

American Electric Power: Funding the Procure-to-Pay Program with Early-Payment Discount Savings

American Electric Power is one of the largest U.S. electric utilities, delivering electricity to more than 5.3 million customers in 11 states. The company also owns the nation's largest electricity transmission system, a 40,000-mile network that includes more 765-kilovolt extra-high voltage transmission lines than all other U.S. systems combined.

In a joint effort with procurement, accounts payable, and treasury, the utility looked to optimize its procure-to-pay operations and made working capital optimization a key component. Working with the SAP® Ariba® Payables solution, American Electric Power has standardized payment terms, extended its days payable outstanding, and aggressively pursued early-payment discounts, realizing a substantial increase in discount savings in the first year. These savings are being used to fund its larger procure-to-pay automation program.





Gaining Early-Payment Discount Savings with **SAP® Ariba® Payables**



American Electric Power Inc.
Columbus, Ohio
www.aep.com

Industry
Utilities

Products and Services
Electricity generation and distribution

Employees
17,600

Revenue
US\$16.4 billion

SAP® Solutions
Discounting capability available with the SAP® Ariba® Payables solution and Ariba Network

To streamline procure-to-pay operations and optimize working capital, American Electric Power deployed the discounting capability in the SAP Ariba Payables solution. Now it has standardized payment terms, extended days payable outstanding, and is pursuing early-payment discounts – resulting in a huge cost benefit for the company.

Before: Challenges and Opportunities

- Streamline procure-to-pay operations to improve business process efficiency
- Standardize payment terms and extend days payable outstanding (DPO)
- Increase cash earnings through early-payment discounts
- Reduce borrowing costs

Why SAP

- Discounting capability that is available with SAP Ariba Payables
- Ariba Network for transacting with suppliers electronically

After: Value-Driven Results

- Increased discount savings substantially in the first year
- Extended DPO, effectively avoiding two days of interest expenses on accounts payable balances
- Consolidated 150 different payment terms down to just 4
- Gained a simple user interface to promote supplier adoption
- Deployed independently of PO-invoice automation solutions
- Helped fund a larger procure-to-pay project from the cost savings

SAP Ariba 

2 days

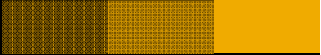
DPO extension

1.5%

Average early-payment discount rate

4

Standardized payment terms, down from more than 150



© 2017 SAP SE or an SAP affiliate company. All rights reserved.

No part of this publication may be reproduced or transmitted in any form or for any purpose without the express permission of SAP SE or an SAP affiliate company.

The information contained herein may be changed without prior notice. Some software products marketed by SAP SE and its distributors contain proprietary software components of other software vendors. National product specifications may vary.

These materials are provided by SAP SE or an SAP affiliate company for informational purposes only, without representation or warranty of any kind, and SAP or its affiliated companies shall not be liable for errors or omissions with respect to the materials. The only warranties for SAP or SAP affiliate company products and services are those that are set forth in the express warranty statements accompanying such products and services, if any. Nothing herein should be construed as constituting an additional warranty.

In particular, SAP SE or its affiliated companies have no obligation to pursue any course of business outlined in this document or any related presentation, or to develop or release any functionality mentioned therein. This document, or any related presentation, and SAP SE's or its affiliated companies' strategy and possible future developments, products, and/or platform directions and functionality are all subject to change and may be changed by SAP SE or its affiliated companies at any time for any reason without notice. The information in this document is not a commitment, promise, or legal obligation to deliver any material, code, or functionality. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. Readers are cautioned not to place undue reliance on these forward-looking statements, and they should not be relied upon in making purchasing decisions.

SAP and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP SE (or an SAP affiliate company) in Germany and other countries. All other product and service names mentioned are the trademarks of their respective companies.

See <http://global.sap.com/corporate-en/legal/copyright/index.epx> for additional trademark information and notices.