

SPEND PERFORMANCE MANAGEMENT

MAXIMIZE SAVINGS,
REDUCE SUPPLIER RISKS

How do you effectively rationalize your company's supply base to generate visible savings and limit the introduction of risk while meeting the needs of your stakeholders? As executives prepare for growth in a recovering economy, their top initiatives include reducing spend, increasing cost savings, and managing supplier risk. To accomplish this, procurement teams must be able to tie spend information to supplier risk alerts, trade costs, and supply plans yet make allowances for discretionary spending. Heads of purchasing must account for cross-business impacts – including budgets, plans, import costs, trade compliance, market trends, and information on historical spend, price, and supplier performance. Having the tools, insight, and analytics to quickly identify savings and balance risk factors is a necessary prerequisite for supporting critical source-to-pay processes, which enable you to reduce spend, mitigate and manage risks associated with supplier disruption, and drive company performance.

The SAP® BusinessObjects™ Spend Performance Management application can help you discover significant savings through an intuitive user interface that brings together accurate measures for spending, supplier or buyer volume, supplier risk factors, budgets, plans, and prices across multiple dimensions. You can use the application to establish key performance indicators (KPIs), identify hidden negotiating power, and launch procurement initiatives that meet strategic goals. Such goals include reducing costs, finding contract leakage, and

identifying sole-sourced suppliers or suppliers at financial, operational, or legal risk.

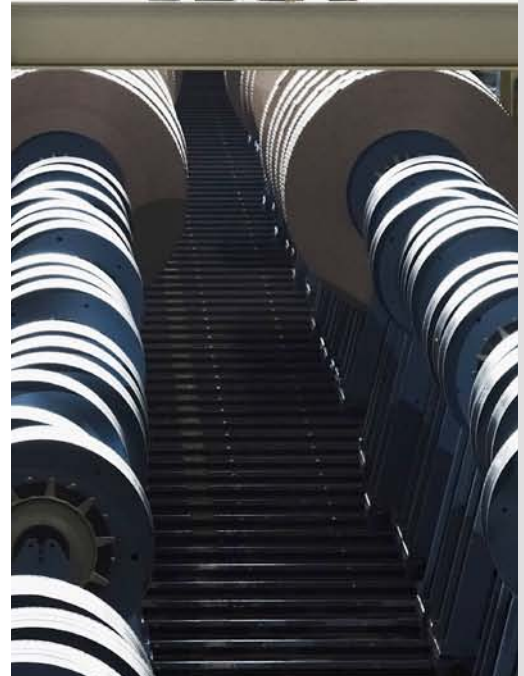
Gain Spend Visibility: Solving the Spend Data Challenge

Many enterprises cannot use their data effectively or lack access to the data they need. They may have problems extracting and aggregating supplier payment data because it is spread throughout the organization in general ledgers, purchasing cards, or travel and expense reports. Data may be incomplete or missing. Spend categories may not be fully defined, or the linkages between suppliers may not be identified. Determining the amount of spend for a particular supplier can be problematic, for example, if you have to search for all the variations of a supplier's name. With the SAP application and optional complementary services, you can aggregate, normalize, enrich, and classify your spend data from SAP and non-SAP sources. This provides procurement business users with continuous access to spend insights based on accurate data.

Aggregating Your Data

The SAP application integrates with existing enterprise resource planning (ERP) software. With an integrated and business user-friendly approach to data management, it includes tools to link spend data sources to extract relevant business data and context for spend analysis. It facilitates the data extraction process by supporting

By providing visibility into spend, the SAP® BusinessObjects™ Spend Performance Management application identifies cost-saving opportunities and supplier risk. Reduce cost, manage supply continuity, and increase the amount of spend under management by leveraging optional data enrichment and classification services from SAP.*



* These services are part of the optional data standardization and enrichment solution.

extract, transform, and load processes for data from SAP and non-SAP sources.

Normalizing and Validating Your Data*

Once spend data has been extracted, proven SAP software enables you to normalize supplier data, address any issues of inconsistency, help ensure the validity of the supplier you are doing business with, and remove duplicate information. To leverage total spend with the parent supplier, you can organize supplier information according to corporate parent-child relationships.

Enriching Your Data*

With the SAP application, you can analyze spend based on the enriched attributes of your data – for example, whether a supplier has diversity status or is a credit risk. This additional information can help you identify and choose suppliers that support your goals for supplier risk and compliance management. Aggregated and enriched spend data empowers category managers and buyers with relevant information. You can drill into subsidiaries of a parent company to understand how spend is split across multiple tiers of that supplier's business. In addition, you can compare supplier pricing against one another and with the market price. All of this gives you information you need at the negotiation table to establish strategic supplier relationships.

Classifying Spend Data*

Spend transactions are assigned to categories according to a standard classification structure for goods and services. These classification structures can include the United Nations Standard Products and Services Code (UN SPSC), eCI@ss, the North American Industry

Classification System, and Standard Industrial Classification codes. Or you can use your own custom classification structure. Classifying spend data to a taxonomy that benefits sourcing teams can give you a critical negotiation platform.

Increase Spend Under Management

Spend under management is a KPI that helps identify how much of a company's spend is visible, addressed in terms of strategic suppliers and contracts and monitored on an ongoing basis. Procurement business users often have no visibility into how they are performing and rely on IT resources to generate reports on their daily work or to make data more meaningful. Data for spend analysis initiatives analyzed via spreadsheets or offline applications frequently cannot be carried over to strategic sourcing and procurement applications. As a result, procurement professionals may be unable to create their own views of data and may have to wait to get reports from corporate IT staff who have their own strategic initiatives to manage.

SAP BusinessObjects Spend Performance Management can help business users set performance goals for critical success factors, discover opportunities to impact those critical success factors, and create their own dashboards and alerts – thereby reducing the burden on IT staff. The application helps you:

- Establish performance goals against critical success factors and quickly act on opportunities
- Perform root cause analysis on lagging KPIs
- Create dashboards and establish alerts via an intuitive interface

- Analyze hierarchies for categories of purchased goods and services, enterprise divisions, or geographic areas to view spend at aggregate levels or the most granular level
- Apply advanced filters to show, for example, only direct spend or addressable spend
- Drill into line items or cost components of a purchase order

Rapidly Identify Savings Opportunities

Deriving insights on savings opportunities and compliance leakage based on aggregated and enriched spend data is essential for procurement category managers, finance analysts, or line-of-business managers. To make the most of supplier relationships and contract opportunities, business users must be able to monitor and identify fragmented contracts, distributed supply bases, or multiple contracts with single suppliers on an ongoing basis. They need a way to easily analyze the distribution of company spend and market factors that may affect that spend in the future. And they need to spend less time uncovering these opportunities manually.

With SAP BusinessObjects Spend Performance Management, procurement business users can find and act on potential savings as well as proactively monitor contract compliance. The software provides continuous spend analysis across such key dimensions as supplier, category of purchased goods and services, geographic area, business unit, spend type, and contract usage. This helps companies identify opportunities for savings and supply base rationalization.

* These services are part of the optional data standardization and enrichment solution.

Integration with the SAP Sourcing application or other Web services-enabled sourcing solutions provides business users with one-click functionality to launch sourcing initiatives from an identified opportunity. Contextual information related to the opportunity – such as historical spend volume, suppliers, item or service descriptions, price, or quantity – automatically carries over to the sourcing initiative, eliminating the need for complex spreadsheets to design a sourcing project.

Reduce Supplier Risks

An effective procurement organization must be able to proactively identify supplier risks and manage strategic supplier relationships. Global enterprises must ensure that their supply chain is not disrupted by suppliers getting into difficulties or even going bankrupt. Additionally, a company's exposure to supplier risk cannot be adequately determined solely from the data contained in its internal systems. SAP BusinessObjects Spend Performance Management helps you proactively identify supplier risks as well as prioritize these risks by spend volume and affected buying centers.

You can use the SAP application to incorporate external information into your risk evaluation. The SAP solution itself is vendor independent in risk assessment, but external supplier risk data is available from SAP partners. The SAP application can help you decide whether to incorporate a master supplier agreement with volume discounts or identify alternate sources to avoid or mitigate supplier risks.

Quick-Start Deployment Options

You can implement the software in-house or choose a hosted deployment option or subscription service model from our partners for a quick start. When the time comes for a global rollout, you can choose an on-premise migration from a hosted deployment. You have access to top-quality SAP consultants and partners for project management and other services to bring staff on board. Help desk, configuration services, training support, and sourcing opportunity assessments are also available through SAP and its partners.

A Repeatable, Affordable Approach to Spend Performance Management

SAP also offers the SAP BusinessObjects Spend Performance Management rapid-deployment solution, which is a prepackaged offering to help you start small with a limited scope, prove the value of this solution, and then grow on your schedule to the full scope of the application with multiple source systems, as needed. IT areas can help procurement organizations leverage existing systems for required data, while providing a stand-alone, quick-to-deploy solution that can be accessed and managed by the business with IT oversight and governance.

By combining SAP software and services, this rapid-deployment solution can help maximize savings and reduce supplier risk.

SAP BusinessObjects Spend Performance Management can help you discover significant savings through an intuitive user interface that brings together accurate measures for spending, supplier or buyer volume, supplier risk factors, budgets, plans, and prices across multiple dimensions.

For more on this rapid-deployment solution, please visit www.sap.com/spend-performance-RDS.

Find Out More

To learn more about how you can get the most value from corporate spend, call your SAP representative or visit us at www.sap.com/sapbusinessobjects/spend_performance_management.

Summary

The SAP® BusinessObjects™ Spend Performance Management application provides full visibility into direct and indirect spend, helping you to proactively identify cost-savings opportunities and supplier risk. As a result, you are better positioned to reduce cost and ensure supply continuity, thereby increasing spend under management.

Business Challenges

- Create a complete spend picture for your organization
- Systematically identify procurement savings opportunities
- Determine supplier risks in advance, insulating the business from supplier disruptions
- Increase spend under management
- Reduce maverick spending and contract leakage

Key Features

- **Savings identification** – Present savings potential and supplier rationalization opportunities
- **Collaborative performance management** – Capture performance goals, contributing factors, and snapshots of savings opportunities
- **Proactive risk identification** – Identify supplier risks and prioritize alternate supplier strategies
- **Spend and supplier data validation and enrichment** – Link spend data across business data views; normalize, validate, and enrich supplier data and assign classification structures
- **Business process support** – Support supplier risk analysis processes with workflows, metadata, and industry expertise and provide detailed procurement analytics by leveraging data from back-office systems as well as real-time feeds from news, credit ratings, and financial indicators

Business Benefits

- **Gain full spend visibility** by automating data capture from disparate systems and improving data accuracy
- **Rapidly identify savings opportunities** by finding savings potential and supplier rationalization opportunities
- **Reduce supplier risks** by pinpointing single-supplier dependencies and analyzing supplier risk factors
- **Increase spend under management** by setting up performance goals on critical success factors and collaborating to act on insights

For More Information

Call your SAP representative, or visit us online at www.sap.com/sapbusinessobjects/spend_performance_management.

50 084 091 (11/05)

©2011 SAP AG. All rights reserved.

SAP, R/3, SAP NetWeaver, Duet, PartnerEdge, ByDesign, SAP BusinessObjects Explorer, StreamWork, and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP AG in Germany and other countries.

Business Objects and the Business Objects logo, BusinessObjects, Crystal Reports, Crystal Decisions, Web Intelligence, Xcelsius, and other Business Objects products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of Business Objects Software Ltd. Business Objects is an SAP company.

Sybase and Adaptive Server, iAnywhere, Sybase 365, SQL Anywhere, and other Sybase products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of Sybase, Inc. Sybase is an SAP company.

All other product and service names mentioned are the trademarks of their respective companies. Data contained in this document serves informational purposes only. National product specifications may vary.

These materials are subject to change without notice. These materials are provided by SAP AG and its affiliated companies ("SAP Group") for informational purposes only, without representation or warranty of any kind, and SAP Group shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP Group products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.