

Digital Excellence



Five common misconceptions of E-Sourcing



Foreword

Sourcing negotiations are digitizing and gradually moving to the cloud as SaaS offerings are becoming more accessible.

Yet, too often do we hear E-Sourcing erroneous beliefs that result in missed savings opportunities.

This white paper tackles five of these misconceptions, so that your organization can overcome E-Sourcing reluctance and achieve increased savings.



Misconception #1

**E-Sourcing doesn't apply to
my category**

All spend categories can be e-sourced

From screws to global office catering services, from SMSes or telephone minutes to engine oil, there is no limit to the spend categories you can e-source.

One simple rule is that your event is attractive and competitive.

Attractive

- The business is clearly defined (volumes, spend, locations)
- There is supplier interest

Competitive

- You are not sourcing on a monopoly market and you know of or can discover challengers to your incumbent(s)
- Margins can be compressed

Do

- Aggregate spend to increase visibility and supplier interest
- Check when was the last time you renegotiated the current contract
- Run an RFI / RFP to gauge supplier interest and perform market discovery

Don't

- Invite a unique supplier
- Source for a hypothetical low volume / unit price

Instead

- Ask for pricing for different quantity scenarios
- Add a volume-based discount term



Misconception #2

**My organization is too small
to engage in E-Sourcing**

It may be the opposite

According to Gartner, in their 2018 Magic Quadrant for Strategic Sourcing Application Suites: « Smaller and midsize organizations in particular still have most of this journey ahead of them »

E-Sourcing subscriptions are **affordable**, even for small businesses, or can even come as a freemium with a sourcing spend cap.

As a matter of fact small businesses can leverage even more from such a subscription and **get an immediate return on investment**.

Identify a few categories or projects (your pipeline) for which you would like to run E-Sourcing events.

Enroll on an E-Sourcing software or platform and build your event.

Communicate with your suppliers about this initiative and launch your first event.

Collect and analyze bids to decide who to award the business to.

You can also leverage your E-Sourcing platform to create **forward auctions to sell inventory surplus** or unwanted goods and maximize their value.



Misconception #3

E-Sourcing is time-consuming

Time efficiency

A good sourcing strategy should include proper planning and multi-stage **market identification**, a healthy **negotiation** with several vendors, and a business **award** involving several internal stakeholders (category manager, procurement, legal, ...).

Now imagine the augmented potential yielded by automating bid collection, negotiation, competition and award.

The overhead of switching to E-Sourcing comprises a one-off deployment time and event setup. While an online sourcing module can easily be deployed in a few weeks, using event templates will drastically **reduce your time-to-publish** for upcoming RFX and auctions.

Your sourcing cycle time will be quicker thanks to the **simplification** of the **bid collection** and **analysis**.

For instance, an e-auction typically lasts for one hour.

Upon event closure, an award scenario kicks in and immediately proposes the best supplier based on your pre-defined criteria.

Save time when looking for historical data. Answering questions like « how much did we pay for this service in Q3 last year? » can now be answered in few clicks.

Business case figures show an average of **10% savings achieved** while **turnaround time decreased by 50%** thanks to E-Sourcing.

For even more time efficiency, you can also leverage an **independent sourcing desk** to handle event creations, supplier on-boarding and **auction monitoring**.

No need to train or hire internal resources and no risk about turnover. Your buyers can keep focusing on operations.



Misconception #4

Suppliers will not participate

Supplier participation

You have prepared your event pipeline, you know your market and your savings targets are set.

Yet your event will only be a success if suppliers do participate and place bids.

There is usually a lot of emphasis put on the above « if » by E-Sourcing skeptics.

« This is not the way we work », « we cannot compress our almost non-existing margins anymore », « we simply do not participate in price slashing auctions »

We heard these, and yet we managed to conclude with satisfied suppliers, whether awarded or not the business.

The key?

Effective and **transparent communication** to highlight the benefits they get from such an E-Sourcing platform.

Increased competition visibility and market feedback can be a lever, accessing a business network and getting exposure, streamlining their bidding process can be others.



Misconception #5

**E-Sourcing will damage
supplier relationships**

Supplier satisfaction

Your award scenario can include non-pricing but quantitative criteria. You can take into account product / service quality or on-time delivery, thus inciting suppliers to higher up their offering.

To achieve a **high supplier satisfaction** through E-Sourcing

- Communicate transparently about the event details: timing, pre-requisites, access gate, pricing structure, ...
- Make your expectations and awarding timeline known
- Organize test events to confirm there are no issues
- Provide live-event support

Additionally, **consolidated spend** can lead to awarding more business to fewer suppliers while generating savings for the buying organization.

Lastly, incumbents tend to be awarded more than two thirds of the time. However, **award decisions are now supported** by comparable metrics accross your vendor base.



Conclusion

Digitization & Savings

Digital
Excellence

Digitization remains the biggest motivating factor for investing in E-Sourcing, but savings and productivity are on a similarly upward trend.

Do not let this opportunity pass and do not miss a chance to generate savings through E-Sourcing.

Digital Excellence can kickstart your E-Sourcing initiative and ensure consistent savings without threatening your supplier relationships.

Get in touch now to know how our Sourcing Desk can assist you leverage your SAP Ariba sourcing platform to generate savings.

Top 3 reasons for investing in E-Sourcing





Digital Excellence

Generate savings through SAP Ariba

www.digital-excellence.fr

info@digital-excellence.fr

0033 783 240 880