Best Practices in Spend Analytics

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Spend Analytics

best practices
Global Trends and Their Impact on Procurement

**Manage costs and ensure compliance**
- 75% of CFOs under pressure to increase savings and decrease risk *(Aberdeen Group, 2010)*
- Leverage buying power
- Control maverick spending
- Enforce contracts
- Deliver accurate reporting

**Mitigate supply risk**
- Less than 40% of finance professionals are currently enriching their spend data with risk information, making savings erosion an even more critical problem *(Aberdeen Group, 2010)*
- Limit exposure
- Manage supply chain disruptions
SAP’s Procurement Portfolio Today

- Spend Analytics
- Sourcing
- Contract Management
- Operational Procurement
- Invoice Management

- Supplier Management

- SAP Spend Performance Management
- SAP Data Enrichment and Classification OnDemand
- SAP Sourcing
- SAP SRM Bidding Engine
- SAP Contract Lifecycle Management
- SAP SRM Central Contract Management
- SAP SRM & SAP ERP (w/ SAP Cart Approval mobile app)
- SAP Supplier Self-Service
- SAP Information Interchange OnDemand
- SAP Commodity Procurement
- SAP eInvoicing for Compliance OnDemand

SAP Confidential
Information is key for procurement performance

To meet strategic business goals, procurement needs to . . .

- Know what and from whom you’re buying and how much you’re spending
- Identify savings opportunities
- Develop strong supplier relationships
- Monitor compliance

. . . and that requires

- Enterprise-wide visibility to spend and buying patterns
- Complete, accurate, and reliable data
- Powerful information at the hands of the business user
- An ability to take action based on profound decisions

"If I can take the data from my spend analysis tool and understand where it comes from and tie it to performance, then I can easily address the opportunities to drive savings and reduce spend."

CPO, Large North American Insurance Company
Challenges for effective spend analysis

<table>
<thead>
<tr>
<th>Disparate data sources</th>
<th>Dirty data</th>
<th>Difficult to access</th>
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</thead>
<tbody>
<tr>
<td>Government watch lists</td>
<td>Can’t quantify buying leverage without knowing supplier parent-child</td>
<td>Complex spreadsheets</td>
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<tr>
<td>Supplier financial and operational data</td>
<td>Can’t identify aggregate volume by category of spend</td>
<td>Reliance on IT for reports</td>
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<tr>
<td>P-cards</td>
<td>Can’t optimize for common purchases across departments</td>
<td>Complicated analysis tools</td>
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<tr>
<td>BW</td>
<td></td>
<td>Analysis not integrated with transaction systems</td>
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- Partial solutions: master data management and extraction, transformation, and loading (ETL)
- Expensive manual processes
- Multiple vendor licenses
SAP Spend Performance Management

Data integration
- GL/AP
- ERP
- Non-SAP
- SRM
- P-cards
- Supplier data

Data enrichment and classification
- Business compendium
- Transaction knowledge Base

Business analysis
Spend-specific data model

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Solution Summary
SAP BusinessObjects Spend Performance Management

Maximize Savings – Minimize Supplier Risk

Gain full spend visibility
- Automated data capture from SAP and non-SAP
- Data accuracy for faster insights

Increase spend under management
- Set up performance targets
- Collaborate effectively to act on insights

Rapidly identify savings opportunities
- Find and act on savings potential
- Pro-actively monitor contract compliance

Reduce supplier risk
- Pin-point supplier risks and supply concentration
- Find and act on qualified alternate suppliers

* Note: The Data Enrichment & Classification service is an add-on service separately priced.
Leading companies benchmark results using the following KPIs…

Companies using automated spend analysis processes such as data collection, enrichment, classification, and analysis typically see an improvement in KPIs:

<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>Average</th>
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<tr>
<td>Improvement in Spend Under Management</td>
<td>27%</td>
</tr>
<tr>
<td>Improvement in Savings from Strategic Sourcing</td>
<td>30%</td>
</tr>
<tr>
<td>Increase in Contract Compliance</td>
<td>10%</td>
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<tr>
<td>Reduction in Sourcing Cycle Times</td>
<td>22%</td>
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</tbody>
</table>
Key Lessons Learned (J&J)

- Sponsorship and Business Case: Make sure you understand the solution and build a strong business case. Secure a strong sponsorship, particularly at the CPO level. For global projects, make sure you have business and IT commitment from each region/country.

- Implementation & Resources: Ensure you have SAP ERP & BW expertise on hand to install, customize and support it long term.

- Source Systems: Profile your source data carefully and validate your interpretations with the user community.

- Testing & Verification: Develop a sound testing and data verification strategy. Work with each source system owner to understand what sources of data will be used to reconcile spend dollars. Test everything!

- Data Cleansing: If you will be using data cleansing, you will need to set up and deliver a secure file transfer process. Make sure you consider cleansing lead time in your project plan.

- Technical Settings & Performance: Consider your own technical environment and downstream systems & ensure they will support the SPM solution. Build in time for installation & tuning.

- Standard Reports & Usage: Work with your users to determine the subset of reports that are important to them. Set expectations that SPM is a strategic reporting & analytics tool rather than an operational one. This helps focus the implementation scope and enables you to manage expectations better. Demonstrate leverage opportunities to get the CPOs and the Strategic Sourcing professionals and buyers excited about the solution.
Key Lessons Learned (Colgate)

- Data is the key component
  - Have a good understanding of the complexity of your Transactional & Master Data
  - Data validation is key and it can take a lot of effort and time
  - Define Spend Hierarchies that facilitate sourcing initiatives
- Involve your basis/technical group early in the implementation
  - Make sure that the Java stack is properly configured/tuned for the expected workload in production.
  - Ensure a process is in place to deploy Adobe Flash.
- Define an appropriate data refresh frequency
- SPM solution well designed to address spend analytics business needs
- User adoption requires good data quality and modern/intuitive user interface
  - Spend is classified properly
  - Vendors are classified properly per the role they have
- To keep up with external innovation you need to pick a solution from a vendor that reinvest in enhancing existing tools
Key Lessons Learned (Kimberly Clark)

- Don’t commit to an aggressive delivery window unless you have great sponsorship and direct alignment of your project to enterprise goals.
  - Enables immediate support of the project from other areas of the organization when required.
  - Will ensure assignment of expert resources that will allow you to deliver aggressively.
- Implementing SPM on-premise will require expert knowledge of SAP NetWeaver BW and quick learning of the SPM data model.
- SPM ERP extractors are version dependent
  - Required updates as some of our SAP ERP systems were upgraded to SAP ERP 6.0.
- Consider turning off detail reporting to align with the “strategic” change management message
- Develop a total cost of ownership model to inform your solution and deployment model selection process
- Invest plenty of time in understanding the data enrichment and classification process. Business needs to have ownership of this!
  - At first glance it will appear this is a black box, and magically good data comes out the other side.
  - While the data enrichment capability does good things, it will not be successful without a thorough plan for initial enrichment and an efficient process for ongoing data enrichment
Key Lessons Learned (Newell Rubbermaid)

- Conduct comprehensive blueprinting including what reports and dashboards should include and how they appear
- Involve & train business users early in the project cycle
- Go for sandbox with real data, it helps in the long run
- Leverage existing landscape to reduce TCO
- Go for direct upload of data using ETL capabilities
- Extractor kit does not meet all the requirements, so start extractor enhancement as soon as possible
- Provide ample time for QA & production data loads – There are always surprises
- Data is never clean, so leverage Data Reliability and Enrichment services, if required
- SPM implementations are rapid deployments, but still need close monitoring to avoid scope creep
Key Lessons Learned (AGCO - agricultural equipment)

- Data Quality
  - Classification needs to be the task of the data owner in the business. Garbage in garbage out => global consistency in application of classification is a long process

- Project Management
  - Project management is critical – prioritization of time with other important projects

- Understand data model
  - Ensure the business and IT sides understand the data model and how it is applied

- Expectation Management and Change Management
  - Guide the organization through the transformation process from local data and analysis into global data and analysis

- System readiness
  - The in-house BW system (Java stack) needs to be ready and sized according to SPM requirements

- Use potential of Rapid Prototyping with SPM (agile project management)
  - Show the results to the business as fast as possible

- Legacy data integration
  - Leverage existing ETL strategies in an early stage
Key Lessons Learned (CareFusion)

- Strong executive sponsorship makes a tremendous difference
- Business project leaders who are knowledgeable about the business and technology-savvy increase the probability of success
- Spending sufficient time on the data collection phase and accurately identifying the differences between all ERP systems helps avoid change requests later
- Involve SMEs from different areas of the business as early as possible to avoid possibility of misclassifying data during standardization
- Alignment on priorities by source data providers (internal and cloud-based systems) is critical
- Cloud solutions like SPM with pre-defined data models and reports can significantly reduce project time and cost while delivering on expectations
SPM Implementation Best Practices

Recommendations/Observations

- Implementations are best done in an incremental phased approach (by regions or business units or source systems) with limited set of data (up-to two years of historic data)
- Limit initial scope and build on success.
  - Build upon lessons learned before expanding too quickly
  - Early success with limited roll-out drives momentum and adoption
- Identify Sourcing Categories/Taxonomies during Blue Print/Design Phase.
- Data complexity challenges including Master Data alignment coming from Multiple Source Systems needs to be addressed as part of Design Phase.
- Involvement of Subject Mater Experts (SME) from Procurement/Sourcing and BI Experts experienced with implementing Analytical Applications is key to success.
- Internal management champion and a top executive sponsor should promote project early, often and consistently help improve adoption, compliance, and success.
- Have clear communication plan in place – both between project members and with the user community
- Implementing changes in Procurement and reporting lead to change management issues. Be prepared.
Rapid Deployment Solutions
Maximum Value in the Least Amount of Time

Value Adding
- Powerful solution Spend and Supplier Risk analytics delivered ‘out-of-the-box’ based on leading SAP BusinessObjects Spend Performance Management
- Start fast, with what’s most important, and expand later
- Seamless access to ERP back-office information

Quick and Lean
- Clearly defined scope
- Includes pre-configuration content and knowledge transfer to key users
- Fast-track implementation methodology
- Enables you to go live in 10 weeks

Cost-effective
- Flexible pricing – ‘only pay for what you need’
- Attractive fixed-price services
- Reduced resource requirement from Business and IT

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SAP Rapid Deployment Solution
Key Deliverables

What does SAP or your partner deliver?

- Initial scoping workshop to understand and cover your requirements and to present Best Practice
- Project documents: blueprint, project plan and WBS activities
- Activation of SPM content, configuration of data extraction, loading of data
- Knowledge transfer to key users on configured SPM rapid-deployment solution system
- Support for system reconciliation

What do you have to do?

- Provide the IT infrastructure (server)
- Install SPM
- Provide fixed contact people in the business and IT departments
- Conduct end-user training
- Performance testing
SAP Rapid Deployment Solution Implementation Methodology - OVERVIEW

Scoping
- Value Proposition
- Define Project Scope
- Secure Agreement

Project Setup
- Project Management
- Staffing of Project Team
- Kick-Off Workshop

Realization
- Solution implementation
- Customer Testing
- Transport to prod. System

Go-Live
- Sign off Implemented Service
- Go-Live

Rapid Deployment Deliverables:

Access to the implementation methodology materials:
http://service.sap.com/solutionpackages
Thank You!

Contact information:

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