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The direct approach
Finding new value with direct procurement

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For product makers, the costs associated with direct materials—the components that actually make up the product—can represent as much as 70% of costs. Bringing new efficiency to direct materials supply chain and sourcing, therefore, represents a huge opportunity for companies to realize new value.

Within many organizations, however, value remains out of reach. They continue to plod along with traditional, often manually intensive methods of acquiring direct materials. They might rely heavily on electronic data interchange (EDI), a decades-old peer-to-peer method that allows two parties with an established relationship to exchange procurement-related documents. But amid today's dynamic digital business landscape, EDI is starting to show its limitations, and businesses are clamoring for powerful new tools that can help them collaborate more actively with direct suppliers, bring efficiencies to direct materials sourcing, and remove risk from the equation.

Emerging capabilities

Increasingly, companies such as SAP® Ariba® are offering product makers hope for transforming how they procure direct materials. As a long-time player in the indirect space—for things like services and finished goods—SAP Ariba continues to add features and functionality that will allow users to see new value in their direct procurement activities.

The SAP Ariba suite of solutions provides a modern digital platform for commerce. As a global trading community, the Ariba Network serves as a business-to-business marketplace for buying and selling goods and services "at the speed of the internet." SAP Ariba's solutions encompass functionality that includes sourcing, contract management, supplier management, various direct procurement processes, working capital optimization, and spend visibility—to help businesses better visualize information, make meaningful decisions, and execute effectively. As SAP Ariba continues to innovate, it has emerged as an enabling platform for direct materials procurement activities, with SAP continually adding new capabilities to support complex direct-procurement processes. And it augments the direct solution enabled in SAP® ERP or SAP S/4HANA® to bring incremental value for organizations using those solutions.

It's all connected

Direct procurement activities can represent a huge portion of costs for product manufacturers. They also represent an opportunity for new efficiencies and savings.

"Engineers and product planners—not just frontline procurement staff—can become more active participants in the direct procurement process."

The possibilities

For product manufacturers, the evolution of SAP Ariba's solutions opens up a spectrum of possibilities for new supply chain value.

Collaboration

Buying organizations can leverage tools to collaborate directly with direct suppliers, allowing them to develop a new understanding of material offerings and vendor capabilities as well as establish a more interactive line of communication to resolve issues efficiently.

Cloud capabilities

New profit opportunities through a SAP Ariba brings the streamlined, scalable, "access anywhere" benefits of cloud-based solutions to the direct procurement process, meaning that employees across the enterprise can readily get the information and tools they need.

Simplicity

An intuitive interface and feature set provides an ease of use that allows employees beyond traditional procurement roles to participate. Engineers and product planners—not just frontline procurement staff—can become more active participants in the direct procurement process.

Integration and strategy

You can start linking your processes in new ways to create a more integrated supply chain—one that allows you to develop a comprehensive view of your business as you connect activities such as sourcing with activities further down in the supply chain such as receiving and managing direct materials. SAP Ariba's support of direct materials allows you to start thinking more strategically about the components that go into your products—to see possibilities for new savings, explore new offerings, and better understand where risks lie.

"As an SAP platinum partner, we understand what SAP and SAP Ariba solutions can do and where they are going."

How we can help

We are working closely with SAP Ariba to help develop next-generation features. As an SAP platinum partner, we understand what SAP and SAP Ariba solutions can do and where they are going. Here's how we can help you transform your business with a new direct materials approach enabled by SAP Ariba.

Business first

Our "business first" approach means we begin with understanding your current business processes, how you can improve them, and how a realigned set of processes can work within a modern SAP landscape to deliver new value for your organization. We also can help you make the business case for moving to SAP Ariba for direct materials.

Technical proficiency

We're an SAP value-added reseller of software licenses and an SAP implementation partner. We do more than hand off a solution. We have extensive experience in system integration, with a long track record of delivering projects on time and on budget. Whether you're looking to integrate SAP Ariba solutions with other SAP offerings or non-SAP systems, we understand what it takes.

Comprehensive capabilities

Our global network of more than 16,000 business and technology professionals focused specifically on SAP and SAP Ariba means we can address needs across the enterprise, across industries, and across geographies. More than that, we

can customize our offerings to meet the particular needs of your business. We have deep industry-specific experience as well as category-level experience, to help you address the needs unique to the components and materials you use.

Tools for moving fast

We understand that speed is critical, which is why we have developed a preconfigured solution designed specifically for accelerating your direct materials transformation. We also leverage the SAP Activate innovation adoption framework and our proprietary Enterprise Value Delivery methodology to jump-start and then guide transformations. The tools we employ can help reduce the implementation timeline by as much as 40%.

The big idea

With preconfigured solutions, implementation help, and strategic guidance from Deloitte, organizations can leverage SAP Ariba's capabilities to start realizing new value in the realm of direct materials.

We also can assist you with an array of needs specific to building new direct materials capabilities. We can help you:

- Develop a strategy to find the right mix of direct materials suppliers and explore new supply markets

- Negotiate with suppliers, engage in auctions, and enhance your e-sourcing capabilities

- Bridge sourcing and transactional capabilities to create an integrated, end-to-end supply chain solution that leverages real-time analytics to improve decision-making

Potential bottom-line benefits

- Reduction of the latency in quality communications between and amongst trading partners

- Reduction of Inventory carrying costs

- Inventory costs reduction by virtue of added visibility to inventory and lead time reduction

- Increase in forecast accuracy

- Improve decision-making with greater information transparency and analytics

- Automate functions and bring new efficiencies to business processes

- Collaborate and build stronger relationships with suppliers

How to realize more value with SAP Ariba

Ready to start transforming the direct materials picture? Here are some things that you should consider doing to make the transformation more effective.

- Understand your current direct materials capabilities and pain points

- Develop a vision for your next step with direct materials and a vision of your "ultimate destination"

- Build your relationships with suppliers, engaging them in conversations about your vision and strategy

- Look at technology as a tool for collaborating, not just moving data and executing transactions

- View supply chain transformation as an ongoing journey, not a one-time event
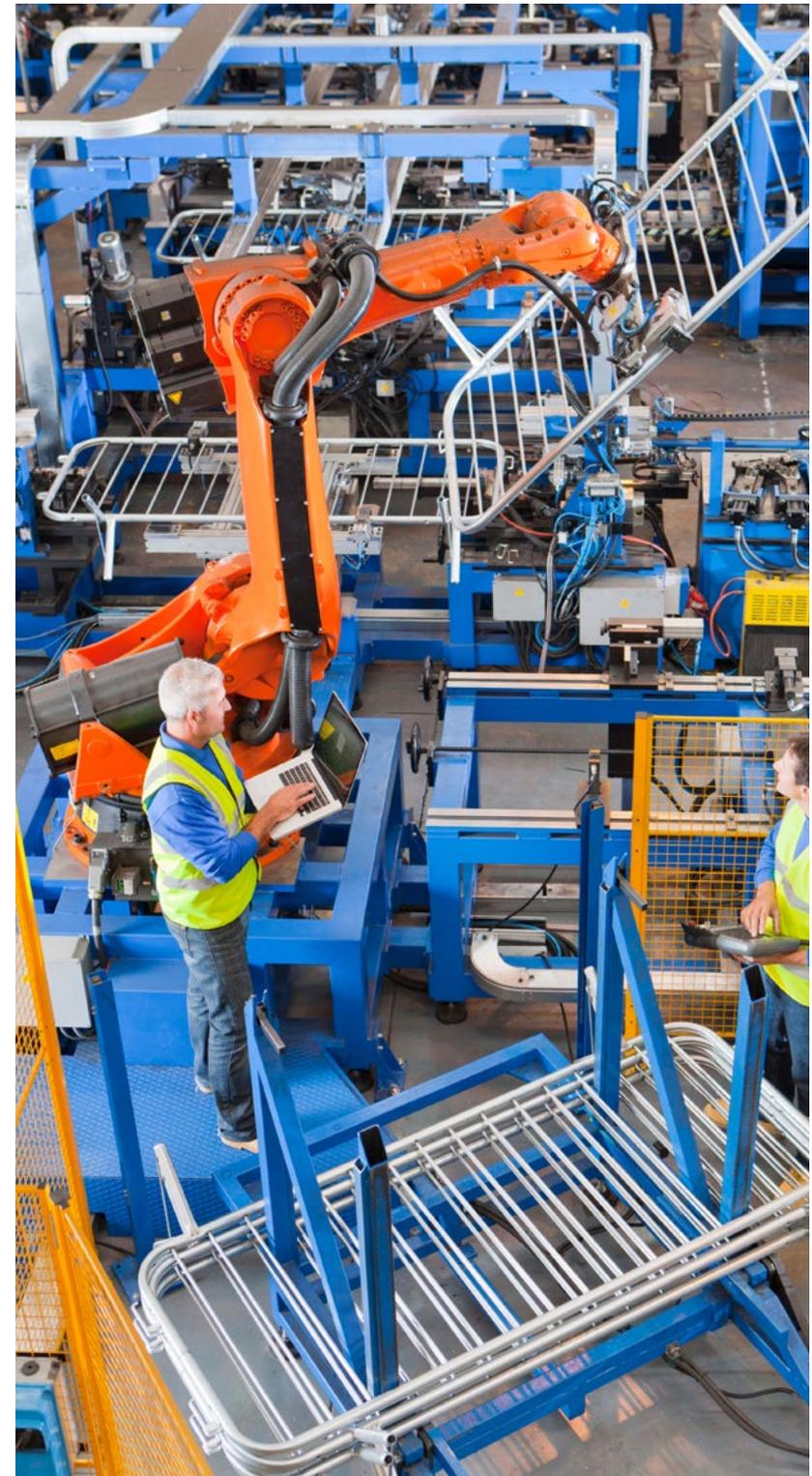
Let's talk

Shaping a future vision for direct materials takes more than technology. It takes strategy and guidance. If you're ready to start exploring a new path for the supply chain, we're ready to help. Contact us to get the conversation started, to schedule a demo, or to learn more about Deloitte capabilities for transforming the supply chain.

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