CombineNet

WHITE PAPER

Procurement Transformation:

5 Sourcing Excellence Initiatives Propelled by Next-Generation Technology

For many supply chain-driven companies, Procurement Transformation efforts are either already underway or are in the plan – to help sharply focus and re-align resources on procurement process excellence and improved sourcing strategies, often involving the development of a Sourcing Center of Excellence. As supporting technologies are re-evaluated, CombineNet's next-generation advanced sourcing solution is added to the mix by many leading companies seeking to support a greater breadth of sourcing strategies and for tackling complex yet critical spend categories. In this paper, learn how an advanced e-sourcing solution propels five critical procurement transformation initiatives: (1) Spend Aggregation; (2) Supplier Collaboration & Innovation; (3) Stakeholder and Business Alignment; (4) Staff Efficiencies & Innovation; and (5) Spend Under Management. Excerpts from successful customer case studies are included.

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TODAY'S REALITY: PROCUREMENT TRANSFORMATION EFFORTS SEEK TO MODERNIZE PEOPLE, PROCESSES, AND TECHNOLOGY

Many CPO's of major companies are in the process of or have plans to conduct Procurement Transformation efforts – to sharply focus and re-align resources on procurement process excellence, improved sourcing strategy, and fine-tuning of their measures of success that demonstrate level of value creation to the business.

Procurement Transformation involves organizational changes; streamlining processes; increased centralization, standardization, and compliance; supplier performance and risk management; technology evaluations/upgrades; and often also establishment of a Strategic Sourcing Center of Excellence to serve as an internal consultant and advisor on best practices. (According to a recent CombineNet market study: 55% of companies having over $1 billion in revenue have already established a Sourcing Center of Excellence – with another 15% planning to implement a CoE in the next 12 months. See figure 1.)

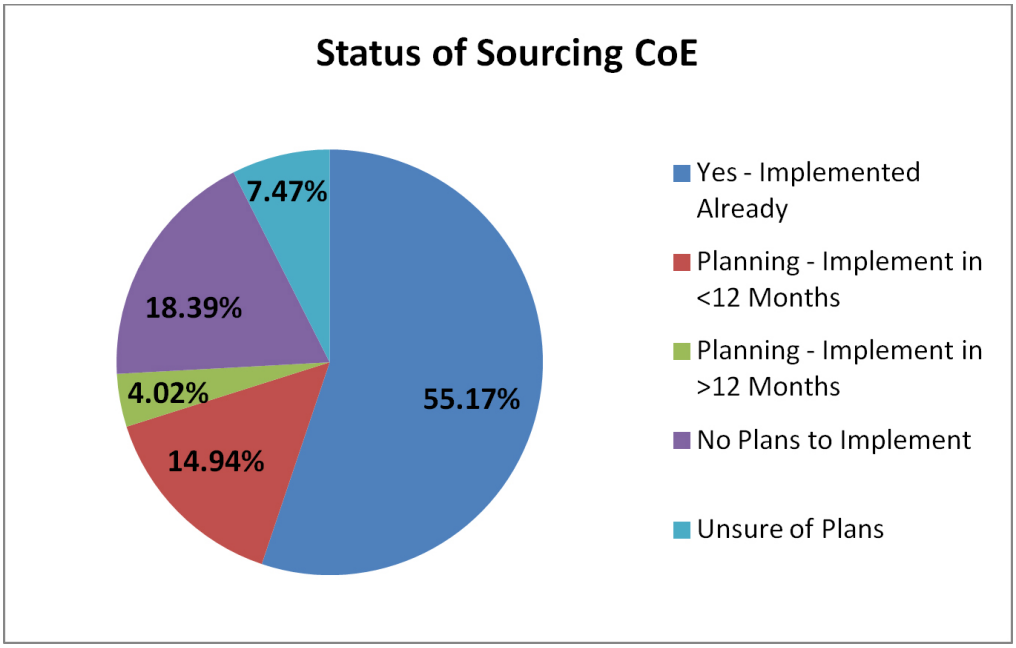


Figure 1 – Results of CombineNet survey asking about the status of establishing a Strategic Sourcing Center of Excellence. (August 2012)

A Procurement Transformation effort will, of course, look at how to make improvements across three major areas: People, Processes, and Technology/Solutions. As a provider of an industry-leading next-generation e-sourcing solution, CombineNet is ideally suited to support a company's Procurement Transformation and Sourcing Center of Excellence efforts, and its technology solution is proven to deliver value to clients in several critical areas that will be the topic of this paper:

1. Accelerating the Aggregation of Spends
2. Improving Supplier Collaboration for Sourcing Innovation
3. Improving Stakeholder and Business Alignment with Sourcing Outcomes
4. Streamlining Procurement Staff Efficiencies
5. Increasing Spend Under Management and Strategically Sourced

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CombineNet sees its technology solution as an enabler of Procurement Transformation and Sourcing Excellence – and seeks to remove constraints that technology often places on people and processes. CombineNet often augments a customer's existing Procurement Suite investment (i.e. SAP, Ariba, Oracle, IBM Emptoris, etc.) by providing a richer and more capable solution designed to tackle today's needs in e-sourcing – and particularly for those spends that are critical to your supply chain or have higher levels of size or complexity. In fact, more than 70% of its Global 2000 customers use CombineNet to complement existing procurement suites.

This paper describes how CombineNet's advanced sourcing solution propels those five key procurement and strategic sourcing initiatives, offering richer and more modern capabilities than what is typically available in tools in place today.

PROCUREMENT TRANSFORMATION INITIATIVE #1: ACCELERATING THE AGGREGATION OF SPENDS

CombineNet's next-generation e-sourcing approach delivers significant value in supporting projects seeking to aggregate spends. Sourcing spend aggregation can be done across business units, geographically (such as regional or global), or even across overlapping supply bases. Goals of aggregating these types of spends include: increasing savings realized by maximizing your buying power in a single sourcing event, improved efficiencies by consolidating the number of sourcing events, and increasing cost transparencies.

HOW COMBINENET HELPS YOU SMOOTHLY AGGREGATE SPENDS

Unlike other e-sourcing tools (or the agony of grappling with spreadsheets), CombineNet is designed to easily handle larger-scale sourcing events while retaining the level of specificity needed for both buyers and suppliers. CombineNet ASAP includes features that support:

- Scalable and flexible eRFPs
- No limits on item numbers, bid attributes collected, or number of suppliers invited
- Supplier item visibility to only present relevant items to certain suppliers
- Multiple item types within a single sourcing event
- Ability to model an unlimited # of varying stakeholder needs and preferences in sourcing analytics

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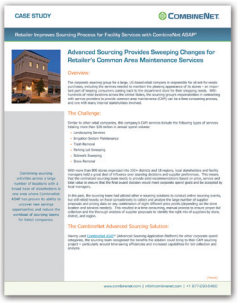
THE RESULT?

Procurement finds new, previously untapped opportunities to take costs out of the supply chain, while providing a fair and competitive environment for suppliers and incorporating all the necessary item and stakeholder preferences.

Proof Point: 10% Savings:

For a retailer having more than 800 stores, the procurement team for indirect spends sought to consolidate regionally-sourced "mature" spends for common area maintenance services (landscaping, lot sweeping, snow removal, etc.). The retailer used CombineNet to support a single aggregated sourcing event, which resulted in:

- 10% savings realized
- Reduced sourcing time by 3 weeks
- Reduced analytics time by 10x


CASE STUDY

CombineNet

Retailer Improves Sourcing Process for Facility Services with CombineNet ASAP

Advanced Sourcing Provides Sweeping Changes for Retailer's Common Area Maintenance Services

Overview:

The Challenge:

The CombineNet Advanced Sourcing Solution:

[Access the full case study PDF]

PROCUREMENT TRANSFORMATION INITIATIVE #2: IMPROVING SUPPLIER COLLABORATION AND SOURCING INNOVATION

Those who are leading Procurement Transformation efforts look to Sourcing Centers of Excellence to engage in a sourcing process that results in the best possible outcomes for the business, one that considers and balances costs, quality, risk, and supplier innovation.

Many e-sourcing procurement methods are first-generation approaches that assume in their design that decisions are predominately price based, but price is often only one factor that procurement teams must consider. Total value-based decisions are what is best for the business and are essential for critical spend categories.

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HOW COMBINENET HELPS YOU ENJOY IMPROVED SUPPLIER COLLABORATION

CombineNet brings its unique Expressive Bidding® approach that offers key "next-generation" e-sourcing differences resulting in tremendous procurement process advantages:

- Greater collection of non-price information from suppliers in RFIs and RFPs
- The ability for suppliers to "put their best foot forward" by submitting innovative bids, such as alternative items, packages, and conditional offers
- The ability for buyers to provide Expressive Feedback to suppliers during the bidding process, to let them know their bid ranking and suggestions to improve their competitiveness
- The ability for buyers to factor in supplier bid and information data from both the eRFI and eRFP in their sourcing scenario analysis

THE RESULT?

Sourcing transformation takes a giant leap forward: by enabling a more collaborative online negotiation approach, suppliers and buyers will together find new efficiencies, supply innovation, and best value decisions for the business.

Proof Point: 28% Savings:

For a medical products manufacturer sourcing a variety of packaging materials, they leveraged CombineNet's Expressive Bidding approach to solicit creative bids from a larger number of suppliers than they had ever invited previously.

- 28% savings realized
- Awarded parts of the spend to three new suppliers
- Expressive bids accounted for 5.5% of the savings


CASE STUDY

Midmark Boxes Up 28% Savings and Supplier Innovation for Packaging Spends

Uses CombineNet ASAP® for Advanced E-Sourcing & Paladin Associates for Strategic Event Support

Overview:

The Challenge:

The Solution – Advanced Approaches to E-Sourcing:

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PROCUREMENT TRANSFORMATION INITIATIVE #3: IMPROVING STAKEHOLDER AND BUSINESS ALIGNMENT

Procurement organizations must work closely with business stakeholders and spend owners to capture their requirements and preferences, in order to make optimal supplier selections during sourcing events.

Many other basic e-sourcing tools are not designed with stakeholder collaboration in mind –as noted in the previous section, this often involves extensive non-price considerations such as incumbency preferences, location preferences, supplier types, sustainability classifications, certifications, etc. Even if the online RFI and/or RFP can be crafted to collect data relating to stakeholder preferences, that information cannot (or can in only a very limited way) be used in analytics later. Further, the more stakeholders involved in a particular category, such as in cases of spend aggregation, the more complex the requirements gathering becomes, as does the analysis work needed to arrive at an optimal decision for the business.

Imagine instead that your procurement team can clearly show how stakeholders' needs and preferences are incorporated into the decision making process, revealing the cost impacts or benefits of those decisions. This would mean increased confidence, greater inclusion in future events, and stronger compliance to award decisions.

HOW COMBINENET HELPS YOU STRENGTHEN BUSINESS ALIGNMENT AND COMPLIANCE

CombineNet ASAP allows for eRFIs and eRFPs in the e-sourcing event to collect a variety of price and non-price supplier information and bid data, which can then be modeled and analyzed in robust scenarios later. Our Scenario Builder℠ allows for multiple rules and preferences to be incorporated into any given scenario, and even for rapid side-by-side comparisons of scenarios.

This means:

- Stakeholder preferences can be collected and, even more, incorporated into the e-sourcing event
- You can sit with your stakeholder(s) and rapidly evaluate cost/benefit impacts of applying various preferences – allowing for easy review, scenario changes, and comparisons before making a final decision
- Everyone gains visibility into the various cost drivers, benefits, and risks of different outcomes
- CombineNet's industry-leading optimization provides your team with a fast and ad vanced solution for arriving at the best decision for the business

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THE RESULT?

Business stakeholders have the confidence that procurement is more strongly aligned with their goals and preferences, and now they also have clear visibility into the cost/benefit trade-offs of different sourcing decisions. Greater compliance and thus greater savings and reduced risk lead to better procurement performance, and the business has greater willingness to turn spends over to procurement for strategic management.

Proof Point: 45% Savings:

At one of the world's largest consumer packaged goods companies, the procurement team sought to manage in-store product displays spends, which had been traditionally sourced through the marketing department. The customer used CombineNet to capture the marketing preferences in the e-sourcing event and gave them visibility into the costs of different scenario outcomes.

The results included:

- 45% savings realized ($72 million)
- Reduced sourcing cycle time


CASE STUDY

COMBINENET

Store Displays Sourcing for Consumer Goods Company

Reducing Sourcing Costs by 45% While Driving Internal Stakeholder Collaboration

Overview:

Results:

[Access the full case study PDF]

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PROCUREMENT TRANSFORMATION INITIATIVE #4: STREAMLINING STAFF EFFICIENCIES AND IMPROVING VALUE-ADDING FOCUS

Improved utilization of your procurement staff resources is a key part of any Procurement Excellence initiative. A notable percent of procurement and sourcing staff rotate in and out of the team in any given year, which can make it challenging to ensure strategic sourcing best practices are always known and being applied. A Sourcing Center of Excellence can provide strong guidance here in terms of the processes and tools that are proven to generate the best results.

In a recent CombineNet survey, over 91% of sourcing teams ranked that it was of "high or very high importance" to reduce their time spent on data tasks and to spend more time on strategic analysis. However, they admit that they unfortunately continue to revert back to spreadsheets time and time again for analysis of overwhelming sourcing event bid data – despite the presence of an e-sourcing or e-procurement tool already in place. (See Figure 2.)

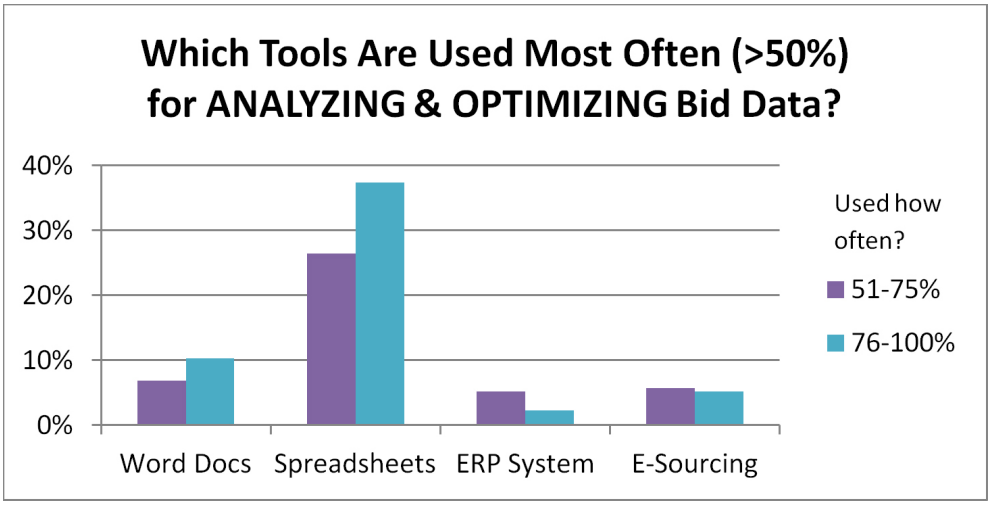


Figure 2: A recent survey of e-sourcing tool customers who are NOT customers of CombineNet asked which tools they use most often for conducting bid analysis. The vast majority said they use spreadsheets either 51-75% or 75-100% of the time for this analysis, significantly more often than using their existing e-sourcing tools. (August 2012)

Spreadsheets are the fall-back solution used when existing tools don't provide the capabilities and efficiencies that allow the sourcing team to get better results, faster.

HOW COMBINENET HELPS SHIFT SOURCING RESOURCES TO STRATEGIC ACTIVITIES

CombineNet gives sourcing teams much-needed advanced e-sourcing features to become more productive and strategic in their role, spending far less time in the functions of aggregating, cleansing, normalizing, and crunching high volumes of supplier information and bid data using desktop tools. CombineNet ASAP is proven to help your team reduce e-sourcing cycle times by 30-60% by:

- Speeding the launch of new sourcing events from your existing spreadsheet-based templates or from your CombineNet template library
- Providing a central platform for collecting each event's supplier information and bid data – even for extremely large-scale events (i.e. 1000s of items or lanes, hundreds of suppliers)

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- Offering an Excel-like user interface to help improve user adoption
- Providing easy mechanisms for communicating feedback to suppliers during the event
- Allowing for rapid-fire sourcing scenario development that includes the creation and application of many business rules and preferences within any single scenario
- Quickly generating sourcing scenario results, using powerful optimization technology

THE RESULT?

An "elevated" procurement team is now freed by significantly reduced sourcing project time, thereby enabling sourcing personnel to spend more time on strategic, higher-value activities vs. formatting and crunching data in tedious spreadsheet files.

Proof Point: 28% Savings:

A major global manufacturer was using spreadsheets to conduct Ocean sourcing transportation events, involving 1,500 port pairs, 5 different container types, and approximately 50 carriers. The customer used CombineNet to improve this process in managing bid data and analytics.

The results included:

- 20% in time savings
- Sourcing scenario results returned within seconds
- "We are procuring on a higher level."



American Shipper

Spreadsheets be gone

CombineNet offers an alternative to Excel for parsing transportation procurement bid information.

"It's not so much the time we reduced. It's not spending so much time on data crunching. We are procuring on a higher level. That's the main advantage."

Jake Bluethner
Director, Supply Chain
Bayer HCP

[Access the full case study PDF]

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PROCUREMENT TRANSFORMATION INITIATIVE #5: INCREASING SPEND UNDER MANAGEMENT AND SPENDS STRATEGICALLY SOURCED

Procurement is constantly seeking new ways to get more of the enterprise's spend under a managed procurement process, and even more, to engage in a strategic sourcing process of key spends. They must ensure the business stakeholders feel confident that they are equipped to source those spends appropriately, which also requires increased collaboration with those stakeholders.

Often, spends continue to be sourced in silos or non-strategically for a variety of reasons, but one of which is that existing procurement or e-sourcing tools do not sufficiently address the needs of those spends. This paper has already described several of those issues.

As a company re-evaluates their toolset in the context of a Procurement Transformation initiative, it is very common to seek a next-generation e-sourcing solution that is designed to more effectively address larger or complex spend categories.

HOW COMBINENET HELPS YOU IMPROVE SPEND MANAGEMENT AND SOURCING GAINS

CombineNet's advanced e-sourcing solution equips the sourcing team to address the myriad complexities and needs of enterprise-wide spends, regardless of category or size.

- CombineNet can support larger-scale e-sourcing events with ease, involving thousands of items, hundreds of suppliers, and even multiple item types sourced within the same event
- Customers see CombineNet as a complement to their existing procurement tool, ERP, and TMS investments
- Clear ROI from e-sourcing events managed through CombineNet demonstrates to the business the benefits that can be achieved – building confidence in getting more spends strategically e-sourcing
- Sourcing team can then develop decision trees as to which spends are best suited for the CombineNet advanced e-sourcing approach

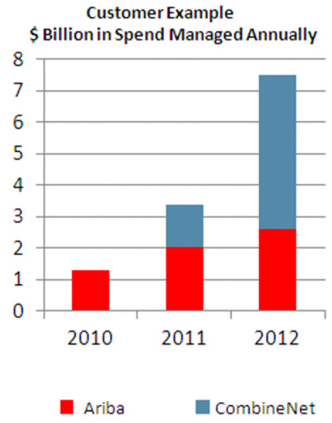
THE RESULT?

Customers see an increase in spends strategically e-sourced and managed by the procurement team, leading to better savings and supply chain performance.

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Proof Points: Significant Growth in Spends with Advanced Sourcing

Based on data from one of our customers, note how the CombineNet's advanced sourcing capabilities, used in addition to a general procurement suite, resulted in them strategically managing a higher portion of enterprise spend:



NEXT STEPS: LET'S TALK ABOUT YOUR PROCUREMENT TRANSFORMATION AND STRATEGIC SOURCING GOALS

CombineNet's advanced sourcing solution is ideally suited to support a company's Procurement Transformation and Sourcing Center of Excellence efforts.

In addition to the CombineNet ASAP advanced e-sourcing technology, the company also offers our Best Practices Center – a powerful combination of event category sourcing templates, event start-up services, unlimited RFP readiness reviews, and other services to support your Sourcing Center of Excellence needs. Our technology solution and services all work together to help customers tackle complex spend categories, maximize their ROI, and improve overall sourcing performance.

We'd love to provide you with more details about how our technology can help support your Procurement Transformation and Sourcing COE initiatives, and to share how this has been effective for our global customers. Our advanced sourcing solutions can be strategically aligned with your unique sourcing requirements – and we'll help you identify an advanced sourcing roadmap for tacking complex or critical spend categories to build early "victories" that can be leveraged for larger-scale roll-out and adoption.

Learn more about CombineNet in one of 3 Ways:		
Schedule an Introduction Call with us: info@combinenet.com	Visit our Resource Center for more white papers and case studies: Click here	Attend a Weekly Solution Demonstration – a 30-minute session: Sign Up Today

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