



THE 2020 BUSINESS SPEND
MANAGEMENT BENCHMARK REPORT



POWERFUL
INSIGHTS
TO SPEND
SMARTER



Discover how top procurement and finance leaders measure success and deliver value to their organizations



The pace of business today is faster than ever. Procurement and finance leaders face a mandate to deliver value beyond savings. These leaders must transform the way their organisation manages all spending, from the goods and services they buy to employee travel and expenses.

To deliver this value, leaders must improve operational efficiencies, reduce fraud, mitigate risk, and optimise costs to not only grow revenue but also protect shareholder value.

Aligning on key performance indicators and industry benchmarks with leadership is paramount to delivering that value. To do this, it is critical to have accurate data to benchmark against. Surprisingly, trusted industry benchmarks still rely largely on self-reported data, a process which is inherently flawed due to a lack of consistency in measurement. Without accurate data, it is challenging to build a solid business case to support change and measure the success of this transformation.

Coupa, provider of the Business Spend Management (BSM) platform that manages nearly US\$1.5T of cumulative global business spend across companies of all sizes, offers aggregated and anonymised benchmarks based on actual spend transactions.

The power of this transactional community spend data is that it enables all businesses to spend smarter. The 12 Key Performance Indicators (KPIs) in this report—categorised as process efficiency, digitisation, risk management, and spend optimisation—provide insights that can be used to build a business case to support transformation into a world-class procurement organisation. We hope that these KPIs will help you better understand the maturity of your company's spending to achieve your objectives in the year ahead.

TABLE OF CONTENTS

Introduction **04**

The Coupa BSM Benchmark Methodology 05

Process Efficiency **06-11**

Requisition-to-Order Cycle Time 08

Invoice Approval Cycle Time 09

Expense Report Approval Cycle Time 10

Supplier Information Update Cycle Time 11

Digitisation **12-16**

Electronic PO Processing 14

Electronic Invoice Processing 15

First-Time Match Rate 16

Risk Management **18-21**

Pre-Approved Spend 20

Expense Report Lines Within Policy 21

Spend Optimisation **22-26**

On-Contract Spend 24

Non-Tail Suppliers 25

Structured Spend 26

Conclusion **27**

Measuring Your BSM Transformation Success: Behaviour-Based Benchmarking

In today's fast-paced economy, it is critical to invest every dollar your company spends in the smartest way possible. Procurement and finance leaders are turning to BSM to manage all business spend—from sourcing to expenses to payments—and to get a full picture of how their company is spending to fully optimise those processes while addressing critical vulnerabilities such as fraud risk and unethical suppliers.

While leading organisations, such as those interviewed for this report including Zalando, Barclays Group, United, and ALH, are advancing their BSM maturity, many others are just getting started.

Regardless of where you are on your BSM transformation journey, from automating processes to tapping into the power of collective intelligence, this report offers valuable insights for your business. It also highlights the benefits that you can achieve in optimising each KPI area, helping you build a powerful business case for change at any stage of your BSM journey.

2020 Coupa Benchmark Report KPI Categories:



Process Efficiency

How efficient are your transactional processes for BSM?



Digitisation

How successful have you been in digitising your BSM processes?



Risk Management

How effectively are you driving compliance and mitigating risk through BSM?



Spend Optimisation

How are you optimising your spend to get the best rates and savings opportunities?

The Coupa BSM Benchmark Methodology

Traditional BSM benchmarks are based on survey data and tell an incomplete story. Coupa's Business Spend Management Benchmark Report is the industry's only collection of benchmarks based on real business spend transactions.

This report features benchmarks drawn from Coupa Community Intelligence, an AI-powered analytics engine that objectively monitors nearly US\$1.5T of cumulative spend data flowing through the Coupa BSM Platform and prescribes instant insights that help companies spend smarter, simpler, and safer.

The report represents the performance of best-in-class businesses in each KPI, with each benchmark representing median values of the top quartile of Coupa customers who have optimised their BSM processes for that KPI.

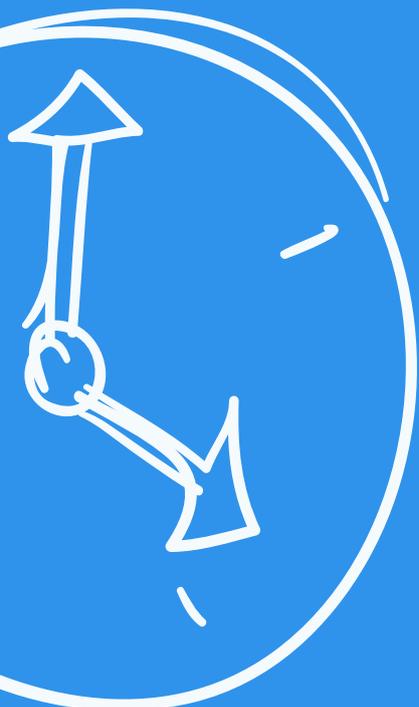


PROCESS EFFICIENCY

“ Our 15,000 employees were trying to achieve our growth goals in the fastest and most efficient way possible, but we had no way to help them.

To do that, we had to show the value of our new digital procure-to-pay process. We had to show everyone how you can save time and increase transparency and accountability through these new processes and systems. Across 17 countries, all of our employees clearly benefited from the process efficiencies we achieved through our BSM transformation.”

- ALEJANDRO BASTERRECHEA,
Lead Procurement Operations, Zalando



Zalando is Europe's leading online platform for fashion and lifestyle.



Benchmarking Process Efficiency

For finance and procurement leaders, process efficiency is a primary area to optimise on the path to BSM maturity. For many businesses, outdated manual BSM processes and siloed spend management systems open the door to risks and costly inefficiencies.

We look at four critical BSM KPIs to determine the maturity of a company's process efficiency:

- Requisition-to-Order Cycle Time
- Invoice Approval Cycle Time
- Expense Report Approval Cycle Time
- Supplier Information Update Cycle Time

Requisition-to-Order Cycle Time

69 HOURS

This KPI measures the average time it takes for best-in-class companies to complete a Requisition-to-Order cycle across all purchase requisitions, from when an employee enters a requisition to the time when the approved requisition is converted to a purchase order (PO).

(Note: some requisitions, especially those with high dollar amounts, require more approvers and take longer.)

Benefits of Improving Requisition-to-Approval Cycle Time:

- Improve employee satisfaction, adoption, and control over company purchases
- Increase business agility
- Improve supplier satisfaction and strengthen supplier partnerships
- Reduce downtime a company may face when order and receipt of critical items or services are delayed



Invoice Approval Cycle Time

18.2 HOURS

This KPI is the average time from when an invoice enters the system to the time that it is approved for payment (but not necessarily paid). With paper invoices and disjointed approval processes, it can take days, if not weeks, to approve a simple invoice. Accounting teams do not have visibility into the backlog of unprocessed invoices. Delays result from paper processing and a lack of clarity to which account each invoice should be coded.

Benefits of Improving Invoice Approval Cycle Time:

- Reduce liability of accruals by processing invoices in a more timely manner and improving visibility of in-flight invoices
- Avoid late payments and the associated supplier frustration and penalties, which in severe cases of delays may even void contracts or lead to refusal of future projects
- Realise early payment discounts (or stretch payment terms) to negotiate better terms for contracts



Expense Report Approval Cycle Time

21.7 HOURS

This KPI is the average time from when an expense report enters the system to the time that it is approved for payment, but not necessarily when it is paid. One of the biggest frustrations for employees who frequently travel for work is how long it takes to get their expenses reimbursed. Paper or Excel-based processes and disjointed expense management systems make it nearly impossible for AP to quickly process expense reimbursements.

Benefits of Improving Expense Report Approval Cycle Time:

- Encourage timely expense submission and improve budget control
- Reduce the need to accrue for unapproved expenses
- Accelerate employee reimbursement and improve their satisfaction



Supplier Information Update Cycle Time

6.5 HOURS

This KPI is the time it takes for suppliers to respond to digital requests by updating their supplier information. Inaccuracies or gaps in supplier data can lead to major problems for businesses. Suppliers may change their bank accounts, and payments with out-of-date information result in bank fees and delays. Manual processes to manage banking information invite external and internal fraud. Delays in submission of up-to-date certificates and other information lead to costly manual follow-up for supplier managers.

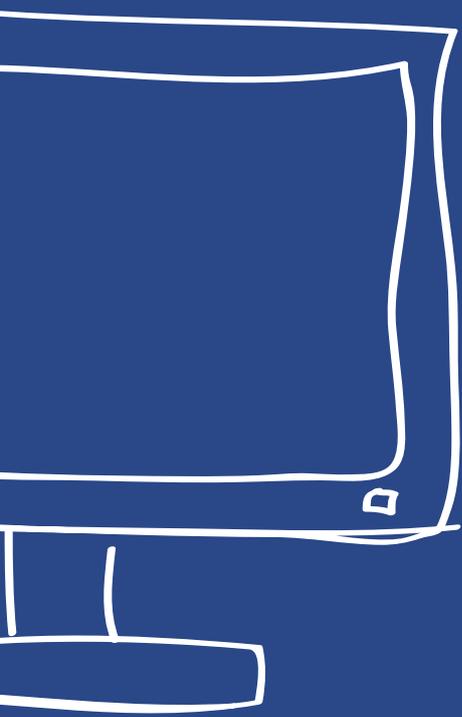
Benefits of Reducing Supplier Information Update Cycle Time:

- Reduce manual work required to request, approve, and process supplier information updates
- Reduce manual work required to follow up with suppliers who don't provide the requested information
- Reduce risk of error and fraud in managing critical information



DIGITISATION

“ Digital BSM is a competitive advantage in the airline industry. Procurement in the airline world has been in the dark ages for a long time.



Following our United-Continental merger, we had to focus on systems modernisation, not just integration. We had antiquated, on-premise procurement solutions and very limited user adoption. We needed to update our technology and rethink our BSM processes, then apply digital innovation to support our business objectives.”

- SERGIO DA SILVA,
Managing Director of Procurement, United Airlines



United is one of the world's largest airlines, operating approximately 4,900 flights a day across five continents.



Benchmarking Digitisation

To achieve best-in-class BSM performance, procurement and finance executives aim to digitise their business' entire source-to-pay process.

Digitising this process accelerates the pace of business, reduces costs, improves compliance, and optimises resources, while improving both employee and supplier satisfaction.

BSM processes can be successfully digitised to drive adoption by suppliers of all sizes. In addition to heavier digital integrations such as cXML (often used by very large suppliers), the electronic methods covered in this report include portal and email-based technologies that represent a lower bar for adoption by smaller or infrequent suppliers.

We look at three critical BSM KPIs to determine the maturity of a company's digitisation:

- Electronic PO Processing
- Electronic Invoice Processing
- First-Time Match Rate



Electronic PO Processing

98.9%

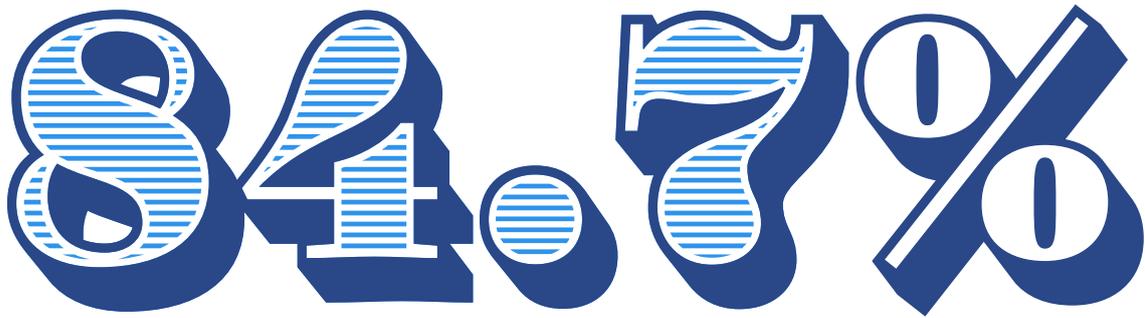
This KPI is the percentage of total POs that are processed electronically. Many companies today struggle with a mostly or entirely manual PO process. Digitising purchase orders includes electronic transmission and supplier confirmation of POs. Some companies enact a “No PO = No Pay” policy, which ensures that employees and suppliers are fully incentivised to submit accurate information electronically.

Benefits of Moving from Paper-Based to Electronic PO Processing:

- Reduce low-value, manual work while accelerating the process to manage POs, PO confirmations, and PO changes
- Avoid manual errors in applying the correct PO quantity, price, and other contracted terms and critical accounting information
- Avoid unnecessary or over-budget spending by dynamically checking against budgets at the time a request is made, prior to approval



Electronic Invoice Processing



This KPI represents the percentage of invoices processed through any electronic means, rather than paper or email submittal of PDF invoices which requires manual effort. Replacing paper with electronic invoicing delivers significant improvements in efficiency through reduced cycle time and improves compliance with automated controls.

Benefits of Moving to E-Invoicing:

- Avoid manual work required in AP to manage paper invoices, from data entry to account coding and gathering approvals
- Automate manual processes for identifying fraud, from duplicated invoices to manipulation of company tolerances
- Ensure critical elements of the order are tracked accurately – such as PO number and receipt of goods – through automated two-way and three-way matching
- Improve supplier relationships by giving suppliers self-service visibility into invoice approval and payment status, and streamlining dispute management
- Gather and update critical information from suppliers at the time of invoice submission, such as country-specific data required for Value Added Tax (VAT) or updated supplier information such as address or name changes
- Save costs and reduce the environmental impact of paper document printing and storage

First-Time Match Rate



This KPI refers to obtaining a two-way or three-way match* between PO, invoice, and receiving documents. With a three-way match, companies can opt to automatically pay invoices that match within tolerances. The tolerance levels for the match are set by each organisation. By digitising POs and invoices, companies can see a massive increase in first-time match rate.

Benefits of High First-Time Match Rate:

- Automatically identify matches between PO, Invoice, and Receipt, and route for approval to deliver a “touchless” AP process
- Reduce the manual work required to identify discrepancies in quantity ordered, price, and quantity received
- Avoid late fees from an increase of invoices paid on time
- Take advantage of timely payment discounts

*The majority of transactions involve two-way or three-way matching, while there is some variability of more relaxed or more strict matching criteria for some companies in some scenarios.

Benchmark Your BSM Savings

Top performers across all KPIs featured in the report can achieve **6.7% savings** of total addressable spend. These savings just scratch the surface of the value achieved by optimising all areas of BSM.





RISK MANAGEMENT

“Strict banking regulations require us to, within 24 hours, be able to show regulators our total external liabilities to all third parties.”

Of course we were always compliant. But before we optimised our compliance processes, this required a lot of Excel sheets and manpower resourcing. We wanted to make sure we had all of our spend in one channel, from getting approvals, documenting those approvals, and reporting on all of our spend. Today, technology enables us to automate compliance processes so we can focus on adding meaningful value to our business.”

- PHIL THOMAS,
Managing Director, Head of Global Sourcing, Barclays Bank



Barclays PLC is a British multinational investment bank and financial services company.



Benchmarking Risk

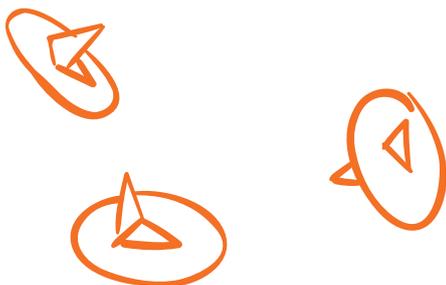
Finance, procurement, and IT leaders increasingly see BSM as a vital set of core business processes to address spend vulnerabilities and ensure policy and regulatory compliance, especially considering globally fragile supply chains and third-party risk.

By ensuring that all spend is on PO with approved suppliers, businesses can avoid the risks that come with employees purchasing from unscreened vendors, which can lead to vendors with unethical practices hidden in the supply chain. Also, with proper BSM processes in place, employees must comply with VAT regulations and reclamation rules. Effective BSM practices help drive compliance with corporate controls as well as financial reporting and various other regulations including E-Invoicing and VAT.

Increasing pre-approved spend with approved suppliers eliminates effort for supplier risk management teams who are onboarding new suppliers for non-approved purchases, reduces risk of business disruption due to poor supplier performance, and ultimately reduces risk of poor customer experience.

We look at two critical BSM KPIs to determine a company's maturity in risk management:

- Pre-Approved Spend
- Expense Report Lines Within Policy



Concerned about InfoSec/data privacy risk?

Digital transformation leads to more compliance with on-PO spend providing IT visibility into tech purchases. This avoids "shadow IT" to help ensure rules and regulations are followed.

Learn more about third-party risk mitigation at coupa.com/third-party >

Pre-Approved Spend



This KPI measures the amount of spend that has been approved before an invoice is received. Spend processes must ensure that employees select suppliers that have been pre-vetted properly to avoid operational, fiscal, and brand risk to the business. To ensure compliance of company policy, a high rate of pre-approved spend should be achieved.

Benefits of Pre-Approved Spend:

- Goods and services are purchased from preferred suppliers and according to negotiated prices and terms
- Managers obtain a full picture of where they stand against their budgets
- Finance teams get visibility into spend that's committed but not invoiced, making it much easier to generate accurate accrual estimates
- Payment of fraudulent invoices is avoided due to invoice matching against pre-approved POs



Expense Report Lines Within Policy

98.2%

This KPI measures the number of expense report lines submitted that can be approved under current corporate expense policies. Even when companies have clear expense report policies in place, employees may be unaware of these policies or choose to selectively remember them, submitting non-compliant expenses. With managers typically approving these reports without detailed review, human error is rampant and compliance is compromised.

Benefits of Expense Report Lines Within Policy:

- Ensures that travel and entertainment goods and services are purchased from preferred suppliers and within required price limits
- Minimizes administrative overhead of manual audits
- Reduces time-to-reimbursement for all employee expenses and the costs of over-payments



SPEND OPTIMISATION

“ We purchase approximately \$160,000,000 worth of food per year. Buying power is important to us. It’s what sets us apart from our competition.

Before optimising our spend, we had a lot of venues that purchased with multiple suppliers. Now, with 100% catalogue implementation and reducing our suppliers by 75% – from 400 to 100 – we get huge advantages in purchasing quality product at scale. When our suppliers get that volume, they can be more competitively priced. We can give our customers the best experience possible, one that’s not possible for our competitors to deliver.”

- TREVOR SMITH,
National Food Manager, ALH Group



ALH operates over 330 licensed venues and more than 550 retail liquor outlets across Australia.





Benchmarking Spend Optimisation

For most businesses, achieving savings is not the only goal, but the result of effective BSM processes that optimise all aspects of spend, including operational efficiencies. By doing this, finance and procurement leaders can put more dollars into critical business needs and strategy execution.

By maximising the value of every dollar spent, smart businesses can get more out of total spend without impacting quality. In order to achieve best-in-class spend optimisation, it's important to make it easy for employees and suppliers to use your company's BSM processes and tools.

We look at three critical BSM KPIs to determine the maturity of a company's spend optimisation:

- On-Contract Spend
- Non-Tail Suppliers
- Structured Spend





On-Contract Spend

79%

This KPI tracks the percentage of spend which is attached to a pre-approved contract. Only on-contract spend can result in realized savings, where off-contract spend represents lost opportunities. Without on-contract spend, savings negotiated strategically into supplier contracts go unrealized.

Benefits of On-Contract Spend:

- Realize savings by ensuring that purchases are made against contracts with negotiated prices and terms with preferred suppliers
- Reduce financial risk and related costs to the business from supplier liability or wrongdoing
- Enable procurement to negotiate better contracts and lower pricing



Non-Tail Suppliers

20.8%

This KPI shows the percentage of suppliers responsible for 80% of the organisation's invoices. The more concentrated an organisation's spend, the more it can save by reducing the transactional cost of managing a long tail of vendors and by seizing opportunities for negotiation. To reduce the number of total suppliers, leading sourcing organisations identify opportunities for consolidation and long-tail reduction by getting visibility into organisation-wide spend at the category, vendor, and item levels.

Benefits of Increasing Non-Tail Spend:

- Reduce manual work required to onboard and maintain infrequent "tail" suppliers
- Increase buying power by concentrating spend in key categories



Structured Spend

62.5%

This KPI represents the percentage of spend which goes through an electronic catalogue or punch-out. By sending spend through catalogue or punch-out, standard item names and descriptions are used, as well as standard prices and terms. Because of this, buyers do not need to review spend on the back end, and procurement and finance leaders get very clear visibility into spend.

Benefits of Structured Spend:

- Streamline the buying process
- Ensure that product categories, groups, and families are properly represented
- Provide employees and finance departments with more information regarding availability, discounts, and shipping costs
- Reduce errors of communication within your company or with the supplier
- Avoid proliferation of items, SKUs, and suppliers that would otherwise result from ad-hoc, one-time purchases

CONCLUSION

Business leaders today know that to achieve and maintain a competitive advantage, they must ensure that every dollar spent is spent smartly.

The first step to spending smarter is to track performance across these BSM processes. From sourcing to payments to expense management, we have provided an accurate set of behaviour-based benchmarks based on nearly US\$1.5T of cumulative business spend.

In summary, the following 12 insights were covered in this report:



Process Efficiency

How efficient are your transactional processes for BSM?

- 6.9 hours** Requisition-to-Order Cycle Time
- 18.2 hours** Invoice Approval Cycle Time
- 21.7 hours** Expense Report Approval Cycle Time
- 6.5 hours** Supplier Information Update Cycle Time



Digitisation

How successful have you been in digitising your BSM processes?

- 98.9%** Electronic PO Processing
- 84.7%** Electronic Invoice Processing
- 87.7%** First-Time Match Rate



Risk Management

How effectively are you driving compliance and mitigating risk through BSM?

- 97.8%** Pre-Approved Spend
- 98.2%** Expense Report Lines Within Policy



Spend Optimisation

How are you optimising your spend to get the best rates and savings opportunities?

- 79%** On-Contract Spend
- 20.8%** Non-Tail Suppliers
- 62.5%** Structured Spend

We found that top performers across all KPIs featured in the report can achieve 6.7% savings of total addressable spend.

At Coupa, we believe in spending smarter together. The metrics and data in this report tap into the collective wisdom of Coupa's global business community. They are provided to help finance and procurement leaders understand the maturity of their BSM transformation initiatives and performance relative to their best-in-class peers in order to protect and grow shareholder value in today's highly-competitive and fast-paced business environment.



With nearly \$1.5 trillion of cumulative spend under management across its global customer base, Coupa offers all businesses – from Fortune 1000 companies to the world’s fastest-growing organisations – the visibility and control needed to manage costs, mitigate risks, and scale for growth in one comprehensive and open cloud-based platform. With the extensive data flowing through Coupa, Community Intelligence uniquely offers real-time benchmarks and best-practice prescriptions that are tested against the measurable outcomes of companies around the world.

Coupa’s Business Spend Management (BSM) Platform empowers finance and procurement leaders to spend smarter and tap into the collective wisdom of the Coupa Community. Join us to upend your spend today.

For more information, visit www.coupa.com.