



# Taking E-Sourcing to the Next Level

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## Objective

Move beyond indirect spend to sourcing direct materials and complex services

Move beyond simple workflow automation to total sourcing cycle time reduction

## Benefit

- Decrease the cost of products and services
- Ensure compliance with business requirements
- Increase company & product performance
- Achieve cost savings across the organization

- Speed time to market
- Increase working capital

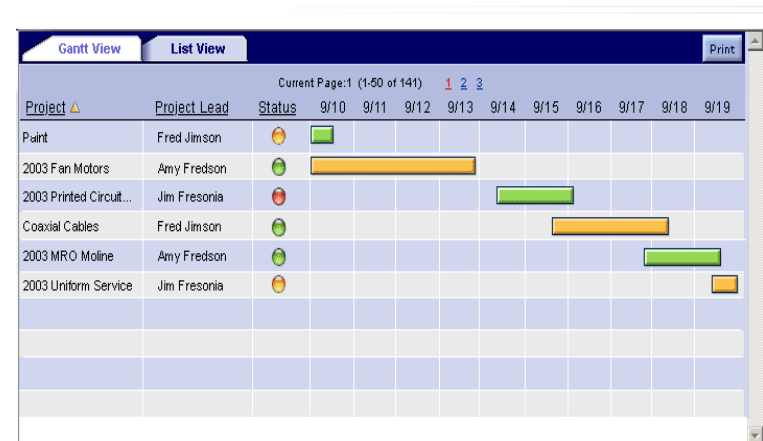
## Functionality

- Project Management with Best Practices
- Multi-stage negotiation
- Smart Data Framework
- Flexible pricing structures
- Optimization-based decision support
- Contract Management
- Process Automation
- Streamlined Negotiation
- Real-time bid analysis

# Project Management Benefits

Flexibly define multi-step projects, define teams and assign roles, manage task completion with alerting, save projects and all documents as templates.

- Improved process repeatability and knowledge management
- Better management of overall sourcing project schedule
- Task team workspaces provide one location for document, messages, and associated information



# Best Practices Make Sourcing Repeatable/Measurable

- Speed to deployment increased
  - Get companies up and running quickly with best-of-breed sourcing programs
  - Build sourcing knowledge of your team rapidly
- Repeatable/measurable sourcing programs across the enterprise
  - Establish a good baseline of documents and processes that can be built upon to create best of breed sourcing
  - Knowledge management/Organizational learning
- Saving time and \$ in set up
  - Comes with templates for sourcing the categories including key cost elements and proven approaches
- Saves category manager and analyst time
  - Up-to-date supply base and market information

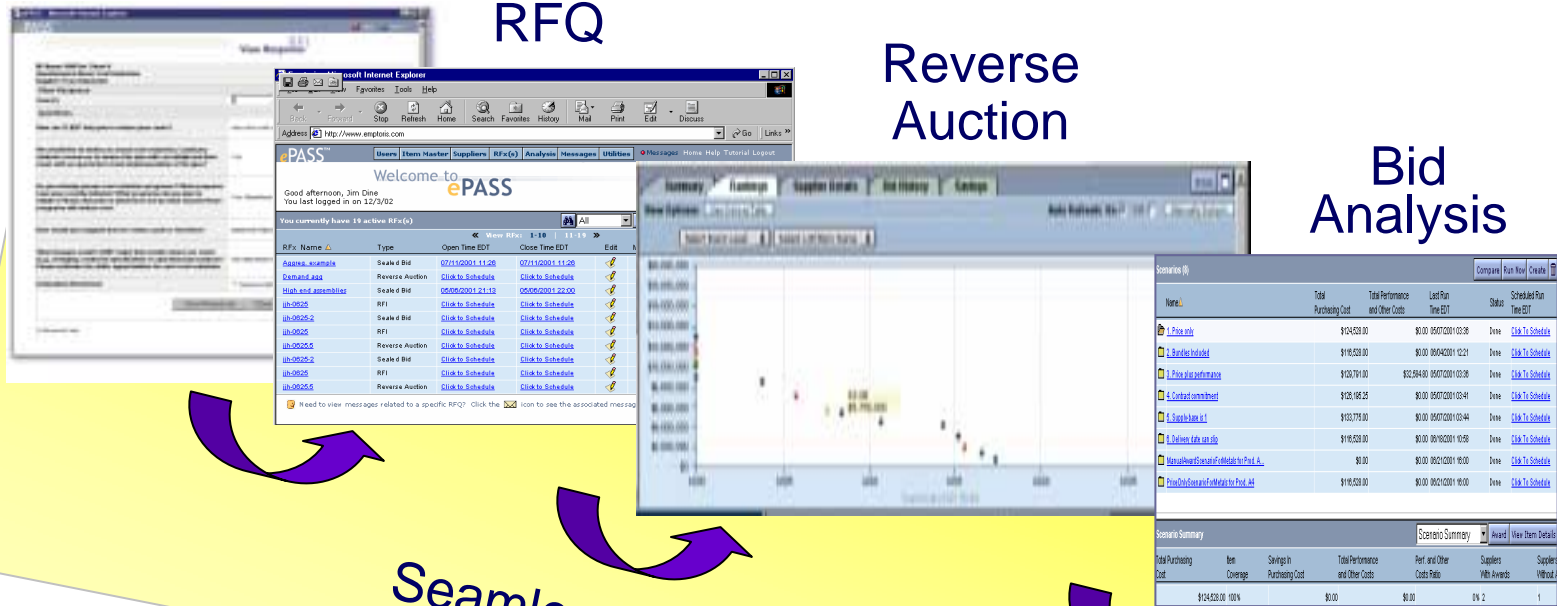
Distinct, integrated and flexible capabilities for qualifying, negotiating and selecting vendors for sourcing awards

RFI

RFQ

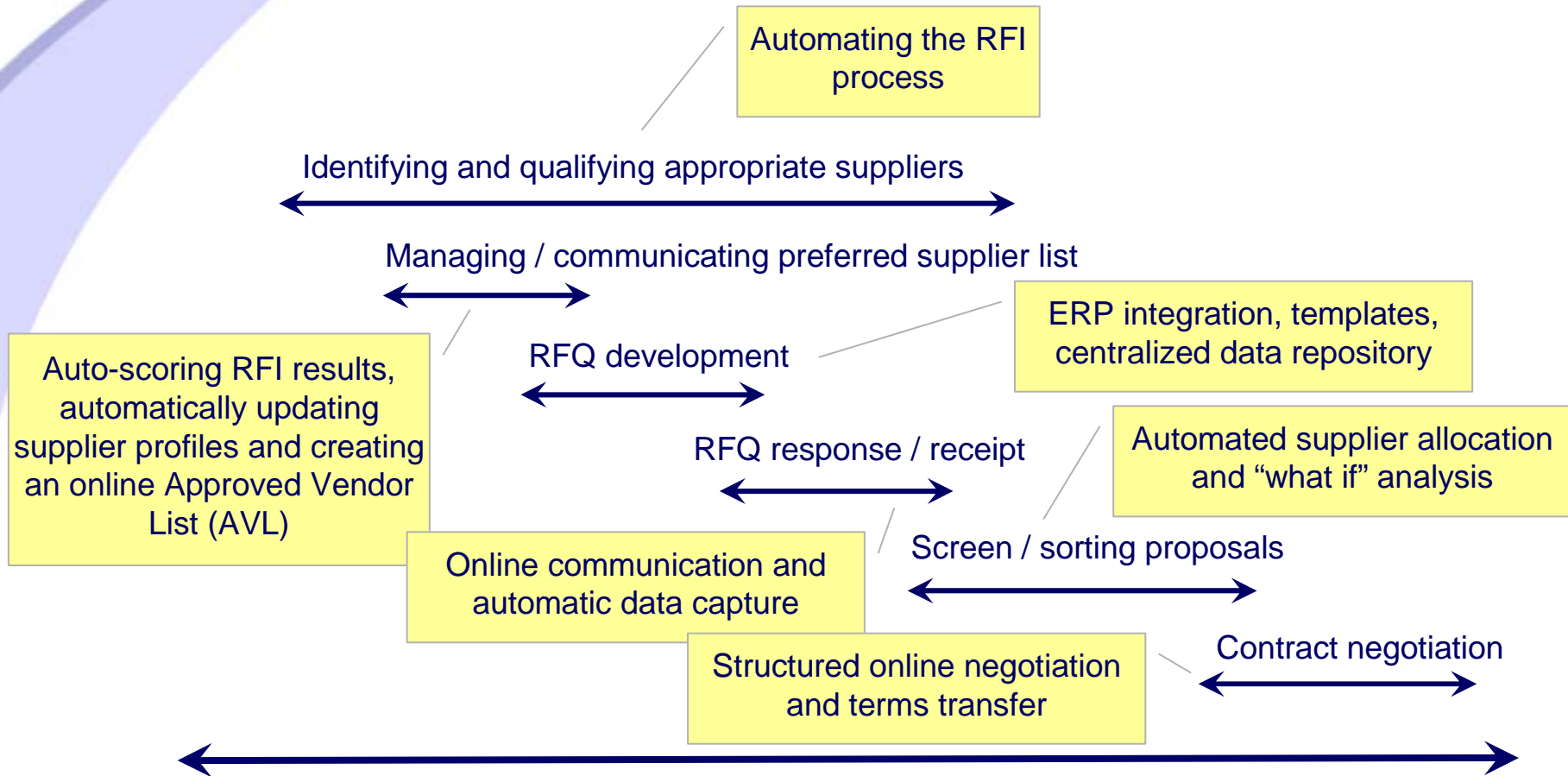
Reverse Auction

Bid Analysis



Seamless Data Flow

# Speed Time-to-Market by Reducing the Sourcing Cycle

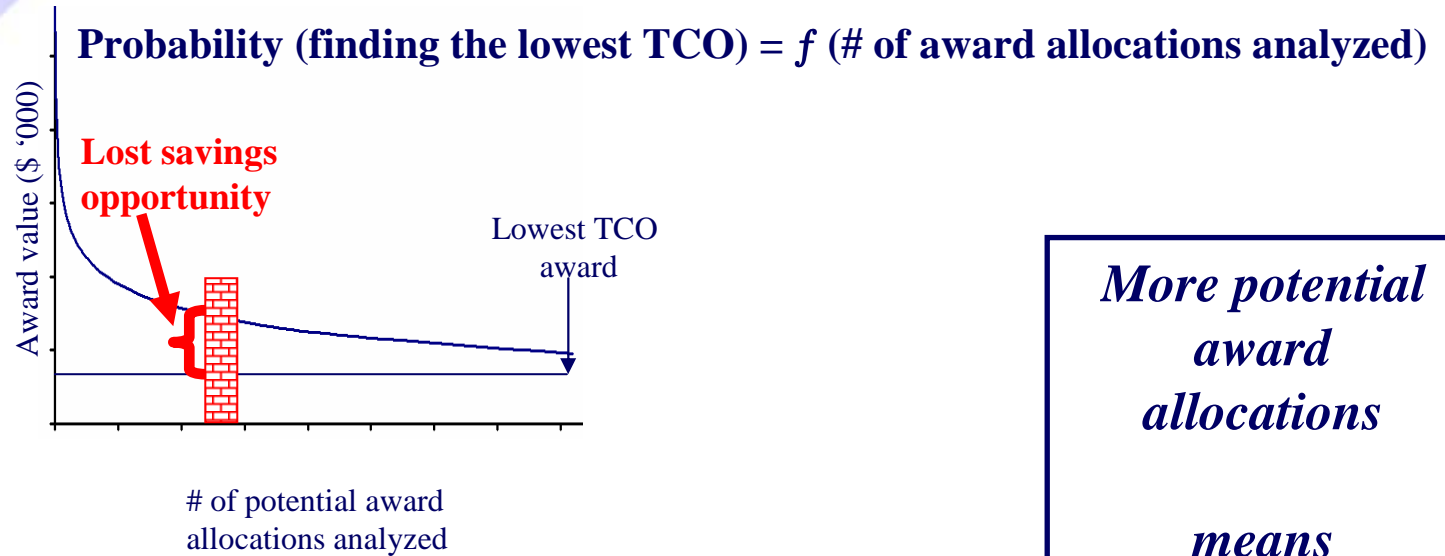


Average sourcing cycle = 3.3 to 4.2 months  
 Reduced Sourcing Cycle = 3-4 weeks

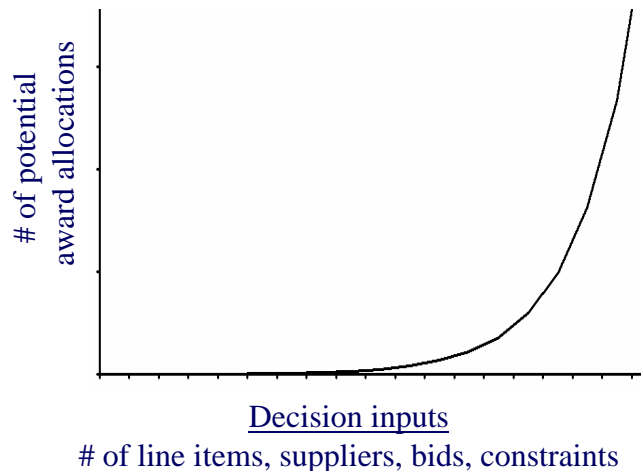
# Optimization – What is it?

- A mathematically rigorous approach for finding the guaranteed optimal solution to an objective function (i.e., the overall goal of the decision maker) such as minimize the total sourcing cost
- Combines applied mathematics with computer science
- Used to solve complex business problems with hundreds, thousands, or even millions of interdependent variables.
- Used by factory planners, airline routing, and logistics coordinators to make multimillion dollar decisions daily
- Used by Emptoris to quickly and simultaneously evaluate all of the possible ways to award business to a set of suppliers

# The Limitations of Traditional Bid Analysis



**More inputs => More potential award allocations**



*More potential  
award  
allocations*

*means*

*Longer time  
analyzing  
decision*



# Optimization: Key Benefits

- Mathematically guarantees the lowest total cost solution
- Leads to best decisions, quickly
- Enables multi-line RFQ analysis not possible with spreadsheets and ranking systems
- Quantifies the “cost” of purchasing policies
- Quantifies trade-off between savings from volume discounts and additional inventory holding costs
- “What-if” scenario analysis lets buyers determine absolute best decision
- Additional 5%-15% cost savings through bidding options and guaranteed total cost of ownership

- Save time and \$ in managing contracts
- Enable compliance with follow-on contract requirements
- Model contract obligations upcoming sourcing activity

Contracts

View and Manage Contracts

Current Contracts (11)											All	Create New Contract	Print		
Contract Name	Supplier Org	Version	Administrator	Status	Effective	Termination	Edit	Monitor	Approve	Create Version	Select All				
<a href="#">2001 Plastic Sourcing Contract</a>	<a href="#">Acme</a>	1	<a href="#">Sam Lynne</a>	Canceled	<a href="#">01/02/02</a>	<a href="#">04/02/02</a>					<input type="checkbox"/>				
<a href="#">2002 Plastic Sourcing Contract</a>	<a href="#">Acme</a>	1	<a href="#">Liz Rose</a>	Approved	<a href="#">01/03/02</a>	<a href="#">04/03/02</a>					<input type="checkbox"/>				
<a href="#">2003 Plastic Sourcing Contract</a>	<a href="#">Acme</a>	2	<a href="#">Nick Joseph</a>	Approved	<a href="#">01/04/02</a>	<a href="#">04/04/02</a>					<input type="checkbox"/>				
<a href="#">2003 Plastic Sourcing Contract (Draft 1)</a>	<a href="#">Acme</a>	1	<a href="#">Carly Mangine</a>	Draft	<a href="#">01/02/02</a>	<a href="#">04/02/02</a>					<input type="checkbox"/>				
<a href="#">Contract for Chemical Supplies 2002/3</a>	<a href="#">Biomed</a>	1	<a href="#">Joey Douglas</a>	Created	<a href="#">01/03/02</a>	<a href="#">04/03/02</a>					<input type="checkbox"/>				
<a href="#">Fleet Car/Truck Parts Primary Contract</a>	<a href="#">CarInt</a>	5	<a href="#">Liam Wilson</a>	Approved	<a href="#">01/04/02</a>	<a href="#">04/04/02</a>					<input type="checkbox"/>				
<a href="#">Janitorial Supplies</a>	<a href="#">Acme</a>	2	<a href="#">Nicole Perry</a>	Approved	<a href="#">01/02/02</a>	<a href="#">04/02/02</a>					<input type="checkbox"/>				
<a href="#">Office Equipment 2002 Contract</a>	<a href="#">Acomat Inc.</a>	1	<a href="#">Carly Mangine</a>	Expired	<a href="#">01/03/02</a>	<a href="#">04/03/02</a>					<input type="checkbox"/>				
<a href="#">Operational Equipment Contract - 2002</a>	<a href="#">Acme</a>	1	<a href="#">Joey Douglas</a>	Approved	<a href="#">01/04/02</a>	<a href="#">04/04/02</a>					<input type="checkbox"/>				
<a href="#">Operational Equipment Contract - 2003</a>	<a href="#">Biomed</a>	1	<a href="#">Liam Wilson</a>	Created	<a href="#">01/02/02</a>	<a href="#">04/02/02</a>					<input type="checkbox"/>				
<a href="#">Transportation Costs and Planning</a>	<a href="#">Acme</a>	2	<a href="#">Nicole Perry</a>	Under Review	<a href="#">01/03/02</a>	<a href="#">04/03/02</a>					<input type="checkbox"/>				

<u>Company Type</u>	<u>Spend Amount *</u>	<u>Savings</u>
• Life sciences	> \$1B	20%
• Electronics	> \$4B	25%
• Appliances	> \$500M	12-51%
• CPG	> \$100M	22%

\* Spend includes direct materials, indirect goods and services

*"Interviewees [Companies] have saved 10-15% in direct goods and 20-25% in indirect goods and services while slashing sourcing cycle times."*

*—AMR Research, E-Sourcing Report, June 2002*

- Savings** – Lower the cost of goods and services and achieve the lowest total cost of ownership
- Speed** – Speed time-to-market by reducing the sourcing cycle
- Breadth** – Improve entire sourcing process through a comprehensive set of integrated functionality
- Flexibility** – Easily configure the solution to meet specific industry and category needs