

SAP Solution in Detail
mySAP Supplier Relationship Management



SELF-SERVICE PROCUREMENT WITH mySAP™ SUPPLIER RELATIONSHIP MANAGEMENT

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SELF-SERVICE PROCUREMENT

SLASHING COSTS AND SAVING TIME

Procurement departments often get bogged down by the administrative tasks involved in purchasing items and services for routine maintenance, repair, and operation, such as office supplies, machine parts, janitorial goods, and contract labor. When the purchasing process is centralized, employees tend to spend too much time on routine tasks and answering queries about standard materials, preventing them from focusing on more strategic issues. Paper-based processes are error-prone, inefficient, and costly. And entirely manual procedures impede transparency, preventing corporate decision makers from understanding the impact of purchasing choices and making it difficult to consolidate purchasing power across the enterprise.

EMPOWER YOUR EMPLOYEES AND STREAMLINE PROCUREMENT

mySAP™ Supplier Relationship Management (mySAP SRM) empowers your employees to create and manage their own requisitions. Self-service procurement relieves your purchasing department of a huge administrative burden, and makes the procurement process faster and more cost-effective, user-friendly, and responsive. Even occasional users have easy access to internal and external catalogs and marketplaces. Seamless back-end integration and personalized user interfaces provide exactly the functionality they require.

Creating requisitions and purchase orders with mySAP SRM is as simple as online shopping. Items are added to a shopping cart and the order is entered with a click of the mouse. The solution automatically generates requisitions and funnels them through the approval process. Immediately on approval, the solution creates purchase orders and dispatches them to suppliers over the Internet – eliminating the delay and expense of additional user intervention. mySAP SRM provides catalogs of the most frequently ordered services and materials, ensuring that employees can easily manage their own purchase orders according to company rules. You can restrict purchases to approved vendors and establish business rules to enforce limits on what individuals and departments are permitted to order. The solution continuously monitors spending.

mySAP SRM uses a robust workflow engine to route all documentation – including approvals and shipping instructions – in accordance with existing business processes, ensuring complete transparency. From their desktops, employees can check order status and confirm receipt at any time. The solution also handles special requests (entered as text or product number) and one-time purchases quickly and easily. Seamless connectivity with e-marketplaces allows your company to find new suppliers and obtain more competitive prices.

| Approval: 24 Entries | Description | Received on |
|----------------------|--|-------------|
| | Approve Confirmation no. 6345 from MANAGER | 04.10.2004 |
| | Einkaufswagen von B.A. SYLVIE EMPLOYEE1 mit Wert 2,00 EUR genehmigen | 24.09.2004 |
| | Einkaufswagen von B.A. SYLVIE EMPLOYEE1 mit Wert 39.999,00 EUR genehmigen | 23.09.2004 |
| | Einkaufswagen von B.A. SYLVIE EMPLOYEE1 mit Wert 11.111,00 EUR genehmigen | 22.09.2004 |
| | Einkaufswagen von B.A. SYLVIE EMPLOYEE1 mit Wert 1.231.523,00 EUR genehmigen | 21.09.2004 |
| | Bestellung Nr. 8500002742 genehmigen | 10.09.2004 |
| | Einkaufswagen von TANJA EMPLOYEE2 mit Wert 184.000,40 EUR genehmigen | 10.09.2004 |
| | Einkaufswagen von TANJA EMPLOYEE2 mit Wert 102.000,00 EUR genehmigen | 10.09.2004 |
| | Kartentransaktionen abstimmen/ genehmigen für EMPLOYEE1_VISA | 08.09.2004 |
| | Kartentransaktionen abstimmen/ genehmigen für EMPLOYEE1_VISA | 02.09.2004 |
| | Kartentransaktionen abstimmen/ genehmigen für EMPLOYEE1_VISA | 02.09.2004 |
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| | Kartentransaktionen abstimmen/ genehmigen für EMPLOYEE1_VISA | 01.09.2004 |
| | Kartentransaktionen abstimmen/ genehmigen für EMPLOYEE1_VISA | 01.09.2004 |
| | Einkaufswagen von HANS SECRETARY1 mit Wert 2.000,00 EUR genehmigen | 01.09.2004 |
| | Rechnung Nr. 11398 von Benjamin Klein genehmigen | 31.08.2004 |
| | Einkaufswagen von B.A. SYLVIE EMPLOYEE1 mit Wert 100.000,000,00 EUR genehmigen | 30.08.2004 |

Figure 1: Example for Approval Workflow

In addition, suppliers can be integrated by using the supplier self-service component of mySAP SRM. mySAP SRM leverages the power of the SAP NetWeaver™ platform to integrate suppliers, giving them access to internal order management systems for processing orders, managing invoices, and updating specifications electronically. To process orders, the supplier simply logs on to the supplier self-service component of mySAP SRM with a browser. And if mySAP SRM is integrated with your back-end financial system, confirmation of receipt can automatically trigger the appropriate accounting activities. This way, mySAP SRM helps you reduce costs and get the most from suppliers by working with them as strategic partners.

PROCESSES IN DETAIL

Adaptive Requisitioning

mySAP SRM provides user-friendly interfaces for different requisitioning groups. Casual users are assigned to the wizard-based shopping cart with a simplified, structured three-step navigation. More experienced users are directed to the single-screen shopping cart for more complex tasks, such as procurement of services and limit items.

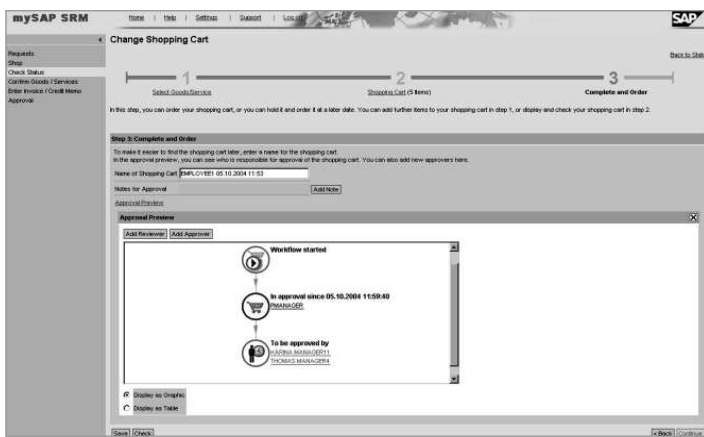


Figure 2: Example for Shopping Cart

mySAP SRM offers various ways to search for items. A user can search for products in catalogs, or use favorites (individual saved items) or entire shopping carts as templates for posting repeat or recurring orders – buying office equipment for new staff, for example. If multiple catalogs are integrated with mySAP SRM, users can perform a cross-catalog search and obtain a list of items.

Another option is to enter a description of requirements or product numbers from the product master. For example, an administrative assistant shopping on behalf of a manager or a specific group can attach documents to a shopping cart, such as a picture or a Microsoft Word document with a detailed description of the selected item. This feature is useful for providing a manager with a fuller explanation of what's being ordered, for example, or to help a supplier better understand the specifics of an order.

mySAP SRM can distribute the cost of an order across cost centers, work breakdown structure (WBS) elements, and assets by percentage, quantity, or value. Additionally, a budget check can be performed and displayed in the shopping cart application and during approval.

When the shopping cart has been filled, the order can be placed immediately or held for a later date. When an order is placed with missing data, it is automatically routed to the purchaser responsible for completing it, thus ensuring that the manager approving it can base a decision on full information.

When a shopping cart is released for ordering, the system checks whether approval is needed. If one or more managers must approve the shopping cart – because it exceeds a certain value, for example – the system automatically submits it to the respective in-boxes via the SAP® workflow capabilities. Different criteria such as the product category or the total value of a shopping cart can initiate an approval workflow. The responsible manager then decides whether to approve or reject the shopping cart. If the order is rejected, the originating employee

receives a work item in his or her in-box. The employee can then jump from the work item directly to the shopping cart to make changes. Supervisors can approve shopping carts offline with any Messaging Application Programming Interface (MAPI)-compliant e-mail program, or online via a Web browser or a personal digital assistant (PDA).

Specifying a user budget can automate the approval process further. For example, a no-step workflow can be triggered if users order within their budget in a valid time period, automatically approving the shopping cart. You can change the approvers, add additional approvers, and add reviewers to your approval process, using the approval preview area of the shopping cart, the shopping cart status area, or the in-box. This feature is useful during periods when a manager is unavailable, for example.

Users can check order status at any time in a graphical view of the workflow process. By navigating directly from the graphic, a user can display basic details such as the date the shopping cart was created, approval status, or when the order was posted.

Order Management

Once a shopping cart is approved, the solution creates one or more follow-on documents. For different product categories, you can determine which documents are created in which system – in a back-end enterprise resource planning (ERP) system or in mySAP SRM, for example. If the purchase order is to be created locally in mySAP SRM and no source of supply has yet been determined, purchasers can employ various sourcing

features and capabilities in mySAP SRM to find reliable suppliers quickly. These capabilities include accessing the vendor list of evaluated suppliers, assigning a contract, or searching for vendors in external supplier directories such as Dun & Bradstreet.

When the order contains all necessary information, a purchase order is created directly in mySAP SRM without purchaser intervention. The purchase order can then be sent to the supplier as a printout, by e-mail, fax, or XML. If sent by e-mail or XML, the responsible supplier picks up an incoming order simply by logging on to the system, and can accept, reject, or change it. If a change in the purchase order is necessary, the supplier can adjust the amount, price, and delivery date according to available capacity. A response is then sent to the purchaser, who can now easily compare the response with the purchase order and accept or reject the deviations. The system checks the purchase order response and updates the data accordingly.

Confirmation

When goods are delivered or services rendered, the requesting employee creates a corresponding confirmation upon receipt in the original shopping cart. To avoid switching from one mySAP SRM application to another, an express confirmation can be created directly in the status overview of the shopping cart. The total order quantity currently open is posted automatically.

The confirmation is then sent automatically to the responsible manager at the buyer's side for approval. When a confirmation is created by a supplier and sent via XML to the system, a work item is automatically generated and sent to the requester for approval. Alternatively, an internal dispatcher or dispatch department can receive goods and process confirmations centrally for an entire department.

Invoice Processing

Decentralizing invoice and credit-memo handling helps to reduce the workload of purchasing employees as well as the accounting department, suppliers, and service providers. With mySAP SRM, invoices and credit memos can be displayed and processed easily as they are entered with reference to existing purchase orders or confirmations. In case no purchase order was created under defined exceptions, a confirmation can also be entered without a purchase order reference. Invoices can also be created directly in the "check status" application, so that users do not have to switch from one mySAP SRM application to another.

The invoice approval process involves automatic submission of employee-entered invoices to the manager responsible for approval. Only a specific predetermined percentage of invoices is sent for explicit approval. Those not subject to the stochastic check are approved automatically. If the invoice is created by the supplier and sent via XML to the system, a work item is sent to the requester for approval.

Once an invoice is released, the payment process is completed according to agreed-upon terms, through automated or traditional paper-based remittance. Accounts payable processing takes place in the back-end system.

mySAP SRM also supports the evaluated receipts settlement (ERS) process, an automatic settlement procedure based on confirmations. In this case, you must have an agreement with the supplier permitting the solution to post an invoice automatically based on the purchase order and confirmation, and submit the document to the supplier electronically. This capability eliminates invoice variances and communication errors, and speeds up the completion of transactions. Based on the ERS process, the solution can automatically generate credit memos if goods are returned.

SPECIAL FEATURES AND FUNCTIONS

SAP Catalog Search Engine

Using online catalogs with mySAP SRM provides faster, more convenient access to product information than printed catalogs, phone, or fax inquiries. mySAP SRM supports internal catalogs, catalogs on the Web, and external catalogs provided by brokers and suppliers via open catalog interface (OCI). The solution includes the SAP catalog search engine as the standard catalog, but supports other search engine products as well. The SAP catalog search engine allows you to search text or browse through hierarchical trees of product categories. Enhanced searching capabilities help users to find products quickly and easily, and allow you to set up different views. For example, employees of one subsidiary may be permitted access only to relevant items in the internal procurement catalog, thus ensuring that they take best advantage of special local contracts. Or you might allow a group of engineers to navigate to a supplier's Internet catalog to search for specialized or rarely procured spare parts that are too expensive to manage in your own catalog. And you can give purchasers access to marketplaces.

Shopping on Behalf of Others

mySAP SRM allows purchases to be made on behalf of others; for example, a manager might delegate purchasing to an assistant, or a purchasing department might procure supplies for a new hire. The person for whom the order was placed can take up processing at any stage in the process, creating the confirmation and the invoice, for example.

Purchasing of Limit Items

Self-service procurement with mySAP SRM also supports the creation of limit items with a maximum value limit and/or validity period. Using this feature makes sense when purchasing quantities of office supplies or small parts, or services with an as-yet undetermined price, to help monitor costs. Such planned procurements are entered in the form of a general description. Confirmation for goods receipts as well as invoices can be entered up to the preset value limit.

Procurement Cards

With mySAP SRM, procurement cards can be used as a common payment method. Procurement cards are especially useful for low-cost items that employees are authorized to purchase without approvals, subject to the card's built-in limits and controls. A single invoice for the procurement cards is sent to the employees' organization once a month. The total amount is reconciled with the back-end system in a single operation, eliminating the need to enter individual goods receipts or invoices into the system. The result is more effective control over procurement card usage and more efficient transaction processing, especially for purchases made online.

Availability Checks

mySAP SRM can check availability in real time for products whose suppliers are willing to share that information. When you order an item that might already be in stock, mySAP SRM first tries to obtain it from inventory before triggering a process to procure it from an external source – resulting in highly efficient use of inventory and improved cost control.

Reporting Tools

mySAP SRM includes a reporting function, supported by SAP Business Intelligence, SAP's data warehouse solution. Managers can use reports for an overview of spending in their cost centers with purchase details for individual carts, or aggregation by product or requester, for operational checking of individual purchasing behavior or strategic evaluations of spend. Managers can also evaluate shopping carts per product or cost center.

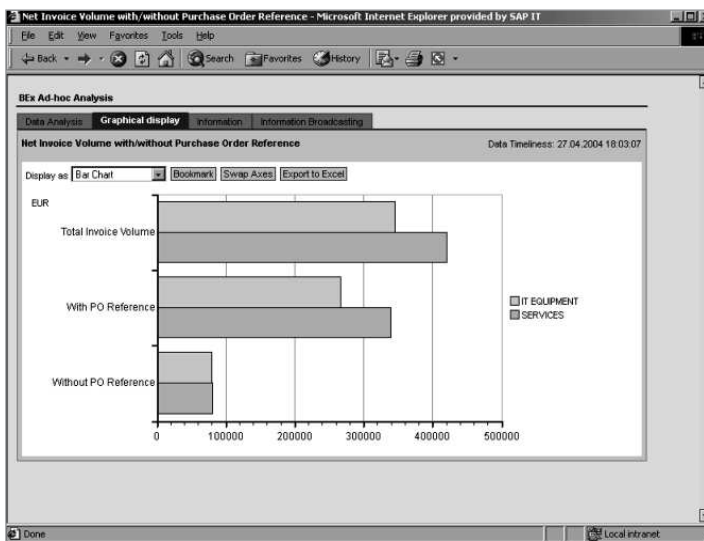


Figure 3: Example for Ad Hoc Analysis

Budget Checks

mySAP SRM helps purchasers stay within budget. For example, when a shopping cart is submitted, mySAP SRM can check the back-end financial system for budget limits. If the budget is exceeded for a particular item, mySAP SRM sends a message so the item can be changed. Budget checks can take place at different points in the process: when a shopping cart is created, at the approval stage, or when the purchase order is created.

Line-Item Approval

mySAP SRM supports not only the entire purchase order approval process, but the line-item-based approval as well. By using line-item approval, the manager responsible is now able to see, change, or approve only those items for which he or she is responsible. Approval of items from different cost centers is also possible. The relevant cost center manager approves only items belonging to his or her cost center. If the approval has to be done by someone other than the cost center manager, for example, approvers can be changed for each line item.

Returns Processing

To allow more flexible communication between buyer and supplier and to simplify the handling of returns, mySAP SRM provides functions for returning partial or full quantities of ordered items. Should the delivered goods turn out to be faulty or damaged, you can return either the entire or partial quantity to the supplier. An e-mail is sent informing the supplier of the return. The open order quantity is updated accordingly. Returns are allowed, even if the invoice has been created already.

Mobile Procurement

Mobile procurement capabilities allow employees, service technicians, and managers to procure goods and services while they are off-site or offline. Using a PDA or laptop front end, they can log on to mySAP SRM to exchange data seamlessly with the system and enter requirements anywhere, anytime. They can enter data into devices in real time and perform an array of transactions irrespective of network connectivity – creating a shopping cart, checking the status, executing work items, and processing in-box messages.

EASY-TO-USE PROCUREMENT CAPABILITIES GENERATE HUGE BENEFITS

Self-service procurement ensures compliance with policies and negotiated contracts, and reduces process costs by decentralizing the purchasing process while maintaining central control. Self-service not only drastically cuts costs; it buffers inventories, reduces cycle-time delays, and eliminates errors that arise from paper-based processes and inefficient communication with suppliers.

Measurable Return on Investment

The procurement capabilities of mySAP SRM enable you to slash the cost of requisitioning and purchasing nonproduction goods and services, such as office supplies and equipment repairs. According to independent research, the procurement capabilities of mySAP SRM can deliver a return on investment of between 245% and 400%.

Higher Process Efficiency

By automating manual procurement tasks – such as selecting items, getting approvals, generating invoices, and processing payments – you significantly reduce the cost of each transaction. mySAP SRM’s easy-to-use Web interface means that your employees require no special training, and your organization can begin generating savings right away.

Lower Inventory and Carrying Costs

Compressing procurement cycle times means your employees receive the goods they need more promptly; and because procurement cycle time is one of the parameters used to calculate safety stock levels, on-hand and in-stock inventory can be reduced.

Company-Wide Compliance and Economies of Scale

mySAP SRM dramatically reduces employees’ perceived need to buy outside established processes because of its ease of use and the speed of the process. The self-service capabilities of mySAP SRM tie procurement-related approvals and releases to organizational roles and automate review and sign-off processes, taking into account all statutory requirements and administrative regulations. Information about all purchases is easy to track, making the procurement process more transparent, and thus ensuring company-wide compliance with purchasing guidelines and standards. At the same time, you can use the information to negotiate the best possible prices and contractual terms, saving money on every employee purchase. With greater compliance and more purchases made on contract, your company can better utilize economies of scale and leverage corporate purchasing power.

Procurement Expertise Where You Need It

Decentralizing and automating time-consuming procurement activities enables purchasing professionals to shift their attention from routine tasks to strategic sourcing, supplier negotiation, and other activities that generate true business value. The workload of dispatching departments is reduced because goods are delivered directly to your employees’ desks.

On-Time Deliveries, Every Time

mySAP SRM ensures easy, rapid procurement of time-critical or recurring material needs by automating the entire requisitioning-to-pay process, and thus dramatically reducing procurement cycles, lead times, and cycle-time delays.

DEPLOYMENT

mySAP SRM supports several deployment options for self-service procurement. The choice depends on which system best fits the operations of your purchasing department, and consequently, where follow-on documents are created.

Communications with suppliers can take place:

- Via e-mail, fax, or conventional mail
- Via the supplier self-service component of mySAP SRM
- Via electronic messages directly to the sales and distribution system of your suppliers

Classic Deployment

Classic deployment relies strongly on the back-end ERP system, because all materials management documents (such as purchase orders, goods receipts, service entry sheets, and invoices) exist there. Shopping cart creation and the pre-entry of confirmations and invoices take place in SAP Enterprise Buyer, the core e-procurement system of mySAP SRM. The e-procurement system communicates the information to the back-end system, which creates the active documents. This deployment option suits customers:

- Who want a wide user group – employees from beyond the purchasing department – to be able to enter their requirements quickly and easily (minimal training is required)
- Who want their purchasing department to operate solely with the functionality in the back-end system

Extended Classic Deployment

With classic deployment, all goods and services are processed in the back end; in the extended classic deployment, on the other hand, shopping carts and purchase orders are created in the e-procurement system. If the data in the shopping cart is insufficient to generate a complete purchase order, the data is supplemented manually within the e-procurement system before being transferred to the back-end system. The purchase order in the e-procurement system is the leading purchase order. The version that is transferred to the back end is not an exact copy, but a much leaner, read-only version of the leading purchase order. This copy supplies the reference needed to create goods receipts, service entry sheets, and invoices in the back-end ERP system. Confirmations and invoices can also be entered in the e-procurement system, then copied to the back-end system.

This deployment option is appropriate for customers:

- Who prefer that their purchasing department save time and money by using the streamlined purchasing functionality of the e-procurement system
- Who want to use the full purchasing capabilities the e-procurement system offers
- Who want the ability to confirm and invoice against stock items
- Who want the flexibility offered by entering confirmations and invoices in the e-procurement system

Stand-Alone Deployment

With stand-alone deployment, the entire procurement process is handled in the e-procurement system, including creation of the shopping cart and all follow-on documents such as validations and approvals. Only accounting processes (financial accounting and controlling) must still be handled by a back-end system. SAP provides migration tools to bring materials management data from SAP back-end systems into the application product master. This deployment option suits customers:

- Who do not have a productive materials management system and want to handle the entire process locally within the e-procurement system, integrating only to an accounting system
- Who want to use the streamlined purchasing functionality of the e-procurement system for specific product categories (typically, indirect materials and services)
- Who do not need back-end functionality, such as plant maintenance or warehousing, for certain product categories and want to move the purchasing process for these categories completely out of the ERP system
- Who want to continue to procure some items, such as direct materials and services, using the materials management functions of their back-end system

Back-End Constellation

All of the self-service procurement deployment options can be used with single or multiple back ends. The classic and extended classic deployment options can be used with single or multiple back-end systems composed of both materials management and financial accounting systems. The stand-alone deployment can use single or multiple financial accounting back-end systems.

CATALOG IMPLEMENTATION OPTIONS

Regardless of the catalog source, whether external or internal, mySAP SRM provides the tools to manage the flow of catalog content from suppliers to buyers.

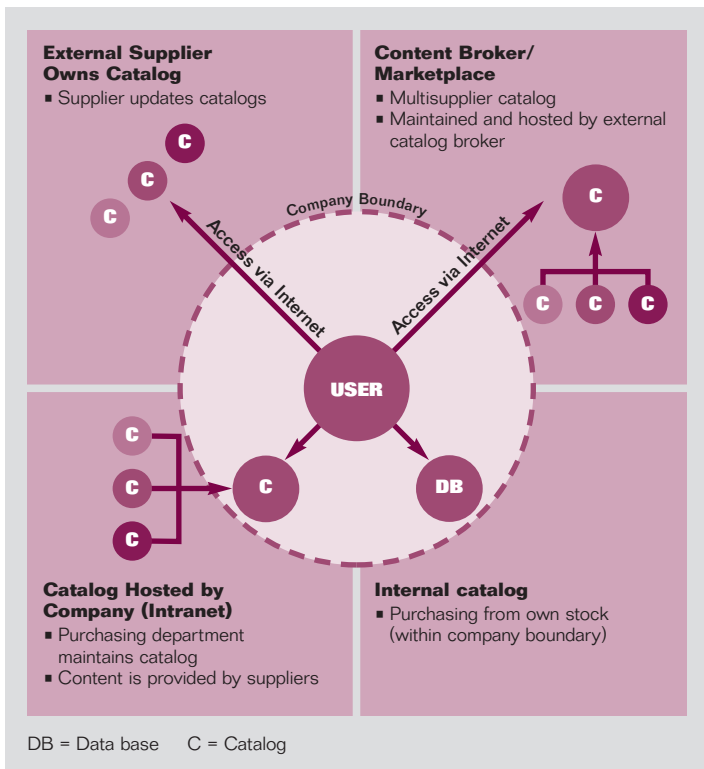


Figure 4: Catalog Implementation Options

In a typical company, the largest number of e-procurement transactions is executed through online catalogs that provide critical information on attributes such as price, category, part number, commodity code, and so on. To enable smooth supply transactions, this information must be managed constantly and meticulously.

mySAP SRM provides all the tools needed to manage the flow of catalog content from suppliers to buyers in the most effective manner possible. Users can import content from existing transaction systems or directly from suppliers, then stage the content locally for enrichment. Cleansed content can be seam-

lessly exported into an e-procurement system, ensuring cross-enterprise access to the most accurate and up-to-date information on available goods and services.

Catalog Import

mySAP SRM allows users to easily import product files and classification schemas into the content staging area. Supporting xCBL, BMEcat, ecXML and SAP XML, the solution accepts files and schemas from any authorized source including suppliers and marketplaces. A sophisticated rule-based system determines the status for each imported item. Configurable transfer rules control which items are approved, rejected, or set aside for pending approval. Filter rules determine which product categories, for various suppliers, are mapped to existing catalog categories. Finally, audit rules can detect potential errors (such as incorrect units of measure) or unauthorized changes (such as price discrepancies) before the changes are propagated throughout the system.

Catalog Enrichment

To be truly useful, product data needs to be classified, categorized, aggregated, and appended with pricing conditions and vendor/product attributes. mySAP SRM provides functionality to merge product data from back-end systems with product data from suppliers in a “virtual catalog.” This catalog can have multiple variants and languages, and can even be organized into standard product hierarchies such as UN/SPSC, eCL@ss, or proprietary classifications schemas. These capabilities ensure total enterprise access to the full range of information that purchasers need to make accurate procurement decisions.

Catalog Export

mySAP SRM allows companies to populate e-procurement catalogs with relevant product data quickly and easily. Structured and cleansed product data can be exported to support specific catalog variants or languages. And with export configuration settings, companies can automate the export of product data into specified catalogs at regularly scheduled intervals, thus keeping critical product information accurate and up-to-date.

SOLUTION COMPONENTS

Self-service procurement capabilities are delivered through the following components of mySAP SRM:

- SAP Enterprise Buyer
- Optional: materials management or a non-SAP back-end system
- Optional: SAP Business Intelligence
- Optional: SAP Catalog Content Management

SAP Enterprise Buyer

SAP Enterprise Buyer is the core e-procurement component of mySAP SRM. This component enables all key stakeholders – employees, managers, professional buyers, and even selected vendors and other partners – to collaborate easily in e-procurement using a Web-based interface that is tailored to their individual roles. For example, SAP Enterprise Buyer empowers employees with self-service procurement functionality, enables centralized direct procurement, and provides professional purchasers with capabilities to make the best purchasing decisions.

Optional: Materials Management or a Non-SAP Back-End System

The materials management capability shares accurate inventory and procurement order information across the supply chain network to ensure that materials required for manufacturing are available in the right place at the right time. It facilitates plan-driven procurement, inventory management, and invoicing, and is the key to successfully closing the feedback loop between demand and supply. It improves fill rates and customer satisfaction through increased replenishment velocity, delivery confirmation, and invoice accuracy, and it drives value across the supply network by reducing raw material spend, procurement costs, safety stocks, raw materials, and finished-goods inventory.

Optional: SAP Business Intelligence

SAP Business Intelligence, a component of SAP NetWeaver, delivers a state-of-the-art data warehouse that gives you rapid access to knowledge captured in disparate systems. It provides your planners and executives with powerful tools for information extraction and analysis, including key performance indicators, personalized alerts, and work group comments. You can work flexibly with the information and perform ad hoc analyses to explore it from different perspectives.

Optional: SAP Catalog Content Management

SAP Catalog Content Management, a standard catalog application delivered with mySAP SRM, includes two main services:

- The SAP catalog authoring tool allows content managers to build a unified catalog out of multiple sources of content, such as suppliers, procurement contracts, and master data.
- The SAP catalog search engine allows users in mySAP SRM to search text or browse through hierarchical trees of product categories. It includes enhanced searching capabilities to enable users to find products and services quickly and easily.

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