

Maximizing Return on Your Ariba Supplier Network Investment

June 2006



Executive Summary

As more companies embrace spend management as a way to cut costs and increase efficiency, suppliers are investing in eCommerce solutions that help them meet changing customer requirements. While choosing the right technology is essential, suppliers must also proactively seek to understand how customers use spend management—then leverage their eCommerce investments to align with customer objectives. The best-practice eCommerce approaches outlined in this paper can help suppliers use Ariba® Supplier Network™ and Ariba solutions to maximize spend management benefits for their customers while enhancing their own market position.

The Growing Importance of Spend Management

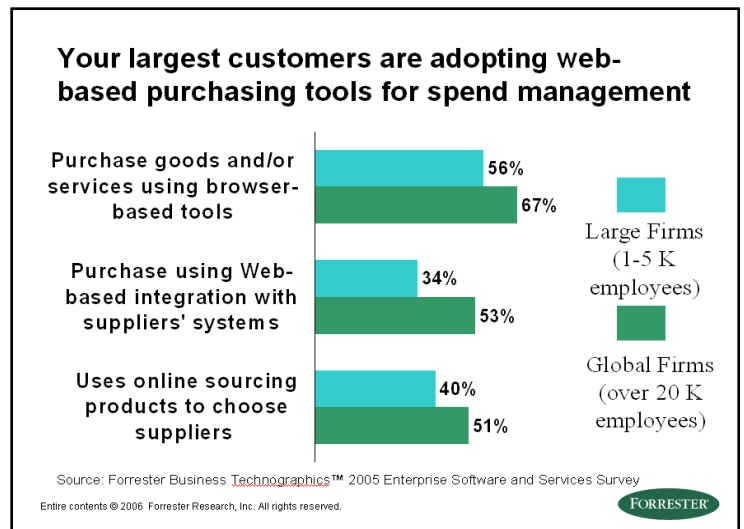
In today's intensely competitive marketplace, leading organizations know they must effectively manage spend and accelerate process efficiency to succeed. And, forward-thinking procurement professionals recognize that these objectives can only be achieved through a comprehensive spend management solution—one that helps them maximize savings and value across the organization.

For your customers, eCommerce or web-based procurement tools are more than just a new purchasing system—they represent a new model of doing business. Buying organizations look for suppliers who can act as strategic partners by becoming key vendors in crucial categories, then fully automating spend-related processes from sourcing to procurement to payment.

Suppliers need a solid eCommerce strategy to compete. Suppliers who establish operational processes that make them easy to do business with are better positioned to build lasting customer relationships and capture higher market share. Those who understand and align themselves with customer spend management strategies gain a strategic advantage in their category when customers evaluate their spending, and become valuable eCommerce partners who can't easily be replaced.

Best-Practice Strategies to Increase Your Ariba Return on Investment

Ariba has partnered with top category suppliers on Ariba Supplier Network since its inception in 1999. Through hundreds of technical and business engagements, these suppliers have deployed a variety of strategies that have made them successful. By adopting these practices, you can optimize the value of your Ariba investment to achieve similar benefits for you and your customers.





Strategy #1: Understand Your Customers' Objectives

Customers have specific goals for their spend management initiatives—such as faster delivery, lower prices, supplier consolidation, or regulatory compliance. eCommerce managers must interact with customers to learn what these goals are, then develop the strategies, solutions, and process requirements that meet them effectively.

MSC Industrial Direct collaborated closely with its customers at Danaher to understand their spend management objectives and develop the eCommerce capabilities they required. The result has been a highly successful partnership that has streamlined process efficiency, enhanced spend visibility, and boosted financial benefits for both companies.

Strategy #2: Adopt a Cross-Functional eCommerce Approach

As an eCommerce manager, engage executive management support for your organization's eCommerce program, then take the lead in launching your program across all key departments—including sales, marketing, global account management, accounts payable, and IT. This generates widespread awareness of important processes and benefits while increasing the buy-in crucial to ensure objectives are met.

Strategy #3: Demonstrate Ariba Solutions Internally

Within your company, demonstrate Ariba spend management solutions to help technical and business teams understand where customers are and where they may be going. Though your initial eCommerce involvement may be limited to just one function (e.g., order management), internal teams should view this as a sign of growing customer commitment to spend management—and know how to leverage Ariba tools to respond effectively to evolving customer requirements.

Strategy #4: Help Customers Increase Ariba Usage

Helping customers maximize the spend that goes through Ariba tools increases their savings and sends more business to your company. Facilitating the culture change needed for optimal compliance also establishes you as a useful business resource—and increases positive recognition of the relationship between their company and yours. You can help customers generate higher compliance in a variety of ways:

- **Conduct customer “road shows”** that include on-site, hands-on demonstrations and training. Walk participants through the steps required to make requisitions, get approvals, check order or delivery status, and conduct similar processes to increase comfort and familiarity with Ariba solutions.
- **Encourage customers to promote and/or mandate catalog use** internally from the beginning of their spend management initiative. For example, companies can follow up on individual maverick purchases, then use system data to show users the money they lost by buying off-contract.

MSC Industrial Direct gives its customers extensive support by working with engineering and procurement professionals to set up on-site “Lunch and Learn” sessions—which help end users outside of purchasing, such as engineering and accounts payable, gain comfort and familiarity with the MSC catalog and Ariba® PunchOut™. MSC also offers customers guidance on ways to effectively champion their spend management initiatives and drive greater compliance.

Strategy #5: Optimize Your Use of Ariba Catalogs

An online catalog is a crucial part of your eCommerce strategy, making it easy for customers to quickly find and order your products or services. Choose the catalog format that works best for your business, then take advantage of all the features available to give customers the best purchasing experience and increase your business volume.

- **Catalog Interchange Format (CIF)**—CIF catalogs enable order management to quickly upload an Excel spreadsheet to Ariba Supplier Network with current prices and part numbers so customers can send accurate purchase orders. CIF catalogs may also be set up so that item entries can be standardized for many different customers rather than just one. For example, catalog items can be made configurable to support faster, more efficient changes and updates on complex products and services. Finally, adding images makes it easier for users to make sure they are getting exactly what they want while helping your company's products and services stand out.
- **Ariba PunchOut**—If you already have an eCommerce website, consider creating an Ariba PunchOut catalog. Customers can use this to “punch out” from their Ariba application to your website for rich product and service content, then pop back to Ariba Supplier Network to complete the transaction. Up-to-the-minute alerts and hyperlinks with detailed specifications enhance accuracy even more, and automatic updates eliminate the redundant processes typically required to match catalog and website content. PunchOut integrates directly with your back-end systems, making it especially valuable for complex product offerings and large-volume transaction levels. It's also highly scalable, helping you accommodate the individual preferences of multiple buyers with minimal effort.
- **See your catalog as your buyer sees it**—Any supplier with a user administration account can create a test buyer account to view the catalog as the buyer would see it. You can test the search terms, the images, the PunchOut, or even send a test purchase order.

When a key customer asked American Product Distributors, Inc. (APD) to adopt Ariba Supplier Network, the company immediately decided to create an Ariba PunchOut catalog. “In the office supply category there are so many items and transactions that there’s no way we could meet our next-day delivery commitment if orders didn’t flow automatically to our system,” says Eve Dinion, chief operating officer for APD. “We learned early on that it’s easier for end users to buy—and they buy more—if they can search the APD catalog online and punch out to the interactive catalog to see pictures and descriptions, current stock levels, and other items related to what they’re purchasing.”

Learn more about how to make the most of CIF and PunchOut catalogs and creating a test account by going to supplier.ariba.com, clicking the “help” button in the upper right-hand corner of the screen, and reviewing the files under “catalog documentation” and “cXML documentation.”

Strategy #6: Help Customers Stay On Top of New Developments

Stay aware of soon-to-be-released Ariba technology and services—and advise your customers about the benefits they offer. Show customers that you're a step ahead of other suppliers and are paying close attention to their goals and needs.

- **Level II PunchOut**—Developed to meet customer requests for a more user-friendly buying experience, Ariba® Level II PunchOut™ drives higher compliance through a variety of new capabilities. Advanced search features such as favorites, kits and bundles, and saved shopping lists reduce purchasing time and effort. Buyers can conduct item-level searches across

At Ariba LIVE 2006, Craig Federighi, CTO of Ariba, demonstrated Level II PunchOut to a very enthusiastic customer audience. Ariba LIVE attendees saw firsthand how Level II PunchOut makes it even easier for buyers to find a variety of products from approved suppliers within the Ariba system. Buyers are planning to adopt Level II PunchOut in future releases, and suppliers have begun to evaluate how they will support these features in future catalogs.



PunchOut sites without leaving their procurement system, so they can find the right items quickly and easily. The solution also supports rich, up-to-date content; and enhances your product visibility to end users.

- eInvoicing**—With eInvoicing, your accounts receivable department can generate cXML invoices directly from the general ledger to Ariba Supplier Network for import by customers into their payables systems, increasing efficiency and reducing errors. Accounts receivable can also review current invoice status based on live data from customer ERP systems at any time. These advantages combined with competitive pressures to lower costs and meet regulatory requirements are making eInvoicing a key technology for a growing number of companies. For example, 33 percent of respondents in a 2005 IOMA study were planning to implement some aspect of eInvoicing (up from 2.7 percent in 2004), and 20 percent of participants in a 2005 Aberdeen Group study indicated interest in an eInvoicing solution.

As a high-volume, low-dollar order supplier, RS Components makes eInvoicing capabilities a requirement for its participation in any eCommerce system. A direct connection to back-office systems ensures data integrity and eliminates the errors and expense of manual reentry—saving time and cutting costs for both RS Components and its customers.

Strategy # 7: Establish Category Leadership

To help your company stand out among other suppliers in your category, all key departments should understand customer goals and use the right Ariba solutions to meet them. For example, IT can integrate your eCommerce

website to Ariba Supplier Network via Ariba PunchOut, making it easier for customers to do business with you. IT can also participate in beta programs to get early access to the leading-edge functionality customers seek. Marketing can take advantage of Ariba programs and services that help you gain visibility as a best-practice trading partner.

As the only global staffing service with the Ariba Ready™ designation, Manpower Inc. has a unique advantage in its category on Ariba Supplier Network, where services comprise more than 63 percent of managed spend. Manpower’s integration to Ariba Buyer allows clients to collect electronic time sheets and use sophisticated candidate selection techniques. “When one customer wanted to implement across 26 countries, our Ariba capability put us on the short list,” says Jay Schaudies, global vice president of eCommerce.

Strategy #8: Market Your Ariba Capabilities

As you hone your Ariba eCommerce capabilities, make sure buyers know what you have to offer. As a first step, be sure your account administrator keeps your company's Ariba Supplier Network profile up-to-date. Sales can also contact existing customers who are trading with other suppliers over Ariba Supplier Network to suggest that they transact with you as well. For a listing of customers, visit http://www.ariba.com/customers/customers_overview.cfm.

Marketing and sales can attend Ariba LIVE to network with hundreds of valuable new prospects, showcase your products and expertise by purchasing booth space, and increase your prominence by sponsoring an event. Marketing can work with Ariba to write a supplier spotlight or other collateral that describes your Ariba-related history, capabilities, and successes.

Cellular Accessories for Less (CAFL) and Automatic Data Processing (ADP), Inc. forged a valuable new relationship by attending Ariba LIVE in 2004. ADP needed a rapid solution when New Jersey legislation made it illegal to talk on cell phones without hands-free equipment, and learned that CAFL was an Ariba® Ready™ supplier at the conference. Four weeks later, ADP was up and running on an integrated PunchOut solution provided by CAFL.

Why Ariba?

More than 135,000 registered suppliers in 115 countries transact \$90 billion in spend annually on Ariba Supplier Network, making Ariba by far the largest spend management provider—and these numbers continue to climb.

Using the Ariba Supplier Network, suppliers have quickly and efficiently met buyers' needs by supplying catalog content, receiving POs, and sending invoices — while improving the order-to-cash cycle along the way.

More and more buying organizations and industry analysts recognize spend management as a powerful and growing market segment—and Ariba as a prominent spend management provider.

For example, Ariba is ranked as a leader in four recent Forrester Wave reports for its eProcurement, sourcing, accounts payable electronic invoice presentment and payment (EIPP), and contract lifecycle management solutions. An Aberdeen Group study found that Ariba users reduced maverick spend by 34 percent as opposed to 21 percent by non-Ariba users, and increased spend under management by 30 percent compared to just eight percent from other responders.

Combining spend management software, services, and expertise with Ariba Supplier Network, Ariba solutions operate on four million desktops and drive more business volume between buyers and suppliers than any other spend management system in the world. Ariba's customer base represents 30 percent of Fortune 500 and 45 percent of

Fortune 100 companies who source over \$120 billion through Ariba Supplier Network each year.

Find Out More


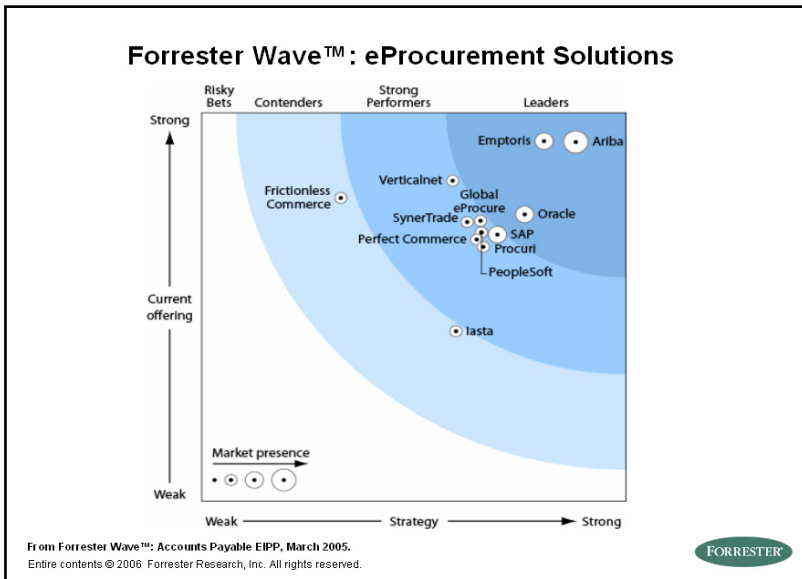
To learn more about how you can use Ariba solutions and resources to gain category leadership and become a strategic supplier for your customers, contact Ariba supplier programs at 1-866-583-5988 or supplierprograms@ariba.com.

Leading Supplier Networks

Provider	Number of suppliers	Number of customized catalog suppliers	2005 PO volume (millions)	2005 PO value (Bil.)
Ariba	132,000	25,000	76.0	\$75.0
Perfect	11,500	2,500	7.0	\$3.9
Quadrem	26,000	2,000	1.5	\$7.2
CC-Hubwoo	12,000	1,800	1.0	€ 5.0
IBX Nordic	10,000	1,200	1.2	€ 3.5

Source: Forrester Research, Inc., based on provider Web sites and briefings

Entire contents © 2006 Forrester Research, Inc. All rights reserved.

Copyright © 2006 Ariba, Inc. Ariba and the Ariba logo are registered trademarks of Ariba, Inc. Ariba Buyer, Ariba Level II PunchOut, Ariba PunchOut, Ariba Ready, and Ariba Supplier Network are trademarks of Ariba, Inc. All other product or company names are for identification purposes only, and may be trademarks of their respective owners.