



## **SAS® Supplier Relationship Management**

*Make strategic sourcing decisions through improved visibility and analysis of suppliers and commodities*





## ***ABB controls billions in procurement spend with SAS® Supplier Relationship Management***

**Challenge:** *Unify more than 1,000 worldwide purchasing units with an effective and efficient purchasing system that could exist in a decentralized environment spanning more than 100 countries.*

**Solution:** *A spend analysis system, as a part of a larger SAS Supplier Relationship Management solution. The system is updated once a week with all purchases made from virtually all ABB units worldwide. The information is then aggregated and can be used to see the total amount of purchases being made, or to look at total purchases per ABB unit, specific supplier and per commodity.*

**Benefit:** *Current and reliable spend analysis per supplier, down to a subsidiary level, giving ABB the ability to negotiate better global terms.*

*“The information we get from our SAS system allows us to glean more and more information about our suppliers. We can very quickly find a supplier of a certain item that is already qualified as a supplier to other ABB units around the world. We can also identify suppliers that are dependent on ABB. This information gives us the ability to better determine where to make our purchases and reduce our risk.*”

*“With SAS we get a shared and complete picture of all our suppliers. I know that many of our suppliers have advanced CRM systems that give them a shared and complete picture of ABB. Now we are better prepared to deal with our suppliers more effectively, based on their performance, and to develop better working relationships with them.”*

**Benny Östh**  
Manager of Order and Shipping  
ABB Power Technologies  
Ludvika, Sweden

Organizations can spend as much as 60 percent of revenue acquiring the goods and services necessary to conduct business. Given this number, the pressure on procurement professionals to cut spend is hardly surprising. But reducing spend might also mean sacrificing favorable supplier relationships. What if there were a repeatable way to reduce supplier spend while simultaneously improving supplier performance and collaboration?

Companies now realize more than ever the effect of procurement on their profitability and viability. Because of this fact, and in response to recent technological improvements and competitive pressures, many companies have invested in various procurement systems to strive toward improved procurement processes. Such systems are often designed to improve operational efficiency by tracking supplier interactions, such as order placement and payment, returns, credit applications and so on.

What experience has shown, however, is that these systems don't meet organizations' most pressing procurement need: to reduce spend while improving supplier performance. Only forward-looking, flexible, systematic and analytically supported strategies can provide the continual cost savings that procurement organizations must provide to keep their companies profitable. Such strategies can only be developed using accurate commodity data and reliable information about supplier quality, timeliness, price and even technological advancement.

Unfortunately, most companies do not have a fast, reliable way to gain visibility into all suppliers and commodity information throughout the enterprise. Procurement data is typically scattered across many systems around the world, and the volume of data stored in these systems is too large for many systems to aggregate, cleanse and transform effectively.

What's more, procurement organizations often lack a reliable way to rank suppliers based on the information most important to them. Such a ranking system would help companies optimize their supply base, ensure the quality of purchased items and maintain optimal levels of supply.

Without an accurate, detailed, comprehensive or strategic view of procurement information, it is impossible to establish, measure and manage a sourcing strategy that spans the entire enterprise and aligns with overall corporate goals.



# Visibility



## Reduce spend and consolidate suppliers

With SAS Supplier Relationship Management, procurement departments can gain a better understanding of their purchases, suppliers and performance in order to make better strategic sourcing decisions. Using this comprehensive solution, companies can reduce enterprise spend, consolidate and prioritize suppliers, reduce supplier risk and align procurement strategies with corporate goals.

SAS delivers supplier intelligence through an integrated set of data management and analytic applications that work with existing procurement data and systems to gather, cleanse, transform, analyze and leverage all aspects of supplier data and purchasing history, thereby optimizing strategic sourcing and achieving significant cost savings.

Consisting of four fully integrated components, SAS Supplier Relationship Management allows you to maintain the flexibility to focus on your greatest challenge today and then expand into other areas of improvement.

Beginning by constructing a foundation of normalized, classified spend data, SAS® Supplier Relationship Management helps you:

- Discover your true spend.
- Analyze your supplier performance.
- Determine your sourcing strategy.
- Execute that strategy.
- Monitor your strategy against goals.



### SAS® Sourcing Data Quality

SAS Sourcing Data Quality provides accurate, detailed, comprehensive information to help you reduce commodity spend without increasing risk. Using repeatable, automated coding based on industry standards, SAS' award-winning data quality technology can readily accept any classification system and allows you to normalize your supplier information for more accurate measurement. SAS can also leverage third-party information for supplier enrichment and ensure your suppliers are accurately and consistently named.

Ensuring the cleanliness of data at both a supplier and commodity level is a vital component of an effective analytic supplier relationship management solution. The data quality process, consisting of supplier rationalization and commodity classification, is the key to accurate analysis.

- **Supplier rationalization** — The cleansing process determines if the same supplier is represented in many different ways (e.g., SAS, SAS Institute Inc., SAS Inst.). SAS Sourcing Data Quality supports supplier rationalization by transforming your multiple vendor files, eliminating duplicate vendor records, matching corresponding supplier records using any pertinent data fields (such as supplier name, location, address information) and creating a complete, comprehensive vendor master file. Normalization capabilities allow you to maintain more consistent control of data that might vary according to geographic area, department or procurement system. Currency information, for instance, can be normalized to any type of currency using current exchange rates, so cost information all over the world can be easily incorporated into analysis and reports.



- **Enrichment** — By incorporating information from third-party content providers, SAS can enrich your vendor file with information such as parent-child relationships, financial data and demographics. Such data can help in contract negotiations or in complying with regulations.
- **Commodity classification** — The commodity classification process can vary depending on the material classification that a company currently has and whether or not open classification standards such as UNSPSC (United Nations Standard Products and Services Classification) or eCI@ss will be incorporated. The fundamental need is to take detailed material data (part number, part description) and associate these materials as part of a family of products (office supplies or consulting services, for example). Coding commodities in this manner provides a consistent view of what you purchase, which can be used for more efficient, accurate spend analysis and supplier optimization.

With its automated classification and normalization of supplier data, along with a methodology that includes a review of classified and normalized data, SAS Sourcing Data Quality helps procurement executives:

- Be confident that they are paying the right price for commodities.

- Ensure that quality and supply levels meet defined standards.
- Understand true commodity volumes and supplier volumes, leading to more profitable negotiations.
- Accurately identify trends as a baseline for procurement forecasts.

### SAS® Spend Analysis

SAS Spend Analysis helps reduce enterprise spend across suppliers and commodities by providing increased visibility into procurement information and ranking supplies according to the company's most important criteria. This means that companies can leverage corporate buying power for cost savings and identify ways to buy more effectively from valued suppliers. SAS Spend Analysis helps you build a basis for more strategic supplier relationships.

This strategic application lets you identify not only from whom you are buying, but what you are purchasing from each supplier, when and how these items were purchased, how much you bought, and why. Able to pull data from any existing systems, SAS Spend Analysis can identify key commodities from different suppliers and help prioritize your strategic sourcing efforts.

This component is designed with the scalability to support complex global environments and large volumes of data. SAS Spend Analysis also

allows you to customize your view of spend information, so the most appropriate data is always available for decision making.

When used with SAS Sourcing Data Quality, you will have a more accurate account of your procurement information that will highlight redundancies and holes in your supplier portfolio. It is possible, for instance, to determine corporate spend history, budget performance, usage patterns and changes in supplier dependencies.

SAS Spend Analysis also allows you to establish an objective, repeatable and adaptable measuring system that reliably identifies the best suppliers for your organization. Built for procurement professionals, this application uses weighted averages and operations research techniques to add balance and flexibility to the process of evaluating suppliers. SAS helps you to narrow, measure and rank which suppliers are best suited for your needs.

### SAS® Sourcing Strategy

Currently available as an add-on to SAS Spend Analysis, SAS Sourcing Strategy presents the next step in sophistication for strategic sourcing. While supplier ranking in SAS Spend Analysis creates an ordered list of suppliers according to your most important criteria, SAS Sourcing Strategy employs user-defined business rules



to narrow that list and recommend the best way achieve your procurement goals.

Specifically, SAS Sourcing Strategy includes a wizard-driven application for supply base optimization that guides business users through the process of selecting a commodity group, identifying a measurable objective (e.g., reducing spend or optimizing risk exposure) and defining business rules to constrain the calculation. SAS then calculates not only which suppliers you should retain, but how much money you should spend with each one to best meet your stated objective.

This analysis provides guidance for answering strategic questions such as:

- From whom should we buy?
- Should we spend more or less with a given supplier?
- What should we buy from a given supplier?
- How should we alter our buying practices?

You can also look for fraudulent supplier activity, analyze supplier trends and search for anomalies within your suppliers, which would otherwise go undetected. Such critical information can help you improve quality, save money and protect your organization's ability to compete.

#### **SAS® Procurement Scorecard**

In order to realize sustainable benefits from commodity classification, rationalization, spend analysis and supply base optimization, it is necessary to track progress toward procurement goals. SAS Procurement Scorecard helps you set, measure and manage optimal procurement strategies based on comprehensive supplier information. These strategies ensure that your organization is closely aligned with corporate goals. Reduce total spend and supplier risk and ensure supplier quality, on-time delivery and performance. This component includes a supplier scorecard that summarizes purchasing information and highlights the degree to which key performance indicators are being achieved.

- **Set a strategy.** Define strategy for upcoming accounting periods within divisions, groups, teams and procurement objectives.
- **Measure and track performance against that strategy.** Through procurement KPIs defined both at the organizational level and at the supplier level, you can monitor the effectiveness of procurement programs, suppliers and contracts. SAS Procurement Scorecard also supports the Supply Chain Operations Resource (SCOR) model from the Supply Chain Council.
- **Manage execution of strategy.** SAS Procurement Scorecard lets you alert the right people when procurement objectives are not met, which helps promote the successful execution of strategy. You can also develop a risk mitigation plan based on a supplier's quality, financial visibility and timeliness.

Analysis



## A vision for strategic, comprehensive procurement

Together, the four components of SAS Supplier Relationship Management help you maintain a holistic process for developing and acting on supplier intelligence. With its complimentary, integrated functionality, SAS Supplier Relationship Management facilitates spend visibility, strategic sourcing, contract compliance, performance management and process monitoring throughout the entire enterprise. This comprehensive procurement process, available from a single vendor, reduces the time required to realize significant, repeatable reductions in procurement spend.

## About SAS

SAS is the market leader in providing a new generation of business intelligence software and services that create true enterprise intelligence. SAS solutions are used at more than 40,000 sites — including 96 of the top 100 companies on the FORTUNE Global 500® — to develop more profitable relationships with customers and suppliers; to enable better, more accurate and informed decisions; and to drive organizations forward.

SAS is the only vendor that completely integrates leading data warehousing, analytics and traditional BI applications to create intelligence from massive amounts of data. For nearly three decades, SAS has been giving customers around the world *The Power to Know®*.



The four integrated components of SAS® Supplier Relationship Management





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