THE 2022 BUSINESS SPEND MANAGEMENT (BSM) BENCHMARK REPORT

United by the Power of Spend

20 Community-Powered KPIs for Best-in-Class Performance Across **Procurement, Risk, Invoicing, Expenses,** and **Payments**

POWERED BY COMMUNITY.AI

Table of Contents

Why Community Data?

It's a time of great change for many industries. Global events are forcing us to reevaluate our priorities and ways of working.

If you're going to make changes, it's important to measure your progress. It's equally important to have standards — benchmarks — to compare against, so you can create tangible goals, take clear action, and evaluate your progress.

Traditional Business Spend Management (BSM) benchmarks, which are based on self-reported survey information, provide a useful but incomplete picture.

This report is the industry's only collection of benchmarks based entirely on hard data from real business spend transactions (a.k.a. community data). We gathered these data points through the power of **Community.ai**, an initiative that combines data-driven insights with human-to-human connections. By analyzing anonymized transactions from thousands of customers across the Coupa community, Community.ai is able to provide a deeper level of insight than with survey data alone.

Insights from Community Data

6.3%
OVERALL SAVINGS

Traditional spend management approaches typically yield 2% to 3% in savings relative to overall spend. Top performers this year saved far more by applying BSM best practices.

15.4%
DIVERSE SUPPLIERS

As efforts around Environmental, Social, and Governance (ESG) grow, best-in-class companies currently have 15.4% of their total supplier base classified as diverse.

6.5 Business Hours
TO APPROVE EXPENSES

With business travel and expenses (T&E) expected to rise, leading organizations took only 6.5 business hours to approve expense reports.

$2M
PER BILLION IN SPEND IDENTIFIED AS SUSPICIOUS

Coupa's Community.ai intelligently analyzes business spend for **potential fraud, user error, and process avoidance**. The average buyer identified 0.2% of their overall spend in Coupa to be non-compliant.

The benchmarks later in this report represent best-in-class performance for each KPI. Each benchmark measurement represents the median values of the top quartile of Coupa customers for that KPI.

By aggregating data from top performers on the Coupa BSM platform, we aim to provide you with a data-driven perspective of what BSM success looks like, to guide your own digital transformation efforts.

Learn more about Community.ai

20 KPIs for Business Spend Management

Environmental, Social, and Governance (ESG)

- Spend With Diverse Suppliers

Source-to-Contract

- Contract Management Cycle Time
- Structured Spend
- On-Contract Spend
- Primary Suppliers

Procurement

- Electronic PO Processing
- Requisition-to-Order Cycle Time
- Services Procurement Work Confirmation Cycle Time
- Pre-Approved Spend

Supplier and Third-Party Risk Management

- Supplier Information Management Cycle Time
- Risk Management Evaluation Completion Rate
- Risk Management Evaluation Cycle Time

Invoicing

- Electronic Invoice Processing
- Invoice Approval Cycle Time
- First-Time Match Rate

Expenses

- Expense Report Approval Cycle Time
- Expense Report Lines Within Policy

Payments

- Invoices Paid Digitally
- Suppliers Using Digital Payments
- Payment Batch Approval Cycle Time

United by the Power of Spend

How to break down silos to solve today's greatest business challenges using Business Spend Management

> ***"Business Spend Management allows us to have greater transparency and insights to steer our business. We are not only able to control what people are buying, but have the best possible conditions with our suppliers."***
>
> *—Zalando, German multinational fashion e-commerce company*
>
> zalando

SPEND IS THE FUEL OF BUSINESS

The best companies in the world see *business spend* as a driver of growth and success.

Though it often goes unnoticed, spend actually sits behind every company decision, whether you're building a more robust supply chain, satisfying your board's Environmental, Social, and Governance (ESG) mandates, or just trying to be more efficient.

How effectively you manage your spend impacts how successfully your organization runs.

SMARTER SPENDING CAN HELP YOU OVERCOME TODAY'S BIGGEST CHALLENGES

Today's environment is particularly unforgiving of poorly run organizations. Operating a modern business requires being resilient (when faced with global disruptions) while also being responsible (contributing to sustainability, diversity, and social impact).

Each of these challenges is notoriously difficult, and only the best-run organizations can tackle both simultaneously. This is where the smart, strategic management of business spend can really make a difference.

By having visibility and control over your entire end-to-end spend management processes — from sourcing, to payments, to supply chain design — you can make real-time decisions to optimize your business, no matter what outside factors are at play.

The practice of harnessing the power of spend comprehensively across your organization is what we call Business Spend Management (BSM). It's best accomplished with smart processes, sharp people, strong supplier relationships, and, crucially, data and technology.

Learn more about the power of spend

DIGITAL TRANSFORMATION OF SPEND MANAGEMENT

To understand the power of BSM, we need to remember how companies managed spend historically. Along with customers and employees, *suppliers* are critical to the success of any organization. Yet, over the last two decades, major digital transformation investments have focused mainly on customer-facing initiatives. The domain of suppliers and spend stayed in the background, stuck with legacy technology stacks.

Now, as business environments become more complex, companies are taking a wider look at how digital transformation of spend management can produce results.

BSM is increasingly seen alongside Customer Relationship Management (CRM) and Human Capital Management (HCM) as a core competency of successful organizations.

WHY BSM WORKS

BSM starts with using technology to obtain **a unified view** of all the spend in your organization. Along with this comes the capability and agility to make quick decisions while mitigating risks. When implemented properly, BSM allows you to make better choices about which suppliers you work with, what initiatives you invest in, and how nimble and effective your organization is.

BSM is more than just procuring, sourcing, invoicing, making payments, handling contracts, managing suppliers, or doing any other single business activity alone. It's about harmonizing a broad range of spend-related processes together so that **overall business value** is maximized.

BSM maximizes value by:

OPTIMIZING SPEND AND CASH

Empowering you to use your financial resources more thoughtfully and strategically.

IMPROVING OPERATIONAL PERFORMANCE

Reducing time and effort and freeing up resources to focus on higher-value, strategic work.

REDUCING RISK

Emphasizing compliance and governance so you can be more aware of the risks involved when using third parties and mitigate them.

As you read through the KPIs in this report, you'll see which of these three areas benefits the most from performance improvements.

UNITED BY THE POWER OF SPEND

Unlike digital transformation efforts around CRM and HCM, which successfully broke down data silos and provided centralized workflows for all stakeholders, spend and supply chain processes too often remain fragmented.

The good news is that organizations are starting to make changes. Leaders are realizing that sourcing, procurement, finance, treasury, legal, compliance, supply chain, and sustainability teams need to be able to work together to solve today's greatest challenges. And across organizations, the BSM community is coming together to share insights and best practices.

This annual report demonstrates the exceptional achievements of organizations that have made solid progress in their BSM journeys. It's also a testament to a BSM community that believes we can all grow stronger and build a better world by learning from one another. For this reason, each benchmark in this report is paired with strategies that have worked for many organizations and that we believe will fuel your own transformation success.

Ready to start your journey? Let's go!

Environmental, Social, and Governance (ESG)

> *"We have a more assertive and precise vision of the opportunities. A common goal is to meet the ESG targets set by the company for 2025, 2030, and 2050."*
>
> *—Saint Gobain, French multinational manufacturer*

- Achieving ESG goals has become a business imperative of growing importance to boards of directors, investors, customers, employees, and the general public. Companies are expected to prioritize meaningful ESG initiatives, **measure impact**, and be transparent about their progress.
- Those in procurement, finance, and **supply chain** play key roles in creating a positive impact for their companies by integrating ESG considerations into their spending decisions and measuring impact.
- Supplier diversity, in particular, is a growing corporate ESG priority that can be readily measured with data and technologies available today.

Learn more about Sustainable Business Spend Management

Spend With Diverse Suppliers

23.9%

PRIMARY BENEFIT:
OPTIMIZING SPEND AND CASH

DEFINITION:

Spend With Diverse Suppliers measures how much of a company's total spend goes to suppliers classified as diverse across a range of categories established by governments around the world.

WHY IT MATTERS:

- Companies have set commitments to increase their business with diverse suppliers, as part of their ESG programs.
- Government contractors are required to track their spend with diverse suppliers and meet aggressive targets (15% of their total spend, in the U.S.).
- Buying from diverse suppliers creates real impact by directly supporting diverse owners, their employees, and by increasing economic activity within their communities.

HOW TO IMPROVE:

HIGHER IS BETTER

- Require at least one diverse supplier to be included in each sourcing event. Provide diversity managers with visibility into non-diverse in-flight sourcing events and spend requisitions, so that they can proactively provide support.
- Monitor diverse suppliers for risk indicators and proactively intervene by extending more generous payment terms or reviewing general contract requirements that may cause hardship.
- Participate in **community-powered programs** that provide pre-sourced, diverse suppliers in common categories. Flag diverse suppliers to end users directly within the search results of your procurement software.

Learn more about working with diverse suppliers

Source-to-Contract

"Contract Lifecycle Management proved to be a big win for IT, procurement, and legal — we were able to complete a critical contract in weeks that would have taken months to negotiate before."

—Sonic Automotive, American automotive retailer

- As a result of recent economic disruptions, spend management professionals are reexamining their approach to contracts. Some are favoring more contracts with shorter term durations. Others are choosing to go "all-in" with a few trusted suppliers.
- Being able to deftly create, access, and apply contracts is essential. Quickly moving the results of sourcing activities and risk mitigation terms into contracts increases agility and maximizes the value of supplier negotiations.

Learn more about the connections between sourcing and contracting

Contract Management Cycle Time

8.1 Business Days

PRIMARY BENEFIT: IMPROVING OPERATIONAL PERFORMANCE

DEFINITION:

Contract Management Cycle Time is the time between requesting a contract and the contract being signed.

WHY IT MATTERS:

- Typically, companies have already done the up-front work of sourcing a supplier to meet a business need. A contract is necessary to formalize the relationship. Long contract cycle times delay the business benefits of new agreements.
- Long cycle times also cause the business to start working with the new supplier before the contract is actually signed. **This creates risk** because any protections in the contract are not yet in force.
- Faster time to execute contracts also removes uncertainty in the overall supply chain, leading to better planning and quicker business enablement.

HOW TO IMPROVE:

LOWER IS BETTER

- Implement Contract Lifecycle Management (CLM) capabilities that are tightly connected to sourcing and third-party risk to accelerate drafting and to ensure that sourcing results and risk protections are recorded accurately.
- Use standard contract clause language, digital workflows and approvals, and risk scoring to accelerate contract review and approval.
- Connect your CLM directly to purchasing and invoice validation to immediately start realizing the value of negotiations.

Learn about integrating CLM into your procure-to-pay (P2P) processes

Structured Spend

64.8%

PRIMARY BENEFIT:
OPTIMIZING SPEND
AND CASH

DEFINITION:

Structured Spend describes the percentage of spend that goes through company-hosted and vendor-hosted catalogs (a.k.a. punch-outs).

WHY IT MATTERS:

- Catalogs and guided forms drive control, efficiency, and lower prices. Standard item descriptions with preferred prices and terms avoid the proliferation of items and suppliers that result from ad-hoc purchases.
- Maximizing structured spend offers a scalable way to manage change and enables your business to adapt quickly as goods and services are introduced.
- Employees benefit from having more information regarding availability, discounts, and shipping costs; suppliers benefit from fewer errors in communication.

HOW TO IMPROVE:

HIGHER IS BETTER

- Use digital systems to easily create vendor catalogs with minimal effort for you and the vendor.
- Make sure the buying experience is seamless and intuitive. Can employees easily search for what they need? Do the right items show up in search results?
- If possible, use proven, trusted **platforms and programs** to reduce the workload of establishing catalogs and punch-outs.

Learn more about source-to-pay (S2P)

On-Contract Spend

79.2%

PRIMARY BENEFIT:
OPTIMIZING SPEND
AND CASH

DEFINITION:

On-Contract Spend measures the percentage of spend put through pre-negotiated contracts to enable better prices and terms.

WHY IT MATTERS:

- Having greater on-contract spend reduces the financial risk and business costs from supplier liability or wrongdoing by channeling spend to suppliers who have risk-related contract protections.
- Greater spend on contract enables procurement to negotiate even better terms and lower pricing in the future by highlighting the fact that a large amount of spend has gone through existing contracts.
- Since payment terms are negotiated in the contract, getting more spend on contract lets you take advantage of favorable payment terms, which improves cash flow.

HOW TO IMPROVE:

HIGHER IS BETTER

- Implement a category sourcing strategy in which the categories that deliver the greatest value to the business are strategically sourced with negotiated prices and terms.
- Ensure that contracts are quickly and easily implemented into purchasing policy through an integrated CLM system.
- Make sure your procure-to-pay (P2P) system is easy to use for employees, and that it automatically serves up contracted goods and services in the search results.

Learn more about managing contracts

Primary Suppliers

19.9%

PRIMARY BENEFIT: OPTIMIZING SPEND AND CASH

DEFINITION:

Primary Suppliers is the percentage of total suppliers with whom a company spends 80% of its total spend.

WHY IT MATTERS:

- Tail suppliers (those with whom an organization spends very little) are made up of niche suppliers for important goods and services and duplicate suppliers in categories that haven't been sourced or managed properly.
- Spending with tail suppliers is undesirable because you aren't consolidating your spend to get better prices. It also creates excessive costs and potential danger, since resource constraints often force risk management efforts to prioritize suppliers with greater spend.
- Reducing tail suppliers (increasing primary suppliers) generates increased value through negotiated contracts, greater buying power, lower risk, and favorable payment terms.

HOW TO IMPROVE:

HIGHER IS BETTER

- Perform spend analysis for high-value categories and identify top suppliers for each category. Determine which of the remaining suppliers can be eliminated with minimal disruption or risk to your business.
- Consolidate tail suppliers and redistribute their expected spend to preferred suppliers in exchange for lower prices and/or better terms. Work with business units to find trusted suppliers who can meet several needs.
- Duplicate tail suppliers often are associated with spend that isn't pre-approved. Adopting a P2P system will lead to more pre-approved spend and fewer duplicate suppliers.
- Use automation to free up sourcing resources, giving more time for category management and reduction of tail spend.

See how Australian Leisure and Hospitality Group (ALH Group) consolidated suppliers

Procurement

"Procurement professionals, armed with best-in-breed technology, best in-class process, and modernized policies, are best positioned to unlock the greatest value for their companies, while simultaneously elevating to trusted advisors within their organizations."

—ADM, American multinational food processing and commodities trading corporation

- Procurement's agenda is **full of responsibilities** that didn't exist a few years ago. The area is at the center of strategic conversations around operational resilience, social responsibility, and sustainability. Delivering on these goals is a tremendous opportunity to take on new challenges, but also carries significant pressure as procurement's longstanding goals of savings and efficiency remain.
- Procurement's success hinges on several factors including: having complete visibility into company spend, ensuring strong relationships with suppliers, and driving digitalization.

Learn more about the top priorities of today's CPOs

Electronic PO Processing

99.0%

PRIMARY BENEFIT:
IMPROVING OPERATIONAL
PERFORMANCE

DEFINITION:

Electronic PO Processing describes the percentage of total purchase orders that are approved and received by suppliers electronically.

WHY IT MATTERS:

- Many companies still struggle with highly manual PO processes. Digitizing purchase orders includes the electronic transmission and supplier confirmation of POs.
- This drastically reduces low-value, manual work while accelerating the process to manage, confirm, and change POs.
- Digitization also helps avoid manual errors in aspects such as quantity, price, and terms.

HOW TO IMPROVE:

HIGHER IS BETTER

- **Set up your (P2P) system** so that it's user-friendly to the business and to suppliers, and provide ample education to those using the system.
- Consider implementing a "no-PO, no-pay" policy, which ensures that employees and suppliers are fully incentivized to submit accurate information electronically.
- Ensure that most of a supplier's goods or services can be ordered through a structured buying channel, such as catalogs. A lack of proper supplier enablement often prevents a higher percentage of electronic PO processing.

Learn more about digital transformation across different stages of procurement maturity

Requisition-to-Order Cycle Time

4.5 Business Hours

Services Requisition-to-Order Cycle Time

5.6 Business Hours

PRIMARY BENEFIT: IMPROVING OPERATIONAL PERFORMANCE

DEFINITION:

Requisition-to-Order Cycle Time is the average time it takes to process purchase orders, from the initial requisition to the final, approved PO.

Services Requisition-to-Order Cycle Time is the average time it takes to process POs related to services procurement, which often have more complex approval processes.

WHY THESE METRICS MATTER:

- With greater uncertainty in today's supply chains, shorter cycle times can reduce delays in procuring critical items and services and accelerate business.
- Shorter cycle times improve employees' experience with the ordering process, creating greater user adoption of spend management systems and maximizing spend under management.
- Reducing cycle times increases supplier satisfaction, thereby strengthening supplier relationships.

HOW TO IMPROVE:

LOWER IS BETTER

- Simplify policies to minimize the number of approvers (especially when the total cost is below a certain amount) while maintaining the appropriate level of control against risk or fraud. If you have approvers in your workflow who never reject, consider removing them or making them watchers.
- Implement a buying channel strategy that routes the goods and services with the greatest order volumes through hosted catalogs, punchouts, and automated, guided-buying processes. This way users can quickly find what they need with minimal manual approvals required.
- Leverage gamification capabilities to show end users if they're approving faster or slower than others at their company.

Services Procurement Work Confirmation Cycle Time

8.0 Business Hours

PRIMARY BENEFIT: IMPROVING OPERATIONAL PERFORMANCE

DEFINITION:

Services Procurement Work Confirmation Cycle Time is the time between when the supplier submits a time sheet to the customer and when the customer completes approvals.

WHY IT MATTERS:

- Better visibility into actual costs and progress of projects helps managers proactively identify and reduce the impact of any issues sooner.
- This allows for better planning, a better sense of overrunning budget, and greater ability to "pump the brakes" and bring projects in on time.
- Shorter cycle times improve supplier relationships by giving suppliers better insight into work that's been approved, reducing billing cycle times.

HOW TO IMPROVE:

LOWER IS BETTER

- Use a consolidated BSM platform for purchasing all goods and services to drive adoption and avoid approval delays.
- Review and optimize current approval conditions and hierarchy to limit the number of approvers needed.
- Ensure that approval authority is transferred when an approver is out-of-office or leaves the organization.

Learn about managing contingent workforces

Pre-Approved Spend

95.3%

PRIMARY BENEFIT:
OPTIMIZING SPEND
AND CASH

DEFINITION:

Pre-Approved Spend is the total amount of invoiced spend linked with approved POs.

WHY IT MATTERS:

- Spend that's pre-approved is more likely to go onto negotiated contracts, resulting in lower prices and better terms. Pre-approval also helps avoid unnecessary spend and ensures that budget limits are met.
- Pre-approved spend gives finance teams visibility into spend that's committed but not invoiced, making it easier to generate accurate accrual estimates. It also helps to avoid paying fraudulent invoices via improved invoice matching against POs.
- It's easier to get pre-approved spend onto **virtual cards**, which has advantages for liquidity in terms of leveraging the virtual card's payment cycle, in addition to the benefits of not having to process invoices.

HOW TO IMPROVE:

HIGHER IS BETTER

- Deploy a P2P system that makes it frictionless for employees to purchase what they need. Simultaneously consider "no-PO, no-pay" policies.
- Improve the onboarding processes for new suppliers so that it's easier for both buyers and suppliers to transact quickly.
- Implement a category strategy such that high-spend categories have pre-negotiated prices, terms, and approval rules.

Read more about pre-approved spend

Supplier and Third-Party Risk Management

"We were very quickly able to pull information: here's a view of our concentration risk by country, here's a view of higher risk for cybersecurity. Having all of that in a single repository from end to end, it was invaluable to us."

—Bank of Montreal, Canadian multinational investment bank

- The relationship between buyer and supplier is so critical that it can determine whether business continues or suddenly stops during a disruption or inciting incident. Creating mutual trust with suppliers is essential for reducing **third-party risk**.

- As the buyer, you're responsible for multi-tier supplier actions in many areas that you can't fully mitigate with simple liability protections, especially in areas like information security, ethical sourcing, anti-slavery, and conflict minerals. Potential negative impacts of supplier risk include fines from regulators and serious brand damage. Identifying your most important suppliers and **their associated risks** is a crucial first step to strengthening your supplier relationships and mitigating risk.

Learn more about third-party risk management

Supplier Information Management Cycle Time

1.6 Business Hours

PRIMARY BENEFIT:
IMPROVING OPERATIONAL PERFORMANCE

DEFINITION:

Supplier Information Management Cycle Time is the time it takes for suppliers to respond to digital requests to update their supplier information.

WHY IT MATTERS:

- Inaccuracies or gaps in supplier data can lead to major problems for businesses. Suppliers may change their bank accounts or payment information and fail to notify buyers, resulting in bank fees and delays.
- Delays in submission of up-to-date certificates and other information lead to costly manual follow-up for supplier managers.
- Suppliers managing their own information through a self-service digital process prevents error and fraud — no more manual data entry errors, no unauthorized changes.

HOW TO IMPROVE:

LOWER IS BETTER

- Use BSM platforms that let you ask for missing supplier information at the time when the supplier is most engaged — when they're receiving a PO or trying to submit an invoice.
- For example, you can warn suppliers that you won't be able to pay them without updated banking information at the time that they're submitting an invoice.
- Make sure your P2P and supplier-management systems focus on user experience not just for the buyer, but for the supplier as well.

Risk Management Evaluation Completion Rate

82.6%

PRIMARY BENEFIT:
REDUCING RISK

DEFINITION:

Risk Management Evaluation Completion Rate measures the completion rate, by third parties, of digitally administered risk questionnaires.

WHY IT MATTERS:

- Businesses interact with many third party suppliers of goods and services; some carry out critical functions for the organization. It's important to identify the suppliers and any subcontractors who represent risk in areas like information security.
- By sending out risk questionnaires to critical third parties digitally, you can more efficiently understand the risk and mitigation measures in place, allowing you to assess a greater number of suppliers and perform vetting more frequently and consistently.
- Digital risk assessments also reduce the manual work of your organization's risk team, freeing them up to focus on higher-value activities.

HOW TO IMPROVE:

HIGHER IS BETTER

- Include a requirement for suppliers to complete risk questionnaires periodically as part of the terms and conditions of doing business with you.
- Select an easy-to-use platform for suppliers and monitor where suppliers get stuck or ask questions.
- Ensure that it's easy to update or add to your evaluation questionnaires to address any sticking points and incorporate compliance with new and changing regulations as needed.

Learn more about evaluating vendor risks

Risk Management Evaluation Cycle Time

37.4 Business Hours

PRIMARY BENEFIT:
REDUCING RISK

DEFINITION:

Risk Management Evaluation Cycle Time is the time it takes for third parties to respond to risk assessments.

WHY IT MATTERS:

- The faster critical third parties complete risk assessments, the faster the information can be evaluated and scored, and the greater the service levels to the business can be.
- Buyers can make decisions regarding supplier preferences and alternatives faster.

HOW TO IMPROVE:

LOWER IS BETTER

- Require suppliers to complete risk evaluations within a certain time period as part of the terms and conditions of doing business with you.
- Review assessments and identify opportunities to simplify, such as by better targeting questions to the relevant inherent risks of the relationship.
- Centralize third-party risk management on a single BSM platform across the company to avoid a single supplier getting multiple assessments from different parts of the company or being asked to provide information they've already provided.

Learn more about managing risk for better resilience and compliance

Invoicing

*"For AP and purchasing, opening global offices and having international operations was kind of like the scene from 'Harry Potter' where the envelopes come flying in through the door. It was obvious that **our payment processes had to be fixed quickly.**"*

—Ionis Pharmaceuticals, American biotechnology company

IONIS

- Because of the financial stakes, **high-value accounts payable (AP) personnel** need to be focused on managing payables and estimating accruals, not on processing loads of paper or PDF invoices. The delays and errors incurred when processing paper or PDF invoices hamper financial reporting, negatively impact working capital management, and open the door to duplicate payments and fraud.
- Digital invoicing prevents invoices from getting lost or forgotten. This helps accruals because you're able to process more invoices each period before closing AP. If invoices are received just prior to close, they are more likely to be processed by the time of close because digital invoice processing time is faster.

Learn more about digitizing AP

Electronic Invoice Processing

80.1%

PRIMARY BENEFIT:
IMPROVING OPERATIONAL PERFORMANCE

DEFINITION:

Electronic Invoice Processing represents the percentage of invoices processed through any electronic, highly automated means.

WHY IT MATTERS:

- Replacing paper with electronic invoicing improves compliance by having automated controls that catch out-of-compliance invoices. Additionally, suppliers can gain real-time visibility into invoice approval and payment status, which can streamline dispute management.
- A high percentage of electronic invoices also makes it more likely that payments are made on time, not sooner or later, which, in turn, optimizes working capital and strengthens supplier relationships. It also ensures that early payment discounts can be leveraged when desired, since invoices with early payment terms are automatically paid early, thus ensuring compliance.
- Paper reduction also provides significant environmental benefits.

HOW TO IMPROVE:

HIGHER IS BETTER

- Require that your business uses a system that unifies strong invoicing capabilities with procurement processes (i.e., a comprehensive BSM platform), which enables invoices to be automatically matched against POs and receipts.
- Ensure that your BSM platform provides suppliers with a modern, user-friendly experience to encourage the adoption of electronic invoicing.
- Provide open, frictionless access to multiple automated channels for suppliers to submit invoices while maximizing their visibility into the status of their invoices and payments.

Learn more about invoicing management

Invoice Approval Cycle Time

11 Business Hours

PRIMARY BENEFIT:
IMPROVING OPERATIONAL PERFORMANCE

DEFINITION:

Invoice Approval Cycle Time is the average time from when an invoice enters the system to the time that it's approved for payment (but not necessarily paid).

WHY IT MATTERS:

- With paper invoices and disjointed approval processes, it can take days, if not weeks, to approve a simple invoice. Accounting teams do not have visibility into the backlog of unprocessed invoices.
- Faster approval times help avoid late payments, penalties, and potential supplier frustration, which in severe cases may even void contracts or lead to the refusal of future projects.
- Faster approvals can improve returns on working capital by realizing early payment discounts and can enable finance teams to close the books faster, as invoices are processed in a more timely manner.

HOW TO IMPROVE:

LOWER IS BETTER

- Consider policies that vary the approval chains depending on the amount or category.
- Configure systems to automatically approve pre-approved, low-amount invoices. For example, invoices under $1,000 that are PO-backed can be auto-approved or approved with just one approver in the chain.
- Consider going from three-way match (with receipts) to two-way, approving invoices only. This way, employees don't need to be trained on the receipts process and the invoices process (just on invoice approvals).

Learn 5 key steps to transforming your AP process

First-Time Match Rate

87.4%

PRIMARY BENEFIT:
IMPROVING OPERATIONAL PERFORMANCE

DEFINITION:

First-Time Match Rate describes the percentage of invoices that are two-way or three-way matched with POs and receiving documents without the need for exception handling.

WHY IT MATTERS:

- A high match rate indicates efficiency, since invoices that fail the match have to be reviewed manually.
- A high match rate can also signal the effectiveness of compliance policies and substantially benefits risk mitigation.

HOW TO IMPROVE:

HIGHER IS BETTER

- By digitizing POs and invoices, companies can see a massive increase in first-time match rate.
- By having procurement and invoicing capabilities on a single platform, a supplier can "flip" a PO into an invoice — automatically creating an invoice based on the PO information accurately. This leads to a high match rate.
- To improve efficiency even more, when a three-way match occurs, companies can opt to automatically pay invoices that match within certain tolerances — creating a "touchless" AP process.

Learn more about AP automation

Expenses

"We decided to do the T&E project for two reasons: one, to automate the T&E process and two, we'll actually be able to streamline that process and take a tremendous amount of workload off the approvers in the field."

—Service Corporation International (SCI), American provider of funeral goods and services

Service Corporation International

- It's critical to have full visibility into your employees' expenses in order to control costs and ensure compliance with corporate policies.
- Smarter expense management can help reduce spend leakage, ensure compliance with policies, and drastically improve efficiency by reducing manual labor.
- With business travel on the rise again, optimizing your travel and expenses (T&E) program will be key for getting ahead of potential challenges.

Learn about end-to-end T&E management

Expense Report Approval Cycle Time

6.5 Business Hours

PRIMARY BENEFIT:
IMPROVING OPERATIONAL PERFORMANCE

DEFINITION:

Expense Report Approval Cycle Time is the average time from when an expense report enters the system to the time that it's approved for payment.

WHY IT MATTERS:

- For employees who are expensing items, or even services (like internet and phone bills), it's a major source of frustration to not be reimbursed quickly.
- Having a short approval time encourages the timely submission of expenses and improves budget control.
- Paper or spreadsheet-based processes and disjointed expense management systems make it nearly impossible for AP to process expense reimbursements quickly.

HOW TO IMPROVE:

LOWER IS BETTER

- Encourage the electronic capture of receipts when expenses occur.
- **Make use of AI** to read the contents of receipts and auto-populate expense categories and fields.
- Enable and promote the use of mobile devices for real-time, in-field expense report submissions, in order to drive adoption of expense management technology and therefore increase control, compliance, and spend under management.

Learn about comprehensive T&E management

Expense Report Lines Within Policy

98.0%

PRIMARY BENEFIT:
REDUCING RISK

DEFINITION:

Expense Report Lines Within Policy measures the percentage of lines that meet policy limits within expense reports.

WHY IT MATTERS:

- Even when companies have clear expense report policies in place, employees may be unaware of these policies and submit non-compliant expenses. With managers typically approving these reports without detailed review, human error is rampant and compliance is compromised.
- Having more expense report lines that are compliant with T&E policy indicates that expenses are being managed effectively.
- This, in turn, reduces the overhead of manual audits (easing administrative burden) and also reduces the time to reimbursement for employees.

HOW TO IMPROVE:

HIGHER IS BETTER

- Implement a system with real-time notifications or warnings that a specific line, as drafted by the employee, might not be within policy.
- Leverage AI to monitor expenses to **rapidly identify non-compliance**.
- Reference community data to benchmark your policies to identify where changes should be made for more effective compliance.

Learn more about the latest approaches to T&E management

Payments

> *"Prior to having digital payments, the process of [paying the vendors was a pain](). We were doing them in our ERP system. And that payment file used to be erroneous many times, so you have to manually update the files, which is not best practice for compliance."*
>
> *—ThoughtSpot, American business intelligence analytics software company*

ThoughtSpot

- In today's remote work environment, paper-based payments are a burden as they increase logistical complexity for manually approving and disbursing payments to suppliers.
- Digital payment solutions offer many advantages in agility and efficiency. By digitizing the data transfer process for approved invoices and expenses from your P2P system to the bank to make payments, you break down silos, enable automatic reconciliation, and mitigate risk of error and fraud.
- By issuing one-time **virtual cards** for pre-approved purchases instead of having high-limit corporate credit cards, you reduce exposure to credit card fraud. Virtual cards also help drive more spend under management by enabling companies to maximize bank rebates, thereby optimizing working capital while gaining greater control.

Learn more about digital payments

Invoices Paid Digitally

86.1%

PRIMARY BENEFIT:
IMPROVING OPERATIONAL PERFORMANCE

DEFINITION:

Invoices Paid Digitally describes the percentage of invoices that are tied to digital payments out of all the total electronic invoices processed on the Coupa BSM platform.

WHY IT MATTERS:

- Increasing digital payments reduces transaction fees by optimizing payment rails, improves operational efficiency by reducing manual effort, and also reduces the possibility of errors, thereby mitigating risk.
- Digital payments offer a chance to optimize working capital, increase savings through rebates for virtual cards, realize early pay discounts, and strengthen relationships with suppliers even further by reducing the amount of time and error in paying suppliers.
- Digital payments enable automatic, digital reconciliation, which allows your AP and accounting department to operate in a "touchless" way. Also, payment security and payment fraud protection are improved when invoices are paid digitally.

HOW TO IMPROVE:

HIGHER IS BETTER

- Implement digital payments capabilities into your P2P system to enable data continuity, automated bank statement reconciliation, and multiple automatic checks to reduce errors.
- Expand your digital payment strategy to include virtual cards. By including a "get paid by card" offer in your POs, you can shift the invoice and payment process electronically, cutting out paper.
- Remind suppliers of the advantages of digital payments — they'll be able to track the progress of their payments online, and there's no need for their accounts receivable (AR) teams to manage paper. Increase adoption by including terms for making digital payments in negotiated contracts.

Learn about 5 common payment pain points

Suppliers Using Digital Payments

85.2%

PRIMARY BENEFIT:
IMPROVING OPERATIONAL PERFORMANCE

DEFINITION:

Suppliers Using Digital Payments reflects the percentage of suppliers who receive payments digitally, i.e. not via paper checks or external bank-to-bank transfers.

WHY IT MATTERS:

- Digital payments streamline your AP process, since all of your payments are made from the same system. You can track and address payments in one place, increasing efficiency.
- Digital payments also ensure that there are proper controls in place, increasing compliance. By setting rules on who can approve and how the approval chain works, digital payments reduce opportunities for bad actors to commit fraud.
- Digital transformation of the payments process better supports today's remote working environment and sets up organizations to be agile and flexible regardless of physical footprint.

HOW TO IMPROVE:

HIGHER IS BETTER

- Make sure that you have accurate supplier information as a foundation. Get as many suppliers enabled onto your payments platform as possible. Incentivize adoption by offering early payment discounts or flexible payment terms.
- Increase supplier awareness of virtual card payments. Verify to see if one-time, long-tail suppliers will accept virtual cards as a payment method. Include payment by virtual card as a preferred method when issuing a PO.
- Leverage a BSM platform that reveals suppliers who are already accepting digital payments with other buyers and prioritize enabling digital payments with those suppliers.

Learn about transforming business payments

Payment Batch Approval Cycle Time

1.6 Business Hours

PRIMARY BENEFIT: IMPROVING OPERATIONAL PERFORMANCE

DEFINITION:

Payment Batch Approval Cycle Time measures how quickly a payment batch made to a supplier can be approved.

WHY IT MATTERS:

- Streamlining the batch approval process digitally allows for greater automation, faster and more secure approvals, and overall increased efficiency.
- By paying suppliers faster and on time, you strengthen supplier relationships. You can take this further by leveraging the benefits of early payment discounts.
- A digital process not only shortens approval time, it ensures a separation of duties in the approval chain — everyone has a clearly defined role. This reduces confusion and creates security.

HOW TO IMPROVE:

LOWER IS BETTER

- Streamline approvals whenever possible by minimizing the complexity of the approval chain / approval matrix.
- Have multiple releasers for any approval process so that no bottlenecks develop if a single approver is unavailable for any reason.

Learn about recent payment trends

United by the Power of Spend

Today's greatest business challenges require surpassing what procurement, finance, supply chain, and IT functions have traditionally done alone. Every spending decision within a company carries the potential for exponential impact on business and the world. Uniting around the common thread of business spend is essential for fueling widespread success.

Business Spend Management is the method to harness the power of spend companywide. Businesses that capitalize on BSM can deliver purpose, performance, and profitability. Technologies like cloud platforms, machine learning, and AI have made it possible to optimize and manage business spend comprehensively, with complete visibility and control.

Coupa's cloud-native, enterprise-grade platform powers all the technology capabilities you need for BSM at scale, **including those needed to build resilient supply chains**. Additionally, anonymized, aggregated community data can help you benchmark your performance, make better buying decisions, and improve continuously.

To learn more about using Coupa for your full BSM needs, check out our eBook **Unleash the Power of Spend.**

Download the eBook here

Additional Links:

coupa.com/benchmark
coupa.com/solutions/suite-synergy
coupa.com/community
coupa.com/resources
coupa.com/customers
coupa.com/contact-us

20 KPIs for Business Spend Management

	KEY PERFORMANCE INDICATOR	GOAL	BENCHMARK
ESG	Spend With Diverse Suppliers	HIGHER IS BETTER	23.9%
SOURCE-TO-CONTRACT	Contract Management Cycle Time	LOWER IS BETTER	8.1 Business Days
SOURCE-TO-CONTRACT	Structured Spend	HIGHER IS BETTER	64.8%
SOURCE-TO-CONTRACT	On-Contract Spend	HIGHER IS BETTER	79.2%
SOURCE-TO-CONTRACT	Primary Suppliers	HIGHER IS BETTER	19.9%
PROCUREMENT	Electronic PO Processing	HIGHER IS BETTER	99.0%
PROCUREMENT	Requisition-to-Order Cycle Time	LOWER IS BETTER	4.5 Business Hours
PROCUREMENT	Services Procurement Work Confirmation Cycle Time	LOWER IS BETTER	8.0 Business Hours
PROCUREMENT	Pre-Approved Spend	HIGHER IS BETTER	95.3%
SUPPLIER AND THIRD-PARTY RISK MANAGEMENT	Supplier Information Management Cycle Time	LOWER IS BETTER	1.6 Business Hours
SUPPLIER AND THIRD-PARTY RISK MANAGEMENT	Risk Management Evaluation Completion Rate	HIGHER IS BETTER	82.6%
SUPPLIER AND THIRD-PARTY RISK MANAGEMENT	Risk Management Evaluation Cycle Time	LOWER IS BETTER	37.4 Business Hours
INVOICING	Electronic Invoice Processing	HIGHER IS BETTER	80.1%
INVOICING	Invoice Approval Cycle Time	LOWER IS BETTER	11 Business Hours
INVOICING	First-Time Match Rate	HIGHER IS BETTER	87.4%
EXPENSES	Expense Report Approval Cycle Time	LOWER IS BETTER	6.5 Business Hours
EXPENSES	Expense Report Lines Within Policy	HIGHER IS BETTER	98.0%
PAYMENTS	Invoices Paid Digitally	HIGHER IS BETTER	86.1%
PAYMENTS	Suppliers Using Digital Payments	HIGHER IS BETTER	85.2%
PAYMENTS	Payment Batch Approval Cycle Time	LOWER IS BETTER	1.6 Business Hours

About Coupa

Coupa is the cloud-based Business Spend Management (BSM) platform that unifies processes across supply chain, procurement, and finance functions. Coupa empowers organizations around the world to maximize value and operationalize purpose through their business spend.

Coupa's community of 2,500+ customers use the platform to maximize the value of more than $3.3T of direct and indirect spend to date.

To learn more about Coupa, visit www.coupa.com and follow us on [LinkedIn]() or [Twitter]().