eBook

Streamlining Source-to-Contract With Contract Intelligence

Improve sourcing outcomes in ways you never imagined by structuring and connecting the supplier contract data that defines how your sourcing process runs.

Icertis

Contract Intelligence: A New Approach

Today's sourcing organizations are being asked to move faster than ever to source the materials needed by their companies.

It's a difficult position to be in. Under the current sourcing paradigm, the multi-step process of securing the vendor is time-consuming, and even then can expose a company to risk and leakage.

Yet every sourcing organization today has a secret weapon: the contract. Contract data defines how sourcing organizations run, and by structuring and connecting this data to the systems contracts touch, companies can save millions in leakage and accelerate the buying process, while also improving relationships with vendors and optimizing supply chain performance.

This goes beyond contract management. This is contract intelligence.

The Current Paradigm: Long Delays, Nonoptimal Results

First, let's examine why the current sourcing paradigm is falling short of modern business needs.

PROBLEM #1

Lack of Data on Past Vendor Performance

The current process of selecting a vendor and getting them under contract goes something like this:

The buyer begins the process by issuing an RFx, and then evaluates vendors who respond on two criteria: technical and commercial capabilities. The vendor's technical capabilities relate to whether they will be able to truly fulfill the buyer's needs on a sustained basis. Commercial capabilities relate to whether the vendor's prices for its products or materials fit into the buyer's profit models.

As part of this evaluation, sourcing organizations may want to look at a vendor's past performance. However, that data is typically scattered across the organization and not easily accessible, **causing the first delay in the process**.

PROBLEM #2

Contracts Left for Last

Eventually, a Letter of Intent (LoI) is issued by a buyer. Only after the LoI is issued does the contract language start to be negotiated. This is the **second delay in the process**. At this point other departments will get involved in the contracting phase, including legal and finance. Legal, for example, may recognize that the jurisdiction the vendor operates in requires extra anti-child-labor documentation, and insert a clause requiring that documentation.

Continued

ANALYST REPORT

3.5%

"3.5% of spend is leaked in the Source-to-Settle business process."

McKinsey & Company

Since it is a contract, these clauses will have to be negotiated with the vendor, who may respond by changing the commercial terms of the contract. For example, the vendor could come back and say that the extra documentation will force them to charge more for their product. This back-and-forth can dramatically slow or even derail the sourcing process.

PROBLEM #3

Non-Optimized Contracts Lead to Poor Performance

After all this time-consuming effort to choose a vendor and then execute a contract, the contracts often return less-than-ideal results. Contracts are a major source of leakage for companies. McKinsey & Company estimates that about 3.5% of spend is leaked in the Source-to-Settle business process. More than half of that leakage is due to noncompliance either with government regulation or internal company standards, both of which come down to a disconnected contract management process.

The New Paradigm: Transforming Contracts into Strategic Advantage

ADVANTAGE #1

Contract Compliance Informs Vendor Selection

Sourcing organizations have long known that technical and commercial specs are not the only factors that impact the value of a sourcing contract. The terms of the contract itself, and whether those terms are followed, can greatly influence the benefits a company gets out of a contract over its lifecycle.

By connecting contract lifecycle management (CLM) to the sourcing process, companies can introduce contracts at the very beginning of the sourcing process and make contract compliance a third pillar by which vendors are evaluated, next to technical and commercial capabilities.

Additionally, before an RFx is even issued, buyers evaluate past contract performance data—that is, how well contracts were performed against—to map out a category strategy that will deliver the most long-term benefits to the company. This helps the buyer craft the right RFx for their business needs.

ADVANTAGE #2

Contract Redlines Captured in the RFx Process

As part of the RFx, the buyer presents prospective vendors, via a CLM system, with all the contract language they would like the vendor to agree to. The vendor redlines the contract based on its own needs and requirements.

While this way of doing business has long been accepted as the norm, the paradigm is becoming a major liability as the pace of commerce accelerates. Using digital contracts and contract processes combined with artificial intelligence, companies can transform the foundation of their sourcing process.

By structuring and connecting contract data, sourcing organizations can accelerate their buying processes while also reducing leakage.

Continued

KEY TAKEAWAY

A vendor redlining a contract does not disqualify them. It simply surfaces all redlines before a vendor is selected, so that those disagreements don't rear their head unexpectedly later in the buying process. It's all about visibility.

Once all vendor bids are in, buyers are able to evaluate how much contract negotiation will be required before choosing a preferred vendor and issuing an LoI. With the help of artificial intelligence, the buyers can compare vendor redlines and determine which redlines represent acceptable changes and which are red flags.

ADVANTAGE #3

Negotiations Captured Throughout the Process

Because contracts are central to the RFx and selection process, all contract negotiations are captured in a single place along with other negotiation data. Bringing this information to a single, central platform, as opposed to several lawyers' email inboxes, makes for a more reliable record for future reference.

Sourcing organizations will also have a huge wealth of data about a vendor's past negotiation strategy and behavior, and how well they perform against contract language. This will optimize future sourcing events.

When this wealth of unstructured negotiation data and conversations is processed through powerful machine learning and artificial intelligence algorithms, the insights gained are not only financially beneficial but extremely helpful in cycle time reduction as well.

Spend Matters™

“The clear enterprise CLM solution leader.”

The Icertis Approach to Sourcing

With unmatched technology and category-defining innovation, the Icertis Contract Intelligence (ICI) platform pushes the boundaries of what’s possible with contract lifecycle management (CLM) technology. Icertis has developed the tools and technologies companies need to structure and connect the contract data that defines how their sourcing processes run, so they can run them better. The ICI platform is designed to make it easier for sourcing professionals to negotiate better deals and ensure supplier compliance.

Named the “clear CLM solution leader” by Spend Matters, ICI has helped the world’s most iconic brands and innovative disruptors increase commercial compliance, enhance productivity, and improve contractual governance.

The platform’s modern, scalable, and integration-friendly cloud architecture can model even the most complex sourcing scenarios. Its multilingual, multi-currency capabilities make it well-suited for global supply chains. And its easy-to-use interface means that everyone in the organization, from the legal department to the supply analytics team, will be able to access the platform capabilities.

Lastly, integrations with enterprise systems like SAP Ariba, Workday Procurement, and Coupa bring even more value to the sourcing process.

ICI business applications help customers address specific business requirements and get even more out of their investment in the Icertis Contract Intelligence platform.

The ICI Sourcing Application

Streamline the Entire Source-to-Contract Process

The ICI Sourcing application brings all of the ICI platform's capabilities together to help procurement organizations optimize their sourcing process by putting contracts at the center.

The app was built to allow procurement organizations to streamline the entire source-to-contract process by enhancing collaboration, enforcing compliance, and maximizing user adoption.

Every stage of the source-to-contract process can be managed from within the easy-to-use application, and brings contracts to the center of those stages to optimize the process:

Complete RFx Management

Users can automate the entire request-to-award process, using pre-approved templates for RFIs, RFQs, and RFPs with multi-currency, multilanguage support. The app enables business users to initiate requests using an intuitive self-service request process.

Vendor Portal

Users can better collaborate with vendors by extending tailored access to the ICI platform to them. This allows the vendor and buyer to exchange redlines and view all past communication. Vendors can also conduct self-service registration and automatic onboarding, initiate contracts, renewals, and amendments that are within the organization's guidelines, and service contracts post-execution by submitting SLA reports, compliance data and documents, action obligations, and transactional data.

Excel-Based Bid Evaluation and Selection

Once RFxs are in, users can perform side-by-side analysis of bids or proposals, and score them with both qualitative and quantitative criteria.

Cognitive Sourcing Intelligence

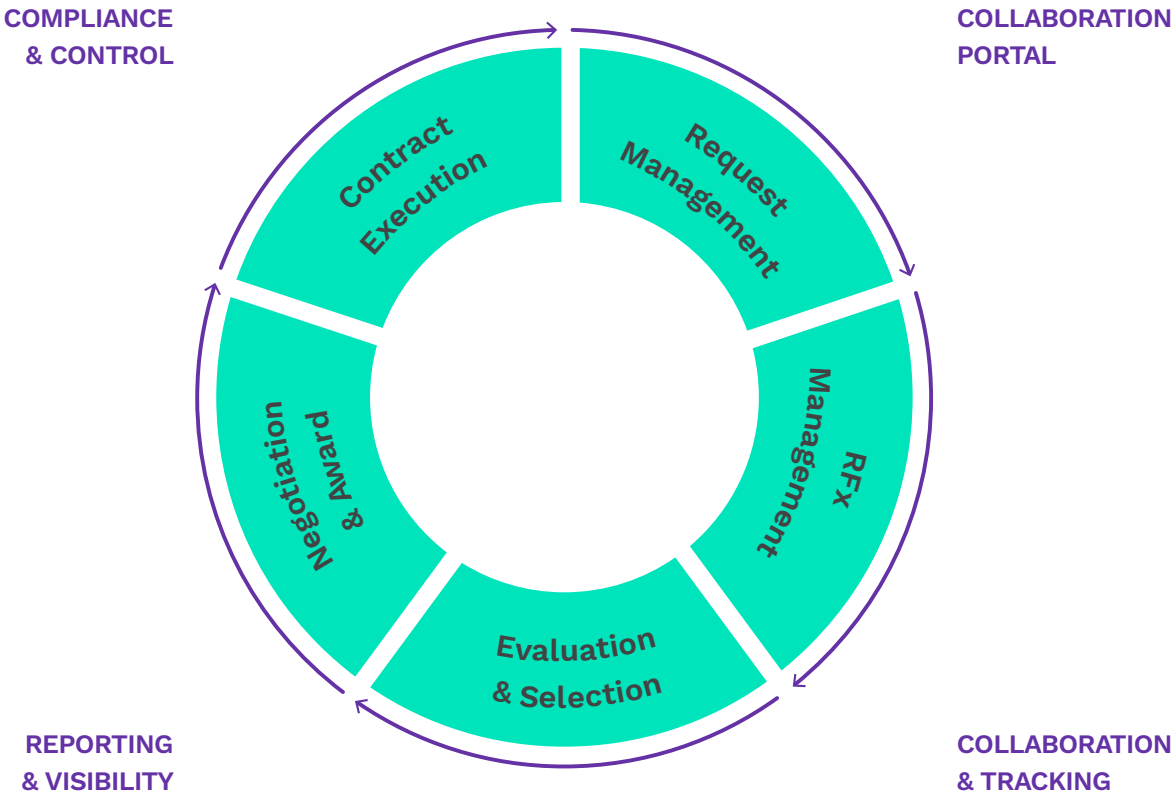
Users can gain even more insight into vendors by using AI/ML-based contract terms and clause recommendations to negotiate into RFx events and analyze vendor deviation as a part of the bid analysis. This way, legal contracts are initiated based on RFx awarding, and not siloed in their separate processes.

Multi-Round RFx Negotiations

Users can sequentially or simultaneously negotiate prices and shortlist best suppliers, and initiate the awarding process based on specific rounds.

Full Lifecycle Compliance Tracking

ICI continues to deliver value after a contract is signed. Users gain full visibility and powerful tools to ensure what they and their partners have committed to happens, even as conditions change.



Icertis integrates with other enterprise systems, allowing users to access ICI's powerful capabilities from the applications they are already comfortable with.

ICI Integrations for Procurement Systems

ADAPTER FOR COUPA

With the ICI Adapter for Coupa, users handle vendor contracts, sales contracts, NDAs, and other corporate contracts within the pay-to-source workflow. This helps track contractual pricing commitments and ensure obligations and entitlements are met throughout the lifecycle of the contract.

EXPERIENCE FOR SAP

The ICI Experience for SAP allows users to access the power of ICI from within SAP to ensure all vendor contracting processes are executed and documented within a single application, thus eliminating contract delays and risks associated with disjointed systems.

EXPERIENCE FOR WORKDAY PROCUREMENT

The ICI Experience for Workday Procurement allows users to synchronize all contract details to Workday for downstream business processes, and manage the data, policies, and processes for procurement goods and services to reduce risk and increase financial traceability.

DAIMLER

> “We chose the Icertis ICI platform and ICI Sourcing app because of their ease of use, ability to address every phase in the contracting and sourcing processes, and seamless integration with third-party systems that support the entire procurement lifecycle.”

Dr. Stephan Stathel,
Product Owner Operations,
New Procurement System

CASE STUDY

Daimler Leads Digital Transformation With ICI

Icertis is helping Daimler ensure agility and flexibility across contracting and sourcing for the passenger cars, commercial vehicles, and financial services divisions globally.

THE CHALLENGE

Daimler recognizes that its competition today includes not only other automotive companies, but also tech companies such as Uber, Google, and Apple who are creating autonomous vehicles, drones, artificial intelligence (AI), and other disruptive technologies. To compete in this new landscape, Daimler is completely digitizing its procurement processes.

THE SOLUTION

Because contract management is at the forefront of procurement transformation, Daimler prioritized that piece of the solution and made it the cornerstone of the larger new procurement system (NPS). Daimler chose ICI to lead this transition, and deployed it in record time.

THE RESULTS

- Standardized procurement operations across 500,000 suppliers
- Introduced new features like item-level quote comparisons, automated sourcing requests, and state-of-the-art analytics
- Reduced contract turnaround time from five weeks to one

About Icertis

With unmatched technology and category-defining innovation, Icertis pushes the boundaries of what's possible with contract lifecycle management (CLM). The AI-powered, analyst-validated Icertis Contract Intelligence (ICI) platform turns contracts from static documents into strategic advantage by structuring and connecting the critical contract information that defines how an organization runs. Today, the world's most iconic brands and disruptive innovators trust Icertis to fully realize the intent of their combined 7.5 million+ contracts worth more than $1 trillion, in 40+ languages and 90+ countries.

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