celonis

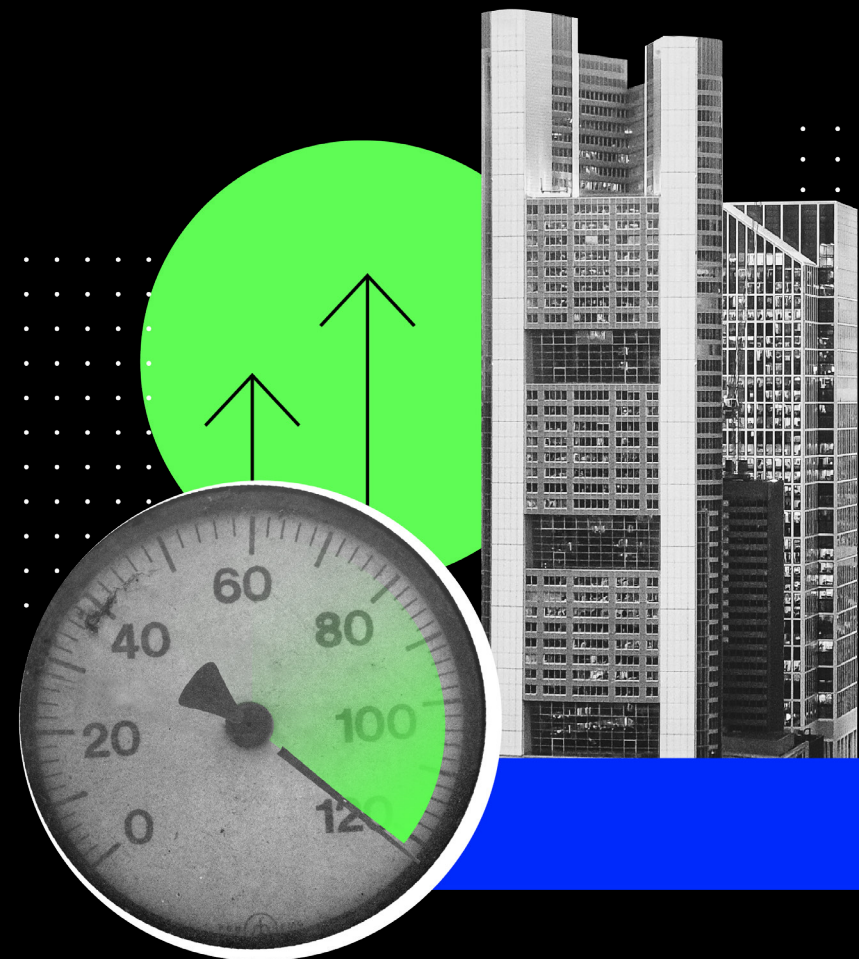# Process Mining for Procure-to-Pay

How to find — and fix — inefficiencies across finance processes

Introduction

99% of success is good execution.

And 100% of good execution lies in your processes — the day-to-day running of your enterprise.

But most companies are not executing their processes at full capacity. You only need to look at the performance of your core business processes to see it.

Take Procurement, for example:[1]

SPEND UNDER MANAGEMENT

The average company influences **47% of their total spend.**
Top performers influence **75% of their total spend.**

47%	**75%**
AVERAGE	TOP PERFORMERS
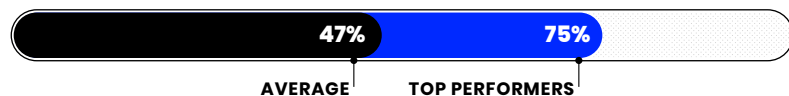
SUPPLIER DELIVERY RELIABILITY

The average company's supplier deliveries are only on time **54%** of the time.
Best-in-class organizations receive supplier deliveries on time **83%** of the time.

|	
54%	**83%**
AVERAGE	TOP PERFORMERS
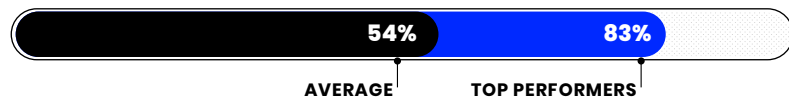
OPERATIONAL COST PER PO

The median company spends upwards of **$15** to process a single PO.
The most efficient organizations have reduced their cost of processing to just **$1.35** per PO.

$1.35	**$15**
TOP PERFORMERS	AVERAGE

**In Accounts Payable, on the other hand, it looks like this:[2]**

DAYS PAYABLE OUTSTANDING

The average company has a DPO of just **48.4 days.**
Top performers achieve a DPO of **74.5 days.**

48.4 days | 74.5 days

AVERAGE | TOP PERFORMERS
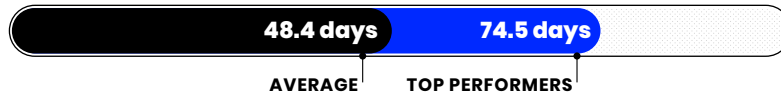
PAID ON TIME RATE

The average company pays their suppliers on-time only **50%** of the time.
Best-in-class organizations are paying their suppliers **77%** on time.

50% | 77%

AVERAGE | TOP PERFORMERS
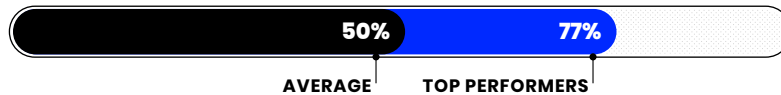
TOUCHLESS INVOICE RATE

The median company's Touchless Invoice Rate is **27%.**
Top performing organizations achieve touchless processing rates of **85%.**

27% | 85%

AVERAGE | TOP PERFORMERS

So why are your processes not performing as well as they could be?

Because processes are forced to run across a rigid and fragmented technology landscape. Companies are trying to run 2020s business initiatives on 1980s business infrastructure. And the result is billions of dollars' worth of corporate inefficiencies.

To eliminate those inefficiencies, you need to find the gaps in your processes and fix them.

Enter Process Mining.

Process Mining is the technology at the heart of the **Celonis Execution Management System (EMS)**. It uses the data from your transactional systems to give you a full understanding of how your processes actually run.

For all of us who have been living too long with Visio, Excel and Powerpoint as a means to map and capture processes, it is a game-changing solution to gaining 100% objective transparency over your processes in real time, surfacing and prioritizing the process improvement initiatives with the biggest return to the business.

The Execution Management System then leverages that data and combines it with intelligence and automation to fix the gaps in your processes, and help your business execute better.

Identify inefficiencies, why they're happening, the impact they're having and the best way to fix them — automatically.

HOW IT WORKS:

1

Extract data in real-time from multiple data sources ranging from your ERPs to your P2P suites and your Excel spreadsheets to get a living, breathing, moving X-ray of your end-to-end P2P process.

2

Benchmark regions, business units, buyers and requisitioners against each other to identify process patterns, gaps and best practices across your business.

3

Monitor your process conformance against best-practice models and identify inefficiencies, why they're happening and the impact they're having on the business.

4

Based on machine learning and execution best-practices, the EMS suggests the best steps to eliminate the most impactful gaps and help maximize process performance.

5

The EMS takes action in a number of ways, both by automating real-time actions across systems, as well as deploying the right people to remove gaps when manual intervention is required.

The results? Outcomes worthy of the best performers out there.

Procure

Pay
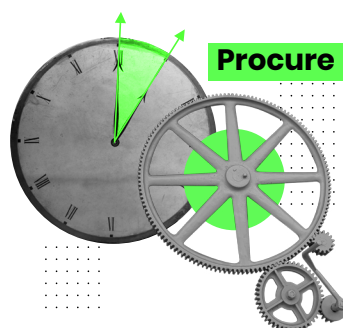
96%

'Perfect Purchase Order' rate

vodafone

Vodafone increased their 'Perfect PO' rate — right-first-time ordering — **from 73% to 96% in a year**. They also reduced the **cost of each PO by 11%** and improved their **time-to-market by 20%**, too.

75%

reduction in maverick buying

zalando

Zalando reduced maverick buying by **75%**, and increased electronic invoicing by **50%**. They were also able to improve their cash flow by optimizing payment terms.

$80M

saved across Procure-to-Pay

T · ·

Deutsche Telekom achieved a paid-on-time rate of **over 90%**, and a **cash discount rate of 96%** with Celonis. Not to mention that maxi-mizing the execution capacity of the P2P process helped them **save over $80M**.

$6M

in material purchase price savings

CHART®

Chart Industries leveraged Celonis to realize more than **$6M in material purchase price savings** through vendor price book compliance and **recapture $200K in annual missed cash discounts.**

90%

cash discounts realized

FRESENIUS KABI

Fresenius Kabi increased their cash discount realization rate **from 61% to 90%, saving over $109k** in 6 months. They also **increased DPO by improving payment terms**, which has already saved them **€500K in capital costs**.

Intrigued? You should be.

The last year has driven home how interconnected every process is, particularly those that are two halves of a whole — like Procurement and Accounts Payable. And the best way to drive value and achieve efficiency is undoubtedly to look at Procure-to-Pay holistically, all the way from purchase requisition to invoice payment.

Cash is king and working capital has never been as crucial as it is now, in the wake of the COVID-19 crisis. While AP and AR are natural levers to pull, you also have some room upstream in procurement to improve your cash position with moves as simple as just making sure the right payment terms are being used.

Right now, there is a real opportunity to drive better supplier partnership, engagement, and visibility, while also reaping the benefits downstream by paying on time, accelerating touchless processing and improving DPO.

In this eBook, we're going to focus on how the Celonis Execution Management System can help you **unlock the capacity of your Procure-to-Pay process** to drive outstanding performance. We'll dive into:

——— The outcomes and KPIs you can improve
——— The process gaps getting in your way
——— Their impact and their likely root causes
——— How EMS can help you eliminate them — automatically
——— Even more real-life examples of customers' results

Ready to see across the full value chain to optimize engagement with suppliers, cash position and operational costs?
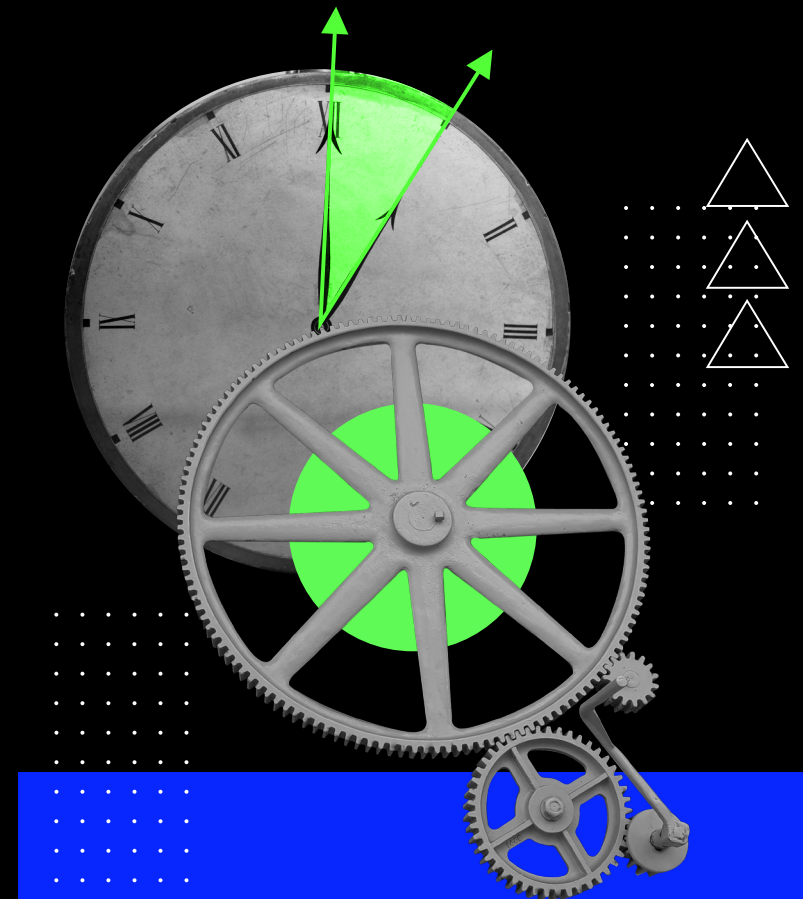
Let's go.
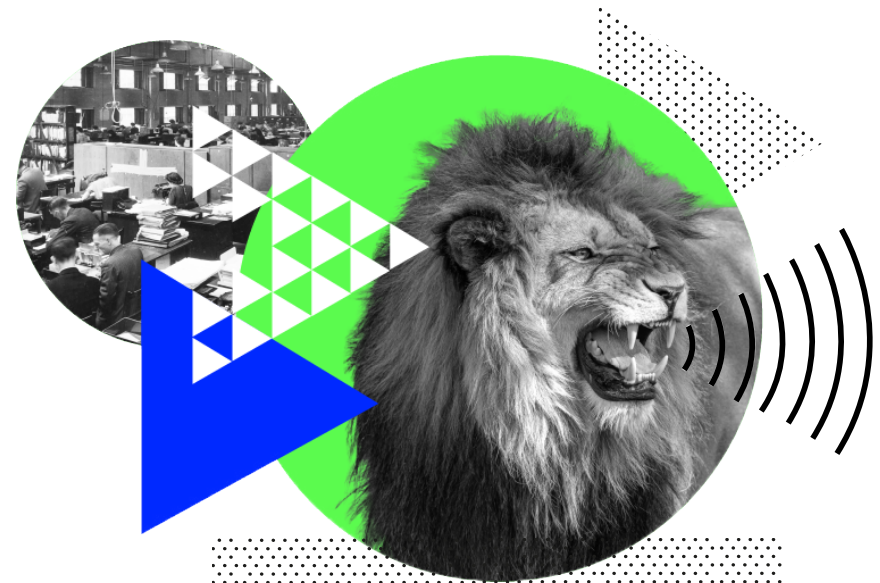
Maximize the capacity of the Procurement process

At its best, procurement delivers real strategic value to the organization — all while continuously reducing costs. Although traditionally viewed as a cost management function for the organization, it has the power to set the pace for how fluidly departments like Supply Chain and Accounts Payable can run.

The COVID-19 crisis has highlighted the need for procurement to adjust for the dynamics of a volatile supplier ecosystem and a strained supply chain more nimbly than ever. Procurement leaders shouldn't be wasting time dealing with PO changes, manual blocks, or even maverick buying when these issues can be easily, automatically and intelligently resolved by technology.

What it looks like in action

	Employee Productivity	Supplier Performance	Compliance
(KPI)	**Processing Time of Purchase Requisitions (PR)**	**Inbound On-time Delivery Rate**	**Spend under Management**
Process Gap	High volume of free-text requisitions	Late supplier deliveries	Maverick purchases
Why it's happening	Requisitioners manually create free-text requisitions due to lack of knowledge, negligence, or haste rather than selecting a standard vendor with pre-negotiated terms from a contract.	Master data around internal planning parameters is incorrect, leading to orders that go out with insufficient lead times - resulting in late deliveries.	Requisitioners try to speed up their purchase or order from a personally preferred vendor by circumventing the internal procurement procedures.
Impact on performance	Free-text requisitions slow down purchasing time - even when they refer to a contracted item.	Deliveries that arrive later than the internally planned delivery date drive the need for inventory buffers, increasing inventory costs.	Maverick purchases reduce the ability to negotiate with vendors and cost money by circumventing negotiated lower-price contracts with strategic suppliers.
How Celonis fixes it	Use a Machine Learning model to either automatically convert a free-text PR to a PO, or recommend an item from an existing catalog to the requisitioner.	Identify patterns in delivery date confirmations that are significantly later than the requested/planned delivery date and then either automatically update these planning parameters or notify the planning team of a potential systemic issue.	Notify category managers of repeat offenders and provide them with the ability to block requisitioner system access, reject maverick purchases, or contact vendors that repeatedly fulfill maverick purchases.

What maximizing capacity can deliver

$10M
in negotiated savings

An American manufacturer of cryogenic equipment used Celonis as a single source of truth for their spend analysis as well as suppliers' activity and performance to drive more effective negotiations. As a result, they secured **$10M in negotiated savings** in 2019, while also freeing up **25% of their category managers' monthly time**.

20%
supplier consolidation

One of the top 5 US aerospace and defense companies used Celonis to **consolidate their supplier base by 20%** and optimize their spend when the government told them to cut costs or lose their contract.

They kept their contract.

$1M
saved in 3 months

A global medical device company saved **more than $1M in 3 months** by identifying likely maverick buying and proactively clamping down, as well as by completely eliminating duplicate invoices.

Learn More

Watch a demo of how Celonis can help you maximize the capacity of your Procurement process

Maximize the capacity of the Accounts Payable process

With the advent of the pandemic, Accounts Payable has gone from a lackluster back-office function to one of the most important levers at the CFO's disposal for fast working capital impact.

Processing as many invoices as quickly as possible remains key, but balancing the needs of working capital with supplier relationships has never been so important, either. AP leaders need to maximize their capacity to optimize DPO and cut costs while keeping supply chains going.

What it looks like in action

	Optimize Working Capital	Supplier Relationships	Cut Costs
(KPI)	**Days Payable Outstanding**	**Paid on Time Rate**	**Touchless Invoice Rate**
Process Gap	Early payments	Price changes	Incorrect invoice fields
Why it's happening	Invoices are posted for payment before due date and payment runs include these invoices.	Suppliers used outdated prices when invoicing.	Incorrect or missing fields like currency, VAT, address, or due date can occur because of master data issues and manual errors on the vendor's side.
Impact on performance	Invoices are paid unnecessarily early, increasing working capital.	Price changes require additional processing - which can prevent an invoice from being paid on time.	Incorrect invoice fields increase costs by requiring manual intervention.
How Celonis fixes it	Automatically check and apply the contracted payment terms while issuing a notice to the supplier to inform them of the discrepancy.	Automatically check and apply the contracted price while issuing a notice to the supplier to inform them of the discrepancy.	Identify discrepancies in invoice fields by comparing the PO, historical data, and the invoice for standard fields like currency/VAT. Automatically update the fields based on the PO and historical data.

What maximizing capacity delivers

37%
reduction in late payments

A top 5 global Pharma company **reduced late payments by 37%** in a year by adjusting payment run frequencies, modifying payment run selection criteria to align with cutoffs, and addressing vendor specific issues.

€33M
working capital impact

A French automotive company were paying 20,000 invoices early – **impacting working capital by €33M**. They are adjusting how they process and enforce payment terms accordingly.

$620K
recovered in one quarter

A top 10 Industrial Manufacturer **identified and recovered $620K** in duplicate payments in a single quarter. Ongoing blocking has prevented an additional **$300K** in outflow.

Learn More

Watch a demo of how Celonis can help you maximize the capacity of your Accounts Payable process

This is bigger than just process improvement.

History has shown all of us that breakthroughs in processes lead to breakthroughs in execution.

That's because processes have always been the backbone to business execution. They have an immutable connection.

And improving your process is the first step to eliminating corporate inefficiency and unlocking millions of dollars of value for your organization.

So what are you waiting for?
Zoom in on Procure-to-Pay.
Start with Process Mining.

See what Celonis can do for you.

Get in touch
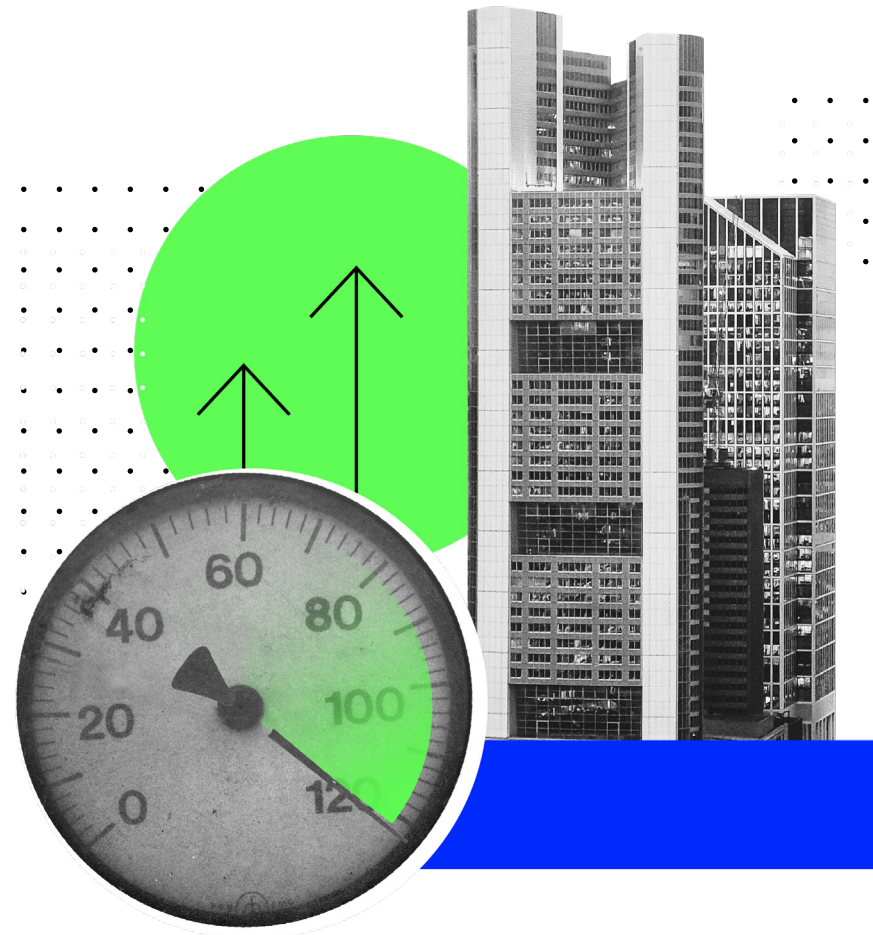
About Celonis

Celonis believes that every company can unlock its full execution capacity. Powered by its market-leading process mining technology, the Celonis Execution Management System consists of a platform, a full suite of apps, and a developer studio for business executives and users to unlock their execution capacity and eliminate billions in corporate inefficiency.

Celonis has thousands of customers, including ABB, Astra-Zeneca, Bosch, Coca-Cola, Citibank, Dell, GSK, John Deere, L'Oréal, Siemens, Uber, Vodafone and Whirlpool. The company is headquartered in Munich, Germany and New York City, USA and has 15 offices worldwide.