



scottmadden

MANAGEMENT CONSULTANTS

How Purchase-to-Pay Fits within an Enterprise Supply Chain

Smart. Focused. Done Right.®

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About ScottMadden



What We Do – Corporate & Shared Services

ScottMadden has been helping clients create greater value for their corporate services organizations for more than 30 years. Our highly efficient, collaborative teams employ measurable, award-winning methods and deep cross-functional expertise to improve operational performance.

Finance & Accounting

ScottMadden can improve process efficiency and automation to ensure accurate and timely financial information and compliance.

Human Resources

ScottMadden designs, builds, and implements HR service delivery models to ensure efficient and effective HR operations that meet business needs.

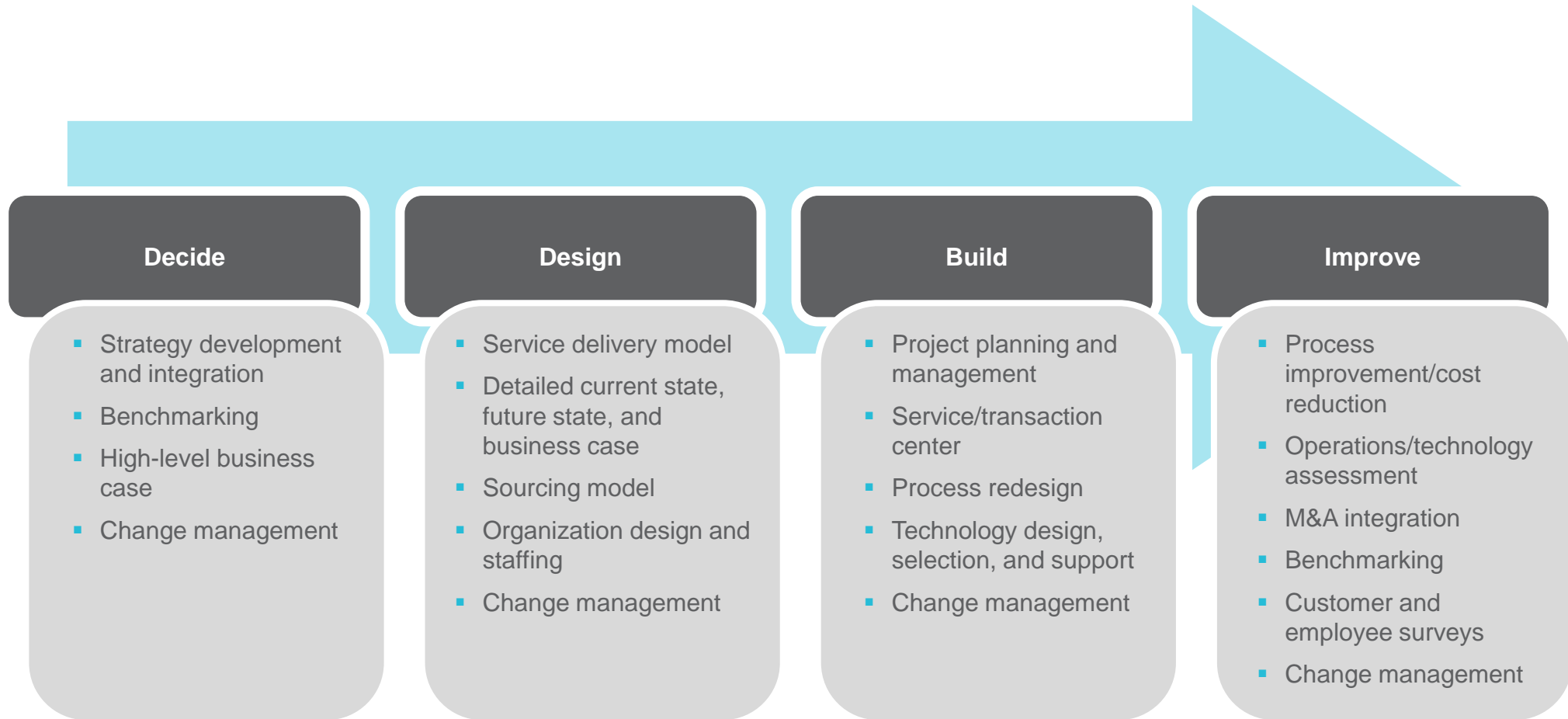
Information Technology

ScottMadden helps organizations create measurable IT value by focusing on business engagement to improve IT decision making.

Supply Chain

ScottMadden can craft new supply chain strategies and delivery improvements in operations, increasing the value delivered to customers.

What We Do – Shared Services



Our Functional Expertise

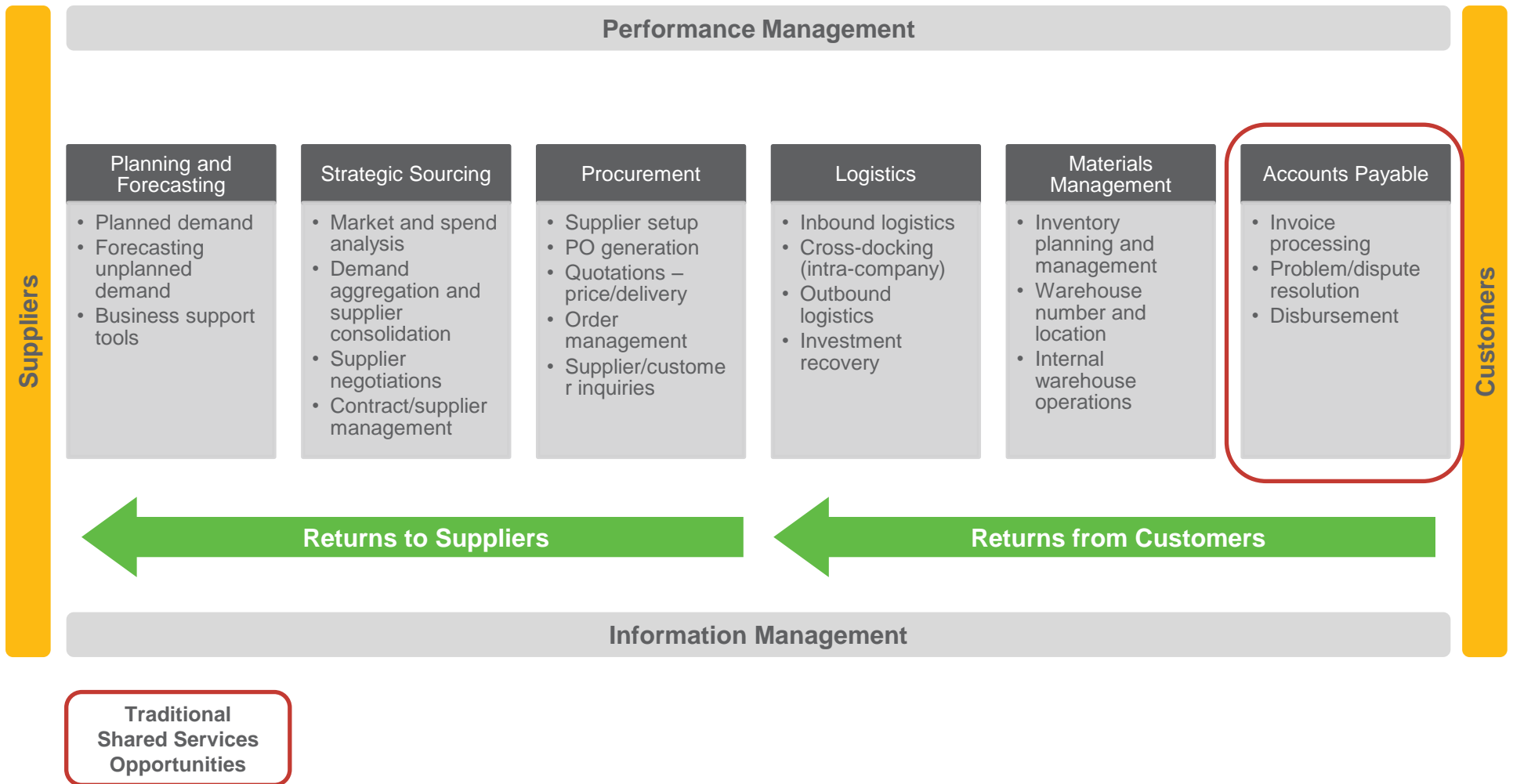


Key Components of Purchase-to-Pay (P2P)



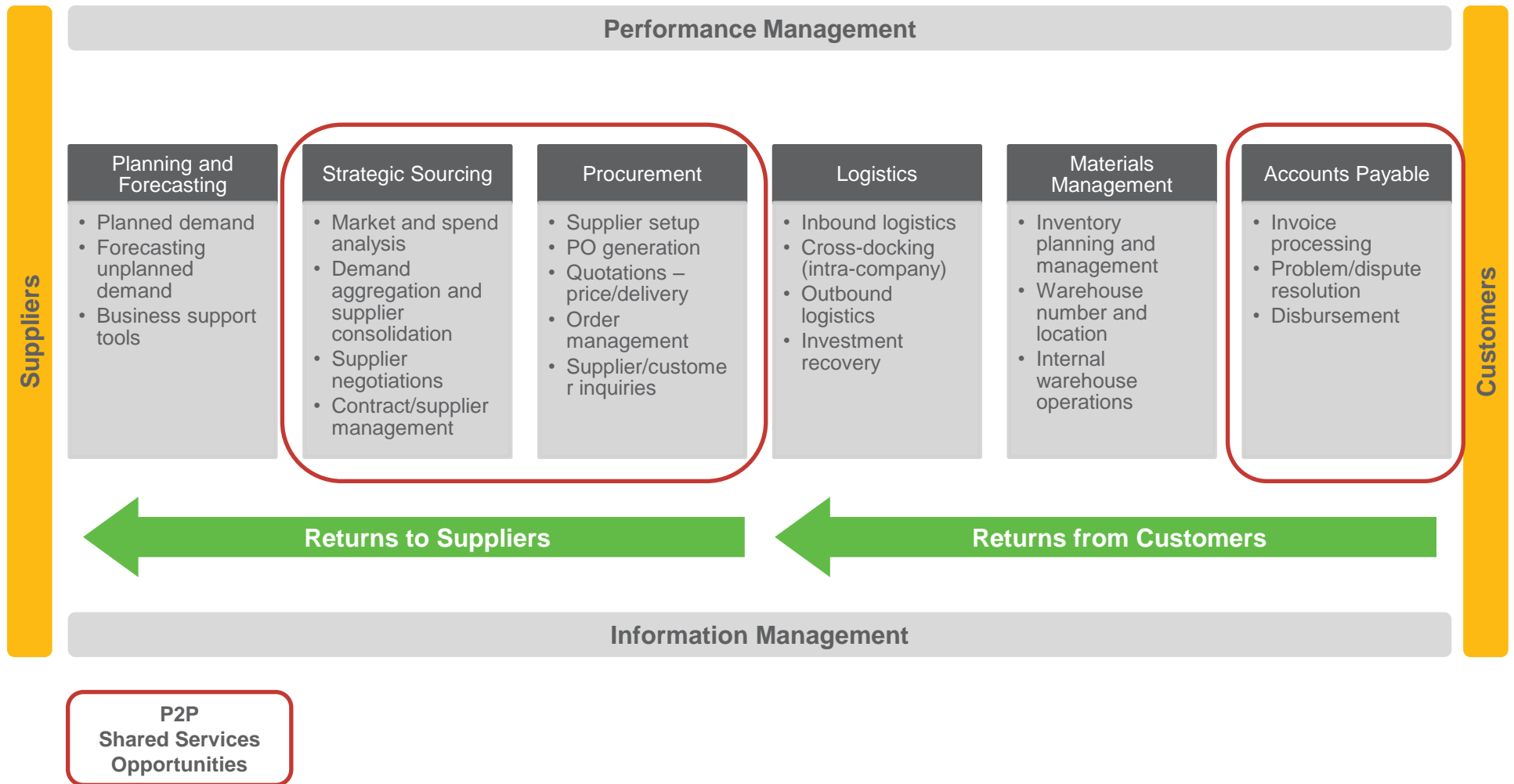
Key Components of Supply Chain

The six major supply chain functions are described below. Although there are many transactional components within the supply chain, shared services has historically focused on the accounts payable (AP) function.

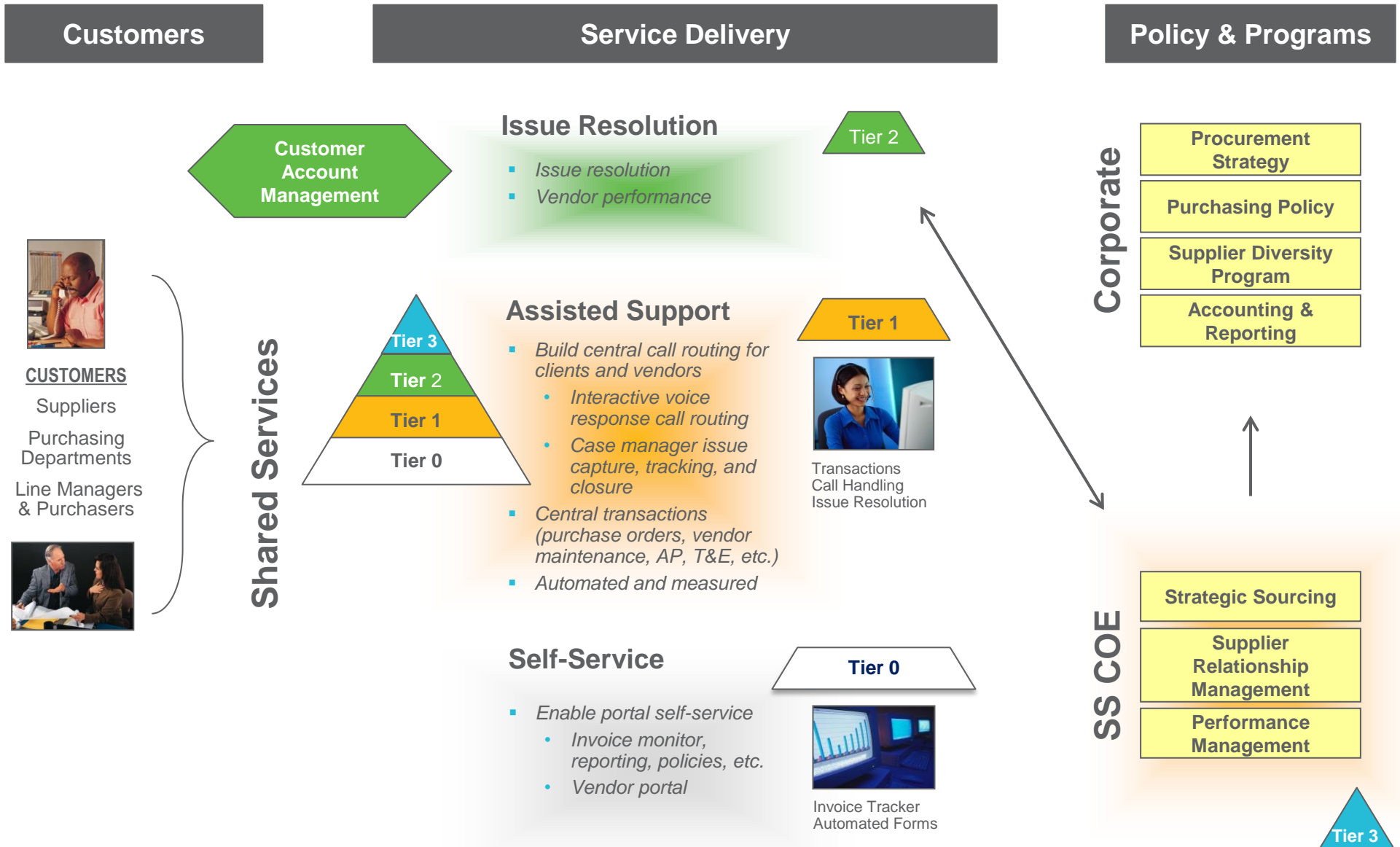


P2P Shared Services

When viewing the six major supply chain functions through the lens of the end-to-end P2P process, it is clear that there are other key transactional components within the supply chain that present worthwhile shared services opportunities.



P2P Shared Services Delivery Model (Example)



Benefits of a P2P Service Delivery Model

The P2P service delivery model provides significant benefits to organizations. The focus on integrating the entire supply chain can dramatically reduce errors and manual efforts

- Single point of contact for procurement/payment questions or issues
- Ability to optimize supplier relationships and automate payment process
- Improved compliance, control, and service levels with vendors
- Higher visibility of procurement transactions for customers and suppliers
- Improved control over early payment discounts
- Single investment decision making for the purchase to pay process

Reduced administrative costs to replenish inventory and procure materials and services by 10-25%!



P2P Technology



Procurement and AP Alignment

One of the main issues experienced by companies that are implementing a P2P service model is a misalignment of procurement and accounts payable activities

- Resolving invoice discrepancies, regarding PO number or price and quantity errors, can take up as much as 25% of the average AP department's time. There are two main technology issues that aid in reducing discrepancies¹:
 - Minimizing manual processes through the use of e-invoicing and vendor portals allows for a reduction in invoice discrepancies
 - Master Data Management (MDM) programs in relation to e-procurement can further reduce price discrepancies in invoicing
- Most software vendors have developed e-invoicing suites that allow suppliers to submit and track invoices electronically. This reduces the manual data entry that can cause invoice discrepancies

A Forrester Research Inc. study found that companies who combine eProcurement with e-invoicing are twice as likely to achieve excellence in AP processing¹



¹Source: "Tipping Point for Procurement BPO 2011." Bob Booth. CapGemini. August 28, 2011.

P2P Technology and Industry Trends

Current P2P software vendors fall into two separate categories: Enterprise Resource Program (ERP) vendors and best-of-breed vendors

- Vendor segmentation
 - ERP vendors
 - Leaders: SAP (Ariba) and Oracle
 - Best-of-breed vendors
 - Leaders: Zycus, SAP (Ariba), BravoSolution, Ivalua
 - Most best-of-breed solutions will bolt on to existing ERP software platforms
- Current P2P industry trends
 - As in most software markets, Software as a Service (SaaS) has become the predominant form of delivery
 - Mobile applications are on the rise, including touchscreen tablets
 - Procurement is typically the lead decision-maker within an organization with respect to P2P technology selection



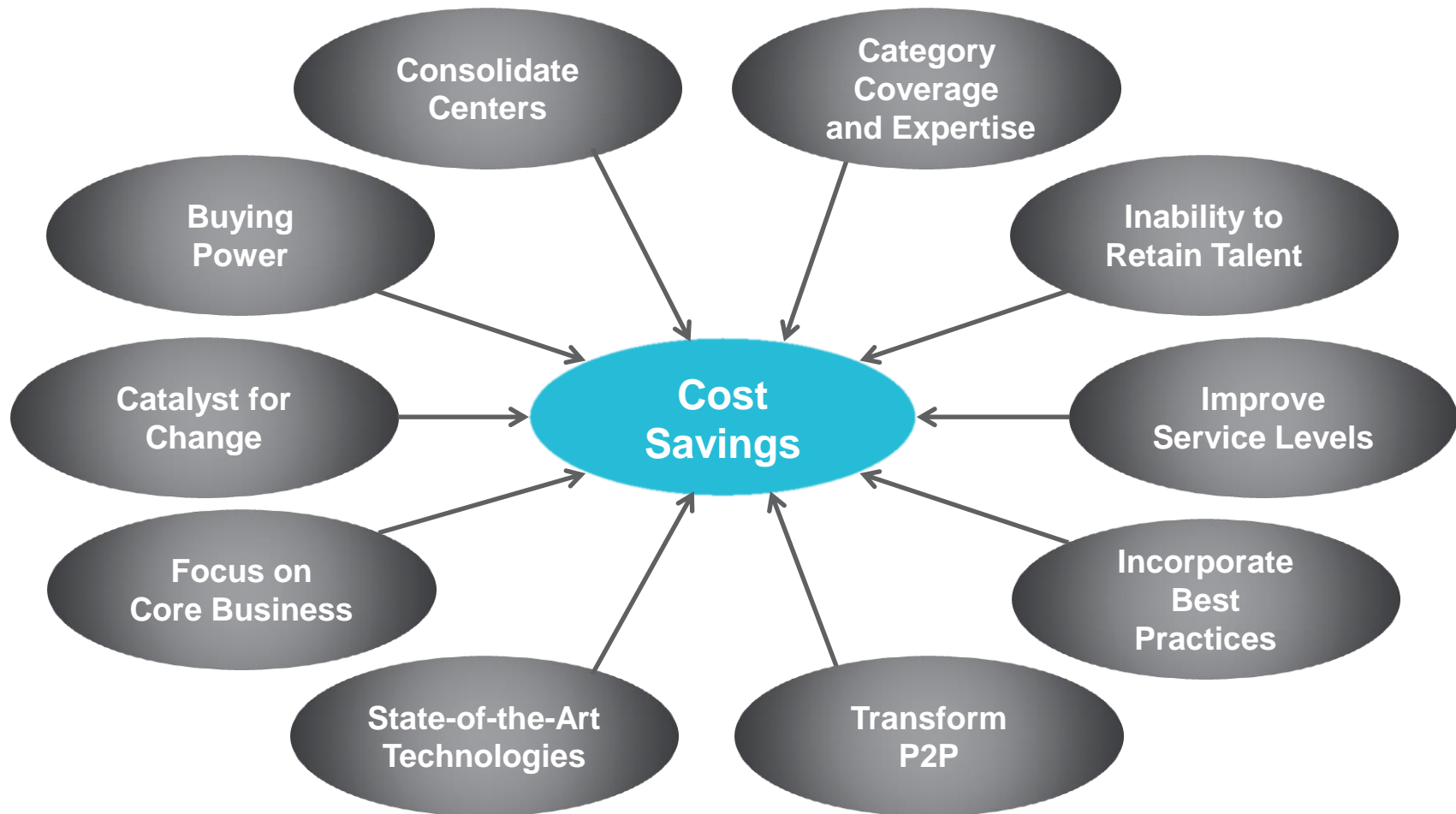
Source: "Magic Quadrant for Strategic Sourcing Application Suites," Gartner Feb 2015

Selective Outsourcing and BPO



Considerations for Outsourcing

There are often several determining factors for an organization to consider outsourcing. The ability to have access to best practice processes, new technologies, and specialized skills while reducing process costs can create a very attractive business case.



Purchase-to-Pay BPO and Strategic Sourcing

An continuing trend in the P2P service industry is the outsourcing of P2P process functions, particularly with regard to transactional workflow, spend analysis, and indirect strategic sourcing

- BPO tends to follow one of two specific models:
 - Process outsourcing
 - This model involves the outsourcing of actual P2P processes to a third-party provider. In the early phases, cost efficiencies were sought by outsourcing the transactional P2P processes such as PO creation and management, along with other financial functions such as AP
 - Increased focus on strategic sourcing as a business model has led to further outsourcing aimed at taking advantage of learned best practices. This includes the outsourcing of strategic activities such as spend analysis and market research as these services may be cheaper to purchase than to build
 - Commodity category outsourcing
 - Another BPO model is complete category outsourcing. Many times companies will outsource individual categories such as travel or MRO parts to suppliers with expertise in those industries
 - BPO strategic sourcing projects tend to focus on indirect procurement because it involves common categories for most industries, providing a higher opportunity for aggregation and savings

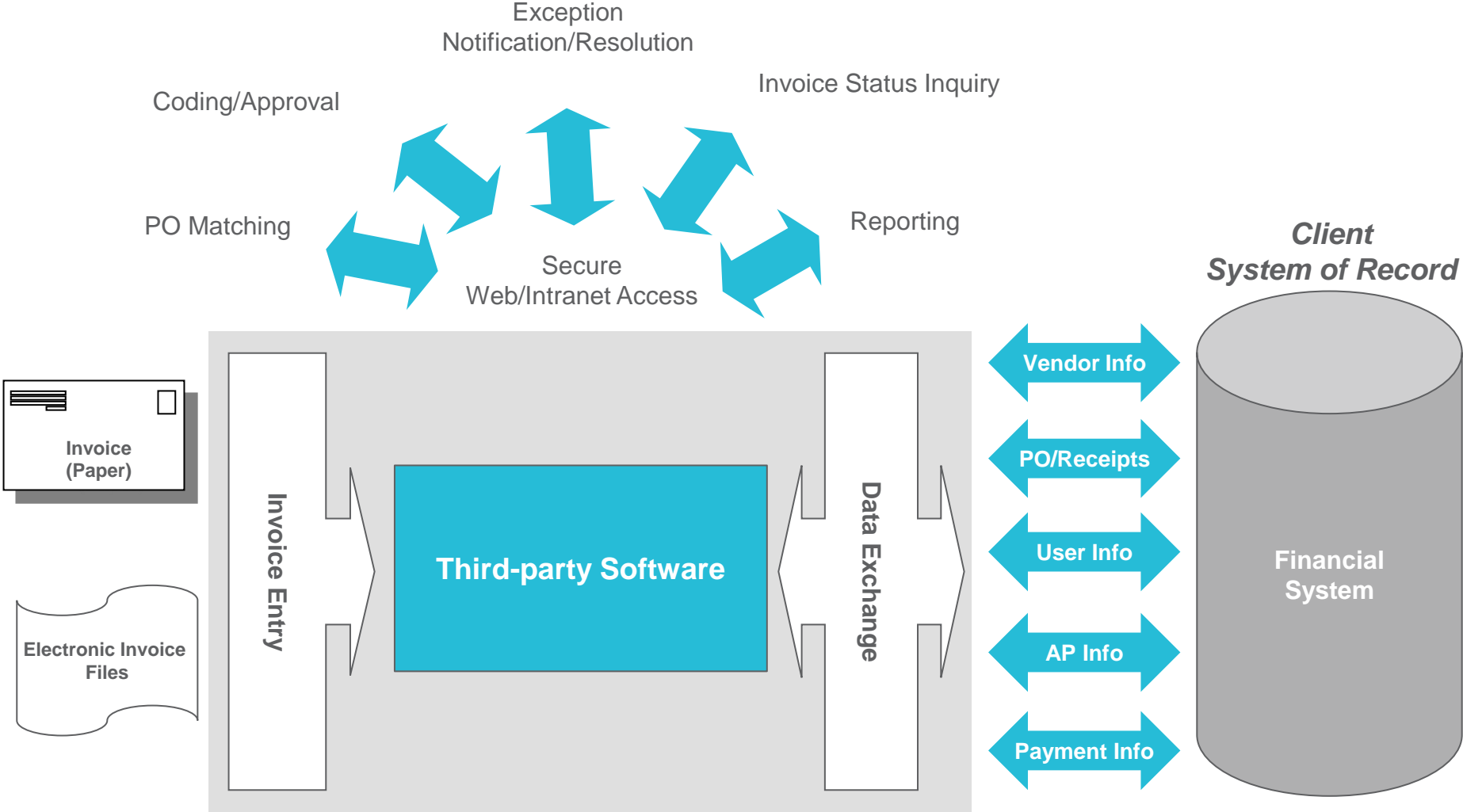
Industry Leaders¹



¹Source: "HfS Blueprint Report: Procurement As-a-Service 2015." Charles Sutherland and Hema Santosh. June 2015.

Selective Outsourcing – A/P Example

Organizations looking to further reduce their P2P costs will selectively outsource portions of the process to third-party providers. Maturity of the model and level of risk tolerance often determine how much of the process will get outsourced.



Selective Outsourcing – A/P Example (Cont'd)

The third-party providers will process the invoices and manage vendors giving their clients more time to focus on value-added activities.

Process Component	Third-Party Provider	Client
Controls	Enforce policies and procedure	Set policies and procedures
Invoice Processing	Receive Invoices (mail, file upload, portal, etc.)	Invoice coding (when required)
	Scan invoices	Multilevel approvals
	Data capture – initial coding	Vendor maintenance
	P.O. match	
	Workflow for approval/verification	
	Exception management	
	Simple exception processing	
	Support	Central help desk (internal, vendors, etc.)
	Invoice analytics	1099s

Contact Us

For more information, please contact us.

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