



# 12 WAYS TO MEASURE BUSINESS SPEND MANAGEMENT SUCCESS

## 2018 BENCHMARK REPORT



# EXECUTIVE SUMMARY

Finance, Procurement and Operations leaders today face more pressure than ever to get more value out of every dollar their business spends, improve efficiency, and minimize risk.

As business leaders turn to comprehensive cloud technologies for core business functions and needs, such as Human Capital Management (HCM) and Customer Relationship Management (CRM), many are also investing in cloud-based, suite solutions for Business Spend Management (BSM.) BSM is a software category that offers solutions for procurement, contract management, sourcing, inventory management, expense management, supplier management, and spend analysis.

Coupa, the cloud platform for business spend, is recognized as a leader in Business Spend Management by industry analysts Gartner, Forrester and IDC. With \$570 billion in business spend under management, Coupa offers unprecedented insights into actual, not survey-based, business behavior. The Coupa Platform is powered by Community Intelligence, an engine which listens to the entire spend database, thinks, using the latest machine learning, and prescribes actionable steps that drive business results and value.

This report, which presents data from Coupa Community Intelligence, provides 12 of the most important BSM key performance indicators (KPIs) across four categories: **Process Efficiency**, **Digitization**, **Compliance**, and **Savings**. Unlike other benchmarks in the industry, this report is the first to provide KPIs based on actual spend transactions instead of subjective surveys.

## REPORT FINDINGS & RECOMMENDATIONS

- Each KPI represents a Leaders' Index -- the average of the top quartile of Coupa customer performance in the specific metric. All data is anonymized to ensure customer privacy.
- Results of the data analyzed show that Leaders are achieving substantial success in KPIs across Process Efficiency, Digitization, Compliance and Savings. In particular, Leaders have digitized their spend management processes, with minimal, if any, paper-based programs remaining.
- Recommendations discussed in the report include steps to significantly improve spend management practices, including common compliance requirements, how to digitize your current manual processes, and how to measure cost savings.

# Global Leadership Benchmarks for 12 Business Spend Management KPIs

## PROCESS EFFICIENCY

1. Requisition-to-Order Time	11.6 Hours
2. Invoice-Approval Cycle Time	22.1 Hours
3. Expense Report Approval Cycle Time	27.9 Hours

## DIGITIZATION

4. First-Time Match Rate	95% of POs
5. Electronic PO Processing	98.9% of POs
6. Electronic Invoice Processing	83.8% of Invoices
7. Structured Spend	53.7% of Spend
8. Manual Expense Audit	Only 3.5%

## COMPLIANCE

9. Pre-Approved Spend	97.6% Pre-Approved
10. Expense Report Lines	97.8% within Policy

## SAVINGS

11. On-Contract Spend	72.1% On-Contract
12. Realized Savings	9% Savings

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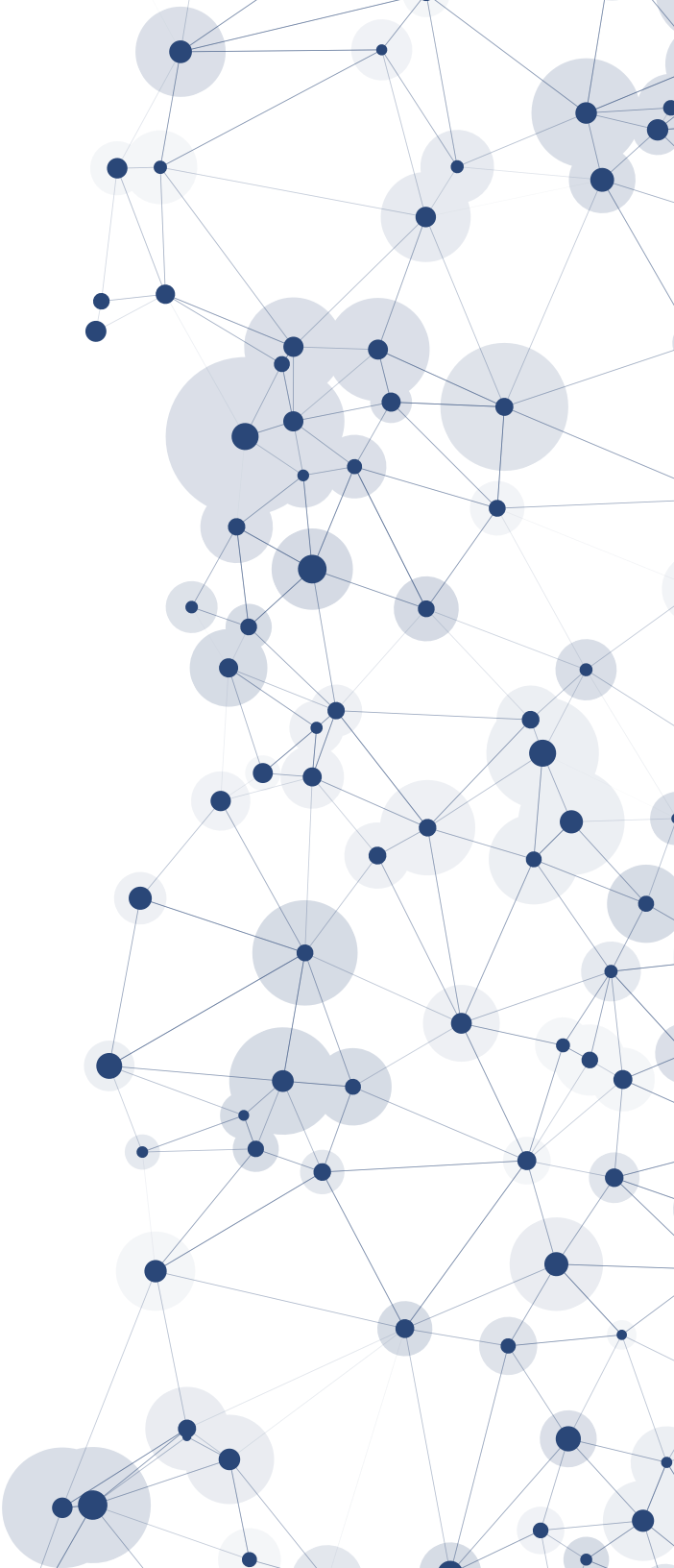
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# 2018 Spend Management Benchmark Report

In a world where margins are tighter than ever, operational and brand risk is high, and employee satisfaction is a necessity for talent retention, it's vital to measure the success of your Business Spend Management processes. How do you stack up?

This report focuses on 12 crucial KPIs for Business Spend Management success. It leverages anonymous data from Coupa's Leaders' Index – data compiled by Coupa Community Intelligence from top customers in each respective KPI.

## Choosing the KPIs for a Business Spend Management Program

When choosing the KPIs for their management dashboards, companies should consider their maturity in BSM as well as their strategic goals.

Companies that are less mature may start with a focus on Simple Digitization, Process Efficiency and Savings, while more mature companies strive for leader-level performance in Process Efficiency and turn to focus on Compliance and Advanced Digitization metrics in partnership with their management teams. In the illustration below, we look at how target KPIs and objectives may differ depending on the maturity of an organization.

## Business Spend Management KPI categories:

- **Process Efficiency:** How efficient are your transactional processes for Business Spend Management?
- **Digitization:** How successful have you been in digitizing your Business Spend Management processes?
- **Compliance:** How effectively are you driving compliance through Business Spend Management?
- **Savings:** What is the bottom-line impact of your Business Spend Management efforts?

### < Simple Digitization

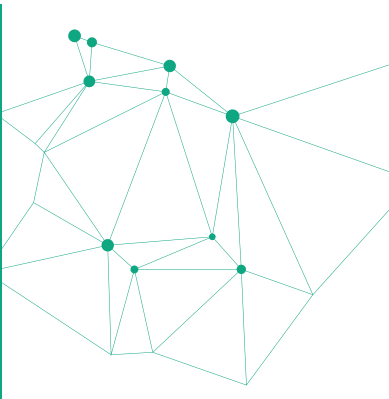
### Savings

### Process Efficiency

### Compliance

### Advanced Digitization >

With Business Spend Management, Leaders obtain immediate value through increased visibility and control of company spend. Once visibility has been established, moving to an electronic invoicing process can immediately result in **Savings**—both in terms of reduction in manual resources and avoidance of late fees common with paper processes. Here, a focus on **Digitization** and **Process Efficiency** is most helpful. This frees up your finance department to focus on strategic, value-add work.



Companies that have already invested in Business Spend Management often find that a deeper focus on **Advanced Digitization** and **Compliance** can unlock significant added value. Getting processes **Fully Digitized** reduces cycle times and improves visibility into spend. This helps finance teams deliver on their compliance goals by closing the books quickly and accurately. Compliance with Purchasing and Expense policies enables companies to ensure compliance with Corporate Social Responsibility (CSR), anti-corruption, anti-human trafficking, and other critical regulations and company initiatives.

The Leaders' Index represents the performance of the very best companies in the world. This index is calculated based on actual operating data from Coupa customers over the past twelve months and have agreed to participate in the benchmarking program. No allowance is made for company size. Large or complex companies make take more time or investment to achieve these targets, but the best companies are generally able to achieve similar results.



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## PROCESS EFFICIENCY

While business processes have made significant strides in process efficiency in the past decade, many finance teams still rely on inefficient, outdated processes to manage spend. This results not only in headaches for the entire finance team (especially when it's time to close the books every month), but also wasted resources and unnecessary risk for the entire organization.

**We look at three critical KPIs to determine the health of a company's Process Efficiency:**

- **Requisition-to-Order Cycle Time [11.6 hours]:** The time it takes from a submitted requisition to an order being placed. A slow Requisition-to-Order cycle often means that a company may face down time when the order and receipt of a critical item or service is delayed. Over time, this also can lead to significant employee frustration and dissatisfaction, reducing overall productivity.
- **Invoice-Approval Cycle Time [22.1 hours]:** Similar to Requisition-to-Order cycle time, a slow Invoice-to-Approval cycle time can harm your business due to delays in projects being completed. Negotiated early payment discounts are never realized and suppliers become frustrated due to payment delays.
- **Expense Report-Approval Cycle Time [27.9 hours]:** One of the leading frustrations of employees who frequently travel for business is how long it takes to get their expenses reimbursed. Paper-based processes and disjointed expense management technologies make it nearly impossible for Accounts Payable to keep on top of expenses reimbursement, resulting in significant employee dissatisfaction.





# 1 Purchase Requisition-to-Order Cycle Time: 11.6 Hours

Minimal time between Requisition and Order is crucial to vastly improve employee satisfaction. In addition to general employee dissatisfaction with long Requisition-to-Order times, employees are often unable to complete their basic day-to-day work when there are delays in requisition approvals.

This KPI measures the average time it takes for Leaders to complete a Requisition-to-Order cycle across all purchase requisitions, from when an employee enters a requisition to the time when the approved requisition is converted to a Purchase Order (PO). (Note: Some requisitions, especially those with high dollar amounts, require more approvers and take longer. These are included in this average cycle time.)

## Benefits of Improving Requisition-to-Approval Cycle Time

- Increase control over company's purchases
- Implement a "No PO, No Pay" policy in your organization
- Improve employee and supplier satisfaction



AVERAGE TIME FOR PURCHASE  
REQUISITION-TO-ORDER FOR  
ALL REQUISITIONS



*"From day one, we saw an 80% reduction in process time to convert requisitions into purchase orders."*

— Gerard Cantwell,  
Director of Purchasing and Logistics  
Aggregate Industries

**LEARN HOW** Aggregate Industries reduce  
Purchase Order Approval Time by 80%.



## 2 Invoice-to-Approval Cycle Time: 22.1 Hours

When managing external vendors, a fast Invoice-to-Approval cycle time is tantamount to success. Yet with paper invoices and disjointed approval processes, it can take days, if not weeks, to approve a simple invoice. Suppliers become frustrated, and in severe cases of delays may even void contracts or refuse future projects. Delays due to paper invoice mailing and processing, along with lack of clarity on which account each invoice should be coded, interfere with control over supplier payment.

Leaders average **22.1 hours (<1 day)** in typical invoice approval cycle time. This KPI is the average time from when an invoice enters the system to the time that it is approved for payment (but not necessarily paid.)

### Benefits of Improving Invoice-to-Approval Cycle Time

- Avoid late payments and the associated supplier frustration and penalties
- Stretch out payment terms to conserve cash or realize early payment discounts
- Reduce accrued liability for unpaid invoices and move towards AP liability
- Negotiate better terms for contracts



AVERAGE INVOICE-TO-APPROVAL  
CYCLE TIME

ON24

*"When we use Coupa,  
we're saving money  
because we're saving time."*

— Alice Pilch,  
Project Manager  
On24

[LEARN HOW](#) On24 saves money through  
saving time with Coupa.



### 3 Expense Report Approval Cycle Time: 27.9 hours

When employees file expense reports, the expectation is they will be processed efficiently to reimburse employees for approved business spend. Reducing cycle times benefits the company by reducing the need to accrue for unapproved expenses and accelerating employee reimbursement.

Leaders average 27.9 hours, or slightly over one day, from expense submission to expense report approval. This KPI is the average time from when an expense report enters the system to the time that it is approved for payment (but not necessarily paid.)

#### Benefits of Improving Expense-Submission-to-Approval Cycle Time

- Reduce the need to accrue for unapproved expenses
- Accelerate employee reimbursement
- Improve employee satisfaction
- Encourage timely expense submissions



AVERAGE TIME FOR EXPENSE  
REPORT APPROVAL CYCLE



*"The majority of expense reports are captured in one system, so we can run various metrics."*

— Curt Metzger,  
Director of Finance  
Concentrix

[LEARN HOW](#) Concentrix manages global expenses with Coupa.





### DIGITIZE YOUR PROCESS

- **Digitize Requisitions:** If you haven't already, consider moving from paper-based requisition to a fully electronic process. These can be automatically routed for approval, and both employees and suppliers can be automatically notified when a Purchase Order is issued.
- **Take advantage of AP Automation:** Leaders leverage AP Automation technology to approve invoices for payment, matching each invoice with the corresponding PO to ensure that the price and quantity are correct. Contracts for recurring services can be matched in place of a PO where appropriate. Goods receipts can also be included for a 3-way match.
- **Enable Mobile and Email Transaction Access:** Instead of requiring approvers to complete their approval process while at work in front of their computer, enabling a cloud-based system which features mobile and email approvals makes it easy to reduce lag time between approvers.

### FOCUS ON APPROVAL EFFICIENCIES

- **Reduce Total Number of Approvers:** Contrary to a prevalent assumption, adding more reviewers to everyday transactions does not support frugal spending. Approvers who are not thoroughly familiar with the matter at hand will often follow the lead of a previous approver who is more familiar with it. Excessive approval requirements add little value but take up more time. Two approvers is the best practice average. More approvers may be required for higher-cost purchases.
- **Pre-Approve Requests against Budget:** Purchase orders can be approved or denied even before submission based on remaining budget for a specific line item.
- **Automate Approval and Exception Workflows:** In an electronic Requisition-to-Order process, approval rules and workflows can be set in advance and fully automated in most cases, removing the time it takes for each approver to determine who is next in line for approvals. You can determine who needs to review and approve requisition orders based on supplier, amount, department, and other key variables.

### OPTIMIZE YOUR SUPPLIER NETWORK

- **Pre-Approve Suppliers:** Optimize your supplier network by pre-approving your suppliers. Identify the right supplier and gather all information such as remittance and any needed certifications.
- **Pre-Negotiate Contracts:** Improve process efficiency by pre-negotiating contracts with suppliers. Ensure usage of the latest approved vendor template for new suppliers and appropriate legal review. Automatically present the correct template to the user and bring redlining online, using digital workflows for legal review.
- **Enable Your Suppliers:** Suppliers can self-manage the basics through a Business Spend Management platform, such as remit-to information and catalogs, subject to review and approval.



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## DIGITIZATION

Digitizing Business Spend Management accelerates the pace of business and improves employee satisfaction and supplier relationships, all while reducing painful manual paper processing. Key metrics include the percentage of transactions—POs and invoices—that are exchanged with suppliers electronically. In addition to heavier integrations such as eXML often used by the largest suppliers, the electronic methods covered in this report include portal and email-based technologies that represent a lower bar for adoption by smaller suppliers.

### We look at five critical KPIs to determine the health of a company's Digitization:

- **First-Time Match Rate [95%]:** If there is a discrepancy with matching up the invoice, the purchase order, and the receiving documents, there is a massive increase in time wasted contacting the correct department and determining why these items aren't lining up.
- **Electronic PO Processing [98.9%]:** Electronic transmission and supplier confirmation accelerate the PO process and reduce errors. Many companies struggle with a mostly or entirely manual PO process, resulting in slow time to process POs, late fees, and frustrated employees and suppliers.
- **Electronic Invoice Processing [83.8%]:** Replacing paper with electronic invoicing delivers huge improvements in efficiency, cuts cycle times, and gives companies the agility they need to realize early payment discounts. Capturing invoices electronically from suppliers is critical to avoiding errors common in data entry, whether by manual entry or by optical scan technology.
- **Structured Spend [53.7%]:** Modern organizations focus on increasing the amount of spend that goes through catalogs or punch-outs. Extensive use of catalogs enabling structured spend is an important Digitization metric because it improves efficiency and helps avoid errors.
- **Manual Audit of Expense Reports [3.5%]:** Expense reports are a necessity of everyday business. Unfortunately, due to the threat of fraud (malicious and accidental), expenses often require significant manual audits to ensure employees are following the rules. By digitizing expense reporting, companies are able to uncover errors faster, even before the reports are submitted and avoid extensive manual audits.



## 4 First-Time Match Rate: 95%

First Time Match Rate refers to obtaining an exact match of invoice, purchase order, and receiving documents. By digitizing invoicing and purchase orders, companies see a massive increase in first-time match rate. Some companies enact a “No PO = No Pay” policy, which ensures that employees and suppliers are fully incentivized to submit accurate information electronically.

Leaders average a **95% First Time Match Rate** across their invoices, purchase orders, and receiving documents.

### Benefits of High First-Time Match Rate

- Reduce manual administrative costs to identify proper matches
- Minimize the time required to resolve non-compliant issues
- Increase compliance with spend policies
- Avoid late fees via increases of invoices paid on time



AVERAGE FIRST-TIME  
MATCH RATE



*"Not only can we now control what is purchased, but we can manage what is purchased at each of our locations and manage the spend and supply base."*

— David Symborski,  
Purchasing Systems Manager  
TCi Tire Centers

**LEARN HOW** TCi Tire Centers saved over \$1.4M with Coupa.



## 5 Electronic PO Processing: 98.9%

Purchase Orders help companies ensure that they do not receive unexpected or fraudulent invoices. The record of a purchase order, in most firms, is still in email or even on paper. This leads to lost purchase orders, increased fraud, and vast inefficiencies in processing POs. In addition to frustrated employees and suppliers, late processing of POs results in lost contracts and legal complications in event of an audit.

Leaders now have **digitized 98.9% of their PO process**. This KPI is the percentage of total POs that are processed electronically.

### Benefits of Moving from Paper-Based to Electronic PO Processing

- Ensure accurate budgeting (no surprise invoices)
- Get significant reduction in fraud
- Streamline the PO approval process
- Increase accountability for employees to spend within budget
- Create a network of trusted, loyal suppliers, who also trust you
- Reduce invoice and payment errors



AVERAGE RATE FOR  
ELECTRONIC PO PROCESS



*"We're spending less time  
managing our invoices,  
and that's contributing  
to our growth."*

— Saskia Poelman,  
CFO  
AMS-IX

**LEARN HOW** AMS-IX eliminated 100% of their  
paper-based processes with Coupa.



## 6 Electronic Invoice Processing: 83.8%

Electronic Invoicing (also known as E-Invoicing) enables a company to automate their invoice processing. Today's business environment requires effective management of working capital. Even small AP errors add up fast, hurting supplier relationships, employee productivity, and the bottom line. Today, companies are centering their digitization efforts on E-Invoicing. Those who do that reap substantial benefits in terms of cost savings, access to early payment discount programs, and fraud reduction.

Leaders average **83.8%** in percentage of invoices processed electronically. This KPI represents the percentage of invoices that are not processed via paper-based methods.

### Benefits of Moving to E-Invoicing

- **Save costs around time to manually process invoices across AR**
- **Reduce errors on all types of invoices**
- **Save costs of paper-based storage**
- **Promote increased productivity and faster payments**
- **Improved supplier relationships and dispute handling**
- **Reduced fraud, duplicates, late fees and access to potential early payment discounts**



**AVERAGE ELECTRONIC  
INVOICE PROCESSING**

## DID YOU KNOW?

### PROBLEMS WITH PAPER INVOICING >

Each paper invoice error costs companies \$53.50 to rectify

*Source: Forrester Consulting*

### ELECTRONIC INVOICING BENEFITS >

Manually-processed invoices cost, on average, \$30 per invoice to process, while fully automated invoices cost \$3.50 to process

*Source: Forrester Consulting*



# 7 Structured Spend: 53.7%

When Structured Spend is enabled through punch-out catalogs or internal catalogs, employees and finance departments benefit from a simplified and central purchasing process, with better spend management and information regarding availability, discounts, and shipping costs. Unstructured spend is more likely to result in errors of communication within your company or with the supplier.

Leaders average **53.7%** of all spend qualifying as “structured spend.” This KPI represents the percentage of purchases and spend which goes through an electronic catalog.

## Benefits of Structured Spend

- Reduce maverick spending with non-approved suppliers
- Streamline the buying process
- Seamlessly enforce contract terms
- Ensure that product categories, groups and families are properly represented
- Control catalog items and spend for the Procurement Department



53.7%

AVERAGE STRUCTURED SPEND

## GREIF

*"We've been able to drive the utilization and compliance to our preferred suppliers from 40% pre-Coupa to over 82% after implementation of Coupa."*

— Myron Gramelspacher,  
Sr. Director of Global Sourcing  
and Supply Chain  
Greif

**LEARN HOW** Greif invoices 97% of its indirect spend through Coupa.





## 8 Manual Expense Audit: 3.5%

Although most businesses have expense policies in place, the process to ensure these policies are being followed is often extremely manual. By digitizing the expense audit process, employers can ensure compliance and in many cases fully automate audits in real time, requiring employees to submit the correct documentation and not allowing submission of non-compliant expense reports.

Leaders manually audit just **3.5%** of all expense reports.

### Benefits of Reduced Manual Expense Audits

- Increase expenses policy compliance
- Reduce administrative overhead cost of manual audits
- Ensure employees clearly understand expense policies and requirements
- Reduce time to approval and reimbursement for employee expense reports



MANUAL EXPENSE AUDIT AVERAGE



Brandeis University

*"In the past, non-compliant expenses could only be caught in an audit after the fact. Users are now correctly allocating expenses in accordance with our policies."*

— Courtney Sampson,  
Director of Procurement  
and Accounts Payable  
Brandeis University

# 5 Steps to Business Spend Management Digital Transformation



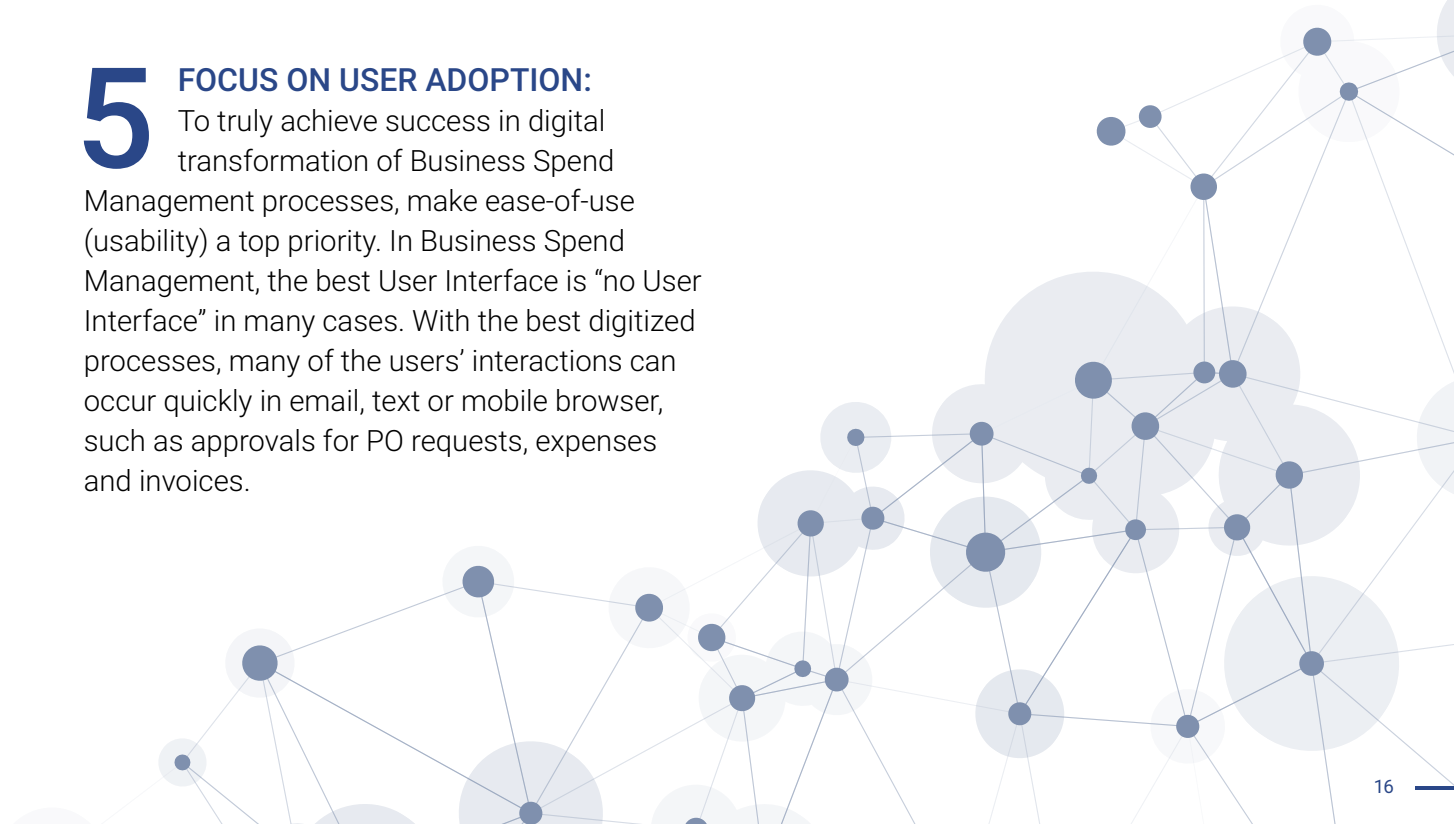
**1 AUDIT YOUR CURRENT PROCESSES:**  
Review your current procurement, sourcing, expense management and supply chain processes. What percentage of these processes is currently managed with paper, email, or spreadsheets? Determine how much administrative overhead and other waste is caused by lack of digitization.

**4 DIGITIZE YOUR EXPENSES:**  
Using a cloud-based and user-friendly platform for expense management enables you to set clear policy rules and automatically decline submissions that are outside of the policy, substantially reducing manual audit time and fraud.

**2 SELECT YOUR PLATFORM:**  
Identify the approach that will deliver the most value for your business, versus simply automating current process. To get the most value out of a platform, look for a comprehensive and open solution, versus a siloed approach with multiple, non-integrated technologies. Your chosen platform should integrate seamlessly with your ERP(s) and provide one centralized view of all of your business spend.

**5 FOCUS ON USER ADOPTION:**  
To truly achieve success in digital transformation of Business Spend Management processes, make ease-of-use (usability) a top priority. In Business Spend Management, the best User Interface is “no User Interface” in many cases. With the best digitized processes, many of the users’ interactions can occur quickly in email, text or mobile browser, such as approvals for PO requests, expenses and invoices.

**3 STRUCTURE YOUR SPEND:**  
Leverage the value of guided buying with structured spending. Spend through complex or frequently changing supplier catalogs can be managed much more easily using punch-out technology, reducing errors and increasing on-contract spend.





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## COMPLIANCE

Chief Finance Officers (CFOs), Chief Information Officers (CIOs), and compliance officers may overlook Business Spend Management as a significant opportunity to improve corporate controls and compliance with both company and regulatory policy. Compliance with corporate policy ranges from ensuring that purchases and expenses are appropriately approved to ensuring that accurate accruals are made for outstanding invoices when closing the books. IT compliance is also an important issue, as with any IT project that involves infrastructure critical to business options.

Regulatory compliance is also a critical topic in Business Spend Management. This ranges from compliance with VAT regulations and VAT reclamation rules that can have a real impact on the bottom line to avoiding human trafficking in the supply chain and compliance with financial reporting regulations that require appropriate corporate controls and policies.

### We look at two critical KPIs to determine the health of a company's Compliance:

- **Pre-Approved Spend [97.6%]:** Corporate controls often dictate that all spend be pre-approved. This metric is a measure of compliance with corporate controls and policies. Although pre-approval may be required, it is extremely hard to achieve, especially without digitized processes. Without pre-approval of spend, fraudulent invoices may be received and paid.
- **Expense Report Lines Within Policy [97.8%]:** Even when companies often have clear expense report policies in place, employees may be unaware of these policies or choose to selectively remember them, submitting non-compliant expenses. With managers typically approving these reports, there is possibility for human error in ensuring policy compliance. These errors costs businesses in overpayment to employees and additional administrative costs due to required manual audits.



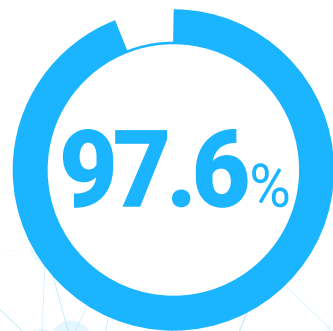
## 9 Pre-Approved Spend: 97.6%

Employees spend company money every day in order to get their jobs done. However, there is no reason that employees should be allowed to spend carelessly without pre-approval, not following company spend policies. Additionally, employees may select suppliers that have not been pre-vetted properly so that they increase operational, fiscal, and brand risk to your business. Without pre-approved spend, finance teams struggle to close the books on time and generate accurate accrual estimates.

Leaders have achieved **97.6%** pre-approved spend. This KPI measures the amount of spend that has been approved before an order is made, work is done, and invoice is received on total invoiced spend.

### Benefits of Pre-Approved Spend

- Ensure there are no surprises of late-submitted invoices
- Manage to a budget with finance and employees fully aligned
- Avoid payment of fraudulent invoices
- Close books faster because of a speedier and more accurate accrual estimation



AVERAGE PRE-APPROVED SPEND



*"With Coupa, our buyers aren't managing transactions anymore. Now they are managing vendors and commodities. Our AP team has moved from being data entry clerks to being detectives."*

— Bryce Berg,  
VP of Business Services  
Molina Healthcare



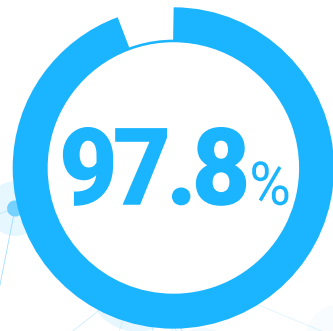
# 10 Expense Report Lines within Policy: 97.8%

Expense report policies are necessary to ensure that employees are not committing fraud on purpose, or by accident. There are certain expenses that are allowed to be reimbursed by a business, and others that must be paid out of pocket by the employee. Furthermore, a business may have particular expense policies such as daily per diem for travel, mileage reimbursement amounts, and other company-specific policies. Without an electronic expense management system in place, ensuring compliance with these policies is an expensive headache.

Leaders have achieved **97.8%** of expense report lines within policy. This KPI measures the amount of expense report lines submitted that can be approved under current corporate expense policies.

## Benefits of Expense Report Lines Within Policy

- Minimize administrative overhead of manual audits
- Close the books on time each month
- Reduce time-to-reimbursement for all employee expenses
- Ensure that expense policies are being followed



EXPENSE REPORT LINES  
WITHIN POLICY AVERAGE



*"By automating much of our expenses program, we saved an immediate 10% just off of fraud and abuse, all while achieving higher employee satisfaction."*

— Hyrum Kirton,  
VP of Procurement  
Avalon Healthcare Group

**LEARN HOW** Avalon Healthcare Group  
saved \$11.7M with Coupa.



### 3 Recommended Compliance Requirements

- **No PO, No Pay and Pre-Approvals:** Put a “No PO, No Pay” policy in place, let all of your suppliers know about this policy, and do not accept after-the-fact Purchase Orders. This ensures that your spend is pre-approved with approved suppliers and pre-negotiated rates, and that it gets the appropriate internal approvals.
- **Follow a Strict Expense Policy:** In addition to legal rules around what can be expensed, companies should define their own rules regarding what expenses are allowed and how much can be expensed per business activity.
- **Automated Approval Workflows:** Use digital workflows and rules that automatically bring in the right executives for high dollar amounts and specific categories requiring additional approval oversight, while minimizing approvals for smaller amounts and other categories

### 3 WAYS TO INCREASE COMPLIANCE

- **Require approval of POs** via a digital system prior to any work being done and invoice being paid. Set up a network of pre-approved suppliers, and establish contracts with vendors in common categories to improve the employee experience and get control over the “long tail” of spend.
- **Enable employees to submit expenses electronically** with the ability to capture receipts via photo or voice command on their mobile phones with a system that automates simple audits and rejects off-policy expenses reimbursement requests.
- **Determine who should approve PO requests** and ensure that all approvers understand what merits approval versus rejection. Set this in your Business Spend Management platform to ensure employees are clear on approvers and the current status of approvals in the approval chain.





# Global Leadership Benchmarks for 12 Business Spend Management KPIs

## PROCESS EFFICIENCY

1. Purchase Requisition-to-Order Time	11.6 Hours
2. Invoice-Approval Cycle Time	22.1 Hours
3. Expense Report Approval Cycle Time	27.9 Hours

## DIGITIZATION

4. First-Time Match Rate	95% of POs
5. Electronic PO Processing	98.9% of POs
6. Electronic Invoice Processing	83.8% of Invoices
7. Structured Spend	53.7% of Spend
8. Manual Expense Audit	Only 3.5%

## COMPLIANCE

9. Pre-Approved Spend	97.6% Pre-Approved
10. Expense Report Lines	97.8% within Policy

## SAVINGS

11. On-Contract Spend	72.1% On-Contract
12. Realized Savings	9% Savings

## SAVINGS

For most businesses, savings is not an end goal but a result of effective Business Spend Management processes that enable the business to put more dollars into critical business needs and strategy execution. By maximizing the value of every dollar spent, smart businesses are able to get more out of total spend without impacting the bottom line.

In order to achieve Leader-level savings, it's important to make it easy for employees and suppliers to use your company's Business Spend Management process. 100% adoption by employees maximizes the impact of your negotiated contracts, lets you start realizing savings from new contracts immediately, and generates valuable data on new sourcing opportunities.

**We look at two critical KPIs to determine the health of a company's Savings:**

- **On-Contract Spend [72.1%]:** Only on-contract spend can result in visible savings, and off-contract spend detracts from the savings rate. Purchasing services under contract also reduces risk. If an uninsured vendor gets hurt on the company site, the company could end up footing the bill.
- **Realized Savings [9%]:** This metric looks at the percentage of spend a company in our Leaders' Index saved by digitizing their spend management processes. Given that non-wage spend is a major factor in nearly all companies, and that there may be billions of dollars of spend under management at larger companies, every fraction of a percentage saved is extremely significant to that business.



# 11 On-Contract Spend: 72.1%

It is imperative for your business to achieve a high volume of on-contract spend in order to achieve realized savings. Off-contract spend cannot result in realized savings, and it detracts from your actual savings rate. On-Contract spend ensures your employees are sourcing suppliers and products with pre-negotiated prices or based on an agreed-on price and terms. Additionally, off-contract spend is risky for your business because purchasing contracts include non-price terms and SLAs critical to business risk management initiatives

Leaders have achieved **72.1%** in on-contract spend. This KPI tracks the percentage of spend which is attached to a pre-approved contract.

## Benefits of On-Contract Spend

- Ensure savings and more room in budgets by realizing pre-negotiated prices
- Enable procurement to negotiate better contracts and lower pricing
- Remove administrative overhead in negotiating terms after work has been completed
- Reduce financial risk to business from vendor liability or wrongdoing



72.1%

AVERAGE ON-CONTRACT  
SPEND FOR COUPA'S LEADERS



*"With Coupa, we're guiding employees through our suppliers that we've got negotiated prices with, to make sure that we are getting the discount that we've negotiated."*

- Richard Landerholm,  
Global Supply Chain Manager  
Woodward

[LEARN HOW](#) Woodward saved \$7.6M with Coupa.



# 12

## Realized Savings: 9%

Realized Savings is the percentage of spend which is saved by channeling spend through negotiated contracts. Improving spend management processes is the primary level for improving this metric. Only on-contract spend can be counted towards Realized Savings, and it is counted after spending occurs. With millions, if not billions of dollars being managed, a fraction of a percentage of savings can significantly impact a business and its ability to redirect that spend into high-value investments.

Leaders average **9%** in realized savings. This KPI is based on the amount of savings realized under vendor contracts. It is the average percentage saved based on the difference between the original, pre-sourcing cost and the actual price paid.

### Benefits of Realized Savings

- Ability to put savings toward investments in other areas and strategic priorities
- Prove success of spend management process improvements with clear ROI
- Inspire a culture of smart spending throughout your company



9%

AVERAGE REALIZED SAVINGS  
FOR COUPA'S LEADERS

# Bankrate®

*"Coupa has really transformed our AP department from a tactical data processing center to a strategic cost-saving center."*

— John Preis,  
Procure-to-Pay Manager  
Bankrate

**LEARN HOW** Bankrate is 100% paperless with Coupa.

# CONCLUSION

## Insights to Improve Spend Management Outcomes Today

Finance, Procurement, and Operations leaders should consider including KPIs from this report in their management dashboards for Business Spend Management initiatives. While company priorities vary, these KPIs give leaders a standard basis for comparing their company's performance to that of global leaders in four areas critical to Business Spend Management success: **Process Efficiency**, **Digitization**, **Compliance**, and **Savings**.

The Leaders' Index represents the performance level of global leaders in each KPI. Not all companies will be able to achieve the Leaders' performance level on all metrics, but pushing hard towards Leader-level performance will be very valuable to the vast majority of companies.

Regardless of where you are in your Digital Transformation processes, finding the right technology and partner to help you measure your progress in these initiatives is critical for your success. Benefits of investing in a technology platform that is comprehensive, open, and easy to use include:

- **Employee Adoption**—when 100% of spend runs through the system due to employee adoption of the platform, performance improves against **Process Efficiency**, **Savings**, and **Compliance** KPIs.
- **Supplier Adoption**—when 100% of supplier relationships are managed through fully electronic processes, performance improves against **Digitization** and **Efficiency** KPIs.

A Business Spend Management platform that's complete and easy-to-use ensures that employees and suppliers are able to access the platform from anywhere, and that the experience is consistent. A unified cloud platform makes it easy to manage, administer, and optimize processes from sourcing and supplier management all the way through purchasing and invoicing.

After you've selected your KPIs and implemented your Business Spend Management platform, focus on optimization. Review your processes periodically to see if they can be streamlined, or if they need to be revised to reflect changes in company policy. Review your program goals as they change to ensure that your metrics are still measuring success against your goals. If you're achieving or close to achieving your goals, look to making your targets more aggressive or taking the next step in your program maturity by expanding your goals.

Now you know the achievement levels of leading companies.

## HOW DO YOU MEASURE UP?

Visit [coupa.com/calculate](https://coupa.com/calculate) to calculate the potential impact moving towards the performance of global leaders.



# ABOUT COUPA

Coupa Software (NASDAQ:COUP) is the cloud platform for business spend management. We deliver “Value as a Service” by helping our customers maximize their spend under management, achieve significant cost savings, and drive profitability. Coupa provides a unified, cloud-based spend management platform that connects hundreds of organizations representing the Americas, EMEA, and APAC with millions of suppliers globally. The Coupa platform provides greater visibility into and control over how companies spend money. Customers – small, medium, and large – have used the Coupa platform to bring billions of dollars in cumulative spend under management. Learn more at [www.coupa.com](http://www.coupa.com).

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