



# PITNEY BOWES

## SAVING MILLIONS WITH STREAMLINED SPENDING PROCESSES

### QUICK FACTS

#### Industry

High tech

#### Revenue

US\$6 billion

#### Employees

34,500

#### Headquarters

Stamford, Connecticut

#### Web Site

www.pb.com

#### SAP® Solution and Services

SAP® Supplier Relationship Management application

#### Implementation Partner

Wipro Technologies

Through its mailstream technology, Pitney Bowes Inc. helps organizations manage the flow of information, mail, and packages. To free working capital to meet its growth objectives, the firm had to streamline and automate its purchasing practices and gain visibility into its spending. Implementing a set of processes based on the SAP® Supplier Relationship Management application has saved costs in many ways. Customization is at a minimum in the solution, because 98.5% of requirements are satisfied “out of the box.”



Engineering the flow of communication™

#### Key Challenges

Prior to the implementation of the SAP® R/3® software:<sup>1</sup>

- Maverick, out-of-contract spending
- Inability to aggregate spend to command better discounts
- Manual procurement processes and supplier communications

Prior to the implementation of the SAP Supplier Relationship Management (SAP SRM) application:

- Multiple procurement platforms and approval policies that caused inefficiencies and inconsistency
- Existing platform that could not accommodate new business units

#### Implementation Best Practices

During SAP SRM implementation:

- Obtained early buy-in from stakeholders
- Based requirements on best practices supported by SAP
- Organized project teams around processes
- Focused on change management
- Employed e-learning tools
- Established business-technical partnership
- Organized content by user type and process
- Trained business team to assess impact of business requirements

#### Financial and Strategic Benefits

- Saved US\$250 million in spend over last 5 years
- Saved time and effort with “lights out” requisition process covering 44% of indirect transactions
- Reduced requisition-to-order cycle from weeks to days

After recent implementation of SAP SRM:

- Systematically expanded use of preferred supplier lists for noncatalog purchases
- Streamlined creation of alternative ship-to addresses
- Automated organization structure management processes
- Enabled 1 company-wide financial approval policy with a global e-procurement platform

#### Why SAP Was Selected

- Ability to integrate with the SAP ERP application already present for back-office operations
- Strength and completeness of functionality for all processes in the requisition-to-pay cycle
- Integrated controls and compliance built into sourcing processes
- Comprehensive road map for addressing future needs
- Ability to leverage the integrated tools associated with the SAP NetWeaver® Business Intelligence component to improve spend visibility

#### Low Total Cost of Ownership

- Met schedule and budget goals
- Minimized customization to just 1.5% of total requirements
- Lowered support costs 38% by employing hybrid onshore/offshore model
- Implemented single platform for all e-procurement
- Since 2002, expanded use of SAP software to support 23% more requisitions and 5 times more spend while holding process staffing constant

#### Operational Benefits

Key Performance Indicator	Impact
Cost reduction	US\$250 million in savings accrued over the last 5 years
Managed spend	Up substantially to 74.9% of total spend
Invoices per clerk	+32%
Aging invoices	-50%
Supplier compliance	+80%
Special request POs	-20%

1. Functionality now found in the SAP® ERP application.



“SAP software provides a robust, integrated transaction platform for our requisition-to-payment process that has enabled us to realize a number of business benefits in sourcing and procurement.”

Laura K. Taylor, Vice President Procurement Operations, Pitney Bowes Inc.

## Mailstream Industry Leader Unifies Procurement Processes

Once known as the postage meter company, Pitney Bowes Inc. has emerged through innovation and acquisitions as the leader in the fast-growing field of mailstream, helping customers through the entire process of creating, producing, distributing, and managing mail, documents, and packages.

Since 2002 Pitney Bowes has run its business with SAP® software, including the SAP ERP application and the business-to-business procurement functionality now found in the SAP Supplier Relationship Management (SAP SRM) application. This software served as the basis for process improvements that helped the company cut many kinds of costs, including spending on direct and indirect materials. But the firm knew it could save even more through improved supplier management, especially by unifying procurement processes across its business units. So it recently added the entire SAP SRM application, with functionality that enabled additional cost improvements and offered tighter integration with existing SAP applications.

## Strict Restrictions Minimize Customization

Pitney Bowes employed a number of implementation best practices, notably a requirement for very strict justification for any customization. This policy was so successful that the company satisfied 98.5% of its requirements with standard

SAP software, a very high rate for a large firm with established business processes.

## Automation, Visibility, and Tightened Processes Save Millions

To recognize labor savings, Pitney Bowes's IT experts used the new software to build 15 electronic catalogs for purchasing; employees now enter orders online instead of using paper-based processes.

Pitney Bowes gained visibility into its global spend on a supplier-by-supplier basis, providing intelligence to build spend category strategies and leverage for negotiating enterprise-wide agreements. By broadly communicating the benefits of using these preferred vendors, the firm achieved over 80% compliance – greatly reducing maverick spending in these areas. Using the the SAP NetWeaver® Business Intelligence (SAP NetWeaver BI) component, Pitney Bowes built functionalities to manage its suppliers for on-time delivery, cost, product quality, and stakeholder satisfaction. This tracking also expedites sourcing projects by helping determine the most viable candidates to fulfill requirements.

In invoice processing and payment, the original SAP implementation, along with process improvements and reporting enhancements utilizing SAP NetWeaver BI, has helped introduce efficiencies that halved the prevalence of aging invoices, which too often resulted in late fees and unhappy suppliers. Prompt payment discounts have replaced penalties.

These supplier management improvements have helped Pitney Bowes accrue US\$250 million in spend reduction over the last five years. With the additional functionality that SAP SRM brings to the table helping to further automate preferred supplier management, requisitions, and purchase order processing, the firm is saving even more through efficiency improvements and enterprise-wide spend leverage. “SAP software has provided an end-to-end requisition-to-pay platform, which has enabled us to realize the operational benefits and compliance requirements of an integrated process. SAP's solution set has rapidly evolved with the industry and has helped us to deliver process innovation through technological adoption,” states Joseph Santamaria, VP enterprise business applications at Pitney Bowes.

## Expanded Use of SAP SRM Will Deliver Even More Savings

Next Pitney Bowes will finalize its global rollout of SAP SRM to the entire company, expanding its user base by 1,500 people to a total of 4,500. It will also extend the application's use to automate contract life-cycle management, implement e-sourcing functionality for RFP creation and process management, integrate with user-friendly portal and desktop applications, and enable collaboration with suppliers. In these ways, SAP SRM will continue to help Pitney Bowes transform its highly decentralized purchasing model to an integrated global sourcing and procurement organization.

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