Supplier Relationship Management

“A vital link in the e-Supply Chain”

Claudia Weeder
eNIKLAS (UK) Limited
Agenda

- The future is e-Procurement
- Supplier Relationship Management
- Positioning SRM in the e-World
- A 5-Step Approach SRM Solution
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The future is e-Procurement

- e-Volve
- Re-engineer
- Change
- Change management
- revolutionise
- "e"-everything
- e-Volutionise
The challenges businesses face:

- Increased global competition
- Pricing pressures
- Improve productivity
- Reduce/Manage costs
- Identify new opportunities

The conventional approach:

- create efficiencies in product design, manufacturing, and sales processes.

The latest strategy:

- Starting to focus attention on improving supply chain management activities, particularly corporate procurement processes.
The Cost of Procurement

- Average cost of processing a purchase order is £70.
- Average cycle time is 7.3 days.
- Most purchases are high-volume, low-cost.
- Not uncommon for cost of processing an order to exceed the value of goods or services.
The Cost of Procurement

- Banking and financial organisations in the UK waste £100m a year.

- Manufacturing companies account for another £50m.

- The whole of UK industry could save around £45 billion a year.

Source: mro.com research
The future is e-Procurement

- Extends product selection
- Greater choice of suppliers
- Reduced prices for goods and services
- Faster ordering and shorter fulfilment cycles
- Lower transaction costs
- Lower administrative costs
- Increased control over off-contract purchases
- Connection to multiple catalogues from *chosen* suppliers in real-time
The future is e-Procurement

e-Procurement gains by business area:

- Purchasing staff: 30%
- Warehouse/stock carrying requirement: 17%
- Transportation costs: 12%
- Competition on price: 34%
- External consultants: 7%

Source: IQ Research
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Market Leaders

SAS Institute

The leading provider of decision support and data warehousing solutions.

Dun & Bradstreet

The leading provider of commercial credit, marketing, purchasing, and financial data worldwide.

Business data combined with data warehousing technology and analytical reporting into a single, robust and reliable procurement management solution.
The Procurement Issues

- Questions to consider before implementing e-Procurement
  - Who are my suppliers?
  - What am I buying from a given supplier?
  - How much am I spending with a supplier?
  - How can I reduce spend with a supplier?
  - What is my risk in dealing with a specific supplier?
The Procurement Issues

“This may surprise people, but we don’t actually know where we procure” - Clive Mather, CE of SSI.

Procurement is the first step in e-commerce and there is a need to refine the supplier base.

“Many businesses are uncertain of the size or distribution of their annual purchasing.” - FT, Feb 2000
WHO?

Who are my suppliers?

- Supplier names not consistently recorded.
- Lack of standards in naming suppliers.
WHAT?

What am I buying?

• Same supplier sells other commodities you buy from another supplier
• Buying some other product from a sister company without knowing it
• Your risk in dealing with a specific company?
• Impact on your business if a supplier could not deliver
How are my purchasing habits changing?

- Uncover the hidden information in your purchasing data
- Accurate gauge for choosing new suppliers
- Identify old or unprofitable purchasing patterns
How much am I spending?

- No total picture of what you are actually purchasing
- Can’t assess the value of that relationship
- No leverage for negotiating bigger discounts
Type of Purchases

(% of total U.S. non-production expenditures)

- Travel and Entertainment (21%)
- Computer equipment and software (13%)
- Office supplies, office furniture, office machines, business forms (11%)
- Maintenance and repair goods and services (55%)

Source: Aberdeen Group, June 1999
Type of Purchases

• “Maverick” purchases account for 30% of all MRO expenditures.

• Disadvantages:
  – reduces ability to effectively monitor expenditures
  – severely limits opportunities to access pre-negotiated prices or volume discounts
  – provides no leverage for future negotiations with suppliers.
The Benefits

- Transferring maverick purchases onto corporate contracts significantly improves the bottom line.
- The reason: Procurement processes tend to have greater and more reliable effects than improvements in other functional areas.
- In short, reductions in procurement costs translate into a pound-for-pound improvement in company profits.
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SRM in the e-Supply Chain

Suppliers

Organisation

Traditional, independent business processes

Face-to-face
Phone / Fax
Mail
SRM in the e-Supply Chain

Suppliers

Organisation

Face-to-face
Phone / Fax
Mail
Internet

Dynamic, networked supply chain
SRM in the e-Supply Chain

Suppliers

Supplier Relationship Management

e-Business Processes

Internet

Customers

Customer Relationship Management
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A 5-Step Approach

- Step 1: Create a Procurement Warehouse
- Step 2: Apply Standards
- Step 3: Build a Procurement Knowledge Store
- Step 4: Apply Analytical Support
- Step 5: Procurement Scoring
A 5-Step Approach

1. Create a Procurement Warehouse
2. Apply Standards
3. Build a Procurement Knowledge Store
4. Apply Analytical Support
5. Procurement Scoring
Step 1: Create Procurement Warehouse

Data Extraction

- SAP
- DB2
- PC
- E-commerce

Operational Platforms

Data Transformation

Data Warehouse

Enterprise Server

Source: SAS Institute
A 5-Step Approach

Step 1: Create a Procurement Warehouse

Step 2: Apply Standards

Step 3: Build a Procurement Knowledge Store

Step 4: Apply Analytical Support

Step 5: Procurement Scoring
Step 2: Apply Standards

Data Extraction

Data Transformation

Data Rationalisation

Source: SAS Institute
Step 2: Apply Standards

Data Rationalization

Apply D-U-N-S® Number
- Unique Corporate Identifier
- Corporate Families
- Additional Corporate Information

Apply UN/SPSC Code
- Standard Product and Services Code
Step 2: Apply Standards

D-U-N-S® Number

- Most recognised business identification standard world-wide
- Globally recognised by commercial and government sectors
- Historical and financial information
- 53 million companies world-wide
Step 2: Apply Standards

D-U-N-S® Corporate “Family” Linkage
Step 2: Apply Standards

United Nations Standard Products and Services Code (UN/SPSC)

- Non-propriety, hierarchical numbering system
- Identifies broad product groups, e.g. office supplies
- Identifies specific classification, e.g. toner cartridges
- Endorsed by many organisations across the world
- Answers the question: What am I buying?
## Step 2: Apply Standards

### 4-Level Hierarchical commodity structure

<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>51........</td>
<td>Drugs and Pharmaceutical Products</td>
</tr>
<tr>
<td>5110.......</td>
<td>… Anti-infective drugs</td>
</tr>
<tr>
<td>511015....</td>
<td>…… Antibiotics</td>
</tr>
<tr>
<td>51101507</td>
<td>……… Penicillin</td>
</tr>
</tbody>
</table>
A 5-Step Approach

Step 1
Create a Procurement Warehouse

Step 2
Apply Standards

Step 3
Build a Procurement Knowledge Store

Step 4
Apply Analytical Support

Step 5
Procurement Scoring
Step 3: Create Procurement Knowledge Store

Data Warehouse

Enterprise Server

Operational Platforms

Data Extraction

SAP

DB2

PC

VSAM

Data Transformation

Data Rationalisation

Source: SAS Institute
Step 3: Create Procurement Knowledge Store

Data Extraction  |  Data Transformation  |  Data Rationalisation  |  Data Analysis & Reporting

Source: SAS Institute
A 5-Step Approach

Step 1: Create a Procurement Warehouse
Step 2: Apply Standards
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Step 4: Apply Analytical Support

• OLAP (Online Analytical Processing)
  - make it easy to summarise data at a very high level
  - and then drill down to specific details, e.g. company subsidiaries

• Data mining tools
  - allow more in-depth analyses and modelling of procurement data, e.g. segment suppliers in relation to total number of employees or age of company, etc.
Step 4: Apply Analytical Support

PROCUREMENT VISION™
OLAP Application

Supplier Data Analyses

- By Industry Spend
- Top 10 Suppliers
- High Risk Suppliers
- Dependency Ratio
A 5-Step Approach

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Step 5: Procurement Scoring
Step 5: Procurement Scoring

- Supplier Balanced Scorecard
  - Analyse type of service
  - Analyse quality of goods and services
  - Are you getting inventory on time?
Summary

• Procurement is the first step toward e-commerce and there is a need to refine (rationalise) the supplier base.

• Reductions in procurement costs directly translate into a 5 -15% saving in company profits.

• To realise the full benefits of Internet Procurement, organisations must have the ability to manipulate transaction data, pricing, and supplier performance data into information that support strategic procurement decisions.

• Internet Procurement solutions can benefit from the incorporation of sophisticated analysis technologies, such as online analytical processing (OLAP) software.
About eNiklas

• New Name
• New Company
• Business Alliance Partner to SAS Institute
• Largest European Quality Partner of SAS Institute
• New Skills & Competencies
• New Profile and Image
QUESTIONS?

Thank you. We hope you’ve enjoyed the presentation!

Stands 21 & 22

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