2015 saw a rapid acceleration in technologies and commentary across the entire P2P space. Procurement is hurtling towards a more consumer-style model, with Amazon as an inspiration and increased spend under management deemed a necessity. Companies are also getting more sophisticated in how they vet, manage, and evaluate suppliers. And finally, when it comes time to settle the bill with suppliers, best-in-class organizations are packaging their e-invoicing up with their procurement and supplier management. It's looking like 2016 will be the year of the platform.

We've put together this eclectic collection of content to get you ready to start 2016 smarter, to move your organization past pure cost control and shift the focus to adding value and generating ROI. This guide is broken up into three sections: Procurement, Supplier Management, and the Platform Model. We've included longer pieces designed to give you a bird's eye view on the major issues and opportunities 2016 will bring, as well as shorter sections to spotlight more crucial topics.

Enjoy, and get ready to seize 2016!

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Can 2016 be the year procurement realizes its promise?

The way large companies buy goods and services is broken.

Even the name we give it – "procurement" – shows us something is wrong. Using the word "procure" instead of "buy" is a perfect example of how we in the business world tend to overcomplicate something as simple as getting the products, services or people we need to do our jobs.

Recently, a Fortune 50 customer was worried about digitizing the process of onboarding suppliers and buying from them. His rationale for worrying was simple: If we make it easier and faster for people to buy from suppliers, people will buy more and it will cost the company more money.

Which begged the question, "What would happen if your company couldn't deliver several large projects on time, or if you're slower to market than your competitors?" He responded with a blank stare.

In today's global market, agility and speed are not just strategic advantages — they're imperative for survival. In this case, the company's procurement department was willing to sacrifice agility for process compliance.

But the question is... why? We're no longer in an era where we can spend months sourcing our trusted vendors and trying to enforce rigid, top-down processes.

It's not you, it's the tools.

For the last 20 years there's been very little innovation in eProcurement. Tools like SAP SRM, Ariba and Coupa are essentially all the same, with Coupa more or less being a carbon copy of Ariba, but with a nicer UI (although you could argue the Ariba solution at least has more depth).

Today, the world has changed. We all use the Internet; we're expected to create value and drive projects to get results independently; and speed is of the essence, not just getting the lowest cost.

Don't misinterpret. Procurement processes aren't broken because people in the procurement department want to create broken processes. They're broken because the tools and methods we've been taught are "best" have forced us to act in certain ways that don't ultimately benefit us.

We are not alone with these views. According to Amy Fong, Senior Procurement Advisor at The Hackett Group:

"The adoption of eProcurement tools is still not where it needs to be. They can be difficult to use and have out-of-date information. End users need better tools so they FIND the right thing and DO the right thing."

Existing solutions (regardless of a sexier UI) have failed in three core areas:

1. Lack of attaining spend under management

According to The Hackett Group, most organizations are only able to manage about 9% of spend through catalog-based eProcurement tools, with the top performers achieving a mere 34%. Inadequate search capabilities, out-of-date product information, inaccurate pricing and poor descriptions lead to an organization's end users needing to go outside the eProcurement tool to get what they need – thereby losing expected savings.

2. End-user dissatisfaction/maverick spending

End users are unhappy and frustrated with not being able to find up-to-date products with the right descriptions, pricing, images and/or availability. Passionate employees looking to get their jobs done are labeled 'maverick' or 'rogue' spenders and are deemed to be at odds with procurement policies. And maverick spend of even 20% equates to millions of dollars per year in lost savings for a big company.

3. Limited value beyond cost savings

Today's CPOs want to go beyond cost savings. CEOs look to CPOs to elevate their roles to trusted advisors, improve procurement's business agility, and enable innovation via suppliers. By automating more of their procurement process, CPOs can refocus resources from transactional to more strategic efforts. However, today's tools don't easily enable collaboration with suppliers, nor do they provide insights that help procurement professionals become more effective leaders.

The existing models are broken. They are limited, restrictive, outdated and they offer little real value for end users, suppliers or procurement departments.

The future is unfolding, relentless, unforgiving, and it happens whether or not we agree to participate.

If your next project is not aligned with the problems, needs, and desires of the future (not the present), the future will kill it.

Thomas Frey, Executive Director, DaVinci Institute

Shortcomings: A deep dive

Existing solutions either focus narrowly on a slice of the spend (indirect spend) or have a patchwork of disconnected products that attempt to cover the entire gamut of all company expenditure, which nets with no visibility into where money is spent overall.

Up to a third of all indirect spend is "spot buying," which are typically non-recurring purchases of low dollar amounts (e.g., custom hats for the company retreat) made for goods and services, and fulfilled by credit card expenses or similar means.

All of this spend is outside of the control of a sourcing department and attempts to address it don't focus on making it easy for the end user.

In cases where there is a contract with a supplier (sourced procurement), adhering to the contract is often an unfulfilled goal, because unlike larger suppliers, small suppliers cannot provide catalogs or customer-specific pricing because they don't have the wherewithal to keep all of their product content rich and up-to-date. The lack of modern products with a familiar online shopping experience leads to fewer buyers buying from contracted and approved suppliers.

How can Tradeshift make it better?

We envision a fundamentally different approach that starts with a network of suppliers and their content at the core, all in the cloud and accessible anywhere on any device. Combine this with collaborative purchasing that is fast, easy to use, and gives end users a world of choices so that they can get exactly what they need to get their work or projects completed. Such an eProcurement solution would have:

- The largest collection of product content made available anywhere, all in the cloud

- Free tools for suppliers to upload and manage their products

- Buyer access to all of this product content (including but not limited to contracted products) from verified and trusted suppliers

- Rapid supplier enrollment and verification

- A broad set of buying options that covers materials, services and spot buying

- A collaborative exchange between people involved in the buying process within and outside the company

- A partner ecosystem that builds value-added apps that complement the procurement process

With such capabilities, procurement leaders and buyers will be able to overcome the problems discussed, as well as many others. For example, signing onto multiple systems because of a lack of integration will be a thing of the past, as will be untracked spot buying. Supporting the specific requirements of services procurement and strategic partners, on the other hand, will become easier.

You'll be able to build on top of KPIs like scorecards and add analytics and reports that include all or almost all of your spend since it'll now be under management. And with Tradeshift, you can have the entire procure-to-pay process connected for end-to-end data collection, visibility and control.

So what comes next?

There are two types of organizations: those that think linearly and those that think exponentially. If you aspire to be one of the later — which all companies hoping to be successful in the digital age should — then you need the only truly open eProcurement network, born in the cloud.

Supplier management is risk management

Managing suppliers can be a major pain point for businesses of any size.

But consider how complex these relationships get as a business scales to enterprise level. There can be hundreds or even thousands of suppliers in the mix and all of them have to be vetted, secured and processed. It's a full-time job to be sure, typically requiring considerable staffing and resources. Surprisingly though, supplier management remains underaddressed in many large companies. Let's examine the four biggest challenges and potential solutions.

Challenge 1: Cybersecurity

By the nature of the relationship, your suppliers will have access to sensitive information, maybe even internal data. This means you need to be able to trust your suppliers to process and handle data as well as deliveries — nerve-wracking to be sure. Internally, your supplier data could also be vulnerable due to apathetic employees or outdated supplier management software. One solution to both of these problems is to move your supplier management into the cloud. Aside from the convenience offered by cloud-based solutions, they generally provide more stringent security measures and transparency than legacy systems. In fact, QuoteColo reports that 94% of managers agree that their security has gotten stronger with cloud applications. Security is one of the main

Best Practices for Ensuring Cybersecurity

Possible in the Cloud?	Yes
Set up automatic routing to authorized personnel	Yes
Centrally maintain enterprise-wide supplier master file	Yes
Establish a supplier web portal for potential supplier self registration	Yes
Automatically routed supplier selection for review	Yes

business requirements of any cloud-based company. Because of the brutal nature of competition in the space, slip-ups are not an option. Typically, cloud-based companies offer stricter access requirements, better physical security and a robust threat-assessment model.
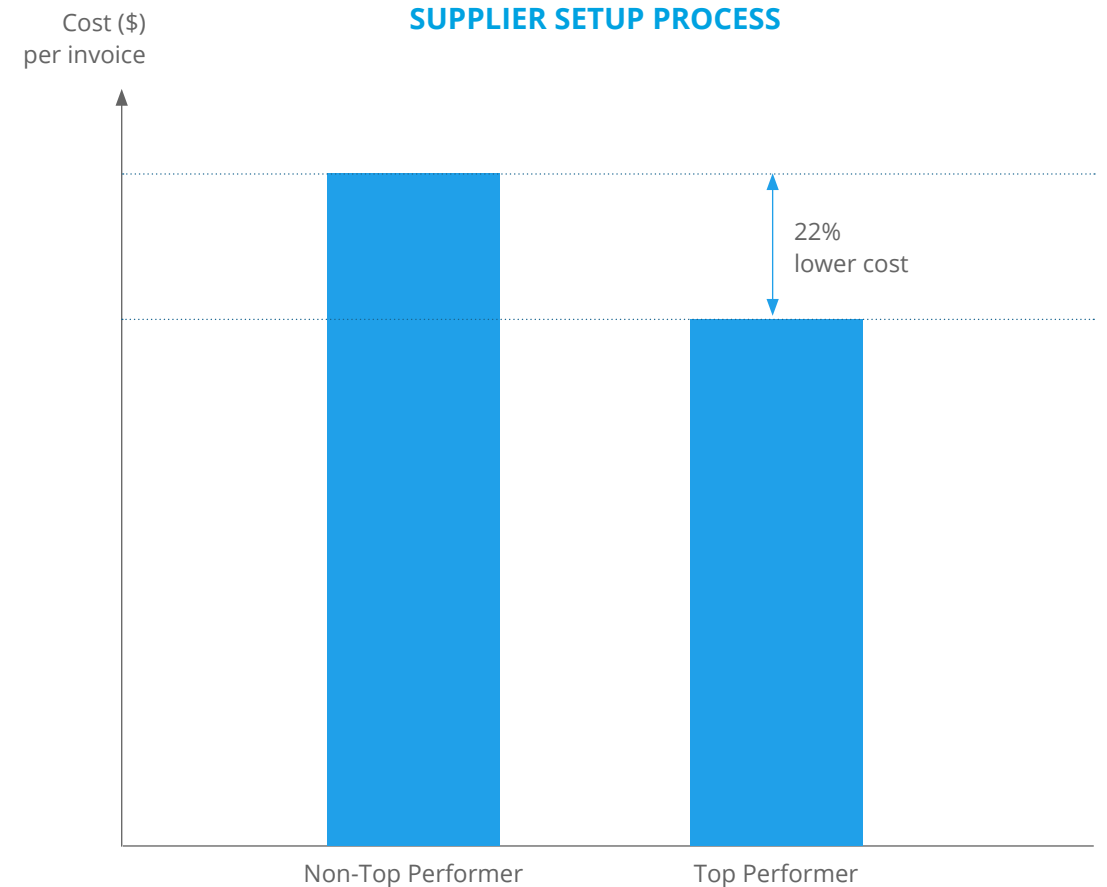
Challenge 2:
Suppliers experience limited value, or even incur costs, when using your current tools

Many companies are still living in the dark ages of managing suppliers via email with a spreadsheet attached. But even those with a tool in place may not be getting the expected benefits. If your supplier management tool costs your suppliers money or excess time, they're less likely to use it. A lot of suppliers may view AP automation systems as overhead or even duplicating what they already have. Ultimately, any additional cost to your suppliers in time or money will be passed on to you. Aside from costs, it's key to make onboarding your suppliers as seamless as possible. Start with making the request to get onboard your supplier management system firm, or even mandatory if you can swing

it. Understand that the process of onboarding suppliers doesn't happen overnight, but if you set realistic goals that work for both parties, the ROI can be excellent. The cost of poor supplier setup and onboarding can add up quickly. According to The Hackett Group, top performing companies pay 22% less on average for each new supplier they onboard. That's why it's key to have a supplier management tool that's easy for all your suppliers to quickly implement. Some products boast features like "supplier matching," which will tell you how many of your suppliers are on the network. It sounds helpful in theory, but whether it's 10% or 80%, it doesn't matter if the remainder experience difficulty or barriers when onboarding. In fact, supplier matching is irrelevant when you're selecting a tool. The goal shouldn't be to choose the network with the most of your suppliers already on it, rather the one that will allow you to get 100% of your suppliers on it with the smoothest transition.

Challenge 3: Difficulty managing data

According to The Hackett Group, 68% of companies report that when it comes to supplier information, time spent managing supplier data is their biggest pain point. If you aren't sure of your supplier data or it's not up-to-date, then all the downstream processes such as purchasing and invoicing will suffer. Also, you won't be able to run accurate analytics on your suppliers. And if you can't analyze performance or you're not sure what you're getting, then how can you make effective business decisions? Or report to the board? The process only becomes more exasperating if employees are managing the data manually. Consider the hours spent individually handling and responding to supplier invoices. At larger companies, this could be several full-time jobs. As you can see below, there is a stark difference between top performers and the rest.

Cost ($) per invoice

SUPPLIER SETUP PROCESS

22% lower cost

Non-Top Performer

Top Performer

Challenge 4: Compliance risk

In addition to internal compliance, many industries tightly regulate the business practices of suppliers. Even in more loosely regulated industries though, consumers are demanding ethically sourced and manufactured products. This is doubly true if any of your suppliers are international. In some industries, you may even be legally culpable for the actions of your suppliers. For example, if you sell a manufactured product, you could be responsible for any environmental or humanitarian lapses committed by your suppliers. The Securities and Exchange Commission (SEC) puts it front and center on their website, "Enforcement of the Foreign Corrupt Practices Act (FCPA) continues to be a high priority." The last thing a business needs is to inadvertently find themselves on the wrong side of the SEC, facing a heavy fine because of something a supplier did. This is why compliance and transparency are crucial issues for supplier management. According to FCPA Digest, total FCPA fines levied jumped tenfold from $150M in 2007 to $1.5B in 2014. In a time of strapped government budgets and public opinion firmly opposed to any appearance of corporate largesse, expect these fines to keep coming — and getting bigger.

Tradeshift recognizes these issues. That's why we've put all supplier master data, compliance, risk assessment and performance in one place. Plus, it's all on our cloud-based platform, so it can be accessed quickly and conveniently – from anywhere.
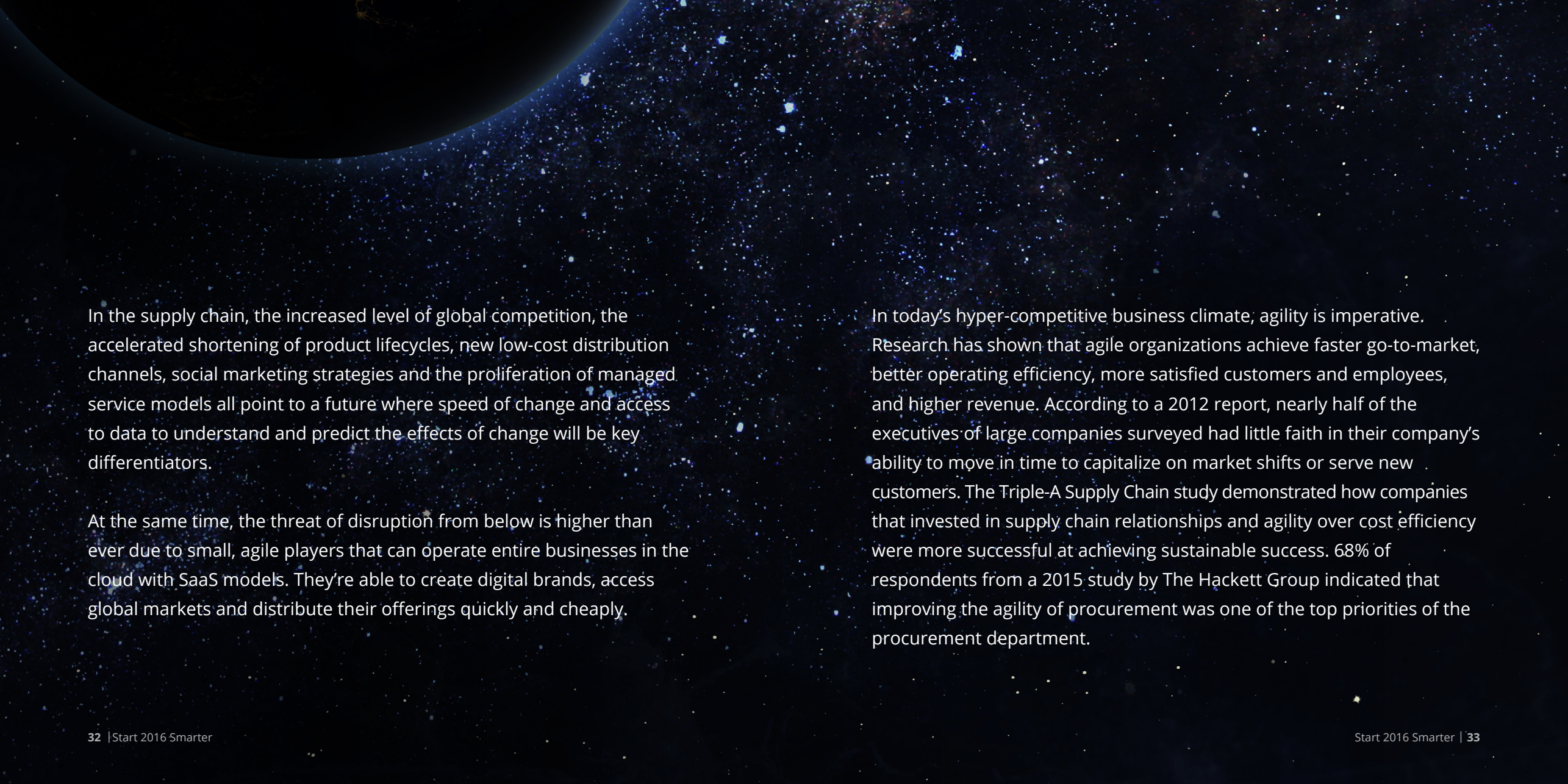
The rise of the platform

Clearly there is change afoot in the procurement and supplier management worlds. The next step is to tie those advances into your electronic invoicing and payments and bring them all together seamlessly. That's why at Tradeshift, we've built our solution on an open network with collaboration in mind.

Business is changing fast. In the span of just a few years, companies have been moving from channel strategies to online digital sales, from physical production to digital products. Production is increasingly being automated and by 2025, one in three jobs may be automated through software, robots or machine learning. Logistics solutions are being commoditized, and distribution channels include digital and 3D-printed goods.

In the supply chain, the increased level of global competition, the accelerated shortening of product lifecycles, new low-cost distribution channels, social marketing strategies and the proliferation of managed service models all point to a future where speed of change and access to data to understand and predict the effects of change will be key differentiators.

At the same time, the threat of disruption from below is higher than ever due to small, agile players that can operate entire businesses in the cloud with SaaS models. They're able to create digital brands, access global markets and distribute their offerings quickly and cheaply.

In today's hyper-competitive business climate, agility is imperative. Research has shown that agile organizations achieve faster go-to-market, better operating efficiency, more satisfied customers and employees, and higher revenue. According to a 2012 report, nearly half of the executives of large companies surveyed had little faith in their company's ability to move in time to capitalize on market shifts or serve new customers. The Triple-A Supply Chain study demonstrated how companies that invested in supply chain relationships and agility over cost efficiency were more successful at achieving sustainable success. 68% of respondents from a 2015 study by The Hackett Group indicated that improving the agility of procurement was one of the top priorities of the procurement department.

The fundamental catalysts of an agile company

Companies that are agile enough to deal with the level of change knocking on their doors are:

- Using network-based digital collaboration and running digitally connected processes internally and across their supply chains using structured electronic documents and events

- Based in the cloud for collaboration, data sourcing and distribution of digital goods

- Globalized, so they can deal with global markets, customers and suppliers

- Able to change by real-time insight across markets and processes to adapt their business, products and supply and distribution chains

These companies are erasing the line between internal and external and enabling collaboration across their supply chains. They've established feedback loops between supply, production and distribution to drive continuous improvement.

The importance of network-based digital collaboration

While the past half century of business digitalization has been focused on internal processes, digitalization of the vital processes that take place between businesses (e.g., supply chain, logistics, distribution, buyer interaction) has been reserved for the most strategic of relationships. For the vast majority of companies, emails, phone calls and paper exchanges are still the dominant mode of communication. If we look

at invoicing, the most widely digitized B2B collaboration process in the source-to-pay cycle, less than 2.5% were sent digitally in 2014. So while more than two billion people are connected in their private lives on social networks, 99% of all businesses in the world are not connected in digital, collaborative B2B networks.

Think of the implications if your business begins to leverage the network benefit, especially if you do so ahead of competitors.

The future of business belongs to companies that are able to adapt to the accelerated change in sourcing, production and distribution that we are witnessing today. Tradeshift was built on the belief that open models of digital, online collaboration between companies have the potential to change how businesses interact and how business software works.

Think of the implications
if your business begins
to leverage the network
benefit, especially if you do
so ahead of competitors.

By focusing on the fundamentals of business processes – collaboration, transactions and relationships – and bringing these interactions into the cloud in digital form, we believe that businesses can overcome the traditional challenges of enterprise software. These challenges include introducing digital processes between companies, bridging cloud and on-premise, connecting processes across application silos, and bringing relevant data into the hands of decision makers in real time.

Digital collaboration is the foundation for providing the data needed to drive change in the supply chain.

Applications that emerge from this paradigm are fundamentally different from past generations of business software. They are collaborative, can be used between companies in the supply chain, are available anywhere, and can be deployed globally across any device. The challenge is to provide the platform for creating this type of application.

To bring about this kind of radical change and connect the world's largest global supply chains via such applications, businesses need to collaborate across industries, geographies and specialist domains. This is why, since day one, Tradeshift has been built as a true platform on an open standards foundation so that any software company in the world can join us in adding value to collaboration across the supply chain.

The platform can act as the technical onramp for companies to move their processes into the cloud, without disrupting current operations or rendering existing application investments obsolete. The platform will allow their employees to access Tradeshift applications from laptops, mobile devices or on-premise systems through rich integrations and connectors. It opens up the doors for companies to leverage an ecosystem of third party applications and integrations that can help them not only stay at the forefront of innovation, but also help push business forward.

What happens in 2016

It's set to be a year of big changes as the network model to software gains greater adoption, and businesses demand smoother workflows. The gap between early adopters and those stuck with outdated tools and processes will no doubt widen. But with this guide as a starting point, 2016 can be the year you seize the opportunity offered by improving your AP, procurement, or supplier and risk management capabilities. Or maybe all of them.