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2016 Supplier Information Management Report

Strengthening Supply Chain Control and Efficiency with Supplier Information Management (SIM) Software

Q4 2016 **| Featuring insights on...**

- Current Market Trends in Supplier Management
- The Benefits of Automated Supplier Management
- Features and Functionalities of SIM Solutions
- Strategies for Increasing Supplier Adoption of SIM Tools
- A Leading SIM Software Provider

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Introduction

Successful Business-to-Business (B2B) operations depend heavily on communication, collaboration, and trust among all parties. For today's organizations, that requires gaining proper control over and visibility into suppliers' activity and information. This visibility and control is vital from the beginning of a supplier relationship to its end; it entails recruiting highly-qualified, legally compliant suppliers, properly managing suppliers' regulatory documents, and maintaining healthy supplier relationships through efficient Purchase-to-Pay processing. When organizations do not properly manage their suppliers and supplier data, they run the risk of legal repercussions, inefficient supply chain operations, and lost revenue due to high processing costs.

The most efficient way to ensure long-lasting, compliant, and mutually beneficial supplier relationships is to implement supplier information management (SIM) software. These solutions allow organizations to validate suppliers prior to and throughout business relationships, and facilitate the management of all supplier documents necessary for compliance with governmental, financial, and industry regulations. SIM solutions streamline supplier data management by consolidating documents into one cohesive and dynamic system, and reduce communication difficulties by offering suppliers valuable self-service and help desk tools. These solutions also enable organizations to connect their supplier information with their Purchase-to-Pay activities by providing or integrating with leading eProcurement, eInvoicing, and ePayments solutions.

This research report examines the current landscape of supplier management strategies, including the history and use of supplier networks and the expansion of these networks through SIM tools. This report also provides insight into the various tools and services offered in leading SIM technology, as well as adoption and onboarding strategies for today's organizations.

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A Look into Supplier Information Management

Globalization and improvements in technology have expanded and diversified many aspects of business. Local and international tax and legal regulations are growing more complex, and managing suppliers takes far more labor, time, and attention than in previous years. In a recent survey, PayStream Advisors asked individuals employed in various industries about their supplier management activities. When asked about their top goals in managing suppliers, most organizations hoped to increase supply chain efficiency, supplier relationships, and supplier validation and compliance, see Figure 1.

Figure 1

Most Organizations Hope to Increase Supply Chain Efficiency and Relationships in Supplier Management

"What is your top goal in managing your suppliers?"



Many organizations have turned to supplier networks and supplier network management (SNM) tools in order to meet their supplier management goals and streamline B2B collaboration. Supplier networks are platforms that allow organizations to access their supply base in real time and perform vital financial and reporting functions. Some common tasks organizations can accomplish with supplier networks and SNM solutions include gathering and maintaining supplier information and documentation, handling supplier inquiries and disputes regarding AP, procurement, and payments issues, and

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validating payment information. In contrast to simple supplier portals in which buyers communicate with existing suppliers, supplier networks also give organizations access to external suppliers. This allows them to build new, more competitive relationships, negotiate prices on procurement and sourcing projects, and monitor wider supply chain operations.

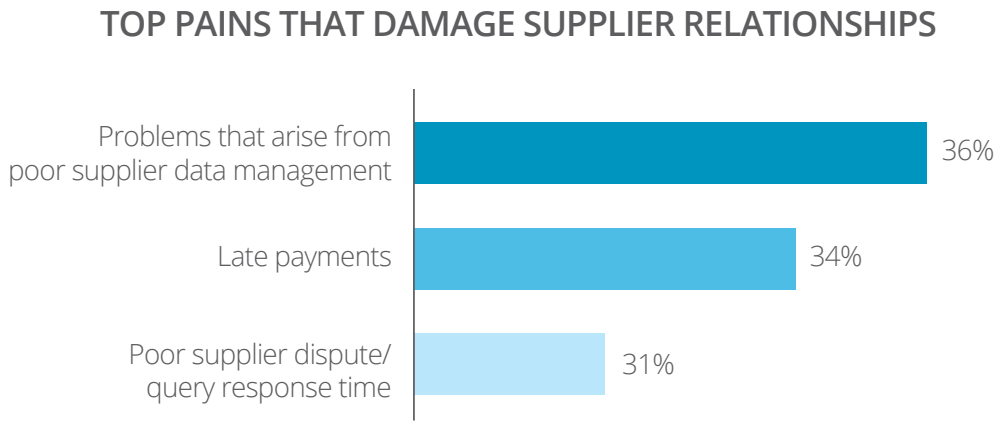
In addition to basic supplier networks, many organizations are expanding their supply chain efficiency by using supplier information management tools. This software is vital for compliance with tax and regulatory requirements and maintaining validated, low-risk supplier relationships. SIM is an extended supplier network management tool—similar in form and function, but incorporating more dynamic features, more extensive services, and elements of government, risk management, and compliance (GRC) software. SNM solutions store and manage all relevant supplier materials, documentation, and credentials, including tax forms, sustainability scorecards, attachments, qualification results, certificates, and risk assessments. This portfolio-level view of supplier relationships enables buyers to segment their suppliers according to type, risk level, and region, and allows them to select a supplier for sourcing or procurement based on more strategic parameters. It also greatly reduces the risk of data, compliance, or legal problems arising downstream in supply chain processes.

In all, SIM supports data management much more thoroughly than supplier network tools alone. Research shows that data management is one of the most important issues for today's organizations, as survey respondents reported that it causes the most damage in their supplier relationships, see Figure 2.

Figure 2

Poor Supplier Data Management Is a Top Concern Among Organizations

"What is the pain that causes the most damage to your organization's supplier relationships?"



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Organizations of different sizes will find certain supplier management tools more valuable than others, as they will have varying supplier management goals, see Figure 3. For example, research shows that larger organizations are more likely to include improving supply chain efficiency in their top goals. Large organizations are also more concerned with lowering risk and improving control over supplier validation, as these factors can have a greater impact on supply chain operations for larger buyers. These companies will find features like supplier validation tools and dynamic supplier onboarding workflows highly valuable.

Figure 3

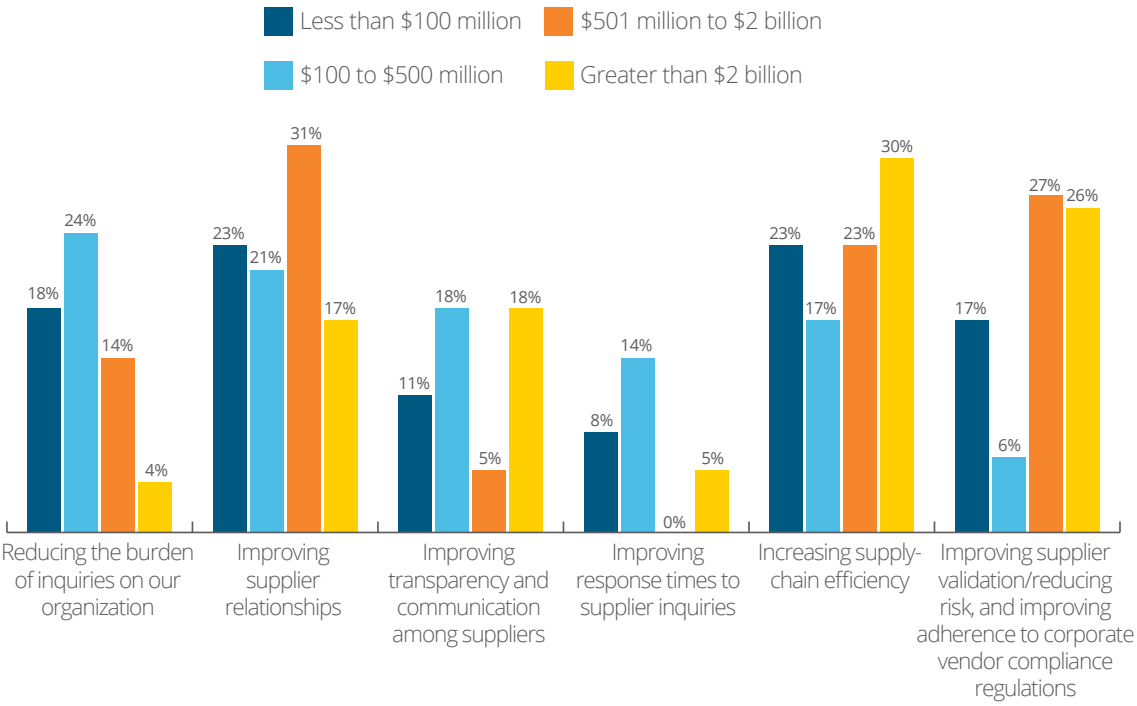
Organizations' Size Can Have an Impact on Their Supplier Management Goals

"What is your top goal in managing your suppliers?"

and

"What is your organization's annual revenue in the most recent 12-month reporting period?"

TOP GOALS FOR MANAGING SUPPLIERS BY ORGANIZATION SIZE



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Smaller and mid-sized organizations are typically more interested in day-to-day improvements with suppliers, such as reducing the burden of supplier inquiries and improving the health of relationships overall. Departments in smaller organizations will typically be stretched across supplier management tasks, and smaller organizations tend to have less push power over their supplier base than large, multi-billion dollar companies. Small and mid-sized companies will benefit from supplier management tools like supplier self-service, online help desks, and improving two-way AP and P2P visibility through real-time integration with back-office systems.

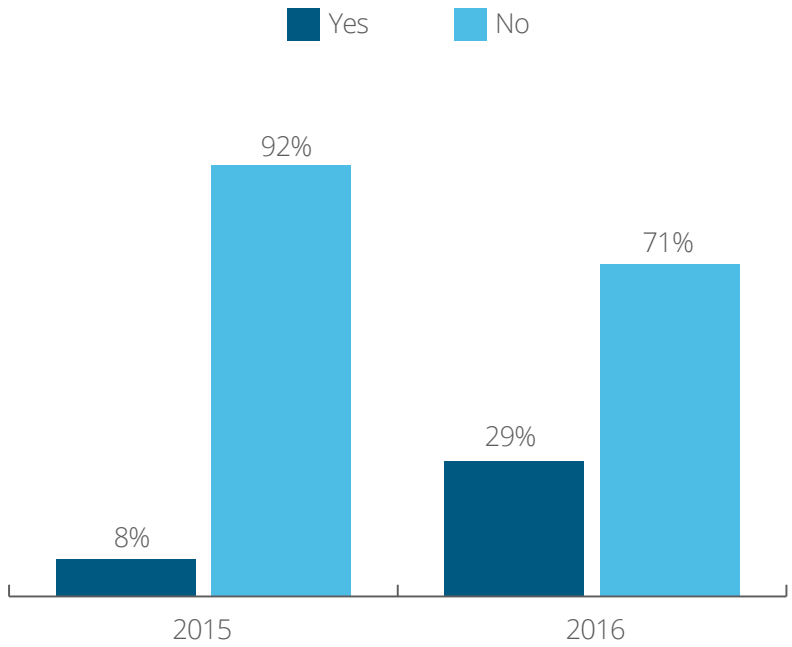
Despite the value and relevance of supplier networks and SIM tools for even the most basic B2B activities, PayStream Advisors' research has shown that most organizations do not use supplier network tools, see Figure 4.

Figure 4

Most Organizations Do Not Use Supplier Management Tools, but Adoption Is Growing

"Does your company currently use a Supplier Network Management solution?"

ELECTRONIC SUPPLIER NETWORK USAGE



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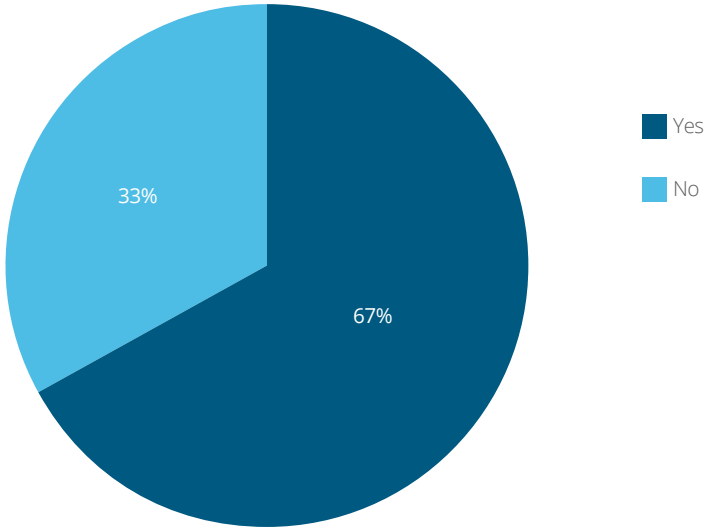
Despite these low numbers, adoption of supplier management tools is growing—the last year has seen a twenty-one percent increase in adoption among surveyed organizations. PayStream attributes this growth to increased education on the benefits of supplier management tools, as well as to the value of adoption reported by organizations that have implemented a solution. For example, among those organizations using supplier network management, the majority report improved relationships with their suppliers, see Figure 5.

Figure 5

Most SNM Adopters Experience Improvement in Their Supplier Relationships

"Have you seen improved supplier relationships since your company implemented a SNM solution?"

IMPROVEMENT IN SUPPLIER RELATIONSHIPS FROM SNM ADOPTION



This improvement is a result of increased control, streamlined communication, and more efficient supply chain operations. The following section explores some of the features and services of supplier networks and SIM solutions that help create improved supplier relationships.

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Today's Leading Supplier Management Features

The following tools and services are offered by most SNM and SIM software providers. They are meant to provide both comprehensive buyer-side control, and value-added, self-service supplier functionality.

Leading SIM solutions offer:

Integration with existing systems. Many Leading SIM platforms offer integration points for existing P2P and S2S solutions, enabling organizations to unify all supplier activity in their P2P processes and create one source of data for strategic financial, legal, and business decisions. The advantage of this integration is increased efficiency in P2P processes, as well as overall improvements on processing times, costs, and supplier relationships.

Some supplier networks and SIM solutions already offer at least some AP and purchase order functionality, while many also offer electronic payments support. These capabilities may include PO transmission and routing to suppliers, invoice creation and submission, and communication tools for all supporting P2P documents. Some solutions also support more intensive procurement features, including catalog management, inventory, and shipping and receiving management.

Secure supplier onboarding. Advanced SIM solutions incorporate supplier onboarding tools to ensure that a supplier is a secure and compliant business partner from the beginning of the relationship. This involves supplier validation measures that are checked against thousands of rules based on payment method, currency, and country. These measures may be enforced using smart forms and document workflows to ensure that data is entered properly, and many providers legally verify suppliers by running them through international "Do Not Pay" lists, such as from the Office of Foreign Assets Control (OFAC).

Clean supplier data. Many organizations struggle with faulty data in their supplier master files, and may host this information for years without the transparency or time to drill down into the issues and fix them. SIM providers create cleaner data by validating information when suppliers first submit it, and some perform vendor master file cleansing

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and enrichment upon starting a contract. This involves collecting all the disparate vendor data related to different regions, countries, systems of record, and divisions to identify and remove errors. Some providers even reach out to suppliers to correct the data.

Dynamic search capabilities. SIM solutions provide organizations with a single, centralized repository for their suppliers' company and contact data, and allow them to search through this data in dynamic ways. Buyers can perform quick, keyword searches and advanced filtered searches of the directory using a variety of parameters, including region, type, and classification. This search tool allows organizations to select suppliers for more strategic initiatives, such as sourcing, category management, or AP automation onboarding.

Tax compliance support and secure global payments. One of the most pressing issues for organizations is maintaining compliance with increasing and ever-changing international legal and tax regulations. This is especially important for organizations making overseas payments to many different international suppliers**.**

Leading SIM providers are informed on current tax and payment requirements, and work to make compliance processes less complex and more streamlined for their clients and their clients' suppliers. Many solutions assist P2P departments by automatically gathering the right tax form and tax ID information from suppliers prior to payment, preventing tax and regulatory issues before it is too late for corrections. Some solution providers notify their clients of regulation changes that might affect them, while others help streamline more complex overseas financial requirements, such as the Foreign Account Tax Compliance Act (FATCA).

A SIM solution's knowledge of global tax and payment requirements helps to streamline overseas payments. SIM solutions that facilitate communications between payees and suppliers will provide suppliers with real-time status on their payments, help resolve payment errors, and automate payment reconciliation.

Supplier validation, risk assessment, and scoring. Validating overseas suppliers can be a complicated and error-prone process, and engaging with a high-risk or illegal supplier can have dangerous consequences for organizations. Today's organizations are also concerned with maintaining the integrity of their supply chain operations; many avoid working with suppliers that do not follow

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ethical standards in their manufacturing and employment operations. SIM solutions offer many supplier validation services to thoroughly vet suppliers, allowing organizations to gauge each supplier's risk level, and monitor and score their activity. Some providers offer these tools natively, while others integrate with third-party validation services to give clients access to more extensive security and validation tests. Required validation forms and reviews can be configured in an onboarding workflow based on the type of supplier, and can also be used to identify characteristics about a supplier, such as whether it qualifies for diversity status.

Supplier self-service and AP help desk support. Most supplier networks and SIM solutions offer dynamic self-service portals with tools for profile management and troubleshooting. Suppliers can update their profile information, enter payment information, and import documents such as contracts, insurance certificates, and tax forms. These portals also give suppliers the ability to check on invoice and payment statuses via the platform, and offer help desk support features like online ticketing systems for supplier queries. By moving dispute resolution from the phone to the portal, and by giving suppliers the chance to maintain their own information and solve their own problems, buyer-side staff can spend more time on high-priority issues.

Supplier outreach. Many SIM solutions allow buying organizations to send targeted, custom messages to large groups of suppliers at once, as well as facilitate the creation of surveys, questionnaires, and other web forms. A buying organization can also request documentation, or ask that a supplier participate in a risk/validation review. A detailed audit trail of supplier activity allows enterprises to obtain real-time updates via reports and dashboards. Some SIM solutions also include reminder capabilities to ensure that suppliers complete high-priority initiatives in a timely manner.

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How to Approach Onboarding and Management

PayStream has found that many organizations considering supplier management tools tend to hesitate due to concerns that they will not achieve enough supplier participation to validate the purchase, and they will experience a low ROI. In order to combat these fears and prevent them from becoming a reality, PayStream has constructed the following list of strategies to ensure high supplier participation in SIM initiatives.

1. **Educate Suppliers –** Historically, suppliers have been reluctant to join supplier networks and other B2B platforms because of their belief that the gains would not outweigh the expenses of supplier network fees, training time, and complicated registration requirements. However, supplier networks have adapted the current needs of both buyers and suppliers, and solution providers have removed many adoption barriers. Few networks charge suppliers a fee to participate, and if they do, the fees are typically very low. The technology itself is more intuitive than in previous years, thus requiring minimal training, and registration and onboarding have become simple and quick. Modern supplier management tools also offer many more value-added services to suppliers, making adoption a strategic advantage. In all, organizations should inform their suppliers of all the recent changes in supplier networks and SIM tools, as well as the benefits they stand to gain if they participate.

2. **Educate Internal Stakeholders –** Many of suppliers' perceptions of supplier networks are also held by staff on the buyer side. Leaders in the adoption initiative should be sure to correct any misconceptions regarding these tools, and to inform key decision makers of the savings opportunities SIM affords. SIM platforms not only reduce processing costs and time, they also reduce non-monetary metrics, such as the number of AP fraud issues, AP help desk queries, and the instances of bad data emerging in downstream processes.

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3. **Onboard Strategically and Aggressively** – Leading SIM solutions offer a variety of onboarding strategies, and solution providers regularly develop new ways to reach out to suppliers. Organizations should first evaluate their supplier base in order to gauge the current culture and technical maturity of these companies. For example, technologically advanced suppliers will be easier to onboard through an email campaign than those operating under mostly manual, paper-based processes. The latter group will require different strategies, such as phone or mail-based outreach.

   Once an organization has gauged the current state of its supplier base, it should work with a provider to strategically structure and orchestrate an onboarding campaign that will gain the highest amount of participation. Organizations should choose a solution provider that understands how to segment suppliers strategically and how to use different onboarding methods for different segments. Some supplier management providers offer teams of onboarding specialists to run large-scale onboarding campaigns, personally reaching out to suppliers through phone, email, and mail with invitations to join the network. These teams may also help the buying organization create invitation templates for its own outreach campaigns, as well as configure registration landing pages on the organization's company website.

4. **Be Assertive Whenever Possible –** Not all organizations have the bargaining power to force suppliers to register for their network or SIM solution, and suppliers' ability to simply take their services and their competitive prices elsewhere is a legitimate risk. However, when the circumstances are suitable, organizations should do their best to be assertive and persuasive with their supplier base, giving at least some of their suppliers deadlines for registration and stressing the importance of participation. Suppliers should be fully and properly informed on all the values of a SIM tool, including the value of more efficient processing, more secure interaction, and improved data exchange. If an organization cannot force all of its suppliers to join the solution upon implementation, it can set up a plan to phase out and replace suppliers that are unwilling to participate over time. By the end of this timeline, the buying organization will hopefully be working only with suppliers that are fully validated, financially secure, low-risk, and a benefit to its supply chain health.

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Conclusion

The purpose of SIM software extends beyond simply having all suppliers on one online platform—it greatly reduces the risk of unforeseen supply chain disruptions and legal complications that can occur due to faulty data management. It ensures that an organization has a hold on its B2B interactions, and that no data-related surprises will arise to threaten companies' long-term security and efficiency.

In order to help readers identify the right SIM technology for their organization and their supply chain, the following profile summarizes the offerings of one of the leading supplier network and SIM software providers in the market today.

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OpenText

Founded in Canada in 1991, OpenText offers a range of solutions for secure global B2B processes. OpenText simplifies supplier management with fully-configurable supplier self-service portals in OpenText Active Community. Active Community creates private supplier communities that are managed by the buyer. OpenText also offers a suite of P2P applications, which include OpenText B2B Managed Services, OpenText Active Orders, OpenText Active Invoices with Compliance, and OpenText Vendor Invoice Management (VIM) for SAP Solutions.

Founded	1991
Headquarters	Waterloo, Ontario
Other Locations	Gaithersburg, MD
Number of Employees	8,600
Number of Customers	100,000
Target Verticals	Manufacturing, Retail, Financial Services, Insurance, Public Sector, Life Sciences, Healthcare, Energy, Utilities, Media and Entertainment, Legal, Engineering and Construction
Partners / Resellers	SAP, Oracle, Deloitte, Accenture
Awards / Recognitions	"Leader" in Gartner Magic Quadrant for Integration Brokerage, April 2014

Solution Overview

OpenText Active Community can be integrated with a customer's back-end ERP (Oracle, SAP, etc.) for an end-to-end supplier management solution. All OpenText products are built on a cloud-based integration platform called the OpenText Trading GridTM, which provides all the necessary integration technology to connect to business partners. OpenText solutions incorporate multiple levels of security, authorization, and authentication at user, data, and application module levels to restrict access to appropriately credentialed users.

OpenText Active Community is available in English, French, German, and Portuguese.

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Supplier Information Management

OpenText Active Community provides fully configurable supplier self-service portals. There are currently approximately 125,800 supplier records across all OpenText Active Community customers, and the company reports an annual growth rate of 10 percent.

Supplier onboarding times and methods depend on how customers create supplier records, whether or not registration is required, and whether or not provisioning for enablement is needed. Depending on the customer's business processes, some Active Community customers can register a supplier in less than 5 minutes, while more advanced provisioning requirements may require several days.

Active Community provides configurable, approval-based workflows to vet suppliers prior to supplier enablement. Multiple options for introducing suppliers to the workflow include public requests via a link, controlled requests restricted by IP, manual requests via UI, or import. Customers can use the onboarding module as a standalone business process for feeding a private supplier directory into Active Community, or they can integrate with the main portal, OpenText Trading Grid Online, for provisioning at the solution level.

All new and existing supplier data is imported into a private, customer-controlled supplier directory. Active Community's advanced search capabilities enable customers to search and filter using any criteria and a variety of operators, with one or multiple conditions. The search tool is also available in the reporting, alerts, and communications modules. Active Community's workflow tool can be used throughout the buyer-supplier relationship to gather and disseminate documents.

With OpenText Active Community, buyers can customize suppliers' profile management features in the self-service portal. The Projects module in OpenText Active Community allows customers to create surveys or questionnaires and send targeted messages to their trading partner community, which can trigger additional surveys, alerts, and emails. Other self-service features include real-time and scheduled reports, data change management approvals, alert customization, access controls, role management, and imports/exports.

OpenText provides a buyer Purchase-to-Pay solution and a supplier order-to-remittance solution. For tax compliance, OpenText offers Active Invoices with Compliance, a cloud-based eInvoicing solution that provides technology and services for supporting eInvoicing compliance in over 45 countries, including data validation, electronic signature,

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archiving, and electronic delivery. In its final release of 2016, OpenText will provide the ability to verify federal Tax IDs as part of the SIM solution.

OpenText also offers the Active Catalogue solution, which is a product data synchronization application specifically tailored to the retail industry. It allows marketers, manufacturers, and suppliers to share their latest product information with retailers, such as price, style, color, size, and more than 600 product images.

In order to maintain supplier compliance, OpenText allows customers to configure the solution to support self-certification for all compliance issues the customer wishes to address. For example, customers wishing to comply with Conflict Minerals regulation can configure their community to collect the required information for SEC reporting (via Surveys or the UI) and export the applicable information as needed. The solution's document repository, file upload, and download features make it possible to collect and distribute documents at the community, project, or individual supplier level. In addition, Active Community provides custom reporting (real-time and scheduled), alerting, and field-based change management features to help customers assess and manage risk in their trading partner communities.

Active Community includes a custom report designer as well as out-of-the-box reports on data held in the Active Community database. Active Orders delivers business analytics with key indicators of supplier performance, allowing date-range searches and detailed drill-down capabilities.

Implementation and Pricing

Average implementation for the OpenText Active Community solution ranges between 6 and 12 weeks. Factors that impact the implementation timeline include client-side changes and internal process issues, supplier list cleansing, and project complexity.

OpenText typically conducts between one and three customer internal training sessions for Active Community users. The customers themselves then conduct supplier training as needed. Customers have the option to purchase additional support post-implementation to manage changes or issues; otherwise, the standard 24x7 customer support is available.

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About PayStream Advisors

PayStream Advisors is a technology research and consulting firm that improves the way companies plan, evaluate, and select emerging technologies to achieve their business objectives. PayStream Advisors assists clients in sorting through the growing complexities of IT applications related to business process automation with the goal of making objective, analytical, and actionable recommendations. Wherever business process automation technology is an issue, PayStream Advisors is there to help. For more information, call (704) 523-7357 or visit us on the web at www.paystreamadvisors.com

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