



Business Spend Management 2019 Benchmark Report



**12 KPIs to Drive Profitability and Growth
with Business Spend Management**

Executive Summary

Facing increasing economic uncertainty and the costs of ever-growing regulatory burdens, corporate leaders today must look inside their organizations to drive profitability and growth for a competitive advantage.

Business Spend Management (BSM)—the processes and technologies that encompass all aspects of managing business spend, from sourcing to payments—enables leaders to reduce risk with the visibility and control needed to spend smarter every day.

The first step in defining a BSM strategy is to identify which spend processes to optimize by benchmarking current performance levels against leaders' performance. This report, which is based on actual operating data from businesses across the global Coupa community of customers, outlines 12 Key Performance Indicators (KPIs) to measure your BSM success. Its objective is to help you gain insight into the BSM maturity of your organization and to advance your organization's maturity across the spectrum of business spend processes.

The combined Coupa community represents the largest accessible source of spend data available today, with nearly US\$1 trillion in spend processed, aggregated from hundreds of businesses around the globe.

BSM Benchmarks

Source-to-Contract	48.5% Structured Spend (Catalog & Punchout) 64.9% On-Contract Spend 29.8% Non-Tail Suppliers
Procure-to-Pay Purchasing	99.8% Pre-Approved Spend 89.7% Electronic PO Processing 14.8 Hours Req-to-Order Cycle Time
Procure-to-Pay Invoicing	84.5% Electronic Invoice Processing 30.7 Hours Invoice Approval Cycle Time 89.9% First-Time Match Rate
Expenses	20.4 Hours Expense Approval Cycle Time 97.0% Expense Report Lines Within Policy 5.9% Manual Expense Audit

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Introduction

Facing rapidly changing global markets and regulatory uncertainty, company leaders today find themselves asking, “what else can we do to drive profitability and growth?”

Growth in the global economy may be slowing, if CEO predictions are an accurate sign of what’s to come. According to PwC’s annual CEO Survey, compared to last year, 436% more CEOs said they expect global economic growth to decline this year. Just 35% said they are “very confident” about revenue prospects for the next 12 months. *

Finance executives seeking strategies to navigate a slower-growth environment must look to efficiencies—not only in people, but also in processes. According to the PwC report, CEOs plan to “look inside-out for growth” as the top way to drive revenue growth in the year ahead.

In light of the economic environment, CEOs and CFOs are looking to procurement leaders to serve as Chief Value Officers. These once primarily transactional business roles are now being challenged to not only uncover and deliver savings opportunities, but also to reduce risk, support innovation agendas, and become levers for growth.

Business Spend Management: A Different Approach for Profitability and Growth

Business Spend Management (BSM) consists of the processes and technologies that encompass all aspects of business spend, from sourcing to payments. Modern BSM software offers a single platform for all aspects of spend, enabling a layer of community data to provide spend benchmarks and identify opportunities for improvement.

* PWC. (2019). 22nd Annual Global CEO Survey.

BSM: A New Approach to Your Competitive Advantage

To function as bona fide “Chief Value Officers” and achieve the objectives of that role, business leaders must begin by benchmarking their performance across source-to-contract, procure-to-pay, and expenses.

By providing the only industry benchmarks based on actual spend behavior data, leveraging nearly US\$1 trillion in actual business spend across hundreds of participating companies, this report represents the performance of global leaders in each Key Performance Indicator (KPI). These leaders have optimized their BSM processes and represent the top performing Coupa customers. This report includes indicators of maturity for each of the key BSM processes.

No matter where you are on your procurement and finance maturity journey, the metrics and data in this report will help you understand your company’s relative performance. With each metric, the report provides actionable tips for how to achieve greater maturity, ultimately adding more value to your organization in the year ahead.

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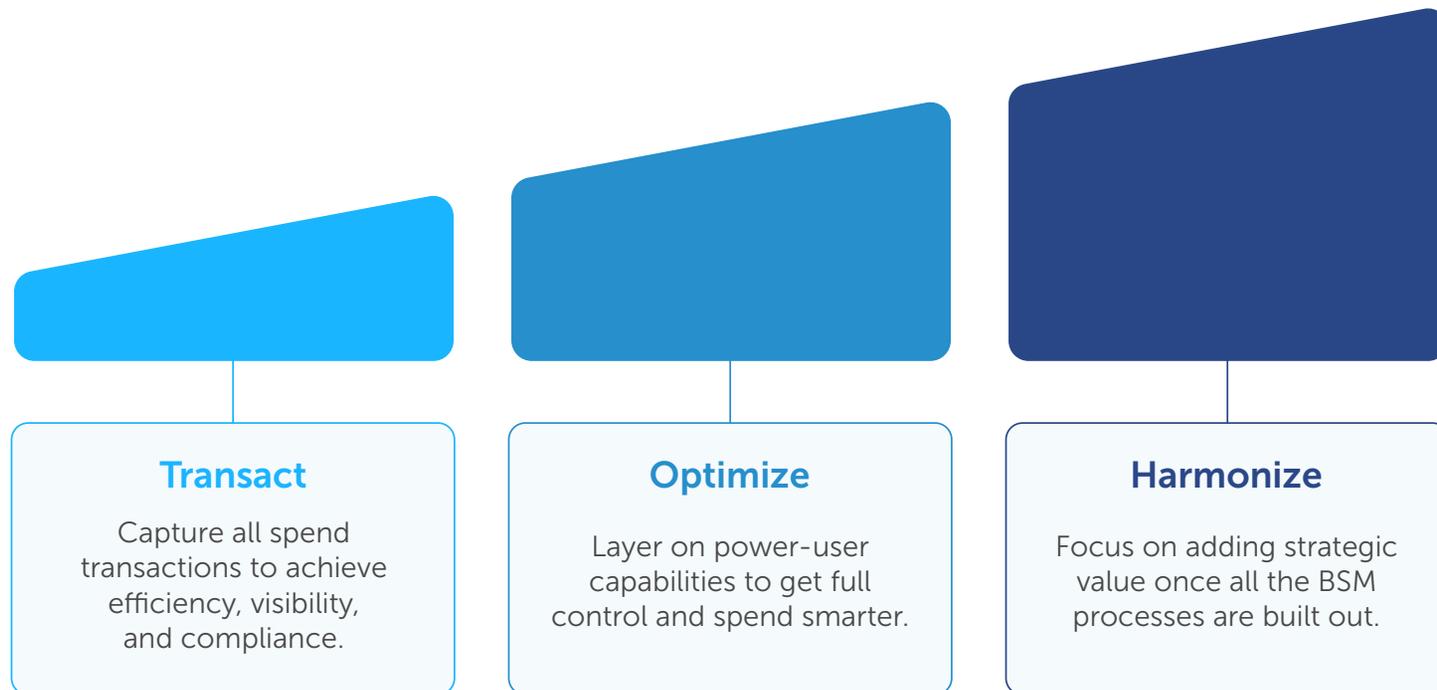
This benchmark data is unique. It isn't based on subjective responses to a survey, this is based on how organisations actually work. The data is taken directly from purchase-to-pay related transactions carried out by clients and their suppliers on the Coupa platform.

”

Spend Matters™ - *Spend Matters commentary on 2018 Coupa Benchmark report

How to Measure Your BSM Maturity

The BSM Maturity Model is designed to help practitioners understand their own maturity relative to leaders in BSM and chart a journey towards leader-level performance in all KPIs. Your company's current performance on each benchmark should be understood in the context of your own maturity. Each section of this report includes actionable tips for how to get to the next level.



Finance, Procurement, and IT: BSM Benefits

The teams who manage each business process will track the KPIs for their process closely, but each KPI is also highly relevant to organizational leaders across finance, procurement, and information technology (IT). In optimizing BSM processes to maximize the value delivered across the company, it is crucial to understand how each supports the goals of key executives.

In this report, each KPI represents at least one primary category of value: savings, digitization, risk, or process efficiency. This chart illustrates why each BSM value category is relevant to key stakeholders across finance, procurement, and IT.

	Savings	Digitization	Risk	Process Efficiency
Finance	Turn wasted spend into valuable investments, such as funding R&D, to deliver shareholder value.	Get accurate data across the business to automatically identify opportunities and support strategic analysis.	Combat supplier risk, avoid business delays due to breakage in the supply chain, and ensure compliance.	Build scalable processes and free up finance resources for more strategic roles.
Procurement	Identify new opportunities for savings across the organization's business spend to fuel profitability and growth.	Reduce support requests from employees and suppliers on all aspects of your business spend.	Identify and remove risk across the supply chain, from spotting risky suppliers to ensuring compliance.	Reduce cycle times in all procurement and sourcing processes.
IT	Quantify the results of digital transformation initiatives.	Get easy configuration, fast deployment, and minimal investment in upkeep.	Ensure platform stability and scalability while protecting against third-party information security threats.	Improve employee satisfaction with the business spend user experience, including for IT purchases.

01

Source-to-Contract

Quick Links:

- [3 KPIs for Sourcing Transformation](#)
- [Structured Spend \(Catalog & Punchout\)](#)
- [On-Contract Spend](#)
- [Non-Tail Suppliers](#)

Source-to-Contract Benchmarking: Realizing Value Through Structured Spend

With BSM and organization-wide spend visibility, opportunities abound to stop contract leakage, optimize the supply base by reducing the total number of suppliers, ensure suppliers are properly assessed to mitigate risk, and negotiate better contracts and payment terms to generate real value.

3 KPIs for Sourcing Transformation

These KPIs can be used to assess the maturity of the sourcing organization. An organization begins to achieve maturity when it expands from transactional multi-sourcing to building processes for collaboratively contracting with suppliers.

Organizations with the highest maturity have full visibility into their supply base and a prudent approach to supplier redundancy in strategic areas—with an eye for regulatory change, the external economic environment, and other critical risks.

1**Percentage of Structured Spend**

Highlights the amount of spend through catalog or punchout. Extensive structured spend ensures that the organization can enforce contract terms at scale; properly represent product categories, groups, and families; and streamline buying processes across the business.

2**Percentage of On-Contract Spend**

Quantifies the percentage of spend against contracts. On-contract spend typically results in savings, while off-contract spend detracts from the savings rate. Purchasing under contract also reduces risk by channeling spend to vetted suppliers and onto contracts, with appropriate terms and conditions.

3**Percentage of Non-Tail Suppliers**

Shows the percentage of suppliers sending 80% of the organization's invoices. Consolidating spend creates opportunities for negotiation and reduces the cost of supplier enablement and management.

KPI: 48.5%

Structured Spend

To achieve a high percentage of structured spend, leading sourcing organizations invest in streamlining catalogs and making the punchout experience efficient. New technologies provide the benefit of hosted catalogs with the low maintenance of punchouts. The user views punchout content without leaving the native purchasing experience, which drives greater adoption.



“ Our capability to provide punchouts and interface with a spend management platform has really changed the way our end users purchase products. ”

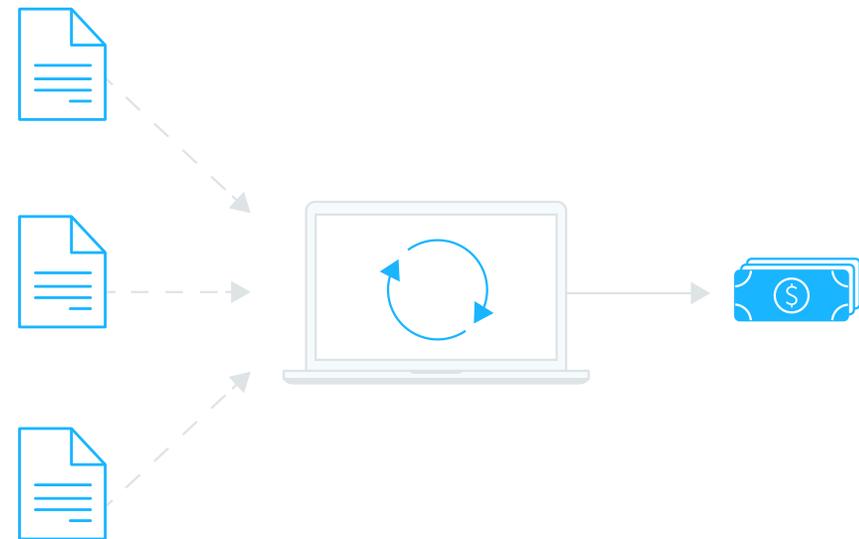
- Steve Schravessande, Vice President Business Development, Imperial Supplies

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KPI: 64.9%

On-Contract Spend

To optimize on-contract spend, leading sourcing organizations focus on digitizing contract processes so that completed contracts are immediately accessible online as part of the purchasing experience. Purchasers automatically buy from a contract, ensuring that contracted savings are realized as cash savings.



Review the current state of sourcing and contracts

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Advisors Research](#) ▶

“ We process over one million invoices every year, which equates to over \$7 billion. It is extremely crucial to have an application or system for contracts and invoicing that is user-friendly and easy to understand. ”

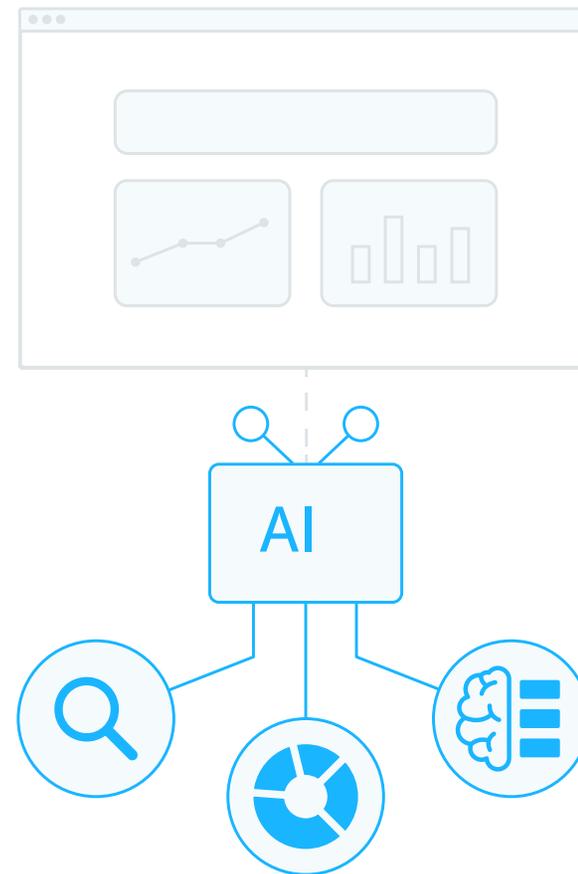
- Onnec Wright, Director of Accounts Payable, MGM Resorts International

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KPI: 29.8%

Non-Tail Suppliers

To reduce the number of total suppliers, leading sourcing organizations identify opportunities for consolidation and long-tail reduction by getting visibility into organization-wide spend at the category, vendor, and item levels. These organizations take advantage of AI-based technologies to categorize their spend, accelerate the sourcing process to source more categories, and obtain prescriptive suggestions on what to source and the best suppliers, reducing the time needed for manual research.



“ Aggregating our food spend onto one platform is important because we now have better control over purchasing and powerful data to negotiate with and consolidate our suppliers. ”

- Trevor Smith, National Food Manager, ALH Group

02

Procure-to-Pay | Purchasing

Quick Links:

[3 KPIs for Purchasing Transformation](#)

[Pre-Approved Spend](#)

[Electronic PO Processing](#)

[Req-to-Order Cycle Time](#)

Purchasing

Benchmarking: Striving for Complete Spend Visibility and Control

By measuring and optimizing procurement KPIs, leaders can not only drive down cost, but also optimize productivity, lower risk, and offer visibility into and control of what is spent across the business.

3 KPIs for Purchasing Transformation

These KPIs can be used to assess the maturity of the procurement organization. A mature organization has advanced from simply putting requisition and approval systems in place to having procurement integrated with contracts, specialist teams partnering with business units, and systematic monitoring of supplier performance and risk.

1**Percentage of
Pre-Approved Spend**

Indicates procurement influence on changing organizational spend, as well as employee adoption of policies. A higher percentage in this metric provides procurement and finance with visibility into more spend, ensures that more spend goes to pre-vetted suppliers, and realizes negotiated savings.

2**Percentage of Electronic
PO Processing**

Measures success of eProcurement initiatives designed to reduce PO processing time, as well as employee and supplier frustration. A high rate of Digital POs often means that procurement teams have time to focus on strategic initiatives rather than on lost orders.

3**Req-to-Order
Cycle Time**

Quantifies the interval between placing a requisition and getting an order. When the requisition-to-order cycle time decreases, employees and suppliers improve productivity and, perhaps more crucially, comply more fully with procurement policy.

KPI: 99.8%

Pre-Approved Spend

To drive a high percentage of pre-approved spend, leading procurement organizations leverage BSM solutions to ensure easy compliance to “No PO, No Pay” policies. Procurement leaders are able to obtain this high level of compliance by making it easy for employees to submit purchase orders and for suppliers to be reviewed and accepted prior to PO submission and approval.





salesforce

“

At Salesforce, we have 80% of total addressable spend under digital management, which helps as we scale for growth, from 20- to 30- to 40-thousand employees.

”

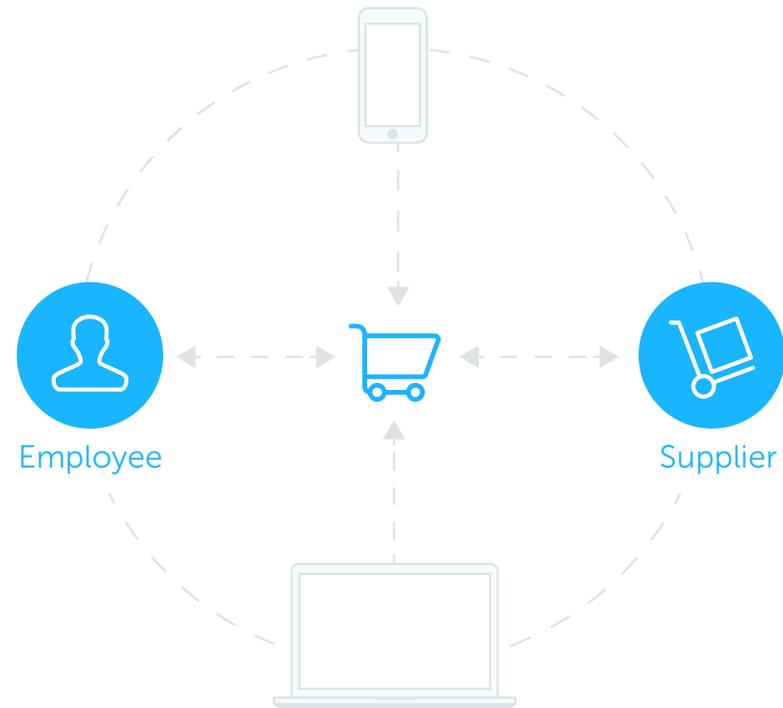
- Jennifer Browne, Director of Procurement Operations, Salesforce

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KPI: 89.7%

Electronic PO Processing

To achieve a high percentage of electronic PO processing, leading procurement organizations leverage an employee- and supplier-centric BSM technology for organization-wide procurement operations. Digitizing the PO process from requisition to order with easy-to-use, easy-to-access (i.e. mobile) tools ensures high percentages of compliance.



Move beyond price savings
toward strategic value

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Group Report](#) ▶

“

When we looked for a digital procurement solution, we realized usability was a key factor because it would help significantly increase our spend visibility and compliance.

”

- Donna Trowbridge, Chief Procurement Officer, DBS

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KPI: 14.8 Hours

Req-to-Order Cycle Time

To drive faster approval and routing times, leading procurement organizations focus on enabling approvals of purchase orders from web, mobile, and email, with real-time visibility into budget impact of each transaction.

Companies can use BSM technology to analyze their approvals, identify opportunities to reduce the number of approvers, and reduce cycle times. The best practice for number of approvals is two. Companies can meet that goal by eliminating approvals for budget check through automation with BSM, and by using dynamic workflows to include only the approvers needed for each transaction.



“

A good user experience leads to adoption, which leads to compliance, which enables better data for you to derive insights and ultimately deliver value.

”

- Dan Cameron, Senior Vice President of Procurement, Pearson Education

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03

Procure-to-Pay | Invoicing

Quick Links:

[3 KPIs for Invoicing Transformation](#)

[Electronic Invoice Processing](#)

[Invoice Approval Cycle Time](#)

[First-Time Match Rate](#)

Invoicing

Benchmarking: Optimization Beyond Automation

By addressing invoicing KPIs and automating transactional AP tasks, finance leaders reduce strain on resources while also freeing up those resources to support strategic initiatives for the business and address critical risks.

3 KPIs for Invoicing Transformation

These KPIs can be used to assess the maturity of the AP organization and its invoice management processes. An AP organization begins to achieve maturity in invoice management when it digitizes its processes with electronic invoice capture. This enables the organization to match and code automatically based on PO, provide self-service status inquiry for suppliers, and self-service supplier management of remit-to information.

Organizations with the highest maturity in invoicing processes have high adoption of electronic invoicing, automatic flagging of fraud risk, and effective management of supplier payments to optimize working capital needs versus supplier cash needs.

1**Percentage of Electronic Invoice Processing**

Indicates the percentage of invoices captured digitally from suppliers. The higher the percentage of eInvoicing, the less time AP teams spend on low-value, manual transaction processing. Capturing invoices electronically from suppliers is critical in avoiding errors common in manual or optical scan data entry, as well as automating VAT compliance.

2**Invoice Approval Cycle Time**

Notates the average time, in hours, from invoice submission to approval. Not only does a rapid invoice approval cycle time assure that there are no unnecessary delays in projects due to payment delays, it also enables early payment discounts and fewer status inquiries. Additionally, it removes the burden of late payment penalties and related inquiries.

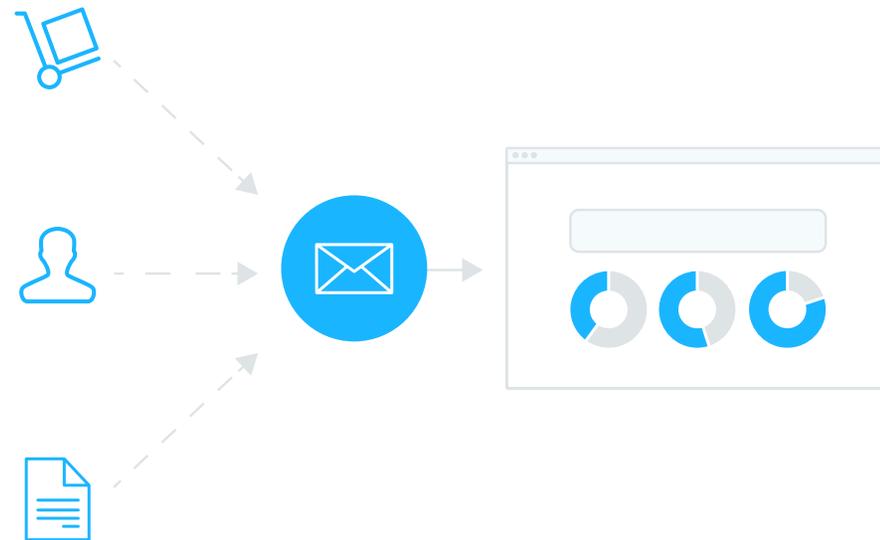
3**First-Time Match Rate**

Addresses the percentage of invoices that match purchase orders. A high first-time match rate reduces manual administrative costs to match invoice item and quantity, apply tolerances, code to the appropriate account, and determine the appropriate approvers. In addition, highly automated processes aid in avoiding payment of fraudulent invoices.

KPI: 84.5%

Electronic Invoice Processing

To increase the percentage of invoices processed electronically, leading finance teams provide multiple options for supplier enablement, starting with an email-based option for small or infrequent suppliers. Enabling suppliers to access current invoice status on their own encourages participation in digital strategies. For the highest rates of electronic invoicing, leading organizations use every opportunity to enable suppliers (including removal of bill-to addresses from POs to discourage paper invoicing).



Find out how to future-proof
your AP processes

[Review the Checklist](#) ▶

“

In order for us to aggregate our spend, we needed everything on one system for everything from purchasing to accounts payable departments.

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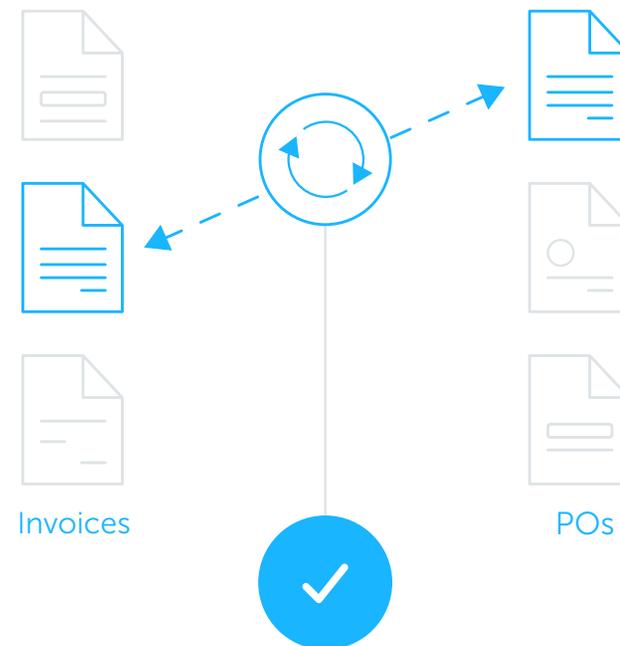
- Jennifer Garvin, Vice President of Supply Chain, Allegheny Health Network

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KPI: 30.7 Hours

Invoice Approval Cycle Time

To improve cycle times for invoice approvals, leading finance teams maximize PO adoption with a “No PO, No Pay” policy and automatically match invoices to POs, also automating account coding and the approval workflow process. Leading organizations may also replace goods receipts and 3-way matching with invoice approvals, which accomplishes the same goal for many categories with less pushback from end users. Giving approvers the ability to approve on the go accelerates timelines.



“ *These boosts in efficiency and productivity are essential.*

”

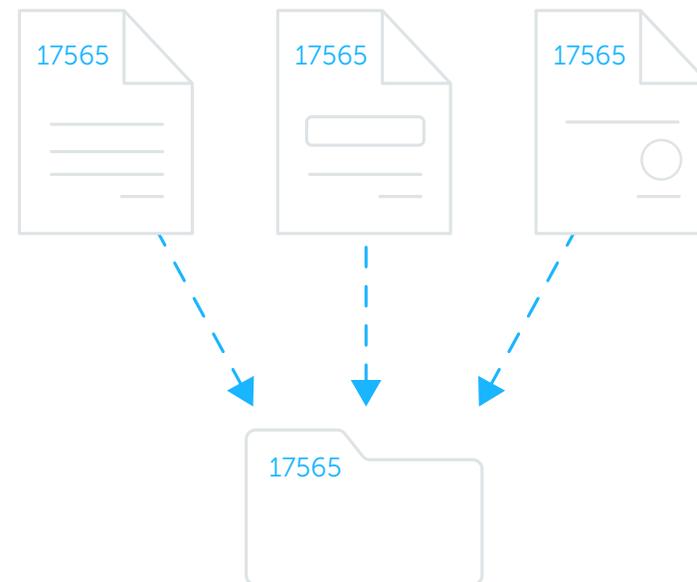
-Dave Mohr, Executive Director of Purchasing and Receiving,
Ionis Pharmaceuticals

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KPI: 89.9%

First-Time Match Rate

To optimize first-time match rate, leading finance teams first drive adoption of electronic invoicing using BSM technology that's easy to use for suppliers, broadening the reach of invoices that can be matched electronically with POs. Making it easy for employees to find what they need and approve quickly on the go drives greater PO adoption, and using catalogs and punch-outs drives greater structured spend. Leaders require a backing document to match each invoice, as well as PO numbers in each invoice, and use digital contract management to automatically match invoices to contracts for recurring purchases.



“ Our digitization strategy is to take unnecessary labor, work, and time out of all of our processes. ”

- Sue Kampe, SVP, Chief Information Officer, Cooper Standard

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04

Expenses

Quick Links:

[3 KPIs for Expenses Transformation](#)

[Expense Approval Cycle Time](#)

[Expense Report Lines Within Policy](#)

[Manual Expense Audit](#)

Expenses

Benchmarking: Gaining Speed and Compliance in T&E

From travel fees to business entertainment, expenses are a part of doing business. Accounts Payable teams often exhaust resources ensuring expense policy compliance. Other employees, meanwhile, may spend time submitting paper receipts and following up on delayed reimbursements instead of performing mission-critical job tasks. By improving performance against expenses KPIs, finance teams improve morale by reducing the burden of reviews on time-strapped finance departments looking to become more strategic business partners.

3 KPIs for Expenses Transformation

These KPIs can be used to assess the maturity of expense processes. In the early stages of maturity, expenses are digitized, rules are incorporated into digital expense submission and approval processes, and spend that should be procured is not hidden in expense reports. Organizations with mature expense processes use AI and community-powered technologies to intelligently identify potential fraud and help AP prioritize manual reviews by high-risk transactions. These organizations also have very high compliance with expense policy.

1**Expense Approval
Cycle Time**

Denotes the average time, in hours, from expense report submission to approval. Faster approval times avoid employee frustrations around late reimbursements and encourage employees to submit reports on time for better visibility into spend.

2**Percentage of Expense Report
Lines Within Policy**

Indicates the percentage of line items that meet corporate travel and expense policies. A high percentage of compliant expense report lines signifies that employees understand these policies and, often, that the system in place for expense submission has automated processes to check for compliance.

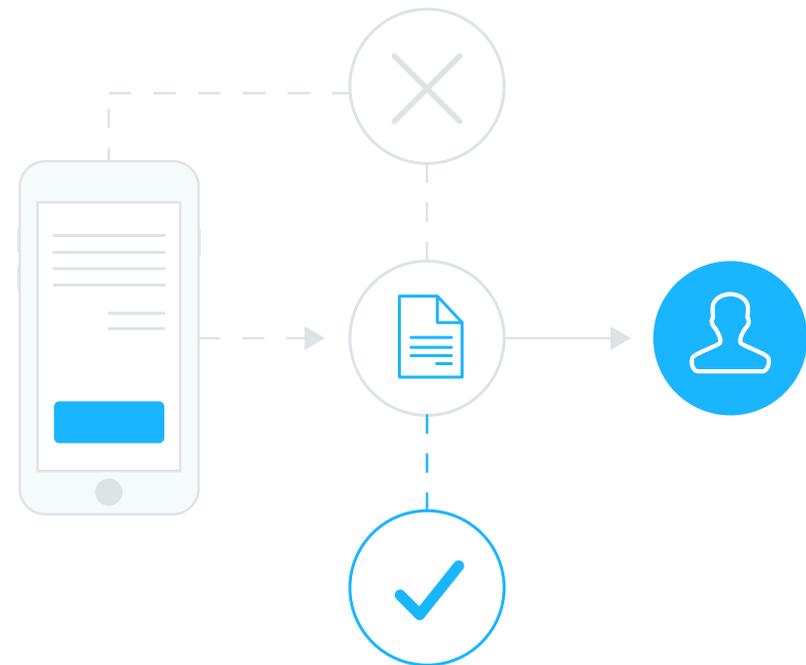
3**Percentage of Manual
Expense Audit**

Shows the percentage of expense reports that go through human audit. Companies aim to reduce manual audits while continuing to catch fraud and errors, often by prioritizing reviews of high-risk reports. Low audits typically reduce approval cycle times and reimbursement time for employees.

KPI: 20.4 Hours

Expense Approval Cycle Time

To reduce expense report approval time, leading finance organizations ensure all expense reimbursement requests are submitted via a digital expense management application that has clear, automated policy approvals and rejections built into the submission process. Modern BSM technology that leverages artificial intelligence to identify fraud and reduces manual audits also improves expense report approval time.



“ We put every invoice, expense, and charge through our BSM system. It’s given us a lot more business agility, and we’ve rejected over half a million dollars of things we didn’t need. ”

- Hyrum Kirton, Vice President of Procurement, Avalon Health Care Group

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KPI: 97.0%

Expense Report Lines Within Policy

To ensure the maximum number of expense report lines within policy, leading finance organizations build in policy rules to their expense management software that automatically detect non-compliant reimbursement requests and either do not allow submission or, in grey areas, flag for further review. These organizations also focus on educating employees on their expense policy via their expense management technology so there are no surprises regarding what will not be reimbursed after expenses have incurred.



“

Once we were able to look at expenses in one place, it was clear that certain people were utilizing expenses that were not in policy.

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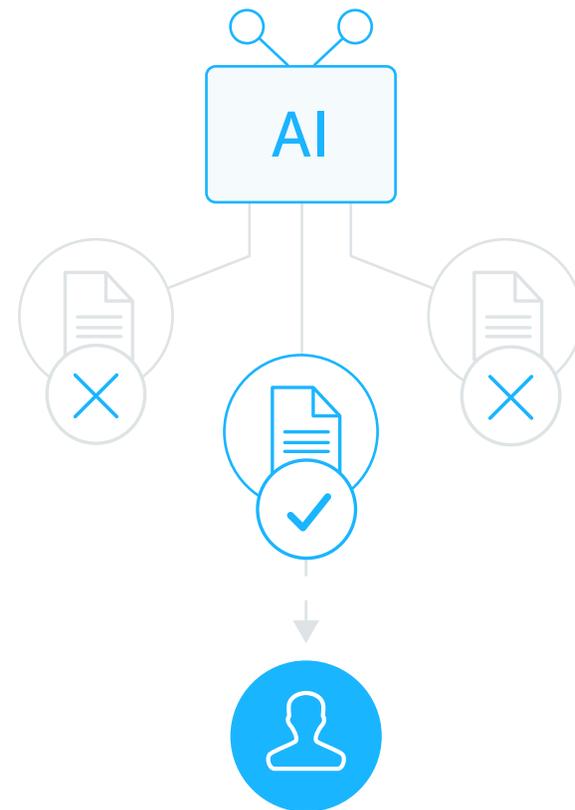
- Curt Metzger, Director of Finance, Concentrix

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KPI: 5.9%

Manual Expense Audit

To minimize manual audits of expense reports, leading finance organizations ensure that policy rules are built into expense management software and use AI and community intelligence-powered BSM technologies to identify potential problems upfront, along with humans to verify errors and fraud found by intelligent software.



See how tech can transform
your T&E processes

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“

We run about \$250 million through our expenses program, which streamlines processes and reduces workloads, allowing us to better serve families in their time of need.

”

- Rone Luczynski, Assistant Vice President, Procurement & Supply Chain Management, SCI

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Conclusion: Insights to Drive Business Spend Transformation and Fuel Business Growth

To drive profitability and growth in today's uncertain environment, business leaders are looking for ways to create competitive advantage by systematically making better decisions and spending smarter.

The first step to spending smarter is to benchmark and track performance across source-to-pay and expenses—the processes used to make spend decisions—against a reliable set of peer benchmarks.

Coupa's Business Spend Management solution gives leaders a cloud-based platform for comprehensive visibility and control across all aspects of spend. Intelligence from the community of hundreds of Coupa customers using the platform is the richest source available for spend benchmarks. To get started on the path to better decision making and growing BSM maturity, leaders can use KPIs from this report—snapshots from Coupa Community Intelligence data—to measure current BSM performance and start charting their own course for success.

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About Coupa

Coupa Software (NASDAQ:COUP) is the cloud platform for business spend management (BSM). 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

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Want to learn how Coupa can help
you lead in these 12 BSM KPIs?

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