

# 10 Steps to get most value from your esourcing efforts

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A TACTICAL GUIDE TO ENSURE YOUR  
ESOURCING EFFORTS CREATE  
THE MOST VALUE FOR YOUR BUSINESS



# Introduction

As we are slowly adapting to the ‘new normal’ most procurement practitioners have come to realize the benefits of technology and the results it can bring when used correctly. Given recent developments your company might find itself in need of engaging with new suppliers or engaging differently with existing suppliers and stakeholders. This can easily be achieved with the right eSourcing Technology in place.

Scanmarket fervently believes in the value that technology, used correctly, can dramatically impact results. That said, we are also “sourcing people” and know that at the end of the day:

Good eSourcing = Good Sourcing

Just as with any technology, how you use it matters at least as much as whether you use it. To that end, here we offer a tactical guide with Top 10 Steps to ensure you get the most business value from your eRFx efforts:

- 1** Be specific and give bidders a good target to shoot at
- 2** Be brief
- 3** Don't assume your suppliers sell a commodity
- 4** Do your homework, internally and externally
- 5** Keep it easy, for everyone
- 6** Use multiple parameters to guide decision-making
- 7** Ask suppliers for their input
- 8** Involve stakeholders in award decisions
- 9** Know the business
- 10** Make it easier to bring in new sources of supply

# 01

## **Be specific and give bidders a good target to shoot at**

When talking with suppliers about RFx's and eSourcing, one of the things we hear frequently is that it can be difficult to understand what it is the buyer really wants. Whether due to a rushed deadline, poor internal collaboration, or (frankly) lack of effort, buyers sometimes don't provide a clear picture to their bidders.

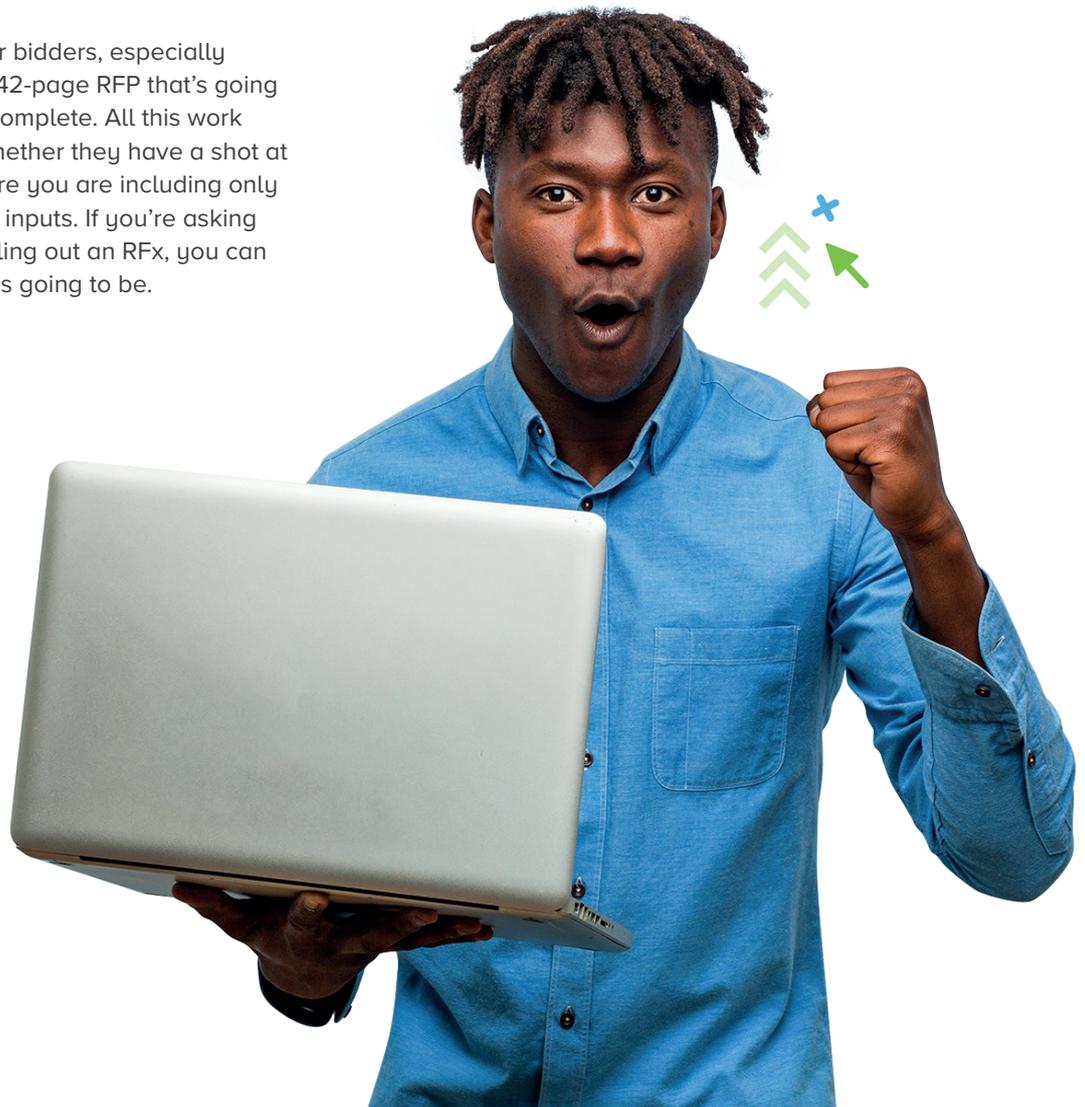
This not only makes it harder for your suppliers to participate, it also drives poorer results. With unclear specifications or requirements, the bidders will necessarily add in "fudge room" to account for unforeseen costs. This reduces your savings and introduces uncertainty into the final deliverables.

# 02

## Be brief

While it might be nice to believe that suppliers are just sitting around waiting for us as buyers to call, that's hardly ever the case. Suppliers need to evaluate where to place their scarce resources just like you. Since it's well-documented that more bidders = more savings, you want to give potential bidders every reason to participate in your event.

One of the biggest turn-off's for bidders, especially nonincumbents, is receiving a 42-page RFP that's going to require major resources to complete. All this work without any real insight into whether they have a shot at winning the business. Make sure you are including only the absolute necessary bidder inputs. If you're asking a bidder to spend five hours filling out an RFx, you can guess what the response rate is going to be.



# 03

## Don't assume your suppliers sell a commodity

Part of good sourcing is to ensure that you're making apples-to-apples comparisons. That said, most categories just don't work that way. Even if you're dealing with a SKU-based product where you can make direct line-item comparisons, there are still non-price factors to be included such as service levels, delivery, quality, warranties, etc.

Suppliers typically know the commodity landscape better than the buyers (after all, this is where their core competencies lie) and will have valuable suggestions on how to improve total cost, product mixes, or equivalents. Always provide a formal, written opportunity for bidders to give you suggestions for improvement to the offer. You might even **learn something new along the way.**

# 04

## Do your homework, internally and externally

“The most valuable commodity I know of is information” – Gordon Gekko said, and he had it right, despite his other failings. By knowing upfront who you’re up against, you will significantly improve the chances of success, even for sourcing events.

This is true both for understanding a supply market prior to sourcing, but even more so for your internal situation.

- Use **Spend Analysis** to understand your organization’s needs.
- Ask the business stakeholders about their real needs rather than just focusing on your priorities of savings, compliance, etc.
- Review previous sourcing events, documents and outcomes to see what has gone right, and more importantly wrong, in the past.
- Reach out to peers to see what you can learn from them.

In our time in the sourcing industry, we’ve always been impressed by the degree to which other procurement professionals are willing to share learnings, insights and best practices. At least so long as they are not competitors...

That’s what RFIs are for. Many industries are small, and word gets around if you’re just adding bidders for “column fodder” but always awarding to the incumbents.

**Externally, the golden rule is “Never invite a bidder to a competitive bidding event if you’re not willing to award them the business under the right circumstances”.**



# 05

## Keep it easy, for everyone

Procurement people frequently speak about the goal of getting “the business” more involved in their efforts and being invited more frequently to participate early in the sourcing process. One of the perennial laments, on both sides, is when a sourcing project will be delivered late in the process from the business owner to procurement. For procurement, it’s too late to make any meaningful impact or add sound sourcing structure to the process.

For the business, procurement looks like just another bureaucratic hurdle to getting what they need, to keep the business running. Instead of looking at the symptoms, we should look to the root cause. In this case, there are two, one easy to fix and one harder. The harder hurdle is ownership and control. The business doesn’t want procurement “looking over their shoulder” and complicating their life. This is where stakeholder management, communication and collaboration come in.

The easier hurdle to jump, is decreasing our own bureaucratic tendencies. Let’s admit it, we will sometimes make our internal stakeholders jump through hoops that aren’t really needed. If you can make it easier for the business to use you, than to do it on their own, they’ll start seeing procurement as a help rather than a hindrance.

By building easy-to-use templates and systems, procurement can increase the chances that the business will participate, helping you to your end-goals of savings, visibility and compliance. In the process, you’ll always end up with better events more likely to be adopted by the folks who actually spend the money.

# 06

## Use multiple parameters to guide decision-making

Unless you're running a simple eAuction, you should be incorporating multiple objectives, and even some subjective criteria into your scoring. One mistake that companies make is to conduct a price-only negotiation and then try to incorporate factors such as service and quality after the fact. Your eSourcing system can do this work for you and, if you use Scanmarket, it's easier than you might think.

# 07

## Ask suppliers for their input

One of the biggest changes we've seen recently is asking suppliers to provide specification and "solution" advice before, and even during, the RFP process. Gone are the days when most events would be specifications issued once by the buyer without input from others.

A culture of innovation starts with internal stakeholder collaboration but remember that your suppliers likely have more expertise in most categories than you do. Make use of it. Sharing goals with suppliers and adding these into the process can add fresh ideas, shorter time-to-market and higher margins. They might even have some ideas on how to better solve your business problem.

# 08

## **Involve stakeholders in award decisions**

This seems obvious but is often overlooked in the rush to get projects finished. Your stakeholders need to be deeply involved in both setting the evaluation criteria (see #1 above) and interpreting the results. If they have played a strong role upfront, making a decision that everyone can live with at the end, will be much simpler. Having clearly defined objectives aligned across stakeholders, will ease the final evaluation of supplier and ultimately increase spend under management. It also helps to cut down on any potential disputes after the negotiation.

# 09

## Know the business

You've heard this at every procurement conference you've ever been to. Procurement is about sales. It's about understanding the needs and challenges of your customers, in this case internal customers. By definition, focusing on their needs brings value, not just for the procurement department, but the entire organization. By avoiding procurement lingo when dealing with stakeholders and focusing business objectives, it becomes much easier to demonstrate the value and category expertise a procurement team has to offer.

# 10

## Make it easier to bring in new sources of supply

Being able to quickly shift resources is essential to ensure business continuity in the event of a supplier disruption, recall, or other risk event. By streamlining your supplier registration, approval and on-boarding process, you can make sure that new suppliers are readily available to your stakeholders. A great part of the supplier onboarding process can be automated with online registration, vendor screening and performance scorecards. And as an added bonus, new suppliers can bring new innovative solutions and innovation is the life-blood of value.

It's imperative that you use the power of these tools to their best advantage. By using these tactics, you will be able to improve both the results of your eRFx events and your relationships with the suppliers involved.

# Scanmarket

**Scanmarket** is a source-to-contract software provider that develops advanced functionalities in an effortless design. Originating from the needs of the end user, Scanmarket's S2C solution is attuned to meet the needs of the procurement professional. We take ownership of customer success with experts at your fingertips to drive user adoption. Digitalize your upstream procurement functions with technology that is built to be used.



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