

mySAP SRM



**mySAP™ SUPPLIER
RELATIONSHIP
MANAGEMENT –
AT A GLANCE**

THE BEST-RUN BUSINESSES RUN SAP™



THE BUSINESS CHALLENGE

Bottom-line results are the focus of every company competing in today’s tough economy. To improve the bottom line, you have two choices – grow revenues or decrease costs. In a sluggish economy, revenue growth is challenging at best. Fortunately, the cost-reduction side of the equation is vastly more promising. By reducing the costs associated with the purchase of goods and services, your company can boost profitability without having to generate more sales. And that is the kind of bottom-line result that makes shareholders happy and keeps you ahead of the competition.

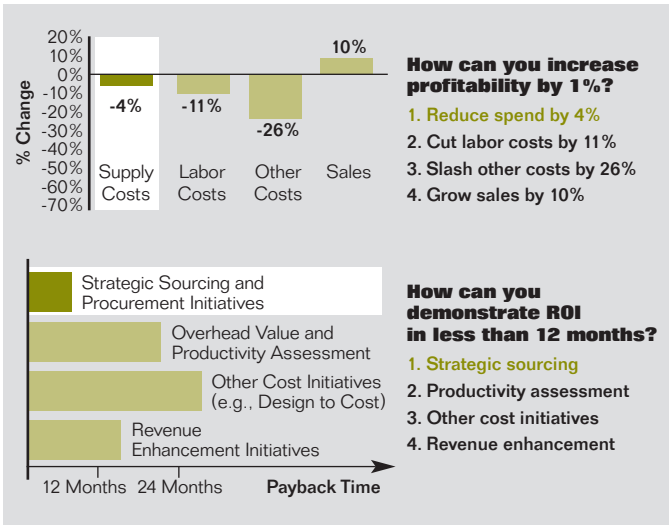


Figure 1: How to Improve the Bottom Line

Why Suppliers Are Important

The materials and services you receive from your suppliers directly impact the quality of the products and services you deliver to your customers. That is why your suppliers are so important to the overall value chain. But when it comes to reducing procurement costs, it is all too tempting for companies to treat valuable supply partners as business adversaries, squeezing them for better prices and more responsive service. Clearly, this approach is shortsighted.

As the studies show, companies that nurture collaborative relationships with their suppliers consistently outperform companies that do not. In the long run, embracing suppliers and building sustainable, workable relationships with them is far more profitable than pressuring individual suppliers for marginal cost reductions.

You need to manage the entire supply base in a way that streamlines procurement and sourcing processes, maintains supply quality, and increases profits as well as supplier collaboration and innovation.

Working with Suppliers: The Challenges

These are some of the areas that are stumbling blocks to good supplier relationships:

- **Spend analysis**
 - Inability to track global spend by supplier, category, or product across locations
 - Lack of industry benchmarks to evaluate supplier performance and prices

- **Contract management**
 - Inability to share global contracts with local purchasing organizations
 - Redundant contracts for products and items
- **Content management**
 - Inconsistent content standards and schemas (for products, for example)
 - Inconsistent master data containing redundant product and supplier IDs
- **Procurement automation**
 - Low compliance with negotiated contracts (maverick buying)
 - Inefficient and manual procurement processes and workflows
- **Supply base optimization**
 - Too many suppliers for the same goods
 - Limited capability to run e-procurement processes electronically

Purchasing Departments: Real Profit Engines

Purchasing departments are coming under increasing scrutiny. Marketplace trends such as globalization, increasing specialization, and outsourcing are fueling the pressure to reduce costs while increasing adaptability, speed, and innovation. Organizations are responding to this pressure by centralizing their purchasing operations, outsourcing to low-cost regions, and implementing transformation initiatives. They are moving beyond outmoded order faxing and “squeeze” tactics when dealing with suppliers.

Modern purchasing is driven by strategic agendas and guided by policies that are clearly segmented across spend categories and across the supplier portfolio. Competitive companies are now managing demand actively. Their purchasing teams are working across organizational boundaries and geographic regions. And there is an infrastructure in place to manage compliance. Today, companies are nurturing collaborative relationships with strategic suppliers, a tactic that leads to margin improvement and fosters innovation. Such transformations have made purchasing a key influence on corporate strategy.

From Spend Reduction to Competitive Advantage

Of course, most organizations have not yet completed this transformation. Improvement initiatives may be in place, but often they have not been coordinated, focused, or prioritized to maximize their potential benefits. Typically, the initiatives are focused on spend reduction alone. While this may bring short-term cost savings, it does not help organizations transform sourcing practices to gain competitive advantage and create new market opportunities.

Change programs must be based on cultural and organizational development. Building strategic relationships with suppliers requires a new approach and skill set. The underlying infrastructure of business processes, business data, and technology also plays a role, since it enables the workforce that manages your supply and your suppliers to work differently – together. The business infrastructure is the foundation that allows an empowered workforce to accelerate business innovation in purchasing.

mySAP™ SUPPLIER RELATIONSHIP MANAGEMENT

The mySAP™ Supplier Relationship Management (mySAP SRM) solution enables purchasing excellence and increases profitability and growth by delivering a quick, measurable ROI. This comprehensive purchasing solution provides insight into your sourcing and procurement processes and provides the discipline to effect better supply management company-wide.

mySAP SRM covers the full supply cycle from strategy to execution, enabling you to optimize supplier selection, increase collaboration, and compress cycle times. It also offers the consolidated content and master data functions that support your ability to make and execute decisions that align with corporate strategy.

The solution is fully powered by the SAP NetWeaver™ platform, which reduces total cost of ownership (TCO) across the entire IT landscape and provides key capabilities in the following areas:

- Sourcing
- Procurement
- Supplier enablement

Sourcing

Sourcing is the process of developing a sound supply strategy and executing it by finding qualified sources to fulfill supply needs, negotiate purchase agreements, manage contracts, and evaluate supplier performance. mySAP SRM lets you create a common view of spend data, develop well segmented supply strategies, and bring analytical insight into both supplier performance and the internal purchasing process.

Through these capabilities, the solution supports the sourcing professionals responsible for managing a specific category of spend. It enables them to develop well-segmented supply strategies, bring analytical insight into supply performance, analyze spend patterns, and streamline sourcing processes. In short, it helps them ensure that sourcing initiatives align with corporate goals.

In addition, the solution provides support for managing an integrated supplier negotiation and award process that includes: preparing a bidding event, executing electronic requests for quotes and reverse auctions, evaluating bids, awarding suppliers, and creating and managing contracts. Finally, mySAP SRM provides central control of an integrated contract life-cycle process that monitors contracts to make sure suppliers, business units, and individual buyers comply with agreed-upon terms and conditions.

Many organizations focus their initial IT-based strategic sourcing initiatives on gaining some quick savings for the business – to prove the case for the new IT and other transformational investments. SAP offers you the opportunity to try out some initial bidding activities on a platform hosted by SAP. It also provides support services to help you through this important initial phase of e-sourcing adoption.



Procurement

Operational procurement is the process of buying indirect materials and services (goods and services used for maintenance, repair, and operations) and direct materials and services (things that directly affect your production). Optimizing procurement enables companies to reduce cycle times and reduce costs by automating and streamlining the purchasing process.

Indirect Procurement

The procurement functions of mySAP SRM complement a typical ERP-based procure-to-pay process with integrated catalog-based requisitioning, often referred to as operational procurement or e-procurement. Spend categories typically managed with these requisitioning functions are parts and services for materials, repair, and operations.

An easy-to-use procurement process enables every employee in an enterprise to search, requisition, and buy. At the same time it ensures that transactions comply with corporate purchasing policies and internal controls. Decentralization of procurement reduces overhead and allows purchasing professionals to focus on managing relationships instead of transactions.



Services Procurement

The procurement of services differs significantly from the procurement of materials because requirements for services are largely undefined at the point of requisition. Thus services procurement needs to be supported at the application level with flexible, collaborative capabilities for managing the cost constraints and variability associated with procuring services. mySAP SRM provides the functionality long needed to manage these complex processes. You benefit from improved invoice exception processing, powerful service-level-agreement monitoring, and engagement management capabilities that allow users to collaborate closely with suppliers. The solution also links sourcing and procurement functions to enable improved contract compliance, greater rate reductions, and enhanced productivity.

Direct Procurement

Asset-intensive organizations that manage a large part of their business on a project basis benefit from the integration of their procurement system with their plant maintenance and project management systems – as well as from a workbench for demand aggregation. And organizations with a large portion of service technicians in the field will find the mobile capabilities of this integrated system particularly useful. The mySAP SRM purchasing platform enables these organizations to automate and closely integrate the requisitioning process for maximum efficiency.

Supplier Enablement

Successful supplier relationship management depends on supplier enablement; that is, on how well your suppliers can interact with your organization. To achieve good interaction, you must find cost-effective methods that enable suppliers of all sizes to connect to a number of processes along the supplier-relationship life cycle.

A viable long-term strategy for supplier enablement involves multiple interaction channels. mySAP SRM lets you analyze your entire supply base, segment suppliers, and implement an optimal multichannel interaction strategy.

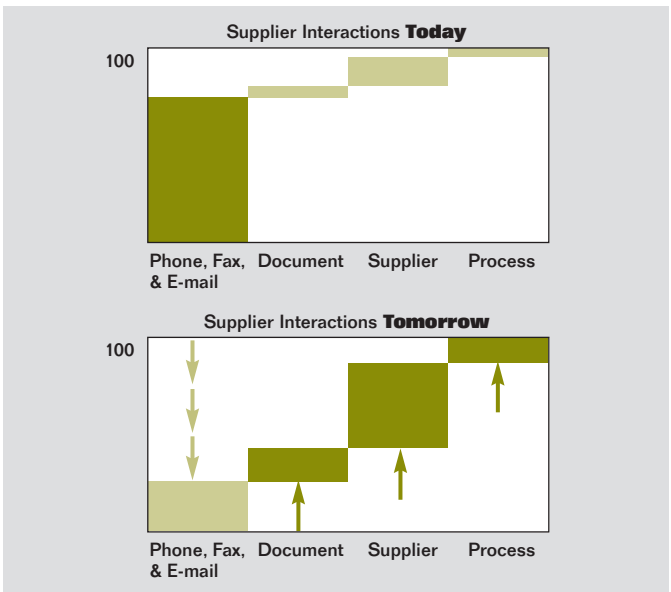


Figure 2: Increasing Supplier Participation via a Multichannel Interaction Strategy

To ensure your interaction strategy is effective, mySAP SRM enables several options for interaction. These include an integration broker for XML-based document exchange, a portals infrastructure for supplier self-service over the Internet, and a set of collaborative applications that enable new ways of working with suppliers.



When collaboration is needed between the buyer and supplier to change a business document (such as a purchase order or design document), mySAP SRM has an application that guides both parties through the process.

To provide more options and to help bring down the barriers to effective e-procurement, SAP recently launched the SAP® Supplier Network offering, which offers **hosted services for nonstrategic procurement collaboration**. SAP Supplier Network addresses the typical interactions needed to execute e-procurement transactions for indirect materials effectively. It brings together document exchange capabilities, supplier self-service, supplier “on-boarding” services, and a supplier and buyer call center in one solution offering.

KEY BUSINESS BENEFITS

mySAP SRM increases the overall contribution of your purchasing department and brings you the increased visibility that leads to easy identification of savings potential. At the same time, its accelerated and easily managed procure-to-pay cycle frees your employees to concentrate on areas where they can add most value.

The solution focuses on bottom-line results – helping you reduce the cost of goods sold. By improving supply-related efficiency and enhancing the value of supplier relationships, mySAP SRM delivers significant business benefits in the following key areas:

- **Improved sourcing strategy**
 - Rationalization and optimization of the supply base
 - Better access to data on supplier performance
 - Improved quality of supply and reduced risk
- **Compressed cycle times**
 - Automation of tedious request-for-proposal and request-for-quotation cycles
 - Faster procurement execution through online approval
 - Quicker acknowledgment and response from suppliers
- **Reduced process costs**
 - Increased compliance through reduced maverick buying
 - Reduced complexity through content consolidation
 - Increased efficiency through procurement automation
 - Reduced integration and connectivity costs
- **Lower unit prices**
 - Demand consolidation across multiple business units
 - Lower inventory carrying costs
 - Better prices through competitive bidding

KEY DIFFERENTIATORS

Procurement and sourcing are integral to supplier relationship management. Providing the insight and discipline that is needed for well-tuned sourcing and procurement processes requires closing the loop between them.

Closing the Loop

If you manage sourcing and procurement processes in isolation, you risk losing a high percentage of their respective potential value. To harvest the full benefit of both business processes, mySAP SRM links them through integrated contract and compliance processes, through common analytical frameworks, and by using the same master data.

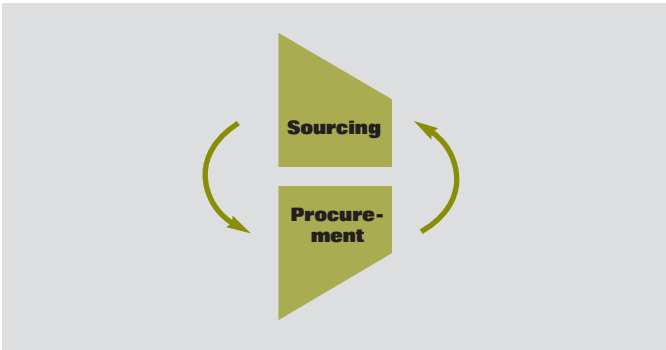


Figure 3: mySAP™ SRM – Closing the Loop Between Sourcing and Procurement

As purchasing responsibilities expand, so does the need to span a broader set of integrated business processes. mySAP SRM integrates closely with the mySAP Business Suite family of business solutions – in particular with the mySAP ERP, mySAP Product Lifecycle Management, and mySAP Supply Chain Management solutions – to ensure effective implementation of cross-application business processes.

With mySAP SRM, you can:

- Reduce buffer inventory by integrating with supply chain management systems, enabling updates made in collaborative-planning and inventory-management systems to automatically trigger plan-driven procurement
- Accelerate product-development cycles by integrating design and product life-cycle management systems with mySAP SRM to facilitate supplier selection for engineered goods and materials
- Synchronize back-office functions such as invoice approval, purchase-order creation, and payments by integrating with corporate finance and ERP systems
- Increase the efficiency of buy-sell transactions by directly integrating your suppliers' e-selling solutions

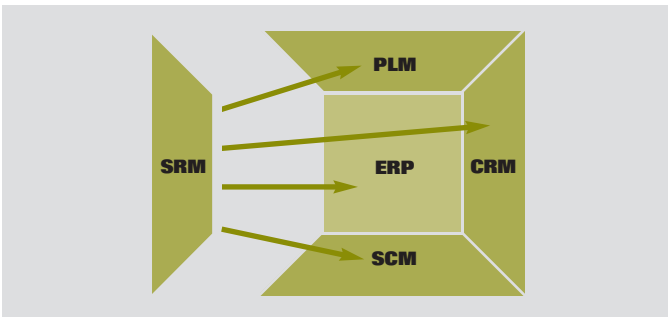


Figure 4: Closes the Loop with Key Processes in ERP, CRM, PLM, & SCM

Powered by SAP NetWeaver

mySAP SRM runs on the SAP NetWeaver platform, which integrates and aligns people, information, and business processes across technologies and organizations. The platform ensures that mission-critical business processes are reliable, secure, and scalable. It also helps companies get more from their current software and systems.

SAP NetWeaver enables upgrades from one release of mySAP SRM to the next to be implemented effectively. It unifies disparate integration technologies and provides preconfigured business content, reducing the need for custom integration. Based on industry-standard technology, the platform can be extended with commonly used development tools such as Java 2 Platform, Enterprise Edition (J2EE), Microsoft .NET, and IBM WebSphere.

Business Innovation Through Empowerment

SAP NetWeaver, together with the service-enabled mySAP Business Suite, provides the environment needed for adopting Enterprise Services Architecture. As companies adopt this service-oriented architecture, they enable faster and cheaper changes to their integrated system landscape and increase reuse of existing technology. Within mySAP SRM, Enterprise Services Architecture provides the blueprint by which an empowered workforce can implement effective, sustainable purchasing practices that can be changed easily over time. Organizations that adopt this environment and implement strategic purchasing practices are building the foundation for future business transformation and innovation in purchasing.

LEADING COMPANIES CHOOSE mySAP SRM

Pemex Gas, Mexico

“We chose mySAP SRM because it’s oriented to direct and indirect material procurement, and we could manage content by using integrated electronic catalogs.”

Claudia Peralta, Purchasing Manager and Project Manager, Pemex Gas

Pemex Gas is the exclusive provider of natural gas to consumers and businesses in Mexico, but the government will soon open the market to other companies. To position itself better to face competition, Pemex Gas took action to improve the effectiveness of its sourcing and procurement processes for the acquisition of high-value direct and indirect materials and services.

Using mySAP SRM, the company achieved the following results:

- Reduced prices on one-year contracts by 6% on average
- Lowered cycle times covering release-order decision to order placement by 72%
- Reduced release-order placement process costs by 20% and improved productivity by eliminating 64% of activities and automating 60% of manual processes
- Lowered bidding process costs by 13% through electronic collaboration
- Reduced inventory of purchased items by 25% and maintenance inventory costs by 9%
- Contributed to benefits for suppliers, such as a 70% reduction in cycle time for the sales process and a 50% reduction in workforce necessary to develop products

Steelcase Inc., USA

Steelcase Inc. is one of the world's largest office furniture makers, with 14,000 employees and 35 manufacturing facilities around the world. Because of an evolution from a furniture company to an architecture, furniture, and technology (AFT) company, Steelcase Inc. has undergone a major overhaul of its operational strategy in which its supplier network played an increasingly valuable role. The addition of architectural and technology components into its product offering, mixed with increasing market pressures to remove cost from the traditional manufacturing processes, prompted Steelcase Inc. to adopt more "lean" manufacturing principles and become a less vertically integrated manufacturing company.

The adoption of a supplier relationship management application suite from SAP underscores its desire to lower its purchasing costs, improve collaboration among its supply chain participants, as well as continue to deliver high-quality products through a central point of integration for its employees and business partners.

The following factors ensured a successful project and drove results:

- **Early savings**

Substantial savings were achieved shortly after the rollout of online auction and RFX tools, which netted better prices from new and existing suppliers on a variety of commodities.

- **Accumulated savings**

Savings began to accumulate as business processes such as purchase-order creation, invoice processing, and goods receipts issuance were automated and streamlined to form a tighter supply chain.

By establishing a central point of integration, aggregated and contract buying will become prevalent throughout Steelcase, allowing its buyers to think strategically and negotiate better terms with suppliers.

Alfa

“... mySAP SRM had a lot of the functionality we really wanted to deploy: things like the sourcing cockpit, the bidding engine, and live auction and contract management capabilities. We were convinced straightaway and were very confident of the additional benefits we’d gain.”

Manuel Gutierrez, VP of E-Business, Alfa

FMC Energy Systems

“mySAP SRM is a totally integrated system and gives us the global control we need to extend our market-leading position. By automating supplier and buyer activities in a single collaborative environment, with in-depth business intelligence, and self-service through a unified portal interface, mySAP SRM will play a central role in the continued success of our business.”

Åsmund Mandal, Director of Procurement and Logistics, FMC Energy Systems



FLEXIBLE DEPLOYMENT

mySAP SRM offers a fast ROI through flexible deployment options designed to meet individual needs. These include:

- Incremental functional extension
- Centralized or decentralized organization setup
- Step-by-step category extension

Applicable to All Industries

mySAP SRM is designed to be used across all industries in which the purchase of materials and services represent a significant cost factor.



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