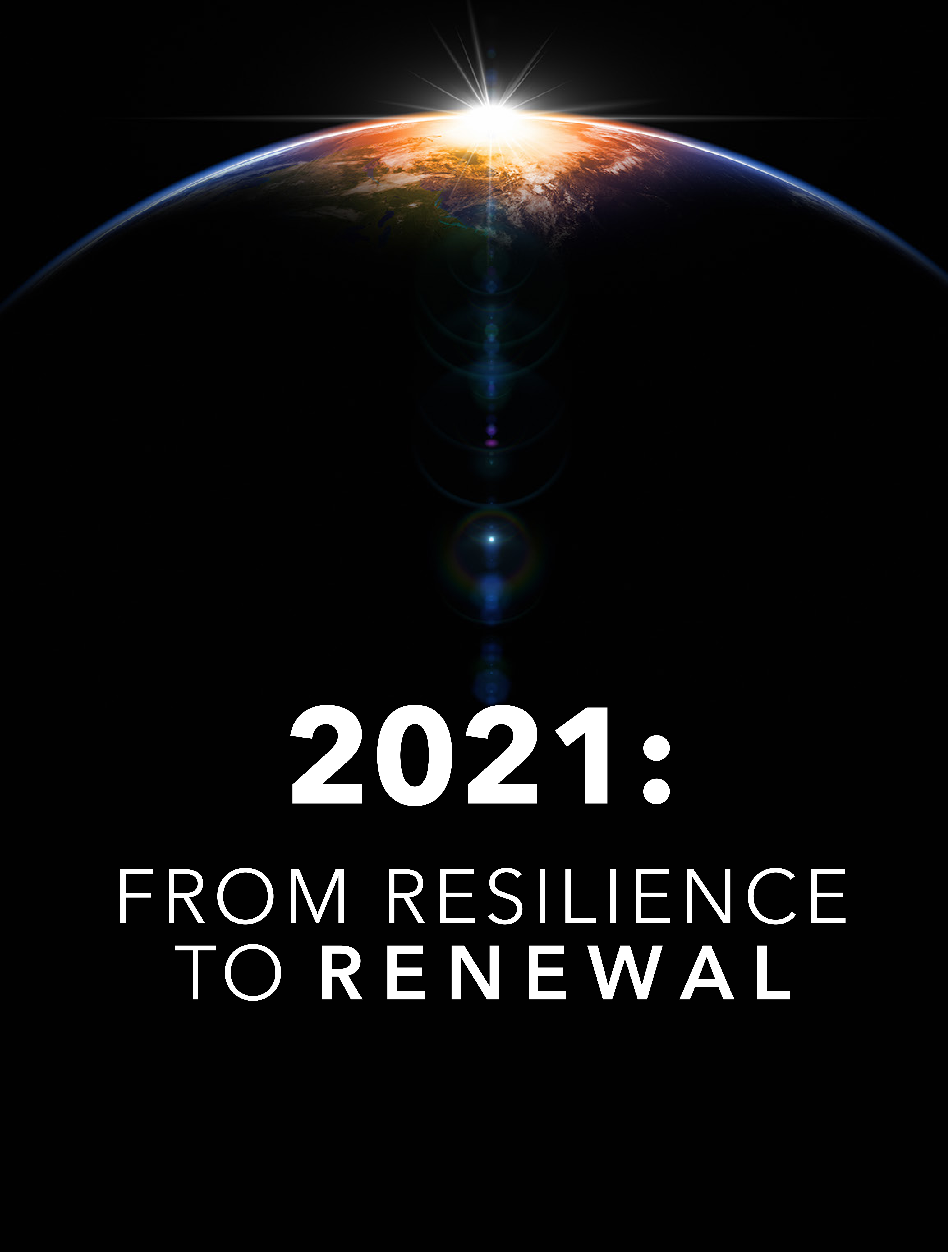
coupa

THE 2021 BUSINESS SPEND MANAGEMENT BENCHMARK REPORT

FROM RESILIENCE TO **RENEWAL:**

16 COMMUNITY-POWERED KPIs TO HELP YOU
SPEND SMARTER AND PREVAIL OVER UNCERTAINTY

TABLE OF CONTENTS



LET'S FOCUS ON WHAT REALLY MATTERS

It's a major understatement to say that 2020 was a challenging year. The pandemic and its subsequent global events profoundly affected us all. We had to cope with drastic changes in both our personal and our professional lives.

Those of us in the Business Spend Management (BSM) community faced challenges that were unlike anything we'd seen before. We had to figure out how to:

- Quickly secure personal protective equipment (PPE) while facing global shortages
- Manage suppliers who were at risk of going under or being unable to meet their commitments
- Control costs urgently for the finance health of our businesses
- Protect cash flow by providing up-to-date visibility into liabilities and by optimizing payments to suppliers
- Support the rapid shift to online services, including remote work, virtual collaboration, and fully digital processes
- Re-examine our supply chains from the perspective of diversity and inclusion, in addition to sustainability, for better Environmental, Social, and Corporate Governance (ESG)

In most cases, we delivered, against all odds. We demonstrated our resilience as procurement and finance leaders in 2020, pivoting as needed to offer stability and security to our businesses.

Many of the challenges of last year continue into this one. The old, pre-2020 status quo is gone. Our CEOs and boards–along with society as a whole–appreciate the critical importance of our supply chains, supplier relationships, cash flows, and ability to respond to disruptions.

With that recognition comes greater responsibility–our organizations are relying on us to lead. We now have a significant opportunity to move from a position of resilience and survival to one of *renewal and readiness* for anything that the future brings.

GO RIGHT TO THE KPIs >

YOU'LL NEVER HAVE MORE POLITICAL CAPITAL, SO USE IT TO MAKE MEANINGFUL CHANGE

We, as spend management professionals, have a golden opportunity to re-evaluate and discard all the activities that truly didn't matter before and refocus on the ones that do; the ones that provide meaningful value to everybody. The world remains uncertain, but let's focus on the things that we can control.

We can revitalize our processes in ways that make our organizations stronger, smarter, and safer. Because of our demonstrated leadership last year, our political capital within our organizations is at an all-time high. Now is the time to use it to lay a strong foundation for the future.

For Procurement - This means making sure that you can support your business through any sudden disruptions by quickly sourcing with alternate suppliers, finding substitute goods and services, and having the visibility to control costs when needed.

For Finance - This means safeguarding cash and liquidity, maximizing working capital, improving risk management, and having the financial strength and agility to invest in growth opportunities ahead of competitors.

Achieving this begins with a comprehensive strategy for end-to-end Business Spend Management across your entire organization—no more visibility gaps, no more getting stuck in silos. There will never be a better time than now to take the lead and initiate the spend management transformation that's necessary to secure your organization's financial health and reputation well into the future.

YOU CAN UNIFY YOUR SILOED SPEND PROCESSES THROUGH DIGITAL TRANSFORMATION FOR COMPREHENSIVE BUSINESS SPEND MANAGEMENT

Whether your organization faced a downturn in revenue last year or a spike in demand, a shared hardship was that many established systems of manual and separated spend processes buckled under the strains of this volatile era. As spend management professionals, we figured out ways to overcome these challenges. But emergency actions shouldn't be the norm going forward.

Gaps in spend visibility and silos make it impossible to coordinate company-wide decisions quickly and globally. It's going to be necessary for all of us, regardless of our industries, to implement smart, end-to-end strategies in order to have full visibility and control over all of our business spend (see our Business Spend Management 101 section later in this report for more details). Data, and by extension digital transformation, are absolutely critical to doing this–not only to achieve our objectives but also to manage change properly along the way.

YOU CAN BECOME AN AGILE DECISION MAKER AND BE PART OF THE MOVEMENT TO SPEND SMARTER TOGETHER

As you use your political capital to embark on the journey of Business Spend Management transformation, you'll inevitably want to know – how are you doing? Are you making significant progress? What goals should you set? What does success look like?

It's here that the value of turning to each other becomes extremely important.

Just as people came together in communities to support one another through the events of 2020, *the Business Spend Management community has collective knowledge and experience that can benefit your organization's transformation.*

It's in that very spirit that we at Coupa publish this annual Business Spend Management Benchmark Report. We believe that by looking at real-time data from your peers who are the top performers on the Coupa BSM platform–across a variety of Key Performance Indicators (KPIs)–you'll be able to get a good sense of how you're doing and how you can improve your own transformation efforts.

THIS YEAR'S REPORT EXPANDS ON OUR KPIs FROM LAST YEAR INTO THE BUSINESS SPEND MANAGEMENT (BSM) "SUITE 16"

16 Benchmarks from a Comprehensive Range of BSM Areas, including:

Source-to-Contract
- Contract Management Cycle Time
- Structured Spend
- On-Contract Spend
- Non-Tail Suppliers

Procurement
- Electronic PO Processing
- Requisition-to-Order Cycle Time
- Pre-Approved Spend

Supplier and Third-Party Risk Management
- Supplier Information Management Cycle Time
- Risk Management Evaluation Completion Rate
- Risk Management Evaluation Cycle Time

Invoicing
- Electronic Invoicing Processing
- Invoice Approval Cycle Time
- First-Time Match Rate

Expenses
- Expense Report Approval Cycle Time
- Expense Report Lines Within Policy

Payments
- Invoices Paid Digitally

We encourage you to study all of the KPIs presented here, regardless of whether you're responsible for procurement or finance, or whether your focus is on optimizing spend and cash, improving operational performance, or reducing risk. By seeing how top organizations perform, you can guide your own transformation efforts with measurable, quantitative goals.

The data you'll encounter were drawn from Coupa Community Intelligence, an AI-powered engine that offers valuable spend insights in context and helps businesses plan ahead by analyzing anonymized transactions from thousands of customers across the Coupa community. Aggregated data from the top performers in each KPI are presented here to give you a measure of what BSM success looks like.

Ultimately, this 2021 Business Spend Management Benchmark Report offers insights into why all these areas of BSM are important to consider together, and it describes how you can improve your own performance for each of these KPIs.

LET'S BEGIN.

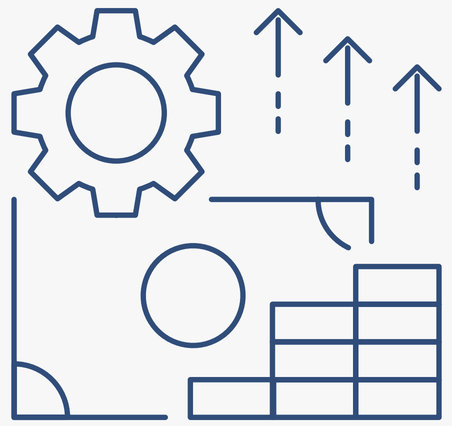
BUSINESS SPEND MANAGEMENT 101: WHY BEING COMPREHENSIVE MATTERS

“Business Spend Management is really important to us as it sits at the heart of how we understand the complexity within our supply chain. We are constantly driving to be more efficient and more effective. **Therefore, we need to understand where we’re spending our money, with whom, and how.”**

BRITVIC soft drinks

Along with customers and employees, suppliers are critical to the success of any organization. Yet over the last 20+ years, a heavy focus on customers and employees led to dramatic digital transformation investments, while the domain of suppliers and spend stayed in the background. The need for a more comprehensive approach to spend has become more obvious in recent years, and the discipline of Business Spend Management (BSM) is now recognized alongside that of Customer Relationship Management (CRM) and Human Capital Management (HCM) as a core competence of great organizations.

BSM is about much more than just procuring, sourcing, invoicing, making payments, managing contracts, managing suppliers, or doing any other business process *alone*. It's about harmonizing a broad range of spend-related processes *together* so that overall business value is maximized. BSM accomplishes this by:



OPTIMIZING SPEND AND CASH

IMPROVING OPERATIONAL PERFORMANCE

REDUCING RISK

Let's take a closer look at these benefits since they provide context for the KPIs you'll encounter:

OPTIMIZING SPEND AND CASH

Typically, the greatest source of business value comes from reducing spend and holding onto cash longer, thereby optimizing working capital. Spend and cash can be optimized by activities such as putting more spend against contracts with negotiated prices, driving more spend through structured buying channels, and automating invoice processing to better manage payables and optimize working capital.

IMPROVING OPERATIONAL PERFORMANCE

Perhaps the most common reason companies decide to invest in BSM is to improve the efficiency of their overall operations. Reducing the time and effort spent processing POs, invoices, and payments, or managing contracts and suppliers frees up resources to focus on higher-value, strategic work. This type of value is considered "soft savings" since it typically does not impact financial statements directly, unless more revenue is generated due to the faster enablement of upstream business processes.

REDUCING RISK

As companies rely more on third parties to support important business processes, they need to effectively manage spending with these parties, while also being aware of the risks involved and doing their best to mitigate them. Common value drivers that reduce risk are improving compliance with procurement policies, improving adherence to contractual terms, avoiding overspending against budgets, preventing duplicate or late payments, assessing third-party risk through electronic surveys, and preventing business disruption due to poor supplier performance.

A BSM Approach Increases Savings

With traditional spend management approaches, companies typically realize 2-3% in savings on average, relative to their overall addressable spend.

Applying BSM best practices, **we found that top performers this year had a savings of greater than 6% of their total addressable spend.**

This savings is typically "hard savings" that can be traced back directly to financial statements, making BSM a fundamental enabler for other strategic initiatives in a company.

By taking a comprehensive approach to BSM, your organization can drive maximum business value with respect to these three areas.

As you read through the 16 KPIs in this report, we'll indicate which of these three areas benefits the most from improvement.

OPTIMIZING SPEND AND CASH

Structured Spend

On-Contract Spend

Non-Tail Suppliers

Pre-Approved Spend

IMPROVING OPERATIONAL PERFORMANCE

Contract Management Cycle Time

Electronic PO Processing

Requisition-to-Order Cycle Time

Supplier Information Management Cycle Time

Electronic Invoice Processing

Invoice Approval Cycle Time

First-Time Match Rate

Expense Approval Cycle Time

Invoices Paid Digitally

REDUCING RISK

Risk Management Evaluation Completion Rate

Risk Management Evaluation Cycle Time

Expense Report Lines Within Policy

SOURCE-TO-CONTRACT

As a result of the pandemic and its disruptions, many spend management professionals are re-examining their approach to contracts. Some are favoring more contracts with shorter term durations; others are choosing to go "all-in" on a few trusted suppliers.

Being able to deftly create, access, and apply contracts has become an essential capability for all types of organizations. Especially important in times of disruption, teams can move much more quickly when they can look across all contracts for optionality and also understand the current state of agreements across multiple contracts.

"Contract Lifecycle Management proved to be a big win for IT, Procurement, and Legal—we were able to **complete a critical contract in weeks that would have taken months to negotiate before.**"

CONTRACT MANAGEMENT CYCLE TIME

9.5 BUSINESS DAYS

PRIMARY BENEFIT:
IMPROVING OPERATIONAL PERFORMANCE

DEFINITION

Contract Management Cycle Time is the time between creating/requesting a contract and the contract being executed.

WHY IT MATTERS:

- Typically, companies source a supplier to meet a business need, and a contract formalizes the relationship. Long contract cycle times delay the business benefits of new agreements that have been sourced.
- Long cycle times can encourage the business to start working with the supplier before the contract is actually signed. This creates risk, because risk protections aren't in place until the contract is executed.
- Faster time to execute contracts also leads to the faster removal of uncertainty with suppliers and the overall supply chain, contributing to better planning and faster business enablement and support for upstream business processes.

HOW TO IMPROVE:

LOWER IS BETTER

- Implementing Contract Lifecycle Management (CLM) capabilities can help make routine contracts self-service for business users, who can bring in legal support when needed for more complex or higher-risk matters.
- Using CLM capabilities with interview-style wizards for end users and clause libraries can help to extend self-service beyond the simplest contracts while also managing risk. Online workflows and signatures can accelerate contract review and approval.
- Connecting your CLM to other BSM processes, such as sourcing and purchasing, can reduce the time to start realizing the value of negotiations.

STRUCTURED SPEND

66.5%

PRIMARY BENEFIT:
OPTIMIZING SPEND AND CASH

DEFINITION

Structured Spend refers to the percentage of spend that goes through hosted catalogs, vendor catalogs (punchouts), and guided forms.

WHY IT MATTERS:

- Mechanisms such as catalogs and guided forms drive control, efficiency, and even lower prices, since standard item names and descriptions are used with preferred prices and terms. This allows you to avoid the proliferation of items, SKUs, and suppliers that would result from ad-hoc, one-time purchases.
- Maximizing spend through structured channels offers a more scalable way to manage change and enables your business to more quickly adapt as new goods and services are introduced.
- Employees benefit from having more information regarding availability, discounts, and shipping costs; suppliers benefit from reduced errors in communication.

HOW TO IMPROVE:

HIGHER IS BETTER

- Make sure the buying experience is seamless. Can employees easily search for what they need? Do the right items show up in search results? Is the buying process intuitive?
- Use digital systems that can easily set up vendor catalogs, with minimal effort for you and the vendor.
- If possible, use platforms and programs that can further reduce the workload of establishing catalogs and punchouts.

ON-CONTRACT SPEND

79.6%

PRIMARY BENEFIT:

OPTIMIZING SPEND AND CASH

DEFINITION

On-Contract Spend measures the percentage of spend put through contracts, which were negotiated and established to enable better prices and terms.

WHY IT MATTERS:

- Having greater on-contract spend reduces the financial risk and related business costs from supplier liability or wrongdoing by channeling spend to suppliers who have risk-related contract protections.
- Greater spend on contract also enables procurement to negotiate better contracts and lower pricing in future contracts/renegotiations by leveraging the fact that a large amount of spend has gone through existing contracts.
- Cash flow also benefits, since payment terms are negotiated in the contract, so getting more spend on contract lets you take advantage of favorable payment terms.

HOW TO IMPROVE:

HIGHER IS BETTER

- Implement a category sourcing strategy in which the categories that deliver the greatest value to the business are strategically sourced with negotiated prices and terms.
- Ensure that contracts are quickly and easily implemented into purchasing policy via an integrated CLM system.
- Make sure your procure-to-pay (P2P) system is easy to use for employees, and that it automatically serves up the goods and services that you have contracted in its search results.

NON-TAIL SUPPLIERS

20.2%

PRIMARY BENEFIT:

OPTIMIZING SPEND AND CASH

DEFINITION

Non-Tail Suppliers is the percentage of total suppliers with whom the company spends 80% of its total spend.

WHY IT MATTERS:

- Tail suppliers (those with whom an organization spends very little) tend to be a combination of niche suppliers for important goods and services, and duplicate suppliers in categories that haven't been sourced or managed properly.
- Spending with these tail suppliers is detrimental because you aren't consolidating your spend to get better prices. It can also lead to excessive costs and risk since the cost to manage a single supplier can often be several hundred dollars, and supplier risk management efforts must be prioritized towards suppliers with greater spend due to limited resources.
- Reducing tail suppliers provides opportunities for value through negotiated contracts, greater buying power, lower risk, and favorable payment terms (which often come as a result of negotiated contracts).

HOW TO IMPROVE:

HIGHER IS BETTER

- Perform spend analysis for high-value categories, identify top suppliers for each category, and determine which of the remaining suppliers can be eliminated with minimal disruption or risk to your business.
- Consolidate tail suppliers and redistribute their expected spend to your remaining preferred suppliers in exchange for lower prices and/or better terms. Make sure to evangelize the value of trusted suppliers with your business units and work with business units to find trusted suppliers who can meet several needs.
- Many times, duplicate tail suppliers are associated with spend that isn't pre-approved. Adopting a P2P system will lead to more pre-approved spend and fewer duplicate suppliers. Re-evaluate tail spend and tail supplier proliferation for high-value categories every two-to-three years and repeat this rationalization exercise as needed.

PROCUREMENT

The events of 2020 highlighted just how important the procurement process is in helping a business move quickly in a disaster.

The success of procurement hinges on several factors, including having complete visibility into company spend, performing advanced spend analytics, quickly validating spend against budget limits, approving purchase requests quickly and accurately, ensuring strong relationships with suppliers, and embracing digitalization.

"We also recognized that we can't keep doing things the way we always did them and expect a different result. A lot of my colleagues across the Fortune 500 had entire teams trying to source PPE. Well, it requires an entirely different buying strategy."

American Red Cross

ELECTRONIC PO PROCESSING

99.2%

PRIMARY BENEFIT:
IMPROVING OPERATIONAL PERFORMANCE

DEFINITION

Electronic PO Processing refers to the percentage of total POs that are approved and received by suppliers electronically.

WHY IT MATTERS:

- Even today, many companies struggle with highly manual PO processes. Digitizing purchase orders includes electronic transmission and supplier confirmation of POs.
- This drastically reduces low-value, manual work while accelerating the process to approve, change, and manage POs.
- Digitization helps avoid manual errors in applying the correct PO quantity, price, and other contracted terms, as well as critical accounting information.

HOW TO IMPROVE:

HIGHER IS BETTER

- Set up your procure-to-pay (P2P) system so that it is user-friendly to the business and to suppliers, and provide ample education for using the system.
- Consider implementing a "no-PO, no-pay" policy, which ensures that employees and suppliers are fully incentivized to submit accurate information electronically.
- Ensure that the majority of a supplier's goods or services can be ordered through a structured buying channel, such as catalogs or webforms, since a lack of proper supplier enablement often prevents a higher percentage of electronic PO processing.

REQUISITION-TO-ORDER CYCLE TIME

4.2 BUSINESS HOURS

PRIMARY BENEFIT:
IMPROVING OPERATIONAL PERFORMANCE

DEFINITION

Requisition-to-Order Cycle Time is the average time it takes to process purchase orders, from the initial requisition all the way to the approved PO.

WHY IT MATTERS:

- With greater uncertainty in today's supply chains, shorter cycle times can reduce delays in procuring critical items and services, increase agility, and accelerate business.
- Faster cycle times are also correlated with improved employee experience with the ordering process, which results in greater user adoption of spend management systems and maximizes spend under management.
- Shorter cycle times increase supplier satisfaction, thereby strengthening supplier relationships.

HOW TO IMPROVE:

LOWER IS BETTER

- Simplify policies to minimize the number of approvers, while ensuring that the appropriate level of control against risk or fraud is in place. For example, minimize the number of approvers if the requisition amount is less than say, $1,000. Also, if you have approvers in your workflow who never reject, consider removing them from the workflow or making them watchers.
- Develop and implement a buying channel strategy that allows the goods and services which have the greatest volume of orders to be routed through hosted catalogs, punchouts, and automated guided buying processes so that users can quickly find what they need and minimal manual approval steps are required.
- Use Community Intelligence and gamification capabilities that show end users if they're approving faster or slower than others at their company or across the community.

PRE-APPROVED SPEND

96.7%

PRIMARY BENEFIT:

OPTIMIZING SPEND AND CASH

DEFINITION

Pre-Approved Spend is the total amount of invoiced spend that has an approved PO associated with it.

WHY IT MATTERS:

- Spend that is pre-approved is more likely to go onto negotiated contracts, resulting in lower prices and better terms. It also helps to ensure that unnecessary spend is avoided and that budget limits are met.
- Pre-approved spend also gives finance teams visibility into spend that's committed but not invoiced, making it much easier to generate accurate accrual estimates. It also helps to avoid paying fraudulent invoices via improved invoice matching against pre-approved POs.
- It is easier to get pre-approved spend onto virtual cards, which has advantages for liquidity in terms of leveraging the virtual card's payment cycle, in addition to the advantages of not having to process invoices.

HOW TO IMPROVE:

HIGHER IS BETTER

- Deploy a P2P system that makes it frictionless for employees to purchase what they need. Simultaneously consider "no-PO, no-pay" policies.
- Improve the onboarding processes for new suppliers so that it is easier for both buyers and suppliers to transact quickly.
- Implement a category strategy such that high-spend categories have pre-negotiated prices, terms, and approval rules.

SUPPLIER AND THIRD-PARTY RISK MANAGEMENT

2020 highlighted just how essential strong relationships with suppliers are. In a crisis situation, the relationship between buyer and supplier can make the difference in whether business continues or screeches to a devastating halt.

Building mutual trust with suppliers goes hand in hand with reducing third-party (and fourth-party) risk. You, as the buyer, are responsible for multi-tier supplier actions in many areas that you can't fully mitigate with simple liability protections, especially in areas like information security. Potential negative impact can come in terms of fines from regulators and brand damage. Getting a sense of who your most important suppliers are and **what their associated risks are** is a crucial first step to strengthening your relationships with suppliers and mitigating risk.

"We were very quickly able to pull information: here's a view of our fourth-party risk, here's a view of our concentration risk by country, here's a view of where we're looking, as far as higher risk for information security or cyber security. **Having all of that in a single repository that we've used from end to end was invaluable to us."**

BMO Bank of Montreal

SUPPLIER INFORMATION MANAGEMENT CYCLE TIME

1.8 BUSINESS HOURS

PRIMARY BENEFIT:

IMPROVING OPERATIONAL PERFORMANCE

DEFINITION

Supplier Information Management Cycle Time is the time it takes for suppliers to respond to digital requests to update their supplier information.

WHY IT MATTERS:

- Inaccuracies or gaps in supplier data can lead to major problems for businesses. Suppliers may change their bank accounts and payment information and fail to notify buyers, resulting in bank fees and delays.
- Delays in submission of up-to-date certificates and other information lead to costly manual follow-up for supplier managers.
- Suppliers managing their own information through a self-service digital process prevents error and fraud—no more manual data entry errors, no unauthorized changes.

HOW TO IMPROVE:

LOWER IS BETTER

- Use BSM platforms that let you ask for missing supplier information at the time when the supplier is most engaged—when they're receiving a PO or trying to submit an invoice.
- For example, you can warn suppliers that you won't be able to pay them without updated remit-to (banking) information at the time they're submitting an invoice.
- Make sure your P2P and supplier-management systems focus on user experience not just for the buyer, but for the supplier as well.

RISK MANAGEMENT EVALUATION COMPLETION RATE

88.3%

PRIMARY BENEFIT:
REDUCING RISK

DEFINITION

Risk Management Evaluation Completion Rate measures the completion rate, by third parties, of digitally administered risk questionnaires.

WHY IT MATTERS:

- Businesses interact with many third parties that contribute a variety of goods and services; however, typically only a few of these carry out critical and essential functions for the organization. It is important to identify these critical suppliers, who might be privy to sensitive information, for example, and assess the risk they present. Questionnaires are a common way of assessing this risk.
- By sending out risk questionnaires to critical third parties digitally, your organization can scale third-party risk management more effectively, allowing you to assess a greater number of third parties and perform vetting more frequently and consistently.
- Digital risk assessments also help reduce the manual work of your organization's risk team, freeing them up to focus on higher-value activities.

HOW TO IMPROVE:

HIGHER IS BETTER

- Include a requirement for suppliers to complete risk questionnaires periodically as part of the terms and conditions of doing business with you.
- Select an easy-to-use platform for suppliers and monitor where suppliers get stuck or ask questions.
- Ensure that it's easy to change or add to your evaluation questionnaires.

RISK MANAGEMENT EVALUATION CYCLE TIME

44.2 BUSINESS HOURS

PRIMARY BENEFIT:
REDUCING RISK

DEFINITION

Risk Management Evaluation Cycle Time is the time it takes for third parties to respond to risk assessments.

WHY IT MATTERS:

- The faster critical third parties complete risk assessments, the faster the information can be evaluated and scored, and the greater the service levels to the business can be.
- Buyers can make decisions regarding supplier preferences and alternatives faster.

HOW TO IMPROVE:

LOWER IS BETTER

- Require suppliers to complete risk evaluations within a certain time period as part of the terms and conditions of doing business with you.
- Review assessments and identify opportunities to simplify, such as by better targeting assessment content to the relevant domain(s) based on the inherent risk of the relationship.
- Centralize third-party risk management on a single BSM platform across the company to avoid a single supplier getting multiple assessments from different parts of the company at the same time or being asked to provide information they've already provided.

INVOICING

During a crisis, resource pressures on finance and AP departments mount. Because of the financial stakes involved, **high-value AP personnel** need to be focused on managing payables and estimating accruals, not on processing loads of paper or PDF invoices. The delays and errors incurred when processing paper or PDF invoices hamper financial reporting, negatively impact working capital management, and open the door to duplicate payments and fraud.

Digital invoicing provides more visibility (e.g., invoices don't get lost on desks) which is useful for accruals because you're able to process more invoices each period before you close AP. If invoices are received just prior to close, they are more likely to be processed by the time of close because invoice processing time is faster. And a more efficient process lets you keep AP open for longer before you stop processing invoices as part of the financial close.

Digital invoicing along with Community Intelligence can also look for patterns and identify fraud in a way that manual review cannot.

"**The biggest benefit of e-invoicing is that we get an immediate response.** We can see exactly what happens with an invoice. The time savings when you use this digital process is immense."

zalando

ELECTRONIC INVOICE PROCESSING

83.2%

PRIMARY BENEFIT:
IMPROVING OPERATIONAL PERFORMANCE

DEFINITION

Electronic Invoice Processing represents the percentage of invoices processed through any electronic, highly automated means.

WHY IT MATTERS:

- Replacing paper with electronic invoicing improves compliance by having automated controls that catch out-of-compliance invoices. Additionally, suppliers can gain real-time visibility into invoice approval and payment status, which can streamline dispute management.
- A high percentage of electronic invoices also indicates greater likelihood that payments are made when they are due, not too soon or late, which, in turn, optimizes working capital and strengthens supplier relationships. It also ensures that early payment discounts can be leveraged when desired, since invoices with early payment terms are automatically paid early, thus ensuring compliance.
- Paper reduction also provides significant environmental benefits.

HOW TO IMPROVE:

HIGHER IS BETTER

- Ensure that your business uses a system that unifies invoicing capabilities with procurement processes (i.e., a comprehensive BSM platform), which enables invoices to be automatically matched against POs and receipts.
- Ensure that your BSM platform provides suppliers with a modern, user-friendly experience to encourage the adoption of electronic invoicing.
- Provide open, frictionless access to multiple automated channels for suppliers to submit invoices while maximizing their visibility into the status of their invoices and payments.

INVOICE APPROVAL CYCLE TIME

10.4 BUSINESS HOURS

PRIMARY BENEFIT:
IMPROVING OPERATIONAL PERFORMANCE

DEFINITION

Invoice Approval Cycle Time is the average time from when an invoice enters the system to the time that it is approved for payment.

WHY IT MATTERS:

- With paper invoices and disjointed approval processes, it can take days, if not weeks, to approve a simple invoice. Accounting teams do not have visibility into the backlog of unprocessed invoices.
- Faster approval times help avoid late payments, penalties, and potential supplier frustration, which in severe cases may even void contracts or lead to the refusal of future projects.
- Faster approvals can improve returns on working capital by realizing early payment discounts, and can enable finance teams to close the books faster, as invoices are processed in a more timely manner.

HOW TO IMPROVE:

LOWER IS BETTER

- Consider policies that optimize approval chains based on the amount or category of goods or services being purchased.
- Configure systems to automatically approve pre-approved, low-amount invoices with little to no manual involvement. For example, invoices under $1,000 that are PO-backed can be auto-approved or approved with just one approver in the chain.
- Consider going from three-way match (with receipts) to two-way, approving invoices only. This way, employees don't need to be trained on the receipts process and the invoices process (just on invoice approvals).

FIRST-TIME MATCH RATE

85.8%

PRIMARY BENEFIT:
IMPROVING OPERATIONAL PERFORMANCE

DEFINITION

First-Time Match Rate refers to the percentage of invoices that are two-way or three-way matched with POs and receiving documents without the need for exception handling.

WHY IT MATTERS:

- A high match rate indicates efficiency, particularly in a digital context, because invoices that fail the match have to be manually reviewed.
- A high match rate can also signal the effectiveness of compliance policies and offers a substantial benefit toward risk mitigation.

HOW TO IMPROVE:

HIGHER IS BETTER

- By digitizing POs and invoices, companies can see a significant increase in first-time match rate.
- If you have procurement and invoicing capabilities on a single platform, the ability for a supplier to “flip” a PO into an invoice–automatically creating an invoice based on the PO information–ensures that the PO data appears correctly in that invoice. This leads to a high match rate.
- To improve efficiency even more, when a three-way match occurs, companies can opt to automatically pay invoices that match within tolerances–creating a touchless AP process.

EXPENSES

During unpredictable economic times, it's critical to have full visibility into your employees' expenses in order to control costs and ensure compliance with corporate policies. With the recent shift to remote working, the number of travel-related expense reports has plummeted. However, companies still need to rely on expense reports to capture the work-from-home expenses that employees are now racking up (for example, many companies now give their employees a work-from-home stipend).

You can expect to see a resurgence of travel, post-pandemic, which could lead to finance departments being overwhelmed.

Smarter expense management can help reduce spend leakage, ensure compliance with policies, and drastically improve efficiency by reducing manual labor.

"We decided to do the T&E project for two reasons: one, to automate the T&E process and two... **we'll actually be able to streamline that process and take a tremendous amount of workload off the approvers** in the field that have to approve basically any purchases coming through the p-card process."

Service Corporation International

EXPENSE REPORT APPROVAL CYCLE TIME

6.5 BUSINESS HOURS

PRIMARY BENEFIT:
IMPROVING OPERATIONAL PERFORMANCE

DEFINITION

Expense Report Approval Cycle Time is the average time from when an expense report enters the system to the time that it is approved for payment.

WHY IT MATTERS:

- For employees who are expensing items, equipment, or even services like internet and phone bills, it's a major source of frustration not to be reimbursed quickly.
- Having a short approval time encourages the timely submission of expenses and improves budget control.
- Paper or spreadsheet-based processes and disjointed expense-management systems make it nearly impossible for AP to process expense reimbursements quickly.

HOW TO IMPROVE:

LOWER IS BETTER

- Encourage the electronic capture of receipts at the time of the expenses.
- Make use of artificial intelligence (AI) systems that are able to read the contents of receipts and auto-populate expense categories and fields.
- Enable and promote the usage of mobile devices and real-time in-field expense report submittals to drive adoption of expense management technology and therefore increase control, compliance, and spend under management.

EXPENSE REPORT LINES WITHIN POLICY

94.6%

PRIMARY BENEFIT:
REDUCING RISK

DEFINITION

Expense Report Lines Within Policy measures the percentage of lines that meet policy limits within expense reports.

WHY IT MATTERS:

- Even when companies have clear expense report policies in place, employees may be unaware of these policies and submit non-compliant expenses. When managers approve these reports without detailed review, human error is amplified and compliance is compromised.
- The more expense report lines you have within policy, the more indication there is that expenses are being managed effectively since one of the goals of good expenses management is to ensure compliance with T&E policy.
- This in turn reduces the overhead of manual audits (easing administrative burden) and also reduces the time to reimbursement for employees.

HOW TO IMPROVE:

HIGHER IS BETTER

- Implement a system with real-time notifications or warnings that a specific line, as drafted by the employee, might not be within policy.
- Leverage AI to monitor expenses to rapidly identify non-compliance.
- Use Community Intelligence to benchmark your policies in order to identify where changes should be made for more effective compliance.

PAYMENTS

The burden of manual payments, or even paper-based check payments in certain regions, became clear in 2020 when offices shut down and companies were not able to disburse payments to suppliers, nor were suppliers able to properly receive them.

Digital payment solutions offer many advantages in agility and efficiency. By digitizing the process to transfer data for approved invoices and expenses from your P2P system to the bank in order to make payments, **you break down silos**, enable automatic reconciliation, and mitigate risk of error and fraud.

By issuing one-time virtual cards for pre-approved purchases instead of having high-limit corporate credit cards, you reduce exposure to credit card fraud. Virtual cards also help drive more spend under management by enabling companies to maximize bank rebates, thereby optimizing working capital while gaining greater control. With this expanded bank relationship, companies could extend Days Payable Outstanding (DPO) by leveraging the card's billing cycle.

"Digital payments give us the ability to leverage our longstanding relationship with American Express, utilizing our global BSM platform, Coupa, to **make efficient and secure virtual card payments to suppliers, while optimizing working capital**."

INVOICES PAID DIGITALLY

86.6%

PRIMARY BENEFIT:

IMPROVING OPERATIONAL PERFORMANCE

DEFINITION

Invoices Paid Digitally serves as a proxy for the percentage of payments that are made digitally, as it describes the percentage of invoices that are tied to digital payments out of all the total electronic invoices processed on the Coupa BSM platform.

WHY IT MATTERS:

- Increasing digital payments reduces transaction fees by optimizing payment rails, improves operational efficiency by reducing manual effort, and also reduces the possibility of errors, thereby mitigating risk.
- Digital payments offer a chance to improve working capital, increase savings through rebates with virtual cards, realize early pay discounts, and strengthen relations with suppliers by reducing the amount of time and error in paying suppliers.
- Digital payments enable automatic reconciliation, which allows your AP and accounting department to operate in a touchless way. Also, payment security and payment fraud protection are improved when invoices are paid digitally.

HOW TO IMPROVE:

HIGHER IS BETTER

- Implement digital payments capabilities as an integral part of your BSM system so that there is data continuity, automated bank statement reconciliation, and multiple automatic checks to reduce errors.
- Expand your digital payment strategy to include virtual cards. By including a "get paid by card" offer in your POs, you can maximize electronic invoice and payment processing and cut out paper processing entirely.
- Use Community Intelligence to see which suppliers already accept digital payments and prioritize those suppliers who do. Remind suppliers of the advantages—they'll be able to track the progress of their payments online, and there's no need for their AR teams to manage paper. Increase adoption by including terms for making digital payments in negotiated contracts.

CONCLUSION

The events of 2020–including the pandemic, economic slowdowns, supply chain disruptions, diversity movements, and changes to safety and the workplace–have highlighted the pressing need for comprehensive Business Spend Management.

Both procurement and finance leaders carry significant responsibility for re-examining how agile, resilient, risk-free, diverse, sustainable, and efficient their businesses are. With so many potential areas for spend leakage and risk, taking a holistic approach is paramount.

The catalyst and enabler for improving your performance is digital transformation. Technologies like cloud platforms, machine learning, and AI have made it possible to manage business spend comprehensively, with complete visibility and control, end to end. This has had the effect of breaking down the old silos of spend ownership. As a result, organizations can respond more deftly when disruptions occur.

Additionally, anonymized, aggregated community data–what we refer to as Community Intelligence–can help you assess your performance, make better buying decisions, and improve continuously.

As we look ahead, cautiously but also optimistically, there are several lessons to be learned from 2020. By implementing those learnings through refined processes and smart technologies, we can position ourselves to be stronger, safer, and smarter together, no matter what uncertainties might come our way.

THE COUPA BSM "SUITE 16"

	KEY PERFORMANCE INDICATOR	GOAL	BENCHMARK
SOURCE-TO-CONTRACT	CONTRACT MANAGEMENT CYCLE TIME	LOWER IS BETTER	9.5 BUSINESS DAYS
	STRUCTURED SPEND	HIGHER IS BETTER	66.5%
	ON-CONTRACT SPEND	HIGHER IS BETTER	79.6%
	NON-TAIL SUPPLIERS	HIGHER IS BETTER	20.2%
PROCUREMENT	ELECTRONIC PO PROCESSING	HIGHER IS BETTER	99.2%
	REQUISITION-TO-ORDER CYCLE TIME	LOWER IS BETTER	4.2 BUSINESS HOURS
	PRE-APPROVED SPEND	HIGHER IS BETTER	96.7%
SUPPLIER & 3RD PARTY RISK	SUPPLIER INFORMATION MANAGEMENT CYCLE TIME	LOWER IS BETTER	1.8 BUSINESS HOURS
	RISK MANAGEMENT EVALUATION COMPLETION RATE	HIGHER IS BETTER	88.3%
	RISK MANAGEMENT EVALUATION CYCLE TIME	LOWER IS BETTER	44.2 BUSINESS HOURS

	KEY PERFORMANCE INDICATOR	GOAL	BENCHMARK
INVOICING	ELECTRONIC INVOICE PROCESSING	HIGHER IS BETTER	83.2%
	INVOICE APPROVAL CYCLE TIME	LOWER IS BETTER	10.4 BUSINESS HOURS
	FIRST-TIME MATCH RATE	HIGHER IS BETTER	85.8%
EXPENSES	EXPENSE REPORT APPROVAL CYCLE TIME	LOWER IS BETTER	6.5 BUSINESS HOURS
	EXPENSE REPORT LINES WITHIN POLICY	HIGHER IS BETTER	94.6%
PAYMENTS	INVOICES PAID DIGITALLY	HIGHER IS BETTER	86.6%

THE COUPA BSM BENCHMARK METHODOLOGY

Traditional BSM benchmarks, which are based on survey data, tell an incomplete story. Coupa's Business Spend Management Benchmark Report is the industry's only collection of benchmarks based on real business spend transactions.

This report features benchmarks drawn from Coupa Community Intelligence, an AI-powered analytics engine that objectively monitors spend data flowing through the Coupa BSM Platform and offers insights that help companies spend smarter, simpler, and safer.

The report represents the performance of best-in-class businesses in each KPI, with each benchmark representing median values of the top quartile of Coupa customers for that KPI.

APPENDIX

WANT TO CONTINUE YOUR JOURNEY?

Here are the resources that we referenced in this report along with some others that we recommend:

Resilient Spend Management:
1. Stories from the Spendsetter Community
2. Build Resilience in Uncertain Times Toolkit

Community Intelligence:
1. Coupa's Approach to Community Intelligence
2. The Coupa Business Spend Index
3. Smarter Together: Coupa CEO Rob Bernshteyn Speaks About Community Power
4. Coupa Spend Guard: AI-Powered Fraud Detection

Business Spend Management:
1. Stories From the Frontlines of Business Spend
2. BSM-Powered Sustainability

Source-to-Contract:
1. The Hackett Group: Learning from CLM Transformations

Procurement:
1. The Hackett Group: Four Dimensions for Measuring Digital Progress in Purchase-to-Pay
2. The Hackett Group: Building an Agile Procurement Organization
3. Coupa Open Buy

Supplier and Third-Party Risk Management:
1. Retrofit Your Risk
2. Managing Vendor Risk: What is the Role of Procurement?
3. Driving Risk Culture: An Integrated and Purpose-Built Approach to Effective Third-Party Risk Management

Invoicing:
1. The Hackett Group Debunks the Myth: AP Will Always Be Tactical
2. From AP Automation to Transformation: 5 Steps to Revolutionize Accounts Payable

Expenses:
1. Coupa for Expenses

Payments:
1. Coupa Pay Virtual Cards
2. Rethinking AP Automation and Payments

FOR MORE, PLEASE VISIT **COUPA.COM/RESOURCES**

ABOUT COUPA

Coupa empowers all businesses—from Fortune 1000 companies to the world's fastest-growing organizations—to unify their supply chain design and planning, procurement, payments, and treasury processes in one comprehensive, cloud-based Business Spend Management platform. Coupa's community of 2,000+ customers uses the platform to maximize the value of more than $2.3T of spend to date.

For more information, visit coupa.com.

coupa