PAYSTREAM ADVISORS

Electronic Procurement

Creating Buyer/Supplier Collaboration Through Procure-to-Pay Solutions

The Evolution of Procurement

Procurement and AP Collaboration

Key Drivers of Electronic Procurement

The eProcurement Universe

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Solution Providers

Underwritten in part by

BirchStreet
PROCURE-TO-PAY ON DEMAND

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Introduction

The role of procurement has changed dramatically in the past few years, as companies aim to gain tighter control over supplier performance to increase efficiencies and maximize growth and profits. Organizations have shifted from decentralized to centralized models to tighten controls, standardize processes, and provide the needed negotiating power with vendors. Savvy organizations are responding to these demands by leveraging integrated electronic procurement tools to support key procurement processes. These organizations are garnering results by effectively managing and collaborating with their supplier base, meeting and exceeding savings targets, strictly enforcing contract compliance and streamlining the overall procurement process.

More companies are now adopting electronic procurement (eProcurement) automation solutions as the advantages of these tools become more evident. eProcurement tools enable purchasing systems to control costs and risks, while connecting with suppliers near and far. Organizations can automate all or part of the Procure-to-Pay (P2P) process to gain the following advantages:

- » Control over all goods and services purchased
- » Instant access to live pricing, suppliers and contracted products
- » Reduced costs by leveraging volume
- » Improved visibility of spend, transparency and interoperability
- » Improved management information across all areas of purchasing
- » Improved collaboration with suppliers
- » Negotiated vendor savings that impact the bottom line
- » Time to engage in more strategic activities
- » Faster procurement of goods and services
- » Reduction in paper and duplicate records

eProcurement solutions infuse best practices across the procurement lifecycle that span online requisitions, catalogs, supplier punch outs, electronic purchase order delivery, contract tracking, compliance management, and procurement management; all of which will be covered in this report.

Electronic procurement is finally coming of age. While many organizations have automated portions of their supply chain and accounts payable, purchasing processes are still undermanaged. PayStream Advisors most recent research indicates that 58 percent of organizations are seeking additional information to manage both their direct and indirect spend. This market analysis report is targeted to those organizations seeking information regarding electronic procurement solutions.

Executive Summary

The purpose of this report is to increase purchasing and finance manager's ability to distinguish between procurement management automation providers and the solutions that they offer. The report will also explore procurement trends gathered from an in-depth Procure-to-Pay survey conducted in March 2013.

Key survey findings in this report include:

» Over half (57 percent) of survey respondents report that they have centralized or partly centralized their procurement operations.

» An overwhelming 95 percent report that their payables functions are centralized or partly centralized.

» Nearly one-third (31 percent) of organizations surveyed report they have no procurement automation solution.

» The biggest barrier preventing organizations from implementing a procurement automation solution is the belief that current processes work – 37 percent.

» Ensuring supplier contract compliance is the number one reported pain point in the procurement process.

» Better visibility and transparency across procurement ranked as the top reason organizations implemented a procurement automation solution.

» Electronic sourcing and electronic procurement are the top automation tools that survey respondents plan to implement in the coming months.

» Over half (56 percent) of supplier payments are still made via paper checks.

» Nearly one-quarter (23 percent) of buyers currently receive over half of their invoices electronically from suppliers.

The Purchase-to-Pay survey data was gathered from 150 accounts payable, procurement and other financial professionals at U.S. based enterprises. Finance and procurement professionals are encouraged to explore electronic procurement solutions to obtain the goals listed in the Introduction of this report.

Based on the number of survey respondents, PayStream believes that the survey has a confidence level of +/- 5 percent.

For more information on this and other research reports available from PayStream Advisors, visit PayStream's Research Library at www.paystreamadvisors.com.

Electronic Procurement – Then and Now

As procurement has evolved from a paper-based traditional procurement system to electronic data interchange (EDI), to a true eProcurement system of today, procurement efficiency and effectiveness becomes apparent in the areas of cost savings, enhanced spend management capabilities and improved vendor relations, see Figure 1.

Figure 1

Evolution of Procurement
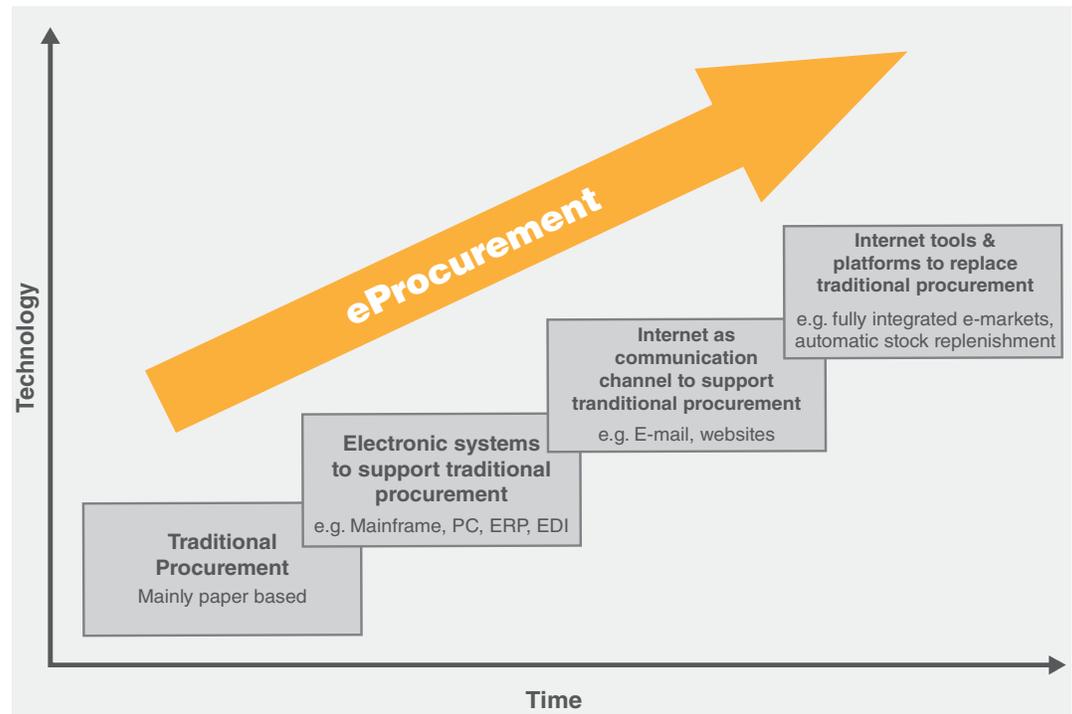
Many early adopters of eProcurement solutions never witnessed the anticipated benefits materialize, as they hit stumbling blocks head-on. Stumbling blocks included supplier adoption, lack of transparency and communication between procurement and accounts payable (AP) departments, to name a few.

Both AP and procurement functions are looking for more strategic approaches to cost management, and many organizations are investing significant resources in shifting business processes. However, with procurement and AP taking two separate approaches and investing in separate solutions, lack of communication and transparency between AP and procurement has prevented smooth processing of purchase orders and invoices.

When you factor in the volume of paper that organizations are processing including invoices, paper checks, supplier contracts, exceptions and discrepancies, it is not surprising that two separately operating AP and procurement departments produce slow processing times and excess costs.

While separate AP and procurement departments may provide some immediate results in cost containment and increased efficiencies, true collaboration between AP and procurement brings inter-enterprise business process and efficiency to an entirely new level. Purchase-to-Pay (P2P) solutions that work to integrate AP and procurement are becoming increasingly popular, as more organizations strive to increase the synergy between the two departments in an effort to facilitate better collaboration between the two functions.

True collaboration can be achieved by working through one shared technology, which supports a seamless course from sourcing all the way through to payment. A P2P solution works to bridge the disconnect between AP and procurement.

Collaboration is the Key to Success

Through their collaborative nature, the integration of procurement and AP encourage buyer/supplier collaboration. In addition, the transparency and visibility gained through an integrated P2P platform enables a seamless flow throughout the entire source to pay process – from supplier identification, all the way through to invoice payment. The utilization of one combined platform for both AP and procurement brings added intelligence throughout the entire business process, resulting in more on-contract purchases, increased invoice automation, accurate transaction processing, and increased savings through the ability to take advantage of early pay supplier discounts and the elimination of manual, time consuming processing.

Despite the benefits of an integrated AP and procurement process, PayStream research shows that the vast majority of companies have not fully integrated their AP and procurement departments, see Figure 2.

Figure 2

Integration of AP and Procurement Functions

The majority of survey respondents have not fully integrated their AP and procurement departments.
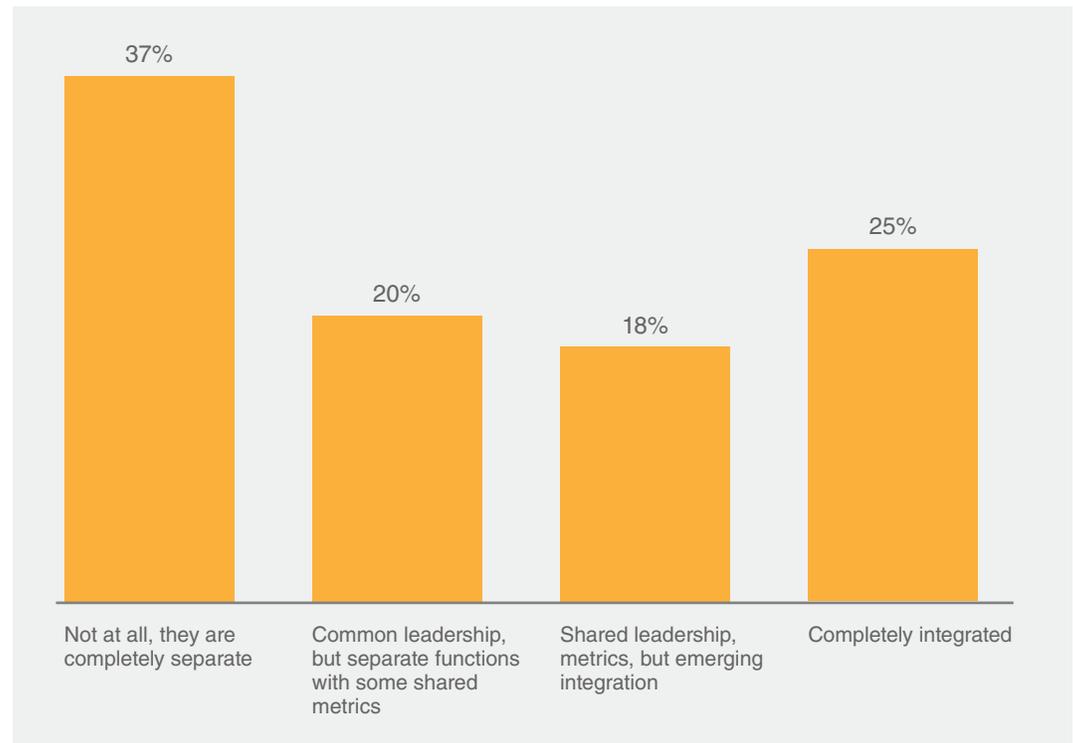
Over the next few years, PayStream predicts that more companies will migrate away from separate AP and procurement functions, to an integrated approach, as they break down the stumbling blocks and share the benefits associated with integration. The common link for both AP and procurement driven initiatives is visibility into the AP data which serves as the principle source of information and intelligence for making immediate bottom line savings.

Combining AP initiatives with procurement also provides benefits beyond bottom line savings including:

» Improved working capital/cash flow management

» Spend transparency, enabling strategic sourcing

» Lower AP and transaction cost management

» Supplier master file management opportunities

» Enhanced contract management capabilities

As organizations continue to identify opportunities to improve, considering an integrated, holistic approach to addressing Procure-to-Pay process can yield substantial benefits.

The Move Towards Centralization

Procure-to-Pay solutions integrate an organization's purchasing and Accounts Payable departments, providing buying organizations with control and visibility over the entire life cycle of a transaction. Transactions can be tracked from the time an item is identified, selected and ordered until until the final payment is made. Companies that centralize their purchasing and Accounts Payable functions can find automated P2P systems particularly valuable. Survey results reveal that over half (57 percent) of organizations report that their procurement function is fully centralized, see Figure 3.

*Figure 3*

Organizational Structure of Procurement

The majority of survey respondents have centralized or partly centralized procurement operations.
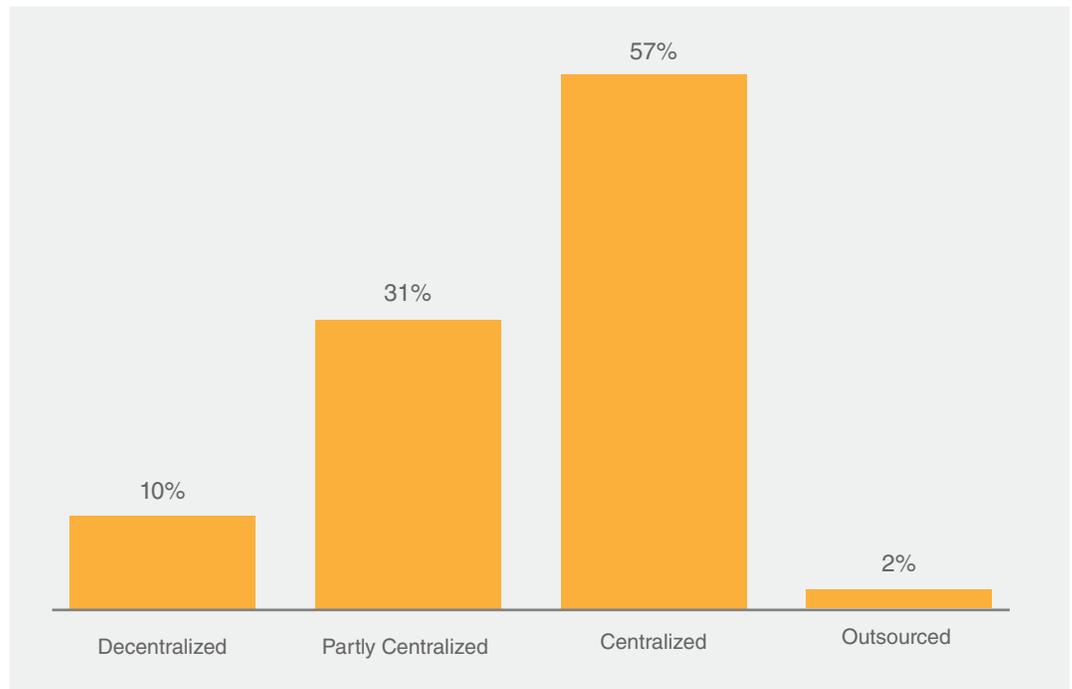
Figure 4

Organizational Structure of Accounts Payables Functions

The vast majority of survey respondents have centralized their Accounts Payables function.
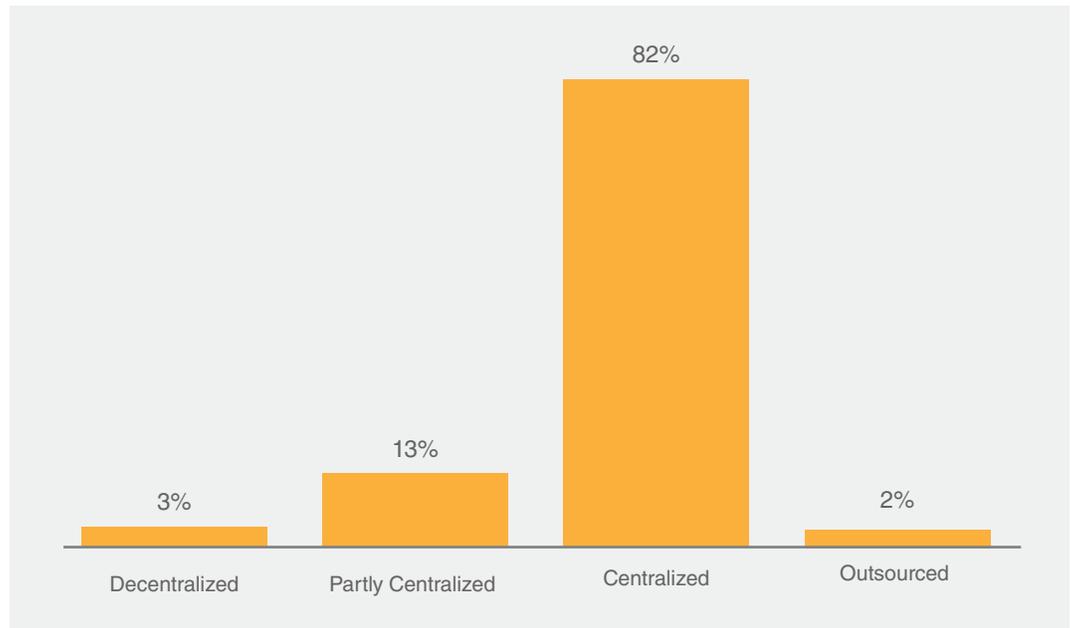
Almost all (95 percent) report that their payables functions are centralized or partly centralized, see Figure 4.

Centralized Purchase-to-Pay functions help get the most out of any automated system. This allows a buying organization to follow each transaction and immediately address the pain points in the P2P process. Companies with decentralized or partly centralized procurement functions say these areas cause the most pain points during the procurement process:

» Maintaining cost controls
» Achieving visibility into the Procure-to-Pay process
» Integrating Accounts Payable into Procurement
» Ensuring supplier contract compliance

Purchase-to-Pay solutions can address these issues and significantly reduce or eliminate organizational challenges. Best-in-class P2P solutions enable visibility and transparency into all transactions throughout the P2P cycle. They provide user-friendly interfaces that enable buyers and suppliers to review the entire process, ask questions, and make necessary adjustments to optimize process efficiency.

The Pain of Manual Processes

Manual processes in the procurement arena are associated with a wealth of challenges. Organizations are feeling the pain of depending on manual, paper and people-intensive processes. Nearly one-third of organizations surveyed have no procurement automation solution, see Figure 5.
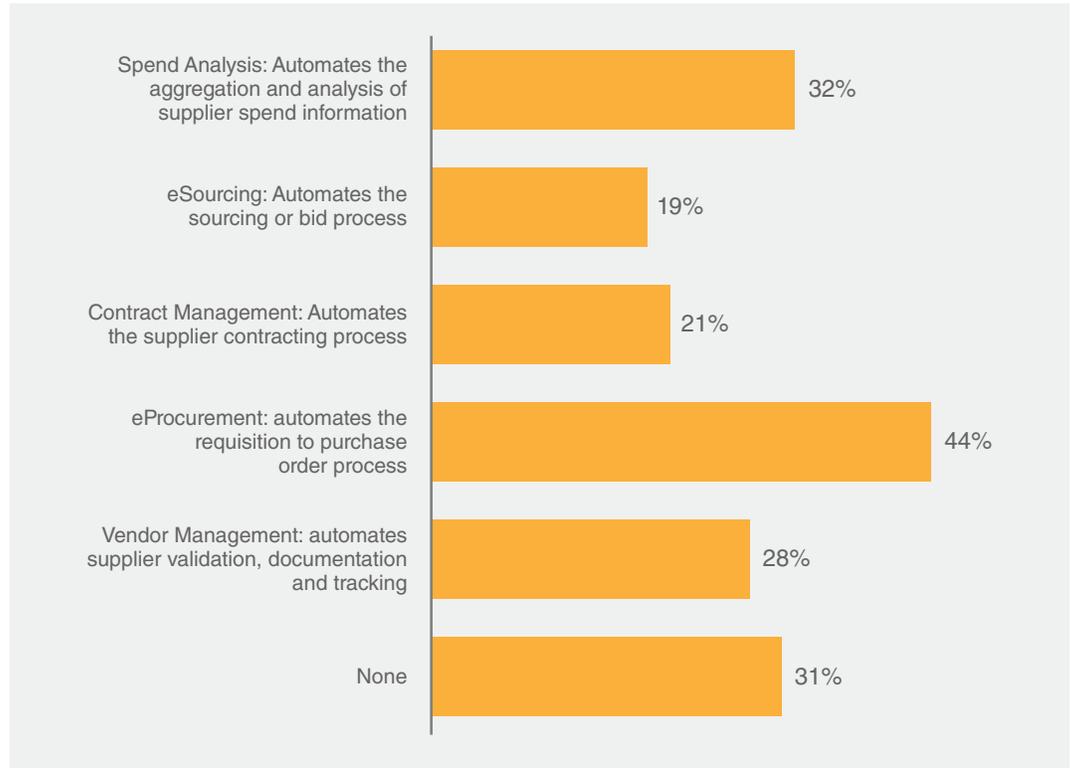
The primary reason preventing organizations from implementing a procurement automation solution is the belief that their current process works, see Figure 6. These obstacles can be difficult to overcome. Change management leaders in both AP and procurement will need to overcome these internal objections to a new system by demonstrating the benefits that other organizations and competitors are reaping from the implementation of these solutions.

Current processes work — 37%

Lack of budget — 26%

Lack of understanding of current available solutions — 17%

No executive sponsorship — 14%

Do not expect ROI from automation — 6%

Business process re-engineering is too difficult — 0%
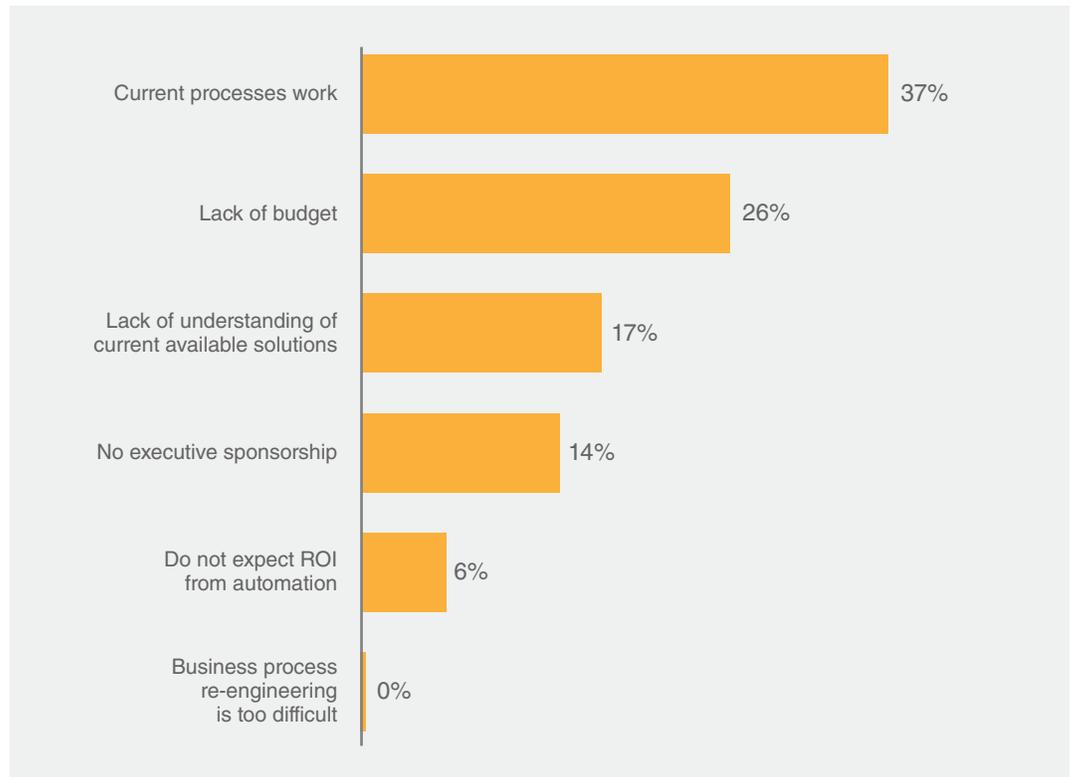
The historical lack of automation in the Procure-to-Pay space presents a number of other challenges to organizations that are still dealing with paper, including:

Manual and Inefficient Processes – People have dreamed of a paperless workplace for decades, but few realized that getting rid of the paper-based, manual processes would be so difficult. The unfortunate reality is that corporate processes remain mired in paper, and no one knows that better than procurement professionals, who deal with paper requisitions, purchase orders (PO), and other transaction-related documents day in, and day out. The Purchase-to-Pay process has long suffered from the inefficiencies inherent to manual, paper-based processes including the lack of visibility and control over financial transactions and the unavailability of timely information and financial metrics. These factors result in high processing costs for each transaction, while adversely affecting relationships with suppliers.

Lack of Spend Management Visibility – Tracking and managing supplier spend becomes a huge task when dealing with tons of paper. Lack of spend visibility ranked as one of the top pain points organizations experience in Procurement, see Figure 7. The lack of visibility across the purchasing and payment process limits organizations' ability to leverage economies of scale by consolidating spend and negotiating favorable pricing agreements and bulk discounts with high-volume suppliers. Even in cases where the company has negotiated preferred agreements, without the ability to monitor supplier spend in real-time, enforcement

becomes a major issue. The inability to enforce spend policies results in significant profit leakage from rogue spend.
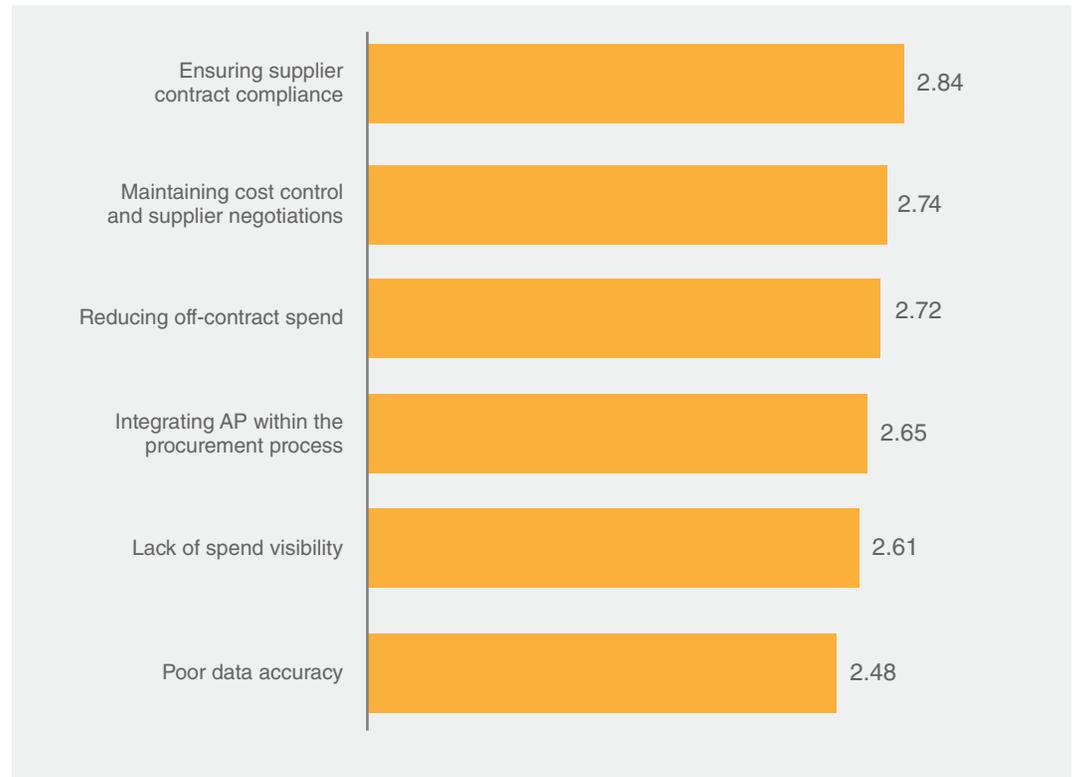
Inability to Ensure Contract Compliance – As organizations become more sophisticated and supplier bases continue to increase, the number of contracts executed with trading partners also increases, as does the complexity of these contracts. Organizations today not only have to keep track of pricing specifications written in contracts, but also performance criteria, service level agreements (SLA's), rebates, charge backs and other purchasing terms. When companies are relying on paper-based, manual processes, the task of managing the entire contract lifecycle from contract negotiation and creation, to execution, becomes extremely painful. Ensuring supplier contract compliance ranks as the top pain experienced in procurement, see Figure 7. Companies are hindered by the lack of centralized visibility to contract terms and spend against these contracts, resulting in the inability to enforce contract compliance and ensure that transactions are executed in accordance to negotiated terms.

Key Drivers for eProcurement

More and more organizations are now striving to address the shortcomings they have identified in their financial supply chain, and are exploring innovative ways to leverage Procure-to-Pay automation technology to reduce costs, increase approval cycles, compress working capital requirements, improve visibility across all transactions, and strategically manage business spend.

Better visibility and transparency across procurement ranked as the top reason organizations implemented a procurement automation solution, see Figure 8.

Figure 8

Top Reasons Organizations Implement a Procurement Automation Solution

Improved visibility and transparency ranked as the top reason organizations implemented an eProcurement solution.

Figure 8 — Bar chart:
- Better visibility and transparency across procurement: 56%
- Streamlined requisition and procurement process: 46%
- Cost control over maverick spend: 46%
- Lower production costs: 46%
- Consolidated invoicing: 45%
- Improved control and security: 44%
- Optimization of supplier base: 43%
- Fewer supplier inquiries: 36%
- Reduced time-to-fill cycle times: 33%
- Availability of vendor performance metrics: 27%

Visibility Across All Transactions – P2P automation provides visibility and transparency across all transactions for both buyers and suppliers, making it easier for organizations to obtain real-time, accurate data to make informed business decisions. Improved visibility across procurement ranked as the number one benefit of adopting P2P automation solutions by responding companies, see Figure 8. Visibility across all transactions facilitates transaction research, discrepancy resolution, and reduces supplier inquiries by providing buyers and suppliers access to the same information.

Optimizing the Procurement Process – Automation solutions contribute to processing efficiency by removing paper from the equation. Buyers can order products from online catalogs, purchases can be reviewed and approved electronically using robust workflow tools and orders are delivered to suppliers in electronic formats. PayStream survey results reveal that streamlined requisition and procurement processes ranks as a top reason organization implemented a procurement automation solution.

Cost Reduction – Purchase-to-Pay automation works to significantly reduce the amount of paper in the system, which decreases the time it takes to process purchase orders, invoices and payments. This can provide a tremendous amount of savings, in the amount of millions of dollars for large organizations that process billions of dollars of spend, as well as equally proportionate savings for organizations that spend less. Cost control over maverick spend was cited as one of the primary benefits of adopting P2P automation solutions by responding companies, see Figure 8.

Faster Approval Cycles – Reducing the number of days it takes to approve and pay invoices leads to a significant reduction in late payment penalties, which works to increase the number of supplier discounts an organization can capture. Paying suppliers on-time improves supplier relationships, which in turn makes it easier for organizations to renegotiate contracts and strike more favorable agreements with key vendors.

The benefits of eProcurement automation solutions have already won over many survey respondents, who report they are planning to implement a procurement automation tool during the next 6 to 18 months, see Figure 9.

Figure 9

**Planned Implementation
for Procurement
Automation Tools**

*eSourcing and
eProcurement are the
top automation tools
that survey respondents
plan to implement in the
coming months.*
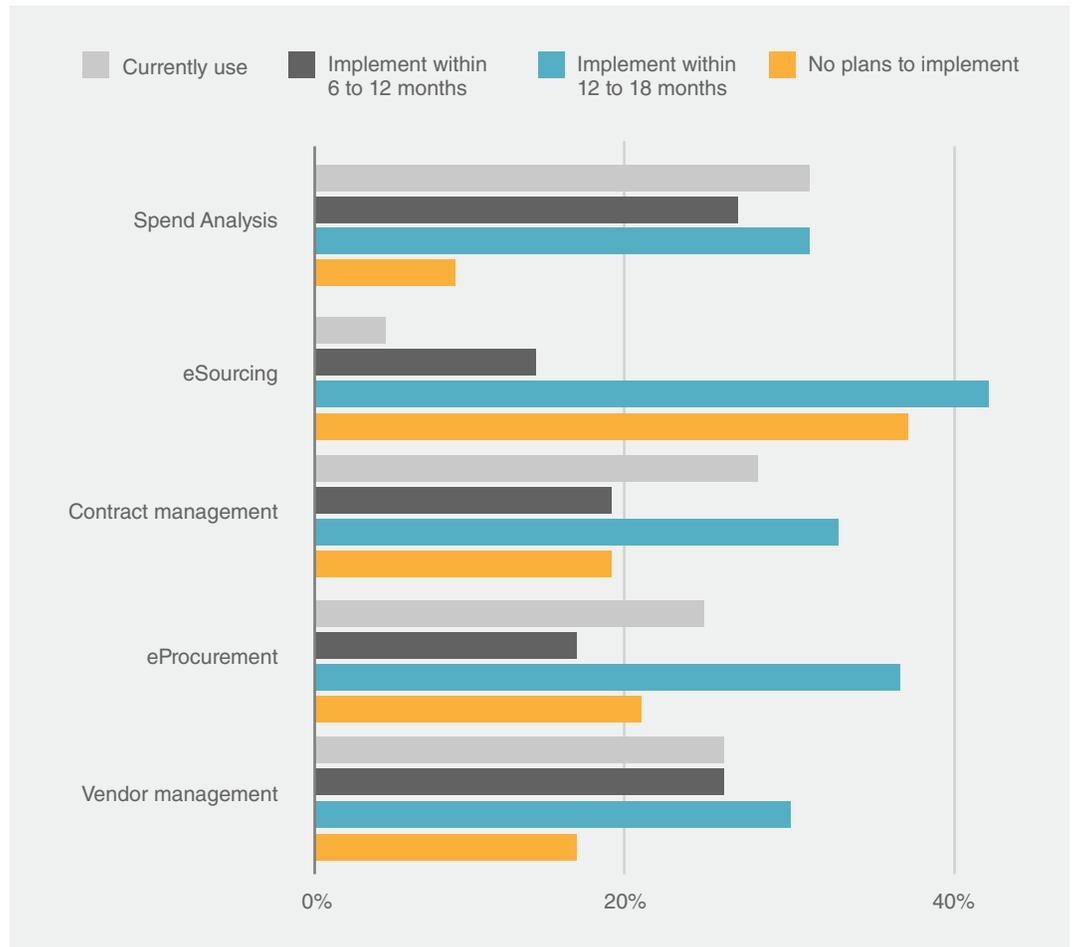
Obtaining Supplier Buy-In

One of the most difficult challenges to overcome when implementing a P2P automation solution is getting supplier buy-in to participate. The best-in-class solution providers that have higher than average supplier adoption rates are being proactive by offering suppliers the following incentives:

» No supplier user fees to access the solution

» A user-friendly and customizable vendor portal

» Free training to maximize the benefits of the software

» Fast resolution of exceptions and discrepancies

» Access to dynamic discounting opportunities

Leading solution providers also support their systems with supplier on-boarding teams that reach out to suppliers through innovative campaigns to market the benefits directly. Automated solutions lead to early payment of invoices, which works to improve cash flow positioning. While a large portion of companies still pay their suppliers by check, see Figure 10, most companies anticipate to make their payments by Automated Clearing House (ACH), or other electronic transfer by 2016.

Figure 10

Methods Buyers Pay Suppliers

Over half of supplier payments are made via paper checks.

ACH	Paper Check	Commercial Card	Wire Transfer	Other
32%	56%	12%	8%	7%
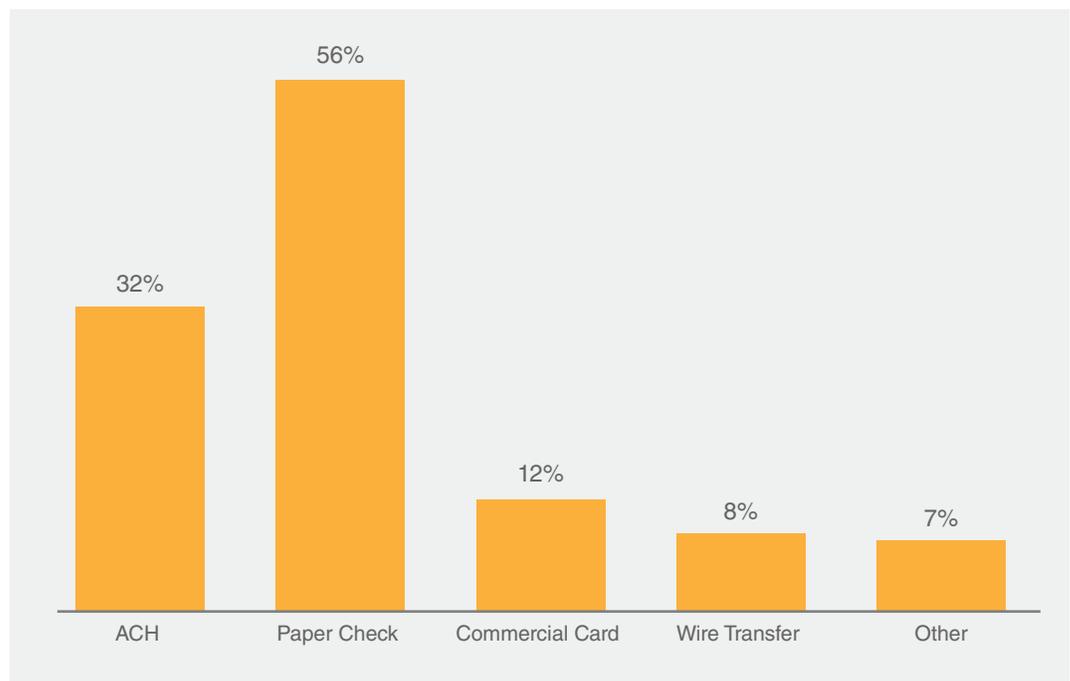
According to survey results, nearly one-quarter of organizations currently receive more than half of their invoices electronically from suppliers; showing that supplier integration is moving in the right direction, see Figure 11.

Figure 11

Percent of Invoices Sent Electronically to Buyers from Suppliers

Nearly one-quarter of buyers currently receive over half of their invoices electronically from suppliers.
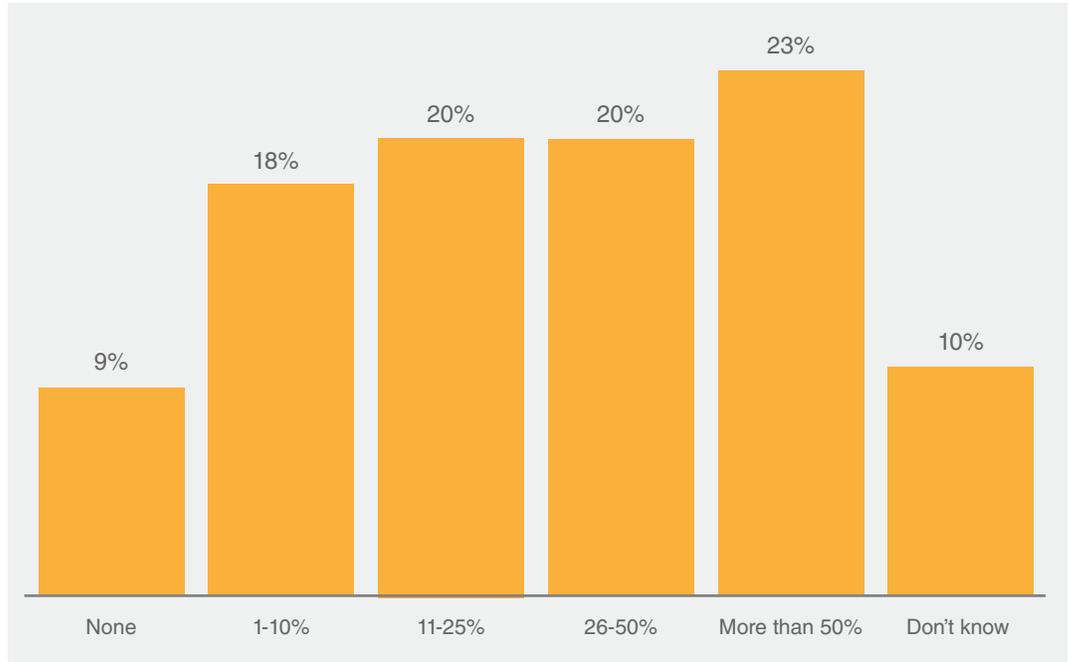
The eProcurement Universe

eProcurement solutions work to streamline the purchasing process by enabling organizations to instantly connect to vendor catalogs, generate requisitions, utilize sophisticated workflow tools for approval processing, and deliver purchase orders to suppliers electronically. PayStream Advisors defines the electronic procurement universe as consisting of six broad categories of functionality. Each of the solution providers profiled in this report provide a unique solution and approach to the market, but all of them address the six functional components of the Electronic Procurement Universe. Understanding the six steps involved in the procurement process will help procurement and technology professionals in the vendor evaluation and selection process.

1) Purchase Requisition – This step involves the integration with online vendor catalogs, which list approved products and display negotiated pricing and contract terms. This catalog is then managed, as product availability or prices change, and new items are added. Most solution providers pride themselves on providing an interface similar to the average consumer retail shopping site, such as Amazon. Utilizing the requisitioning or purchase order functionality, buyers can log into the procurement system to search for products and services, compare multiple items, save favorite searches, easily access frequently purchased items and order the items needed. Most solutions allow users to order products from multiple suppliers through a single requisition or purchase order. Another aspect of requisitioning is the ability of the solution to control and reduce rogue spend, or spend that is in violation of corporate purchasing policies. These solutions address rogue spend by flagging purchases that are over a certain dollar value, or have been ordered from a non-preferred vendor and alerting the appropriate authorities.

2) Requisition Approval – Once a purchase requisition is created, it is routed for approval based on the business rules and criteria configured by the organization. The approval process can be as advanced as an organization chooses. eProcurement solutions allow multiple levels of approval to model their clients' organizational charts. Approval workflows can be designed based on category of spend (one person approves office supplies, while another reviews all electronic items), dollar thresholds (all items over a certain dollar amount have to be approved by two users), business unit, geographical location, supplier categories or any other custom parameters. eProcurement solutions come bundled with a robust set of notification tools to alert users via email when requisitions or purchase orders are pending and require their approval. Approvers are also notified of any items that have been ordered in violation of purchasing policy.

Figure 12 — eProcurement Universe: Purchase Requisition, Requisition Approval, Workflow Management, Purchase Order Delivery, Receiving & Reconciliation, Reporting & Analysis

3) ***Workflow Management*** – Workflow management involves the definition and management of user roles, rights and permissions. Administrators can specify which users can create requisitions, what their spend limits are, and which approvers are responsible for what items or dollar thresholds, to name a few. Most solutions offer an intuitive and easy-to-use interface to manage the workflow administration process, either through drag and drop functionality, templates or simple menu-driven features. Alerts and notifications go hand-in-hand with workflow management. Administrators can also configure the number and type of notifications to be sent to users as well as provide strong workload balancing capabilities, allowing users to delegate their responsibilities to other users in the event of vacations or other out-of-office scenarios. Finally, another aspect of workflow management is the ability to handle automated escalation procedures – notifying supervisors or managers if no action is taken on a pending task within a specific period of time.

Figure 13

eProcurement Process Flow

eProcurement solutions provide robust functionality from purchase requisition or purchase orders to receiving and reconciliation.

eProcurement Process Flow

Web Portal Submission
Direct ERP Integration
Invoice Validation
Document Scanning/OCR

1 Invoice Generation / Delivery

2 Approval Workflow Management

Workflow Configuration
Routing & Review
Alerts / Notifications
Reminders & Escalations

Process Monitoring
Search & Retrieval
Invoice / Supplier Reports
Discount Management

5 Reporting & Analysis

3 Exception / Dispute Handling

Invoice or Line Item Level
Attachments / Comments
Workflow for Resolution
Collaborative Interface

4 Discount / Payment Management

Discount Scheme Configuration
Payment Initiation
Multiple Payment Types
Remittance Management

4) Purchase Order Delivery – This stage includes the creation of purchase orders from approved requisitions and the transmission of the orders from buyers to suppliers. Most solutions support the batching of multiple orders to a single supplier or conversely the creation of multiple POs to be delivered to different suppliers from a single requisition. This can be done in an automated manner, without any manual intervention. eProcurement solutions also provide the functionality to handle blanket POs and partial shipments. Suppliers to choose how they want to receive the POs – via email or web portal. Suppliers can also use the portal to accept the POs and send advance shipment notices (ASNs) and notifications when items are actually shipped to buyers.

5) Receiving and Reconciliation – Most eProcurement solutions address more than just the ordering process by including functionality that covers invoice management and receiving. On the supplier side, eProcurement solutions facilitate the flipping of POs into invoices, and the delivery of invoices to the buyer. On the buyer side, they automate the goods receipt and reconciliation process. These solutions support centralized and distributed receiving and allow buyers to select the purchase orders against which goods have been received and track lost numbers, quantities received and expiration dates. Some eProcurement systems also provide the ability to handle returns or hold the items for inspection, if needed. Finally, the solutions enable two- or three-way matching between POs, invoices and goods receipt documents. Some solutions go a step further and facilitate matching with contracts.

6) Reporting and Analysis – This includes the ability of the solution to generate standard and custom queries and reports and provide visibility and business intelligence (BI) across transactions to both buyers and suppliers. The solutions provide comprehensive audit trails of all actions taken within the system with date and time stamps. They also offer vendor self-service options to reduce the number of supplier inquiries to the procurement department. Users also have the option to schedule and receive periodic reports based on custom criteria. Analytical capabilities allow managers to examine spend at various levels, including type of expense, employee department and region. This real-time data gleaned from the P2P process can be used to comply with regulatory requirements and can also provide valuable business intelligence for strategic spend analysis and reduction of rogue spend. Some solutions even leverage inter and intra-industry best practices and spend statistics to offer benchmarking services.

eProcurement Models

There are factors to consider when choosing an eProcurement solution that go beyond the depth and breadth of solution functionality. Procurement and IT professionals evaluating an eProcurement solution must consider whether to implement a licensed software solution or opt for a Software-as-a-Service (SaaS) model, maintained by the solution provider. There is no one-size-fits-all answer to this question, and the choice will depend on your organization's specific needs and the in-house IT department's ability to implement and manage the solution.

Licensed Software – A licensed eProcurement solution offers benefits in certain areas. One of the biggest advantages of a licensed product is that it can be installed and run from behind the company's firewall and ownership provides a higher degree of control and flexibility. When it comes to licensed versions, clients can modify or customize the solution to meet their specific business requirements, control the platform, and adjust its security parameters.

Software-as-a-Service (SaaS) – A SaaS model is hosted and maintained by the technology provider. SaaS models require minimal up-front costs, due to the fact that clients do not have to pay to license and install the software. SaaS solutions are also deployed quicker, resulting in immediate cost savings. Another compelling advantage of SaaS solutions is that the buyer is not burdened with the periodic expense and effort of upgrading to new versions of the solution and paying annual maintenance fees. Overall risk is also lowered, as most SaaS solutions are provided on a subscription basis, limiting 'buyers' remorse' and allowing a company to switch providers more easily if the solution does not produce the expected results.

eProcurement Outsourcing – Another option for automating the procurement process is procurement outsourcing. Procurement outsourcing providers work with organizations to manage existing processes and deliver a wide range of support around purchasing, order fulfillment, materials management, receipt and inventory control. Organizations leverage the procurement outsourcing provider's technology and expertise to offload transactional functions, allowing them the ability to focus on higher value, analytical activities.

Each of the three options outlined above has its advantages, disadvantages and associated costs. The solution of choice depends entirely on organizations requirements. However, two factors are critical when deciding on a solution:

1) The financial stability of the solution provider;

2) The total cost of ownership, which includes implementation and integration costs, change management costs, functionality fit, ease of use and the ability to adapt to a constantly evolving business landscape. To help calculate the total cost of ownership (TCO), PayStream has created an easy to use TCO calculator that can be accessed via the PayStream Advisors website. This tool is complimentary and will help your organization decide which model is more cost effective.

Learning from the Innovators

Organizations suffer inefficiencies when utilizing the traditional paper-based procurement process. Procurement costs are a large controllable cost, and many organizations are interested in streamlining the procurement process through automation to reap the rewards that eProcurement tools provide. With the abundance of sophisticated eProcurement tools available in the marketplace today, why aren't more organizations making headway to control eProcurement costs? The answer lies in the execution.

PayStream Advisors research indicates that the difference between a winning procurement automation program and an unsuccessful implementation lies in the ability to execute such initiatives. The subtleties between a success and a failure are based on rather simple principles. This section of the report endeavors to provide the secrets of successful procurement management with a look into best practices of eProcurement innovators. What techniques have they employed to better control costs? How do they monitor their programs? In short, what are they doing that you could be doing to ensure that your eProcurement initiative is a success?

Define Expectations – Even before you start investigating eProcurement options, have a clear understanding of what you expect to achieve through automation. Thoroughly document the benefits and ensure that they align with your business environment and purchasing needs. These expectations will vary with each organizations unique needs and can range from the number of suppliers you want to transact with and the percentage of purchase orders you want to deliver electronically, to the reduction or redeployment of purchasing staff and reducing your procurement costs by a certain percentage. By having well-defined expectations, you are creating benchmarks against which you can monitor the success of your procurement program.

Use of Technology – The biggest lesson that PayStream has gleaned from the early eProcurement adopters is that technology alone does not equate with strategy. Simply implementing the latest or most expensive eProcurement solution is not going to help you achieve the objectives you have outlined. First develop a sound purchasing strategy, and then implement the procurement technology that complements the strategy. A big part of choosing the best system means having a realistic view about your company and its needs. Remember that the best solution does not have to be the most sophisticated or costly one in the market today; it is the solution that best suits your unique needs and enables all levels of your procurement strategy to be successful. This report and buyers guide is designed to help you get started in the process of choosing the appropriate eProcurement solution for your company.

Company Support – The success of any project requires support from the entire company and eProcurement programs are certainly no different. Senior management needs to be fully committed as this will enable you to get buy-in from the employees who will using and monitoring the system. Senior management is also responsible for

ensuring that proper funding is allocated for the project and that the procurement automation initiative is not at risk of being derailed at a moment's notice. Many organizations make the mistake of adopting a technologically sophisticated solution, then leaving the workforce to figure out how to use it, and expect to see immediate results. Make sure that the employees who will be implementing the solution, as well as those that will be using the functionality are involved in the project from the beginning and receive the necessary training to obtain the most from the application.

Corporate Policies – Corporate purchasing policies should be dynamic, updated often and disseminated from one centralized source. Companies with successful procurement programs utilize their eProcurement solutions to communicate purchasing policies and procedures to users of the system. For example, if an employee chooses to purchase an item from a non-preferred supplier or opts for an unnecessary upgrade, the solution can not only stop the employee form making the purchase, but can also allow the employee to click a link to view why the purchase is in violation of policy. Integrating your purchasing policies within the procurement application goes a long way toward reducing maverick spend. When employees know their boundaries and are rewarded for compliance, purchasing policies become part of the corporate culture, affording you the best means to effectively manage your procurement process.

Supplier Relationships – Communication with your suppliers and vendors is essential to making your procurement strategy click. Given that cost is such a significant factor in the procurement world, it might be tempting to switch suppliers every time you find a cheaper deal. This approach is only effective in the short-term. Strong relationships with a few trusted suppliers who offer reasonable prices and quality products are definitely going to pay off in the longer-term. This not only allows your procurement department to secure goods and services in a timely manner, but also enables you to enter into preferred vendor agreements with a handful of suppliers and negotiate volume discounts with them. Another thing to keep in mind is that any changes to your procurement application impacts suppliers as well. Don't forget to keep your suppliers in the loop about these changes and communicate to them any changes that might be required on their end.

Business Intelligence (BI)– A wealth of information can be gleaned from procurement systems, allowing managers to examine spend at various levels, including type of expense, employee, department and region. One of the richest features in procurement automation today is the ability to use existing data to strategically monitor and tailor purchasing. P2P business intelligence provides companies with invaluable data for accuracy, planning, forecasting and budgeting. Further, eProcurement solutions deliver the ability to expose patterns of waste and fraud, two areas of growing concern for companies all over the world. It's not so much that instances of fraud has increased over the years, but rather thanks to advanced tools offered by eProcurement systems, the ability to detect fraud has changed dramatically. Companies ahead of the automation curve are proactively using fraud detection and prevention tools offered by their procurement providers to actively address these issues.

BirchStreet Systems

Headquartered in Newport Beach, CA, BirchStreet Systems, Inc. provides global enterprises with a comprehensive business solution utilizing a cloud-based Software-as-a-Service (SaaS) model. Thousands of businesses in 52 countries subscribe to BirchStreet to connect and conduct business with over 200,000 suppliers. BirchStreet uses a procure-to-pay (P2P) platform that focuses on improving business processes for eProcurement, AP Automation, Inventory Control, Spend Analytics, Recipe Management and Capital Budget Management.

BirchStreet software helps customers improve their business and supply chain management processes by simplifying and creating efficient and compliant policies and procedures. The company's success has led to explosive growth, and in 2013 BirchStreet expects to increase customer locations and users by 35 percent and international growth is expected to double.

Website	www.birchstreet.net
Founded	2002
Headquarters	Newport Beach, CA
Number of Employees	75-100
Solution Name	BirchStreet
Number of Customers	Over 5,000 properties with over 70,000 registered users.
Target Verticals	Hotels, resorts and spas, entertainment venues, education, convention centers, healthcare, restaurants and bars, golf, country clubs, cinema, casino and gaming, and government institutions, and correctional facilities, both private and public.
Partners / Resellers	Resellers include: Brilliant Technologies in China; CedarCreek, who supports country clubs, golf, restaurants and bars; and Buy Association, who supports restaurants and bars. Strategic partnerships include: Avendra, Hilton Supply Management, Premier, and AAHOA (Asian American Hotel Owners Association).
Awards / Recognitions	» 2011 - Top 100 Supply Chain Project Award from Supply & Demand Chain Executive Magazine for the implementation of BirchStreet's Procure-to-Pay solution for Pillar Hotels & Resorts' 250 properties. » 2011 - Selected as a top performer among the world's leading eProcurement solutions in the 2011 Gartner eProcurement Market and Vendor Landscape report. » 2012 - Hospitality Upgrade recognized BirchStreet for Smart Technology

Solution Overview

BirchStreet launched in 2002 with two core clients, Interstate Hotel Corporation and Hilton Hotels, which both started with BirchStreet's eProcurement module. Since then, the evolution of new modules and service offerings emerged with a term BirchStreet coined as "innovation by collaboration" with clients. BirchStreet reaches out to its client base and routinely listens to customer needs to create a platform that will benefit all of the company's clients. One of BirchStreet's biggest differentiating points is the company's customer-centric culture which leads to growth and innovation. Tapping into client resources and meeting the specific needs of its client base is at the core of BirchStreet's success.

BirchStreet is one of few companies that provide a complete Purchase-to-Pay solution for the hospitality industry with a low total cost of ownership (TCO). While BirchStreet clients encompass a wide range of industries, BirchStreet provides the most successful and experienced SaaS based P2P solution for global hotel enterprises. Their proven track record includes over a decade of deploying their solution to a large number of properties worldwide efficiently and reliably. In fact, BirchStreet deployed its solution to 500 hotels for a customer in a single year.

The BirchStreet software is designed, developed, quality assurance tested, supplier adopted and customer supported in-house on one fully integrated, common platform. Each client has a unique marketplace for their selected products and services in a secure environment. BirchStreet's solution fully supports the full purchasing lifecycle from start to finish. An upcoming version of BirchStreet's solution will also include Preventative Maintenance Management, Expense Reporting Integration, Full Contract Management and Banquet Management System Integration.

BirchStreet offers one of the most comprehensive, efficient and flexible systems on a P2P platform. BirchStreet brings value to customers by allowing them to gain better compliance to internal policies and procedures. The software's tools are analytical, which helps clients achieve a business process improvement (BPI) and true visibility to all levels of management and users. BirchStreet's eProcurement systems help clients manage their supply chain and purchasing programs efficiently and effectively by reducing paper costs, improving supplier integrity and increasing each client's compliance percentage.

The solution is extremely user friendly and easy to navigate with quick view buttons and tabs, which allow clients to quickly create purchase orders or requisitions and route them electronically for approval, create personal or shared order guides of items that a company purchases on a regular basis, and set up suppliers and send POs electronically through a system generated fax or email. Users and administrators view the buttons and tabs and have access to instant reports for easy use and navigating. Administrators have their own screen views that can quickly customize budgets and reports. BirchStreet is currently undergoing further Graphical User Interface (GUI) upgrades to provide clients with a refreshed interface and new "dashboard" for even easier usage.

The BirchStreet software can be implemented in modules. It is completely scalable due to its existing architecture and structure. Due to its SaaS platform, updates are made immediately with no client down time. The company has an in-house development team to immediately address and accommodate customer needs.

BirchStreet's industry leading catalogs and order guides are robust, offering real-time pricing on-the-fly from over 200,000 suppliers. This ensures products received and prices charged are within contract compliance. BirchStreet provides a dedicated URL for punch-out catalogs, in addition to on-the-fly catalogs that clients can quickly log in to update or change data themselves. BirchStreet's flexible and highly customizable solutions are available in multiple languages and currencies.

BirchStreet's Spend Analytics module provides comprehensive business intelligence that provides users with instant, real time visibility into line-level product purchase compliance. Being able to identify purchases that are non-compliant provides the benefit of increasing compliance to supplier contracts. Spend Analytics provide control over product choices, brand standards, supplier contract compliance and purchasing procedures and controls.

The Recipe Management software that BirchStreet provides simplified electronic recipe creation and automates the process of managing food cost at a single location or across a large portfolio of properties. This is quickly achieved by interfacing with price data from BirchStreet's eProcurement catalogs which are continuously updated. Clients need to simply link ingredients to BirchStreet's comprehensive ingredient library and the system computes nutritional facts, allergen and cost on a recipe, per serving and ingredient level.

BirchStreet interfaces with all major Enterprise Resource Planning (ERP) and POS systems including SAP, Oracle, PeopleSoft, Lawson, Sage products (ACCPAC, MAS200), Sun Systems, JD Edwards, and many others. Clients have the option to interface through an FTP site on demand, which sends csv data files that a third party can utilize, or an EDI interface that can utilize live cXML or API capabilities. Customers can select their timing to either have push or scheduled live exchanges, depending on their specific needs and preferences.

Pricing and Implementation

The average BirchStreet implementation process is 90 to 150 days, depending on the complexity of the project in terms of design, development, configuration and customization. Implementation occurs in five stages, and can be implemented in stages, to meet a client's specific needs. BirchStreet provides flexibility at each stage, to ensure complete client satisfaction of deployment.

BirchStreet offers a fee structure that is flexible to accommodate all types of companies. There are two types of fees charged with the SaaS model – a one-time implementation fee and an annual fee for subscriptions and maintenance. BirchStreet can also

accommodate front loaded fees. Clients generally achieve a full 100 percent return on investment (ROI) within the first year; however, this depends on client utilization.

Training and Support

All of BirchStreet's training is customer specific and depends on the complexity of each project. BirchStreet provides on-site training, webinars, corporate contact/marketplace administrator training, self-guided videos, and reference guides. Training can be requested at any time, in any format by the client.

BirchStreet provides 24 hour support Monday through Friday with customer support locations in California, India, China and Germany. Clients can access support by phone, email, instant message and fax. BirchStreet provides two different tiers of support. Tier 1 is for standard support questions and issues at a property level, and Tier 2 calls deal with larger, critical issues, where a project manager will provide system technology development and assistance.

Conclusion

As Accounts Payable and procurement functions strive to take more strategic approaches to cost management, P2P solutions are gaining momentum and are becoming an increasingly popular tool to increase the synergy between the two departments and improve collaboration between the two functions. True collaboration between AP and procurement can only be achieved by working through one shared technology that provides seamless integration from sourcing, all the way through to payment. A P2P solution works to do just that, by bridging the disconnect between AP and Procurement.

Leveraging a combined platform or a single business network for both AP and procurement functions adds invaluable intelligence throughout the entire business process, which results in more on-contract purchases, increased invoice automation and accurate transaction processing. The integration of AP and procurement transactions increases first time invoice match rates, which increases the invoice cycle processing time, allowing organizations to take advantage of early pay discounts and avoid late payment penalties. These savings would prove difficult to capture with separate AP and procurement functions.

Organizations are continually looking for opportunities to improve and an integrated, holistic approach to addressing the Procure-to-Pay cycle can yield significant benefits and bottom line savings.

About PayStream Advisors

PayStream Advisors is a technology research and consulting firm that improves the way companies plan, evaluate, and select emerging technologies to achieve their business objectives. PayStream Advisors assists clients in sorting through the growing complexities of IT applications related to business process automation with the goal of making objective, analytical, and actionable recommendations. Wherever business process automation technology is an issue, PayStream Advisors is there to help. For more information, call (704) 523-7357 or visit us on the web at www.paystreamadvisors. com.