

SAP and the Ariba Supplier Network

*How Plug-In Integration with Global
Suppliers Quickly Multiplies the
Value of SAP Investments*



OVERVIEW

SAP delivers a comprehensive range of enterprise software applications and business solutions within the context of an agile, services-oriented architecture (SOA) and a collaborative enterprise ecosystem. Its extensive partner program reflects the company's dedication to end-to-end business solutions for complete life-cycle support and lower total cost of ownership. Ariba, a certified SAP partner, participates in the SAP world by providing a critical missing link in the end-to-end chain of business processes—namely, a simplified way to conduct business electronically with global suppliers through the Ariba Supplier Network.

With over 160,000 participating suppliers, the Ariba Supplier Network is the largest supplier network in the world. Most organizations find that up to 30 percent of their preferred suppliers already participate, while the remainder can be enabled quickly and easily. The Ariba Supplier Network also provides simple, effective discovery features that facilitate and optimize the sourcing process over time. Furthermore, the Ariba Supplier Network provides integrated and automated network services across a broad range of core business processes, ensuring that one efficient platform addresses discovery-to-settle supplier collaboration needs throughout supply chain, procurement, accounts payable, treasury/finance and vendor management workflows.

Many IT groups are currently wrestling with the challenges of either building their own supplier portal or adopting one or more existing gateway solutions from industry vendors. Designing and implementing a gateway from the ground up—especially in a typical transactional environment where suppliers present diverse types of business documents (EDI, XML, traditional fax methods, etc.)—can be costly, and the resulting systems are usually very difficult to maintain. Costs are often equally high for implementing a proprietary portal solution. Packaged gateway solutions typically focus on a limited set of business processes—for example, sourcing and procurement—forcing organizations to purchase, implement and maintain multiple dissimilar packages to ensure supplier integration across the enterprise, accommodating all departments and stakeholders. In today's global economy, further obstacles include the high costs of supporting multiple languages and currencies for different regions and countries. Ariba eliminates all of these difficulties and costs, offering a plug-in solution that not only solves immediate technical and business problems, but also provides a secure, scalable platform for long-term growth.

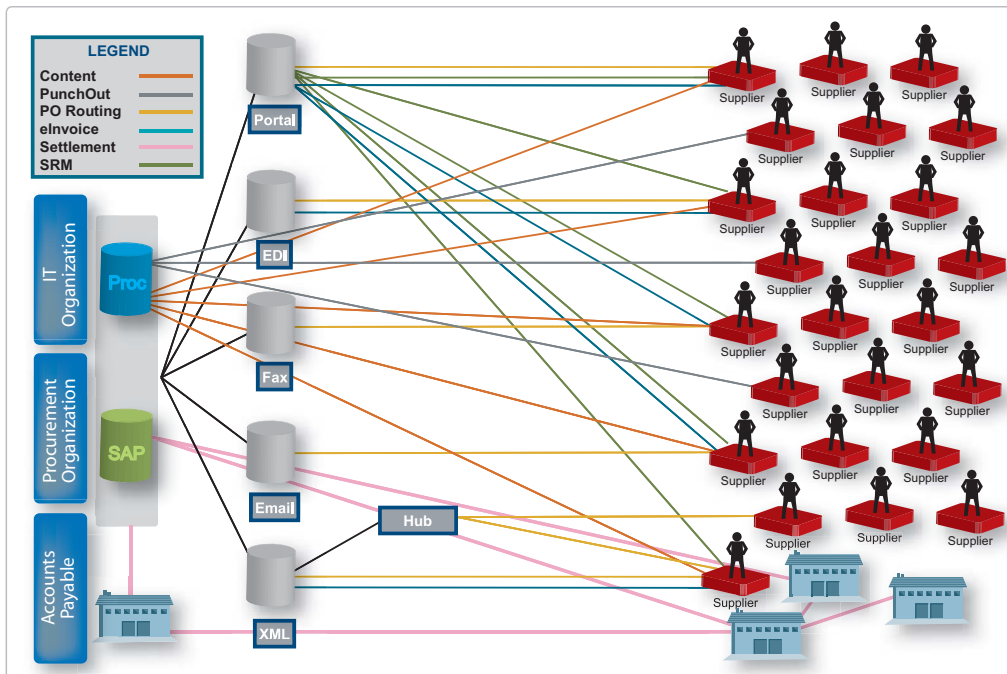
Special IT benefits with the Ariba Supplier Network include out-of-the-box SAP-specific integration functionality. SAP users can quickly implement network services that enable supplier links with minimum effort and expense. Typical time-to-deployment is only six to eight weeks, making it possible to achieve a very fast return on investment. Ariba's open architecture provides flexible integration options, with broad support for SOA strategies. Ariba fully complements existing SAP environments, delivering the most effective means possible to seamlessly link internal SAP-based business processes with the external worldwide supplier community.

CONNECTING WITH GLOBAL SUPPLIERS

Supplier Enablement Challenges

Many organizations today have set ambitious goals for increasing efficiency throughout the enterprise in order to improve spend management and improve bottom-line results across multiple business processes. The goal is to optimize key business functions such as sourcing, procurement, contracts, invoicing, payment, and accounts payable, and to drive working capital benefits to treasury and finance. Top line objectives include increasing the amount of spend under management, improving the visibility of spend, maximizing contract compliance in order to stop leakage, and gaining greater capture of discounts. In each of these cases, supplier connectivity provides substantial benefits and in fact often provides the key to making these improvements possible. For example, to improve collaboration with suppliers and increase the amount of spend under management, an organization requires easy supplier enablement, automated transactions, and a reliable way to integrate suppliers into closed-loop processes that help prevent rogue spending. For enhanced contract compliance, organizations rely on electronic invoicing, accurate reporting and other automated features to minimize contract leakage and help eliminate overpayments that can result from unrealized contract discounts.

Despite the obvious benefits of automated supplier collaboration, most companies today still communicate with suppliers using manual methods. Faxed invoices, telephone requests and confirmations, manually initiated emails, Web browsing to find suppliers, and so forth, are the norm. Industry observers estimate that accounts payable staff spend 75 percent of their time processing paper-based invoices. Contract leakage is estimated at .1 to one percent of total spend, with most organizations capturing only a small fraction of potential early-pay discount opportunities.



The main reason for this inefficient and seemingly outdated mode of doing business is that supplier enablement is typically complex and cumbersome, especially when coping with traditional collaboration methods such as faxing and e-mail. As a result, most organizations are overwhelmed by the prospect of undertaking a supplier collaboration initiative. Some of the key requirements for supplier connectivity include:

- **Open platform**: For optimal supplier collaboration, end users require a flexible, standards-based environment that fits in seamlessly with back-end ERP, spend management and other enterprise systems. The supplier portal also must be able to accommodate both large and small suppliers, high- and low-volume activity, and strategic and non-strategic business partners. In addition, the solution must deliver automated functionality across a wide range of business documents and collaboration methodologies.
- **Discovery-to-settle coverage**: To maximize financial benefits, a supplier connectivity solution must provide complete, automated capabilities at every point in the supplier relationship, across sourcing, supply chain, invoicing, payment and cash management workflows.
- **Ease of use**: Features should provide advantages to both suppliers and buyers, providing capabilities such as high transactional visibility, practiced and repeatable services offering economies of scale, simple enablement regardless of a supplier's existing infrastructure, support for any supplier's particular way of doing business, and proven change management and incentive strategies. Optimally, the platform should also enable supplier self-service for a range of everyday activities, offloading much of the time-consuming work that internal A/R and procurement staff usually handle.
- **Global reach**: An ideal supplier collaboration methodology will deliver substantial localization capabilities, with broad support for local languages and currencies.
- **Advanced security and reliability**: The gateway architecture should incorporate certified security methodologies that offer guarantees for data protection while ensuring uninterrupted access to business information.
- **Broad invoicing and payment capabilities**: An effective supplier connectivity platform should support a range of features that shorten cycle time to provide working capital benefits beyond traditional procurement, supply chain and A/P capabilities.

Strategies for Supplier-Friendly Connectivity

A number of different strategies have arisen in response to the challenge of creating electronic links with suppliers. These strategies tend to fall into two general categories: point-to-point and many-to-many solutions. Most existing supplier portal solutions—including build-your-own options—are based on point-to-point links, with a number of associated business, technical and financial drawbacks.

Build-your-own portals

The greatest disadvantages to designing, implementing and maintaining a supplier gateway are the costs and the technical complexities involved. For example, the Gartner Group examined a proposed internal build at a specific bank, concluding: "The cost to enable one supplier includes a new security process at the bank that cost \$50,000 for a point-to-point connection. There are

additional charges on top of the \$50,000 per supplier that are associated with security (testing, password validation, registration, etc.) This would cost the bank in the range of hundreds of thousands to millions of dollars to enable thousands of suppliers.”

Other recent estimates suggest that building from scratch would require an initial outlay of \$0.5M to \$1.5M plus an annual \$250K to \$750K in general maintenance costs. Additional expenses include requirements such as WebTrust certification, EDI and fax charges, content management, localization to support global suppliers, supplier enablement processes, and other related functionality. Even when building on an existing platform such as SAP, an internal development effort for a supplier portal would require expenses related to EDI gateways, fax servers, and supplier support. These costs include software, hardware, license and maintenance fees, support personnel and infrastructure, and other similar requirements.

Technical challenges for build-your-own strategies include the need for high-cost, high-end technical personnel, and the time and expertise required to keep up with evolving standards and protocols for Web-based transactions. At any time, any one supplier could change its mode of operation, its business document formats, or any other aspect of its business processes. Every supplier change would require revisions of the company’s gateway—an endless, time-consuming process.

Other difficult challenges include the need for complete discovery-to-settle functionality and full support for Global 2000 best practices, such as WebTrust-level security and reliability. Since supplier adoption is the key to long-term success, the platform must ensure easy supplier entry, so that all suppliers—regardless of location, size, technology level, expected transaction volume or specific business processes—can participate.

Proprietary vendor solutions

Unfortunately, most packaged gateway solutions offer limited functionality and exhibit many of the same undesirable point-to-point characteristics as build-your-own methods. For example, even where a collaboration platform supplies the foundation for supplier connectivity, the IT team will still be required to create or at least revise each individual supplier link in order to support multiple protocols and business models throughout their diversified supplier base. IT resources will be called upon repeatedly to accommodate the frequent changes that occur in connection with suppliers’ preferred ways of doing business. Also, the IT group will incur costs for upgrading the purchased system and building out additional custom capabilities over time. In addition, most existing platforms focus on only one aspect of a company’s business and lack the ability to automate and integrate suppliers across all business processes. This means that a company would need to purchase, implement, manage and maintain several packages at once—with associated compatibility, integration and general administrative difficulties.

Open supplier network

The answer to the drawbacks of a point-to-point solution is a many-to-many arrangement in which network services providing automated, integrated functionality are consolidated for maximum efficiency, with the built-in ability to quickly enable any supplier at any time. The ideal many-to-many supplier gateway serves the needs of multiple business users across diverse business processes, and permits quick integration with an organization's existing business software platforms. Furthermore, it provides substantial benefits to suppliers as well as buyers, ensuring broad supplier adoption and consistent supplier participation.

Due to its comprehensive scope of functionality and depth of technical capabilities, this type of portal requires extensive technical expertise, usually beyond the skills, available time and budgeted resources of the typical IT force. This is exactly where Ariba can make a difference—by delivering a large-scale, established supplier network that maximizes the functionality and benefits of the many-to-many model while minimizing the costs, effort and time required for optimal deployment.

ARIBA SUPPLIER NETWORK

Fast Integration with SAP

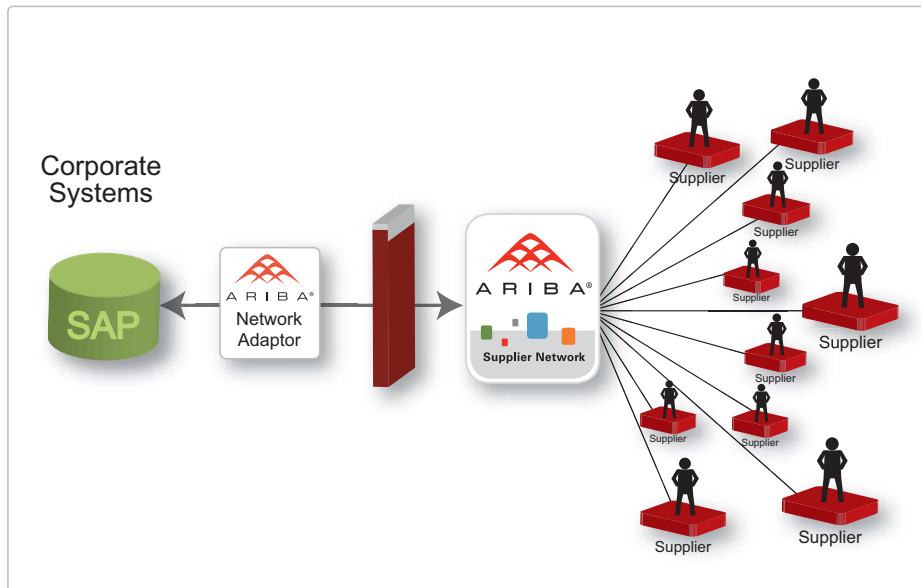
As an SAP partner, Ariba has optimized its technology to facilitate deployment of Ariba solutions within an SAP environment. For example, easy-to-use, out-of-box templates provide a wide range of typical, SAP-specific mappings to and from cXML-based documents. From an engineer's viewpoint, this means that the "dictionary" of mappings has already been created, vastly reducing IT time for setup, supplier integration and ongoing administration. In addition, easy customization options allow the team to expand the template set as needed over time.

Based on the NetWeaver-certified Ariba Supplier Connectivity (ASC) Adapter, Ariba's element mapping mechanism handles one-to-one, many-to-one, and one-to-many mapping scenarios. It also provides bi-directional SAP-to-cXML and cXML-to-SAP capabilities. Out-of-box automations include transaction profiles, purchase order routing (according to each supplier's preferred order routing method), scheduled payments, dynamic discounting, pull or push document transmission, invoice status updates, and payment remittance requests. ASC Adapter mappings can be easily customized to suit specific business processes as needed.

Since Ariba offers an open platform, the IT team can use either the Ariba ASC Adapter or any other preferred Enterprise Application Integration (EAI) solution when setting up the portal. In addition, the Web services-based architecture can blend with and enhance any SAP-based SOA environment.

Largest Supplier Network in the World

The Ariba Supplier Network comprises over 160,000 enabled suppliers throughout the world. Existing customers include 60 of the Fortune 100. Average monthly activity includes 1.8 million purchase orders and \$8.3 billion total spend, with 80 million catalog items available. The Ariba Supplier Network connects buyers to suppliers in 120 countries, automating transactions in 80 currencies and 10 languages across virtually every business category and industry. Most new Ariba Supplier Network users discover that up to 30 percent of their existing preferred suppliers are already linked to the network. Convenient supplier enablement methods, including Ariba Transaction Enablement Service and PO Quick Enablement, simplify the addition of other suppliers both immediately and over time. The Ariba Supplier Network allows SAP users to quickly reach critical mass with regard to supplier contacts, ensuring that the organization can always reach the right supplier for the right product or service whenever necessary.



"Ariba earns the top spot because it has the largest and deepest supplier network, with strengths as well in supplier catalog support tools and supplier directories."

Forrester Wave: eProcurement Solutions Q207 by Andrew Bartels and Duncan Jones, Forrester, April 2007

Complete Discovery-to-Settle Coverage

The Ariba Supplier Network automates the supplier relationship across key business processes spanning order management, catalog management, contract compliance, invoice management, working capital management and payment management. Automated functionality—in the form of Web services for sourcing, supply chain workflows, invoicing and payment, and cash management—can produce extensive improvements in total spend capture, leading to quick ROI and significant bottom-line results.

Savings appear in other areas as well. Industry observers estimate that corporate staff on average use 70 percent of budgeted resources for operational (versus purchasing) needs. By automating many of these processes, organizations can generate additional savings through lowered personnel costs and reduced expenses related to inefficient manual methodologies. Examples of immediate financial benefits derived from comprehensive supplier connectivity include:

- \$6 to \$20 savings per invoice
- 75 percent cycle time reduction
- 50 percent decrease in supplier inquiries
- Up to 20 percent savings for spend under management
- Elimination of contract leakage estimated at .1 to one percent of spend
- .1 to one percent of spend in working capital management saving

Supply Chain

Supplier collaboration issues related to supply chain management include everything from optimizing production schedules and tracking inventory to monitoring each phase of the production workflow. Full visibility into the entire workflow is vital to the success of the automated supplier relationship. The Ariba Supplier Network can easily be leveraged to transform supply chain scenarios for both direct and indirect spend, simplifying key processes such as demand and production forecasting, shipping schedules, management of inventory levels, and other related supply chain activities.

Procurement

Core procurement challenges include identifying new suppliers, improving spend under management, and optimizing procurement processes across direct and indirect spend in order to ensure full spend capture. The Ariba Supplier Network facilitates sourcing by providing simple access to an active directory of global suppliers, with easy supplier enablement once appropriate suppliers have been identified. The Ariba Supplier Network also facilitates procurement by providing complete visibility into status information such as order confirmations, advanced shipment notices, and order acknowledgments, with automated end user and supplier updates. In addition, the system can continually monitor compliance to contract, to make sure that an organization is always purchasing the right product at the right price from the right vendor.

Accounts Payable

The A/P team faces a range of challenges related to invoice handling and remittance and payment, including minimizing approval cycle times, responding effectively to supplier queries, avoiding costly errors resulting from manual processes, and meeting the needs of diversified suppliers globally. The Ariba Supplier Network improves the efficiency of accounts payable by allowing suppliers to generate, create and publish back electronic invoices, and to handle these processes in the manner that's most convenient for them. It can also improve speed and effectiveness by initiating a two-way match at the supplier end and automatically rejecting any invoices that fail to meet given criteria.

The system's easy-to-use Web-based architecture reduces high-volume telephone inquiries that could otherwise monopolize staff time, and even allows suppliers to download and accept electronic remittance advices. The Ariba Supplier Network supports EDI and cXML, as well as traditional faxing methods and CSV (comma separated values) files for invoice uploads. Functionality covers both direct and indirect spend, with support for digital signatures and other worldwide localization requirements.

Finance/Treasury

For finance staff, supplier collaboration addresses issues concerning cash management, capital optimization and implementation of controls such as SOX Section 404 requirements for protection against fraud. Finance teams in general would like to improve audit capabilities and to offer suppliers working capital opportunities that will allow suppliers to optimize their own financial supply chain. The Ariba Supplier Network facilitates the entire payment process, providing electronic payment and settlement capabilities regardless of payment method (purchase card, EFT, ACH, etc.), and ensuring full visibility into payment status.

The Ariba Supplier Network fully supports working capital management initiatives, offering the ability to set up negotiated terms with a sliding scale for any supplier. Discounts can be either buyer-initiated or supplier-initiated, providing financial opportunities and advantages for all participating entities.

IT Management

From the IT perspective, supplier connectivity brings up a range of complex issues regarding software, hardware and maintenance costs, integration with existing SAP R/3 or ECC systems, security, implementation timetables, and ongoing supplier support. The Ariba Supplier Network offers an extremely simple, affordable and fast implementation methodology, minimizing staff time and eliminating the need for expensive, highly technical personnel. The network's built-in ease-of-use features, broad functionality and versatile connectivity options keep ongoing maintenance costs low. The NetWeaver-certified platform is easy to integrate with SAP, using either the Ariba adapter or any other preferred EAI solution. The Ariba platform is also WebTrust certified, regularly meeting WebTrust's high standards across a range of security, reliability, performance and safety parameters.

Vendor Management

Vendor management issues focus on the need for consistency and ease-of-use in obtaining and updating supplier information. The Ariba Supplier Network provides a centralized portal where end users can quickly view supplier information ranging from corporate information and sourcing attributes to Minority-and-Women-Owned Business Enterprise (MWBE) status and banking data. Suppliers manage their own profiles online. Changes can be either pushed to the master vendor list or pulled on a schedule, as desired. The system ensures that current, accurate supplier information is always available for MWBE and compliance reporting, and for internal tracking and analysis.

Suppliers

Suppliers themselves would like to eliminate the need for costly integration efforts—which could ultimately impact the cost of their products—and to reduce inefficient order management and accounts receivable processes. Suppliers are also interested in achieving better visibility into the payment process and would like easy access to low-cost financing. With the Ariba Supplier Network, suppliers can link to a participating buyer in 10 days, vastly less time than it would take to develop a point-to-point connection with that individual buyer. The Ariba Supplier Network also gives suppliers high visibility into the payment process, flexible order and invoice management capabilities (with functionality across e-mail, fax, XML, HTML, EDI, etc.) and increased sales opportunities among both new and existing customers. The Ariba Supplier Network also makes it easier for suppliers to identify and negotiate advantageous financing options.

Scalable High-Performance Platform

The Ariba Supplier Network provides a highly reliable, on-demand platform based on a fully redundant, Level-1 WebTrust-certified infrastructure. The hosted, Web-based system offers 99.5 percent uptime, with the most advanced data and system protections available. Administrative ease-of-use features for end users include configurable business rules and user roles, comprehensive customer support tools, document search capabilities and other automated management features. Ariba also provides expert technical, connectivity and business process support in 10 languages, in person or online, 24x7.

"If you have an existing ERP footprint, consider their solutions together with Best of Breed solutions, like Ariba."

Aberdeen Group, 2007

SAP AND ARIBA SUPPLIER NETWORK: BEST-OF-BREED BENEFITS

SAP and the Ariba Supplier Network provide mutually beneficial capabilities that, when combined, can improve business effectiveness, lower costs, and raise ROI for enterprise business systems overall. Benefits include:

Improved Business Processes

SAP users can leverage the Ariba Supplier Network's proven capabilities and support for industry best practices to quickly achieve full integration with financial partners in a highly scalable, secure and reliable environment.

Lower Total Cost of Ownership

The Ariba Supplier Network offers a single, integrated supplier platform across diverse business processes. It reduces paper-based administrative costs, removes the need for an excessive financial outlay, and eliminates ongoing expenses associated with internal development efforts and multiple software solutions.

SAP-Specific Expertise and Functionality

Built-in Ariba Supplier Network features simplify integration so that the two complementary solutions smoothly interoperate. Features include pre-built integrations and sample document mappings. This Best-of-Breed combination optimizes corporate resources and supports the full spectrum of business processes and strategies.

Fast Time to Benefit

The Ariba Supplier Network can be deployed in an SAP environment within six to eight weeks. Other methodologies can take up to 10 months.

Quick ROI

SAP users can immediately integrate a vast network of suppliers for greater operational efficiency, benefiting from reduced financial loss and contract leakage, increased ability to spot financing opportunities, fewer personnel needs, better leverage of existing suppliers, greater ability to identify and add new suppliers, and easier access to the global supplier community.

Expert Support and Services

Ariba's service teams help enterprises get started quickly, ensuring that they can take full advantage of network resources and capabilities within the context of specific business strategies and an existing technical infrastructure.

Secure, Reliable Environment

Ariba Supplier Network security and business continuity assurances reflect industry best practices, with advanced physical, electronic and managerial measures that safeguard and secure systems and data. Users can rely on 99.5% uptime for themselves and their valued suppliers.

SUMMARY

SAP users no longer have to puzzle over how to bridge the supplier gap. The Ariba Supplier Network provides a fast, plug-in solution for supplier connectivity that not only delivers reliable high-performance network services, but also consolidates functionality across the enterprise. Ariba builds on the powerful SAP foundation to deliver a proven, high-volume supplier connectivity solution that leverages supplier collaboration across business processes to optimize efficiency and produce a quick return on investment. With extensive ease-of-use features and supplier enablement advantages, the Ariba Supplier Network simplifies business, enhances supplier satisfaction, and streamlines workload and workflow for both IT and business users.