

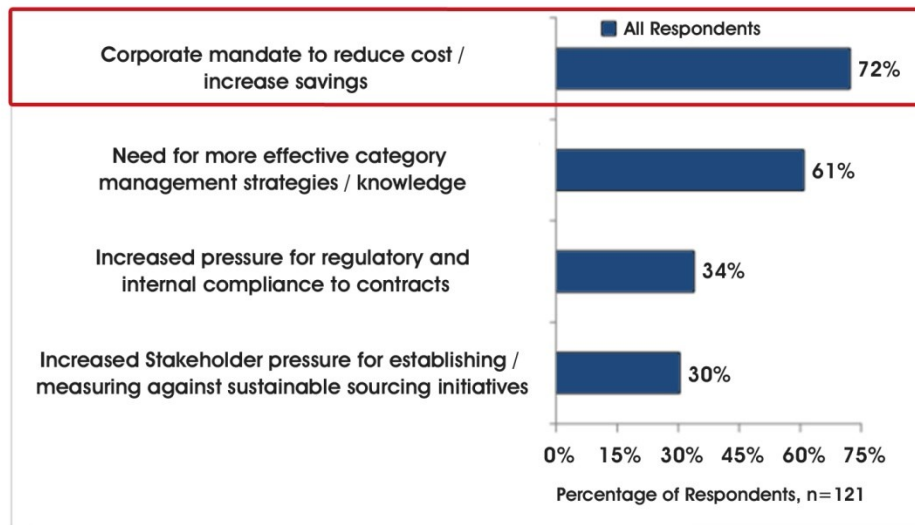


Harnessing Technology to Create Greater Value from Strategic Sourcing



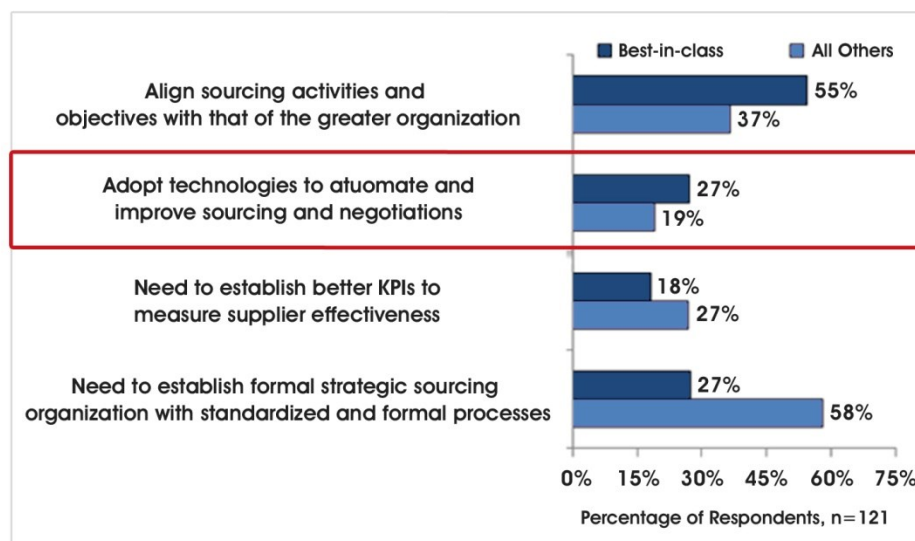
Creating Greater Value from Strategic Sourcing

- Strategic Sourcing continues to play a critical role in most organizations because it can contribute directly to the bottom-line, over the short term and over a longer horizon. It's no surprise that the organization expects the sourcing and procurement functions to generate a higher level of savings and ROI from sourcing programs.



Source: Aberdeen Group

- Based on research by Aberdeen, the procurement function has several strategic options to respond to these increasing expectations and take sourcing performance to the next level. Among these options, the foundational element is automation of the sourcing and negotiation process with technology. It's foundational because it extends the ability of the other strategic options to create alignment, enable standardization and drive measurable results – all of which elevate sourcing performance.



← Foundational Element

Source: Aberdeen Group



Leveraging Technology to Automate the Sourcing Process

- The core sourcing process execution, part of an overall strategic sourcing process, broadly involves three phases, with specifics that may vary by organization:
 1. **Creating sourcing events** – This starts with the creation of RFx (RFI, RFP) and auctions. The creation of events is connected to the sourcing objective, whether related to a specific project or part of an ongoing sourcing initiative. Typically, this objective is informed by prioritization resulting from spend analysis and then selection of strategic suppliers based on the categories to be sourced.
 2. **Executing and managing events** – This involves the collaboration and communication with internal stakeholders and suppliers to start and stop events, and collect and aggregate supplier responses and bids.
 3. **Analytics and reporting** – This includes scoring, ranking, optimization and analysis of bids, which then concludes the process with an award to selected suppliers. This phase also includes reporting on key performance metrics and archival of events to facilitate tracking.



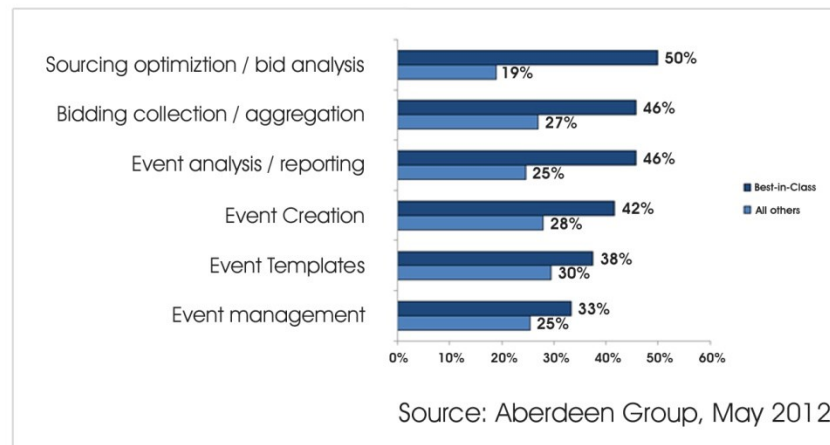
- The needs and process maturity of organizations determine the need for sourcing technology and how that technology automates the strategic sourcing process. This need derives directly from the business objective of automation, which is to facilitate better negotiations and decisions, and ultimately generate a higher level of savings, by:
 1. Making the process efficient
 2. Orchestrating a new level of collaboration with internal and external stakeholders
 3. Adding analytics and intelligence



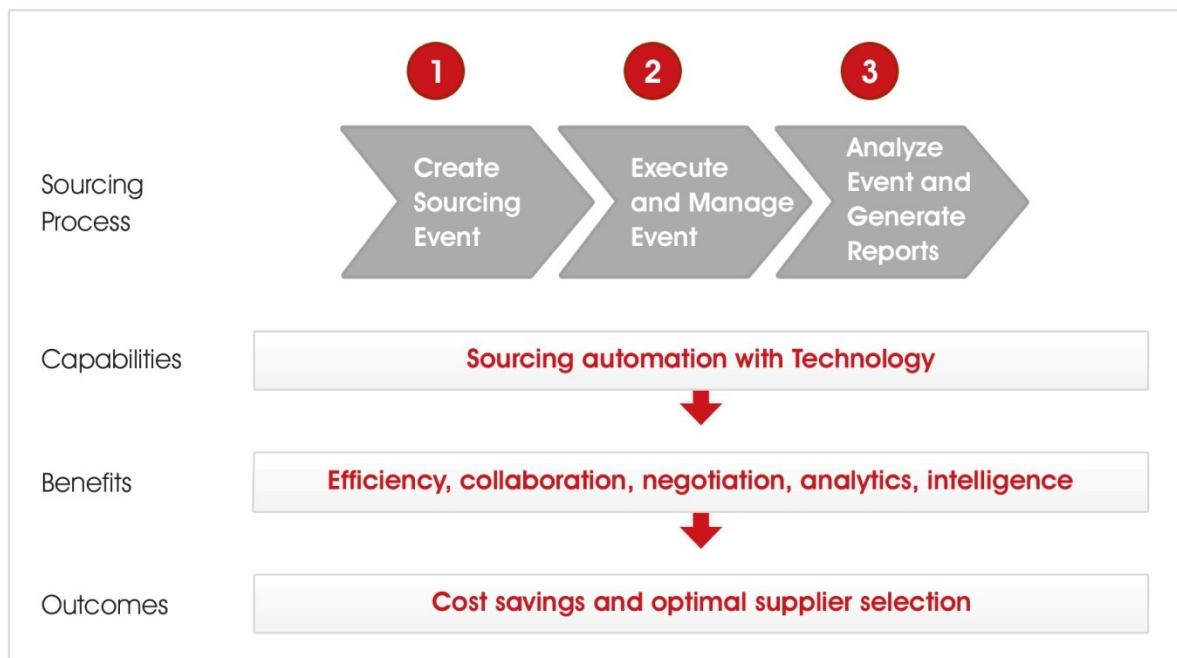
Capabilities and Benefits of Technology at Each Phase of the Sourcing Process

- Technology automation benefits all three phases of the sourcing process. According to research by Aberdeen, best-in-class adopters of strategic sourcing automation utilize more of the advanced sourcing capabilities, including optimization.

E-sourcing attributes automated



- Specific capabilities and benefits provided by technology automation include the basics that automate the process (e.g. automating the RFI/RFP process) to the advanced (e.g. capturing and calculating awards based on non-price factors).
- These capabilities influence the level of efficiency, collaboration, supplier competition and analytics that all contribute to better supplier selection and higher savings from the sourcing process.





A Deeper Dive into the Capabilities and Benefits of Technology

- The capabilities and benefits of sourcing automation technology vary by phase of sourcing execution and based on the organization needs:
1. **Creating sourcing events** – In this phase, the basic capabilities such as creation of RFI/RFP and simple auctions enable process efficiency. The advanced capabilities, such as ability to quickly setup a variety of auction formats and automatically update pricing for large SKUs improves the ability to operate at scale.



Capabilities

RFI / RFP creation tool

- Template-based
- Free form Excel based
- Automated Scoring
- Automatically convert to eAuction

Auctions

- Multiple formats (Reverse, Forward, Dutch, Sealed Bid, etc.)
- Ability to create Lots and Groups
- Excel based Auction Creation for large events



Benefits

- Minimizes setup time
 - Enables standardization of process
 - Improves accuracy
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- Flexibility in matching auction Format to negotiation strategy
 - Enables higher efficiency and participation from Suppliers
 - Allows execution of multiple large events, simultaneously



A Deeper Dive into the Capabilities and Benefits of Technology *(continued)*

2. **Executing and managing events** – This phase can leverage advanced capabilities to drive a higher level of collaboration among stakeholders and a more sophisticated, yet scalable and efficient aggregation of supplier bids.



Capabilities

Collaboration

- Collaborative event management - Multiple User role and Committee management options

Design for scale

- Ability to manage large number events, suppliers and bids, without degradation in performance

Advanced capabilities

- Multiple Round / Staged Negotiation capability using Pre-bid, Live Event and Post Event Bid features
- Comprehensive Rules Engine to conduct events with transformational pricing (eg: {Bid Amount + Shipping + Duties} * Qty)
- Multi-parameter, multi-format, multi-line, and non-price factor negotiations



Benefits

- Increases the scope and efficiency of collaboration across multiple stakeholder groups
- Enables higher efficiency and participation from Suppliers
- Allows execution of multiple large events, simultaneously
- Maximizes supplier participation
- Allows scoring and ranking to capture value of non-price factors



A Deeper Dive into the Capabilities and Benefits of Technology (continued)

3. **Analytics and reporting** – The basic capabilities enable manual and automated scoring. Optimization is an advanced capability that allows for differentiated awards to a group of suppliers, to maximize savings and maintain a reliable base of suppliers. Advanced reporting capabilities maintain event history to enable audits and facilitate best practice sharing.



Capabilities

- Real-time analytics Comprehensive reporting features for post bid analysis
- Award by line item, award by response / bid, or automatic awarding
- Clear audit trails, archiving, and search tools for completed sourcing events
- Seamlessly integrate the auction event data with your ERP platform



Benefits

- Optimal supplier selection
- Maximize savings
- ERP integration enables analytics on overall spend performance



Moving from selection of the right technology to driving consistent utilization

Selecting the right technology that supports the three phases of the sourcing process is the first step. Equally critical is driving consistent utilization of that technology to realize the benefits of sourcing automation.

Three factors drive consistent utilization:

1. Usability/ease-of-use of solution
2. Provision services to run events (especially reverse auctions)
3. Provide training to stakeholders



Case Study – Leveraging Technology to Create Greater Value from Sourcing

Situation

A Global Energy Trading company faced the following procurement challenges:

- Manual process to procure and sell illiquid commodities like energy, uranium
- High setup time for events and inability to run a high volume of events
- Suboptimal selection of suppliers

ProcurePort Advantage

- **Configurable** solution to meet procurement and business requirements:
 - Dynamic supplier qualification based on pre-set criteria
 - Customized bidding algorithm
- **Advanced capability** to create efficiency for both buyers and suppliers, including real-time bid analysis, optimization and visibility for participating suppliers
- **Easy-to-use** solution was self-run by sourcing managers, after initial training by ProcurePort

Results

- 3x improvement in event setup time and reduced overall sourcing cycle time
- Increase in volume of events - run 6 events/week, with over 200+ participants per event
- Better supplier selection resulting in higher savings



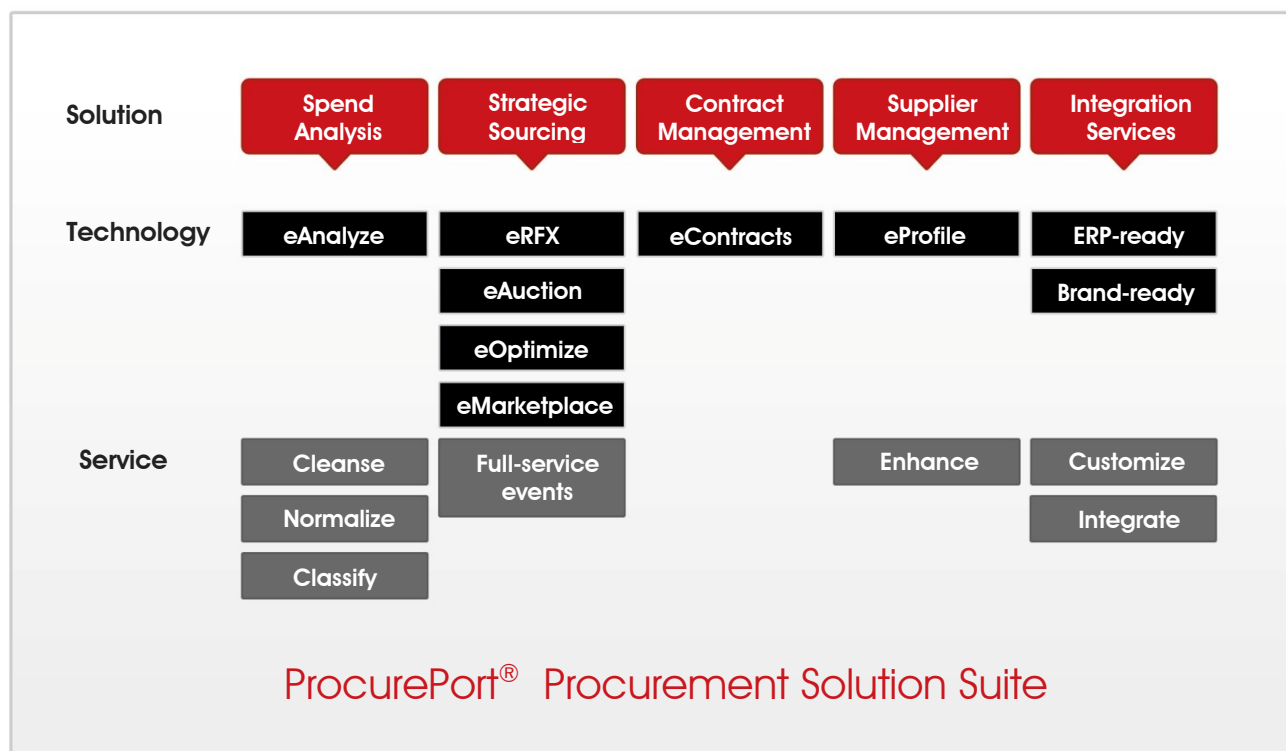
Summary

- Strategic Sourcing is expected to contribute a higher level of cost-savings. Selecting the right sourcing automation technology for the organization and then driving consistent adoption of this technology can take sourcing performance to the next level and generate a higher ROI.
- Advanced sourcing capabilities, automated with technology that is easy to use and integrate, can deliver the benefits - efficiency in process, improved collaboration and negotiation, better decision-making, and the outcome - higher savings from Strategic Sourcing initiatives.



About ProcurePort®

- ProcurePort is a leader in providing cloud hosted e-procurement solutions and strategic sourcing services. The ProcurePort® Procurement Solution Suite provides an easy to use, powerful, comprehensive and proven e-sourcing toolkit for organizations of any size.
- ProcurePort's consulting services and flexible deployment options, enable organizations across a range of industries to improve spend management, automate processes and achieve procurement excellence.
- ProcurePort's on-demand e-procurement solutions are cloud hosted in a Tier IV SSAE 16 Type II compliant data center, providing the highest level of data security and confidentiality.





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