

# The Value of Automation Through Ariba® Network

## Supplier Benefits

What kind of value do suppliers on Ariba® Network typically realize?

- 75% gain in order processing productivity through cXML
- Six-day reduction in days sales outstanding (DSO)
- 80% increase in order accuracy through the Ariba Punchout solution
- 15% increase in customer retention and up to 99% higher renewal rates through increased customer satisfaction
- 75% faster deal closure
- 35% increase in new business
- 30% growth in existing accounts
- 20% faster payment
- Fast, low-cost enablement in 10 days or less

Source: Ariba customer case studies

## WHY AUTOMATE WITH ARIBA® NETWORK?

Save time and create operational efficiencies that can directly impact your bottom line. You can use automation – also called electronic integration, or connectivity, or touchless processing – to automatically receive orders and send invoices to your customers through Ariba® Network.

Beyond the opportunities to drive increased revenues and customer satisfaction, automation directly impacts your fiscal performance by reducing your cost of sales and helping you get paid faster through the elimination of manual processes and errors.

## BENEFITS OF INTEGRATING TO ARIBA NETWORK

### Valuable Revenue Opportunity

- Stronger sales in existing and new accounts through increased buyer compliance to contracts
- Scalable business infrastructure to support business growth

### Greater Customer Satisfaction

- Operational accuracy, helping ensure a higher match rate from purchase to payment
- Compliance from customers – by assuring they're getting the most current price and availability
- Accurate and timely information available to customers through self-service options

### Enhanced Fiscal Performance

- Reduced days sales outstanding (DSO) by creating higher invoice accuracy
- Lower cost of sales
- Decreased inventory through increased inventory turns

## VALUE VERSUS COSTS

Automation provides a systematic and efficient way to obtain your customer orders and submit invoices. What's more, it's touchless – allowing your back-end system to communicate directly with Ariba Network without requiring a person to log in. Whether you're using QuickBooks, Sage, Great Plains, or one of the many other back-end systems typically used for accounting and order processing, you can connect your system to Ariba Network so that your customer orders automatically appear in your order-processing system. Ariba can help with our Gold and Platinum subscriptions that include an Ariba Integration Connector, powered by Dell Boomi.<sup>1</sup> These subscriptions deliver connectivity and enable automated collaboration with your customers, helping you to manage your business transactions more effectively. By taking advantage of them, you can:

- Cut the cost of creating an order in half
- Lower the costs of invoice creation by nearly half
- Significantly reduce errors

The following charts illustrate the dramatic increase in benefits and ROI you can expect to achieve by fully integrating through Ariba Network as compared to simply using electronic transaction capabilities.

<sup>1</sup> The Ariba Integration Connector, powered by Dell Boomi, is provided in English in North America and Europe and is subject to additional terms of use. Actual compatibility of a connection depends on several factors, including buyer-side requirements on Ariba Network and business accounting software configuration capabilities. Please contact the Ariba Customer Support service for more details.

## THE VALUE OF AUTOMATION THROUGH ARIBA NETWORK

### Comparison of Benefits: Electronic Versus Integrated and Catalog Transactions

	Paper	Electronic (Online Portal)	Integrated (and Catalog)
<b>REVENUE OPPORTUNITY</b>			
Growth in accounts		Up to 10% increased revenue due to contract compliance <sup>2</sup>	39.8% revenue increase in existing accounts <sup>4</sup>
<b>CUSTOMER SATISFACTION</b>			
Customer retention		At least 15% increase in customer retention rates <sup>3</sup>	48% increase in customer retention rates <sup>4</sup>
<b>FISCAL PERFORMANCE</b>			
Purchase order	US\$8.65 per PO 15% error rate	\$6.48 per PO 10% error rate	\$4.32 per PO 7% error rate
Invoice	\$10.54 per invoice 3.5% error rate	\$9.27 per invoice 2.3% error rate	\$4.74 per invoice 1% error rate
Catalog transaction	\$4.32 per PO 7% error rate	\$4.32 per PO 7% error rate	83% optimized/Ariba® Punchout solution 1% error rate
Days sales outstanding (DSO)		6–13 days' reduction <sup>5</sup>	22 days' reduction <sup>5</sup>
Cost of capital		At 9% cost of capital, savings of \$15,000–\$30,000 on \$10,000,000	At 9% cost of capital, savings of \$15,000–\$30,000 on \$10,000,000
Inventory		3%–6% year-over-year increase in inventory turns <sup>6</sup>	22% year-over-year increase in inventory turns <sup>6</sup>
<b>EXPENSES</b>			
<b>One-time setup</b>			
CSV <sup>8</sup>		\$2,000 average setup	
EDI/cXML New <sup>8</sup>			\$5,000 average setup \$750, \$2,250, or \$5,500 annual subscription <sup>7</sup>
EDI/cXML Experienced <sup>8</sup>			\$1,000 setup \$750, \$2,250, or \$5,500 annual subscription <sup>7</sup>
<b>Ongoing</b>			
CSV <sup>8</sup>		\$900 annual maintenance	
EDI/cXML New <sup>8</sup>			\$750, \$2,250, or \$5,500 annual subscription <sup>7</sup> \$900 annual maintenance
EDI/cXML Experienced <sup>8</sup>			\$750, \$2,250, or \$5,500 annual subscription <sup>7</sup> \$900 annual maintenance

2. Aberdeen Research, "Contract Management: Quote-to-Cash Cycle," 2006; Aberdeen Research, "Contract Lifecycle Management Collaboration," 2008.

3. Forrester Research, Analyst Inquiry, 2012.

4. Selling Power, "The Tech Trends for B2B Sales Today," July/August 2011.

5. Aberdeen Research, "The Order-to-Cash Cycle," 2008; AMR Research, "Benchmarking B2B E-Business: The Value Is in There," 2007; and The Hackett Group, "Five Strategies for Maximizing Customer Adoption of Electronic Invoice Presentment and Payment," 2012, all suggest DSO improvement by 6 to 13 days.

6. When using electronic purchasing data in your business intelligence processes: Aberdeen Research, "Operational Intelligence: Boosting Performance with 'Right-Time' Business Insight," 2010.

7. The \$2,250 and \$5,500 options include the Ariba Integration Connector, powered by Dell Boomi. This is included in the Gold and Platinum subscriptions at a basic and extended level; the cost varies by the back-end system you use.

8. Excludes the Ariba Network transaction fee, which is capped at \$20,000 annually.

## About SAP® Ariba® Solutions

SAP® Ariba® solutions support the marketplace for modern business, creating frictionless exchanges between millions of buyers and suppliers across the entire source-to-pay process. Our market-leading solutions enable companies to simplify collaboration with their trading partners, make smarter business decisions, and extend their collaborative business processes with an open technology platform. More than two million companies use SAP Ariba solutions to connect and collaborate around nearly US\$1 trillion in commerce on an annual basis. To learn more about SAP Ariba solutions and the transformation they are driving, visit [www.ariba.com](http://www.ariba.com).

## INTEGRATION RETURN ON INVESTMENT

### Electronic (Online Portal)

Based on these benefits and cost drivers associated with automation, the following table shows that a supplier with the characteristics listed below will benefit from minimal electronic integration to Ariba Network:

	US\$3 million in spend, 362 POs, and 362 invoices annually <sup>9</sup>		\$13 million in spend, 1,119 POs, and 1,119 invoices annually <sup>10</sup>	
	Costs <sup>9</sup>	Electronic Benefits (Online Portal) <sup>9</sup>	Costs <sup>10</sup>	Electronic Benefits (Online Portal) <sup>10</sup>
Year 1	\$9,145	\$8,414	\$29,495	\$28,765
Year 2	\$8,045	\$8,414	\$28,395	\$28,765
Year 3	\$8,045	\$8,414	\$28,395	\$28,765
Total investment	\$25,235	\$25,241	\$86,255	\$86,294

**9.** Based on \$3,000,000 in transaction value; 362 POs/year; 362 invoices/year; 9% cost of capital with 6 days' reduction in DSO; \$2,250 subscription fee; estimated \$4,650 in transaction fees; excludes additional benefit of 4% increase in buyer compliance to contract; 6% increase in customer retention.

**10.** Based on \$13,000,000 in transaction value; 1,119 POs/year; 1,119 invoices/year; 9% cost of capital with 6 days' reduction in DSO; \$5,500 subscription fee; estimated \$20,000 in transaction fees; excludes additional benefit of 4% increase in buyer compliance to contract; 6% increase in customer retention.

### Integrated (and Catalog)

Based on these benefits and cost drivers associated with automation, the following table shows that a supplier with the characteristics listed below will benefit from full electronic integration to Ariba Network:

	US\$3 million in spend, 249 POs, and 249 invoices annually <sup>11</sup>		\$13 million in spend, 696 POs, and 696 invoices annually <sup>12</sup>	
	Costs <sup>11</sup>	Integrated (and Catalog) Benefits <sup>11</sup>	Costs <sup>12</sup>	Integrated (and Catalog) Benefits <sup>12</sup>
Year 1	\$12,145	\$74,669	\$32,495	\$82,066
Year 2	\$8,045	\$74,669	\$28,395	\$82,066
Year 3	\$8,045	\$74,669	\$28,395	\$82,066
Total investment	\$28,235	\$224,008	\$89,285	\$246,199

**11.** Based on \$3,000,000 in transaction value; 2,500 POs/year; 2,500 invoices/year; 9% cost of capital with 6 days' reduction in DSO; \$2,250 subscription fee; estimated \$4,650 in transaction fees; excludes additional benefit of 4% increase in buyer compliance to contract; 6% increase in customer retention.

**12.** Based on \$13,000,000 in transaction value; 2,500 POs/year; 2,500 invoices/year; 9% cost of capital with 6 days' reduction in DSO; \$5,500 subscription fee; estimated \$20,000 in transaction fees; excludes additional benefit of 4% increase in buyer compliance to contract; 6% increase in customer retention.

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