

ZYCUS[™]

PROCURE PERFORMANCE

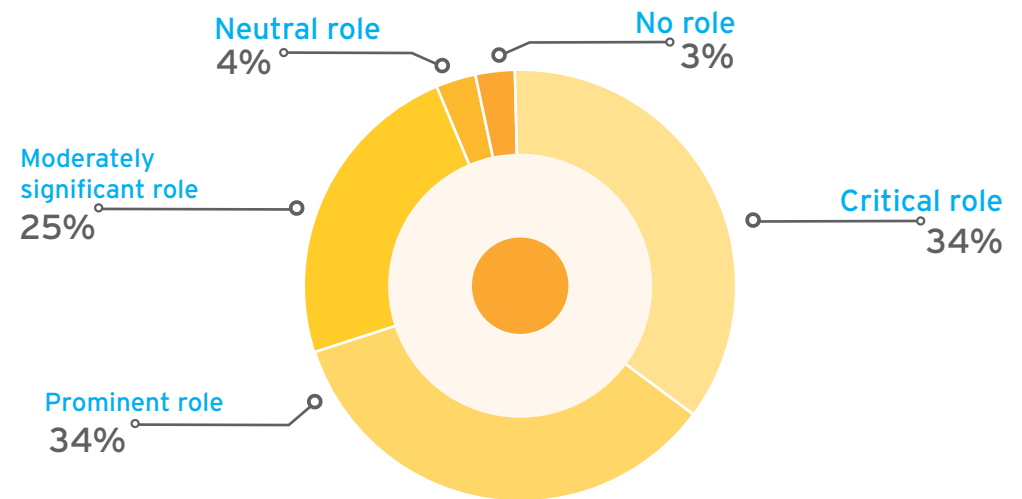
A 7 Step Guide to Strategic Sourcing



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According to the Aberdeen report, **68%** of their survey respondents say that strategic sourcing plays a prominent to crucial role in their organization.

53% of respondents indicated that aligning sourcing activities and objectives with those of the greater organization is a top strategic goal.



(Percentage of Survey respondents, May 2012)

Source: Aberdeen Group, May 2012

The above statistics clearly show the increasing role strategic sourcing plays in an organization. Procurement is under high pressure to meet their savings target and save on resources wherever possible. Many organizations are using sophisticated technology which makes the sourcing process efficient and helps save precious time, labor and cost resources.

This e-book talks about the 7 steps that are generally followed by procurement teams to source any product/service. Each step talks about how technology can be leveraged to make the sourcing process effective.

1

Analyze the requirement for sourcing - identify spend

After getting the requirement from any department, the procurement team analyzes the requirement. For instance, after the I.T. team raises a requisition for, say 1,000 laptops for one of the new divisions, the procurement team will then analyze expenditures made in the I.T. hardware area, or a more complex one like restructuring the hardware components of a mobile.

If the procurement team had to manually analyze expenditures, it would be both error prone and time consuming. However, with technology the task of analyzing spends is made easier with the help of a modern spend analysis tool that offers benefits such as detailed reporting with dashboards. For instance, a report on spend with supplier A or with all the suppliers for a given category in a particular region - in other words, automated spend data classification.

2

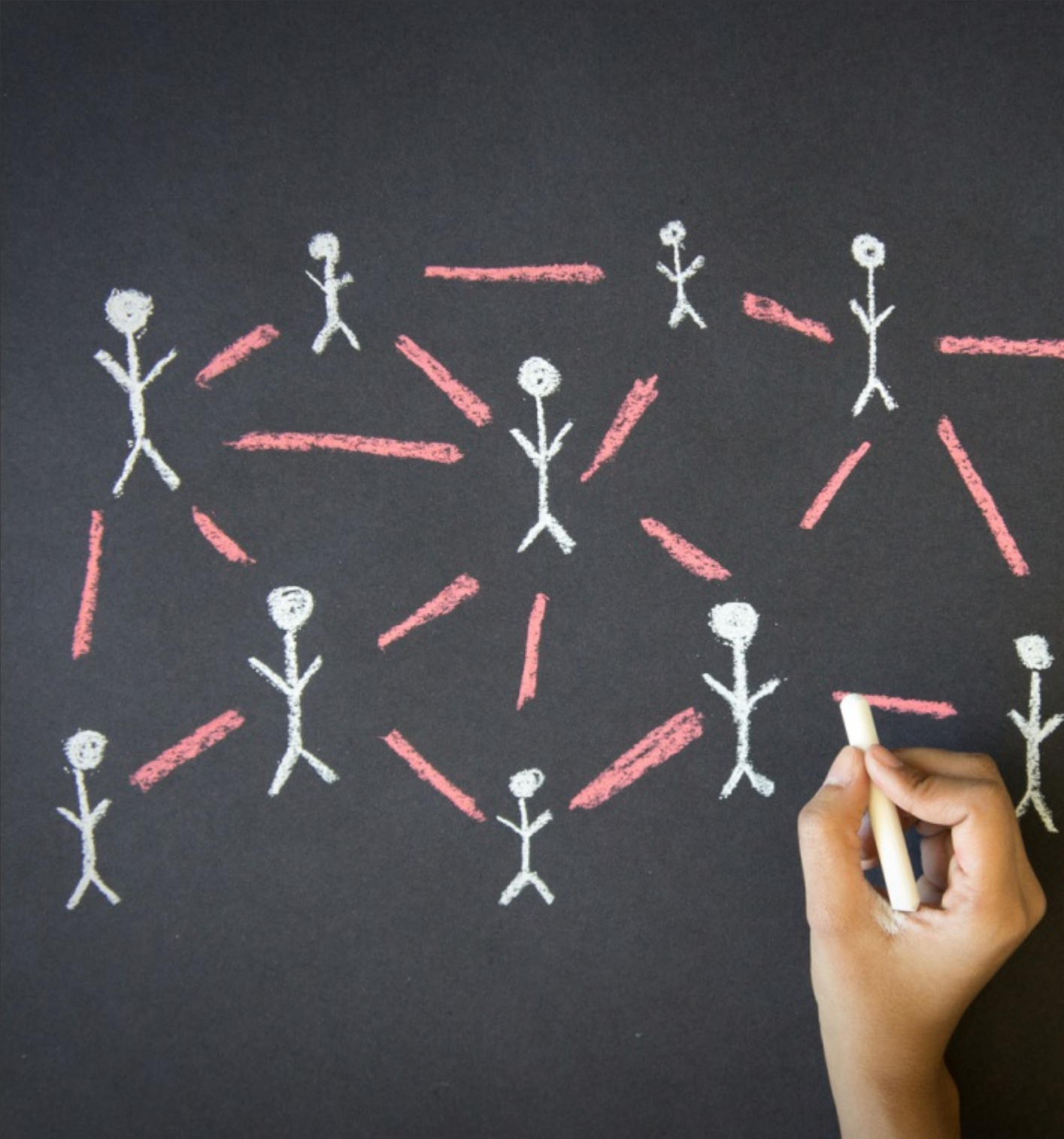
Search for supplier/s



On the basis of spend analyzed for the category in question, the procurement team identifies a supplier or set of suppliers that best meet the requirement.

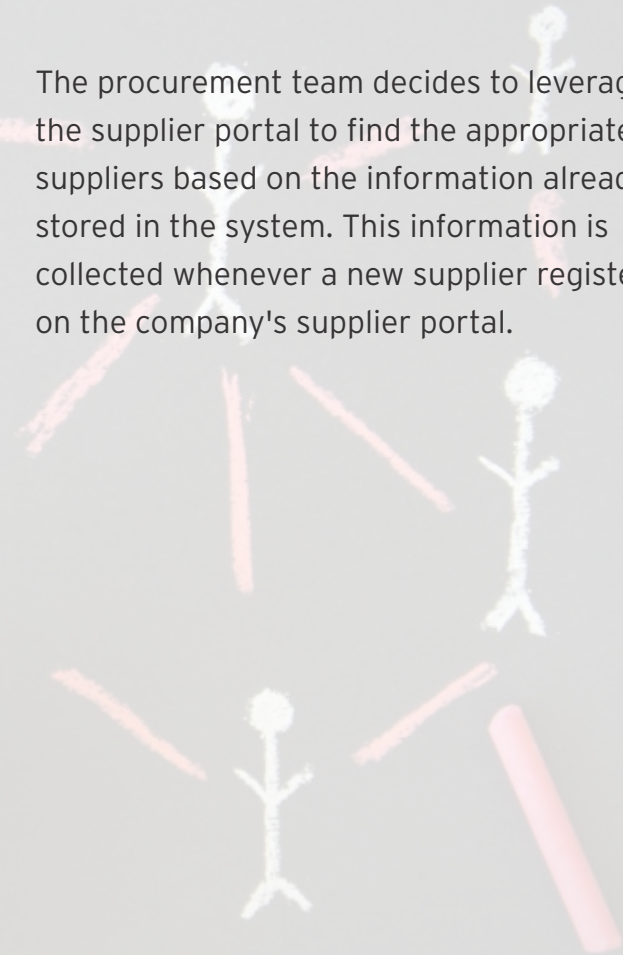
Factors that need to be considered while looking for a supplier may vary from industry to industry. Here are a few must-have factors that need to be evaluated while searching for suppliers: Financial stability, track record of business performance, and if the supplier is working with any competitor, etc.

There can be 2 possibilities when the procurement execs are searching for suppliers:



Possibility 1

The procurement team decides to leverage the supplier portal to find the appropriate suppliers based on the information already stored in the system. This information is collected whenever a new supplier registers on the company's supplier portal.





Possibility 2

The procurement team decides to look for new suppliers to fulfill the category requirement. In such a scenario it is important to understand the external supplier market and the current competitive situation.

In the scenario where the procurement team finds an incumbent supplier to be best suitable for the given requirement, the sourcing process moves to the RFP stage (Explained further in the eBook), as the basic information is already stored in the company's database.

However, if procurement thinks otherwise, then the sourcing cycle has an additional stage - RFI. The shortlisted suppliers (after searching the market) are invited to participate in this stage.



3

Request for information (RFI) (For new suppliers)

Once the organization has a list of new suppliers it would like to evaluate (after the supplier search stage), procurement sends out emails asking for supplier information like certifications (FDA, Sarbanes-Oxley Act of 2002 etc.), manufacturing plant details, disaster response time, lead time etc.

Additionally, modern technology enables buyers to not only ask multiple questions but also questions of different types like textual questions, single and multiple choice questions, as well as attachment and matrix-based questions.

4

Request for proposal or quotation (RFP/RFQ)



After receiving the information from the RFI stage, procurement will then send out mail to shortlisted suppliers requesting proposals/quotations for said requirement. Technology makes it possible to send out emails using the same platform. This helps procurement avoid the hassle of opening the mailbox and sending out mails to the suppliers.



5

Event roll-out

This stage talks about informing the participating suppliers about the event and carrying out the bidding.

Communicate event information

A sourcing event is when the suppliers are invited to bid. The procurement team creates an event describing the event objective and sends out emails to the shortlisted suppliers informing them of the sourcing event date and time. Often there's a repository of templates that procurement execs can use while drafting the event.

Flexibility while conducting the event

During the event, suppliers are asked to bid on the product. Technology arms procurement with flexibility while conducting the event by allowing scheduling events in different time zones and also supporting a large number of suppliers.

Technology also supports pausing a live event to add a new supplier or extend an event to accommodate additional requirements, or even reopen a closed event to consider responses of suppliers who may have missed the event.



6

Analyze supplier information

Once the bids are received, the next step is to analyze them.

Evaluating sourcing bids for complex categories, like engineering components or automobile parts, or services like legal, requires input from senior management. Technology enables collaborative scoring. Top management can share their feedback on different suppliers. This feedback is readily available on the same platform.

There's more to supplier analysis than selecting the supplier based on price alone. Procurement execs also analyze suppliers on non-price parameters, like supplier market share - indicator of supplier success and if the supplier is a global or niche player, quality of item/service being sourced, supplier performance, production and delivery capabilities etc.

Technology also enables automated scoring by assigning weights to different questions, depending on their importance asked at the RFI stage



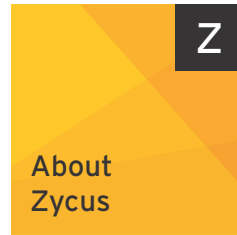
7

Award the contract and begin to track the suppliers

The final stage in the sourcing process is awarding the contract to the supplier. Technology enables to automatically choose the best match for any given criteria. For instance, if the organization is looking for a supplier who is from a particular country and provides the product/service at the rate of \$xx, then the tool will automatically show only suppliers who match the criteria.

Alternatively, procurement can also manually decide to whom to award the contract based on the supplier information collected.

Once the supplier has been finalized and the contract awarded, organizations need to lay the ground for managing the supplier in terms of supplier on-boarding, defining KPIs in collaboration with suppliers, periodic performance reviews, etc.



At Zycus we are 100% dedicated to positioning procurement at the heart of business performance. With our spirit of innovation and a passion to help procurement create even greater business advantages, we have evolved our portfolio to a full suite of Procurement Performance Solutions - Spend Analysis, eSourcing, Contract Management, Supplier Management, Financial Savings Management, and Procure-to-Pay.

We believe our deep, detailed procurement expertise and a sharp focus on being responsive to our customers has reflected in us being positioned as a 'Leader' in the '2013 Gartner Magic Quadrant' for Strategic Sourcing Application Suites. We continue to see each customer as a partner in innovation and no client is too small to deserve our attention.

We are a 600+ company with a physical presence in virtually every major region of the globe. With more than 200 solution deployments among Global 1000 clients, we search the world continually for procurement practices proven to drive competitive business performance. We incorporate these practices into easy-to-use solutions that give procurement teams the power to get moving quickly - from any point of departure - and to continue innovating and pushing business and procurement performance to new heights.

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