Unified Business Spend Management Platform for Direct Spend

Coupa Business Spend Management (BSM) allows companies to manage and optimize all spend across a business. This includes direct and indirect spend, whether that spend is on goods or services, and provides a consistent approach for making and managing business spend decisions and transactions. BSM helps companies ensure continuity of supply, improve operational efficiency, improve margins, and deliver on ESG goals. Coupa BSM provides comprehensive coverage for the direct spend management process, which includes supply chain design, sourcing, supplier risk, contracting, procurement, invoicing, and payments all working in synchrony.

Lack of Visibility Impacts the Bottom Line

Lack of visibility and control over business spend are two of the biggest challenges companies face today. And solving those visibility and control challenges is foundational to optimizing spending decisions.

Supply chain disruptions have increased significantly in recent times, resulting in heightened needs for reliable communication and collaboration between supply chain, finance, procurement, and suppliers. Inflationary pressure on raw material and labor costs is causing organizations to look for ways to further optimize their direct spend. At the same time, price increases across all categories of spend are squeezing margins. Many organizations want to consolidate business spend using solutions that provide visibility across all spend categories.

One important step to take is to benchmark business spend visibility. And looking at the percentage of pre-approved spend is a great place to start with benchmarking. Percentage of pre-approved spend is a key metric that identifies the extent of visibility companies have into their spend as it’s being committed to suppliers. This metric matters because a lack of visibility into direct spend contributes to sub-optimal supply chain decision-making, poor understanding of customer-level profitability, a lack of understanding of supplier performance, and reduced savings and overall profitability.

In order to understand how to bring more spend under management and to ensure spend is kept under control, it is important to understand which spend is a result of user requests from across the company, and which is not. For example, machine-generated spend is the result of the organization’s IT systems turning production plans into purchase orders in direct spend categories.
User-Generated vs. Machine-Generated Spend

Coupa’s BSM platform addresses both user-generated and machine-generated spend (Figure 1). User-generated spend is the result of someone within the company identifying a need and initiating a purchase request or a sourcing event. Examples of direct material purchases include Maintenance Repair and Operations (MRO), fuel, chemical raw materials, glass supplies, etc. User-generated spend can also be non-purchase order backed spend, such as when a user orders from a supplier who sends the goods and an invoice at the same time. User-generated spend can be for either direct or indirect materials.

Machine-generated spend is typically associated with complex products or products with high production volumes. In these instances, materials requirements planning (MRP) systems generate purchase orders (POs) as part of machine-generated algorithms. Automated systems convert independent demand for end products (sales orders) into dependent demand for components, which are shared with suppliers as purchase orders.

Companies that have physical supply chains including manufacturers, retailers, and distributors often have a large percentage of machine-generated direct spend, though exceptions always exist. Examples of machine-generated direct spend include raw materials, packaging, transportation services, goods for resale (by a retailer who purchases goods from the manufacturer to sell to their customers), and outsourced manufacturing.
WHAT IS BUSINESS SPEND?

Business Spend is an amount of money spent over a specific period of time by a business to achieve a desired outcome. Spend includes the capital expense and operational costs for a company, including cost of goods sold and other operating expenses, often called selling, general, & administrative (SG&A) expenses.

Within the supply chain, there are four primary categories of spend:

- **Operational expenses** for sourcing, making and delivering products
- **Working capital related to building inventory buffers and safety stock**
- **Capital investments** to facilitate growth and expansion, such as investment in new facilities or capacity expansions
- **MRO (Maintenance, Repair, & Operations)** materials and parts needed to support production and distribution activities
Why a Single-Platform Approach Matters

When managing complex indirect and direct spend across an enterprise, each department has different needs. Groups that should collaborate in order to optimize their work and efficiency often end up working in silos that limit collaboration. It is because of this complexity that having one unified platform is critical to improving back-office efficiency across the company.

**Supply Chain:** Companies facing logistics issues, escalating costs, and economic uncertainty must be able to optimize supply chain plans and then quickly execute those plans with sourcing and buying. A single platform for BSM, including supply chain design and S2P, helps to accelerate this process while also finding opportunities to save and streamline back-office processes.

**Finance:** A significant benefit of having a consistent platform for all spend, including direct and indirect, is that the Finance and Accounts Payable teams have a single process and platform for managing all types of invoices and payments. Finance is one of the key parties benefiting from the single layer of visibility into direct and indirect spend.

**Procurement:** Procurement organizations always look for opportunities to save by consolidating buying power with fewer suppliers. But, lack of visibility into what the company is actually buying and from whom prevents Procurement teams from doing that. Bringing more spend through a single Procure-to-Pay (P2P) platform ensures the spend is classified by commodity and supplier before it's even committed to the supplier—providing the visibility for the procurement organization.

**Information Technology (IT):** A single solution for P2P covering all types of spend and all suppliers cuts workload by avoiding the need for suppliers to work directly with the company’s ERP systems (often with cXML integrations) for machine-generated spend. Companies often have multiple ERP systems across their different divisions due to mergers and acquisitions as well as organic growth.

**CASE STUDY**

Large athletic shoe brand achieves 97% first-time match for invoices:
A large shoe manufacturer improved efficiency and reduced supply chain risk through Coupa’s purchase order management capabilities. They have gained supply chain visibility through supplier Advanced Ship Notices (ASN). They have achieved a 97% first-time match rate for invoices. Non-matching invoices are routed for issue resolution with an easy-to-understand experience. Suppliers also get updates on approval status and issues are resolved quickly, reducing the risk of supply gaps.
**Coupa Direct Spend Solution Capabilities**

Coupa provides a single platform through which procurement, supply chain, and finance organizations gain complete visibility and control over business spend. A number of key areas within Business Spend Management are explained in this section.

**Supply Chain Design and Planning** - End-to-end modeling of the supply chain, combined with capabilities to create a digital supply chain twin, helps companies optimize cost-to-serve and reduces costs in direct spend categories, while maximizing service levels and resiliency. Coupa Supply Chain Design and Planning helps organizations leverage advanced algorithms to deliver data-driven decision support through:

- Network optimization
- Routing and flow path optimization
- CapEx analysis
- Production optimization
- Cost to serve analysis
- Inventory optimization and more

**Strategic Sourcing** - Helps companies make better sourcing decisions by choosing the right suppliers and streamline decision-making with sophisticated bid-optimization algorithms that let companies account for both financial and ESG considerations. An end-to-end process between sourcing, contracting, and buying turns negotiated potential into actual savings for raw materials, transportation services, labor, and much more.
Supplier and Third Party Risk Management - In an environment of accelerating risks and disruptions, it is critical to incorporate supplier vetting and risk into decision-making. Coupa allows suppliers to be onboarded rapidly and makes it easy to perform risk assessments of both the suppliers and the suppliers’ suppliers. Multi-domain risk assessments, performance monitoring, and community insights help companies spot threats and respond quickly at the point of decision making. This allows businesses to build resiliency, minimize disruptions, and improve compliance and operational continuity.

Contract Lifecycle Management - Trust and accountability are the key underpinnings of the contracting process. Contracts form the foundation of supplier relationships. They define buyers’ rights and suppliers’ obligations. Coupa Contract Lifecycle Management seamlessly connects contracts with all aspects of direct spend management to shorten the time to realize benefits, ensure compliance, and achieve maximum value.

Purchasing - Users or machines create purchase orders to initiate purchases needed to satisfy customer demand (direct spend) as well as internal demand (indirect). In the case of machine-generated spend, purchase orders are mostly created within ERP systems for direct spend. Some of the larger suppliers (typically the top 10% of direct material suppliers may fulfill up to 50% of the direct spend purchases) invest in system-to-system integrations using cXML or EDI to manage mission-critical orders across the lifecycle including order changes and visibility during fulfillment. Smaller suppliers for both direct and indirect spend use portals or email to receive and confirm orders.

Purchase Order Collaboration - Given recent supply chain disruptions, order changes have increased significantly and a lack of visibility into PO fulfillment can hamper supply chain performance. Purchase order collaboration can eliminate missed opportunities and improve on-time in-full metrics. Purchase order collaboration also gives planning and buying organizations the ability to communicate orders electronically and require suppliers to confirm orders and order lines.

CASE STUDY

Alcoholic beverage manufacturer becomes a trusted partner by delivering working capital improvement for suppliers: A large alcoholic beverage manufacturer increased electronic efficiency for all direct and indirect spend. Direct spend orders and receipts originate in SAP MRP and are imported into Coupa. SAP ERP’s Electronic Receipt Settlement (ERS) capability is used for many of the strategic direct materials suppliers and the transactions performed through ERS flows into Coupa. The remaining suppliers invoice through Coupa. Centralized workflow and mobile approvals to decrease invoice cycle times has had a great positive impact on working capital improvements for suppliers. The manufacturer has centralized reporting to track indirect and direct spend.
Suppliers gain the means to review orders and indicate their ability to supply. They can request changes to quantities or prices and indicate their need to stagger deliveries. Increased digital collaboration between buyers and suppliers ensures that any open questions can be asked and addressed.

**Compliant Invoicing and Payments** - Coupa’s Procure-to-Pay solution improves operational efficiency by digitizing manual processes and managing the PO/ASN/Invoice/Payments lifecycle. Two-way or three-way matched invoices are automatically paid and billed to the right expense accounts to help improve accuracy and significantly reduce the cost to process each invoice. Most countries around the world have implemented some form of indirect tax in the form of Value Added Tax (VAT), Goods and Sales Tax (GST) or Sales and Service Tax (SST). Indirect tax regimes require taxpayers to issue and retain compliant tax invoices including both legal and commercial information. The information in these tax invoices is the basis for establishing tax liability on the supply of goods or services. Invoices also allow tax-registered customers to reclaim the tax charged to them. Given the labyrinth of country-specific regulations, Coupa facilitates compliant invoicing by creating country-specific presentations that simplify and de-risk the process by ensuring that invoices include the information required by law.

**Spend Analysis** - Coupa provides a single lens into all business spend, whether direct or indirect. Companies can use AI-powered insights to benchmark their performance and get suggestions on how to improve.

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**CASE STUDY**

Large packaged foods distributor reduced sourcing spend by $15 million USD: A large packaged goods distributor optimized transportation network design and sourcing to drive business value. They had $100M USD of transportation spend across 1000+ lanes and 300+ carriers. They needed to facilitate lane bidding, optimally determine which shipments should be put on multi-stop routes versus direct ship, and award capacity. They optimized sourcing by conducting complex bid events where carriers were allowed to define their own network capacity and availability. As part of their transportation optimization process, they constructed multi-stop routes, combined them into full week tours, and determined one-way shipments. The company secured an average of 15% cost savings vs. one-way shipping. The planning process time was reduced from 4 weeks to 2 days. Substantial efficiencies were realized in optimizing carrier assets and allowing planners more opportunity for “what-if” modeling.

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