

## Ariba® Invoice and Dynamic Discounting

Pay early, save more



When it comes to improving performance, many organizations fail to devote a lot of attention to their accounts payable (AP) activities. Sales and marketing activities or product manufacturing are where the focus traditionally is. Those are the activities generally viewed as the moneymakers, while AP is viewed as the function that sends money out the door—to suppliers and to service providers. But it doesn't have to be that way. The Ariba®, an SAP company, Invoice and Dynamic Discounting solution stands to help AP departments hold on to more of the organization's money.

### **Paying efficiently can pay off**

Paying vendors is essential to an organization's ability to operate, to deliver its own products and services, and to bring in revenue. Beyond those basic needs lies a largely unstated requirement: to help keep relationships with suppliers strong, healthy, and friendly. Moreover, timely and efficient payment to suppliers helps ensure that suppliers can thrive and can continue to provide a steady flow of the products and services on which your organization relies.

At some organizations, the amount of paper still involved in the AP process is staggering—and those mountains of paper help form a barrier that can prevent an organization from moving to a more automated solution. Mixed into the challenge are the intricacies of long-established processes: sorting through suppliers' paper invoices, matching up information on purchase orders, entering data into existing systems, and sometimes adjusting the information to document more complex purchasing relationships.

It can't go on like this. And it won't. Organizations inevitably will step away from the paper process and toward a more full-featured automated solution that can handle even highly complex payments and optimize working capital through discount scenarios. Such solutions are already here, and they promise savings beyond the basic savings that come through efficient automation. For example, the Ariba Invoice and Dynamic Discounting solution offers AP departments a way to tap into additional cost savings by receiving invoices electronically, making swift payments, and enjoying supplier discounts that come through early payment. Discounts can equal more money in the bank.

In simple terms, the Ariba Invoice and Dynamic Discounting solution relies on suppliers using the Ariba Network to submit invoices via the Web, gain visibility on the customer's payment status, and then apply discounts for early payment. The customer organization can enjoy the discount, while the supplier can enjoy transactions that offer more transparency and put money into its own accounts faster.

### **How we can help**

Deloitte excels at unraveling and understanding the intricacies of business operations—and discovering how those operations can evolve to deliver more value. That's the insight we bring. We also bring hands-on experience. We excel at planning and executing change—and putting in place technology solutions that can transform how you do business. But getting from insight to change requires organizational buy-in—and that requires explaining the value of change. Deloitte excels in that area, too.

Making the move toward greater AP automation and discounted prices from suppliers will involve buy-in from your own organization's leadership as well as from your network of suppliers. In many cases, your suppliers are already plugged in to the Ariba Network—ready to start rolling with automated invoices and dynamic discounts. Deloitte can help you identify your suppliers' readiness to participate in Ariba Invoice and Dynamic Discounting. Deloitte can also help you make the business case—both to your internal leadership as well as to suppliers—that taking a cloud-based approach to interactions, transactions, and discounts is the smart way to go. And as you move forward with Ariba Invoice and Dynamic Discounting, Deloitte can bring to bear its deep experience to help with:

- Developing the business case, including analysis of "current state" compliance levels and modeling of potential "future state" cost-savings targets
- Assessing current business processes and evaluating them in light of planned targets and desired outcomes
- Developing a standard set of proven invoice-matching rules and setting up preconfigured invoice-approval flows based on best practices
- Producing simulation models to assess dynamic-discounting opportunities
- Building a business-process-improvement framework with realistic targets and operational metrics
- Developing strategies and approaches for managing working capital, payment terms, and cash flow
- Undertaking communication and training activities—aimed at both internal users and suppliers—to ease the organizational change involved with embracing Ariba Invoice and Dynamic Discounting, and to help drive and sustain adoption
- Executing a comprehensive project management plan, including templates and accelerators such as test scenarios and integration points
- Conducting independent compliance testing—including an informal process audit on discounts taken against cash-flow strategies, consistent tracking of supplier performance, and value unlocked through early-payment discounts

And when it comes to working with your suppliers, Deloitte can help ease the transition by helping you:

- Profile suppliers to determine their readiness and capabilities
- Prioritize suppliers and/or commodities suited for Ariba Invoice and Dynamic Discounting
- Assess how to sequence the ramp-up of suppliers as you roll out the new solution

- Tailor the process, rules, documentation flow, workflow, and approvals for dealing with suppliers
- Work with suppliers to refine contract issues associated with dynamic discounts

### **Bottom-line benefits**

Moving to Ariba Invoice and Dynamic Discounting represents a transformational step for your organization. With it, you stand to:

- Bring real savings—real monetary benefits—to your organization through previously untapped discounts
- Position your organization for improved and ongoing efficiency—and for greater agility
- Strengthen your relationship with suppliers—big and small—through increased self-service, smoother communication, and smoother transactions
- Reduce administrative labor costs or free up existing resources to work on initiatives with bigger value implications
- Improve your overall days payable outstanding (DPO) while at the same time helping your suppliers reduce their days sales outstanding (DSO)
- Show how activities by your AP group create value for the overall organization

### **How to plan for the future of invoicing and dynamic discounting**

Automated invoicing and dynamic discounting is where the world of accounts payable is headed. Many organizations are already there, taking advantage of technological advancements that have arisen in just the past few years—advancements that have delivered a cloud-based solution that's more refined and even more appropriate for the intricacies and quirks of modern accounts payable activities. You can get there, too. Deloitte can help you plug into the world's largest trading partner network—and plug in smartly. Here are a few pieces of guidance that will help prepare you to start making the move toward greater invoice automation and dynamic discounts:

#### **Assess your supplier base**

Evaluate the strength, importance, and depth of relationships with various suppliers—using quantifiable data such as transaction volume and spending. Get an idea of what your suppliers are up against—in terms of their cash-flow challenges and IT challenges, for example. Find out which suppliers are most eager to offer discounts in exchange for early payment. Find out which of your suppliers is already Ariba-savvy or already offers dynamic discounts through Ariba.

### Choose your targets

Determine the supplier/commodity areas in which dynamic discounting would offer the biggest payback to your organization. This preparation will allow you to make your business case, identify the key suppliers you'll need to work with, and lay the groundwork for automating the process.

### Understand the costs, the benefits, and the economics

Know what's at stake, and get an idea of the various cost viewpoints at play. Paying late or holding payment until the last minute can hurt the supplier, who might need to manage cash flow and assure a steady stream of production. Holding money in the bank until the last minute might mean your organization gets a little more interest from it, but paying early brings discounts that can in many cases more than make up for those gains. (And if your organization also acts as a supplier, you might need to consider moving your customers toward an early-payment model that will make sure you have money in the bank for paying your own suppliers.)

### Start selling the idea to leadership

Begin a dialog with top-level leaders to show them that dynamic discounts from automation could produce major cost savings for the organization. It might take more than one discussion to show them the value and the process involved.

### Start selling the idea to suppliers

Although the heavier investment and challenges lie on the purchasing and accounts payable side of the equation, suppliers will obviously need to make adjustments, too. Getting your more old-fashioned suppliers to make investments in time and technology to move toward an automated approach could require a lot of persuading on your part. You may need to make the business case to them as much as you'll need to make the case to your own

organizational leaders. Get started now by providing your suppliers with easy-to-digest data and anecdotes that will help you build your business case.

### Refine rules, contracts, and procedures

Even if you're not sure when you'll make the move to greater automation for invoices and discounts, getting your house in order can save you headaches in the near term and can help make future technology transitions faster and easier. (You might be able to continue to rely heavily on paper-based processes for a few more years, but many suppliers will automate and compel you to play catch-up.) Know what is expected of whom. Make sure the business rules are clear for how AP operates and how you interact with suppliers. Know and document how processes flow, or how they should flow. Make sure you can readily access information on your existing contracts, and make sure you understand the payment terms and discount possibilities in those contracts. In some cases, you may have to tweak contracts with suppliers to accommodate a new payment scheme.

### Getting started

If your organization wants to tap into the potential savings that can come from paying suppliers early, Deloitte has plenty of guidance to offer. And we can help you build the case for developing an Ariba-based and integrated solution that will drive those savings.

### Related offerings

- Ariba and SAP® Hybrid Implementation
- Ariba Sourcing and Contract Management
- Ariba Procurement and Catalog Management
- Ariba Network
- Fieldglass for Contingent Workforce
- Cloud for Travel

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