This sample chapter describes the functionality of SAP Ariba Sourcing, from negotiation to managing supplier data, and SAP Ariba Discovery, including locating suppliers and issuing RFQs. It also covers implementing these solutions, with information on project phases, resources, and timelines.

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SAP Ariba and SAP Fieldglass
Functionality and Implementation
466 Pages, 2016, $79.95/€79.95
ISBN 978-1-4932-1294-1
www.sap-press.com/3950
Chapter 2

SAP Ariba Sourcing includes an array of augmenting solutions, from SAP Ariba Spot Buy to SAP Ariba Discovery. These solutions, in addition to the SAP Ariba Network, form the sourcing platform described in this chapter.

2 Sourcing

With SAP Ariba Sourcing, you develop a sourcing strategy and negotiate, source, and manage the resulting contracts and supplier data. Its sister solution is SAP Ariba Discovery, which suppliers across the SAP Ariba Network can register with in order to access any new requests for information (RFIs), requests for proposals (RFPs), and requests for quotes (RFQs), collectively known as RFx, that you issue in their areas of coverage. This chapter outlines SAP Ariba Sourcing and SAP Ariba Discovery as solutions, and highlights their key functionalities and how to implement them.

A strategic approach to sourcing is essential for achieving immediate needs, as well as for sustaining enterprise-wide cost reductions. Locating a supplier and pricing an item is simply not enough: sustainable savings come from identifying cost-cutting opportunities, defining and executing a supplier selection process, and creating contracts that convert these facets into actual savings. This requires being able to evaluate the total cost impact of sourcing decisions while shortening the amount of time and effort spent on administrative tasks.

Effective supplier discovery and supplier information management are critical for the sourcing process to generate sustainable results, yet many organizations struggle to keep their supplier information current. Strategic sourcing provides the single greatest opportunity to impact the cost, quality, and performance of the supply chain, and is among the quickest paths to lowering costs and increasing revenues. But increased globalization, soaring energy and commodity costs, and tightening supply markets have kept many companies from achieving their full sourcing potential.
2.1 **SAP Ariba Sourcing**

SAP Ariba Sourcing is designed to help companies overcome challenges in supplier information management. A unique software-as-a-service (SaaS) solution, SAP Ariba Sourcing is the most-widely adopted and complete strategic sourcing offering in the marketplace, and is used by thousands of companies to create and implement competitive best-value agreements.

Per Figure 2.1, by combining best-in-class sourcing and negotiation technology with access to a global network of suppliers and unparalleled strategy and category expertise, SAP Ariba Sourcing enables companies of any industry, size, or geography to drive fast, sustainable results by automating and streamlining critical tasks across the sourcing lifecycle. These tasks include:

1. **Strategy development**
   - Identify savings opportunities, assess market dynamics, and develop an informed sourcing strategy.

2. **Sourcing and negotiating**
   - Identify and qualify suppliers, negotiate best-value agreements, derive optimal award allocations, drive project collaboration, standardize processes, and manage knowledge.

3. **Monitoring and managing suppliers and agreements**
   - Quickly implement supplier agreements, track and realize savings, and manage supplier performance.

SAP Ariba Sourcing delivers frequent innovation to ensure speed, consistency, and repeatability, and its use is not limited by organization size or industry. SAP Ariba customers have leveraged this solution to connect with suppliers in over 500 categories, reduce their costs, and cut process and cycle time.

In the following sections we will cover the two versions of SAP Ariba Sourcing, SAP Ariba StartSourcing and SAP Ariba Sourcing Professional, how indirect procurement works as a sourcing strategy in SAP Ariba, and three sources of supply assignments: manual, RFx, and auctions.

### 2.1.1 SAP Ariba StartSourcing and SAP Ariba Sourcing Professional

There are two versions of SAP Ariba Sourcing available: SAP Ariba StartSourcing and SAP Ariba Sourcing Professional. In this section we will cover the features of both versions individually, and then transition into coverage of the features available in both version, the RFx creation and management process within SAP Ariba Sourcing, and the community and support options for this solution.

**SAP Ariba StartSourcing**

SAP Ariba StartSourcing is the basic version of SAP Ariba Sourcing, and has the following features:

1. **Dashboard**
   - The dashboard surfaces significant, actionable, and relevant user content to role-based user dashboards.

2. **Basic event management**
   - This feature includes:
A wizard with templates for creating standard events of various types, including requests for information (RFIs), requests for proposals (RFPs), and reverse and forward auctions.

A sourcing library that stores documents and customer-created standard event content such as questionnaires, lots, line items, and past event content.

Event content uploads in Microsoft Excel files.

HTML text formatting in event content, including bold, italics, underlining, bulleted lists, and active URLs to allow users to clearly convey event information to suppliers.

Flexible, competitive event rules and features such as starting gates, forced bid decrements, bid buffers, ceiling, floor, and initial prices, and tie bid control.

Multi-stage event process.

Event monitoring interface.

Events published to SAP Ariba Discovery, where new suppliers can find them.

Supplier participation through one-click bidding and uploading bids in Microsoft Excel files at line or lot level.

Supplier profile information storage and event invitation capabilities.

Suppliers who participate in events register with the SAP Ariba Commerce Cloud.

Note

Users must create SAP Ariba Discovery postings for all events for which they wish to receive responses—postings are not created automatically during the RFx process.

3. Communications

This feature includes:

- Event messages: the Message tab in the event monitoring interface stores all event messages. Suppliers and buyers can communicate using event messages; buyers can provide event-related information and suppliers can ask questions and receive answers.
- Private messages: users can send messages to all suppliers or to other buyers on the event team.

4. Reporting

Reporting capabilities include:

- Reporting on individual events during event monitoring.
- Supplier activity reporting.
- Audit log reporting.
- RFI reporting.
- Standardizing sourcing processes using templates.

SAP Ariba Sourcing Professional

The SAP Ariba Sourcing Professional solution includes process management features that allow organizations to control sourcing projects from the planning stage to the awarding of individual events.

Notifications: customer sites generate a number of automatic notifications related to invitations, changes to events, event closings, awards, and so forth.

Per Figure 2.2, SAP Ariba Sourcing Professional goes beyond the SAP Ariba Start-Sourcing capabilities with more robust, customizable functionality for complex sourcing environments.

Figure 2.2 Sourcing Main Menu Screen
sourcing activities, while including the core features of Sap Ariba StartSourcing, such as:

1. Dashboard
The dashboard surfaces significant, actionable, and relevant user content to role-based user dashboards. Users can personalize content by dragging and dropping that content on their active dashboards.

Dashboards can include:
- A personal calendar for each user.
- SAP Ariba data, such as watched sourcing projects, event status, announcements, to do lists, and document folders that users can add to their dashboards.
- Company news content that displays important information to users. This content can show data from RSS feeds, and customers can configure this news content for their sites.
- Users can create multiple dashboards that cover different strategic areas.

2. Basic event management
Basic event management drives off of a wizard with templates for creating standard events of various types, including RFI, RFP, reverse and forward auctions, total cost auctions, index auctions, and bid transformation auctions. It also contains the following:
- A sourcing library that stores documents and customer-created standard event content, such as questionnaires, lots, line items, and past event content
- Event content uploads in Microsoft Excel files
- HTML text formatting in event content, including bold, italics, underlining, bulleted lists, and active URLs allows users to clearly convey event information to suppliers
- Flexible, competitive event rules and features such as starting gates, forced bid decrements, bid buffers, ceiling, floor, and initial prices, and tie bid control
- Multi-stage event process
- Event monitoring interface
- Events can be published to SAP Ariba Discovery to find new suppliers

3. Advanced event management
This feature includes:
- Custom event templates with custom formulas, item definitions, event rules, and item rules
- Advanced event types, such as Dutch auctions, which allow buyers to specify an initial lot price and then incrementally raise it until the supplier accepts
- Matrix pricing for more advanced pricing negotiations
- Serial and parallel lot timing rules
- Post-event decision support with constraint-based optimization scenarios

4. Project management and workflow
This feature includes:
- Sourcing process management using projects with tasks and phases, project teams, documents, milestones, dependencies, review and approval flows, sub-projects, and predecessor and follow-on projects
- Custom project templates to capture and enforce best practices. Figure 2.3 can be configured to show different data fields and customer-specific processes
- Automatic project configuration based on project attributes and conditional question responses

Note
SAP Ariba Discovery is a service that allows buyers to find new suppliers, read profile information and feedback about suppliers, and access other supplier information. SAP Ariba Discovery is not a part of the sourcing solution to which you subscribed, but rather a separate service. In some circumstances, you can access SAP Ariba Discovery from different SAP Ariba solutions. SAP Ariba Discovery is currently free for buyers. Before you first access SAP Ariba Discovery, you will be asked to accept the online Terms of Use applicable to SAP Ariba Discovery, and those terms will apply if you choose to proceed and use SAP Ariba Discovery.
Detailed tasks with descriptions at each step of a process support consistency, learning, and self-sufficiency, and enforce company policies; review and approval workflows provide visual status indicators.

Figure 2.3  Sourcing Project Request

5. Document management
This feature includes:
- A repository for all documents related to projects or category knowledge areas
- Both individual projects and the sourcing library enable easy document collaboration, sharing, and management with version control, commenting, and an audit trail
- Knowledge and resource management
- Both the sourcing library and project templates capture organizational and category knowledge for re-use
- Projects and project reporting show user priorities and staff availability, and provide team management tools for deploying users across multiple projects

6. Communications
This feature includes:
- Event messages: the Message tab in the event monitoring interface stores all event messages. Suppliers and buyers can communicate using event messages: buyers can provide event-related information, and suppliers can ask questions and receive answers
- Private messages: users can send messages to suppliers or to other buyers on the event team
- Project messages: project message boards facilitate communication between project team members
- Notifications: customer sites generate a number of automatic notifications related to invitations, changes to events, event closings, awards, project tasks, and so forth

7. Reporting
Reporting capabilities include:
- Reporting on individual events during event monitoring
- Cross-event reporting
- RFI reporting
- Supplier activity reporting
- Audit log reporting
- Project and project task reporting
- Custom analytical reporting, including reporting across multiple fact tables

8. Third-party integration
SAP Ariba Sourcing Professional also provides a way for customers to integrate their SAP Ariba solutions with third-party systems either through web services or file-over-HTTPS transfers so that event owners can quickly create and update their events based on item masters and send or report results back to third-party systems. Third-party integration can:
- Automatically update department, commodity, user, supplier, exchange rate, and other master data.
- Provide single sign-on to SAP Ariba solutions and third-party systems.
- Update third-party contract systems with SAP Ariba data.
- Copy documents between third-party document systems and SAP Ariba solutions.
- In addition to document copy, URL documents in SAP Ariba solutions can point to objects in third-party systems, and you can create hyperlinks (“web-jumpers”) to connect third-party systems to documents and projects in SAP Ariba solutions. SAP Ariba Sourcing Professional also includes standard integration with SAP ERP.
Sourcing events typically start by leveraging previously used templates, suppliers and processes. SAP Ariba Sourcing follows this approach for both versions with numerous features that allow for reuse and further refinement of knowledge and approaches gleaned from previous sourcing events. These features include the following:

- **Sourcing templates**
  A template, such as the one in Figure 2.4, serves as a starting point for a project. Users must select a template to create a full or quick sourcing project. Templates are pre-populated with documents, tasks, and team members. Template authors can also set conditions in templates to automatically display or hide content according to information such as location, commodity, or other project attributes.

- **Create and manage project documents**
  Sourcing projects provide centralized storage locations where users can store and manage multiple versions of project documents. Sourcing managers can also pre-populate sourcing project templates with documents to standardize their use across multiple projects.

- **Setup and launch sourcing events**
  Allows you to create and run sourcing events in which sourcing users can exchange business information with other companies. Some types of sourcing events that can be created using SAP Ariba Sourcing are request for information (RFI), request for proposal (RFP), auction events, etc.

  - **Send email notifications**
    The system can be configured to send an email to notify users when projects are started, completed, or modified, as well as when users are assigned to tasks.

  - **Organize and standardize workflow**
    The system can be configured to setup milestones tasks, predecessor tasks, and follow-on tasks to standardize workflow and make sure that parts of the project are completed before others start.

  - **Automatically track savings**
    Integration between SAP Ariba Sourcing and SAP Ariba Contract Management can help organizations create savings tracking forms to automatically track savings for procurement contracts that are, or which will be, associated with sourcing projects.

  - **Create reports**
    Users can create reports about contract projects using data from multiple contract fields that is filtered, sorted, and compared in multiple formats.

As discussed earlier in the chapter, you are not limited to reporting solely off SAP Ariba data. With SAP Ariba Sourcing, you can integrate not only with other SAP Ariba solutions, but also with third party systems that use Web services and file channels.

**RFx Creation and Management**
SAP Ariba Sourcing includes a broad set of RFx types, including RFI, RFP, reverse auctions, and forward auctions. There are a number of features supporting and accelerating these core request processes in SAP Ariba Sourcing, including:

- **Integrated supplier discovery**
  SAP Ariba Sourcing enables searching on suppliers based on commodity codes, geography, and numerous other data points. SAP Ariba Discovery allows for expanding RFx postings to suppliers in the SAP Ariba Network.

- **Rapid RFx creation**
  Templates can be converted immediately into official RFxs.
Competitive bidding and timing options
SAP Ariba Sourcing allows competing suppliers to see current winning bids, countdowns, and timing.

Sealed envelope bidding, Dutch auctions, and total cost events
Sealed envelope bidding allows for bids to be opened all at once, so as not influence the bid process—commonly used in public sector RFx processes. In a Dutch auction, the price is increased until a willing supplier steps forward. In a total cost event, a supplier can define and edit the line item costs, which are then summed for the total cost of the bid. A transformation event only allows for bidding on the total price, so suppliers and the RFx owner only see the total price and not line-by-line items.

Matrix and tiered pricing
With matrix pricing, suppliers define pricing for an item to customers, based on customer attributes, such as customer size, geography, purchasing volumes. Tiered pricing typically turns on volumes, where at certain volume thresholds, the price for the item changes.

Bid optimization and decision support
Unlike many on-premise solutions, SAP Ariba Sourcing has live support to assist in complex bidding events and processes as seen in Figure 2.5.

Figure 2.5 - SAP Ariba Sourcing Live Support

Flexible supplier bidding options including buyer and supplier bundles
This allows supplier to bid on parts of the RFx, if enabled as an option, and propose bundles of items in response to a single request.

Supplier response management
There are numerous options in SAP Ariba Sourcing for communicating with suppliers and processing responses.

Team grading and collaborative scoring
Many RFxs require collaboration between diverse business units to create and manage. For example, purchasing, engineering, and finance may work together at various times of the RFx, in order to procure a complex item in the most cost efficient way possible.

Conditional content, table questions, and event prerequisites
Conditions can be created in SAP Ariba Sourcing to manage RFx content, questions, and event qualification.

Communications and messaging
Communications options and messaging are available pre-, post-, and day-of RFx event management. This includes general message posting and email.

Global, multi-lingual, and multi-currency capabilities
Suppliers can log into bidding events globally, in multiple languages, and submit bids in multiple currencies.

Category management
Managing by category allows for a particular category of material or service to trigger activities in sourcing. For example, all IT purchasing needs to go to RFx.

Project management
SAP Ariba Sourcing includes sourcing project management with the ability to embed best practice sourcing processes, include collaborators, and integrate follow-on activities such as further RFxs and contracts.

Workflow and approval
Approvers can be brought in during all the main steps of the process.

Document and knowledge management
Managing RFxs in SAP Ariba Sourcing allows for document management, including attachments and supporting documentation, as well as the building of a knowledge base, as each RFx conducted enriches your repository of possible templates and playbooks for future sourcing activities.
Resource management

Sourcing analysis and reporting

Using analysis and reporting in SAP Ariba Sourcing, one customer was able to quantify the value of having additional bidders participate in sourcing events Figure 2.6.

Integration to third-party systems using web services and file channels

Savings pipeline and tracking

Includes reporting data access control for savings forms, dForms, surveys, scorecards and sourcing events.

Category playbooks integrating SAP Ariba expertise

Community and Support

The toolsets and resources surrounding SAP Ariba Sourcing from a network and community perspective include:

Integration to third-party systems using web services and file channels

Savings pipeline and tracking

Includes reporting data access control for savings forms, dForms, surveys, scorecards and sourcing events.

Category playbooks integrating SAP Ariba expertise

In the event that you require additional support, SAP Ariba offers further services as part of its delivery portfolio. These services include:

Expertise and best practices delivered via a flexible delivery model ranging from onsite consulting to web-based templates

Bundled empowerment support services, including basic product support, event day management, and a sourcing support desk

2.1.2 Sourcing Strategies in SAP Ariba: Indirect Procurement

Indirect procurement differs from direct procurement in that the items are not used directly in a product produced by the company. Rather, indirect procurement items are used to support and enable the business processes a company uses to deliver their products to market. Indirect procurement is one of the primary focuses of SAP Ariba solutions. Recently, with the introduction of SAP Ariba Collaborative Supply Chain, direct procurement is being further integrated and expanded into the SAP Ariba Network.

Sourcing in SAP Ariba, whether indirect or directly materials-related, leverages the same toolset. SAP Ariba Sourcing uses specific vocabulary for sourcing activities and functionality in the system. The key terms are:

1. Project

A project is a specific plan/design that accomplishes a defined set of goals and objectives in a given timeframe, usually with defined stages, and with designated deliverables. This term is usually referenced in sourcing and knowledge projects.

2. Workspace

A workspace is a specific plan/design that accomplishes a defined set of goals and objectives in a given timeframe, usually with defined stages, and with designated deliverables. This term relates primarily to contract workspaces or supplier workspace.

3. Header attributes

Header attributes are the key data elements that a user enters when creating a project. These data elements drive content within the project through the use of conditions, provide information to project stakeholders, and provide key data from which to report in the analysis module.
Header attributes are the data elements captured on the CREATE PROJECT screen and are also editable within the project’s OVERVIEW tab. These fields are used for informational purposes, reporting, and searchability within a project via conditions.

4. Custom header attributes

Custom header attributes are the custom fields that you are able to add to the HEADER ATTRIBUTES section. You are typically allowed a defined number of flex fields based on your statement of work with SAP Ariba for each sourcing, contracts management, and supplier performance management project.

5. Flex fields

Flex fields are the custom fields that you are able to add to the HEADER ATTRIBUTES section.

6. Project overview

The OVERVIEW tab displays the project’s header-level information. There are also sections of the OVERVIEW tab that display project announcements, shortcuts to frequently used documents, and a high-level summary of the project schedule.

7. Sourcing library

The SOURCING library serves as a repository for RFx content and documentation. Users can access the library during RFx events in order to add content, or they can access it outside of an event in order to view any local policies, practices, etc. Each region will have its own folder in the sourcing library, which can be used to store localized content and documentation.

8. Tasks

Phases, sub-phases, milestones, and tasks are presented to a user in an expandable/collapsible format (e.g. Microsoft Explorer). Phases, sub-phases, milestones and tasks are clearly distinguishable via icons and text.

Some tasks are identified by the template as required tasks. The project owner may not cancel (hide) these tasks. Any tasks not identified by the template owner as required tasks may be cancelled (hidden) from the project task list by the project owner.

Default tasks are never deleted from a project, but rather cancelled (hidden) by the project owner. If the project owner needs to later add any cancelled (hidden) tasks back to the project, he may un-cancel (un-hide) them. By default, all tasks are assigned to the project owner. However, the project owner will be able to re-assign tasks to specific team members.

Any team member with write access to the project may add additional tasks to the project. The descriptions of these tasks are input as freeform text by the creator. Only the project owner may hide (cancel) tasks within the project. When viewing the details of a task, the DESCRIPTION field provides further details about the task.

9. Task dates

Tasks can be assigned a specific due date, or can initiate based on the completion of a previous task or milestone. For example, if you designed a task called “File Tax Return,” you would assign it a fixed due date of April 15th.

10. Project teams

The TEAM tab of a project displays the project’s team members and the associated group(s) of each member. The project owner may add team members to a project by searching and selecting users from this list. If the status of a project is either cancelled or complete, then no new team members can be added to the project. Only the project owner has the ability to add or remove team members from a project.

11. Project/workspace documents

The DOCUMENTS tab of a project is where all documents related to the project are stored. Via the project’s selected template, unpopulated documents (RFxs, spreadsheets, etc.) will be automatically placed into the project’s DOCUMENTS tab when the project is created.

The DOCUMENTS tab is broken into two sections—a listing of all documents on the bottom half of the screen, and a QUICK LINKS section on the top half. The QUICK LINKS section simply provides shortcuts to commonly used documents on the bottom half of the screen. The QUICK LINKS section gives users the flexibility to avoid repetitive searching through a multi-level folder structure for a common document (e.g. commodity strategy documentation). The project’s template also defines an initial folder structure for the bottom half of the screen, and dictates which documents are placed into the QUICK LINKS section.

12. Knowledge projects

Knowledge projects are separate projects that run outside of the sourcing process with the sole intent of serving as a document repository for important supplemental content for the sourcing, contract, or supplier performance management (SPM) processes. Knowledge project owners can set up the documents to display within a sourcing, contract, or SPM project, depending on
the commodity, department, and/or region associated with the project. These documents can show at a project, phase, and/or task level.

13. **Project groups**
A role is a set of specific system permissions which can be assigned to groups and users. Users gain system permissions through their role assignments, either directly as users or indirectly through their membership in a group. Certain roles are required in order to perform certain tasks in SAP Ariba Sourcing Professional. These roles can be assigned to groups and users that are added to the system.

14. **Conditions**
Conditions are logical constructs that trigger whether or not a particular field, document, or task is included in a project created from a template. Conditions have no use on their own—they only control field, document, task, or team inclusion in created projects when they are linked to questions or fields.

15. **Template questions**
Questions in the template can be customized and/or added to drive your specific task-based processes and scenarios.

16. **Questions and answers**
Questions in SAP Ariba Sourcing Professional help define specific project content for a given template during project creation. Questions, when used in combination with conditions, make the definition of project conditions for a specific project more user friendly. Answers are predefined responses to questions in templates. Answers may be used to trigger conditions; whether an answer is visible is controlled by its visibility condition.

17. **Access control**
Access controls can be set for a project, document, or RFx content in order to control visibility to the appropriate internal parties. For a project, this is set on the **Overview** tab; for a document, it is set in the **Attributes** section; and for RFx, content is controlled at the individual section or item (question, requirement, etc.) level.

There are different access controls available for a sourcing project, or a document within a sourcing project. However, sourcing agents can set any project to **PRIVATE TO TEAM MEMBERS** by changing the access control of the sourcing project. Figure 2.7 shows the various tabs, including the **TEAM** tab, which form the structure of the sourcing event.

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18. **On-demand sourcing (OnD)**
The SaaS model of SAP Ariba Sourcing Professional is the main deployment option for SAP Ariba Sourcing at this time. SAP also offers several on-premise options in SAP Supplier Relationship Management (SRM) and SAP Sourcing, which are outside the scope of this book.

Overall, indirect procurement is more difficult to plan at a micro level than direct. You will know, based on your demand forecasts, roughly how much product is needed to be manufactured when. In fact, most companies have their direct procurement and production planning/demand forecasting down to a science. It is more difficult to predict when someone will need to reorder pens and paper in a particular office. At a macro level, however, the indirect procurement picture becomes clearer. Although you may not know exactly when an order will need to occur, you do know that the office will typically consume a certain amount of office supplies during a given period. Moreover, you will know your suppliers and potential suppliers based on this information. With these two areas covered, you are ready to begin putting together a sourcing strategy.

A good sourcing strategy involves understanding both your needs and the market in which these items will need to be procured. If you have a monopoly situation with your supplier-base for this particular item, you can argue until blue in the face over discounts and likely not obtain the desired results. With a monopsony, where your company is the sole buyer of a particular product, negotiations may
be much easier. Since both ends of the spectrum occur rarely, looking for commodity categories with lots of aggressive suppliers is the second best place to land if you are dictating prices as a monopsony. Analytics bear this out—adding more suppliers to a sourcing event typically equals more savings. This should color how you source your items as well, whether manually assigning a supplier, going to RFx, or running an auction.

2.1.3 Source of Supply Assignment: Manual, RFx, and Auctions
The main ways SAP Ariba Sourcing allows for assignment of suppliers to orders is through manual/contract entries, RFx, and auctions. Manual is typically used for one-off items with a low dollar value where you have a provider identified, whereas RFx and auctions are typically used for larger items or in competitive supplier markets where your price is inversely related to the number of competitive offerings you solicit. It should be noted that both of the latter options for assigning source of supply involve effort on both your side and that of the suppliers, and these efforts add costs and friction to the buying process. Even if facilitated by SAP Ariba, greatly reducing the costs and frictions, sourcing via RFx and auction requires a higher degree of participation, effort, and time than manual assignment.

Identifying when it makes sense to go to RFx or auction is thus a key process in sourcing and defining business rules for thresholds. Most companies define dollar thresholds, where larger purchases require a bidding process of some sort. Other companies identify specific categories with sole source providers, to achieve volume discounts and having a sole vendor relationship to worry about. These rules sometimes fail to address a unique situation, however.

Auctions are difficult to run, but can be very effective at reducing prices. If you have a large purchase and the suppliers will drop prices further if they are faced with lower bids, running an auction can make sense. Oftentimes the most difficult part of running an auction is getting suppliers to participate and making the auction itself smooth from a technical and support standpoint. No supplier or participant in an auction likes to feel like a technology glitch or format of the auction prevented them from getting a fair shake. SAP Ariba, with its real-time support and robust auction capabilities, seeks to address this. Pulling in more suppliers to these bidding processes and auction events is made easier with tools like SAP Ariba Discovery, as discussed in the next section.

2.2 SAP Ariba Discovery
SAP Ariba Discovery is a service that allows buyers to find new suppliers and read profile information, feedback, and other information about them. SAP Ariba Discovery is not a part of the solution to which you subscribed, but it is rather a separate service. In some circumstances, you can access SAP Ariba Discovery from your solution. SAP Ariba Discovery is currently free for buyers. Before you first access SAP Ariba Discovery, you must accept the online Terms of Use applicable to SAP Ariba Discovery, and those terms will apply if you choose to proceed and use SAP Ariba Discovery.
SAP Ariba Discovery, as seen in Figure 2.8, augments SAP Ariba Sourcing for suppliers with the following functionality:

1. **Searching for suppliers**
   An intelligent matching tool to identify suppliers that meet specific buyer needs in a category and pulled from a global database of more than one million suppliers in 140 countries. Supplier profiles contain enriched information with community insights.

2. **Engaging with suppliers**
   The ability to invite newly identified suppliers to qualification events or RFx. Once the supplier has responded to a posting and has passed the initial qualification rules set, you can move the supplier further along in the qualification process or directly into an RFx or auction.

3. **Onboarding suppliers**
   If awarded business, you have the ability to onboard a supplier quite easily. The tool includes ongoing self-maintenance of a supplier’s profile information with a unified Supplier Dashboard—a one-stop shop for suppliers to update their information and collaborate on RFx, contracts, etc.

In the following sections we will cover how to incorporate SAP Ariba Discovery into your sourcing process and provide some recommended sourcing scenarios for SAP Ariba Discovery. As with sourcing in general, there are scenarios that benefit from SAP Ariba Discovery, such as a fragmented market where you are not familiar with all the suppliers, but are looking to invite as many as possible to your RFx or auction to achieve further price reduction. Conversely, in a situation where the supplier enjoys a monopoly for a particular good or service, SAP Ariba Discovery may not be able to provide many more options.

### 2.2.1 Incorporating SAP Ariba Discovery into Sourcing Processes and Solutions

SAP Ariba Discovery allows you to quickly and easily find new suppliers, conduct market research, and retrieve quotes. You can access SAP Ariba Discovery at different points in your SAP Ariba Sourcing solution. There are four primary use cases for SAP Ariba Discovery:

1. **Supplier research posting**
   This allows you to find and evaluate new suppliers before a sourcing event.

   One of the most common ways to access SAP Ariba Discovery is by using the supplier research posting link to find new suppliers and conduct market research prior to a sourcing event. You do not need to own or create a sourcing event to conduct a supplier research posting.

2. **Quick quote posting**
   Use this to obtain a quick quote for your spot buys. The quick quote feature to also retrieve fast responses for spot buys and non-contract items.

3. **Posting as part of a sourcing event**
   After you have selected one of the links in SAP Ariba Sourcing, you will be taken to SAP Ariba Discovery to begin your posting. Clicking on Post Now! will launch a three-step process for creating a posting on SAP Ariba Discovery. Figure 2.9 outlines some of the popular categories for posting.

   ![Figure 2.9 Leading Buyer Posting Categories on SAP Ariba Discovery](image)

4. **Inviting additional suppliers**
   You can also invite additional suppliers in SAP Ariba Sourcing by adding suppliers from your database to those automatically matched to your posting by SAP Ariba Discovery.

   Once you are satisfied with the posting content, click Publish. Your posting will go live on SAP Ariba Discovery within 12 hours, and an email notification will be automatically sent to suppliers matching your posting.
Once you have created a posting, you will want to review responses, answer questions, or edit your postings. SAP Ariba Discovery allows you to do so from multiple locations for added convenience. You can manage postings from the following areas:

1. Within an SAP Ariba Sourcing event
2. From the SAP Ariba Sourcing dashboard
3. From SAP Ariba Discovery

You can then award the posting and import suppliers into SAP Ariba Sourcing. Close the project by awarding the project, saving newly discovered suppliers on SAP Ariba Discovery, or importing them into your sourcing database.

### 2.2.2 Recommended Sourcing Scenarios for SAP Ariba Discovery

Finding the right balance of suppliers for each event in sourcing is challenging. Inviting too few suppliers leads to suboptimal outcomes in savings, while inviting too many can quickly degenerate into confusion, as unqualified suppliers overshadow and underbid potentially qualified ones. SAP Ariba Discovery enables you to add additional qualified suppliers to sourcing events that otherwise would lack a sufficient number. Figure 2.10 shows in graph format where having more suppliers adds the most savings, and where the marginal utility of having an additional supplier starts to taper off.

![Figure 2.10 Additional Savings with More Suppliers](image)

Managing quote solicitation and processing entails real effort, and thus expense, on the part of your purchasing organization, so there is a point where further suppliers can actually detract from the savings realized.

The optimal number of suppliers in a sourcing event can vary by material or service being procured. Market constraints can be geographic and/or due to the consolidation of suppliers (market share), or the complexity and strategic significance of the item or service. In a market where there are few providers, having a couple of suppliers participate in a bidding exercise may be all that is possible. For more commoditized markets with many suppliers and a wide variance of pricing and quality, having a large number of suppliers participate may provide significant cost savings.

<table>
<thead>
<tr>
<th>Project</th>
<th>Complex Sourcing</th>
<th>Strategic Sourcing</th>
<th>Spot Buying</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>The roles: Sourcing Event Manager Supply Material Research Main uses:</td>
<td>The roles: Strategic Sourcing Manager Main uses:</td>
<td>The roles: MRO Buyer, Plant Manager, Procurement Agent Main uses:</td>
</tr>
<tr>
<td></td>
<td>• Large spend of $3–50M</td>
<td>• Large spend of $100K–5M</td>
<td>• Competitive bidding for $5K–100K</td>
</tr>
<tr>
<td></td>
<td>• Multiple teams and event</td>
<td>• Single strategy owner and event</td>
<td>• Quick spot-buy, no sourcing event</td>
</tr>
<tr>
<td>SAP Ariba products</td>
<td><strong>SAP Ariba Sourcing:</strong> Use full projects</td>
<td><strong>SAP Ariba Sourcing:</strong> Launch postings early in sourcing process with independent supplier market</td>
<td><strong>SAP Ariba Sourcing:</strong> Create quick quote posting from the CREATE menu</td>
</tr>
<tr>
<td></td>
<td>• Launch postings in RFI template</td>
<td>• Link RFI to RFP or auction event</td>
<td><strong>SAP Ariba Sourcing:</strong> Without a requisition: create a quick quote posting from the CREATE menu</td>
</tr>
<tr>
<td></td>
<td>• Link RFI to RFP or auction event</td>
<td></td>
<td><strong>SAP Ariba Sourcing:</strong> With a requisition: create a non-catalog item first, then create a posting</td>
</tr>
</tbody>
</table>

Table 2.1 How to Use SAP Ariba Discovery
Per Table 2.1, you can use SAP Ariba Discovery for complex sourcing, strategic sourcing, and spot buying. The timing of when to create postings in SAP Ariba Discovery varies by scenario. For complex sourcing, you would leverage Discovery during the RFI-template process, whereas during a complex sourcing event, Discovery would be best used early, in order to identify additions to the supply base targeted via research. The supplier profile can reveal a lot as to the applicability of the supplier for a sourcing event. A supplier profile in SAP Ariba Discovery contains:

- Company information
- Product and service categories, ship-to and service locations, and industries
- Diversity, quality, green classifications
- Transacting relationships
- SAP Ariba Ready certification
- Customer references and ratings
- D&B credit scores

For tactical spot buys, posting at the time of purchase, as soon as the need surfaces, is still preferable to not activating SAP Ariba Discovery at all.

2.3 Implementing SAP Ariba Sourcing and SAP Ariba Discovery

SAP Ariba Discovery is a service requiring little configuration. Per Figure 2.11, SAP Ariba Discovery is already integrated with SAP Ariba Sourcing, SAP Ariba P2P, P2O, and SAP Ariba Spot Quote on the buyer-side, and proposals, contracts, and orders and invoices on the SAP Ariba Network for the supply side.

The majority of an implementation of SAP Ariba Discovery resides on the change management end of the project (i.e., educating your internal users when and how to leverage SAP Ariba Discovery to realize savings). As with any change management exercise, there will be a learning curve and different groups of adopters at different points of the curve within your organization. As per Table 2.2, building awareness and identifying key scenarios for the usage and benefit of SAP Ariba Discovery will allow you to realize quick wins and savings. Once you establish the benefits of the tool with a pilot organization or group, you can expand to other parts of the organization and processes. Complex sourcing processes typically rely on a limited number of suppliers. Over time, this reliance becomes a routine, and then a rut. Suppliers can begin taking advantage of the routine and reduce their quality and/or raise price. Providing these complex sourcing activities with new, qualified suppliers during the RFI phase thus can generate a quick win.

Groups conducting strategic sourcing, as they purchase significant volumes, are also good opportunities for wins with SAP Ariba Discovery. All it takes is identifying a supplier in SAP Ariba Discovery who delivers a lower price in a big sourcing activity to show the group and the rest of the organization, not to mention executives and project sponsors, just how valuable SAP Ariba Discovery can be.
The targets for change management and driving adoption of SAP Ariba Discovery should thus center on strategic and complex sourcing. Once these groups are won over, users can begin integrating SAP Ariba Discovery in their everyday processes and spot buying. Rolling out SAP Ariba Discovery is typically done after SAP Ariba Sourcing is in place, at the tail end of a sourcing project, as you would train users on a complex feature of the solution after training the basics.

The next sections of this chapter will cover process and implementation aspects of SAP Ariba Sourcing, beginning with the definition of sourcing processes.

### Table 2.2 Roadmap to Success—SAP Ariba Discovery

<table>
<thead>
<tr>
<th>Non-Users</th>
<th>Early Adopters</th>
<th>Converted</th>
<th>Evangelists</th>
</tr>
</thead>
<tbody>
<tr>
<td>0%</td>
<td>1–10%</td>
<td>10–50%</td>
<td>50–100%</td>
</tr>
</tbody>
</table>

Key tasks
- Build awareness
- Identify business process owners
- Identify any core blockers
- Schedule in-depth demo for power users/account owner
- Identify internal evangelists
- Build on early wins as proofs points from postings
- Dive to train entire sourcing team (expand usage)
- Identify additional expansion points
- Drive inclusion in documented company processes and business metrics, make it a key step in documents sourcing model
- Partner with SAP Ariba to align strategic objectives
- Drive to expand beyond strategic sourcing (e.g., spot quotes/RFQs)
- Make it the primary resource for all spot buys
- Identify additional expansion points
- Drive inclusion in documented company processes and business metrics, make it a key step in documents sourcing model
- Make it the primary resource for all spot buys
- Partner with SAP Ariba to align strategic objectives
- Drive to expand beyond strategic sourcing (e.g., spot quotes/RFQs)
- Make it the primary resource for all spot buys

Note: Penetration defined as a percentage of SAP Ariba Discover postings as compared to sourcing events (RFI, RFP, auctions).

### 2.3.1 Defining Sourcing Processes

Defining the various sourcing processes your organization uses and would like to use after deploying SAP Ariba Sourcing is a key part of SAP Ariba Sourcing implementation. Per Figure 2.12, a high level sourcing process consists of identifying a need, identifying a supplier or group of suppliers, agreeing on a non-disclosure agreement (if required), engaging in dialogue around the item or service required, and then initiating the RFx process best suited for the supplier group and item or service requested. Less complex items allow you to skip straight to a quote request (RFQ), whereas more complex items may require several rounds of information gathering and supplier analysis/evaluation.

**Figure 2.12 Sourcing Process**

Best practices for setting up SAP Ariba Sourcing processes are as follows:

1. **Identify opportunities/analysis (offline activity)**
   - Gather available spend data and identify sourcing opportunities
   - Identify opportunities that have multiple suppliers, large spend amounts, no current contracts and/or a large volume that may have been identified via spend data
   - Perform opportunity risk assessment and analytical support
Sourcing

Perform analytical support activates, including consideration of the following:
– Spend analysis: current baseline spend and volume
– Published literature and research: price/market conditions, industry leaders, business impact, and price drivers
– Conversion analysis: cost to change suppliers and return on investment (ROI)
– Business analysis and impact: validate value potential (cost/benefit)

Identify historical data by:
– Reviewing historical spend volume via purchase order history, accounts payable system, current suppliers, end users, and/or budgets
– Reviewing previous spend initiatives (date of last initiative, type of sourcing initiative, product/service sourced, suppliers involved, stakeholders involved, results)

Assign project team and kickoff project
– Identify project team members
– Schedule initial project meeting
– Review roles and responsibilities
– Review project goals
– Develop project charter/scope
– Develop project time line/milestones

2. Develop strategy (offline activity)
Complete stakeholder analysis by:
– Performing interviews with stakeholder representatives to:
  – Discuss business requirements/specifications
  – Discuss current and future demand
  – Discuss current supply base and service/quality performance/needs
  – Discuss total cost components
  – Discuss how the commodity works for the stakeholder
  – Discuss market trends
  – Discuss delivery locations
  – Discuss implementation issues (people, process, technology)

– Discuss commodity strategy
– Discuss sustainability
– Prioritize opportunities

Performing gap analysis (desired state vs. actual performance)
Highlighting critical gaps
Developing and rank key performance indicators
Obtaining approval/participation

Identify suppliers and conduct supplier profile analysis so that you may:
– Identify potential supply strategies
– Identify new sources of supply
– Research market supply and trends
– Identify initial list of potential suppliers
– Identify additional suppliers
– Identify supplier selection criteria
– Discuss incumbent talking points
– Set a supplier outreach timeline

Finalize your optimal sourcing strategy and determine the type of sourcing events you wish to use.

3. Source and negotiate (online activity)
Define and create requests for information (RFIs)
  – Add a title according to naming conventions
  – Make appropriate selections for required and optional fields
  – Select appropriate RFI template(s)
  – Determine timing rules, bidding rules and market feedback
  – Add already identified suppliers, if any
  – Add content—review best practice sourcing content document in the sourcing library and include multi-stage information if applicable

Create an SAP Ariba Discovery posting to identify additional potential suppliers
From the Supplier tab of your event, create an SAP Ariba Discovery posting
to match potential suppliers and for suppliers to communicate their intent to submit a response. It is recommend to allow at minimum one week between posting closing and the publishing of the event.

- Import qualified suppliers from SAP Ariba Discovery
  Import qualified suppliers from the SAP Ariba Discovery Network that have indicated an intent to bid.
- Send the RFI to SAP Ariba Sourcing support for review
  On the summary tab of your RFx, click the SAP Ariba Review button, enter comments for the reviewer, and submit. The SAP Ariba Sourcing support desk will use all reasonable efforts to provide feedback within one business day.
- Publish RFI
  Release RFI for supplier review and response.
- Monitor RFI
  Respond to Q&A board and address any issues that may arise with event.
- RFI event review by team graders
  Team Graders will access the event to review and score supplier responses. Email reviewers may be added as required. To adjust graders’ weights, access the Summary page of your event and edit the Overview by clicking Actions • Edit Graders’ Weights.
- Export and Analyze RFI Responses
  Export and analyze RFI results. Promote/disqualify suppliers based on predetermined criteria; move to next stage (i.e. RFP, auction).
- Award the RFP by:
  - Creating award scenarios and selecting the best possible outcome.
  - Submitting the chosen scenario and notifying awarded and/or non-awarded supplier(s)

4. Auction

- Define and create auction
  - Add a title according to naming convention
  - Make appropriate selections for required and optional fields
  - Select appropriate auction template
  - Determine timing rules, bidding rules and market feedback

- Add already identified suppliers, if any
- Add content—review best practice sourcing content document in the library, and include multi-stage information if applicable
- Create SAP Ariba Discovery posting to identify additional potential suppliers
  From the Supplier tab of your event, create an SAP Ariba Discovery Posting to match potential suppliers and for suppliers to communicate their intent to submit a response. It is recommended to allow at minimum one week between posting closing and the publishing of the event.
- Import qualified suppliers from SAP Ariba Discovery/finalize supplier list
  Import qualified suppliers from the SAP Ariba Discovery Network that have indicated an intent to bid. Determine a final list of suppliers who will be participating in the auction.
- Conduct internal practice auction with stakeholders
  Determine lotting strategy and conduct a mock auction including test suppliers. Make modifications/additions as needed.
- Conduct practice auction with suppliers
  After lotting strategy has been determined, conduct a practice auction with your suppliers including fictitious information. Monitor and answer questions from suppliers. It is recommended that you do so 1-3 days prior to live auction.
- Send LIVE auction to SAP Ariba Sourcing Support for review
  After auction has been finalized, on the summary tab of your RFx, click the Ariba Review button, enter comments for the reviewer, and submit. SAP Ariba Sourcing support desk will use all reasonable efforts to provide feedback within one business day.
- Publish auction
  - Release auction for supplier review and response. The auction must be published at least 24 hours ahead of time so that SAP Ariba Auction Administrators can monitor the auction. Recommended two weeks prior to open time.
  - Respond to Q&A board and address any issues that may arise with event.
- Export and analyze auction responses
  Export and analyze auction results. If applicable, analyze RFP results in conjunction with auction results
2.3.2 Defining Project Resources, Phases, and Timelines

A typical SAP Ariba Sourcing Professional project can take six to seven weeks, depending on its size and scope. If combining with SAP Ariba Discovery, the project adds one to two weeks in change management training. The phases of an SAP Ariba Sourcing project are as follows:

1. **Pre-kickoff**
   - The customer secures the resources needed for the project team, identifies roles in deployment, and documents the in-scope sourcing processes.

2. **Kickoff**
   - Hold the project kickoff: call and confirm the schedule and resources for weekly meetings. The customer then registers on SAP Ariba Connect, a resource portal for projects and SAP Ariba solutions.

3. **Data collection**
   - Data collection can include supplier data, commodity code data, as well as template definitions and workflows. The following key areas are included in data collection:
     - Enablement workbook: SAP Ariba consulting and/or partners provide the customer with a training code and schedule, data collection guidelines, and a Sourcing enablement workbook. SAP Ariba reviews the enablement workbook with you, and you then complete it. Once the workbook is confirmed and submitted, SAP Ariba loads the enablement workbook data into a test site.
     - Custom header fields: SAP Ariba reviews the custom header field data collection template with the customer, and the customer then completes the template. SAP Ariba then completes the template. Once submitted, SAP Ariba loads the custom header field data into a test site. SAP Ariba then reviews the custom header field configuration in the test site with the customer (including its layout). Finally, SAP Ariba updates the field configuration according to customer feedback.

4. **Site configuration**
   - Based on the workbook definitions and design sessions, a test realm is set up covering the following areas:
     - Sourcing process: SAP Ariba reviews the documented process with the customer, and the customer provides the documents to be associated with the process. The process is then built in the test site and reviewed with the customer. Lastly, the process is updated per customer feedback.
     - Form development (if applicable): SAP Ariba reviews the form data collection template with the customer, who then completes the template. SAP Ariba then configures the form template in the test site and reviews the form template configuration with the customer (including layout). As with the other areas, the form template configuration updates per customer feedback.

5. **Configuration freeze**
   - This phase includes testing, production site configuration, and wrap-up, where the customer conducts configuration testing on the test site. SAP Ariba makes changes based upon configuration testing and the customer validates those changes and approves the test site configuration.

6. **Configuration of production site**
   - SAP Ariba moves all configurations to the production site, and configuration testing takes place on the production site. The customer conducts configuration testing on the production site, and SAP Ariba makes changes based upon that testing. The customer then validates these changes and approves the production site configuration.

7. **Wrap-up**
   - The customer is introduced and transitioned to the customer support team.
   - From an organizational change management (OCM) standpoint, key subject matter experts and training needs to occur throughout the project and during wrap up. Key demonstrations to schedule during the project, or at least prior to gating out of wrap up, include:
     - Dashboard and project overview
     - Supplier self-registration
     - Supplier profile questionnaire
     - Supplier administration
SAP Ariba Discovery (including company aliasing)
Sourcing library and content creation
Template creation
Post-bid optimization
Reporting
Users, groups, and access control

During the project, and shortly before go-live, focused change management is crucial for a successful implementation of SAP Ariba Sourcing, as well as SAP Ariba Discovery. Many of the sourcing activities have a defined, limited group of users who can be integrated into the project for feedback during design and configuration phases, and who can also act as multipliers once the project is live. Successful change management efforts start with an analysis and a plan/strategy, prior to bringing in the various users for instruction. Steps include identifying core stakeholders, defining key groups and their needs for the transition to the solution, communication and training plan definition, and, finally, execution. For SAP Ariba Discovery, a parallel or integrated plan should be crafted.

Ideally, SAP Ariba Discovery should be included with every SAP Ariba Sourcing project. This allows for increasing the participation rates of qualified suppliers in sourcing events, which invariably drives down your price. However, some projects may not include SAP Ariba Discovery for a variety of reasons. If the supplier group from which sourcing events is limited to the supplier list provided by the customer, then further suppliers may not be necessary/possible for sourcing events. Sometimes SAP Ariba Discovery roll out occurs after SAP Ariba Sourcing has been implemented in a pilot event, testing with a defined group of suppliers before buyers expand their supplier base of participation.

2.4 Summary
Defining a competitive source of supply during requisitioning is a key area that drives saving and further volume and relationship savings for future procurement. SAP Ariba StartSourcing and SAP Ariba Sourcing Professional, along with supporting tools such as SAP Ariba Discovery, provide the platform from which to manage this part of the process in a holistic manner. From an implementation standpoint, defining the process and the templates are the twin pillars for supporting a successful implementation for SAP Ariba Sourcing solutions.
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