

American Eagle Outfitters: Refashioning procurement processes and vendor relationships with digital solutions

Picture Credit: | American Eagle Outfitters Inc., Pittsburgh, Pennsylvania. Used with permission.

AEO INC.

Remodeling purchasing and supplier management in retail

American Eagle Outfitters (AEO) is a leading global specialty retailer offering high-quality on-trend clothing, accessories, and personal care products through its portfolio of brands. As the company has grown, it needed to evaluate indirect purchasing processes and vendor relationships and make changes to maximize efficiency. [SAP Business Network for Procurement](#) and [SAP Ariba solutions](#) helped simplify processes and deliver compliant purchasing protocols across the company.

| Industry | Region | Company Size |
|----------|--------------------------|-------------------|
| Retail | Pittsburgh, Pennsylvania | >40,000 employees |

85%

purchase order compliance (5% above target).

75%

invoice-count compliance for 48,000 annual invoices (on target).

>US\$780 million

in spend transacting on SAP Business Network.

“SAP Ariba solutions and SAP Business Network help AEO simplify our procure-to-pay processes in several key ways. Through the use of SAP’s intuitive applications, compliant purchasing protocols are now embedded into our broader organization, helping us maximize cost savings, optimize working capital, and strengthen vendor relationships.”

Nick Bonacci
Senior Manager of Procure-to-Pay Services, American Eagle Outfitters Inc.

Streamlining procurement and supplier management in line with business growth

AEO is a portfolio of unique, loved, and enduring brands with merchandise assortments that consist of high-quality, on-trend apparel, intimates, activewear, accessories, and personal care products for women and men. The company operates stores in the United States, Canada, Mexico, and Hong Kong alongside online sales to 80 countries. In addition, American Eagle and Aerie merchandise is available in more than 260 international locations operated by licensees in roughly 30 countries.

With no centralized buying group, the company was interested in a solution to manage the high volume of suppliers and invoices. Purchasing responsibilities were spread across business partners, who were expected to maintain accurate records and purchase orders (POs) while tracking invoice submittals and reconciliations.

AEO also wanted to integrate new vendors into its IT systems. It wished to influence the way its business users approached indirect purchasing and vendor relationships, acknowledging that change management and user education would be the cornerstones of success.

“SAP Business Network gives the Procurement department the necessary tools to bring our policies, tax documents for each country, supplier information, and invoice data together in one place. This makes it easier to meet compliance requirements and provides insights with real-time reporting to inform the business.”

Nick Bonacci
Senior Manager of Procure-to-Pay Services, American Eagle Outfitters Inc.

Tailoring vendor collaboration and enablement with digital solutions

To meet the substantial growth in AEO’s business and transaction volumes, AEO needed a digital transformation of its procurement processes. The company decided on SAP Business Network for Procurement and SAP Ariba solutions due to their versatility of product offerings and smooth procure-to-pay channels, with vendor collaboration and intuitive user experience as key capabilities. These include the [SAP Ariba Contracts](#), [SAP Ariba Sourcing](#), and [SAP Ariba Spend Analysis](#) solutions as well as the [guided buying capability](#).

The business network and solutions allow AEO to manage indirect spend across several categories, such as fixtures, supplies, technology, logistics, and marketing. This ranges from paper clips and light bulbs to marketing campaigns and digital software. AEO was able to establish complex transaction rules and country-based logic for invoicing. The services team from SAP Business Network supported the company with supplier enablement wave planning and with defining robust enablement standard operating procedures. For example, AEO was able to transition from a three-way to a two-way match process for receipts and invoices. It also partnered with the network enablement lead on international transaction rules and requirements around sales tax submissions in Mexico. The company is frequently adding enhanced workflows to the PO, invoice, reporting, and transactional contract areas within SAP Business Network for Procurement.

AEO works with internal and third-party teams to configure custom taxonomy and spend analytics thanks to the SAP Ariba Spend Analysis solution. Seven source systems feed into the solution to give data visibility in a single place. By integrating the [Concur Travel & Expense solution](#), which it uses for online booking and expense engagement, with SAP Ariba Spend Analysis, it can summarize travel spend in one concise reporting tool. It also takes advantage of the AI capability within the Audit Services service to verify expense claims and receipts.

The company deployed the SAP Ariba Education and Training service to develop quick reference guides covering key processes, such as invoice reconciliation and receipts, purchase requisitions, and change orders. AEO also took advantage of skilled and knowledgeable consultants from SAP Services and Support to assist with UI design and configurations, best practices, and key performance indicator (KPI) tracking.

AEO focused on change management policy compliance and enforcement and PO compliance to drive all transactions to the business network by employing the SAP Ariba Change Management service. It conducted deep-dive reporting to look at what was being purchased at a cost center or department level, setting strict parameters of what required a PO versus a non-PO invoice.

“We use SAP solutions to further our procure-to-pay capabilities and strengthening our indirect vendor relationships. As we continue to enhance our vendor management, compliance, and risk programs, we will lean on our partners at SAP Ariba solutions for benchmarking and solution guidance.”

Nick Bonacci
Senior Manager of Procure-to-Pay Services, American Eagle Outfitters Inc.

Delivering valuable spend insights and improved compliance

Implementing SAP Business Network for Procurement and SAP Ariba solutions enables AEO to manage spend through seven different integrations that align with its custom taxonomy. By building integrations with multiple source systems, the company gains quick access to spend details from these systems and robust and comprehensive reporting by vendor and department in one tool. Described as “game-changing,” the spend insights and analytics allow the strategic sourcing team to identify sourcing and savings opportunities. At the transactional level, the team can take action on emerging trends, whether it’s enabling the catalog or establishing contracts and agreements with certain vendor-specific industries. This helps the company make more-informed decisions in procurement processes.

Automating PO, invoice, and contract transactions for vendors and internal partners increases bandwidth for the broader procurement team to focus on strategic initiatives that can deliver meaningful results for AEO. These include sourcing or purchasing programs, such as Concur Travel & Expense, and corporate employer programs that also use SAP technology. The downstream component of SAP Ariba solutions allows the company to improve compliance with less effort. It consistently reaches the 80% target or better for PO compliance, which translates into cost savings. For enablement, it aims for 75% compliance for invoice count. Of the more than 62,000 annual invoices, AEO is typically at or just above this rate.

There’s a positive impact on supplier relationships because once onboarded, vendors develop a level of comfort with SAP Business Network as a one-stop shop. They no longer need to contact business partners or send PDF invoices, and they can follow up on payment schedules through the network. E-mails and phone calls are reduced, with questions and communications centralized for the attention of the right people. AEO uses the supplier information portal to deliver key messaging and chain information to vendors. In parallel, supplier submitts, contribution to, and regular training material updates from SAP to align with new releases and functionality also contribute to stronger supplier relationships.

The company carries out a mix of large and ad hoc vendor enablement waves – a large wave every quarter and a regular weekly one. The services team from SAP Business Network supports AEO by facilitating “hyperfocus” in implementing a new region. For example, the company executed an enablement and PO compliance campaign in Mexico when it onboarded suppliers in Asia Pacific. In measuring enablement KPIs based on the number of invoices going through SAP Business Network, Mexico consistently represents around 91% of total invoices. Compliance there is at 90%. In other words, 90% of spend is going through a PO. This is thanks to the ability to both electronically collect all required documentation for the country and deliver POs through the network.

“SAP supports our evolving business needs and priorities through both functional and strategic partnerships. From enabling supplier catalogs to best-practice guidance on contract repository and storage, SAP helps AEO deliver the right solutions.”

Nick Bonacci
Senior Manager of Procure-to-Pay Services, American Eagle Outfitters Inc.