ACHIEVE MORE VALUE FROM CLOUD SPEND MANAGEMENT.

The importance of driving early success and adoption.

KPMG

coupa

INTRODUCTION

Most of us have gone through our share of business process and technology improvement initiatives. Companies invest significant capital and time into them in hopes of cost savings or improved productivity and efficiency. The irony is that most can't estimate a measurable Return on Investment (ROI) from these projects. Typically it's because a critical step was missing before kicking off their initiatives—defining and measuring success. Companies need to set measurable business goals and objectives and define associated Key Performance Indicators (KPIs) from the start. Once these are established, they should consider investing in cloud-based digital technologies and leading practices to help deliver strong KPIs right out of the gate and to drive continuous improvement.

THREE MEASURABLE SUCCESS GOALS IN SPEND MANAGEMENT

The world of spend management is no different. Today's cloud spend management solutions represent an exciting opportunity to streamline processes and improve spend visibility, control and compliance. When companies establish measurable goals, they increase their potential to significantly impact their business.

As a leading implementer of procurement technology solutions, KPMG LLP has worked closely with Coupa Software to draw upon their extensive industry experience to identify three measurable spend management success goals to help drive maximum business impact and ROI:

1. Improve cost savings by driving contract compliance and establishing better spend controls

2. Enhance user adoption through greater ease of use and guided buying

3. Increase efficiency by making transaction processing easier, faster and more accurate

The key to sustainable success from spend management initiatives is to start strong and drive continuous improvement through the KPIs associated with these goals.

"Spend Management solutions give organizations tremendous newfound capabilities. Only through a laser focus on process and metrics attainment can organizations unleash true procurement value."

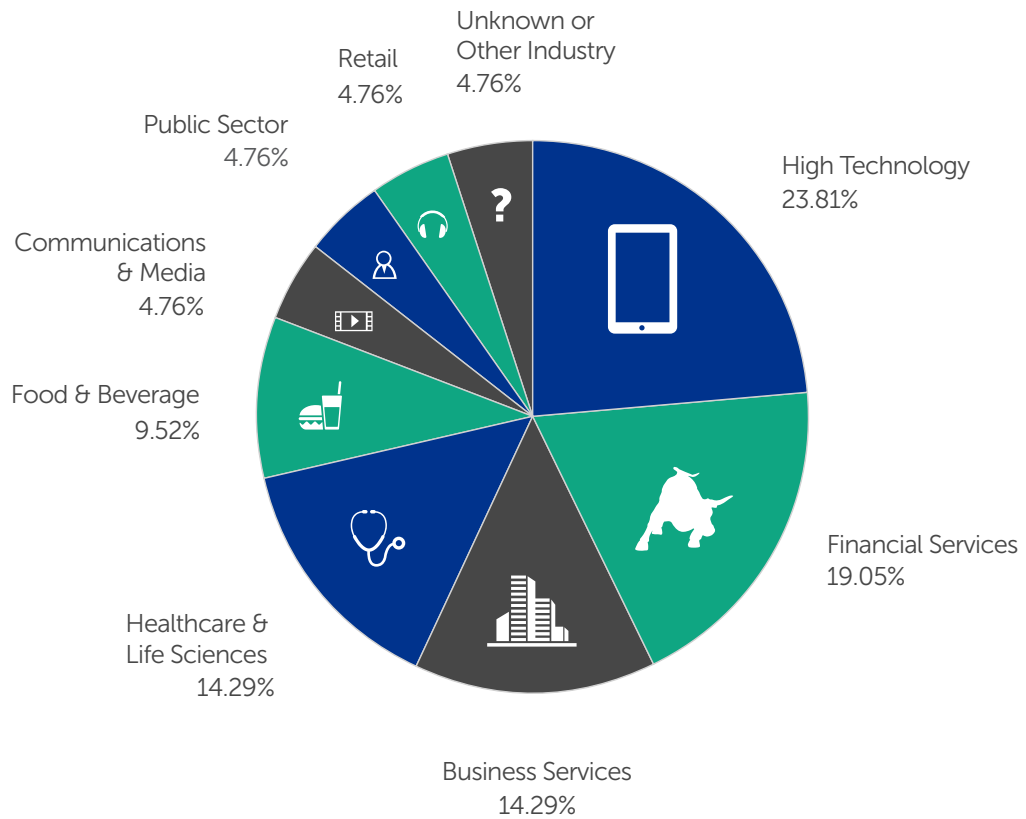—Dipan Karumsi, Principal, KPMG LLP

"If you don't know where you are going, you will never get there. Success starts with defining specific goals and ways to measure progress."

—Rob Bernshteyn, CEO, Coupa Software

METHODOLOGY

All metrics noted are based on analysis performed by Coupa using anonymized and aggregate spend transaction data flowing through Coupa's spend management platform across its customer base. Numbers for each metric reflect the performance of "top quartile" customers for that metric who have 1-3 years' tenure and more than $20M of lifetime spend through Coupa. Analysis was limited to US companies that "went live" with Coupa in 2014 or 2015.
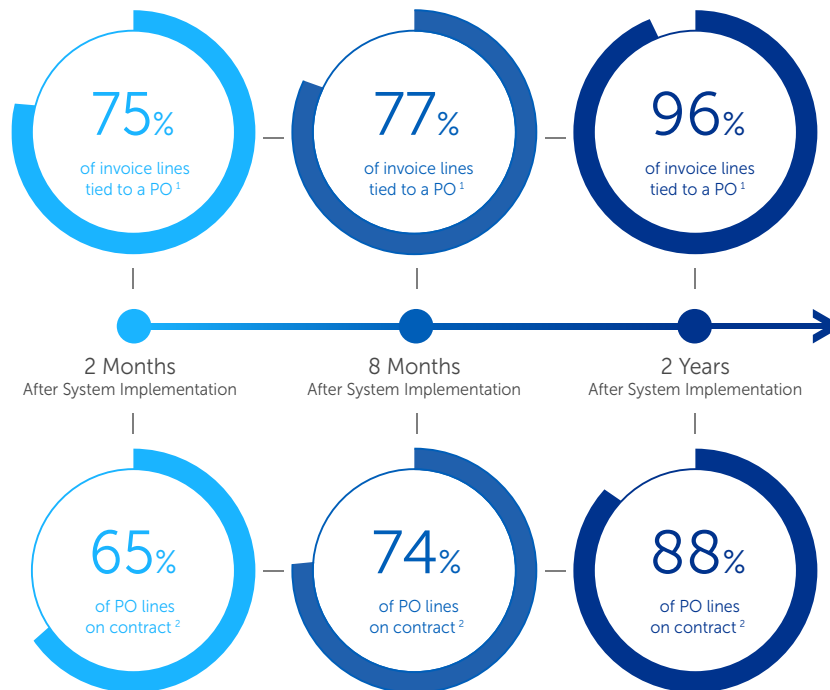

Retail
4.76%

Unknown or
Other Industry
4.76%

Public Sector
4.76%

Communications
& Media
4.76%

Food & Beverage
9.52%

Healthcare &
Life Sciences
14.29%

Business Services
14.29%

High Technology
23.81%

Financial Services
19.05%

MAXIMIZE COST SAVINGS BY DRIVING CONTRACT COMPLIANCE AND ESTABLISHING BETTER SPEND CONTROLS

GREATER VISIBILITY, TIGHTER CONTROLS, MORE SAVINGS

Two critical metrics to quantify maximized cost savings are "percentage of invoice lines backed by pre-approved purchase orders (POs)" and "percentage of PO lines on contract."

PO-backed invoices enable greater company-wide spend control, policy compliance and reduced spend leakage. In addition, buyers and sourcing teams can enter supplier negotiations with the confidence that projected spend commitments will be adhered to because they have documented history of past spend compliance.

COUPA'S TOP QUARTILE CUSTOMER SUCCESS METRICS

75% of invoice lines tied to a PO [1]

77% of invoice lines tied to a PO [1]

96% of invoice lines tied to a PO [1]

2 Months After System Implementation

8 Months After System Implementation

2 Years After System Implementation

65% of PO lines on contract [2]

74% of PO lines on contract [2]

88% of PO lines on contract [2]

HERE IS WHAT LEADING COMPANIES DO TO DRIVE HIGHER PO BACKED INVOICES AND POs ON CONTRACT:

- Identify the appropriate buying channel for each purchase type and drive compliance to the right channel based on desired compliance, control, spend visibility and efficiency.

- Monitor non-PO transactions to assess opportunities to convert spend into POs and work with policy offenders to drive change.

- Integrate the contracting and transactional purchasing process by creating a way to identify contracts on POs or Invoices and tie contracted pricing to the purchasing process without manual intervention.

- Manage contract metadata closely by tracking expiration dates, pricing changes and other contract information so purchasing transactions are accurate each time.

[1] Invoice lines through the Coupa platform that are backed by a POS
[2] % of POs through the Coupa platform that use an existing contract
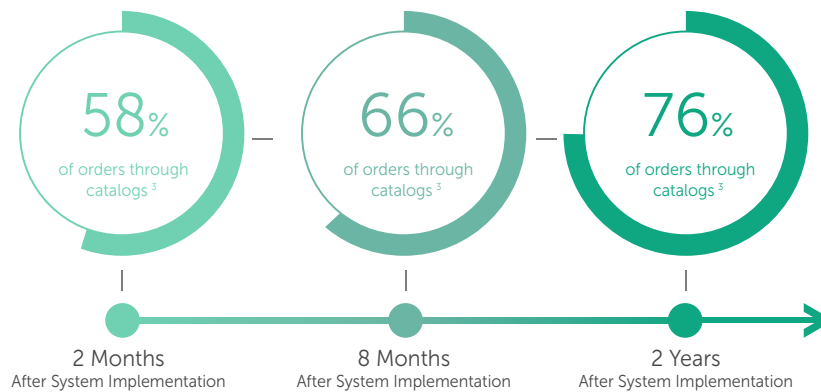
ENHANCE USER ADOPTION THROUGH GREATER EASE OF USE AND GUIDED BUYING

CONTROL COMPANY-WIDE SPEND WITH ADOPTION BY ALL

A critical metric used to quantify successful user adoption is "percentage of orders through catalogs."

For spend management initiatives to succeed, they need to be fully embraced and adopted, which typically involves an ease-of-use factor. Cloud spend management solutions can achieve heavy user adoption when employees have an intuitive and guided purchasing experience, especially with self-service, hassle-free buying channels, such as catalogs. This not only results in higher user adoption, but faster cycle times for goods and services. And when employees get what they need to do their jobs faster, they're more productive.

COUPA'S TOP QUARTILE CUSTOMER SUCCESS METRICS

58% of orders through catalogs [3]

66% of orders through catalogs [3]

76% of orders through catalogs [3]

| 2 Months | 8 Months | 2 Years |
| After System Implementation | After System Implementation | After System Implementation |

HERE IS WHAT LEADING COMPANIES DO TO DRIVE HIGHER % OF ORDERS THROUGH CATALOGS:

- Develop catalogs for frequently purchased items and services, focusing initially on high-volume/low-value items to reduce complexity and cost.

- Include pictures, descriptions and user feedback into catalogs.

- Provide an easy-to-use, guided buying experience; when end users attempt to requisition outside of the approved catalogs, identify and drive spend to catalogs.

- Define contract compliance targets by category to drive Buyers and Category Managers to increasingly use catalogs where appropriate.

[3] % of transactions through the Coupa platform made through catalogs in compliance with contracted pricing
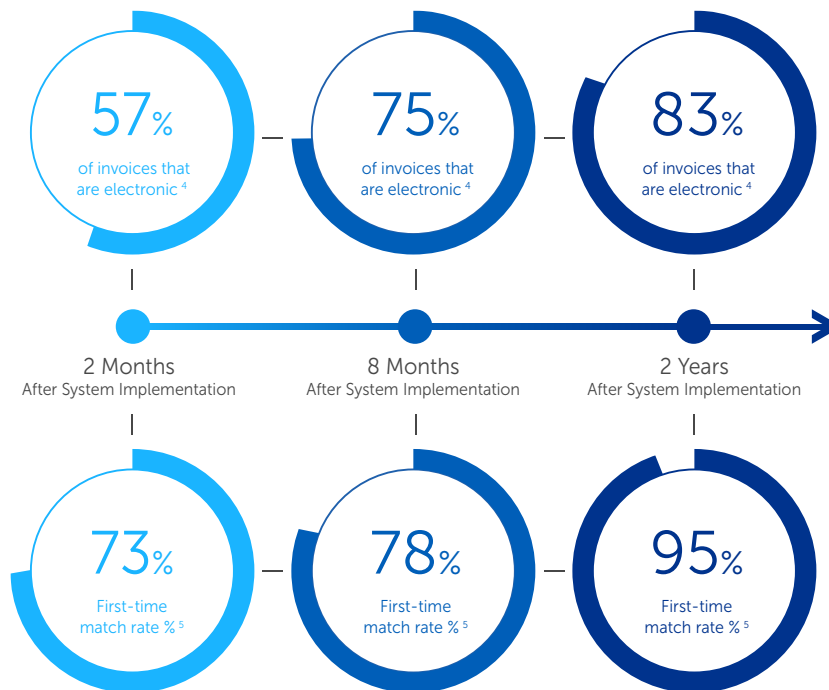
INCREASE EFFICIENCY BY MAKING TRANSACTION PROCESSING EASIER, FASTER AND MORE ACCURATE

GET RID OF PAPER AND AUTOMATE INVOICES QUICKLY

Two critical metrics that measure improvement in spend management efficiency are "% of invoices that are electronic" and "first time match rate %."

Going from manual and paper-based invoicing processes to automated, electronic invoicing leads to significant savings on two fronts. Not only can you considerably lower invoice processing costs and reduce clerical errors, but it also opens the door to more on-time payments and prompt-pay opportunities. Higher first-time match rates mean less need for manual intervention. When Procurement and AP departments no longer have to address discrepancies between purchase orders, invoices and receipts, they can then devote more time to strategic activities.

COUPA'S TOP QUARTILE CUSTOMER SUCCESS METRICS

57% of invoices that are electronic [4]

75% of invoices that are electronic [4]

83% of invoices that are electronic [4]

2 Months After System Implementation

8 Months After System Implementation

2 Years After System Implementation

73% First-time match rate % [5]

78% First-time match rate % [5]

95% First-time match rate % [5]

HERE IS WHAT LEADING COMPANIES DO TO DRIVE HIGHER ELECTRONIC INVOICING AND MATCH RATES:

- Build eInvoicing requirements into supplier contracts to drive compliance with the new process.

- Set expectations and motivate suppliers to convert with a formal supplier enablement plan.

- Leverage supplier portals and processes to drive usage of PO confirmations, PO flip and eInvoice submission.

- Enforce 2-way and 3-way matches systematically using easily configurable spend controls.

- Provide mobile capability to all stakeholders to view status and approve transactions.

[4] The % of invoices through the Coupa platform received electronically through cXML, Coupa supplier network and Supplier Actionable Notifications
[5] The % of transactions through the Coupa platform for which 2- or 3-way matches are within set tolerances

CONCLUSION

AMPLIFY THE POWER AND VALUE OF CLOUD SPEND MANAGEMENT

Establishing the right success metrics, such as savings, adoption and efficiencies with the appropriate KPIs behind those goals is a critical first step to success. Leading companies leverage the capabilities of cloud spend management solutions and efficient processes with embedded leading practices to start strong and drive higher attainment of the target KPIs. For companies who are considering investing in and getting the most out of their cloud spend management solutions, this combination of establishing measurable success goals and implementing the right technology and processes has been shown to achieve the greatest measurable business impact and ROI.

Find out how KPMG and Coupa can
help you achieve smarter spend management.
WWW.COUPA.COM/PARTNERS/KPMG-P

Dipan Karumsi
Principal, KPMG LLP
US Procurement Advisory Practice Lead
614.249.2384
dkarumsi@kpmg.com

Amit Duvedi
VP Business Strategy, Coupa Software
408.529.4620
amit.duvedi@coupa.com