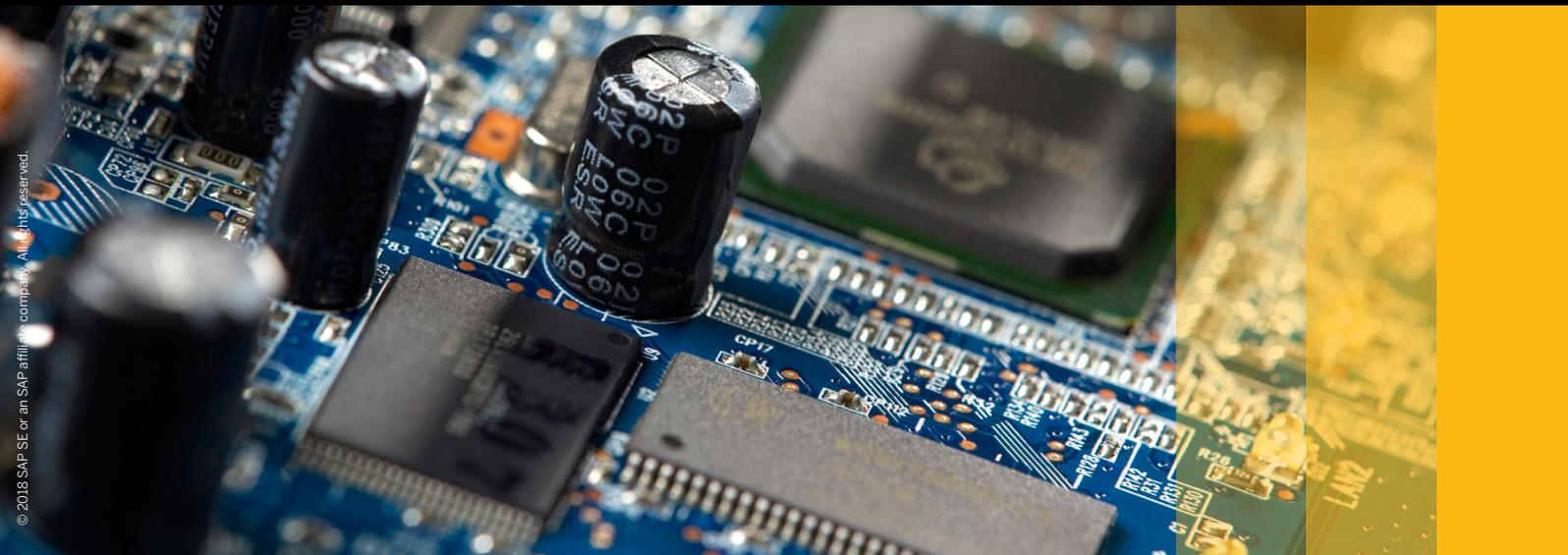SAP Solution Brief | PUBLIC
SAP Ariba Solutions for Direct Spend | SAP Sourcing Simulation and Optimization for Industries

Reduce Direct Materials Spend while Maintaining a High Performing Supply Chain

THE BEST RUN **SAP**

Maximize spend savings
without risking quality or supply

Reducing direct materials spend is an issue that affects companies all around the world. Sourcing and supply chain executives face increasing pressure to meet quarterly or annual savings targets while still controlling quality, reliability, and supply chain risk.

Achieving these savings goals is increasingly difficult, however, given the massive number of parts and suppliers in discrete manufacturing industries, constantly-changing parts pricing, manual processes, and lack of advanced analytics. For example:

High tech – Manufacturers can have hundreds and thousands of suppliers, providing hundreds of thousands of parts across thousands of end products

Automotive – The average car has about 30,000 parts, with an increasing number of electronic component parts

Industrial machinery – Even if there is a low volume of end products being manufactured, complex machines can have tens of thousands of components

Aerospace and defense – A modern aircraft has over 2.3M parts and a manufacturer can have relationships with over 5,000 suppliers

With key information about supply scattered across many solutions, how can you turn this data into the intelligence needed to set price targets, prepare for negotiations, and make the best business award decisions?

Maximize spend savings without risking quality or supply

Advanced decision support from a state-of-the-art solution

SAP Sourcing Simulation and Optimization for Industries is a cloud-based solution deployed on SAP Cloud Platform. It provides advanced predictive analytics, optimization, and simulation capabilities so you can negotiate effectively to meet savings targets and make intelligent business award decisions.

It complements the SAP® Ariba® Strategic Sourcing portfolio by providing:
- A role-based workbench that applies predictive algorithms to optimize sourcing decisions across multiple dimensions, enabling overarching, top-down savings goals to be supported with a bottom-up analysis

- Modelling of objectives and constraints (such as lead time, quality, minimum buys, and supplier risk) to be considered in business award decisions along with target prices
- Historic and market benchmark data for intelligently setting negotiation targets with suppliers
- Simulation and 'what-if' methods for analyzing multiple supplier award and allocation scenarios
- A dashboard to view multiple scenarios and their impact on key performance indicators, review negotiations in process, and view summary reports by project, commodity manager, commodity group, and more

Advanced decision support from a state-of-the-art solution

A powerful workbench for commodity managers

Leverage intelligent analytics in price negotiations

A powerful workbench for commodity managers

If your commodity managers manually gather and analyze information or struggle to manage and track price negotiations using spreadsheets, then SAP Sourcing Simulation and Optimization for Industries will make a world of difference.

You can immediately eliminate these inefficiencies – and support every step in the decision-making process – using a built-in intelligent business award decision workbench to:

- **Extract data –** automatically pull in material and supplier master data, component demand, and historical pricing and transaction data from SAP, SAP Ariba solutions, and other non-SAP source systems

- **Set negotiation targets –** use historic and market benchmark data and apply predictive algorithms to scope the list of parts for negotiation and to set negotiation targets for those parts
- **Analyze and simulate –** consider additional in-context information (for example, quality, scorecard, and risk) and apply "what-if" simulations to analyze different supplier award and allocation scenarios and adjust recommendations from the optimization engine
- **Make award decisions –** negotiate with suppliers against the defined targets and make final award and allocation decisions while considering all relevant analysis and contextual information
- **Update prices –** communicate the negotiated terms to the appropriate component suppliers, contract manufacturers and internal back-end systems

Advanced decision support from a state-of-the-art solution

A powerful workbench for commodity managers

Leverage intelligent analytics in price negotiations

Leverage intelligent analytics in price negotiations

Strategic sourcing and supply chain executives all over the world, in every industry, are accelerating the adoption of intelligent analytical solutions. In a recent survey, 57% of chief procurement officers said they expect that intelligent and advanced analytics for negotiations will have the most impact for the next two years.

Advanced decision support from a state-of-the-art solution

A powerful workbench for commodity managers

Leverage intelligent analytics in price negotiations

Intelligent and advanced analytics for negotiations	57%
Process efficiency improvement	56%
Market intelligence	44%
Supplier portfolio optimization	40%
Improve fraud detection	19%
Predictive supplier quality and risk management	18%
Improve payment terms and conditions	18%

Source: Deloitte Global Chief Procurement Officer Survey 2017

Improve direct material price negotiations

SAP Sourcing Simulation and Optimization for Industries can bring real and immediate benefits to your business by:

• Providing the intelligence to set feasible negotiation targets for negotiation, driving down data collection and research effort, effectively eliminating much of the guesswork associated with setting these targets

• Automating and infusing intelligence into different sourcing projects, enabling more informed decisions locally and globally
• Empowering commodity managers to negotiate more frequently and more effectively
• Scaling sourcing efforts across all regions and business units
• Giving views of multiple supplier allocation scenarios quickly and easily to improve business award decisions

Improve direct material price negotiations
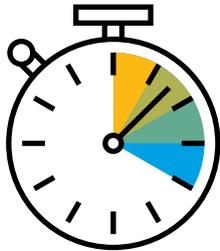
SAP Sourcing and Simulation for Industries enables commodity managers to efficiently drive spend reduction

Summary

SAP Sourcing Simulation and Optimization for Industries provides the decision support you need to set and meet your objectives for negotiating with direct materials suppliers. It is a cloud-based application that provides advanced analytics, optimization, and simulation capabilities so you can negotiate effectively to make intelligent business award decisions.

Objectives

- Gain full workbench visibility of all supplier quote prices and other terms needed for negotiation and award analysis
- Apply in-process intelligence and in-context information to negotiate better and overall make better business award decisions
- Leverage advanced infrastructure and SAP's business and technical expertise
- Streamline negotiation and decision support processes

Solution

- Extract data from SAP and non-SAP data sources, through API-based integration
- Set negotiation targets using predictive algorithms and incorporating market benchmark data
- Define business rules and constraints
- Simulate 'what-if' scenarios to adjust optimizer recommendations and iterate negotiations
- Make business award decisions
- Update prices, notify suppliers, update master data, and provide reports

Benefits

- Reduces direct material spend
- Frees up more time for negotiating
- Helps you focus on the right negotiations
- Facilitates better business award decisions
- Scales sourcing negotiation across large group of parts
- Reduces cost of data collection

Learn more

To find out more, call your SAP representative today or visit us online at **https://www.sap.com** or **www.ariba.com**.

SAP Ariba
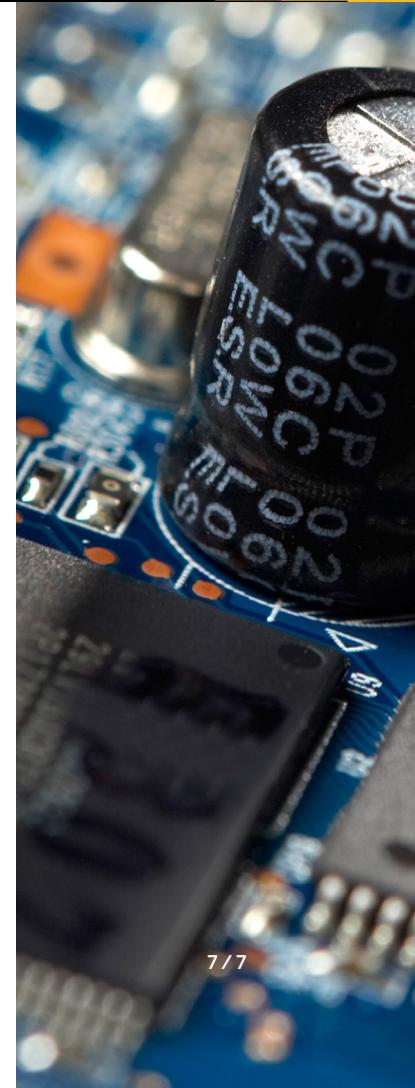
Follow us

www.sap.com/contactsap

THE BEST RUN **SAP**