Maximize Supplier Enablement for Procure-to-Pay Success

An Oracle White Paper

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EXECUTIVE OVERVIEW

Procure-to-Pay (P2P) automation comes of age as new technologies and practices emerge to maximize supplier enablement and adoption. Without relying on OCR, scanning or cumbersome web portals, recent innovations allow you to finally make "true" e-invoicing and electronic collaboration a reality for all your suppliers—regardless of supplier size or sophistication.

By delivering a better user experience, these new methodologies now facilitate supplier adoption and enablement as never before. Employing them, you more quickly achieve critical supplier mass and along with it, the electronic transaction volume needed to make your Procurement and Accounts Payable automation initiative a success.

SUCCESSFUL P2P DEPENDS ON WINNING THE NUMBERS GAME

Successful P2P is a numbers game, the more suppliers you enable, the more transactions you can process and capture. For your procurement initiative to be effective, you need to achieve critical supplier mass. And that means more than just enabling your top suppliers. While they represent a large portion of your spend dollars, they account for a mere fraction of your total transactions, and therefore are only capable of generating a fraction of the total P2P improvements you seek.

Why the Numbers Matter

It stands to reason, when automating your Procurement and Accounts Payable processes, the more suppliers you connect via your business network, the greater your opportunities to:

- Eliminate inefficient paper-based processes
- Free up staff for high-value tasks
- Lower transaction costs
- Save through discount programs

By transacting and collaborating electronically:

- Procurement benefits from: increased visibility into financial operations, the ability to better manage spend and catalog pricing, instant electronic PO delivery, and the savings associated with discount programs
- Accounts Payable benefits from: eliminating paper and receiving only 100% accurate and 100% fidelity electronic invoices that meet business requirements—including VAT compliance—dramatically reducing invoice exceptions
- Everyone benefits from better relationships—with fewer delays, issues to work through, and disputes

Finally, consider these statistics from a recent Aberdeen Report[1]:

- 57% of procurement leaders consider enabling suppliers through a supplier network critical or very important
- The cost to complete a single requisition-to-order cycle was $33.45 for organizations not using a supplier network vs. $22.30 for those with a supplier network
- The average number of days to complete a requisition-to-order cycle was reduced by 28% when using a supplier network

HOW MANY SUPPLIERS SHOULD YOU ON-BOARD?

Today's consumer online shopping experience is easy and corporate buying should be just as easy. Now available with 12.2, with Oracle iProcurement Extensions for Oracle Endeca you can: easily locate items with searches that span all stores and catalogs plus do side-by-side comparisons to find the right product at the best price.

Quickly identify the best value

There is no "sweet spot" for how many suppliers you should on board—quite simply, *virtually all should be connected*. Failure to achieve electronic invoicing and collaboration with your suppliers only leads to inefficient processes.

So why don't companies connect all their suppliers? Because enrolling suppliers is not easy and many business networks seek shelter under the much used—and abused—Pareto Principle. They claim that you only need to transact electronically with 20% of your suppliers to address 80% of your spend dollars. (Most organizations enable far less than 20%.) The fallacy of this approach is twofold. First, even if you cover 80% of your spend dollars, it is merely a fraction of your transaction volume. Second, managing the remaining transactions is extremely costly. Think about the number of times staff members receive requests for clarification or status on POs or invoices.

While the vast majority of your suppliers are not part of your top-tier group and may not be as strategically important, they still require you to spend a significant amount of time interacting them—time that would be better spent on more high-value activities. There are tremendous costs accrued to suppliers who are not enabled. So how do you maximize supplier enablement and adoption?

Follow the lead of organizations just like yours and learn from their experience.

Customers connect with their suppliers for different reasons, so strategically segmenting suppliers makes sense. Some organizations target suppliers based on which offer the best potential to achieve specific business goals. Popular goals include the need for ensuring compliance, greater sustainability, or improved margins. Other organizations target by category, with high-spend or high-volume suppliers being a priority, and lastly everyone else—from Fortune 50s to mom 'n pops.

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[1] Supplier Networks v2.0, Aberdeen Group, April 2012

Assuring supplier adoption

No matter with which strategy you choose to start, convincing suppliers to transact electronically over a business network is key. Multiple factors drive supplier adoption, including:

Value proposition to suppliers: When suppliers get requests to join and transact over business networks, they weigh the costs versus the benefits. If charged membership fees or required to engage in costly IT projects, they simply will not participate or "charge back" those expenses to you. To eliminate these obstacles, the optimum network enables supplier enrollment that is simple, fast, and free. That way, suppliers can better appreciate the advantages connecting to a network offers them—like quicker payments and/or better trading relationships.

Ease of connectivity: Suppliers need to collaborate electronically from their own existing systems. Your network technology should enable invoice submission in any electronic format suppliers choose, including XML, EDI, CSV, Excel, and PDF, and with any and all options empowering "true" electronic connectivity in less than a day.

Service: Few Accounts Payable or Procurement departments have the resources, desire, or skill-set to implement a mass-scale on-boarding project. Whereas networks with specialized on-boarding services reach out to suppliers and provide them with the connection options and personalized attention needed to select and activate the choice that works best for them regardless of their size, geographic location, or IT sophistication. With set-up completed in less than a day, suppliers receive orders, submit invoices directly into your AP system, check status and collaborate with you in just hours-not weeks.

GETTING TO 100% SUPPLIER ENABLEMENT

Maximizing adoption and enabling suppliers seems straight forward enough—*so far*. But like anything worth doing, the devil is in the details. No one-size approach fits the needs of your high, mid, and low volume suppliers.

Solutions that rely on EDI or EDI-like integrations work well for high-volume suppliers that currently employ data mapping or can assign their IT staffs to develop it. Mid to small volume suppliers typically do not have the resources to initiate this. Contracting for outside IT expertise is costly and implementation takes a long time, most often requiring weeks if not months to complete. So, they reject EDI out of hand.

At the opposite end of the spectrum are solutions that require suppliers to rekey data into web portals-- not a pleasing prospect for any supplier who sends more than just a few invoices a month. It literally forces them to duplicate data that already exists in their QuickBooks, Excel, or other billing systems—wasting their time and effort.

Which brings us to the Massive Middle—the vast majority of suppliers that are too small for EDI and too big for portal solutions. For years, networks have used antiquated and error-prone scanning and OCR methods to enable them. These approaches require suppliers to send paper invoices or email scans of invoices to outsourced facilities that rekey or rescan them before sending the data files on to you. If an error occurs when duplicating the source material or if there is an issue with an invoice such as a missing PO number, it is passed along to you, causing more exceptions in Accounts Payable—one of the very problems your P2P initiative was supposed to help solve.

Best-practice approach removes long-standing barriers (cost, time, complexity) to supplier enablement and adoption:
- Making network membership free to all suppliers
- Employing technology and resources capable of on-boarding virtually all suppliers—regardless of supplier size or sophistication level
- Ensuring supplier registration and connection are completed in minutes, not weeks
- Allowing suppliers to transmit invoices directly from their existing billing systems
- Eliminating the need for suppliers to engage in time-consuming data entry or IT-intensive data-mapping projects

Connecting the Massive Middle

The good news is advancements in technology now make it possible for you to meet the on-boarding needs of all your suppliers, including the Massive Middle. Employing unique system solutions from Oracle Partner, Transcepta, suppliers generate invoices in any billing format they desire such as XML, EDI, CSV, Excel or PDF. Where appropriate, they simply email their invoices to the Transcepta Network which maps documents exactly like an EDI or XML connection. In other instances, they connect through a "virtual printer" that self-installs on their systems in minutes with no data-mapping required by the supplier. Both solutions eliminate the need for OCR, scanning and re-keying, and provide all the benefits of "true" electronic invoicing: 100% accuracy, 100% fidelity, auto-matching, validation, and collaboration.

CONCLUSION

Maximizing supplier adoption is not easy, but you can do it and do it well by making supplier enablement simple, fast, and at no cost to the supplier. This means selecting a business network that not only integrates smoothly with your ERP system but offers a managed service that really excels in on-boarding suppliers, providing them with the dedicated support and advanced connectivity options they need.

It's also important to note that supplier adoption is not static. New suppliers come, old suppliers go. Most make changes at some time or another, upgrading systems, updating addresses, instituting new systems or processes, etc. So, your business network needs to stay in the loop if it is truly going to keep delivering the critical supplier mass you need to achieve significant user adoption, compliance and savings.

While there are a number of things to consider, there's really only one goal: maximum supplier enablement to achieve Procure-to-Pay success.

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