

Increasing process efficiency and reducing costs using digital sourcing technologies

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In the last decade of the 20th century new digital sourcing technologies changed the way purchasing professionals would work forever. Pioneers include FreeMarkets who invented the electronic reverse auction (eRA) and Ariba who later has become the global leader in source-to-contract (S2C) services. It is now year 2020 and still manufacturing companies do not utilise the process efficiencies or cost reductions these technologies can bring.

As Trelleborg Group is implementing digital sourcing technologies we were invited to investigate and identify opportunities. But literature in the field was outdated and referred traditional sourcing processes to "mail and fax based processes", therefore a modernisation of knowledge had to be created before helping Trelleborg Group.

A segmentation process of finding global manufacturing companies utilising digital sourcing technologies was created. It was important that the findings were transferable to the Trelleborg Group and five large manufacturing companies were invited to the case study. A sixth construction company was invited to investigate if the industry differences affected the sourcing process.

The case study and benchmark between the companies was structured around the theory available, it had a clear focus on what aspects would favor digital sourcing approaches or traditional sourcing approaches (now meaning contact through face to face meetings, email and telephone). A second part of the study focused on the configuration elements of eRA programs.

The cross-case analysis found that many companies experience barriers for conducting competitive supply market exercises, but if no barriers were present the digital sourcing process would always be preferred as it brings several process benefits not enjoyed by traditional sourcing. It was also found that an eRA should never be conducted without first conducting an RFQ, and that three criterias had to be fulfilled for it to be applicable:

- 1) Minimum of 3 approved supplier
- 2) Supplier bids must be comparable
- 3) Not damaging strategic partnerships

Regarding the configuration elements of an eRA program these were classified into three tiers. The first being the governing structure. It included the general principles and ethical guidelines of how to operate an eRA program with regards to the supplier relationships. The second tier included the elements of creating a competitive environment, this includes the preparations before an eRA event, the design of the event and how to achieve a high supplier bid engagement. The last tier focused on the alignment of the eRA program with the rest of the sourcing process and business strategy, how to measure and integrate.

The generalised results of the cross-case study was applied to the Trelleborg Group at a local business unit to understand the practical meaning and the full study is published in the report "Sourcing in 2020: a benchmark of manufacturing companies' source-to-contract and electronic reverse auction practices".