

# Cloud Spend Management

by Coupa Software

Over the last decade, the spend management applications landscape has been dominated by on-premise and hosted solutions that have stopped innovating. But the winds of change have been gaining strength due to some powerful trends such as -

- **Geographically distributed operations.** Enterprises have undergone a substantial change over the last decade. The traditional center-led procurement model did not effectively scale to support remote offices or locations. Today it is increasingly common for distributed enterprises to support the procurement function at the local level, where business is most often conducted. This, of course, poses significant challenges. The corporate HQ needs centralized control and visibility into spending, and cannot scale to staff procurement professionals at each remote location. There is great pressure, then, to simplify the tools to empower self-service at the local level, without incurring costs for user training and technical support or sacrificing the robust functionality needed to support multiple chart of accounts, local languages and currencies, and related complexities.
- **Greater user expectations** – Over the last ten years business managers and end users have become much more comfortable and savvy in using technology, evidenced by the rapid adoption and frequent use Internet tools and mobile devices. People “expect” business applications to be highly usable. On the other hand, ERP and hosted applications are decidedly not usable by everyday user because they have been designed with an “expert” user in mind. It is no wonder that traditional business applications suffer from a low user adoption. For spend management, this low user adoption results in low spend under management, poor compliance and lost savings opportunities.
- **Cloud delivery & business model** – Enterprises have started to adopt cloud applications for good reasons. Cloud applications are delivered to users entirely via a browser with application infrastructure hosted elsewhere. Further, cloud applications are “configurable” as opposed to “customizable”; this promotes self-service for business users, and greatly reduces heavy IT involvement and expense. All customers run their instances from the same code line, eliminating the software development burden that comes with maintaining multiple versions of software. All these factors significantly cut costs for software deployment, maintenance, and user training; and drives innovation as well. Also, the value proposition for cloud applications typically includes an “all-in / pay for what you use” cost model that eliminates capital outlays and the traditional definition of professional services fees and IT maintenance costs.

***Do these trends signal the ushering in of cloud spend management for the enterprises?***

**The answer is an emphatic YES!**

Today, companies across all sizes and industries are embracing cloud based spend management solutions. Rent-A-Center, Graham Packaging, the world’s leading fast food chain, one of the largest

insurance services companies have all REPLACED their legacy on-premise or hosted solutions in favor of pure play cloud based spend management solutions.

Here are some of the benefits they have seen so far:

- **Google / Amazon like usability.** A conscious focus on the end user experience, satisfying the 80/20 rule, and empowering distributed participation in cost savings programs at all levels in the organization.
- **Fast adoption.** New tools make it possible for companies to achieve 100% user adoption within months.
- **Savings from more spend under management.** Rapid implementation and broad adoption greatly increases companies' time to value with new cloud-based solutions. The new standard is for companies to achieve 85% spend under management within 12 months, and drive 18-20% of additional savings by driving spend through preferred suppliers
- **Instant visibility.** Executives and managers are able to see the budgetary impact of proposed spending BEFORE the requisition is event approved, giving greater control and preventing overspending.
- **Lower burden on IT** - Cloud applications are end user "configurable," a big improvement over hosted and on-premise alternatives that are "customizable" by IT developers at great expense; this configurability promotes self service for business users and supports distributed operations.
- **Transparent pricing.** Cloud applications typically have an "all-in cost model / pay for what you use" business model that eliminates capital outlay as well as traditional professional services fees and IT maintenance costs.

Buyer beware! Every spend management solution vendor today touts to be a "cloud" based solutions provider.

### **How can one distinguish a true cloud-based spend management solution from the "false cloud" solution providers?**

Like any other space, the spend management space is crowded with vendors claiming to something they are not. "Cloud" is a hot buzzword, but not all "cloud" solutions are created equal. Here are some acid tests you can apply to separate milk from water.

- Does the entire solution platform runs in a public cloud ?

Is the solution platform **completely** Internet based (or just pieces of the solution are Internet based)? No on-site software installation is needed for a truly cloud solution. Everything from user interfaces, applications, business rules is in the cloud. This means that the full solution runs in a public cloud like Amazon.com EC2 or Microsoft Azure.

- What is the business model?

Do you have a true reflection of costs? A true cloud-based solution will be offered on an all-inclusive flat annual fee based business model with no transaction or supplier fees or other hidden costs. Companies that follow a hybrid model of both on-premise or on-demand software tend to charge hefty “professional services / consulting” fees in addition to transaction and supplier fees as well as software license and maintenance fees.

- The system breathes:

The cloud based solutions automatically scale up during peak usage and then scale back down when the load is light. This allows software providers to save significantly on hardware costs to meet peak demands. These savings are passed on to the customers.

- Disaster recovery:

Cloud based solutions are able to offer fully automated global redundancy. The cloud automatically directs user traffic to one of the many different data centers throughout the world. Again , customers do NOT have to pay separate fees / invest more for this service !

- Innovation is fast:

Companies that deliver services in the cloud must be able to keep up with customer demand. Most cloud technology companies subscribe to an Agile development methodology, which means that they are constantly innovating and delivering new features to customers. Only companies that deliver their service in the cloud are able to do this. Imagine the difficulty of trying to build a feature that must work across different software releases. The cloud eliminates that complexity and resultant delays.

- Does the solution require customization to tailor it your needs?

A true cloud-based solution promotes self-service i.e. it can be configured by business users. It does NOT require customization. **Again, customers DO NOT have to pay fees for customization / consulting.**

### **III. Cloud Spend Management- Summary**

In summary, cloud spend management solutions have proven to be suitable for enterprises large - small and everything in between because they offer significant advantages over their legacy and hosted counterparts.