



Strategic Sourcing

i2 Strategic Sourcing™ provides the tools to determine and execute the optimal sourcing strategy for each commodity and supplier, reducing both supply risk and total cost. i2 Strategic Sourcing enables procurement professionals to access and analyze global demand and spend, inventory availability, supplier capability and performance, supplier risk and allocations, and contract compliance to balance the supply base for optimal performance.

With i2 Strategic Sourcing, companies can leverage spend globally across buying entities and reduce the supplier base to an optimal number of closely managed supplier partners. This solution is designed to help lower the cost of goods sold, increase productivity, and increase supply predictability with the highest sustainable results.

i2 Strategic Sourcing can provide answers to the most critical risk and cost management sourcing questions:

- Who do we buy from (globally, regionally, business entity, site)?
- What do we buy (commodities, items)?
- Is our supply base configured to our future needs?
- How much should we buy (category or item), from whom, when, and for which sites?
- How well are our suppliers performing to goal?
- What is the best method to buy (contract type, spot, strategic relationship)?

Through eliminating labor-intensive and error-prone data gathering, and bringing comprehensive and consistent automation to the sourcing process, some companies have realized from 2–5 percent savings on purchases—and have sustained those savings by continually fine-tuning their sourcing strategy while ensuring contract and performance compliance.

Leverage Spend and Measure Supplier Performance

i2 Strategic Sourcing brings significant value to a sourcing organization in two ways:

- Visibility into spend can allow an organization to leverage volume buys
- Measures of category and supplier performance can help sourcing organizations determine how to allocate future spend (demand) and as a result, companies typically rationalize their supplier base to fewer, more strategic suppliers

Key Features

- Provides accurate view of spend patterns
- Designed to gather data from multiple systems at both the budget code and detailed transaction level
- Aggregates spend data across systems without changes in commodity, part, or supplier codes
- Provides visibility into outsourced spend, including tier two-by-tier one analysis
- Supports TQRDC scorecarding via automated survey and aggregation tools
- Can track critical, configurable key performance indicators (KPIs) with active homepage alerts and graphing
- Can enable assessment of future allocation with “what-if” analysis

“Since the price of semiconductor products is changing every minute, we have to be able to adjust the price of our materials accordingly. The speed with which we can collect information from suppliers and make decisions affects our bottom line. i2 solutions help Toshiba achieve this competitive advantage.”

—Seijiro Suzuki
Chief Information Officer
Toshiba Semiconductor Company

"i2 solutions enable us to react to time-to-market with exceptional speed. It could take up to nine, 10 months to gather information and make decisions in the purchasing arena. Today, we're going to be able to do that in seconds and matters of minutes. We're able to take information in i2 and extrapolate where we're going to be a year from now or two years from now. With the i2 solutions, we can be in a proactive mode and really get ahead of the game in supporting our customer base."

—Kevin Moyer
Vice President, e-Business
Dana Corporation

Extend the Sourcing Process

Coupled with i2 Negotiate,[™] which automates the e-sourcing or RFx process, buyers can execute sourcing strategies in an integrated environment. This could include monitoring supplier performance when deciding which suppliers to include in a bidding event. Teamed with i2 Contract Management,[™] the system can monitor spend against a contract, track purchase price variance, and provide alerts when a price threshold or rebate opportunity is approached.

Planning Strategies for Sourcing

Analyze Spend

i2 Strategic Sourcing can be used to aggregate and analyze critical sourcing data, allowing sourcing departments to determine exactly how much has been purchased and from whom. This information is typically buried within either multiple different ERP/MRP systems or multiple "instances" of a single system.

Not only is the data dispersed, but the data is also in state that may not reveal buying trends. Commodity codes differ among divisions. Item classification schemes differ across sites. Throw in a merger, and the complexity of sorting out how much spend is with which supplier is compounded, making it expensive or time-consuming to analyze spend in a systematic and timely fashion.

i2 spend analysis systems can range in size from gathering data from a few sites to literally dozens of systems at hundreds of sites. Larger customers are tracking spend across 150 sites, thousands of suppliers, and five years of buying history.

Quick-Hit Spend Analysis

i2 Strategic Sourcing can also analyze accounts payable data with a rules-based system that allows sourcing professionals to apply rules to spend. Rules can be successively refined or applied, providing purchasing organizations with increased insight into spending patterns.

Power in More Detailed Spend Analysis

For more detailed and accurate spend analysis, the solution can be extended to add streams of data such as purchase orders, receipts, and invoices from demand planning systems and transactional systems.

Spend data can be aggregated without dictating changes in commodity, part, or supplier codes across divisional or company boundaries. This is done through i2's patented technology that allows cross-referencing between part numbers or commodity codes, which can enable further spend or material consolidation. i2 Strategic Sourcing identifies duplicate or alternative items or substitutes alternatives to resolve shortages arising from disruptions in the supply chain.

Data can be analyzed on global spend, future demand, or inventory by any combination of component, commodity, organization, division, supplier, site, or time dimension. What-if scenarios can be run to determine optimal spend allocations.

Analyze Outsourced Spend

With companies increasingly outsourcing the manufacture of assemblies and subassemblies, spending leverage is often lost. With i2 Strategic Sourcing, both projected demand and "hidden spend" can be exposed for outsourced purchases, ensuring that a company can take advantage of its spend, whether through subcontractors or not. Companies can achieve extended enterprise contract compliance through aggregation of both internal purchases with suppliers/manufacturers and subcontractors' purchases against OEM contracts. Tier two-by-tier one analysis can ensure corporate leverage identification is maximized.

Rationalize Suppliers and Materials

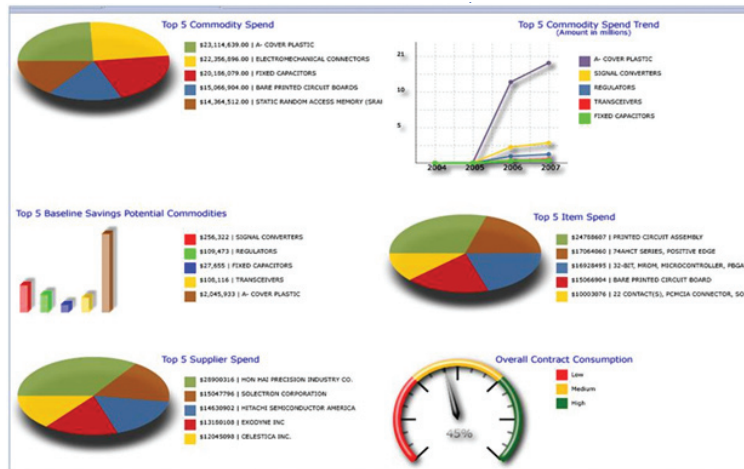
Many companies grow through continued acquisitions and mergers, and usually expect to find significant savings as they pool the combined buying volumes for the merged company. i2 Strategic Sourcing can provide a rapid, repeatable process for identifying and resolving such large volumes of potentially overlapping spend. The solution can include structured workflows for supplier introduction and approval, which are used to maintain or further improve a cleansed and rationalized supplier master.

This unparalleled insight can help reveal unleveraged buys, renegade buys, and previously unidentified suppliers and commodity leverage opportunities to help identify immediate and sustainable year-over-year cost reductions.

Track Supplier Performance

i2 Strategic Sourcing can track supplier performance from other data feeds such as receipts and returns to give sourcing organizations a view into how suppliers are performing on dimensions such as on-time delivery and quality.

In addition, qualitative measures, such as technology roadmaps, are gathered via automated survey capabilities. Surveys can be used within the company to gather and rank subjective data on suppliers, as well as externally to gather and score information directly from vendors. Recurrence management enables continuous monitoring and program compliance validation.



Buyers and commodity managers can quickly assess spend or performance and click-through to details

Performance measures can be gathered in a scorecard that some i2 customers proactively share with their vendors through the portal to inform them of their standing and in what areas they need to improve.

From this information, sourcing organizations can better determine which vendors need to be enrolled in value engineering collaboration or which vendors should be phased out as part of a cohesive supplier differentiation program.

Select Suppliers

Commodity managers and sourcing professionals strive to select the optimal mix of suppliers, items, and ship-from sites per item and commodity to achieve the lowest total cost. i2 Strategic Sourcing can enable companies to make the best decisions by leveraging their financial and operational data, including global usage (past, projected, and outsourced), supplier capabilities, constraint and contract information, supplier performance metrics, and pricing information.

i2 Strategic Sourcing can be linked with i2 Contract Management to monitor spend against a contract to validate purchase prices, understand contract consumptions, and notify users, for example, when rebate or volume threshold opportunities are approached.

Execution Strategies for Sourcing

In today's markets, time to market and quality are critical, making it essential to select the right suppliers, award contracts, and maintain the supplier relationship throughout each product lifecycle. i2 Strategic Sourcing provides alerts, monitors, and out-of-the-box reports to help procurement professionals select and award the best suppliers, manage the relationship with these preferred suppliers, and monitor performance. Buyers can stay informed of supply risks stemming from poor supplier performance, risk indicators, contract violations, premature expirations, and new usage requirements.

Monitoring and Adjusting Sourcing Strategies

The strategy that a company derives using strategic sourcing needs to be continuously monitored for compliance and fine-tuned to suit business needs. Effective monitoring helps achieve sustainable savings and stronger cost-effective supplier relationships.

With supplier performance measurement, companies continually track supplier performance on metrics such as quality, lead time, and on-time delivery using the integrated TQRDCE scorecarding facilities. Companies can proactively send rankings to suppliers in a scorecard to let them know how they're doing and where they need to make improvement. In addition, the system can support a host of configurable KPIs with defined alert levels to ensure all critical performance conditions are communicated to users in real time.

For more information on i2 Strategic Sourcing and other i2 solutions, visit www.i2.com.



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