



**GUIDEBOOK**

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**NUCLEUS  
RESEARCH**

ROI GUIDEBOOK  
**ARIBA NETWORK**

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## EXECUTIVE SUMMARY

Ariba Network is a business-to-business (B2B) network designed to standardize and support the relationships between suppliers and customers across a wide variety of industry verticals.

To better understand the benefits and costs associated with an investment in Ariba Network, Nucleus conducted an in-depth return on investment (ROI) assessment of several enterprise account suppliers using Ariba Network to carry out high transaction volumes. Ariba Network also offers a free standard account with basic capabilities.

### KEY FINDINGS

The following direct and indirect benefits represent of those most commonly experienced by the companies analyzed in this report and made up the largest share of the returns.

#### DIRECT BENEFITS

Direct benefits include cost savings, cost avoidance, and changes that have a direct impact on a budget or profit and loss (P&L) statement:

- **Improved business opportunities.** Nucleus found that suppliers who joined Ariba Network had greater access to new business opportunities with large enterprises because of Ariba Network's status as a standard and secure marketplace. The organizations interviewed by Nucleus conduct more than two-thirds of their net new transactions on Ariba Network, including both new customers and increased transaction volume with existing clients.
- **Reductions in working capital.** This was a common benefit for organizations moving to a standardized platform for suppliers as organizations were able to streamline their inventories and better prioritize how to conduct their sales and operations.

#### INDIRECT BENEFITS

Indirect benefits include time savings from accelerated processes that can be quantified, but have an indirect impact on a budget or P&L:

- **Increased productivity.** All companies benefited from increasing the productivity of managers, and operational staff by deploying Ariba Network to standardize order fulfillment or transaction management. Productivity increased at least 5 percent for the typical employee using Ariba Network.



## THE Ariba NETWORK PLATFORM

Ariba Network is a business-to-business (B2B) marketplace where buyers and suppliers can network and conduct business on a single unified platform. The solution incorporates functionalities for supplier collaboration and digital transactions, enabling spend visibility, supplier relationship management, materials sourcing, and risk management. Ariba Network supports more than four million companies of all sizes across a wide variety of industry verticals.

Ariba Network's platform enables suppliers to administer the entire order fulfillment cycle from a single interface, allowing them to receive and manage orders, track purchasing history, and optimize inventories to ensure customer satisfaction. The solution also provides numerous automation and compliance verification capabilities that can help organizations move away from legacy processes and solutions in their operations and planning systems. Nucleus has observed that companies that can move away from manual operational procedures based on spreadsheets are both more resilient and better able to respond to rapidly changing business environments. (Nucleus Research *T123 – Beyond Excel in supply chain planning*, August 2019).

**"Our biggest benefits have been standardizing our transactions on one platform and the resulting new business opportunities."**

**-Anonymous**

## ANALYSIS OF BENEFITS

Nucleus found that enterprise-grade suppliers deploying Ariba Network experienced a range of benefit across a number of different areas which were largely dependent on the size and complexity of their organization; the size and number of their customers, the volume and complexity of their transactions, the number of functionalities used, and the rate of adoption of technology.

The best business cases focus on two or three key benefits that can guide deployment and adoption efforts. To guide organizations in building their business cases, Nucleus has presented the primary benefits most commonly experienced by Ariba Network suppliers with guidance ranges based on what customers typically experience. Secondary benefits are included as well, even though they are not experienced by all customers and typically made up fewer than 20 percent of overall annual benefits.

The customers on which Nucleus conducted ROI assessments were enterprise-grade suppliers, that were moving from processes based on Microsoft Excel spreadsheets and legacy on-premises deployments. These two types of deployments are noted for their high level of manual processes, as well as significant maintenance costs or service fees. As a whole, moving to a platform that can standardize transactions and order fulfilment led to significant reductions in working capital and process complexity.

## REDUCTION IN WORKING CAPITAL

By having a single application for transaction and procurement management, Nucleus found that suppliers using Ariba Network can streamline their inventories to maximize profitability. Many organizations experienced a 20 to 45 percent reduction in working capital, mainly due to tracking and analyzing data in a single unified application.



- *“We reduced our working capital by over 30 percent through moving our procurement and transactions to Ariba.”*

## IMPROVED ACCESS TO BUSINESS OPPORTUNITES

Enterprises that conduct large volumes of complex transactions spend a significant amount of time verifying the accuracy of data to confirm that they are selling and fulfilling what they need. By providing a standardized path to creating catalogues, fulfilling orders, and managing invoices, Ariba Network eliminates risk and variability from the business relationships that organizations need to operate. Many companies will not conduct business unless it can be done through Ariba Network.

- *“We originally got involved with Ariba Network because of pressure from our customers. In order to continue doing business, we had to offer catalogues through Ariba Network which led us to expand our deployment to attract additional customers. More than half of our net new business now comes to us through Ariba Network.”*

## INCREASED EMPLOYEE PRODUCTIVITY

Although varying by vertical industry, procurement and e-commerce staff can spend a large portion of their time working on bespoke transactions or verifying the constituent data of a recurring transaction. Nucleus found that standardizing transactions and relationships on

Ariba Network can eliminate more than 50 percent of that work, allowing employees to focus on tasks such as variance and profitability analysis for their organization.

- *“The Ariba Network is highly usable, so it did not take long for our employees to learn its ins and outs. The solution’s task automation and standardization capabilities have reduced the amount of bespoke integration work that we need to complete for new partners, allowing our employees to focus on more valuable work for the organization.”*

## COST REDUCTION FROM DATA STANDARDIZATION

Nucleus found that companies moving onto Ariba Network often had to renew or restructure their procurement processes to fit the solution’s framework. The new common workflows enable organizations to save time and money on each transaction, allowing them to conduct additional business and redeploy resources to where they are most needed.



- *“We save around \$4.50 for every transaction that we can carry out on Ariba Network, which leads to considerable savings when you have as many customers as we do.”*

## IMPROVED ORGANIZATIONAL VISIBILITY AND AGILITY

By centralizing customer and transaction data onto a single platform, Ariba Network enables organizations to eliminate data silos and gain a better understanding of their procurement processes and transactional relationships. Suppliers can identify profitable business ventures to prioritize and perform analytics to determine the best course of action given past performance, current resources, and expected outcomes. The result is improved agility as organizations can react more quickly and effectively to changing business scenarios.

- *“Ariba Network’s robust reporting capabilities have given us visibility into historical trends and business relationships that we didn’t have before. We can operate more confidently with the data-driven insights that we generate from the solution, which enables us to respond quickly and proactively to constantly changing business environments.”*

## ANALYSIS OF COSTS

Nucleus analyzed the initial and ongoing costs of Ariba Network membership, personnel, consulting, and training over a three-year period to quantify the return on investments which Ariba Network delivered to customers.

COST CATEGORY	ANNUAL COST RANGE	COST FACTORS
Transaction and Subscription Fees (Recurring)	\$19,000–\$594,000	Volume and value of transactions
Consulting (One-time, pre-start)	\$0–\$250,000	Level of configuration versus customization, partner selection, internal team skill levels
Initial Personnel (One-time, pre-start)	\$100,000–\$220,000	Internal team skill levels, complexity of requirements, level of consulting investment
Ongoing Personnel (Recurring)	\$50,000–\$385,000	Internal team skill levels, size, and complexity of deployment
Training (Recurring)	\$100–\$500 per employee	Modules deployed, employee skill level, level of process change required

Nucleus found that while the transaction fees made up the most significant area of investment for customers, that investment was in line with the per-user annual investment found with other B2B networks.

## FINANCIAL SUMMARY

Nucleus found that the average return on investment (ROI) from an Ariba Network deployment was 128 percent, with a high of 168 percent and a low of 88 percent. ROI was calculated over a three-year time period, projecting costs and benefits forward on a straight-line basis for organizations that had not yet reached three years of deployment.

### KEY FINANCIAL METRICS:

- The payback for an Ariba Network deployment ranged from 0.4 years to 2.0 years, with an average of 1.2 years.
- The annual total cost of ownership (TCO) of a deployment ranged from \$1.39 million to \$1.79 million, with an average annual TCO of \$1.59 million.
- The net present value (NPV) of an Ariba Network deployment ranged from \$0.97 million to \$2.18 million with an average of \$1.58 million.

FINANCIAL METRICS	HIGH	LOW
ROI	259%	88%
Payback (years)	2.0	0.4
Annual benefit	\$4,381,650	\$329,432
Benefit to cost ratio	3.9	1.5
Annual TCO	\$1,794,073	\$51,000
Present Value	\$2,183,286	\$345,299
Internal Rate of Return	252%	58%

# CUSTOMER PROFILES

## AUDITED ORGANIZATIONS

For this development of this ROI Guidebook, Nucleus spoke with multiple Ariba Network customers and conducted in-depth ROI assessments of three deployments.

INDUSTRY	EMPLOYEES	INTERVIEWEES
Technology	2800	E-Commerce Manager
Oil & Gas	18,000+	Solutions Director
Consumer Goods	250+	Systems Manager

## TECHNOLOGY ORGANIZATION

This technology organization had previously been using a combination of manual processes and legacy on-premises tools to manage its procurement and invoicing requirements. The organization decided to join Ariba Network because of increasing demand from its clients to conduct business on the platform. The company would have missed a large number of business opportunities with large global enterprises that prefer to use Ariba Network for handling procurement management.

By joining Ariba Network, the organization was able to meet customer requests for standardizing many relational tasks that previously required unique work to carry out. The company now tracks profits on the goods and services it provides, allowing it to drill down into the performance of each of its business units. Ariba Network's prebuilt workflows also lower the barriers to entry for new partnerships between the organization and potential clients, leading to more deals won in new areas.

## OIL & GAS SPECIALIST

This oil and gas specialist is a supplier of industrial and specialty gases and primarily serves North American customers. Before moving to Ariba Network, the organization used a combination of legacy solutions to manage its transactions. The organization also felt

increased pressure from its customers to provide transactional services through the Ariba Network and since joining, has gradually expanded its deployment to cover more functionalities and larger geographic areas. The company can move through the entire procure-to-pay cycle from customer requests, to contracts, purchase orders, final confirmations, and payment.

Moving to Ariba Network has enabled the organization to automate a significant portion of its workload supporting recurring and “blanket” transactions. Employees and managers have been able to reduce the time spent on data verification and now devote more time to data and profitability analysis. The company has been able to significantly streamline its inventory by focusing on highly profitable products and customers, thereby reducing the cost of its working capital.

### CONSUMER GOODS PROVIDER

This consumer goods provider focuses on supplying furniture and office equipment for customers in New Zealand and Australia. Like the other profiled suppliers, the company was using a combination of legacy software and processes to manage its customer relationships but had begun to face increasing pressure to use the Ariba Network for catalogues and transaction processing. The company worked closely with Ariba to accommodate its unique enterprise application setup and carry out a fast implementation.

Since moving to the Ariba Network, the company has experienced both time and cost savings due to a faster onboarding process for new suppliers and improved organizational visibility for current suppliers’ historical buying trends and order statuses. The accelerated implementation led to a quick payback period and a high return on investment, which has enabled the organization to expand its deployment and incorporate the Ariba Network into more of its day-to-day operations. The organization has reconfigured its control setup for new suppliers and clarified its internal view of its supplier transaction flow.

### CONCLUSION

One common theme for the interviewed companies was development plans for the near future and anticipation for additional benefits to come from the Ariba Network as a result of that work. Ariba works closely with Network participants to ensure that pain points are solved, or new functionalities are added, which both contribute to the solution’s continuing benefits. Many companies still use their legacy processes in conjunction with the Ariba Network for managing their supplier relationships and can extend best practices between the two setups to maximize the total system’s value.



The Ariba Network presents a robust value proposition for potential participants with a wide variety of quantifiable benefits, but many of its greatest strengths are intangible and must be assessed holistically for organizations who are thinking about joining. The advantages of participating in one of the largest B2B networks in the world are numerous and include the ability to connect and create relationships with many of the most valuable companies in the world. The organizational visibility that comes from standardizing supplier relationships drives improved decision-making capabilities for company employees while the ability to carry out analytical work within the solution contributes to operational flexibility and agility. Ariba's capacity for standardization and consolidation will continue to drive long-term value for its existing customers and attract new customers to the Network.

## THE ROI GUIDEBOOK METHODOLOGY

Based on the ROI assessments developed through Nucleus's in-depth interviews with Ariba Network customers, Nucleus has developed an ROI framework for organizations who are considering an Ariba Network investment. The framework can be used by potential and existing customers to understand the cost, benefit, and deployment factors that impact their potential return on investment. The Nucleus ROI Guidebook development process includes:

**Technology review.** Nucleus interviewed Ariba Network product managers and subject matter experts, participated in product demonstrations, and conducted a full review of technical documents and data sheets to gather data on Ariba Network.

**Customer interviews.** Nucleus analysts conducted in-depth interviews with five organizations that were using Ariba Network to understand their business challenges, their decision and deployment processes, the costs incurred, and benefits achieved, and best practices learned from their deployments.

**ROI assessments.** Based on the data collected from customers, Nucleus completed an ROI assessment of each customer's deployment and validated that ROI audit with each customer's project team leadership.

**Construction of aggregate ROI framework and analysis.** Nucleus constructed a financial model based on its NASBA-registered ROI methodology, using the data from Nucleus's ROI business case assessments of the customers detailed. All financial metrics presented in this report are calculated based on standard NASBA accounting principles commonly used by certified finance professionals.

**Benefits guidance.** Based on the variability and clustering of benefits in the aggregate, Nucleus provides appropriate averages, ranges, and estimation factors to guide other customers in using the framework to develop their own ROI projections.



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