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*ICG Commerce Confidential*

Welcome to another issue of *The Source*, the electronic newsletter from [ICG Commerce](#), the leading Procurement Services Provider for Global 2000 companies. Leveraging its wealth of sourcing and purchasing expertise and flexible technology, ICG Commerce provides tailored services for the procurement of direct and indirect goods that deliver maximized, measurable savings.

In addition to providing updates on ICG Commerce activities, each issue will provide the company's perspective on key trends developing in the marketplace. In the last issue, we looked at the issue of enablement from both the buyer and supplier perspective. Here, we consider the key change management issues associated with driving strong user adoption and maximizing cost savings.

As ICG Commerce's PR partner, our goal is to help keep you informed of important company developments and to serve as a resource for your research in the areas of sourcing and procurement. If you have any comments or questions or wish to receive additional information, please refer to the contact information at the end of this newsletter.

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**Change Management: The Key to Unlocking Procurement Savings**

*By Kristen Knouft, Customer Marketing and Adoption, ICG Commerce*

Companies are spending millions on procurement savings initiatives in order to drive significant improvements to their bottom line. The last issue of *The Source* focused on one of the most critical links between sourcing initiatives and measurable bottom-line savings: buyer and supplier enablement. This process, which includes connecting buyers and suppliers electronically and aligning business processes between companies and suppliers, is critical to ensuring that both parties are prepared to do business together efficiently and effectively. Once these activities are complete, companies must focus on the last critical step in achieving measurable cost savings -- driving the desired end-user behavior. The situation is simple, savings happen at the user level. If the end users of purchased goods and services, from headquarter associates to manufacturing and production personnel alike, do not use the new purchasing agreements and tools, there will be no savings.

In this issue, we will focus on the key activities that have helped many companies achieve and sustain user adoption to the 80 – 100% range and thereby achieve true, maximized cost savings from their procurement initiatives. Their approach: A holistic change management strategy and plan that begins in the earliest stages of the procurement initiative and drives a concerted and ongoing effort focused on changing end-user behavior. The most successful plans include the following:

- Strong executive commitment
- Targeted communication strategies
- Site-by-site user involvement
- Comprehensive user training

- Compliance programs that “phase-out” incumbent suppliers

### **Getting Buy-In from End Users Starts at the Top**

As with all successful organizational changes, executive support is essential to the success of any company’s procurement program. Through our research and hundreds of new supplier implementations, we have learned that the organizations most effective at driving sponsorship of the procurement program include three key strategies.

- A clear and compelling business case for the program
- Senior executives engaged to champion the program
- “Mandated” use of the new system and suppliers

While the form of each of these activities varies from organization to organization, the effect on end users is the same – a clear message from management that compliance is not optional.

### **Communication Breaks Down Barriers**

The most essential component of a change management program is a targeted communication plan. A well structured plan ensures that employees understand management expectations, the benefits of the program and are prepared in advance for impending changes. By describing the procurement program and communicating the company and end-user benefits upfront, such as cost and time savings, employees will be able to absorb the planned change and understand what it means for them personally. These communications should not stop once the effort is launched but should be continued regularly as new milestones are met and results realized.

### **Addressing User Concerns Builds the Necessary User Commitment**

Encouraging and facilitating two-way communication is key to better understanding users’ needs and expectations. Creating a user advisory board and including some of the users most resistant to the change serves two purposes -- users’ specific needs are addressed and the employees who were originally most resistant to change will be converted into champions, power users and trainers. As a result, they will begin to communicate positive messages to other users and provide valuable feedback to improve procedures and technologies.

### **Enabling Users Leads to Buying Confidence**

Defining process changes, providing appropriate access and training and ensuring users are readily equipped with appropriate tools and information is critical to achieving user confidence. While it is true that Internet tools and Web services are often easy to use, through our research we have recognized a significant difference in adoption for those users trained in person versus those trained via Web conference. Our multiple “live” training and communication sessions focus on the new supplier’s value and process changes in addition to new technology to maximize user adoption.

### **Introducing New Suppliers Requires Phasing Out Incumbents**

Training employees is only the first step to altering buyers existing purchasing behaviors. Switching suppliers can sometimes be traumatic for buyers who have spent years developing relationships that they believe to be working perfectly to the company’s benefit. However, in order to achieve the full savings opportunities and value that a procurement solution offers, it is often necessary to “switch off” these incumbent suppliers to reduce maverick spend.

### **One Click at a Time Towards Full Adoption**

Change management activities are an ongoing effort. Tracking progress is just as important as implementing the specific change management strategies. ICG Commerce monitors its customers’ e-procurement usage regularly. To help accomplish this, we have developed a scorecard system that electronically tracks the implementation metrics, adoption rates and overall savings. Through this analysis we can determine and prioritize specific areas of resistance and follow-up with client sites to understand the challenges they are facing. By working closely with our customers at both the executive and user levels to address these challenges, we ensure that everyone is invested in the success of the change management effort.

Below, we outline our work for Graphic Packaging Corporation as an example.

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## **Case in Point: Driving Adoption at Graphic Packaging Corporation**

[Graphic Packaging Corporation](#) (GPC) is a \$1B packaging products company that specializes in folding cartons. GPC has 17 plants located throughout North America. The company’s Corporate

Purchasing group partnered with ICG Commerce to source and implement new MRO supply contracts, including electrical, safety, general industrial, power transmission and bearing supplies, uniforms and a variety of packaging materials - stretchwrap, tape, air bags and strapping. GPC planned to use a combination of on-line procurement and EDI to transact against the new contracts.

Early in the project, the Corporate Purchasing group recognized the importance of a change management plan to communicate and drive the changes across 17 different plants. GPC worked with ICG Commerce to develop a plan focused on achieving the key change success factors: executive support, ongoing program communications, monthly reporting, validation of spend targets and user involvement through group meetings.

In order to effectively launch the procurement savings effort as a strategic and critical initiative, Corporate Purchasing hosted a kick-off meeting with executives and key stakeholders at all levels. They conveyed specific roles and responsibilities, established clear expectations and quickly followed with organization-wide communications. GPC and ICG Commerce committed personnel to travel to each location, introduce suppliers, understand business needs and build personal relationships between stakeholders and new suppliers. And the communication did not stop once the effort was launched. GPC regularly reviews the program's progress through monthly reporting and through quarterly executive meetings.

For GPC, the most significant challenge wasn't the implementation of the new procurement system, it was getting employees on the plant floor to make purchases in a completely different way. Historically, they had used a manual PO and fax process to order supplies. To help the users develop the necessary skills to purchase online, ICG Commerce's dedicated account team led more than 17 training sessions, distributed help guides and provided daily customer service support through ICG Commerce's call center. Recent technology advancements have enabled GPC to order through EDI, directly from their ERP system.

As with all successful organizational changes, executive support was essential to the success of the company's effort, which promised to shave millions off of their indirect procurement spend. Executive management allowed the plants six months to achieve the 80% adoption goal. In month seven, executives issued a mandate to use ICG Commerce for all categories with identified savings. Corporate Purchasing's responsibility was to resolve any supplier issues blocking spend and validate spend targets through AP audits and monthly compliance reports. Corporate Purchasing's resolution of all adoption-blocking issues allows GPC management to ensure plants are not only realizing savings but are also receiving quality service from new suppliers.

By leveraging change management tactics, tools and support provided by ICG Commerce, Graphic Packaging Corporation has been able to achieve a monthly adoption rate of 84% across four buying categories in just over six months. The work with GPC confirms that rapid adoption and the resulting savings are achievable with the right combination of change management approach, expertise and customer commitment.

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## **Leading European Industrial Utilities Company Turns to ICG Commerce for Reduced Costs**

Late last month, ICG Commerce announced that it has been selected by [RWE](#), one of Europe's largest industrial multi-utility companies, to help reduce the company's procurement costs by strengthening its capacity to analyze expenditures and improving its master database. This initiative will help RWE achieve greater visibility on stock keeping units, reduce inventory and enhance the company's ability to aggregate its total buying power across its more than 500 energy and industrial interests for optimal supplier pricing and service.

The RWE group, which has annual net sales exceeding \$32 billion, has recently experienced significant growth through a number of acquisitions. The company is now looking to capitalize on its increased size and reduce costs by standardizing products and services it purchases to run its business.

ICG Commerce experts will work with RWE Systems – the corporate services organization within the RWE group that manages the procurement and materials management for most of the RWE companies – to analyze company-wide expenditure information. The data gathered will subsequently be used to identify opportunities to reduce their number of suppliers, aggregate purchasing volume

and standardize purchases for optimal supplier pricing and service.

“In ICG Commerce we found a strong and very experienced partner for solving our specific needs in optimizing the master data structure within the ERP-system of the RWE group,” said Dr. Thomas Holzapfel, RWE Systems Manager responsible for master data management.

To view the full announcement, please click [here](#).

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## ICG Commerce Secures \$35 Million in Private Equity Funding

ICG Commerce announced in January that it has secured \$35 million in additional financing. The recent round, which included investments from eight firms, is one of the largest venture capital deals of the past 12 months. ICG Commerce also announced that Edward H. West, a former executive at Delta Air Lines and Internet Capital Group, has been appointed chief executive officer (CEO).

During a time that will be remembered for its tight capital markets and increased scrutiny of investment opportunities, ICG Commerce completed a round of private equity funding that is nearly five times the average venture deal in 2002, according to the most recent MoneyTree™ Survey compiled by PriceWaterhouseCoopers, Venture Economics and the National Venture Capital Association. Investors included in the recent round were Internet Capital Group, Graham Partners, Cross Atlantic Partners, CIC Group and other Graham Partner co-investors. The proceeds from the funding will be used primarily for future growth and development of ICG Commerce’s comprehensive suite of procurement services.

In addition, ICG Commerce announced the appointment of West as the company’s new CEO. He also will continue to serve as Chairman of the company’s Board of Directors. West brings valuable insight into the economic pressures faced by senior management at large organizations to a company that focuses on significantly reducing procurement costs for its customers. As the former executive vice president and chief financial officer at Delta, West was a member of the company’s Executive Council and had broad responsibility for all corporate and operating financial functions. Most recently, he served as president and chief operating officer for Internet Capital Group, where he helped support the growth of partner companies.

“ICG Commerce’s ability to deliver significant and measurable savings on purchased goods and services is clearly compelling to forward-thinking companies that recognize the opportunity to improve performance through procurement,” West said. “As someone who has been responsible for making strategic decisions on purchasing and driving financial and operations management, I am excited to become part of this company that provides a uniquely comprehensive suite of services focused on driving measurable cost reductions and operational efficiencies for its customers.”

To view the full announcement, please click [here](#).

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## News Behind the News: West Drove Delta’s E-Commerce Strategy

During his tenure at Delta Air Lines, West also served as the chairman of Delta Technology and guided the company’s push into e-commerce. He helped Delta forge an alliance with Priceline.com, the online service that lets people make bids on everything from airline tickets to groceries. Delta reaped \$785 million in gains in fiscal 2000 from its Priceline stake.

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## ICG Commerce Flexes Media Muscle

The close of 2002 saw ICG Commerce really begin to flex its media muscle with a number of feature stories highlighting company executives and/or customers.

### ***Reverse auction for global PC buy saves Novartis 17%***

Building from an announcement issued earlier this year, the November 21 issue of *Purchasing* magazine featured a case study on Novartis’ successful engagement with ICG Commerce on a global

sourcing initiative. In her account, Editor Susan Avery writes:

“Use of an online reverse auction tool to purchase PCs globally has helped to reduce buying costs by 17% for Novartis International AG. Perhaps more important, use of the tool for the buy has helped to set a global PC (personal computer) standard for the pharmaceutical and health care giant.”

To view the full story, please click [here](#).

### ***Managing Your Spend***

The December issue of *Inbound Logistics* highlights how ICG Commerce customer Crown Cork & Seal has been able to “keep the lid on costs” through a comprehensive procurement initiative. Writer Leslie Harps notes that the manufacturer of cans, plastic bottles and containers now has its plants doing:

“Online purchasing of such things as office and MRO supplies, packaging materials, industrial supplies and energy. Return on investment was achieved in 90 days, with Crown Cork & Seal saving between 12 and 23 percent on purchases in implemented categories.”

The story also features extensive commentary from ICG Commerce Senior Vice President of Solution Delivery, David Clary.

To view the full article, please click [here](#).

### ***Procurement's Promise***

Clary also served as featured guest author for Line56.com’s “Viewpoint” column recently. His piece, titled “Procurement’s Promise,” discusses how the once strictly tactical function has emerged as a key, strategic lever for companies seeking near-term cost benefits.

To view the article, please click [here](#).

Be on the lookout for more media momentum from ICG Commerce in 2003 as the company further establishes its leadership in the procurement arena.

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## **Feedback**

It is our goal to keep you informed of ICG Commerce's contributions to the procurement market. Please let us know the best way to keep you apprised of ICG Commerce news moving forward by checking one or more of the below options. If you have any questions or comments, please use the reply box provided.

- Continue to send me *The Source* on a regular basis
- Send me press releases and company announcements as they are made public
- Contact me about scheduling a briefing with ICG Commerce

Other:

Submit

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For more information, please visit [www.icgcommerce.com](http://www.icgcommerce.com) or contact:

Shannon Parish

ICG Commerce  
720-932-7334, ext. 7  
[sparish@icgcommerce.com](mailto:sparish@icgcommerce.com)

or

John Howlett  
Ruder-Finn  
312-329-3906  
[howlettj@ruderfinn.com](mailto:howlettj@ruderfinn.com)

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