

The Source
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 past two issues, we discussed the key elements to a sound strategic sourcing strategy. Here, we shift our focus to the next phase of the procurement process – enablement.

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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Enablement: The Key to Gaining Transaction Volume

By Keith Hausmann, Vice President Sourcing and Category Management, ICG Commerce

In addition to strong customer acquisition and growth during the third quarter (see item below), we saw transaction volume on our Internet-based procurement platform, RealExchange, once again increase significantly. We attribute the strong expansion in liquidity to our ability to overcome the two most common e-procurement implementation barriers – supplier enablement and user adoption.

ICG Commerce's rigorous supplier enablement approach connects both buyers and suppliers electronically and ensures that suppliers are ready to meet operational and service requirements. To date, we have enabled over 90 suppliers and have made approximately 3 million SKUs of product content available online. Meanwhile, customers are enjoying adoption rates in the range of 80-100%, far above the industry average.

Our success in the enablement arena is driven by the execution of a number of strategies on both sides of the procurement equation:

Customer Enablement:

- *Business process integration:* Processes inevitably vary from plant-to-plant and site-to-site. To address this, we analyze our customer's business processes and requirements across locations, work with them to streamline processes and incorporate best practices, configure RealExchange to support the new processes and prepare suppliers accordingly. We deliver tailored training courses that include business process changes, supplier product and services introduction and any required technology training.

- *Customer connectivity:* Our experts manage the complete integration of RealExchange with customers' existing ERP and e-procurement systems where applicable. By analyzing current item master databases and buying patterns, we can determine the most frequently purchased items and the best way to help end users find these items. The item list and corresponding attributes form the basis for our content development strategy with the supplier as well as any required customer system changes. As the content is being finalized, we work with our customers to develop a plan to populate new items into their database and maintain them as buying patterns change.

Supplier Enablement:

- *Catalog content and supplier connectivity:* Our pre-sourced agreements with top suppliers accelerate the enablement process. For more unique, customer-specific categories, we employ a rapid content development and supplier integration process. Using the results of our customer buying pattern analysis, we develop a content development plan with the supplier and help them determine the best way to meet the customer's content needs. Once content is developed, we continue to manage the supplier implementation process including system level integration, testing, content quality review and on-going content maintenance processes. Finally, we provide business processes to develop content for repeatedly "spot bought" items.
- *Supplier self-service:* We have developed a unique self-service interface that allows suppliers with limited e-commerce capabilities to electronically receive orders and easily convert these orders into order acknowledgements and invoices.
- *Supplier preparation and training:* For all categories, we work with suppliers to ensure they are adequately prepared to meet customers' business requirements. Suppliers are trained on the customer's locations, products and services purchased, service levels such as delivery lead times, and ordering and invoicing processes.
- Over 35 dedicated category implementation experts work closely with customers and suppliers to manage the seamless execution of business process, technology and supplier relationship changes.

Lured by the promise of millions of dollars in savings, many early e-commerce adopters jumped on the e-procurement bandwagon, only to find that getting results was not easy. Most of those companies learned the hard way that achieving the value and efficiencies available through e-procurement requires more than software deployment and technology integration. It requires effective supplier and buyer enablement that includes an efficient content development process, buyer and supplier process alignment and complete preparation and training of both parties. Those principles ultimately result in not only liquidity but long-term, sustainable savings as well.

Below, we outline our work for Crown Cork & Seal as an example.

Case in Point: "Sealing" Savings Through Enablement

As a leading manufacturer of cans and containers, with 47 facilities across the United States, Crown Cork & Seal knows a lot about preserving value. It should be no surprise then that the company recognized enablement as the key to sealing savings from its procurement initiative.

Crown Cork & Seal initially contacted ICG Commerce to automate the purchasing process and put requisitioning in the hands of its plants, while lowering the cost of goods they purchase. "When we saw the hard-dollar savings achieved on indirect materials, we made the decision to leverage ICG Commerce on select strategic materials," said Dan Donaghy, VP of Procurement for Crown Cork & Seal.

So ICG Commerce worked with Crown Cork & Seal to source and enable several finishing supplies commodities, including corrugate, chipboard, steel banding, plastic strapping and stretch wrap. Through the sourcing process, ICG Commerce identified individual plants' item requirements and recommended business process changes to support the new requisitioning system. ICG Commerce then analyzed Crown Cork & Seal's buying patterns to develop a content strategy for each commodity and supplier.

Finishing supplies at Crown Cork & Seal represent a relatively small number of high dollar SKUs. For this reason, catalog content was created for all of the SKUs. Item attributes that suppliers provide include a description that is meaningful to the company, dimensions and Crown Cork & Seal's own part numbers. These additional item attributes greatly simplified the requisitioning and ordering process. Content maintenance processes were defined to easily add new items as Crown Cork & Seal's requirements change.

Historically, Crown Cork & Seal had purchased finishing MRO supplies using a manual, fax or phone process. With the introduction of RealPurchase and RealExchange, Crown Cork & Seal was able to process and manage transactions electronically. To further automate the ordering process for finishing supplies, Crown Cork & Seal is currently evaluating the requirements to integrate RealExchange with a newly implemented inventory management system for inventoried commodities. Based on min/max re-order points, the inventory management system will generate replacement orders to be reviewed and sent to RealExchange. RealExchange will manage the transaction flow between the suppliers systems and back to Crown Cork & Seal's inventory management system, creating a totally hands-free, but controlled, ordering process.

During the implementation, ICG Commerce integrated all of Crown Cork & Seal's new suppliers into RealExchange. Several of Crown Cork & Seal's selected suppliers did not have EDI or XML transaction capabilities to electronically integrate with RealExchange. For these suppliers, ICG Commerce provided a supplier self-service interface that allowed them to manage content, receive POs and generate electronic POAs and invoices that flow to RealExchange. The self-service interface required no integration, and ICG Commerce provided training on the browser-based application. ICG Commerce also managed integration into RealExchange for those suppliers that were EDI and XML capable.

Training users and suppliers on the new processes was greatly simplified through RealExchange and the sourcing process. Since the new catalogs were accessed via RealExchange, Crown Cork & Seal users required no new training. At the national level, suppliers had been educated on Crown Cork & Seal's requirements, such as service levels and unique business processes, during the strategic sourcing process. To enable the new contracts and suppliers at the individual plants, ICG Commerce provided a category implementer to train the supplier's branch offices on Crown Cork & Seal's requirements and to work with the suppliers to resolve any issues.

By leveraging ICG Commerce's category enablement experts to manage the business process, technology and supplier relationship changes, Crown Cork & Seal has been able to not only achieve significant savings today but also sustain those savings over time. To date, ICG Commerce has sourced five commodities, developed 12 catalogs and has created 240 unique SKUs for Crown Cork & Seal, resulting in 5 – 20% savings across these commodities.

ICG Commerce Gains Ten New Customers in Q3, Expands Relationship with Several Others

ICG Commerce recently announced key business results for the quarter ended September 30, 2002. In addition to delivering rapid time-to-value for its more than 160 existing customers and expanding business with several of them, ICG Commerce added ten new customers during the third quarter. Included among them are some of the world's largest companies – Abercrombie & Fitch, Airborne, and Pechiney Rolled Products.

ICG Commerce attributes its ability to add leading companies to its customer portfolio to three factors: an increasing need among companies to reduce costs, a growing trend within corporations to view procurement as a successful lever in achieving savings and a unique track record of delivering results by supporting the entire procurement process with both sourcing and category expertise as well as technology.

As part of its goal to continue to bring customers the best combination of technology and expertise to support the entire procurement process, ICG Commerce enhanced its eSourcing platform, RealSource, during the third quarter to include additional languages, RFI auto-scoring functionality and new capabilities, including QuickBid and multi-parameter bidding.

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

News Behind the News – The Auctioneers Get Auctioned

In an ironic twist, ICG Commerce secured two of its third quarter customer agreements by participating in online auctions for strategic sourcing providers. The company competed against the likes of Ariba, FreeMarkets, and Frictionless Commerce.

With solution costing relatively equal among auction participants, both contracts were won based on superior capabilities and track record ICG Commerce was able to demonstrate.

ICG Commerce Named Among *Forbes* “Best of the Web” for 2002

This past month, ICG Commerce was named to *Forbes* magazine’s prestigious “Best of The Web: B2B” list.

In the October 7 issue of *Forbes* ASAP, the publication’s staff of senior writers and editors recognized elite B2B companies as leaders in their respective categories after evaluating hundreds of companies. Companies were judged in the following four areas: strategy, execution, financial staying power and use of the Web. ICG Commerce was selected as one of the top four companies in the highly competitive procurement category.

For the first time in the three-year history of the special issue, procurement appears as a category, providing further testament to its emergence as a strategic priority within corporations worldwide. The *Forbes* editors noted the tremendous impact companies like ICG Commerce are making in helping their customers drive significant cost reductions.

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

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:

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