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SAP Solution Brief

SAP Ariba Services | Working Capital Management Services

Transform Your Payables with Working Capital Management Services



Improve the Way You Manage Working Capital

For organizations with healthy cash balances, virtually no short-term investment rivals the risk-free, double-digit returns from early-payment discounts. Yet treasury organizations often fail to take advantage of this opportunity for several reasons.

In many cases, resistance comes from the need to free up working capital. In addition, some organizations find it difficult to engage suppliers to identify and apply the most effective working capital program for them.

If you lack the time, expertise, or resources to actively manage a dynamic discounting, payment-term initiative, or broader working-capital management program on your own, we can help. With our working capital management services, you can manage your payments, cash, and days payable outstanding (DPO)

with greater precision and control. By combining detailed payment term data with proven expertise, we can help you design, run, and maintain an effective supplier enablement, DPO improvement, and dynamic discounting program.

Using our working capital management services, you can optimize your payment terms, automate the capture of early-payment discounts, and provide supply-chain financing that helps suppliers receive payment faster and strengthen the trading relationship.

Improve the Way You Manage Working Capital

Heighten Your Focus on Payment Timing

When you pay for goods and services matters. Companies that pay too fast tie up valuable working capital, essentially funding their competitors. Companies that delay payments without providing financing options to suppliers can strain supplier relationships, while cash-poor suppliers increase supply-chain risk.

If you struggle in this area, we can help you develop a payment timing strategy that balances cash and working management objectives. Our experts can formulate a plan with you to consolidate and standardize payment terms, including tailoring these

terms by supplier group, region, or time of year. By extending payment terms by just 15 days, you can free up hundreds of millions of dollars in working capital to improve business performance or grow your business.

We can also help manage the rollout or expansion of a check-to-ACH, p-card, supply-chain finance, or remittance-data cleanup program. Additionally, we can support the adoption of our payment capability, which links rich remittance detail and all relevant transaction documents with electronic payments to suppliers.

Heighten Your Focus on Payment Timing

Capture Early-Payment Discounts and Increase Cash Returns

Strengthen Your Financial Supply Chain

Dramatically Improve Your Working Capital Position



SAP® Ariba® services help you develop a payment timing strategy that optimizes working capital.

Capture Early-Payment Discounts and Increase Cash Returns

Early-payment discounts can help you achieve double-digit cash returns while supporting your suppliers' financial health.

Our services use proprietary data and methodologies to analyze your supplier spending and payment terms. Based on our extensive knowledge of which suppliers and supplier categories are more likely to embrace early-payment discounts, our experts can help you organize and categorize your suppliers according to the right discount offers. Then we create a strategic plan to standardize payment terms and onboard suppliers for dynamic discounting.

A rapid-ramp methodology helps us accelerate the recruitment and onboarding of your suppliers for dynamic discounting and your return on investment. Many companies find that they can fund their entire initiative with these savings and have funds remaining for other initiatives as well.

You can also deploy our discounting capability, which integrates with any enterprise resource planning system. This solution provides a payment status and dynamic discounting portal for all your suppliers and spending. With its comprehensive set of features, you can automate the process of offering, negotiating, and agreeing on dynamic early-payment terms with the right set of suppliers.

Heighten Your Focus on Payment Timing

Capture Early-Payment Discounts and Increase Cash Returns

Strengthen Your Financial Supply Chain

Dramatically Improve Your Working Capital Position

Strengthen Your Financial Supply Chain

Our working capital management services can help you segment suppliers according to their suitability for terms extension or early-payment discounts.

In cases where you would like to accelerate payment to suppliers in exchange for early-payment discounts without using your own cash, our consultants can recommend a supply-chain finance program, where suppliers can access low-cost financing from more than 60 funding sources. This program is available

on a global, multifunder platform, so you can make it available to your global supply chain.

Because supplier adoption is key to success, our consultants can accelerate your results through engagement with the millions of suppliers that participate in Ariba Network. They can also reach out to new suppliers. Working together, buyers and suppliers can help each other meet their business goals and improve their financial performance.

Heighten Your Focus on Payment Timing

Capture Early-Payment Discounts and Increase Cash Returns

Strengthen Your Financial Supply Chain

Dramatically Improve Your Working Capital Position



Lower supply-chain costs and risk with help from SAP Ariba services.

Dramatically Improve Your Working Capital Position

Our working capital management consultants can identify opportunities where you can extend your DPO and free up working capital. A simple shift in payment processing from a daily to a weekly activity can have a positive effect on your bottom line.

The opportunity to generate free cash flow is often overlooked. Working with our consultants, you can combine early-payment discounts with a strategic payment-terms standardization program. The net effect is that you can increase your return on cash

from the discounts while maintaining or extending your DPO. With the increase in free cash flow, you can pay down debt, open a new store or manufacturing plant, increase R&D, support mergers and acquisitions, fund a new product line, or support some other activity to grow your business.

[Table 1](#) provides an example of a working capital improvement program managed by our consultants that delivers almost \$66 million in benefits.

Heighten Your Focus on Payment Timing

Capture Early-Payment Discounts and Increase Cash Returns

Strengthen Your Financial Supply Chain

Dramatically Improve Your Working Capital Position

Table 1: Sample Managed-Spend Program

Managed-Spend Program		Year 1		
Category		Days Impact	Key Performance Indicator	Impact
	Total Spend			\$4,000,000,000
Program recap	Spend extended: pay terms standardization	15	46%	\$1,840,000,000
	Total spend eligible for early pay		66%	\$2,640,000,000
	Spend accelerated	-15	15%	\$396,000,000
Benefit recap	Estimated network working capital impact (balance sheet)			\$59,342,466
	Estimated net earnings on cash (income statement)		1%	\$593,425
	Estimated discount savings based on Ariba® Network average discount rate		1.50%	\$5,940,000
	Total Benefit			\$65,875,891
		Spend	Days Impact	Estimated Days Payable Outstanding (DPO)
	Total spend	\$4,000,000,000		35
	Accelerated under early pay	\$396,000,000	-15	20
	Spend extended: pay terms standardization	\$1,840,000,000	15	50
	Remaining on current DPO	\$1,764,000,000		35
	DPO impact			40

Heighten Your Focus on Payment Timing

Capture Early-Payment Discounts and Increase Cash Returns

Strengthen Your Financial Supply Chain

Dramatically Improve Your Working Capital Position

Increase Control Over Payables, Cash, and DPO

Our working capital management services can help you realize dramatic business value. These services include ongoing supplier outreach, quarterly strategy reviews and updates, and monthly program updates and reporting. And unlike other service providers, our managed-services team stays with you for the life of your program.

Benefits of our services include:

- Improved precision and control over payables, cash, and DPO using industry-leading expertise
- Consolidated and standardized payment terms

tailored in accordance with supplier group, region, or time of year

- Segmented suppliers, grouped according to their willingness to extend terms or agree to early-payment discounts
- Extended supplier adoption of a total working capital program, through the guidance of our experts on the supplier-enablement team
- Accelerated business value, thanks to access to a global network of millions of suppliers
- Ability to optimize working capital while earning risk-free, double-digit returns on short-term cash

Increase Control Over Payables, Cash, and DPO



Manage your cash better and unleash new business potential. SAP Ariba services consultants can show you how.

Summary

Working capital management services, part of SAP® Ariba® services, can help you develop an effective cash and working capital management strategy. Working with you, our consultants create programs that optimize payment terms, negotiate early-payment discounts, and enable supply-chain financing. Now you can manage working capital to improve business performance and strengthen the financial health of your supply chain.

Objectives

- Optimize your working capital
- Standardize and rationalize payment terms
- Increase cash earnings with early-payment discounts
- Support a healthy financial supply chain

Solution

- One managed program to help you achieve multiple cash-management and working-capital objectives
- Programs that help your suppliers improve their cash flow and payment reconciliation

Benefits

- Increased control over payables, cash, and DPO
- Extended supplier adoption of a comprehensive working capital management program
- Consolidated and standardized payment terms and discounts
- Segmentation of suppliers by payment terms
- Optimized working capital to improve business performance

Learn more

Call your SAP Ariba solutions representative or learn more about our [financial supply-chain solutions](#).



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