



Saks Incorporated

“With Ariba Enterprise Sourcing we accelerated our negotiating cycle time from an average of 4 months to 6 weeks, and saved millions of dollars during the first six months of use, realizing a unit saving of 10-20 percent off baseline prices. eSourcing has positively influenced our private label margins. In addition, our eProcurement solution represents a centralized, compliance tool to help us realize those negotiated savings—directly affecting our bottom line.”

– Management at Saks, Incorporated

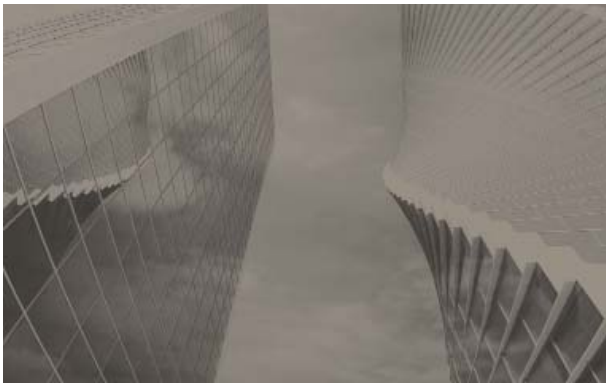
Top Retailer Seeks Reduced Costs, Improved Efficiencies Across All Stores

Saks Incorporated operates 358 retail stores across 39 states including 60 Saks Fifth Avenue stores, 53 Saks Off 5th stores and other affiliated stores such as Bergners, Boston Store, Carson Pirie Scott, Heberger's, McRae's, Parisian, Profitt's and Youngers.

Managing a retail firm of this size is no easy feat, as Saks not only buys the merchandise to sell in its stores, but also the non-merchandise goods and services that keep its stores running, such as cash registers, shopping bags and janitorial supplies. In 2001, Saks decided it needed an automated way to manage its multi-million dollar spending for non-merchandise items, in order to reduce costs, increase efficiencies and foster uniform and visible spend management processes across the enterprise.

Shopping Around The World With Ariba

Saks initially began looking for an eProcurement solution and selected Ariba® Buyer™ for its functionality and user-friendly interface, along with Ariba® Travel and Expense™ for employee expense management. While researching procurement options, Saks determined it could maximize its spend management benefits by also using an eSourcing solution, and Saks chose Ariba® Enterprise Sourcing™ to complement its procurement solution. Along with ease of use, it was also important that the solutions integrated with Saks' back-end systems, such as its Oracle database application.



Saks set a five-year projection for return on investment from its spend management initiative, and in less than two years it was already ahead of its targeted pace.



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By August 2001, Saks had deployed SaksWorks Supplies and Services, its internal name for the Ariba Buyer and Ariba Travel and Expense solutions, throughout the company. By January 2002, Saks had already placed over \$100 million worth of non-merchandise goods, through the Ariba solution and were well on their way to managing an estimated \$500 million of spend in the next 2-3 years, and capturing an estimated 5-12 percent in savings. In addition, Saks has reached a new level of efficiency in managing over \$6 million of annual employee expenses with the integrated Ariba Spend Management solutions.

Next Saks turned its attention to deploying Ariba Enterprise Sourcing, to help streamline its sourcing process, find new suppliers, negotiate better contracts, and ultimately achieve the best mix of products, services and suppliers at the lowest possible cost. Saks uses the Ariba sourcing solution to buy finished goods for its private label brands, which accounts for over \$600 million of annual sales. Currently Saks sources private label goods from about 150 suppliers worldwide including those from Bangladesh and Sri Lanka. Of particular importance to Saks' buyers when sourcing goods overseas—and a feature of the Ariba sourcing solution—is the use of a total landed cost model, which takes into account associated shipping fees, taxes and foreign tariffs when comparing costs. Saks' sourcing process has allowed the company to spread best practices across its professional procurement organization and expand its sourcing efforts to all divisions and its 11 types of men's and women's apparel.

Results and Next Steps

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Currently over 2,700 employees nationwide use Ariba Buyer for purchasing operating goods and services utilizing negotiated contracts and preferred suppliers, and another 1,000 employees use Ariba Travel and Expense where approved reimbursements are added directly to their paychecks. The reduction of sourcing cycle times has enabled Saks to broaden its commodity coverage, sourcing a wider categories of goods, which in turn leads to increased savings. Recently Saks added Ariba® Analysis™, Ariba® Contracts™ and Ariba® Invoice™ to gain increased visibility into its spend, improve contract management, better manage services spend at store and corporate locations, and streamline the invoice process, enabling Saks to develop a complete spend management process from planning-to-payment.