

Supplier Networks: The Cost-Saving Connection

The growing disconnect between enterprises and their supply base has consistently resulted in higher invoice-processing costs, decreased visibility into spend, and more instances of non-compliance. Through the advent of **supplier networks**, enterprises are able to more quickly connect with their suppliers and ensure a long-lasting bond that can generate lower costs and quick turnaround on sourcing, procurement, and payment activities. Aberdeen research has found that enterprises currently utilizing supplier networks have seen nearly 30% lower processing costs than organizations without a network in place.

Lower Costs, Better Connectivity

Supplier networks take supplier enablement one giant step forward; instead of multiple pathways from an enterprise to its supply base with regards to payment and sourcing, supplier networks require a single connection that can cover the entire procurement and accounts payable gamut, all in an automated fashion that drives lower costs and an increase in speed.

Table I details the key performance metrics of enterprises that utilize supplier networks against those that don't. Supplier networks have helped organizations drive payment costs that are **nearly 30% lower** than those of enterprises without a supplier network in place.

Table I: Performance Breakdown - Supplier Networks

Performance Area	Supplier Network Connected	Supplier Network Not Connected
Cost to process / complete a single payment (\$US)	\$6.28	\$8.11
Cost to process a single invoice until payment is scheduled (\$US)	\$20.91	\$22.36
Average cycle time in days from the receipt of an invoice until payment is scheduled	15.5 days	17.9 days

Source: Aberdeen Group, May 2008

Supplier networks are also assisting in the improvement of requisition-to-order cycle times; enterprises currently utilizing supplier networks are experiencing **cycle times that are 15% shorter** than those of enterprises without supplier networks in place.

Research Brief

Aberdeen's Research Briefs provide a detailed exploration of a key finding from a primary research study, including key performance indicators, Best-in-Class insight, and vendor insight.

What is a Supplier Network?

Supplier networks are web-based bonds that allow enterprises to have quicker access to their suppliers over a single connection. Supplier networks allow enterprises to bypass manual and point-to-point solutions, thereby providing an automated access base that streamlines the entire procure-to-pay cycle.

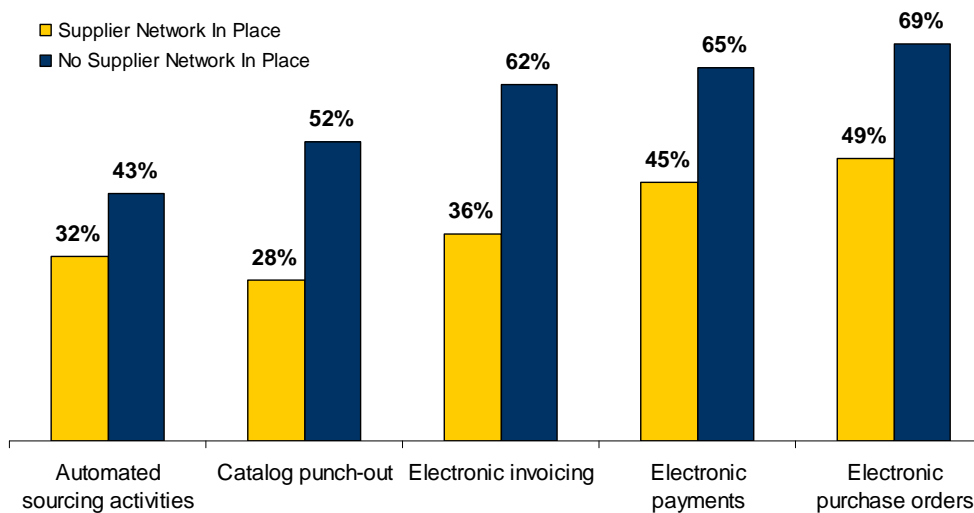
Revolutionizing the Payables Scene

The April 2008 Aberdeen *Supplier Enablement* Benchmark Report found that supplier enablement processes are spilling over into a new world: Accounts Payable (A/P). Electronic invoices, electronic payments, and electronic purchase orders are all part of the supplier network package, enabling enterprises to streamline payment processes and decrease the costs and inefficiencies of manual and paper-based systems. Enterprises connected through supplier networks are more likely to leverage electronic POs (69%), electronic payments (65%) and e-invoicing in their quest to decrease processing costs (Figure 1).

"Our supplier network has increased electronic invoicing volume, which has improved spend under management, spend visibility, and analysis."

~ VP of Procurement, Large Financial Services Enterprise

Figure 1: Procure-to-Pay Cycle Activities



Source: Aberdeen Group, May 2008

Speed: One of Many Benefits of Supplier Networks

One of the most alluring benefits of a supplier network lies with the speed of its connection. Supplier networks allow an enterprise to enable their suppliers for electronic payments, invoicing, and POs much faster.

Table 2: Supplier Enablement Length Performance

Performance Area	Supplier Network in Place	No Supplier Network in Place
Time to enable a supplier for electronic POs	24 days	36 days
Time to enable a supplier for electronic invoicing	27 days	38 days
Time to enable electronic payments	24 days	37 days

Source: Aberdeen Group, May 2008

Enterprises that rely on manual methods of payment are typically mired in the muck of paper-based payments (checks). Supplier networks allow a greater range of electronic processing, and as evidenced in Table 2, enterprises are more quickly enabling their suppliers for this type of invoice-processing structure as a result of the "direct connection" configured by supplier networks.

Case in Point

A large North American-based chemicals enterprise placed high priority on a supplier enablement program over five years ago. Before implementation of a supplier network and other supplier enablement activity, the average processing cost hovered around the \$20 mark. After the supplier network was in place and fully connected, **processing costs dipped nearly 75%**.

"Supplier enablement has forced us into thinking differently on the sourcing end when it comes to contracts," said the Procurement Manager. "There's less invoice discrepancy, and our supplier network has helped us achieve much lower processing costs."

Recommended Actions

Enterprises hindered by high processing costs and a lack of communication with their supplier base should look to supplier enablement, as well as supplier networks, to help revamp their current procure-to-pay structure. The following recommendations will help stimulate lower payment costs and superior supplier relationships:

- **Enable electronic A/P transactions.** The [Supplier Enablement](#) benchmark report found that electronic invoicing and electronic payments occur 33% and 46% more frequently in Best-in-Class enterprises than in Industry Average and Laggard enterprises. Organizations should take a cue from top-performers and utilize supplier networks to engage their suppliers in electronic transactions.
- **"Connect once and forget forever:" utilize supplier networks.** Supplier networks are the fastest and easiest way to enable suppliers. They offer multiple capabilities to support both the procurement and A/P department, including catalog management, PO transmission, invoice receipt and workflow, and electronic payment processing. Enterprises muddled with multiple connections with their supplier base should look to these networks as a means of reducing confusion in a manner that will allow them to "connect once and forget forever."

For more information on this or other research topics, please visit www.aberdeen.com/channel/procs.

Related Research

<u>Supplier Enablement: Converging Procurement and A/P</u> ; April 2008	<u>E-Payables: Workflow and Imaging</u> ; March 2008
<u>Supplier Enablement</u> ; May 2007	<u>CPO Rising: The CPO's Agenda for 2008</u> ; February 2008
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