SAP's Strategy on Procurement and Business Networks – Asset-intensive Industries
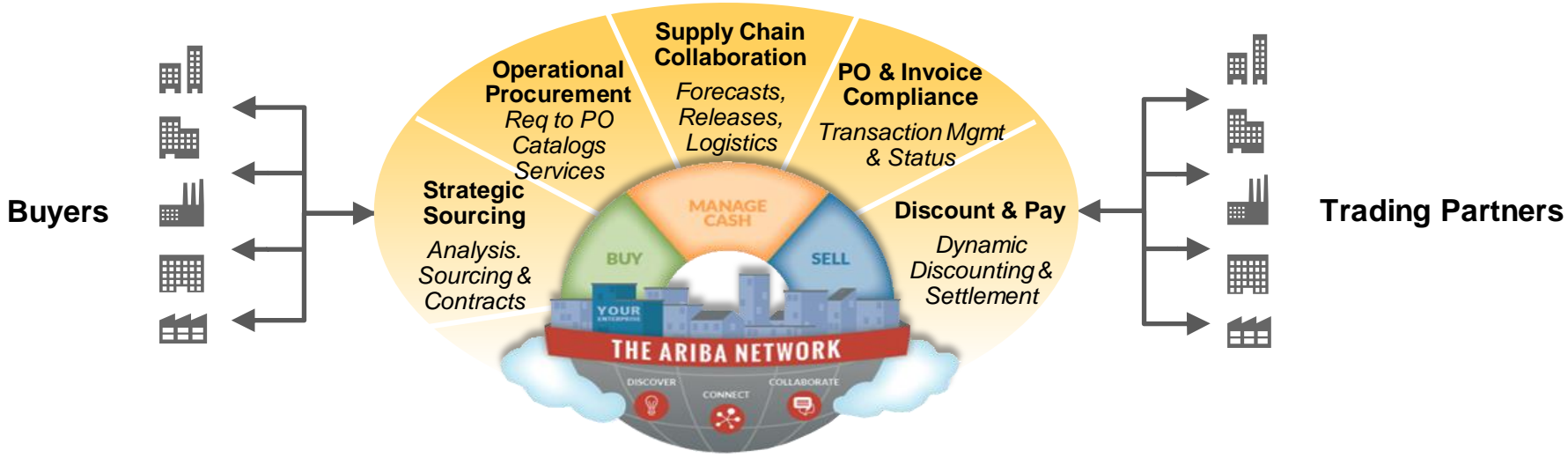
Rolf Weiland, VP Network Growth, MEE
October 2014

SAP

ARIBA
An SAP company

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SAP's Procurement Solutions Portfolio addresses the Global Trends and offers application deployment choice + inter-enterprise collaboration


ARIBA®
An SAP Company
Cloud Solutions

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

Supplier Management

Buyers

Operational Procurement
Req to PO Catalogs Services

Supply Chain Collaboration
Forecasts, Releases, Logistics

PO & Invoice Compliance
Transaction Mgmt & Status

Strategic Sourcing
Analysis. Sourcing & Contracts

MANAGE CASH

BUY

SELL

Discount & Pay
Dynamic Discounting & Settlement

YOUR ENTERPRISE

THE ARIBA NETWORK

DISCOVER CONNECT COLLABORATE

Trading Partners

SAP®
OnPremise Solutions

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

Supplier Management

strategic ——————————— operational

After the storm – the shift to the cloud accelerates

Saugatuck Technology:

"Through 2016, Hybrid-Cloud becomes the enterprise platform of choice – a transitional platform, however, en route to a future dominated by public and private clouds."

"By 2016, 75 percent or more of NEW enterprise IT spend will be Cloud-based or Hybrid."

- On-premise
- Cloud / On-premise (hybrid or highly-interwoven deployment)
- Cloud-based (pure-play)
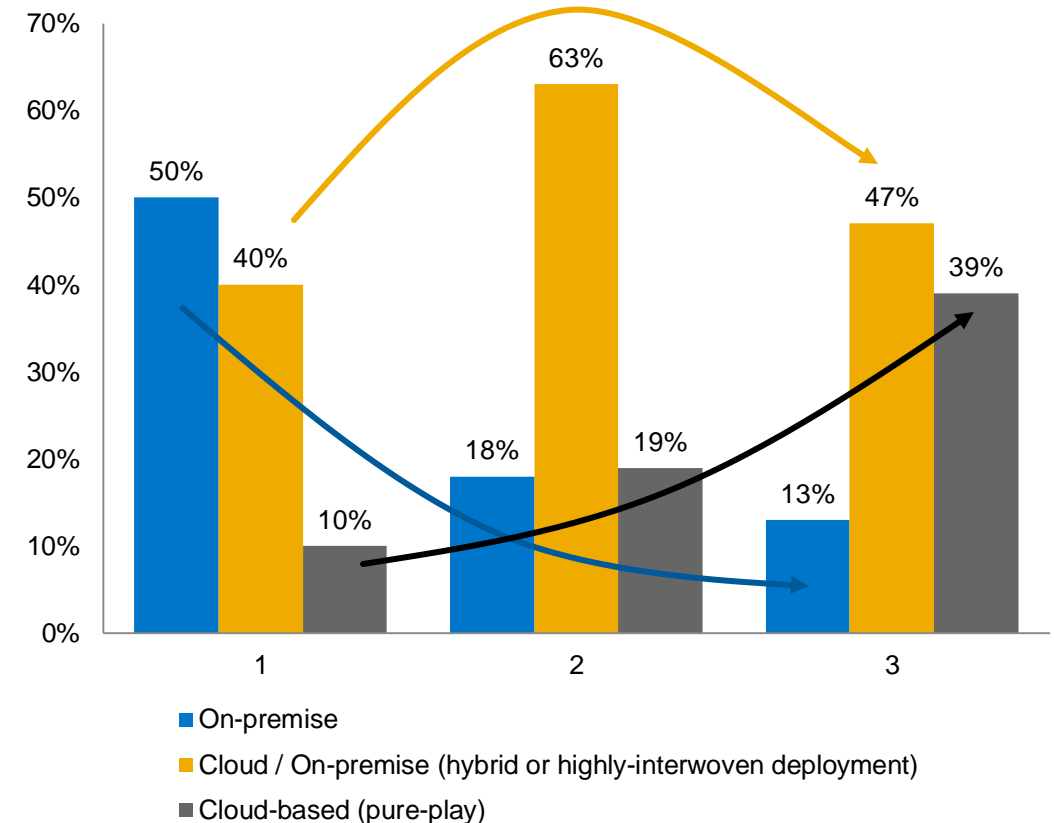
Source: Saugatuck Technology, 2012 Cloud Business Solution Survey, Global, N-228 (Feb 2012)

Roadmap themes
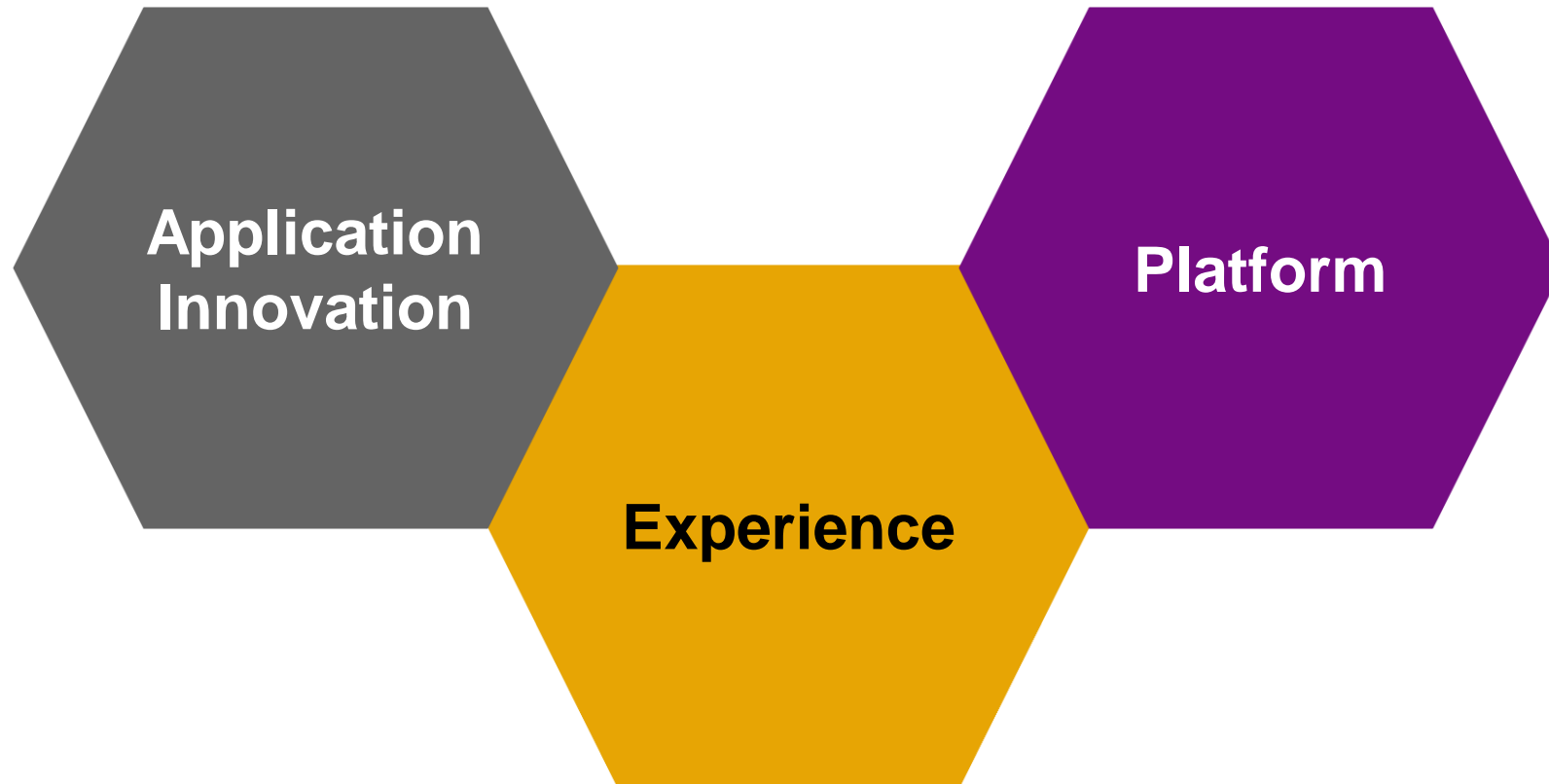
Key Application Innovation Investments I

Globalization

- eInvoicing compliance:
  - By end of 2014: 50 countries compliance for Invoicing; 2015: 75+ countries
- Data Center for Ariba apps in NL in place – China and Russia targeted in Q4/2014

Integration/General

- Additional integrations with core SAP to support end-to-end hybrid scenarios
- Enhancements/usability improvements in all Ariba apps (upstream and downstream)
- On-premise enhancements in all core solutions
- Usability improvements across ALL applications
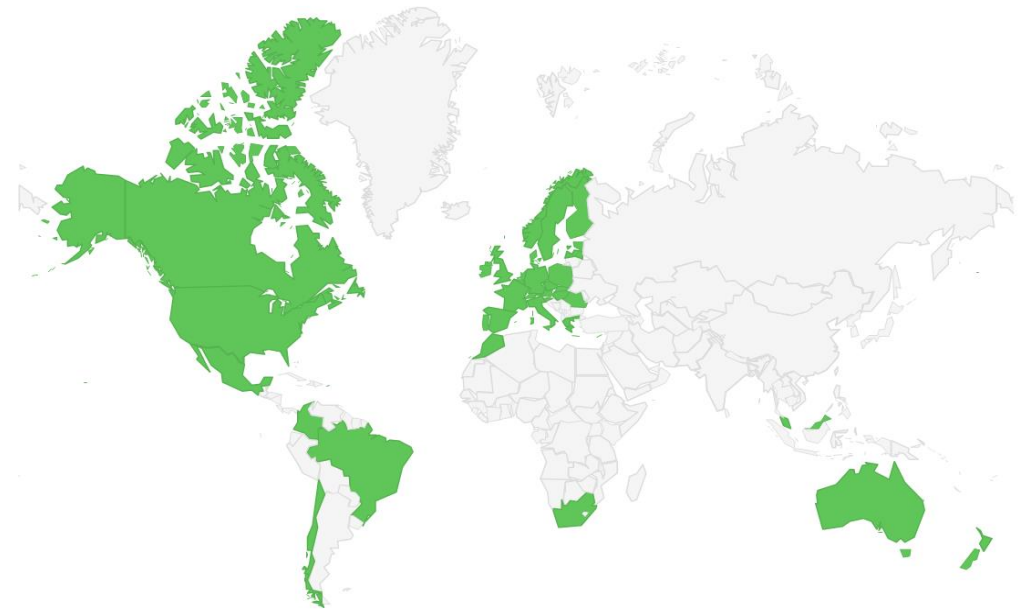
Key Application Innovation Investments II

Spot Buy/Spot Quote

- Deliver network content for ad hoc / spot buy spend (eBay pilot)
- Grow ecosystem of sellers with pre-configured content
- Spot Quote in conjunction with SAP ERP ("3 bids and a buy" scenario)

Open Payment

AribaPay (US pilot rollout in 2014)

- Launch and growth with Discover.com

Open the Network for Payment

- Open API and more payment modes for Partners

SAP Supplier Relationship Management, SAP ERP MM

on premise

SAP SRM 7.03 runs on HANA (optionally)

Continued investments in improving usability through HTML5-based user interface add-on

Functional enhancements based on customer feedback (Customer Connection), i.e.

- Payment plans
- Terminated Employee Handling
- Search for SC using ECC PO number
- Check for "open" POs before central contracts can be completed
- Fiori app to improve handling and processing in SAP SRM Sourcing Cockpit

SAP ERP MM/SD Customer Connection collect phase ended in Sept. 2014:
Shipment of new features expected in Q2/Q3 2015
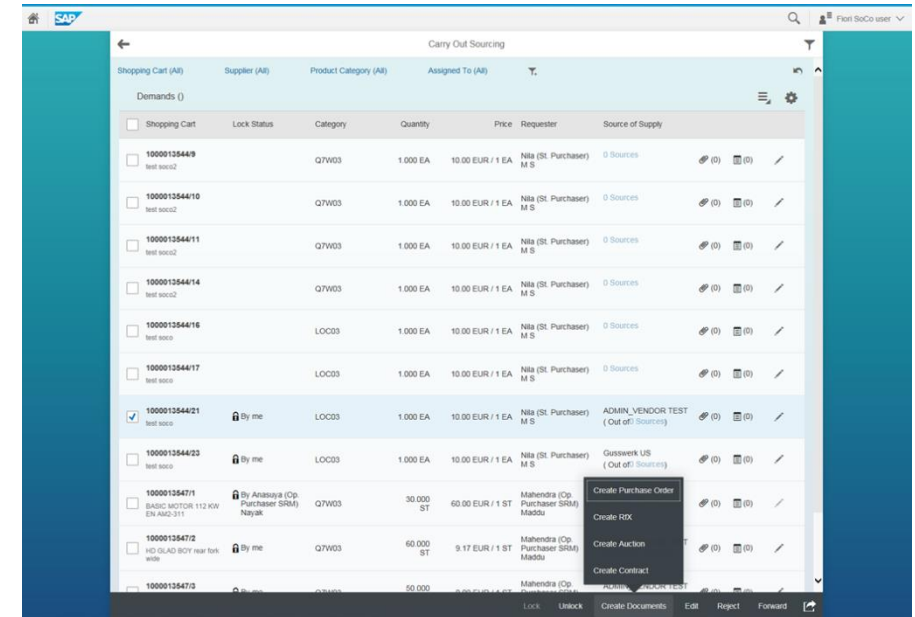
SAP Supplier Lifecycle Management

Runs on HANA (optionally) since GA of version 2 in August 2014

New embedded activity and task management for supplier development

On the roadmap for 2015:

- Integration with D&B (1st level data)
- Extend process integration with backend systems
- Hybrid scenario with Ariba Network
- Interfaces to Sourcing systems
- Enablement for analytics within SAP SLC

SAP Sourcing/CLM

- Integration between ERP/SRM and Ariba Sourcing/Contracts
- Graphical workflow editor in SAP Sourcing/CLM
- Web Services framework in SAP Sourcing/CLM
- iPad Workbench page in SAP Sourcing/CLM

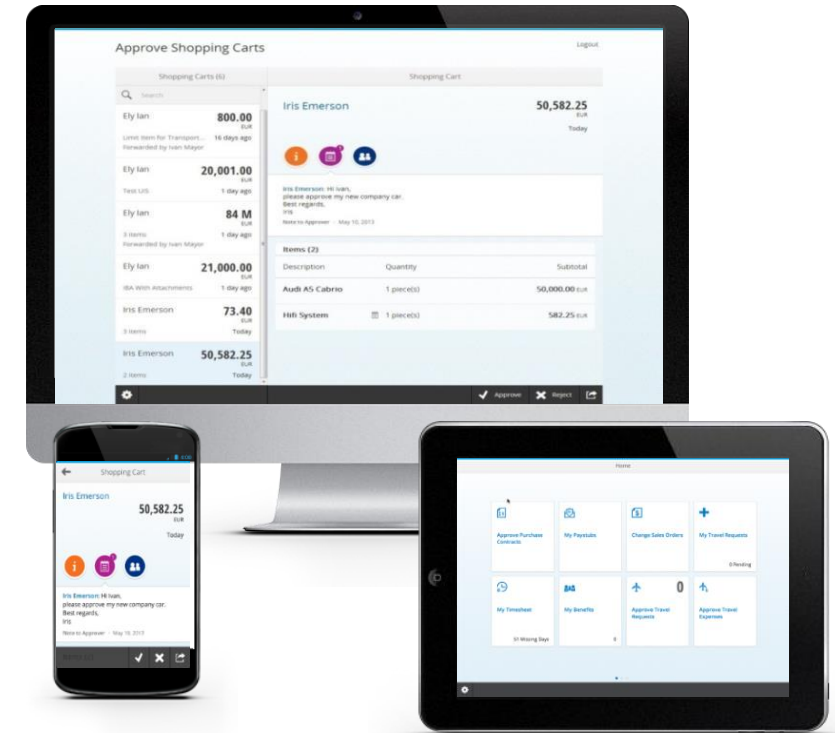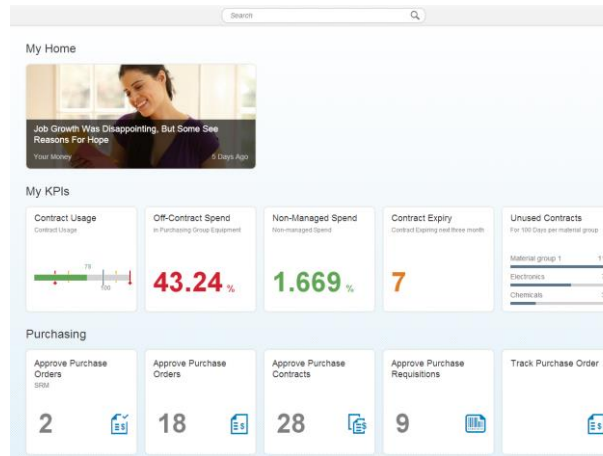- Wave 11 contents currently in planning stage (based on customer survey)
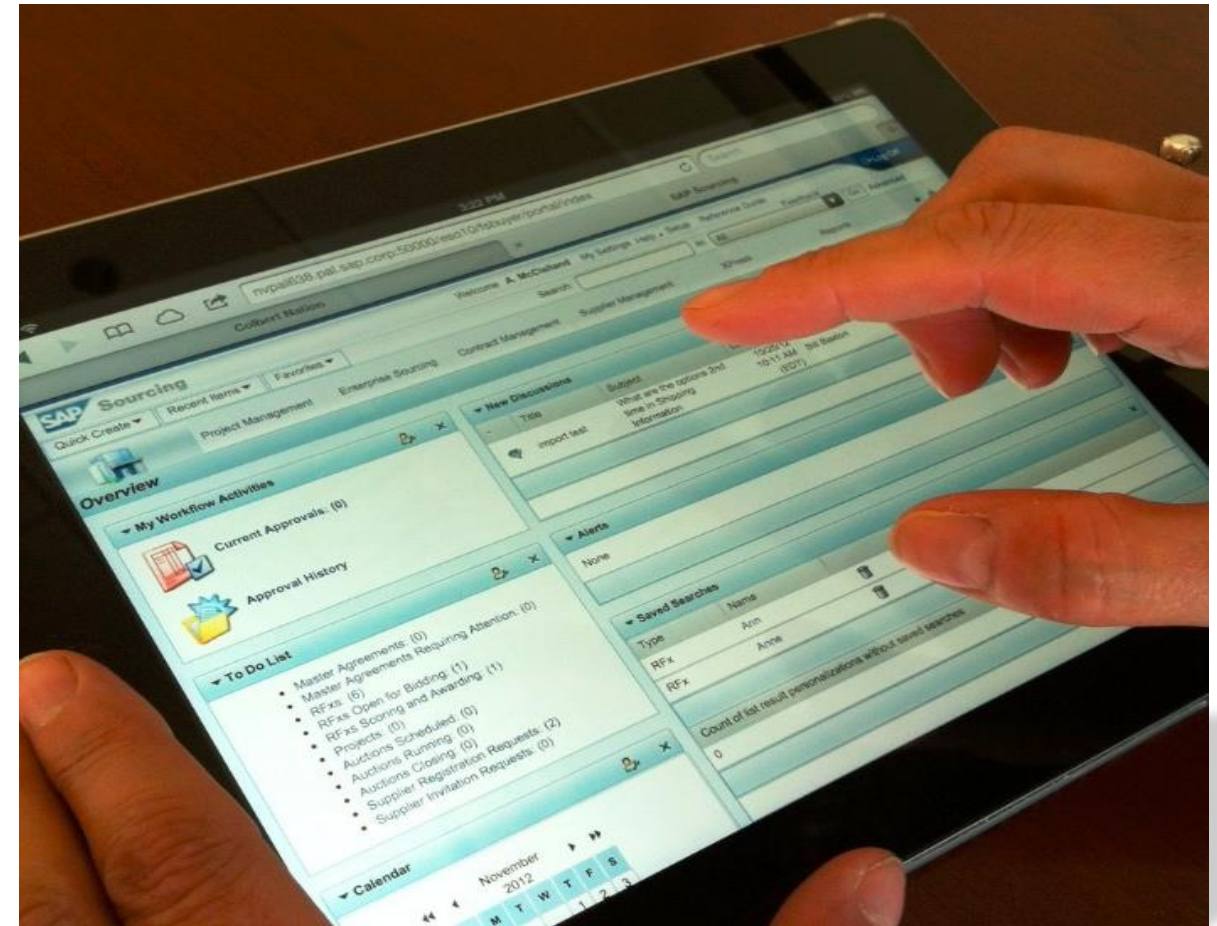
SAP Fiori for Procurement

New: Fiori Launchpad

- Personalization
- Search
- Navigation
- Persona Centric
- Multiple Devices
- Multiple Platforms

More than 30 Fiori Apps for Procurement available today – and more to come…

What is SAP Fiori:

A collection of apps with a simple and easy to use experience for broadly and frequently used SAP software functions that work seamlessly across devices: desktop, tablet, or smartphone.

Today's Challenges

Lean Operations
- True lean MRO processes (end-to-end)
- Lean inventory levels and 99+% uptimes

Regulatory Compliance
- Stringent reliability, regulatory and safety requirements
- Ensure that operators are on top of configuration management, traceability and compliance control

Aging Assets
- Preventive maintenance planning needs accurate data exchange from suppliers and workcrews
- Assets-in Field are routinely maintained via contractors: Paper doesn't really work

Contractor Workforces
- Strong increase of outsourced MRO activities
- Management of contractors (orders, payment, timesheets, milestones, …) becoming critical to business

Supply Chain Risk
- Identify and qualify suppliers, negotiate best-value agreements
- Manage end to end supplier performance & KPIs

Build from both sides

It is our strong belief that external electronic collaboration is key to address challenges in many industries.
So, does every company in the room want to build and maintain their own trading partner network?

From our experience:
What works for 5 suppliers doesn't scale for 5,000 suppliers:
Professional supplier enablement is key to a network, and it's hard, high-touch and expensive.
Ariba provides unlimited supplier enablement for buyers subscribing to the Network!

ARIBA NETWORK
Collaboration with Trading Partners

Open

Global

Non-disruptive

Intelligent

Scalable

Secure

Expertise & traction in the Metals and Mining Industry is significant

BUYERS

SAP & Ariba Solutions

SUPPLIERS

Partner and Ecosystem Solutions
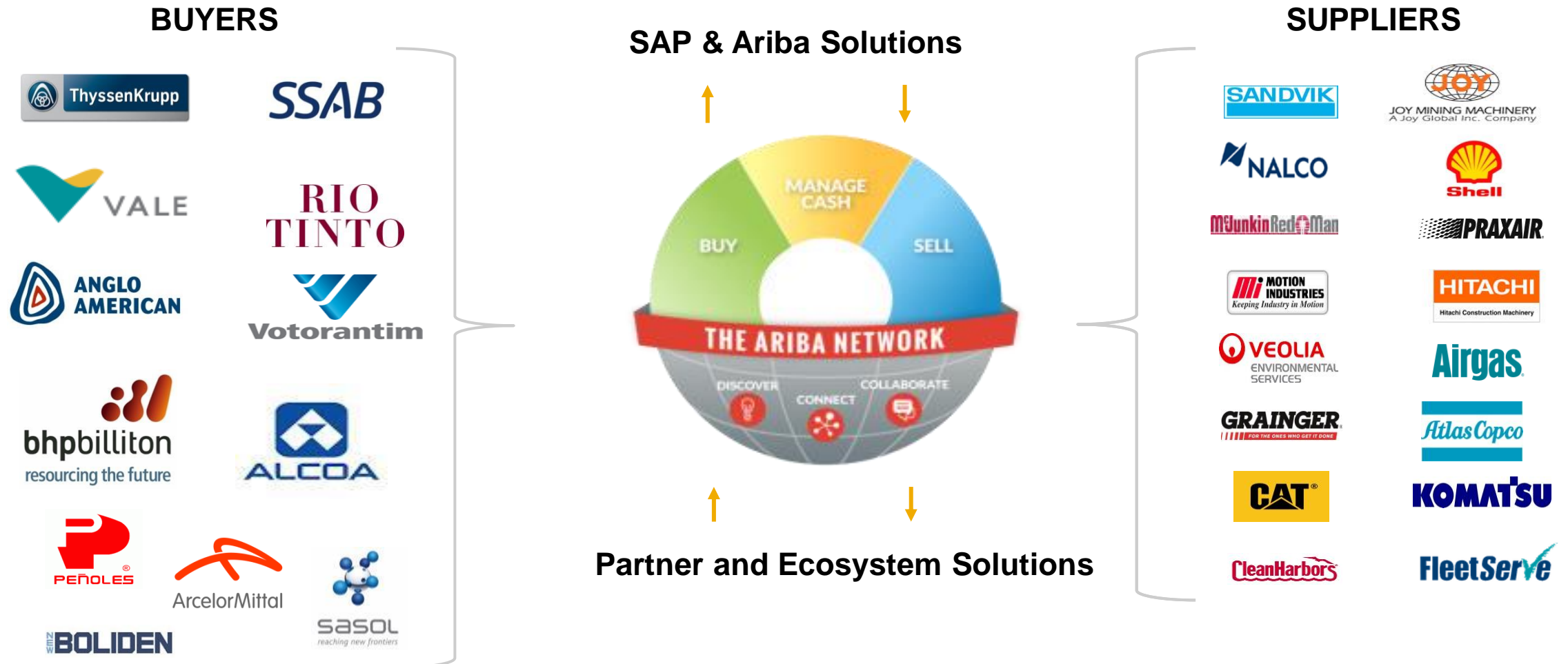
LOW DISRUPTION

"Come as You Are" (ERP, SRM, non-SAP accounts all welcome)

DATA BACKED BUSINESS CASE

Cloud allows agility

SUPPLIER ENABLEMENT

High touch service outsourced to Ariba, the experts
Ariba does the heavy-lifting: Ensuring suppliers are ready to transact

SERVICE SHEETS

Electronic, collaborative entry eliminates paper and errors

Contract compliance is secured

Only invoices based on approved SES's pass through to your ERP

MANAGE CONTRACTORS

Manage work crews for efficient and safe practices

Transaction
Automation

Management of
Field Assets

**Control Tower
Applications**

Supplier
Management

RECEIVE SIGNALS FROM SUPPLIERS

Order confirmation & shipping details

SEND SIGNALS TO SUPPLIERS

Order change/cancellation & attachments

FULL VISIBILITY

In SAP EAM with Alerts & Workflows
Supply Chain integration with SAP SNC

FUTURE CAPABILITIES

Track and Trace, Mobile Entry

Transaction
Automation

Management of
Field Assets

Control Tower
Applications

**Supplier
Management**

SUPPLIER RISK

HANA-based Big Data analysis
Predict supplier performance

PERFORMANCE MANAGEMENT

Proactive Management

CONTRACTS

Contract negotiation, legal authoring and operational usage

SOURCING

Tender competitively for MRO and Labor contracts

Ariba Network: Ariba Collaborative Supply Chain

New

Released in August 2014:

New Collaboration scenarios for

- Direct material extensions for Order/ASN/Invoice
- Scheduling Agreement Releases

Industry-specific extensions for retail and manufacturing

Ariba Network Integration to SAP SNC (Supply Network Collaboration)

- Message Integration on Ariba Network
- Single Sign-On for advanced processes
- Unified supplier on-boarding

SAP Supply Network Collaboration – Ariba Network Integration

Planned for 2015 and beyond

Mobile enablement for real-time supply chain alerting and visibility

- More Collaborations
- Contract manufacturing scenarios – subcontracting PO etc.
- Inventory
- Forecast

Track and Trace – esp. for Pharma/Life Sciences

Network intelligence scenarios (fill rates, delivery performance, …)

- Enabling self-monitoring views for sellers to monitor their performance to 'Perfect Order'

Network 2.0

- Unified network (Ariba, Quadrem, BProcess)

Fieldglass integration to

- Ariba Sourcing / Spot Quote, Ariba Contracts, Ariba SIPM/Spend Visibility, Knowledge Network, Ariba Discovery
- OnPremise Ariba Buyer
- SAP ECC / SRM / Plant Maintenance (Phase 1)
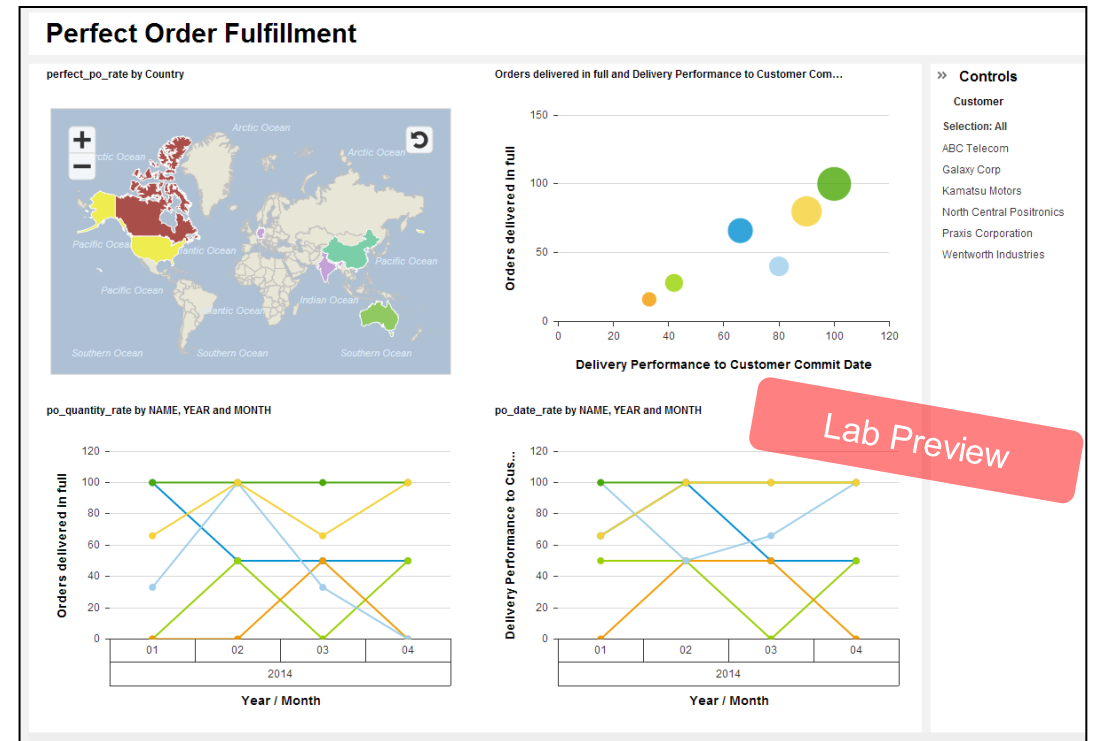
The Opportunity

Strong business networks can create competitive advantage and help organizations grow top-line and save on the bottom-line simultaneously[1]
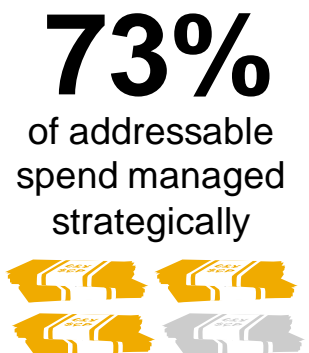
Buyer Benefits

- **4-15%** Sourcing savings
- **70%** Operating cost reduction (AP & Procurement)
- **1-4%** Compliance savings
- **$2-3M** Discount savings for $1B addressable spend

Supplier Benefits

- **40%+** Cost reduction
- **6** Days DSO reduction
- **15%** Increased sales & wallet share

BEST IN CLASS BENCHMARKS[1]

73%
of addressable spend managed strategically

75%
% of PO & Invoice lines against item master/ catalog/ contract

20%
% of spend under early payment discount

50,000++
Invoices Processed per FTE

10,000
POs processed per FTE
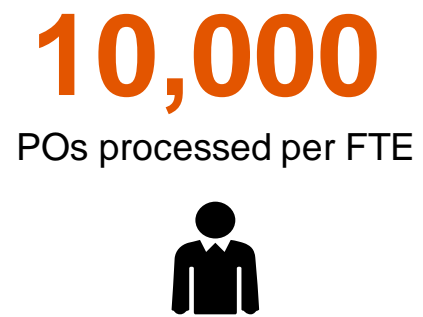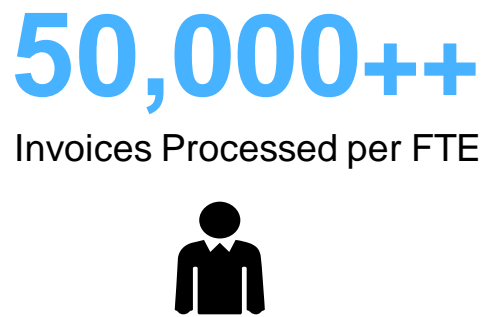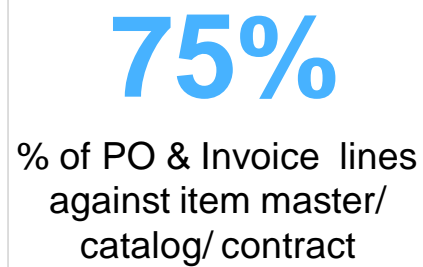
(1) Based on Ariba customer engagements and benchmarks

A POSSIBLE ROUTE TO THE CLOUD

Most common path that we see being adopted

Collaboration

Address supply risk
Monitor supplier performance
Contracts & Tendering

Control Tower

Utilize ASNs and Confirmations
Reduce stock-outs
Gain Visibility into Supply Chain

Field Services

Collaborative Service Entry Sheets
Pro-active checks on rates/milestones
Manage Contractor Workforces

Transaction Automation

Connect ECC to Ariba Network
98% touchless Confirms, ASNs and Invoicing
60-80% process cost reduction in Procurement and AP

Key takeaways

IT'S TIME TO
MANAGE ASSETS
LIKE NEVER BEFORE

- Make a connection to all your suppliers
- MRO, service or contractors
- Drive inefficiencies out
- To give results on **both** sides

SAP BUSINESS NETWORK :
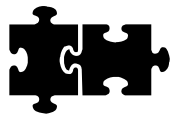
Open	Global	Non-disruptive	Intelligent	Scalable	Secure
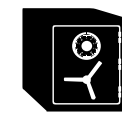
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Questions?

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