



SAP Ariba – IBM Cognitive Solutions

The Road to **Intelligent Procurement** Enabling the journey to value

October 3, 2017





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Executive Summary

Make procurement relevant

Earning – indeed deserving – a seat at the strategy table has long been the cornerstone of business value creation.

Procurement is at its best when it is brought in early and can help drive markets to meet demand. Relevance requires presence, and presence demands a unique contribution.

Procurement's efforts to engage stakeholders, suppliers and partners are often impeded by a lack of credibility, due to a lack of data and the absence of a metrics-driven business case. As a result, procurement is not at the strategy table, but rather brought in at the last minute. Annual Corporate budgeting is done with little input solicited or provided by procurement. Whether it's due to a lack of data or to procurement's inability to anticipate and gather the data required, this disconnect will cause significant challenges for businesses throughout the budget term.

“Fueled by analytics, procurement can derive insight from disparate sources and uncover intelligence for competitive advantage. This paves the way for us to develop an even deeper understanding using cognitive technologies that will further transform the procurement landscape... to unlock value from types of data that have been hidden in the past.”

Bob Murphy
Chief Procurement Officer, IBM

Big data, predictive analytics and cognitive computing

The amount of data is exploding — IBM advises 90% of the data that exists in the world today was created in the last two years alone. There are valuable insights within that data, and the challenge for Procurement is to understand and use the data to make better, informed decisions.

New technologies and market dynamics are setting the stage for intelligent procurement. Natural language, machine learning, Big Data and digital assistants will drive the next level of value realization out of strategic supplier management processes. With these technologies, Cognitive computing can make the procurement process “intelligent” by creating better connections between people, systems, data and context.

Cognitive technologies present new opportunities to predict and respond more effectively to customer and market demand. They also encourage new approaches to connecting people and information – all of which will fundamentally change how companies buy and sell. This combination of new technologies and approaches are further enriched by emerging capabilities such as blockchain.

Partnership for the future: Sap Ariba and IBM

The global SAP Ariba and IBM partnership changes the procurement landscape to deliver next-generation solutions. Together, SAP Ariba and IBM optimize the latest technologies to drive insights from data, increase efficiency, reduce costs and provide a sustainable quality of service.

Elevating procurement to the next level of capability – beyond basic process automation to a more intuitive and autonomous paradigm – is now achievable. That paradigm now leverages SAP Ariba with IBM's Watson's cognitive procurement capabilities to support, not supplant, procurement professionals by providing better information and insights that enhance situational awareness, speed their time-to-decision, and ultimately drive superior procurement performance. This resulting business value will improve the way procurement roles and processes are executed, making them both more effective and relevant for their stakeholders, suppliers and partners. This is a value proposition worth early engagement and a seat at the table. SAP Ariba and IBM are collaborating initially in areas of strategic procurement:

- Sourcing: AI and machine learning can transform sourcing strategy and provide insights to structure, execute and run sourcing events.
- Contracting: The contracting process can become smarter and more comprehensive.

“CPOs need to digitize, predict the future and enable their talent to deliver savings and value—not just to keep up, but to get ahead.”

Marcell Vollmer
Chief Digital Officer, SAP Ariba

The Road to Intelligent Procurement

Procurement as a value creator for the business

65% of the total value of a company's products and services is derived from its suppliers. Together, IBM and SAP Ariba are paving the road to intelligent procurement. Leveraging SAP Leonardo, IBM Watson technologies and the SAP Ariba platform to develop applications that will bring intelligence from procurement data together with predictive insights from unstructured information to enable improved decision making across supplier management, contracts and sourcing activities.

By combining the power of IBM Watson, IBM Procurement Services expertise, and data driven insights with the SAP Ariba platform, we are significantly outperforming existing procurement benchmarks and delivering unprecedented value to our joint clients. The partnership will accelerate cognitive procurement and put it within reach of any client we serve.

With cognitive computing, we are making the procurement process intelligent by creating better connections between people, markets, systems, data and context. Users can converse on the Ariba Network in their native language, and the system can understand and quickly learn about evolving needs. Over time, the procurement process becomes intelligent; automating tasks, driving efficiencies and delivering increased savings. Innovative systems will "think" more like the target audience, so they can help your people get more done.

"65% of the total value of a company's products and services is derived from its suppliers. Together IBM and SAP Ariba are helping clients create the cognitive procurement enterprise of the future – maximizing this value."



Cameron Art
Enterprise Cloud Applications,
Global Business Services, IBM

With the extensive portfolio of industry-leading procurement solutions, SAP Ariba is at the forefront of helping clients drive procurement efficiencies with powerful products across the entire procurement lifecycle. In addition to the partnership with IBM, SAP Ariba provides innovations in procurement with SAP Leonardo for the Internet of Things and has developed an Artificial Intelligence/Machine Learning application to enhance spend visibility and classification.

With Watson, IBM has created the first cognitive engine that can augment traditional procurement systems to add significant incremental value through additional insights and capabilities. Additionally, through its Procurement Services team, IBM uses analytics, cognitive, automation and domain expertise to reduce spend, access category expertise, standardize processes reduce operational cost in procurement and drive greater levels of control and compliance.

Together, you get cognitive procurement

Our solutions will bring IBM cognitive capabilities to the SAP Ariba portfolio. Initially, we will focus jointly on solutions for strategic procurement processes.

For example, a digital assistant combined with AI/ machine learning services, can transform sourcing events by helping with tasks such as defining the correct Request for Proposal type, identifying appropriate suppliers to participate based on commodity category, region or industry and delivering intelligence on market signals and pricing pressures to optimize results.

Similarly, contracting can be made smarter and more comprehensive, as the applications automatically identify relevant terms and conditions matched to legal library and taxonomy, uncover similar contract terms for a specific commodity by industry or region based on benchmarking data and suggest optimal prices to target based on expected volume and contractual discounts.

Transforming Procurement Outcomes

SAP Ariba and IBM are working to develop leading-edge cognitive applications to redefine the source-to-pay process, leveraging the capabilities of both SAP Leonardo and IBM Watson.

SAP Leonardo for the Internet of Things enables end-to-end visibility to product-centered operations and the ability to optimize compliance visibility, service visibility and inventory

replenishment across networks. SAP Ariba continues to deliver game-changing innovations and help companies around the world accelerate their digital transformations.

Whereas, IBM provides consulting, analytics, insights, and services to build, implement and operate the new offerings using tailored roadmaps to help enterprises of all sizes lower cost and realize faster time to value.



Deeper engagement and adoption

- Increase end-user productivity (ease of use, less training required)
- Bring the application to users in their environment of choice

Better decision-making

- Have access to richer and broader set of data
- Uncover and discover hidden insights

Improve business outcomes

- Automate repetitive tasks
- Improve approvals and accuracy
- Improve efficiency by delivering personalized and context-specific information

Design better outcomes

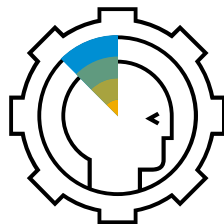
- Using Design Thinking methodology to enable digital transformation through an enhanced user experience
- Consult to Operate expertise

Global procurement knowhow

- Deep category & sourcing expertise across all industries
- Global centers of excellence covering all geographies

Leading edge cognitive procurement technology

- Proven solutions based on Watson technology
- Robotic process automation deployed across source to pay activities



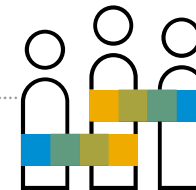
Redefine Source-to-Pay processes

Next generation applications on SAP Ariba



Drive Cognitive Insights

Center for Cognitive Procurement



Amplify Talent

IBM's consulting practice and delivery expertise

Cognitive Transformation Roadmap

When you pair SAP Ariba with IBM's cognitive capabilities, Procurement Services and Global Business Services, you begin your cognitive transformation journey. But what does that journey look like for a client?

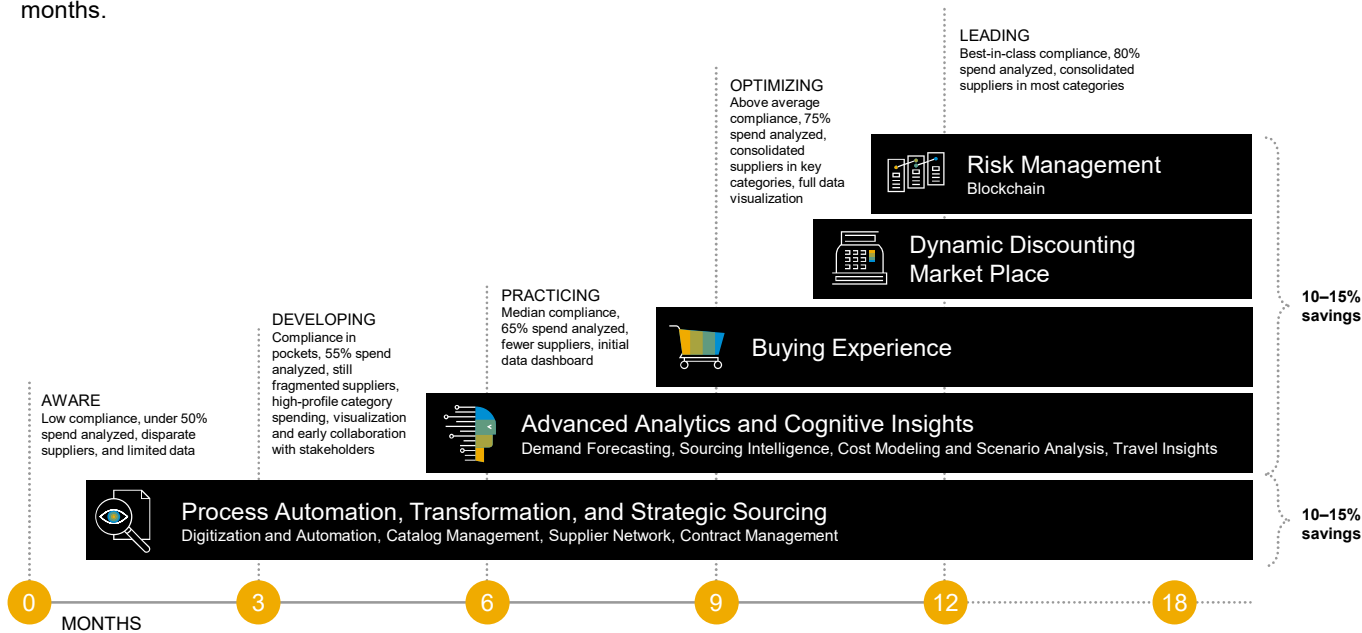
IBM Procurement Services starts with a view into the maturity of the client's procurement process. Low levels of compliance and low levels of spend under management puts the client in the "Aware" level of maturity. As we go up the spectrum we progress to "Developing", "Practicing", "Optimizing", and finally to "Leading", where the client has a very high level of automation, a high level of spend under management, and an extremely high level of compliance. Higher data and digital process maturity allows a client to derive the best out of analytics and cognitive solutions.

Everyone comes into this maturity scale at different points, and the steps and timing can be tailored, of course. But our first goal is a focus on process automation, transformation and strategic sourcing to drive early value within the first few months.

This is underpinned by data enrichment and advanced cognitive spend analysis. That allows IBM Procurement services to get our arms around the spend, to understand it, and to better predict our next areas of focus. That gives us the foundation to bring in the cognitive enablement.

That first step drives about 10-15% of spend savings for our clients. At that point, or for those who already have that foundation before we come in, we're able to bring in the cognitive technologies that will enable us to drive a higher level of value. As we work with our clients to get to the "Optimizing" level, those cognitive technologies will bring another 5-15% of spend savings, increasing our ability to drive value total to somewhere in the region of 15-30% of spend savings!

When we add a level of efficiency and effectiveness into the process, and control and compliance, that will ensure we realize those savings downstream.



Intelligent Procurement Solutions

In joining forces, SAP Ariba and IBM will use data insights to empower procurement professionals to make smarter, faster decisions across their supply chains. The new applications can impact the entire procurement process from improving spend visibility to assisting buyers and enriching content management. Some areas we are evaluating use cases across in this partnership include:

Intelligent Contracts

Contracts can become intelligent and more comprehensive with applications that:

- Automatically identify relevant terms and conditions matched to legal library and taxonomy;
- Uncover similar contract terms for a specific commodity by industry or region based on benchmarking data;
- Suggest optimal prices to target based on expected volume and contractual discounts.

Applying other new technologies, new forms of contract execution become available, envision volatile pricing where AI scans the current conditions.

The vision

Automate contract terms and conditions by matching them to a library, identifying similar terms used previously.



The disruption

Shorter contract negotiation cycle, optimized resource utilization and increased savings.



The result

Creates comprehensive contracts for specific regions/commodities with the goal to reduce negotiation time.

Intelligent Sourcing

Sourcing events can be transformed by applying AI/ Machine learning to help with tasks such as defining the correct Request for Proposal type, identifying appropriate suppliers to participate based on commodity category, region or industry and delivering intelligence about market signals and pricing pressures to optimize results.

The vision

Procurement professional Equipped with enhanced knowledge to structure, execute and run the sourcing events for improved negotiations.



The disruption

Collect and refine real time Comprehensive market intelligence data to identify pricing trends by category or skill and recommend optimized price points.



The result

Procurement professionals Freed from time consuming Research and data aggregation, better pricing points and greater savings.



The Road Ahead

Cognitive technologies provide powerful capabilities to enhance the entire procurement experience. By bringing these capabilities into our core products, we will greatly enhance the user experience, adoption and engagement across procurement systems, and ultimately the results they deliver.

Achieving this future vision will require significant focus and executive commitment along with a business partnership with SAP Ariba & IBM. SAP Ariba & IBM bring unparalleled experience and a strong track record to digitize and add cognition to your procurement processes and run them even more effectively for years to come.

SAP Ariba and IBM are collaborating to launch a Cognitive Procurement hub to jointly develop innovative procurement solutions and explore applications of emerging technologies, such as blockchain.

SAP Ariba & IBM look forward to growing our relationship and helping you to achieve your corporate and business strategy objectives.

Are you ready for the future of business? Contact us today.

“Partnering is not a choice for SAP. The choice has been made. Together we will lead, energize, and imagine a better future together.”

Bill McDermott
CEO, SAP

“By combining the power of IBM Watson on the IBM Cloud with SAP Ariba, we are leaping existing procurement benchmarks and delivering unprecedented value to our joint clients.”

Jesus Mantas
GM Global Business Solutions, IBM

About the Authors



Dr. Marcell Vollmer
Chief Digital Officer SAP Ariba

Today Marcell helps customers as Chief Digital Officer to digitalize their businesses and supply chain.

Prior to his current role he was the Chief Operating Officer for SAP Ariba to setup the acquired organization as start-up company within the larger SAP Group.

Before that Marcell worked as the Chief Procurement Officer at SAP SE, where he transformed the global procurement organization towards a strategic, end-to-end driven organization with one global source-to-pay process, which runs on SAP Ariba, SAP Fieldglass and Concur in the Cloud.

Marcell has more than 25 years' experience in working in international companies, starting with DHL, where he delivered multiple post-merger integration and supply chain optimization projects.

Marcell holds a PhD in politics as well as a degree in business administration.



Bob Murphy
Chief Procurement Officer IBM

Bob is Chief Procurement Officer at IBM, and he currently focusses on making AI and Analytics the core of Procurement at IBM and also of course for IBM's customers.

He is originally an engineer by training and has worked at IBM for over thirty years in roles like VP Global Hardware Execution and VP Procurement, bringing experience and innovation together in order to drive a clear vision on Procurement innovation.

Personal traits include being known as very direct in a constructive way, but also as a fair "opponent" in negotiation.

His internal procurement team is also used as demo to show customers capability and help sell Procurement solutions. This explains why Bob talks a lot to customers, but of course this is also useful to keep up with needs, trends and business developments.

Bob holds a Master's Degree in Manufacturing Sciences and Engineering.

Let's **#MakeProcurementAwesome** together!

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