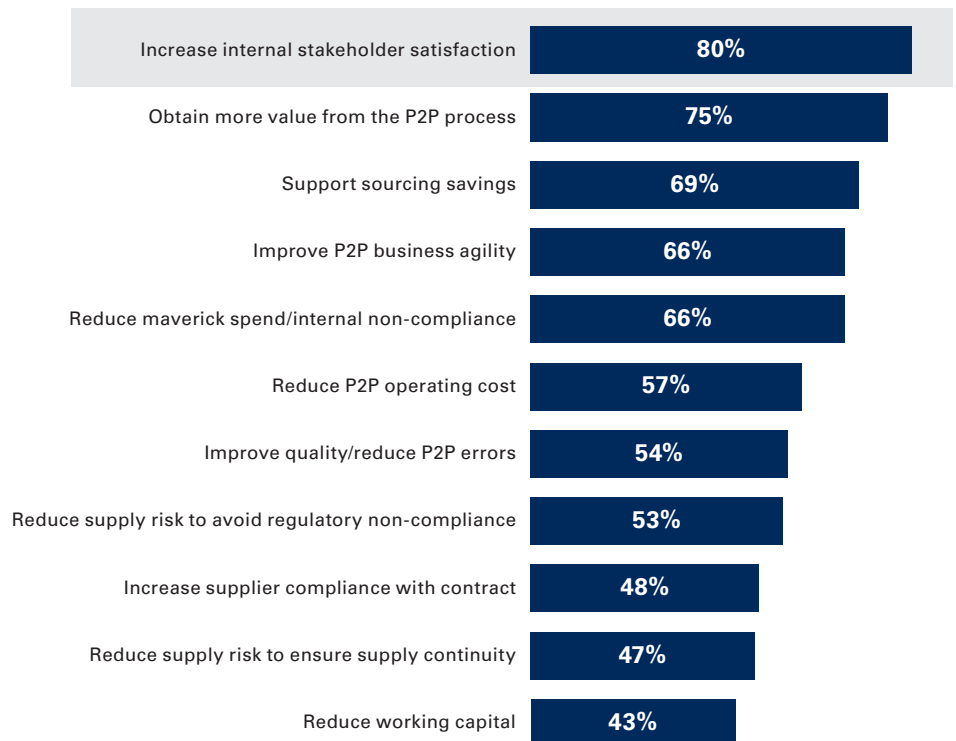
Executive Summary

According to The Hackett Group's 2016 Purchase-to-Pay Key Issues Poll, 80% of purchase-to-pay organizations rate increasing internal stakeholder satisfaction a top priority. The CEO and board, corporate risk management and the finance organization are all advocates of this change in direction. While purchase-to-pay organizations understand the need for internal customer-centricity, the path to get there remains unclear for some. Only 23% tie goals and metrics to internal stakeholder satisfaction, a key component in improving the customer experience. To resolve this, the next generation of purchase-to-pay organizations will require a new type of talent, one that is comfortable with technology, able to speak the language of the customer, and knowledgeable enough to navigate complex organizations in order to meet the needs of internal customers.

The Shift to Internal Customer Satisfaction

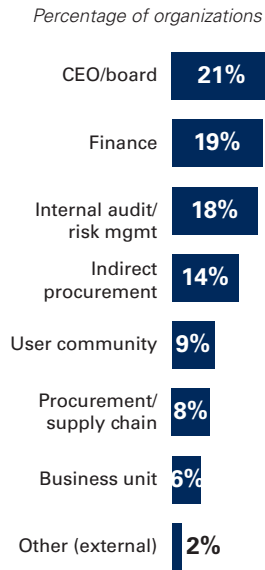
In the last several years, purchase-to-pay leaders have been pressed to provide greater value to their stakeholders. At the same time, pressure from executives and the need to attract and retain millennial talent have prompted a reordering of priorities. According to the findings of The Hackett Group's 2016 Purchase-to-Pay Key Issues Poll, top objectives now include stakeholder satisfaction and process quality (Fig. 1).

FIG. 1 Top objectives of purchase-to-pay organizations



Source: Purchase-to-Pay Key Issues Poll and P2P Pre-Forum Survey, The Hackett Group, 2016

FIG. 2 Common stakeholders driving the focus on strategic outcomes



Source: Purchase-to-Pay Key Issues Poll, The Hackett Group, 2016

Survey respondents indicate that a number of activities related to serving internal customers are undersupported.

There is no single category of stakeholders leading the push for purchasing and payment activity to become more efficient and effortless. In fact, the emphasis on strategic behavior is not limited to purchase-to-pay; the CEO, board, finance group and corporate risk management are all advocates of the change in direction (Fig. 2).

Reinventing the Internal Customer Experience

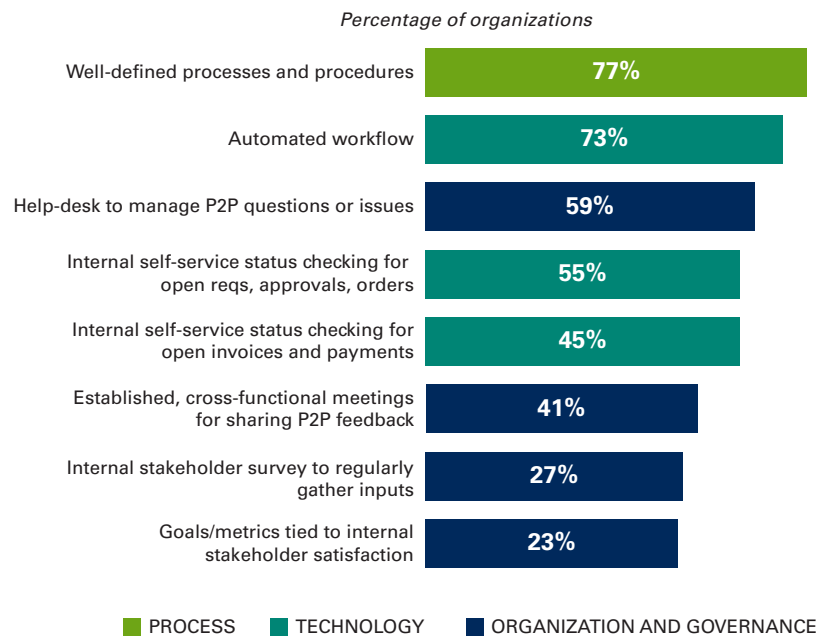
Being focused on internal customers in purchase-to-pay means adopting a “stakeholder first” mindset. While purchase-to-pay organizations understand the need for internal customer-centricity, the path to get there remains unclear for some. Successful organizations are centered on:

- Aligning scorecards and SLAs with stakeholder success metrics.
- Enabling requestor independence via self-service.
- Streamlining and simplifying the buying experience.
- Providing an omnichannel, personalized stakeholder experience.
- Increasing responsiveness and agility based on internal customer needs and honing customer-facing skills.

Aligning scorecards and SLAs with stakeholder success metrics

Survey respondents indicate that a number of activities related to serving internal customers are undersupported (Fig. 3). Scorecards and SLAs are the least adopted activity, with only 23% tying goals and metrics to internal stakeholder satisfaction. Despite higher adoption levels for process and technology-focused activities, organization and governance initiatives are less common.

FIG. 3 Adoption of activities designed to support internal customers



Source: Purchase-to-Pay Key Issues Poll, The Hackett Group, 2016

Beyond defining and setting goals and metrics, organizations need to broaden their view to become more customer-centric. For example, they must understand what data is important to internal customers and be able to provide it on demand.

Characteristics of an internal customer-centric purchase-to-pay process

- Procurement reviews customers' annual goals and plans.
- An explicit internal customer management role is designed and performed.
- Procurement and the business participate in each other's strategic planning processes to improve alignment and maximize opportunities to add value.
- Procurement's operating and service delivery models are continually refined to meet the changing needs of the business and ensure appropriate capabilities are in place.
- Procurement works with the business to find the best model for combining customer and commercial knowledge. This could involve hiring someone from the business to work in procurement in core spend areas or using outside experts for non-core, niche categories.
- Procurement acts as a service provider within a larger service delivery strategy.

Enabling buyer independence via self-service

Setting up a self-service portal (Fig. 4) is an important step in simplifying the buying process and providing buyers with the ability to manage their own data, document uploads, etc. Utilizing web-based self-service to collaborate with internal customers has several notable benefits, including:

- Fewer paper invoices.
- Buyer access to information outside of regular business hours.
- Lower overall document processing costs.
- Less time spent responding to inquiries.

FIG. 4 Components of a web-based self-service portal for internal customers



Source: The Hackett Group

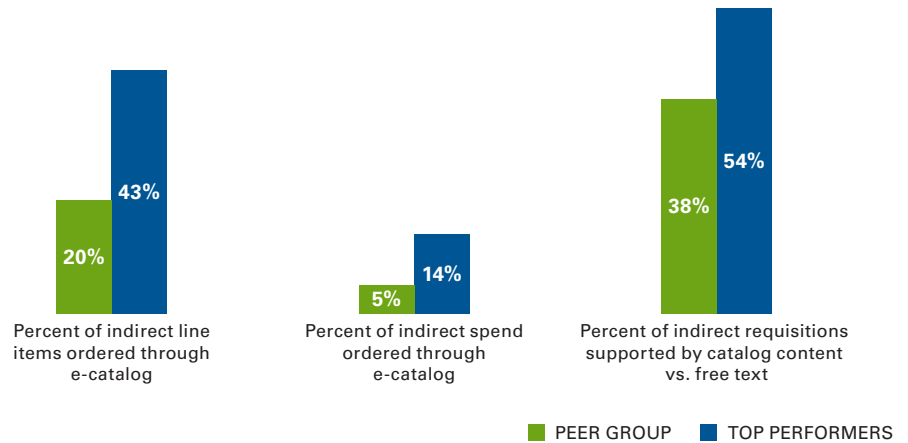
Simplify the buying process

Eighty-six percent of top performers rate themselves as “mostly” or “very” effective at driving requisitioners to preferred buy/pay channels with the right supplier/right price/right buy method, as opposed to only 60% of the peer group. Guided buying streamlines the process by allowing requests for goods and services to be made via predefined self-service buying channels. Automation is used to trigger appropriate approver and procurement intervention to make the process quick, easy and efficient. Guided buying requires the following actions:

1. Enable self-service buying.
 - a. Predefined channels that allow the requisitioner to buy directly.
 - b. Comprehensive company “marketplace” to guide the buying experience.
 - c. Technology-enabled buying capabilities.
2. Deploy easy-to-use tools.
 - a. Single point of entry to initiate self-managed requisitioning.
 - b. Standard, common shopping-cart experience.
 - c. Decision-support tools that guide buying requirements by spend type.
3. Build a base of suppliers.
 - a. Predefined trusted suppliers for recurring purchases of goods and services.
 - b. Automated selection of the right suppliers.
 - c. Compliant buying enabled and negotiated savings realized.
4. Provide professional buyer help when needed.
 - a. Easy link to professional buyer via company buying desk.
 - b. Automated assistance based on system-managed buying rules.
 - c. Automated compliance triggers to help buyer make the correct choice.

Electronic catalogs are a widely used tool to enable guided buying, specifically for their self-service and ease of use. They provide the necessary details of purchase offerings, including part numbers, prices, delivery times and descriptions. Offering a comprehensive list of products in one automated online marketplace reduces opportunities for mistakes while simplifying the process for buyers. Top performers order 43% of indirect line items through e-catalogs, compared to 20% of the peer group (Fig. 5). While there is a significant gap between both comparison groups, even top performers have room to improve.

FIG. 5 Use of catalog buying to guide requisitioners to preferred suppliers and pricing



Source: Purchase-to-Pay Key Issues Poll, The Hackett Group, 2016

Buyers should have the same flexibility as they would in a typical online shopping experience. A prominent, Google-style search bar should be available to let users make queries based on relevance, cost and buying history. They should also be able to access items based on a menu of categories and subcategories that match company spend classifications.

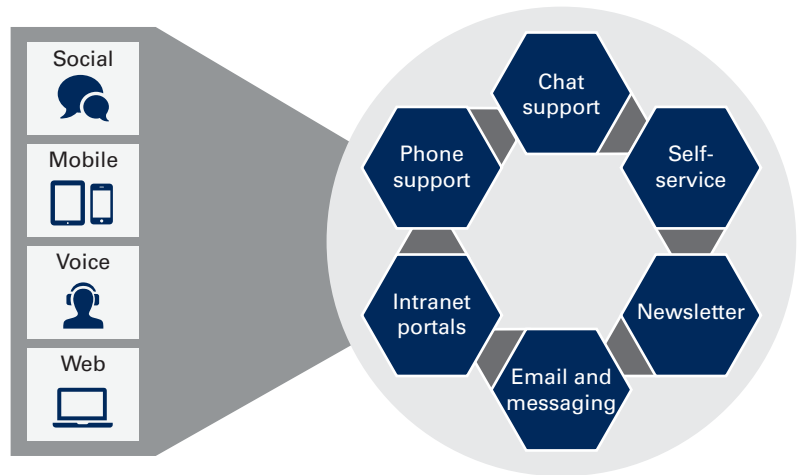
Providing an omnichannel, personalized stakeholder experience

As management of tail-spend changes, the role of the buyer will evolve into a new model in which requisitioners have access to self-service purchasing for the majority of routine sourced spend. For example, senior buyers executing spot buys or tactical sourcing events will be able to use e-sourcing tools and marketplaces like Amazon Business and eBay, taking advantage of the benefits of e-catalogs. Forward-looking organizations have made spot-buying tools available to the general population for certain unsourced categories, giving requisitioners the tools and information to make self-service purchasing decisions. In contrast, a high-touch, concierge-level help desk should still be available for limited categories and internal customers requiring high levels of service.

An omnichannel, personalized stakeholder experience (Fig. 6) provides a variety of service options around the clock so internal customers can buy or pay for goods and services from any location. Additionally, they have access to real-time information and can easily check the status of all procurement requests and transactions. An intelligent purchasing process that knows who users are, their location, and their role simplifies the buying experience for all.

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FIG. 6 Creating an omnichannel and personalized stakeholder experience

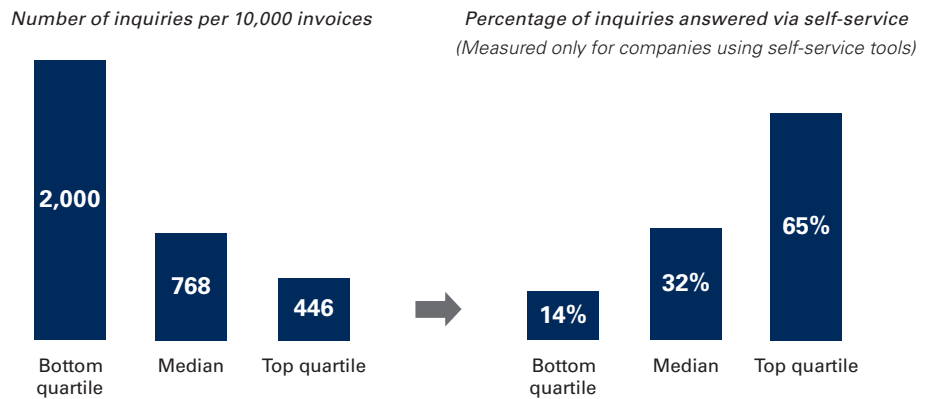


Source: The Hackett Group

Increasing responsiveness and agility based on internal customer needs and honing customer-facing skills

The average accounts payable organization handles 768 inquiries per 10,000 invoices. However, only a third of these are supported by self-service today (Fig. 7).

FIG. 7 Self-service inquiries



Source Purchase-to-Pay Key Issues Poll, The Hackett Group, 2016

The goal should be reducing the volume and effort required to handle inquiries by:

1. Improving process quality.
 - a. PO processing, receipting and approval, supplier master data, supplier training during onboarding.
 - b. Purchase-to-pay enabling technology (e.g., e-invoicing, workflow and self-service).
 - c. Policies and procedures.
2. Improving quality of inquiry communication.
 - a. Self-service access to information such as transaction status.
 - b. Training and rules of engagement for inquiry responses.
 - c. Self-help guides and resources.

Next Steps

The next generation of purchase-to-pay organizations will require a new type of talent, one that is comfortable with technology, able to speak the language of the customer, and knowledgeable enough to navigate complex organizations in order to meet the preferences of its internal customers. Purchase-to-pay staff will need to ensure that clients are satisfied, while also guiding them toward better performance. Here are four steps for getting started:

- 1. Identify the key stakeholders for every high-value activity and ensure a purchase-to-pay team member is assigned to each.** Determine the best cadence for interaction with individual stakeholders.
- 2. Define a customer-centric mission for the purchase-to-pay organization that focuses on high-value/high-return activities.** Obtain team acceptance of this mission statement and associated initiatives.
- 3. Take steps to “market” purchase-to-pay’s new mission and value proposition through internal communication channels.** The message should clearly articulate the focus on internal customers.
- 4. Use data to understand and anticipate requisitioner needs** to design an easy-to-use purchase-to-pay process and equally simple inquiry resolution process.

About the Advisors

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Ms. Fong has 20 years of experience in industry and consulting with a focus on procurement, supply chain and organizational effectiveness. She helps business leaders improve source-to-pay processes, manage complex supply chain partnerships and mature their organization's service delivery model. She also performs primary research in source-to-pay and operations and is the author of a number of publications on these and other topics.

Laura Gibbons

Research Director, Procurement Executive Advisory Program



Ms. Gibbons has industry and consulting experience in areas such as purchase-to-pay, strategic sourcing, payment strategies, manufacturing operations, economic impact analysis, and organizational and process design. She previously worked in The Hackett Group's Strategy & Operations consulting practice, where she specialized in sourcing, procurement and supply chain. Before joining The Hackett Group, Ms. Gibbons served as Strategy & Operations Associate at Groupon.

About The Hackett Group

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The Hackett Group has completed more than 13,000 benchmarking studies with major corporations and government agencies, including 93% of the Dow Jones Industrials, 87% of the Fortune 100, 87% of the DAX 30 and 58% of the FTSE 100. These studies drive its Best Practice Intelligence Center™ which includes the firm's benchmarking metrics, best practices repository and best practice configuration guides and process flows, which enable The Hackett Group's clients and partners to achieve world-class performance.



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