

SAP Solution Brief
mySAP Supplier Relationship Management



mySAP™ SUPPLIER RELATIONSHIP MANAGEMENT FOR THE UTILITIES INDUSTRY

mySAP™ Supplier Relationship Management offers a comprehensive solution for identifying the best opportunities for sourcing materials, equipment, and services and for creating a complete spending program. The solution provides an integrated platform and the information about purchases, suppliers, and performance that you need to make better strategic sourcing decisions, reduce spending, consolidate and prioritize your supplier base, reduce supplier risk, and align procurement strategies with corporate goals.

Utility companies like yours confront unprecedented business challenges today. Mergers and acquisitions have thrown disparate business units and cultures together and made companies larger and more global. Deregulation in some regions has stiffened price competition within the industry. Meanwhile, your shareholders expect greater predictability in company earnings and their returns – a task made more difficult by deregulation and economic uncertainties.

To enhance financial performance and remain competitive in this environment, you must deliver products and services as cost-effectively and safely as possible. For most utilities, this means improving the operational efficiency of their supply base, adopting strategic sourcing, and establishing closer collaboration with suppliers. The mySAP™ Supplier Relationship Management (mySAP SRM) solution can play a vital role in this effort by helping you manage your purchasing processes and operating costs more efficiently.

Maximizing Supplier Relationships

Greater involvement with suppliers represents a value-added service in the utilities supply chain. If you involve suppliers early in the procurement process, you can widen your supply and product options and improve engineering design for the construction of new assets (such as power plants or substations). Closer collaboration with suppliers can also help you optimize purchasing prices, aggregate purchasing volume for better discounts, and obtain favorable payment terms with lower interest rates.

Using the Internet, you can improve supplier collaboration and significantly expand your supply base. The emergence of an electronic marketplace is also helping utilities find the information on suppliers and products they need to support aggressive cost-reduction strategies, while improving efficiency through online document exchange.

To make the most of these and other opportunities in supplier relationship management, you need a fully integrated IT system with cutting-edge capabilities. All too often, utilities lack the necessary online support and an enterprise-wide view of their spending. A single IT platform for purchasing and sourcing that covers all spending categories is either unavailable or poorly integrated with other systems.

In addition to missed opportunities, the lack of such a platform can result in insufficient or excessive inventory – as well as a range of accounting issues. A lack of real-time supplier collaboration and access to procurement information can increase coordination efforts and costs. Other challenges include:

- The inability to model and store all contracts electronically, which can lead to ineffective contract monitoring and compliance and a failure to sustain negotiated procurement savings
- Ineffective means for measuring supplier performance, especially by product category
- Manual and redundant processes that increase purchasing costs
- Lack of a shared and reusable knowledge base that could drive procurement innovation

mySAP SRM: Covering the Full Purchasing Supply Cycle

mySAP SRM can fill these and related needs of a utility like yours. The solution covers the full supply cycle – from strategy to execution. It can help you optimize supplier selection, improve collaboration, compress supply cycle times, and reduce obsolete inventory. It offers the consolidated business content and functions you need for business decisions that support your corporate strategy and goals.

With mySAP SRM, asset-intensive utilities can achieve fully centralized sourcing. The solution helps sourcing professionals develop effective supply strategies, measure supplier performance, analyze spending patterns, and streamline sourcing processes. It provides integrated support for preparing bids, executing electronic requests for quotations and reverse auctions, evaluating bids, awarding suppliers with purchase orders, and creating contract documents. Coupling mySAP SRM with the mySAP ERP solution can provide a framework for real-time data processing and document collaboration between internal cross-functional teams and your external business partners.

Streamlined Procurement Processes

To maintain and manage your infrastructures and assets properly and ensure smooth delivery of water, gas, or electricity to customers requires precisely executed, demand-driven procurement processes that can handle a complex mix of materials, parts, and services. Such process efficiency can minimize productivity losses because parts and materials are available when you need them. This efficiency can also minimize excessive inventory, reducing costs. To achieve such efficiency requires tight integration with your back-end systems and the ability to handle materials with a large number of varying cost-element attributes.

mySAP SRM can integrate with any underlying back-end system using the SAP NetWeaver® platform. With such integration, you can automatically transfer procurement requests from any plant-maintenance or project-management system into mySAP SRM for sourcing execution. This gives you greater spending control and visibility, while minimizing the time and effort involved in buying the materials and services you would need to handle the purchasing manually. You can also integrate requisitions from any materials-planning system with data from other back-end systems to streamline sourcing tasks – such as supplier identification, qualification, and selection. Once the system creates a follow-up document (such as a purchase order or contract), it can return the document to the back-end system for execution.

Automated procurement processes free you from routine operational tasks and give you more time to focus on strategic activities, such as strengthening supplier relationships and negotiating deals that deliver maximum value to your organization. By reducing manual data entry, mySAP SRM also minimizes the impact of human error on the purchasing process.

mySAP SRM can further reduce supply-cycle time and paperwork by letting you execute transactions and communicate with suppliers online. The quick and easy-to-use online spare-parts

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catalog can significantly speed up purchasing for both standard and ad hoc material and service needs. If the catalog is based on contracts with assigned suppliers, it enforces contract compliance across the enterprise. Integration of the catalog with both SAP® and non-SAP plant-maintenance systems make it easy for plant engineers to search and order spare parts. mySAP SRM can also help you manage spending in such areas as temporary labor, consulting, maintenance, and facility management.

Better Contract Management

Centralized contract management can result in better terms, greater intra- or interenterprise contract visibility, higher compliance, and reduced administrative costs. It can also help you develop enterprise-wide contracts that increase compliance throughout your organization.

mySAP SRM supports a fully integrated contract process that makes it easier to ensure that all suppliers, business units, and individual buyers comply with the terms and conditions you negotiate. The contract-management functions in mySAP SRM can be fully integrated with your processes for bidding, auctioning, and material resource planning in back-end systems, giving you greater control over the entire contract process.

mySAP SRM can also help you manage and monitor contracts at both the enterprise and individual department levels. A central contract repository facilitates document and knowledge management. You can store contracts electronically for enhanced access by whatever subsidiaries, plants, or buying organizations you choose. This mix of centralized support and local flexibility can boost productivity by freeing individual business units from many of the burdens of contract management.

Enhanced Collaboration with Suppliers

Successful supplier relationship management also requires cost-effective methods for helping suppliers of all sizes connect to multiple processes throughout the supplier relationship life cycle. mySAP SRM gives suppliers direct access to supply-side transactions and other relevant information – such as supplier performance data – using a powerful browser-based and highly scalable supplier portal as the single point of entry. Suppliers can use this portal to update their catalog data, document acknowledgements, such as invoice creation and verification, payment status tracking, and other supply-chain information (like inventory and supply-demand plans).

By integrating mySAP SRM with the mySAP Product Lifecycle Management solution, you can provide a collaborative document repository to your organization and external business partners. You can store all documents related to your procurement process – no matter how complex – and easily share those documents with all the related parties in real time.

Customers See a Range of Business Benefits

More than 3,000 companies throughout the world have adopted mySAP SRM, including more than 130 utilities. These utilities have already implemented mySAP SRM self-service functions for maintenance, repair, and operation requirements, and many are ready to or already embarking on the next step to implement other key features of mySAP SRM. These features include procurement functions for maintenance services, strategic sourcing capabilities with supplier evaluation, and functions for supplier enablement that help utilities work more closely with suppliers.

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With mySAP SRM, you can aggregate purchases across departments and divisions and consolidate purchase volumes to negotiate better prices with suppliers. Trimming inventory can reduce interest expense and capital depreciation. Automating and streamlining processes for operational procurement can help utilities reduce procurement costs.

Identifying supplier performance can give you a framework for rationalizing your supplier base. It also lets your suppliers know how they measure up against your expectations. An open approach that includes information sharing helps you better understand supplier economics and capabilities. It can also make it easier to predict supplier commitment, plan demand more accurately, and build trustworthy relationships with suppliers.

Improve Supplier Relationship Management for Your Firm

mySAP SRM is the only complete and integrated purchasing solution for world-class supply management. The solution helps you maximize sourcing opportunities in a competitive market – to achieve appropriate levels of supply, while getting better service and prices from their suppliers.

mySAP SRM can increase profitability by improving supply-chain visibility and by automating your sourcing, procurement, and supplier-support functions. It can help you analyze, control, and optimize information, material, and financial flows between you and your suppliers for a stronger, more effective partnership.

Powered by SAP NetWeaver

mySAP SRM is powered by the SAP NetWeaver platform – the open integration and application platform that provides the best way to integrate all systems running SAP or non-SAP software. SAP NetWeaver unifies integration technologies into a single platform and is preintegrated with business applications, enabling change and reducing the need for custom integration.

For More Information

To learn more about how SAP can improve supplier relationship management at your utility, please contact your SAP representative or visit our Web site at www.sap.com/srm.