SAP Ariba ⋀

Transform Procurement with SAP S/4HANA® and SAP® Ariba® Solutions

SAP Run Simple

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Trends in Procurement

SAP embraces digital transformation with SAP S/4HANA® as the digital core and supplier collaboration, guided buying, and collaborative sourcing enabled by SAP® Ariba® solutions. Today, many SAP customers running solutions such as the SAP Supplier Relationship Management application want to understand which solution set SAP recommends to address their new challenges. This paper targets our enterprise customers and provides an overview of how they can transform their procurement functions to **stay relevant and focus on the value for the business**.

The procurement function goes through constant change as chief procurement officers (CPOs) continue to deliver bottom-line savings – while increasingly focusing on value creation for the company. CPOs need to work with their teams to respond to the following key trends that disrupt the way they currently run the procurement function:

- **Hyperconnectivity:** Every supplier, consumer, and machine is connected, disrupting established business channels, processes, and relationships. Users, procurement teams, and suppliers expect natural in-context collaboration to solve problems fast and accelerate procurement processes.
- **Big Data:** The limits of twentieth-century computing power are gone. Smart analytics powered by in-memory computing allow for the creation of new business opportunities previously unimaginable.
- **Cloud computing:** Barriers to entry have been eliminated as technology and software infrastructure can now be leased. Project timelines are shortened dramatically, and customer relationships are becoming increasingly direct. In addition, cloud solutions provide customers with instant access to solution innovations and new technologies. For procurement business processes, cloud offers richer collaboration with suppliers, access to marketplace, and supplier-managed content from vetted suppliers.
- **User experience:** Superior consumer-grade user experiences and easy data access across all devices are mandatory for both professional and casual users.

KEY VALUE DRIVERS

Most of the CPOs we speak with have already achieved a high degree of spend under management. Today, they are focusing on two main areas:
- **Providing more value to the business** – engaging with business stakeholders on topics such as evolving from selling products to delivering solutions and services
- **Becoming a strategic advisor** – monitoring market innovations and connecting innovative new suppliers with engineering to leverage the latest technologies

For more than 40 years, SAP has been working closely with CPOs and CFOs. This way, we deliver best-practice processes and software solutions that allow procurement and finance to continuously improve their value contribution to the company and help drive bottom-line impact.
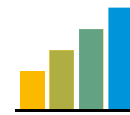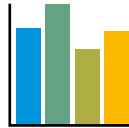
Today, the following solutions are widely deployed and support the procurement functions of our customers:
- SAP ERP application, the materials management component
- SAP Suppler Relationship Management (SAP SRM) application
- SAP Contract Lifecycle Management (SAP CLM) application
- SAP Supplier Lifecycle Management application
- SAP Sourcing application
- Business intelligence offerings
- SAP S/4HANA Sourcing and Procurement solution
- SAP Ariba® cloud-based solutions such as:
  – SAP Ariba Buying
  – SAP Ariba Invoice Management
  – SAP Ariba Sourcing
  – SAP Ariba Contracts
  – SAP Ariba Spend Analysis
  – SAP Ariba Payables
  – Ariba Network

CAPTURING PROCUREMENT VALUE

The business cases that procurement builds around IT projects are usually centered on the same key value drivers that have been used over the past 10 to 15 years. These are the same ones that drove many companies to choose SAP as their strategic partner to deliver procurement solutions, such as those listed above. What has changed, however, are the practices that CPOs are implementing to capture value, as shown in this table.
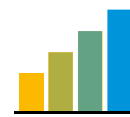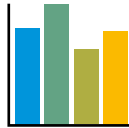
Value Driver	Value Capture – Today	Value Capture – In the Future
Costs of the procurement function	Ownership of operative, tactical, and strategic tasks by procurement to drive savings	• Operational tasks automated to run electronically • Fewer, more-experienced employees in procurement who are focused on value creation and strategic activities
Spend under management	Rollout of catalogs to address indirect spend	• Functional buyers supported through a guided buying experience, such as for facilities and marketing • In-context collaboration, preferred suppliers, and in-context transparency on policies and approvals
Maverick spend	Mandated use of system, high-category coverage with prenegotiated catalogs, and free-text POs	• Marketplace capabilities that take sourcing and procurement team involvement out of the equation for select categories while offering low prices through economies of scale in the network
Percentage of electronic invoices	Supplier portals for purchase orders and invoices	• Business networks enabling collaboration with an ecosystem of trading partners • Fully automated, end-to-end processes
Discount capture rate	Scanning solutions followed by electronic approval workflows	• Touchless e-invoicing that provides immediate visibility • Increase in payment terms with supply chain financing or dynamic discounting
Number of invoices per accounts payable employee or full-time equivalent (FTE)	Processing of all invoices	• Perfect purchase order • Electronic processing of invoices, which occurs after rules-engine validation

Procurement is becoming more actively involved in the core business of the company and working more closely with plant managers, heads of supply chain, and other business stakeholders. And leading CPOs will soon look at measuring their impact with a new set of key performance indicators (KPIs). CPOs should choose or complement their existing procurement platforms based on a product's ability to support them in achieving these new KPIs.

Value Driver	Value Capture – Today	Value Capture – In the Future
Cost of managing vendor master	Administration through workflow-based processes and controls	• Bringing vendor master management to the cloud and enabling supplier self-service updates of their information on Ariba Network • Actively managing supplier lifecycles enterprise-wide across categories, regions, and business units
New product lead time	Minor or no supplier innovation triggered by procurement	• Fostering adoption of supplier-driven innovations • Competitively negotiating component prices during engineering • 3D printing of components
Supply chain resilience	Holding inventory and issues resolution through interaction by phone or e-mail	• Choreographing supplier collaboration electronically to optimize planning, manufacturing execution, and inventory levels • Proactively managing supplier risk
Asset uptime	Manual ordering	• Sensor-driven ordering of spare parts as part of predictive asset-management scenarios • Specifying and buying Internet of Things–ready assets

Procurement Solutions from SAP

The integration of SAP S/4HANA with SAP Ariba and SAP Fieldglass® solutions enables a tangible step up in performance, speed, agility, visibility, and control.

With SAP S/4HANA as the digital core, you can manage massive amounts of data in order to run live, with access to real-time digital visibility into all corners of your operations. SAP S/4HANA covers operational procurement processes, including purchase requisitioning and order processing, invoice processing, order confirmation, and operational contract management, supported by real-time embedded analytics across all spend categories.

Digitally transforming procurement processes requires fast innovations in areas such as user experience, supplier collaboration, and options to drive competition through open marketplaces. This type of digital transformation is enabled by extending SAP S/4HANA with SAP Ariba and SAP Fieldglass solutions in the cloud.

SAP Ariba solutions extend the core operational processes providing full source-to-settle functionality. This includes guided buying, collaborative sourcing and contracting, supplier management, and networked-based, end-to-end supplier collaboration to deliver a new, guided, and simplified user experience and collaboration with suppliers over Ariba Network. SAP Fieldglass solutions support contingent labor procurement and external workforce programs.

Combining SAP S/4HANA with SAP Ariba and SAP Fieldglass solutions provides access and outreach to partners and suppliers outside the four walls of your organization. You and your suppliers can collaborate on changed order priorities, track shipments, provide service entries, and share delivery schedules, forecasts, and inventory across the extended supply chain. These capabilities enable real-time collaboration that reduces supplier and supply chain risks.

With SAP S/4HANA, SAP Ariba solutions, and SAP Fieldglass solutions, SAP offers the most complete solution (see Figure 1) to manage the entire source-to-settle process:
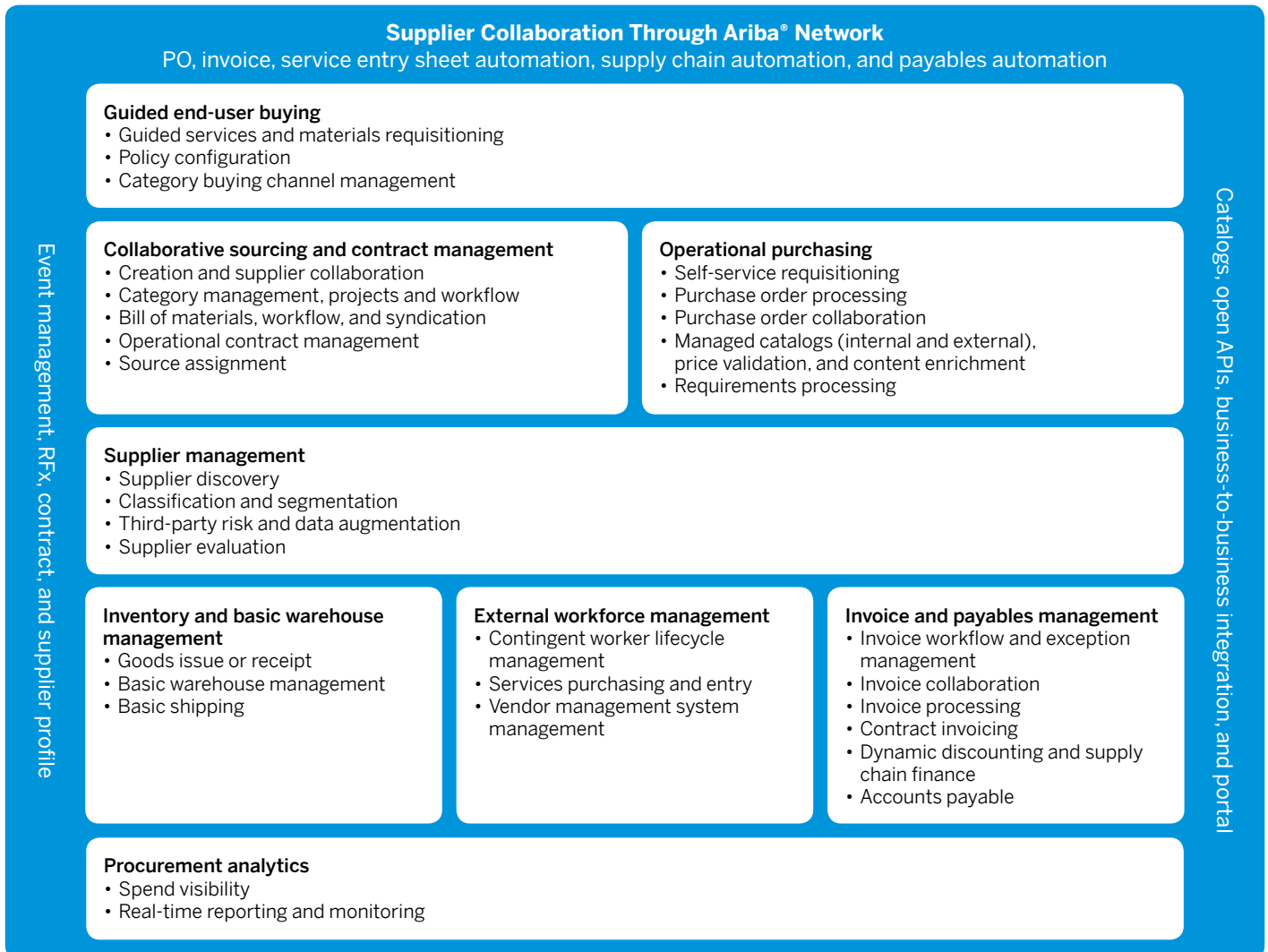
- **It has breadth.**
  It can manage each step of this process — from sourcing, through procurement, to payments.
- **It has depth.**
  It can manage diverse spending and expense types – direct; indirect; services; maintenance, repair, and overhaul (MRO); capital projects; and contingent labor.
- I**t has reach.**
  It connects and allows collaboration between your business and a broad network of partners and trusted suppliers.

CLOUD EXTENSION POLICY
SAP customers have the flexibility and choice to adapt to their evolving business needs by changing their existing on-premise SAP solution infrastructures. Customers that have licensed SAP ERP, SAP SRM, SAP CLM, SAP Supplier Lifecycle Management, or SAP Sourcing applications can work with their SAP account executives to leverage our cloud extension policy. They can decide to reallocate elements of their installed on-premise solutions to SAP Ariba, SAP S/4HANA Cloud, or SAP Fieldglass solutions, replacing the affected on-premise licenses and maintenance agreements with public cloud subscriptions.

Customers are asking SAP for recommendations on how to best take advantage of the continuous stream of innovations delivered with SAP S/4HANA, SAP Ariba, and SAP Fieldglass solutions. They also want to know how this relates to their current SAP software implementations. Over the next pages, we will guide you through our recommendations along the source-to-settle process.

Figure 1: Procurement Solutions from SAP – Overview

Supplier Collaboration Through Ariba® Network
PO, invoice, service entry sheet automation, supply chain automation, and payables automation

Event management, RFx, contract, and supplier profile

Guided end-user buying
- Guided services and materials requisitioning
- Policy configuration
- Category buying channel management

Collaborative sourcing and contract management
- Creation and supplier collaboration
- Category management, projects and workflow
- Bill of materials, workflow, and syndication
- Operational contract management
- Source assignment

Operational purchasing
- Self-service requisitioning
- Purchase order processing
- Purchase order collaboration
- Managed catalogs (internal and external), price validation, and content enrichment
- Requirements processing

Supplier management
- Supplier discovery
- Classification and segmentation
- Third-party risk and data augmentation
- Supplier evaluation

Inventory and basic warehouse management
- Goods issue or receipt
- Basic warehouse management
- Basic shipping

External workforce management
- Contingent worker lifecycle management
- Services purchasing and entry
- Vendor management system management

Invoice and payables management
- Invoice workflow and exception management
- Invoice collaboration
- Invoice processing
- Contract invoicing
- Dynamic discounting and supply chain finance
- Accounts payable

Procurement analytics
- Spend visibility
- Real-time reporting and monitoring

Catalogs, open APIs, business-to-business integration, and portal

Ariba Network and Supplier Collaboration

All processes across sourcing, direct and indirect procurement, and payments are natively connected to Ariba Network in the following way:
- Most processes require supplier **collaboration** and must match the process of the supplier: sourcing needs to match with the supplier's sales process, buying with the supplier's dispatch process, and paying with the supplier's receivables process.
- The network is key to **automating business processes**. It goes beyond transmitting documents to understanding context, checking and correcting documents, and returning to sender when agreed-upon business rules are not met.
- The benefits of automated collaboration can only be achieved with a high level of adoption. This, in turn, requires a user experience that people gravitate to and a service to intuitively and quickly **onboard all suppliers at scale**.
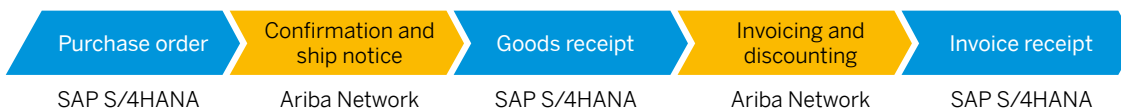
RECOMMENDATION

Customers should replace supplier self-services in SAP SRM as well as slow and costly paper-based processes by automating operational procurement with supplier collaboration over Ariba Network.

Customers should evaluate new supply chain collaboration features that extend Ariba Network beyond pure purchase order and invoice collaboration to supply chain message types, such as exchanging demand forecasts, schedule agreements, and component inventory and consumption.

Transform Procurement with SAP S/4HANA and SAP Ariba Solutions

END-TO-END USE CASES

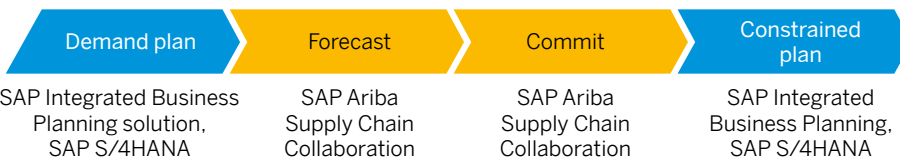## Core Purchasing and Invoice Collaboration

Core purchasing processes in SAP S/4HANA such as purchase orders, goods receipts, and invoices can be extended with supplier collaboration through Ariba Network.

Purchase order	Confirmation and ship notice	Goods receipt	Invoicing and discounting	Invoice receipt
SAP S/4HANA	Ariba Network	SAP S/4HANA	Ariba Network	SAP S/4HANA

Standard integration delivered by SAP between SAP S/4HANA and Ariba Network

Forecast Collaboration

The demand plan is provided to the supplier for forecasting and committing, which results in a constrained plan.

Demand plan	Forecast	Commit	Constrained plan
SAP Integrated Business Planning solution, SAP S/4HANA	SAP Ariba Supply Chain Collaboration	SAP Ariba Supply Chain Collaboration	SAP Integrated Business Planning, SAP S/4HANA

Standard integration delivered by SAP between SAP S/4HANA and Ariba Network

Supply Chain Execution

The materials requirements planning (MRP) run triggers a purchase order, and the supplier continuously provides updates on delivery progress until goods and invoice receipt.

MRP	Purchase order or scheduling release	Supplier collaboration	Invoice receipt
SAP S/4HANA	SAP S/4HANA	SAP Ariba Supply Chain Collaboration	SAP S/4HANA

Standard integration delivered by SAP between SAP S/4HANA and Ariba Network

VALUE CAPTURE

- Savings from reduced FTE and communication costs by automating the catalog management, purchasing, receiving, and routing of invoices for approval and payment
- Savings from touchless invoicing (automating the invoice and reconciliation process and preventing submission of invoices with errors) leading to clean invoices received in SAP ERP or SAP S/4HANA
- Increase in on-time payments and ability to capture early-payment discounts
- Improved visibility and collaboration with suppliers reducing the need to expedite shipments and decreasing the necessary inventory safety stock
- Reduced cycle times for demand, supply, and forecast collaboration scenarios with suppliers

Supplier Management

All processes across sourcing and procurement require collaboration with business partners, and successful companies manage these relationships very closely.

- A **clean and up-to-date vendor master** is key to flawless process execution as well as identifying savings potential through analytics.
- Working with suppliers across their **supplier lifecycles** enables you to stay close to your most-critical business partners and draw on their innovations. The supplier lifecycle process covers scalable supplier onboarding and supplier qualification and segmentation, and it enables suppliers to keep their data up to date.
- You can **make procurement more risk aware** by proactively understanding supplier risk and taking corrective actions. As a buying organization, you can monitor your critical suppliers on potential financing issues and include them in a supply chain finance program to safeguard their liquidity.

As a service for customers using Ariba Network, SAP is handling the full **supplier onboarding** process on their behalf.

RECOMMENDATION

Customers – including customers who run SAP Supplier Lifecycle Management and SAP Sourcing applications – should implement the SAP Ariba Supplier Lifecycle and Performance solution to support sell-side tasks such as registration, onboarding, and qualification of suppliers. The solution can be extended with the SAP Ariba Supplier Risk solution to drive risk-aware procurement.
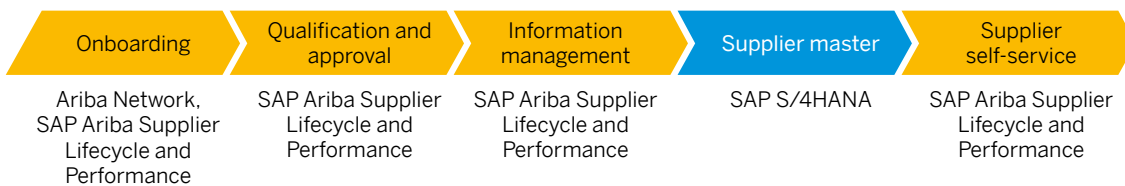
In case operational procurement is done in SAP S/4HANA, this system keeps the vendor master for operational processes and is the source of internal supplier evaluations (based on quality incidents or delivery performance, for instance).

Customers with multiple SAP back-end systems should consider implementing the SAP Master Data Governance application as well.

END-TO-END USE CASES

Supplier Onboarding and Qualification

The supplier self-registers on Ariba Network and provides input for qualification. The vendor master in SAP S/4HANA is then updated to facilitate core process execution.

Onboarding	Qualification and approval	Information management	Supplier master	Supplier self-service
Ariba Network, SAP Ariba Supplier Lifecycle and Performance	SAP Ariba Supplier Lifecycle and Performance	SAP Ariba Supplier Lifecycle and Performance	SAP S/4HANA	SAP Ariba Supplier Lifecycle and Performance

Standard integration delivered by SAP between SAP S/4HANA and SAP Ariba solutions

Supplier Risk and Performance Management

Supplier risk is proactively monitored through a scoring model and external data feeds. Supplier performance is evaluated based on qualitative criteria in SAP Ariba Supplier Lifecycle and Performance and information resulting from transactions in SAP S/4HANA, such as product quality and delivery performance.

Supplier risk assessment	Supplier risk monitoring	Supplier performance management	Supplier performance management
SAP Ariba Supplier Risk	SAP Ariba Supplier Risk	SAP Ariba Supplier Lifecycle and Performance	SAP S/4HANA
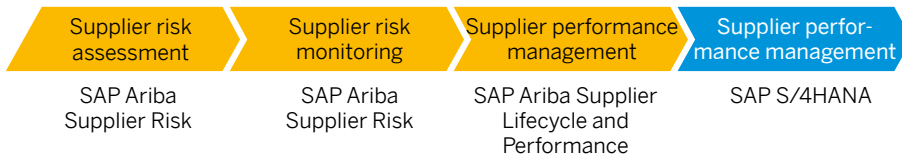
Project-based integration between SAP S/4HANA (on premise) and SAP Ariba solutions

Operational Supplier Performance Management

Supplier performance is evaluated based on product quality and delivery performance.

Categories and segmentation	Supplier evaluation	Supplier performance management
SAP S/4HANA	SAP S/4HANA	SAP S/4HANA
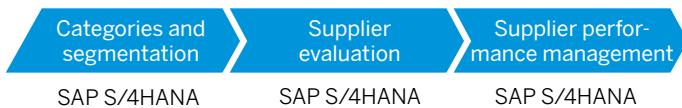
VALUE CAPTURE

- Reduced supplier management maintenance costs
- Increased continuity of supply through proactively acting on risk insights
- Optimized supplier performance by combining qualitative supplier qualifications with data on quality and delivery performance
- Increased shareholder value through brand protection and adherence to standards in social responsibility

Collaborative Sourcing and Contract Management

One of the key objectives of a purchasing organization is to reduce risk and cost through increased savings opportunities, sourcing efficiency, and contract and supplier compliance.

- **Getting the best prices** is the biggest lever and the way to get measurable value early on in your deployment journey to SAP S/4HANA. Procurement has the authority to bundle indirect spend across suppliers. In direct procurement, getting better prices with higher volumes is done in partnership with your engineering team. A good example of this is the platform strategy in the automotive industry, where synergies are created by using the same component in many different models and by adapting specifications during live auctions.
- **Managing risk** is critical, and only a collaborative sourcing tool enables you to engage with the suppliers that adhere to the strictest standards of quality, delivery, and integrity.
- **Managing specifications** makes sure that you know exactly what you're buying. For indirect spend, this is asking stakeholders or analyzing previous spending projects. For direct spend, it is integrating with engineering and planning systems.

RECOMMENDATION

Customers should plan to adopt the SAP Ariba Collaborative Sourcing bundle and replace current sourcing solutions that are part of the SAP SRM or SAP Sourcing applications.
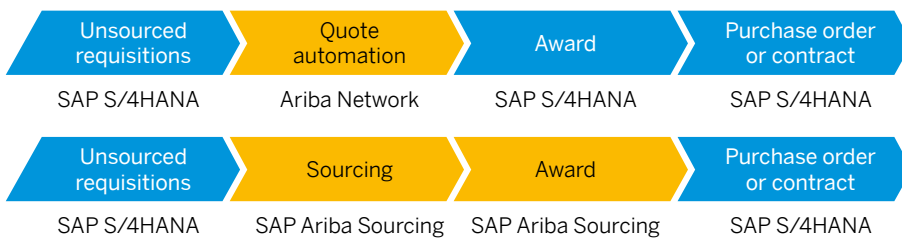
Customers in manufacturing and consumer industries should evaluate the new, innovative capabilities for direct material sourcing in SAP Ariba solutions.

SAP S/4HANA allows users to send basic price requests to suppliers, and it covers operational contract management.

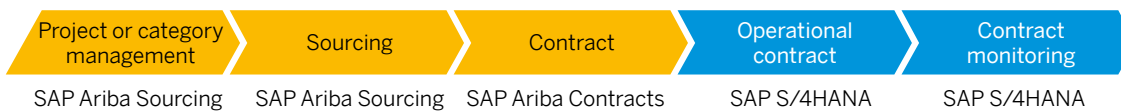## END-TO-END USE CASES

Operational Sourcing

The employee buys from an existing supplier and sends an inquiry for current pricing through Ariba Network or SAP Ariba Sourcing for more complex sourcing events.

Unsourced requisitions	Quote automation	Award	Purchase order or contract
SAP S/4HANA	Ariba Network	SAP S/4HANA	SAP S/4HANA

Unsourced requisitions	Sourcing	Award	Purchase order or contract
SAP S/4HANA	SAP Ariba Sourcing	SAP Ariba Sourcing	SAP S/4HANA

Standard integration delivered by SAP between SAP S/4HANA and SAP Ariba solutions

Strategic Sourcing for Indirect Goods

The category manager starts the tendering process to optimize conditions and pushes the final contract into SAP S/4HANA. Customers who choose to extend procurement into the cloud with SAP Ariba Buying can also realize unified and smooth operational contract compliance management.

Project or category management	Sourcing	Contract	Operational contract	Contract monitoring
SAP Ariba Sourcing	SAP Ariba Sourcing	SAP Ariba Contracts	SAP S/4HANA	SAP S/4HANA

Standard integration delivered by SAP between SAP S/4HANA and SAP Ariba solutions

Direct Materials Sourcing

Procurement receives a bill of materials from engineering and selects suppliers for unsourced components.

Engineering	Sourcing	Quoting	Contract	Operational contract
SAP S/4HANA	SAP Ariba Sourcing	SAP Ariba Sourcing	SAP Ariba Contracts	SAP S/4HANA
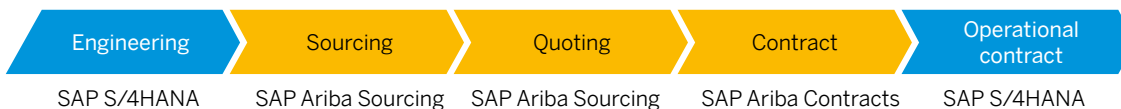
Standard integration delivered by SAP between SAP S/4HANA and SAP Ariba solutions

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VALUE CAPTURE

- Reduced sourcing cycle times
- Increased spend under management with fewer nonsourced and free-text purchase orders
- More favorable pricing through increasing competitiveness of sourcing events, allowing more bids and identifying potential new suppliers and price reductions
- Reduced time to market for new products through better supplier collaboration
- Lower cost of goods sold (COGS) through more competitive negotiation of component prices

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Operational Purchasing – Indirect Procurement

Indirect demand can potentially come from any person in the company. Users should be guided through the process, spend as little time as possible with procurement, and be empowered to use their mobile devices. With the Internet of Things (IoT) being deployed in more and more organizations, demand also comes from all sorts of sensors. Demand from sensors is hard to predict and may come from various scenarios. A shop-floor worker might zap a bar code on the bottom of the bin as she takes the last box of disposable safety gloves. Or a temperature-warning sensor might go off on a piece of equipment, requiring parts to be autoreplenished and an engineer to be dispatched.

Successful indirect procurement requires the following:
- **High adoption,** which can be achieved only by making sure the solution is available to all employees, and all suppliers are present and correct in the system
- **Compliance,** which is achieved when users are guided simply and painlessly to preferred suppliers and are motivated to follow company policies – which should be easier than sending e-mails
- **Intuitive use,** even for untrained employees to use the system at any time, from anywhere, and from any device to get the job done

RECOMMENDATION

As customers replace indirect procurement currently implemented with SAP SRM or SAP ERP, they have different choices:

For companies with less than US$1 billion in revenue and low indirect spend, where essential indirect procurement capabilities are usually sufficient, customers can move indirect procurement to SAP S/4HANA, complemented by Ariba Network and the SAP Ariba Catalog solution.
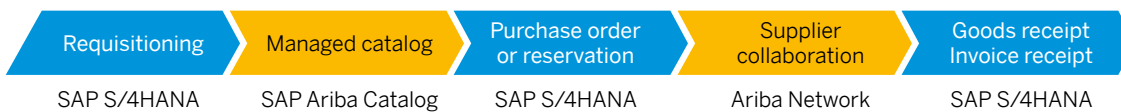
When indirect spend is a significant cost driver, customers should leverage the SAP Ariba Buying solution. This can happen in two ways:
- Manage indirect procurement processes in SAP Ariba Buying, integrated to SAP S/4HANA for core procurement processing, which is typically considered when driving a digital transformation agenda including a strong charter for procurement transformation
- Running all indirect procurement in SAP Ariba Buying, integrated with SAP S/4HANA for invoicing

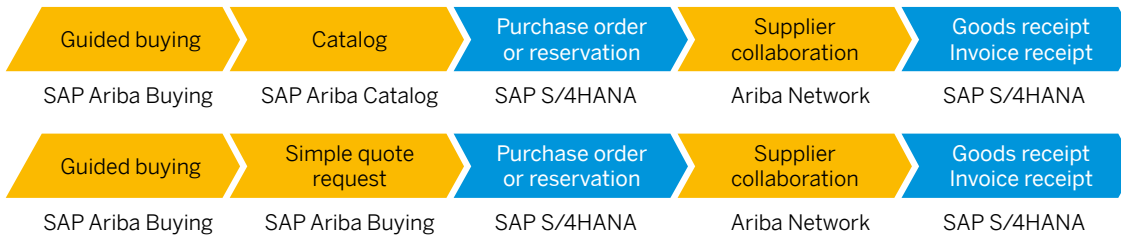## END-TO-END USE CASES

Catalog Buying

For companies extending core purchasing in SAP S/4HANA with managed catalogs, the employee uses a catalog to create a shopping cart and sends the purchase order out.

Requisitioning	Managed catalog	Purchase order or reservation	Supplier collaboration	Goods receipt Invoice receipt
SAP S/4HANA	SAP Ariba Catalog	SAP S/4HANA	Ariba Network	SAP S/4HANA

Standard integration delivered by SAP between SAP S/4HANA and SAP Ariba solutions

Guided Buying

Casual users and functional buyers are guided through the buying process and company policies (for instance, a facilities employee commissioning a new office setup). If an item is unavailable in the catalog, a simple "3 bids and a buy" process" is started.

Guided buying	Catalog	Purchase order or reservation	Supplier collaboration	Goods receipt Invoice receipt
SAP Ariba Buying	SAP Ariba Catalog	SAP S/4HANA	Ariba Network	SAP S/4HANA

Guided buying	Simple quote request	Purchase order or reservation	Supplier collaboration	Goods receipt Invoice receipt
SAP Ariba Buying	SAP Ariba Buying	SAP S/4HANA	Ariba Network	SAP S/4HANA

Standard integration delivered by SAP between SAP S/4HANA and SAP Ariba solutions

Internet of Things–Triggered Buying

Sensors trigger the automatic replenishment of components.

IoT sensor or asset metrics	Replenishment order	Supplier collaboration	Core processing
SAP Cloud Platform	SAP Ariba Buying	Ariba Network	SAP S/4HANA

Project-based integration between SAP S/4HANA and SAP Ariba solutions (SAP Cloud Platform Internet of Things service)

VALUE CAPTURE

- Move from medium-touch to no-touch buying by pushing the buying process to the casual user and improving procurement employee efficiency
- Increase spend compliance to contracts, preferred vendor lists, procurement policies, and preferred pricing
- Realize negotiated sourcing savings by reducing maverick spend
- Secure spot savings for tail spend through "3 bids and a buy" and connectivity to marketplaces
- Reduce total cost of ownership by avoiding use of a separate catalog management tool; eliminate loading of supplier catalogs

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Operational Purchasing – Direct Procurement

The needs in direct procurement are fundamentally different from indirect. Demand in direct procurement comes from make-to-stock (MRP runs), make- or engineer-to-order (project system), and service orders (service or maintenance orders).

Issues such as compliance or adoption are replaced by the need for high automation, data integrity, and speed:

- **Automation** is driven through digital connections from back-end software systems straight to the digital systems of supply chain partners.
- **Data integrity** is key for smooth execution across functions in your company with complex, hierarchical data objects.
- As the procurement function takes a more prominent role in the company to help ensure a stable and fast supply chain, **speed** is critical. It is the role of procurement to react quickly on disruptions from global suppliers and to hear about them immediately through supplier risk technology across the network. Changes to demand forecasts in SAP S/4HANA are communicated to your suppliers in real time.

RECOMMENDATION

Direct procurement is managed in SAP S/4HANA.

Customers should transfer direct procure-to-pay processes currently implemented with the materials management component in SAP ERP or with SAP SRM to the SAP S/4HANA Enterprise Management solution.

Customers should plan to extend the process flow to suppliers with the SAP Ariba Supply Chain Collaboration solution for collaboration on forecast commit, schedules, inventory, consignment, and contract manufacturing. They should also integrate with SAP Ariba Sourcing to better leverage supplier innovations, design for reduced cost of goods sold, and speed up the product innovation lifecycle.
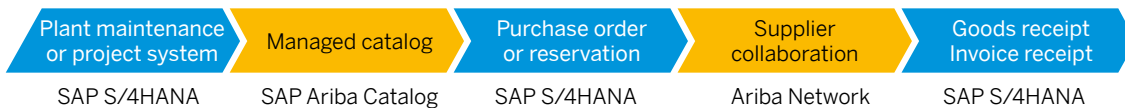
END-TO-END USE CASES

Plan-Driven Replenishment
The MRP run triggers a purchase order to refill stock in time for manufacturing execution.

MRP	Requisition	Source determination	Purchase order	Supplier collaboration
SAP S/4HANA	SAP S/4HANA	SAP S/4HANA	SAP S/4HANA	Ariba Network
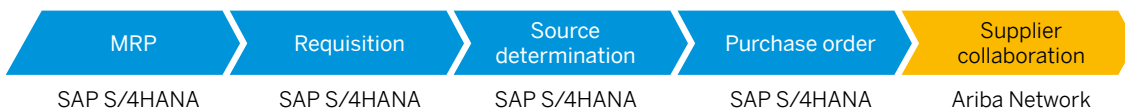
Standard integration delivered by SAP between SAP S/4HANA and Ariba Network

Work Order and Project-Driven Procurement
A shortage of materials triggers an employee to create a purchase order to replenish the materials.

Plant maintenance or project system	Managed catalog	Purchase order or reservation	Supplier collaboration	Goods receipt Invoice receipt
SAP S/4HANA	SAP Ariba Catalog	SAP S/4HANA	Ariba Network	SAP S/4HANA

Standard integration delivered by SAP between SAP S/4HANA and SAP Ariba solutions and Ariba Network

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VALUE CAPTURE
- Maximized process efficiency through 100% plan-driven process automation
- Reduced inventory
- Increased customer fill rates
- Improved visibility and collaboration with suppliers
- Extended asset uptime by reacting to material shortages early
- Heavy MRO and direct material spend capture and compliance with automatic replenishment

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Operational Purchasing – Services Procurement

Customers increasingly use their ecosystems to get tasks done by commissioning services.

- For services where success is highly dependent on **who** does the job, it is critically important to identify the right candidates from a broad ecosystem of contractors. This includes reviewing resumes and candidates, onboarding and setting up HR records, certifying and building contractor profiles, and finally, paying market rates.
- For services where the scoping of complex engagements around the **"what"** and **"how much"** is important (think maintaining and mowing 100,000 square meters of lawn), this includes clarifying the scope of work. This is done through statements of work, service descriptions, and negotiated rates, such as hourly or daily. The aim is to maximize preferred-supplier savings and eliminate overbilling.

RECOMMENDATION

Customers should consider implementing SAP Fieldglass solutions for services procurement if it is important **who** provides the service and if onboarding or offboarding of contingent workers is required (temporary labor or professional services, for example).

For scenarios where the **"what"** is more important, customers should leverage the SAP Ariba solutions integrated to SAP S/4HANA. This includes, for instance, project or field services that combine material consumption with services, or recurring services that are invoiced against a contract.

END-TO-END USE CASES

Project-Based Complex Field Services
The service technician submits service entry sheets to create an invoice based on contracted rates. If necessary, the buyer can enter service entry sheets on behalf of the service technician into the system through SAP Ariba Invoice Management.
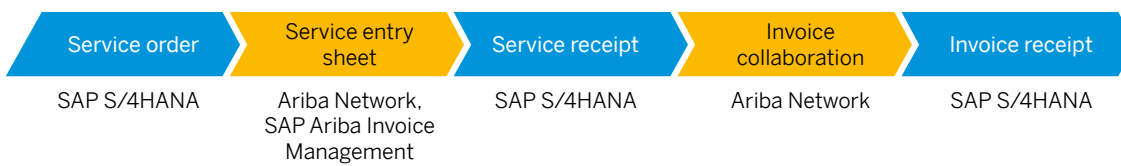
Service order	Service entry sheet	Service receipt	Invoice collaboration	Invoice receipt
SAP S/4HANA	Ariba Network, SAP Ariba Invoice Management	SAP S/4HANA	Ariba Network	SAP S/4HANA

Standard integration delivered by SAP between SAP S/4HANA and SAP Ariba solutions and Ariba Network

Contingent Labor
External workers are selected, onboarded, and compensated based on time-sheet information.

Posting and candidate assignment	Work order	Time sheet entry	Invoice creation and approval	Invoice receipt
SAP Fieldglass solutions	SAP Fieldglass solutions	SAP Fieldglass solutions	SAP Fieldglass solutions	SAP S/4HANA
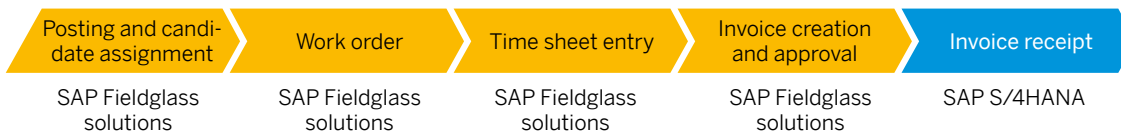
Standard integration delivered by SAP between SAP S/4HANA and SAP Fieldglass solutions

VALUE CAPTURE
- Early visibility of spend exposure through capture of service entry sheets
- Better compliance with line items of the PO or contract rate sheet for services and materials
- Improved timeliness of payments for services-based invoices
- Eliminated overpayments through accurate and clean invoicing
- Optimized discounting and working-capital improvements

Invoice and Payables Management

Simplified processes for collecting and checking invoices, verifying them against preconfigured business rules, and handling exceptions increase process efficiency and help eliminate data-entry errors and duplicate invoices.

- This addresses the key requirement of all customers: **automation** and reduction of administrative tasks.
- This is achieved when you **eliminate paperwork** and e-mails and start communicating digitally with suppliers – a key element in your journey to "lights-out shared services".
- The invoicing process allows both buyers and suppliers to create additional business value and win-win situations in optimizing cash flow. You can use capabilities such as **supply chain financing and dynamic discounting**, allowing you to establish close relations with your suppliers and letting treasury departments optimize days payables outstanding (DPO) and days sales outstanding.

RECOMMENDATION

Accounts payables teams should plan to adopt SAP S/4HANA to support final invoice approval and payment processes.

Nonprocurement invoices and payment requests should be channeled directly into SAP S/4HANA for payment execution.

All your suppliers should send all purchase order and contract-based invoices via Ariba Network to digitize your entire invoice volume. Customers using SAP Ariba cloud-based solutions for procurement should channel invoices through SAP Ariba for procurement verification, enrichment, and exception management and send clean and compliant invoices to SAP S/4HANA for final invoice approval and faster payments.

In addition, customers can offer their suppliers dynamic discounting and supply chain financing programs though capabilities available on Ariba Network.

END-TO-END USE CASES

Smart Invoicing

The supplier offers special payment terms based on an e-invoice that was automatically validated against the purchase order.

Smart invoicing	Invoice receipt and approval	Self-service, discounting, supply chain financing	Settlement	Payment execution
Ariba Network	SAP S/4HANA	SAP Ariba Payables	SAP S/4HANA	SAP Ariba Payables
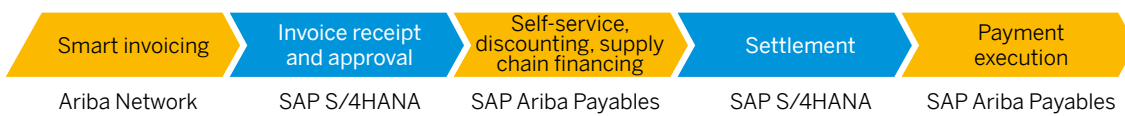
Standard integration delivered by SAP between SAP S/4HANA and Ariba Network

Contract Invoicing

The invoice is created against the contract, based on rate sheets.
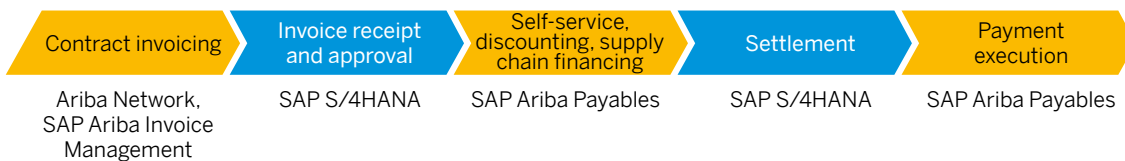
Contract invoicing	Invoice receipt and approval	Self-service, discounting, supply chain financing	Settlement	Payment execution
Ariba Network, SAP Ariba Invoice Management	SAP S/4HANA	SAP Ariba Payables	SAP S/4HANA	SAP Ariba Payables

Standard integration delivered by SAP between SAP S/4HANA and SAP Ariba solutions and Ariba Network

Dynamic Discounting

You can leverage open cash positions to pay suppliers earlier and capture discounts.
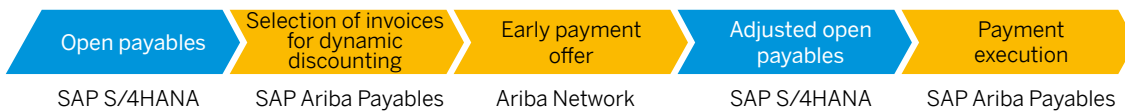
Open payables	Selection of invoices for dynamic discounting	Early payment offer	Adjusted open payables	Payment execution
SAP S/4HANA	SAP Ariba Payables	Ariba Network	SAP S/4HANA	SAP Ariba Payables

Standard integration delivered by SAP between SAP S/4HANA and Ariba Network

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VALUE CAPTURE
- Higher discount capture rate through more on-time payments resulting in better leveraging of available cash positions
- Extended DPO extension and increased subsequent cash flow
- Fewer invoice exceptions through electronic invoicing and rules engine on Ariba Network, leading to a reduction in overpayment errors
- Greater number of invoices processed by accounts payable employees
- Lower payment processing costs
- Increased rate-card compliance

Guided Buying

With a procurement system in place, it is key to capture the value laid out in the business case. Specifically, in indirect procurement, the key levers for realizing value are:
• Guiding the end user to preferred suppliers, items, and processes for a reduced number of low-risk, low-spend transactions that procurement needs to touch
• Maximizing the amount of spend that is compliant with procurement policies and preferred pricing
• Maximizing spend managed through a competitive bidding process
• Executing processes efficiently and spotting savings for tail spend

All of this is addressed by "guided buying," a simple, smart, and elegant experience for end users and functional buyers to increase user engagement across all spend. Smart guidance and predictive search functionality help people inside and outside the procurement area find the items and suppliers they need, with rules and policies provided within the context of the buying process. Scalable to meet the needs of functional departments, guided buying enables distributed, compliant procurement for all users. For instance, facility managers who commission a new workspace setup and run a quick vendor selection are now guided and supported by a buying system. This is a great improvement over complying with procurement processes by capturing a purchase order that is the result of e-mail-based negotiations.
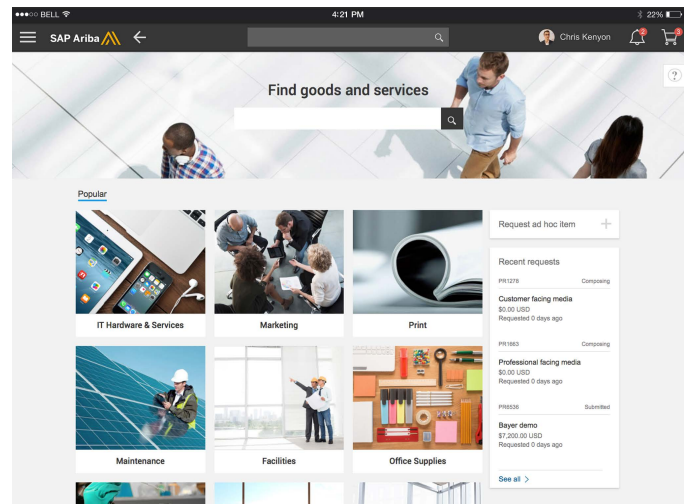
Key capabilities include:
• Clean, user-friendly layout
• One place for all goods, services, and travel
• Buying channel strategy compliance and approval flow
• Easy and powerful search that can connect to external buying systems
• In-context, company-specific community for FAQs and category expertise
• Support for ad hoc requests
• Support for 3 bids and a buy – self-service quote request based on policies and thresholds
• Support for intuitive receiving and non-PO invoice entries

Guided buying is available as part of SAP Ariba Buying and will be made available to run in combination with SAP S/4HANA.

Solution Extensibility

With extensibility options, SAP helps organizations chart their own journeys while delivering innovations at an increasingly faster pace. Extensibility options allow customers moving from on premise to cloud to realize their key differentiated business processes. Both SAP Ariba solutions and SAP S/4HANA provide a large set of APIs enabling extensibility.

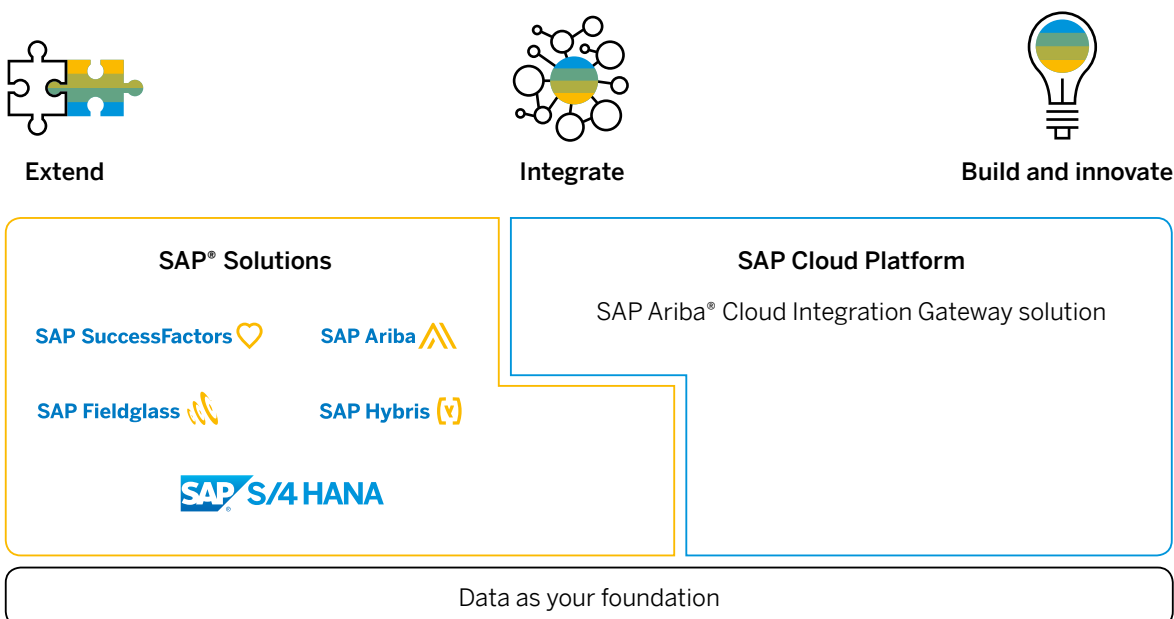Here are some examples of processes that are often realized as extensions:
- Special user groups – ability to provide tailored mobile applications and user interfaces for specialized business processes and functions
- Internet of Things – automated active management and monitoring of inventory, components, machinery, and other resources
- Document management – access to document management systems enabling sharing and collaboration on engineering and other critical documents in the sourcing process
- Data behind firewall – supplier exposure to systems behind the firewall such as product lifecycle management and quality management systems

SAP provides two powerful extensibility concepts:
- Side-by-side extensibility with SAP Cloud Platform enables customers of both on-premise and cloud solutions to build completely new user interfaces (UIs) based on the SAP Fiori® user experience, to integrate with other cloud applications, or to build new applications.
- In-application extensibility with built-in tool sets enables customers to adapt the UI layout and context, create custom fields and tables, create and extend analytical reports or forms, and change the business logic.

Figure 2: SAP Cloud Platform
The platform-as-a-service to extend, integrate, and build business apps

| Extend | Integrate | Build and innovate |

SAP® Solutions

SAP SuccessFactors ♡   SAP Ariba ⋀⋀

SAP Fieldglass ⬩⬩   SAP Hybris (y)

SAP S/4 HANA

SAP Cloud Platform

SAP Ariba® Cloud Integration Gateway solution

Data as your foundation

Deployment Options

The type and landscape of procurement system can vary depending on size, organizational setup, and an organization's business requirements. SAP is supporting various deployment options for SAP Ariba solutions, SAP ERP, SAP S/4HANA, and SAP SRM, giving customers flexibility and choice – and supporting their digital transformations.

Customers can extend the core capabilities of SAP S/4HANA with SAP Ariba solutions in a single-instance deployment, receiving business documents from SAP Ariba solutions in SAP S/4HANA and executing the end-to-end processes visualized in this document.

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SAP Ariba
solutions
    |
SAP S/4HANA
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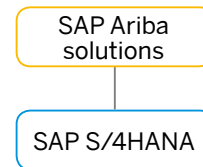
As an extension to this, for customers that run multiple back-end software systems, a single SAP S/4HANA software system will act as a central hub. It will handle central purchase requisitions, central purchase orders, and central contracts, distributed to local operational back-end systems, such as SAP S/4HANA (on premise), SAP S/4HANA Cloud, and SAP ERP (versions beyond enhancement package 6).

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         SAP Ariba
         solutions
             |
         SAP S/4HANA
    _____|_____
   |           |           |        |
SAP S/4HANA  SAP S/4HANA  SAP S/4HANA  SAP ERP
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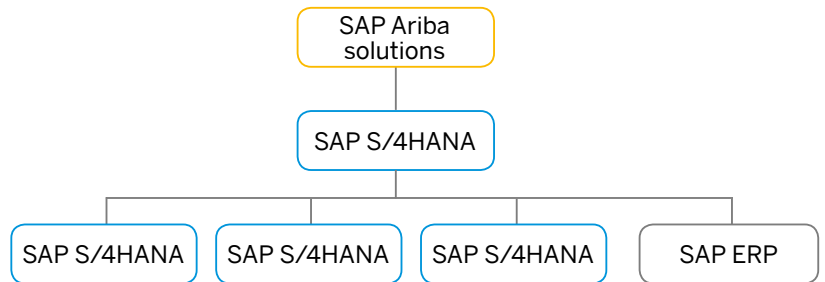
As a step in their transformation to SAP Ariba solutions and SAP S/4HANA, SAP SRM customers can continue to run SAP SRM and:
- Connect SAP Ariba solutions to SAP ERP and SAP S/4HANA back-end systems (enabling collaborative sourcing, supplier collaboration, supplier management, and catalog management)
- Connect SAP SRM to back-end software systems already transformed to SAP S/4HANA
- Implement SAP Ariba solutions for guided buying on top of SAP SRM (with SAP SRM sustained to leverage existing integrations to back-end systems)

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         SAP SRM ---------------- SAP Ariba
           |                      solutions
    _____|_____
   |         |         |
SAP S/4HANA  SAP ERP   SAP ERP
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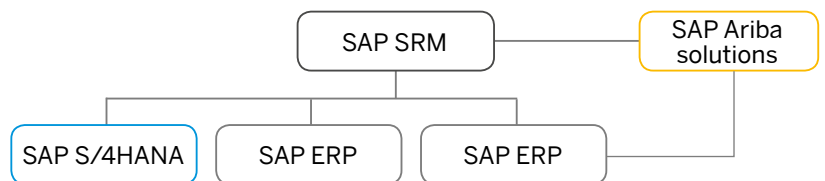
Benefits and Next Steps

Today, more than 20,000 SAP customers use SAP ERP for materials management or SAP Supplier Relationship Management for procurement and sourcing. To help you take advantage of our procurement strategy and our innovations, we have developed an approach to jointly review your business processes and your solution infrastructure and develop your procurement road map.

To execute jointly on procurement transformation, you can leverage the following SAP services:

- **Identify expected value and benefits.** Participate in our world-class benchmarking program. Attend a value discovery workshop. Uncover business priorities (including combination with SAP S/4HANA) and define your target cloud scenario (cloud or hybrid). Have SAP develop a collaborative value assessment centered around optimization potential for cost reduction, process efficiency, fiscal control, and cash management.
- **Plan the migration and transition.** Define migration and implementation strategy, including dependencies and prerequisites for the target cloud scenario. Address security and privacy requirements. Create a migration and transformation plan, including timeline, service levels, and priorities.
- **Execute technical implementation** including system integration. Run technical tests. Migrate data and implement functions based on ready-to-use business-process templates. Perform system checks and business-process tests and analyze operational impact.
- **Execute change management.** Enable suppliers to successfully adopt collaborative business commerce practices and tools by conducting administrator and user training. Innovate your business processes and model a buying channel in the guided buying scenario to expose preferred suppliers or empower end users with 3 bids and a buy.

SELF-FUND DIGITAL TRANSFORMATION

Many companies recognize the need to modernize procurement, and plan to adopt a combination of SAP S/4HANA and SAP Ariba solutions. While the timeline of the SAP S/4HANA rollout is defined by the IT strategy, companies can start realizing benefits delivered by SAP Ariba solutions and use those to help fund the transformation to SAP S/4HANA. For instance, customers can deploy SAP Ariba Sourcing or Ariba Network against their SAP ERP application, realize early benefits, and switch over to SAP S/4HANA once it is deployed.

CUSTOMER VALUE OPPORTUNITIES

4% to 15%
in average unit price reduction

Cost Reduction
- Rationalize your supply base through spend visibility and centralized sourcing
- Negotiate better pricing using consumption history
- Save on ad hoc purchases through demand management and spot quoting

$20 million
reduction in contract leakage per $1 billion of spend

Fiscal Control and Compliance
- Control maverick spending and fraud through use of contracted suppliers and preferred specs
- Help ensure supplier compliance to preferred terms reconciling invoice, PO, receipt, and contract

40% to 60%
in operating cost reduction

Process Efficiency
- Drive sourcing productivity through deep spend analytics and immediate supplier discovery
- Reduce supply chain operation costs
- Increase supply chain resilience through risk management
- Reduce cycle times and increase procurement and AP productivity through invoice process automation and supplier collaboration

$1 to $2 million
in savings per $1 billion of target

Cash Management
- Avoid unintended cash flow constraints with a formalized payment-terms strategy
- Realize early payment discounts or take advantage of supply chain finance margin sharing through shorter invoice processing cycle times

SAP Ariba

Run Simple