

The Future of P2P: A 5-Year Vision for Elevating the Value and Influence of Procurement

Background: The Importance and Complexity of P2P

The challenges of the new geopolitical and business environment that companies will face after the “COVID-19” event, will require companies to react quickly, effectively and profitably; this will be impossible to achieve without adequate digitization of processes and the support of new technologies such as AI and ML.

Having said the above, in this new business world, the business capabilities that will become more important in value creation for organizations will be those related to purchases, supply chains, payments and trade financing; basically, the processes related to P2P IT solutions. Organizations that have the ability to consolidate their Procure-to-Pay (P2P) processes in a unified and holistic way will have more encouraging futures than those who do not in the face of current and future challenges of the business world.

P2P solutions can significantly help organizations through improvements of:

- Procurement organizations’ productivity and savings by using a robust and easy-to-use marketplace (private and/or public) to purchase all its spend categories in compliance with contracts, budgets, policies and business rules in a guided, intelligent manner (smart assistance, recommendations, personalized UX etc.)
- Accounts payables’ productivity, by integrating automated payment approval and processing
- Supplier’s participation and real time collaboration into P2P processes by intelligently enabling and onboarding all suppliers, including long tail, into an open-supplier network (portal)
- Treasury’s productivity by maximizing cash flow and working-capital usage with early payment

and SCF programs that are easy to adopt by suppliers

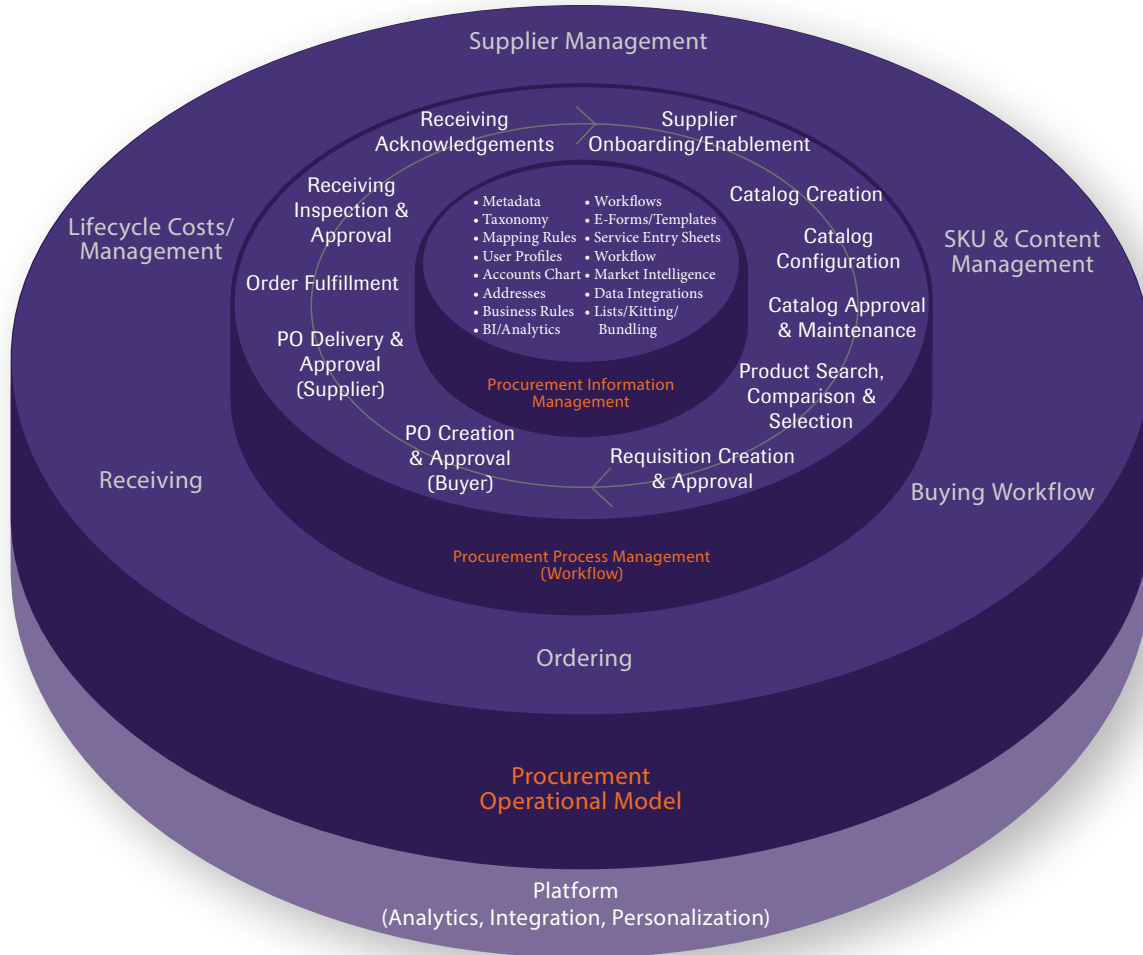
- Production systems (MRP) through its direct integration with P2P solutions, for the creation, transmission, change management and reception of purchase orders, enhanced by direct and real-time collaboration with suppliers for acknowledgements, real time changes, and fulfillment
- Supplier's financial health, by offering on-demand (and on-time) supply chain finance options to approved invoices
- Buyer's purchasing decision making by using intelligent purchasing recommendations of advanced analytics (AI-ML)
- Business' resilience to changes (agile and cost-effective), by using a robust and easy-to-use configuration engine for workflows and business rules
- Spend visibility by integrating all P2P and subjacent systems landscapes, augmented with 3rd party value-add providers
- Spend risks' and frauds' early detection, by maximizing spend under management supported with advanced analytics
- Payments' and spend-record accuracy by coding, validating and matching (POs and GRs) all supplier invoices

However, to make these value improvements real, we first need to understand the essential components of the P2P solutions, as well as how each component fits with the broader business process to which they connect; a traditional status-quo view of procurement won't work in the new post COVID-19 reality. The new reality will require a new mindset to understand the complexity of all P2P components as a holistic and intelligent view, extending its reach towards supply chain and finance.

In our SolutionMap methodology we define a P2P solution as software that combines the e-procurement and invoice-to-pay processes. Each solution follows a continuous cycle that integrates multiple adjacent enterprise processes and tools. For example, e-procurement onboards suppliers into the system and generates receipts of goods, but in order to do this, e-procurement needs to incorporate data from other systems (e.g., ERP) and processes (e.g., inventory management for stock checks).

The following graphics illustrate this P2P complexity.

E-Procurement Components



Integrations:

Procurement (ERP)

Account Payables (ERP, Invoice-to-Pay, AP Automation)

Finance/Accounting (GL)

Catalog Management

Marketplaces/Punch Out/Order Configuration

Portals/Supplier Networks

Strategic Sourcing

Inventory Management

Warehouse Management

Budget Management

Asset Management

Contract Management

BOM Management

Supplier Management

(SIM/SRM/SPM)

Supplier Management

Risk and Compliance

Spend Analysis/Data Visualization

Market Intelligence

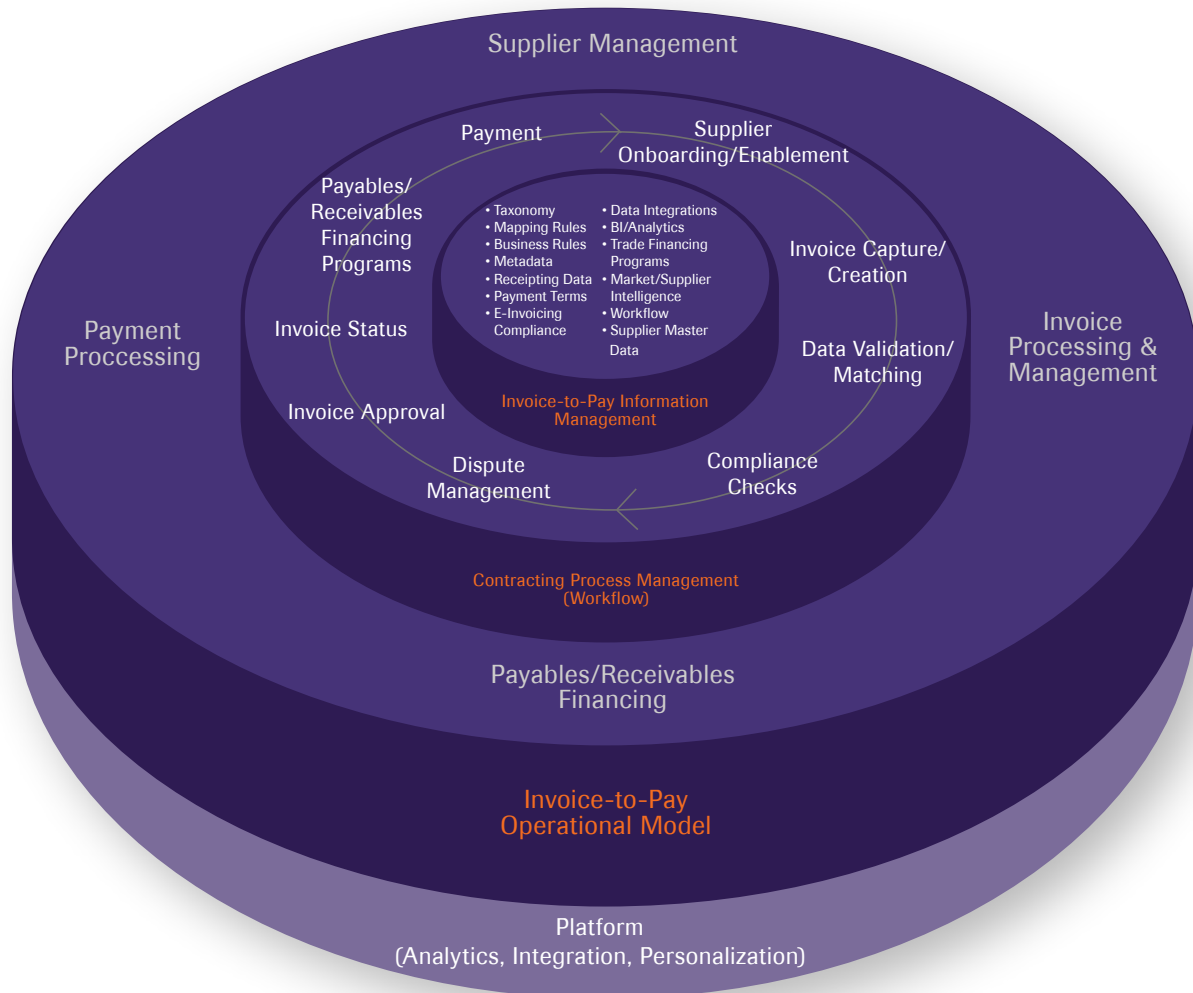
Master Data Management (MDM)

Invoice Management

SOW/Specialized Category Solutions

Travel and Expense

Invoice-to-Pay Components



Integrations:

Procurement (ERP, E-Procurement, Services)

Travel & Expense

Account Payables (ERP)

Finance/Accounting (GL)

Spend Analysis/Data Visualization

Third-Party AP Automation/ OCR

Portals/ Supplier Networks

IT Management

Receiving/Receiving

Contract Management

Supplier Management

Risk and Compliance

P-Card/V-Card Sourcing

Payment Systems/Banks

Trade Financing (e.g., SCF)

Audit systems

The point of visualizing e-procurement and invoice-to-pay this way is to illustrate the highly interconnected nature of both processes. P2P activities constitute far more than simple transaction processing. Rather, they are complex processes that both rely on and inform numerous other operational processes within a business. And only by understanding the interwoven complexity of P2P with the rest of the business can we begin to see its future – that is, as a critical value lever for procurement and business.

How Today's Challenges are Shaping the Future of P2P

As our process diagrams make clear, P2P viewed holistically can quickly become complicated. But this is only a starting point. Businesses today are also facing additional challenges with their technology providers. In a nutshell, no one P2P solution today addresses every need of all organization types and sizes.

Across the P2P market, it is challenging to identify a provider that is capable of providing all of the following:

- A platform that:
 - ◇ Unifies or integrates all P2P processes seamlessly and can be enhanced with 3rd party applications or systems
 - ◇ Has a unified and proper data structure with AI & ML embedded capabilities to enable advanced analytics
 - ◇ Has a robust configuration engine to quickly enable any business scenario complexity (setup, workflows, and business-rules)
 - ◇ Has an advanced integration toolbox to consolidate complex systems landscapes, while expanding P2P functionality towards Finance and Supply Chain and Operations (S&OP) business environments
 - ◇ Has emerging technologies embedded into all P2P processes, such as conversational systems, AI and ML, advanced mobile, advanced digitization, etc.
 - ◇ Has a full set of globalization capabilities for all P2P processes (languages, currencies, regulations compliance, delivery, organizational structures, etc.)
- A data management model that works as a single source of truth and can deliver quality data to all P2P processes and the analytics tools
- A user interface that allows rapid adoption by all users, with personalized access and a guided, intelligent user experience for all P2P process activities
- Advanced P2P features and functionalities with embedded emerging technologies (AI-ML, RPA, Intelligent Assistants, IOT, mobile, etc.) to meet the business objectives of all types of

organizations (industries), incorporating 100% of spend under management (indirect, MRO and direct), through a guided and intelligent buying and collaboration process, with touchless workflows and validated business rules, in compliance with all internal (business) and external (governments) regulations among others

- A payment engine to process massively all types of payments (e-checks, ACH, cross-border, wire, paypal, P-card, etc.), locally and globally
- Options of financing programs for P-Cards, early payment and SCF (integrated to P2P processes), with intelligent tools (AI-ML) to analyze and plan for an effective supplier's adoption strategy and an effective use of buyer's cash flow and working capital
- A business network that generates a value creation network effect (many-to-many) between its users, enabling the alignment, collaboration and process visibility among stakeholders, incorporating benefits from third parties and business partners (apps, marketplaces), and enabling P2P functions such as supplier onboarding, catalog management, invoice management and trade financing options

This set of challenges – creating a P2P solution that unifies all processes and spending through an advanced, readily usable tool for all users – lays the groundwork for the future of P2P. Only by solving today's persistent P2P challenges in process-fragmentation, user adoption and supplier enablement can we begin to bring P2P to a new level.

What should an organization expect of a P2P solution?

Based on the 500 technical and functional requirements that Spend Matters P2P Solution Map analyzes, the trends that are leading P2P IT solutions into the future are:

Platform improvements to provide:

- The ability to continuously update functionality and innovate without affecting the core solution (SaaS approach)
- The ability to adopt emerging technologies to improve user productivity (e.g., AI, ML, RPA, IOT, conversational systems, advanced OCR, advanced mobile, etc.)
- The ability to integrate, through an extensive system integration toolbox, all enterprise's adjacent systems and third-party applications to enhance P2P capabilities
- The capability of a robust, 100% configurable platform with customizable workflow and business rules engine across all functions, data, users, and events (objects) with the ability to trigger alerts or notifications

Document and data management improvements to provide the ability to:

- Gather data from multiple systems and applications into a single source of truth (MDM), to ensure the certainty of the data that runs in the P2P processes

- Offer data quality management capabilities and services (e.g., cleansing, classification, enrichment) and maximize its usage within P2P
- Convert documents to data (e.g., POs, invoices, contracts) and use the data within process intelligence and business recommendations, supported by business rules and advanced analytics (AI/ML)

User interfaces and user experience improvements to build a:

- Unified self-service and easy to adopt UI/UX (e.g., single sign-on, full documents flow visibility)
- Collaborative and intelligent UI/UX over a many-to-many network for all participants
- Personalized and secure UI/UX that adapts to users based on their role and geography

Business networks improvements to provide:

- A network-effect approach through value-add services/solutions, document exchange, stakeholder collaboration and marketplaces
- Support for stakeholder alignment and collaboration (e.g., procurement, legal, IT, finance, AP, treasury, centers of excellence)
- Capabilities to easily and effectively onboard and enable all suppliers (strategic and tail spend vendors)
- A partner ecosystem to enhance P2P value (e.g., through value-add services, apps)

New and improved P2P features and functionality to provide:

- Intelligent and extensive guided buying support with a 360-degree cost and risk vision (beyond profile access and permissions)
- Payment processing capabilities to fulfill the second “P” of P2P beyond OK-2-Pay (e.g., mass payments, cross-border payments, multi-currency)
- Supplier and buyer financing options (e.g., early payment, dynamic discounting, card models, funders partnerships)
- The ability to assess and act on risks (e.g., non-compliance, fraud detection, supply risks)
- The ability to manage tail spend and prevent maverick spend (e.g., through external content like third-party marketplaces and supplier websites)
- The ability to make direct, indirect and MRO purchases
- The ability to handle the full invoicing process for all inbound invoices (no matter the format)
- The ability to ensure full P2P compliance (e.g., to contracts, budgets, taxes, countries regulations)
- The ability to procure and manage all types of services and follow its delivery (e.g., SOW, contingent workforce)

The Spend Matters View: How P2P Providers Like JAGGAER are Investing to Create the Future of P2P

A P2P software suite integrates and automates the entire back-office lifecycle of requisitioning, purchasing, receiving, paying, and accounting for indirect goods and services. By creating standard workflows between buyers, procurement and accounting departments, a P2P solution should provide more transparency into, and control over, indirect spend and should create a more congenial relationship between all stakeholders.

SaaS technology accessed in the cloud, such as the JAGGAER ONE suite, has made affordable, flexible and technically versatile solutions available. JAGGAER ONE is a comprehensive suite of solutions allowing organizations to automate processes and extend the solution to new categories as their growth requires and their budgets allow. Even if introduced gradually, organizations experience benefits with eventual full adoption of JAGGAER ONE for all spend categories and the entire procure-to-pay lifecycle.

In addition, the R&D investment for P2P providers indicates a clear trend toward managing and reporting not just around indirect spend but also the one related to MRO, services and direct materials, with all of the underlying systems that surround this spending unified into one interconnected process.

JAGGAER is one such vendor supporting this vision. In particular, the S2P provider is focusing on four main areas of investment to define the future of P2P solutions, with the ultimate goal of positioning purchasing departments in a more strategic role within their businesses:

- **Facilitating the management of both indirect and direct P2P processes within a single platform**, ensuring a collaborative environment for all stakeholders (internal and external) with full compliance, validations and approvals
- **Taking charge of payment management and processing**, including cards, checks, e-checks, ACH, EFT, FX and financing process, along with improving the productivity of the payment process and the financial health of the supply chain
- **Acting proactively on behalf of users with AI**, learning daily and using all data sources and knowledge to make improvement recommendations to all stakeholder activities and the P2P process
- **Empowering an open business network** by creating a NxN value effect to all the community of buyers and suppliers, integrating and accessing external services, content and applications, such as marketplaces, third-party apps, third-party solutions and external market intelligence feeds

The Final Word: P2P in 2025

A lesson from COVID-19 is that businesses will be required to be more resilient to face today's challenges and all challenges to come. With no time to waste, it's extremely important to start digitizing all processes in a thoughtful, holistic manner in order to stay in business by 2025. Procurement is becoming so valuable within organizations, particularly P2P processes, that based on the trends, Procurement will be managing most of the money that flows out of the company by 2025 and will be strategically influencing how and where it's spent.

P2P solutions by 2025 will be more open, network-oriented, autonomous, collaborative and intelligent. P2P users will increase its productivity by being guided by automated processes that create AI and ML algorithms that serve intelligent recommendations. The incorporation and effective usage of advanced and emerging P2P technologies is already critical.

P2P solution providers will have, within its portfolio, early payments solutions (Dynamic Discounting and Supply Chain Financing) supported by advanced analytics and managed services, to improve suppliers' adoption and the success of the financing programs. P2P and MRP systems will collaborate through direct-material order management and fulfillment. P2P and Treasury will together support cash-flow planning and optimize working capital, and will offer strategic financing options to suppliers (self-funded or third-party funded options).

It is true that it will take time to surmount all of the challenges currently faced by procurement organizations and P2P solutions, but it is also true that the advances being made are significant. With the current vision of solution providers, there is no doubt that progress will accelerate and become closer and closer to this vision, providing "Procurement" a more strategic and valuable position within the organization.