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Benchmarking Survey Form

Procure to Pay - Procurement Benchmarking Survey Fax
 To: (336) 387-1774

Company Name:	<input type="text"/>	Procurement Platform(s):	<input type="text"/>
Survey Respondent:	<input type="text"/>	Document Imaging Platform:	<input type="text"/>
Respondent's Email:	<input type="text"/>	eInvoicing Platform:	<input type="text"/>
Industry:	<input type="text"/>	Catalog/eProcurement Platform:	<input type="text"/>
Number of Employees:	<input type="text"/>	Annual PO Volume:	<input type="text"/>
		Annual PO Dollars Spent:	<input type="text"/>
		Active Suppliers Within 12 Months:	<input type="text"/>
		Disbursements - %age Supported By PO/Contract:	<input type="text"/>
		Management FTEs Supporting Procurement:	<input type="text"/>
		Non-Management FTEs Supporting Procurement:	<input type="text"/>
		Optional: Cost Per PO (full burdened):	<input type="text"/>

Spend Management

- Chief Procurement Officer
- Procurement Managed Globally
- Strategic Sourcing Savings Targets
- Measure ROI On Procurement Dollars Invested
- Shared Vision With Finance
- Global Spend Database
- Industry Standard Commodity Codes (SIC, NAICS, UNSPSC)
- Commodity Codes Coverage (90+%)
- Regularly Monitor Maverick Spend
- Corporate Linkage On Suppliers
- Real-Time Spend Information
- Supplier Registration Via The Web
- Cross Functional Sourcing Teams
- Actively Pursue Demand Management
- Supplier Development Initiatives
- 1st Tier Diversity Tracking
- 2nd Tier Diversity Tracking

Contract Assurance

- Standardized Contracts (Global)
- Over 80% of Eligible Purchases Are Contract/PO Driven
- Centralized Contract Repository
- Standardized Part Numbering (Global)
- Target Costing
- Automated RFX Tools
- Robust Supplier Discovery Tools
- Supplier Scorecards
- First-Time Match Rate Exceeds 90%
- Monitor After-The-Fact PO's
- Measure Cycle Time From PO -> Invoice
- Contracts Evaluated vs Market
- Perform Contract Compliance Audits (Internal)
- Perform Contract Compliance Audits (External)
- Centralized Purchasing
- Monitor Outstanding PO's

Glossary of Procurement Best Practices

Spend Management

Chief Procurement Officer designates a senior level executive whose primary responsibilities center on overseeing and optimizing the external spend of the corporation. External spend represents all goods & services disbursed to external suppliers and can represent \$0.50-.70 per dollar of revenue, depending upon industry.

Global Procurement describes a procurement function that is managed on a global basis versus locally. Commodity purchases are aggregated across all operating units and geographic regions to negotiate the best value. Leadership direction and reporting of procurement results is provided centrally for worldwide operations.

Strategic Sourcing Savings Targets represent cost saving goals committed by procurement to deliver as part of the annual budget cycle. These targets outline expected cost savings from smarter supply management, increased purchasing leverage, and enhanced demand management.

Measure ROI on Procurement Dollars Invested indicates a metric communicated to senior management that measures total costs of the procurement function versus the total cost savings identified. As an example, one company returned \$15 million in cost savings on a \$3 million investment in procurement resources, a 5 to 1 return.

Shared Vision with Finance describes a common procurement to payment direction for purchasing and accounts payable. Examples of this common direction include supplier requirements to accept electronic invoicing (to help A/P reduce costs), charge-backs to suppliers for invoices not properly submitted (to expedite A/P processing), joint responsibility for cash discount capture (ensure cash optimization), and scorecards which incorporate supplier ratings for the quality of invoices submitted.

Global Spend Database designates a centralized data warehouse of procurement and accounts payable data that captures 100% of contract and disbursement activity across the global enterprise.

Industry Standard Commodity Codes (SIC, NAICS, UNSPSC) describe commodity codes that are available in the public domain. This is contrasted with internally created commodity codes or general ledger accounts that are often used to summarize spending. Industry standard codes are highly objective, very granular, available in the public domain, and can be readily outsourced & maintained by third parties.

Commodity Codes Coverage (90+ %) describes that proportion of spend that has been clearly identified via commodity codes. The higher the percentage, the better handle procurement has on the supply base, and the easier it is to identify and control maverick spend.

Monitor Maverick Spend represents an on-going mechanism to isolate, identify and curb spending outside of negotiated contracts. An efficient organization must be able to address non-conformance timely in order to curb behavior; implementing business unit penalties can assist in reducing "maverick" spend. If decentralized buying reduces overall cost, associated buyers may be better suited for global buying.

Corporate Linkage on Suppliers designates codes that are maintained on the supplier/vendor master to facilitate the consolidation of multiple related vendors into one common family or entity. Common codes utilized include Duns Numbers, Federal Tax Id's, or an alphabetic family designation.

Real-Time Spend Information assures that spend information is available on a daily basis as opposed to being made available at designated (monthly, quarterly or annual) intervals. This enables immediate identification and isolation of spending outside contracted or preferred vendors.

Supplier Registration Via the Web is a software/ASP mechanism to enable your suppliers to directly register at a web site. In this way, information can be collected in a self-service manner regarding vendor name, addresses, phone numbers, key contacts, diversity information, corporate linkage, and other relevant information.

Cross Functional Sourcing Teams represent teams assembled across functions and divisions to pursue company wide purchasing leverage opportunities. Representation is desired from procurement, finance, engineering, manufacturing and other relevant functions to jointly assess current practices. In large multi-national companies, situations often arise where different prices, terms and suppliers exist for similar or identical products across the organization. Properly compiling and analyzing this information can achieve cost savings of 5-40%.

Demand Management describes practices to drive reduced usage of commodities in addition to a pure focus on reduction in cost per unit. Usage benchmarks can be created internally or acquired externally to compare usage levels across similar operations. Differences are analyzed to reduce usage without adversely impacting overall performance.

Supplier Development Initiatives are programs designed to help suppliers reduce costs and compete more effectively for business. Specific initiatives can be conducted to increase diversity spend, to build viable competitors for sole sourced products or services, and to work jointly to reduce costs of existing furnished products & services.

1st Tier Diversity Tracking monitors the levels of direct spending with minority, women-owned, veterans, disabled, small businesses and other historically disadvantaged groups. This information may be captured to fulfill governmental requirements, to achieve diversity goals set by customers, or simply to fulfill a role as a good corporate citizen serving a diverse customer base.

2nd Tier Diversity Tracking represents the collection and analysis of indirect diversity spending through a company's suppliers. In many cases, the use of diverse suppliers is mandated and specific targets are set as to the appropriate percent of costs that must come through minority, women-owned, small business and other historically disadvantaged groups.

Contract Assurance

Standardized Contracts (Globally) describes the use of standard contracts worldwide to reduce the time expended in drafting agreements, to ensure terms & conditions are reasonably consistent, and to incorporate best practices where possible within all supplier arrangements.

Over 80% of Eligible Purchases Are Contract/PO-Driven assurance that spending for 80+% of goods and services is supported by supplier contracts and/or controlled purchase orders.

Centralized Contract Repository signifies a global contract database that captures all relevant contract terms, and makes them available to users of contracts throughout the company. This ensures that the appropriate contract pricing, terms & conditions have been satisfied. In addition, a centralized contract repository enables secondary review and analysis outside the procurement function.

Standardized Part Numbering ensures that unique identifiers are utilized consistently across the company, regardless of operating division or ERP system. As an example, an automotive division would use the same reference for a 50 horsepower motor as the aerospace division provided the specifications were identical. This practice promotes volume-purchasing savings, creates additional vendor leverage regarding desired specifications, and may reduce inventory requirements.

Target Costing is a technique that identifies upfront what the cost of a purchased component/assembly must be in order to achieve desired price points established for new products. As an example, if an electronic gadget is saleable at \$10.00 per unit, and the gross margin must be at least 40%, then the total components to build that gadget must be \$6.00 or less.

Automated RFx Tools are software programs that enable companies to electronically request and accept Requests For Proposals, Requests For Information, and Requests For Quotation. Suppliers log into these solutions, and follow a series of screens to register for the RFx process, answer required questions, and submit proposals directly with little to no human intervention.

Robust Supplier Discovery Tools describe software tools and/or directories that identify prospective suppliers based upon the good or service offered. Ideally, suppliers can be identified based upon their line of business, geographic reach, quality ratings, ISO ratings, and diversity certification. Although many of these sources are deficient in one or more areas, leading contenders are Dun & Bradstreet, FreeMarkets, OpenRatings, and Austin-Tetra.

Supplier Scorecards represent tools used to regularly communicate with suppliers regarding effectiveness in meeting established performance criteria (i.e. - lead times, inventory levels, quality control, returns & allowances, billing accuracy, and other success parameters). Scorecards are typically reported periodically, but may actually be available via a web site for review upon request by the supplier.

First-Time Match Rate Exceeds 90% represents that the extended purchase order (negotiated unit price times quantity received) matches the submitted invoice over 90% of the time. Lower match rates signify errors by the vendor, buyer or receiving department regarding agreed pricing and purchasing volumes, and create significant bottlenecks in the process. To ever move to a fully automated match such as ERS, match rates need to be at least 95-98% accurate.

Prevent/Track After The Fact PO's established processes to restrict or monitor the use of "After The Fact" (ATF) purchase orders. Since (ATF) purchase orders are created after the purchase, it defeats the intent of a purchase order as a pre-purchase authorization. These situations, when noted, should be highlighted and reported to financial management.

Measure Cycle Time From PO->Invoice indicates statistics are tracked regarding overall lead times from purchase order date to invoice date. This is a critical metric that impacts the satisfaction of customers within business units. If lead times are too long for PO-driven disbursements, there will be a tendency to circumvent the purchase order negotiation process and buy directly from the supplier.

Contracts Evaluated Versus Market ensures key commodities are routinely compared to market indicators for assurance that negotiated prices are appropriate for the size and purchasing volumes of the organization. This is crucial in minimizing the opportunity for procurement fraud and ensures that weak buyers are weeded out or given the necessary training to be successful.

Perform Contract Compliance Audits (Internal) designates that after-the-fact audits are performed internally to verify that negotiated contract terms are carried through to actual prices paid and delivery terms verified. Significant errors can happen in this process, including supplier error, buyer error, keying errors, mathematical inaccuracies, a misunderstanding of terms between the negotiating parties, and more. In addition, there may be a significant number of

non price-related terms to be verified (ISO certifications, inventory levels, quality control standards, staff qualifications, financial condition, etc.).

Perform Contract Compliance Audits (External) designates that after-the-fact audits are performed by third parties to verify that negotiated contract terms are carried through to the actual price paid on the invoice. Significant errors can occur in this process, including supplier errors, buyer errors, keying errors, mathematical inaccuracies, a misunderstanding of terms between the negotiating parties, and more. We find that due to ERP system controls & tolerances, the greatest margin for financial error occurs between the negotiated contract price and executed purchase order. Compliance audits typically yield error ratios of 1-4% on direct materials and 3-8% on contracted services.