



eSourcing Overview

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1.0 Introduction

eSourcing can simply be described as the process of applying various eProcurement tools to the Sourcing process.

There are a number of eProcurement tools that extend way beyond what most people associate with eSourcing, i.e. Reverse Auctions. Reverse Auctions represent just a single tool within the eSourcing portfolio, albeit the tool that has more immediate impact than any other.

eSourcing is a process and not just a tool. Many companies have embarked on implementing a Reverse Auction tool but they have often failed to achieve the expected benefits as they fail to link the process with the various tools and plan for an effective implementation.

2.0 Benefits of eSourcing

There are a number of significant benefits from implementing a thorough eSourcing Strategy. Key benefits include:

- **Significant cost savings.** Organisations can achieve this savings through reduced purchase costs, increased contract compliance and process efficiencies.
- **The development of best practice.** eSourcing should allow consistent best practices to be adopted throughout the organisation and thus increase process efficiencies.
- **Extended collaboration.** Many of the applications will allow the Buyer to reach across the organisation in a virtual capacity to engage other stakeholders in a more productive manner.

This collaboration also extends to suppliers where information can be shared more productively so that all parties benefit from the increased interaction. All bids and related messages from suppliers can also be made available to nominated internal stakeholders, thus increasing the transparency of sourcing decisions.

- **Increase the efficiencies of the Sourcing process.** The traditional sourcing process is often shrouded in secrecy and it may take several months to finally complete the supplier selection and to agree contracts. eSourcing will eliminate many of these process inefficiencies so that benefits are achieved sooner.
- **Improve sourcing decisions.** From many of the benefits listed above and provided that a thorough approach is taken to gathering accurate data then the quality of the sourcing decision should be improved. The ability to implement should also be enhanced.

3.0 eSourcing Solutions

There are currently in excess of fifty different providers in the market place who each provide some form of eSourcing Solution. It is rare now to find software with just a limited Reverse Auction capability as many providers recognise the benefits of integrating other applications that support the eSourcing process.

Listed below are many tools that could be considered as part of an eSourcing implementation.

- Standard Reverse Auctions
- Advanced/ Optimised Auctions
- e-RFx Capability (includes e-RFI, e-RFQ & e-RFPs)
- Contract Management
- Spend Analytics
- Supplier Performance Management
- Project and Programme Management
- Supplier Intelligence Tools
- Collaborative applications
- Supplier Portals

Each provider will offer a different range of functionality and commercial offerings. The more advanced providers offer a very comprehensive range of solutions that endeavour to complement the entire eSourcing process. Whilst they provide strong functionality they tend to be expensive to acquire and to support. Many organisations often fail to maximise their full potential value as additional functionality tends to bring complexity which inhibits usage.

There are other applications that are not as rich in functionality but provide affordable easy to use software with extended applications, such as contract management. Their applications are akin to a Ford Focus whilst some of the top end applications can be considered as Ferrari's (lots of bells and whistles, look great but are difficult to drive).

At the bottom end of the scale are some very limited providers who offer some very low cost Reverse Auctions, although the support costs are not always made clear! Their sustainability remains questionable.

4.0 Getting Started (Brief Overview)

Step 1. Conduct some form of Strategic Sourcing review.

Before an organisation embarks on an eSourcing implementation they are strongly advised that they have completed some form of Strategic Sourcing review of their spend and identified the potential opportunities. In practice, however, we recognise that many organisations often wish to capture some form of eSourcing benefit to justify further investment.

A Strategic Sourcing review will also help identify some of the potential business requirements that would be required to support the eSourcing implementation.

Step 2. Acquire an eSourcing capability

Organisations should be clear on their requirements and what type of solution provides the best fit and is within budget. As indicated earlier there are in excess of fifty providers each offering different functionality and commercial propositions. Organisations need to be aware that what might suffice in the short to medium term might not be suitable once further eSourcing experience and confidence has been gained.

Step 3. Plan the implementation

Many organisations often over aim in their ability to deliver on various eSourcing targets and thus become frustrated in their ability to deliver. Any implementation should be based on many factors including but not limited to available resources (including stakeholders), as often eSourcing requires more effort than traditional methods in preparing for events.

The experiences of other leading organisations is also worth considering as they will have overcome many of the potential pitfalls and learning experiences.

Step 4. Implement and sustain the eSourcing implementation

Once planned, the implementation must be sustained to ensure an optimal outcome. Managing several Reverse Auction events and drifting with periodic events is poor practice if the potential to do much more exists. Organisations will find that what works well in the beginning will probably need to change as they progress, their needs and the technologies change.

5.0 Summary

eSourcing is now a fundamental part of any Purchasing Director/ Manager's role and responsibility. Determining which applications are the most suitable and how to develop processes that support effective eSourcing adaption is critical to the success of the Purchasing Professional.

Many of these tasks may have rested with the IT function in the past, but if the Purchasing function is looking to make a significant contribution to the organisation's core performance then it must develop and lead the eSourcing process.

For further information on strategic sourcing, developing an eSourcing strategy, suitable software, payment options then please contact Adrian Finn on 0207-100-5365 or via email adrian.finn@esourcingsolutions.co.uk.

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