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July 20th 1:00 pm ET

 **Recent Activity**

ICG Commerce executives were recently featured as speakers at the following events:

March 29-31, 2004
[Supply Chain World North](#)



Welcome to a new issue of *The Source*, the electronic newsletter from [ICG Commerce](#), the leading Procurement Services Provider. Leveraging a combination of deep expertise and hosted technology to support the entire source-to-pay process, ICG Commerce provides flexible services to help companies achieve maximized, measurable savings year over year.

As in every issue of *The Source*, we will continue to offer the company's perspective on key procurement trends based on our experience serving more than 140 leading companies. In the last issue, we explored the value of ongoing category management and how it can ensure year-over-year cost improvements. Here, we examine the merits of outsourcing procurement in today's economy and the most effective way to structure such a partnership.

Procurement Outsourcing: The 10 Things Companies Really Want to Know
By Jason Gilroy, Vice President of Outsourcing

The past year, ICG Commerce has seen an unprecedented level of interest in procurement process outsourcing. The company has received a 10x increase in the number of inquiries and RFPs for outsourcing services in the past 12 months. Many industry thought-leaders have launched comprehensive studies on the topic, reporting that performance has exceeded early adopter's expectations and projecting 15-to-50 percent growth over the next three years.

While this increased interest in procurement outsourcing is clear and the value proposition can be compelling, many companies still seem to struggle to understand procurement outsourcing and determine the appropriate path forward for their own organization.

Drawing upon recent discussions with dozens of companies that are exploring outsourcing services, my colleagues and I have compiled a list of common "questions, behind the questions" and have attempted to provide practical, real-world answers based upon our experience delivering procurement outsourcing services to more than a dozen companies throughout the past four years.

1) What exactly IS procurement outsourcing and what is being outsourced?

This is perhaps the most basic question but it is a difficult one to answer. What one company views as procurement outsourcing, another may view as a consulting or technology service. In our view, genuine outsourcing differs from other procurement services based on the level and degree of on-going accountability placed upon the services provider.

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2) Does procurement outsourcing mean I have to lay-off half of my department and transfer activities off-shore?

No. Procurement outsourcing offers companies the ability focus on their core competencies and gain access to leading external capabilities in non-core activities, ultimately improving the overall level of procurement performance and results across all categories and activities without making large infrastructure investments.

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[America](#)
[Chicago, Illinois](#)
Organized by:
[The Supply Chain Council, Inc.](#)

April 21-22, 2004
Strategic Sourcing: What you need to know
[Purchasing Magazine](#)
[Global Procurement Conference](#)
Webinar

For a replay of the ICG Commerce session, "Measuring Supplier Performance," please follow [this link](#).

April 25-28, 2004
89th Annual International Supply Management Conference
Philadelphia, Pennsylvania
Organized by:
[The Institute for Supply Management](#)

For a complete outline of Keith Hausmann educational session, "One Sourcing Strategy Does Not Fit All," please follow [this link](#).

May 4-7, 2004
Sourcing 2004
Houston, Texas
Organized by:
[Sourcing Interests Group](#)

Keith Hausmann spoke on "Beyond Sourcing: Driving ongoing cost improvements."

3) Why do most companies consider outsourcing?

Many companies investigate outsourcing as a way to lower procurement-related labor costs. However, once they better understand the capabilities that Procurement Services Providers bring and how they can use these capabilities to complement their organization, their decisions are often driven by three key objectives:

- To improve overall procurement performance (i.e. achieve a greater level of cost savings on purchased goods and services) by accessing best in class tools and resources without making additional internal fixed investments
- To gain more freedom and flexibility to focus on core competencies and to apply limited resources to mission-critical business functions
- To attain greater control and reporting on compliance to vendor contracts, SLA's and pricing in addition to their internal procurement policies and procedures.

4) How do I know if procurement outsourcing is the right solution for our organization?

Organizational soul-searching is definitely required. First, companies must be committed to the value and benefits of outsourcing, and then be prepared to transform their internal procurement department from a procurer of goods and services to an effective manager of outsourcing services.

Without a certain level of internal understanding, it is very difficult for managers to assess the value that outsourcing can provide.

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5) Where do I start?

We always tell people to start by gathering the "current state" data first and then move to the more strategic considerations. Regardless of where the outsourcing investigation takes you, a better understanding your current state (e.g., procurement organization throughput, capacity and capabilities) can be a valuable input to any improvement initiative. Gathering this information ahead of time greatly accelerates the "design" phase of the outsourcing relationship.

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6) What should I look for from a partner?

7) How should I gauge a provider's capabilities?

8) How do I get my organization prepared?

9) How should I structure the relationship for success?

10) How can I ensure that I am getting the desired results?

Answers to the remaining questions can be found in the full article at [ICG Commerce.com](#).

At ICG Commerce we have been providing procurement outsourcing services to our customers for more than 4 years. Below, we provide a brief snapshot of some the results that have been delivered.

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Cases in Point:

[\\$3B bearing manufacturer drives continuous improvements by outsourcing category management](#)

To meet global expansion targets, a major industrial manufacturer established a three-year, \$15 million cost reduction plan. The company teamed up with ICG Commerce to focus on improving the entire procurement process – from sourcing to supplier payment. By identifying savings opportunities in a number of the company’s buying categories and by aggregating its total buying volume, ICG Commerce was able to generate significant cost reductions, as high as 36% for certain categories, during the sourcing phase of the procurement initiative. Using a team of dedicated ICG Commerce category managers, the manufacturer is able to continually monitor expenditures and supplier performance across all parts of its organization and, in the process, identify additional ways to further reduce costs.

Global energy products and services company improves procurement processes and sourcing capabilities through outsourcing

The company looked to outsource its buying activities as a way to drive cost reductions as well as process and organizational efficiencies. Located at an ICG Commerce facility, resources were cross-trained across commodities to increase knowledge sharing and flexibility to support increasing or decreasing order volumes, which enabled ICG Commerce to reduce the required buying resources by 50% within the first two months of the engagement. Based on projected volume, the company’s buying center costs were reduced 40% through the use of ICG Commerce resources.

Growing IT service provider outsources subcontractor labor procurement to ICG Commerce

Looking to find new efficiencies and increase the effectiveness in the buying of contract labor services – the company’s largest and most strategic external purchase – a fast-growing IT service provider partnered with ICG Commerce to manage all aspects of subcontract labor procurement on the company’s behalf. The ICG Commerce team provides the entire range of purchasing expertise, resources and technology necessary to strategically automate and manage all aspects of the engagement. The team managers have complete visibility into request status, real-time labor tracking, invoicing and payment. Preliminary results of the multi-year initiative have reduced the company’s contract costs 10-12 percent.

To learn more about how ICG Commerce can extend procurement capabilities while lowering costs through outsourcing, please follow this [link](#).

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Other Company News

ICG Commerce Enters Into Procurement Business Outsourcing Agreement with Avaya

At the end of February, ICG Commerce announced that it has secured an agreement to provide procurement business process outsourcing (BPO) services to [Avaya Inc. \(NYSE: AV\)](#), a leading global provider of communications networks and services for businesses.



Through the BPO agreement ICG Commerce will provide Avaya with supplier enablement, transaction processing and content management services to address the company’s full range of indirect purchasing commodities. In addition, ICG Commerce will provide in-depth strategic sourcing, category management and contract management for a majority of indirect buying categories.

“Our selection of ICG Commerce factors into our overall procurement strategy to leverage the expertise and resources of a leading procurement services provider to realize gains in cost savings and improve the delivery of procurement services to Avaya,” said Onye Uzoukwu, vice president, Avaya Global Procurement. “Outsourcing select non-core commodities and processes to ICG Commerce gives us the ability to concentrate on more strategic objectives while still effectively managing Avaya’s indirect

commodity spending.”

To view the full announcement, please follow this [link](#).

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News Behind the News

ICG Commerce Named Finalist for 2004 Outsourcing Excellence Award



ICG Commerce provides a variety of outsourcing services to meet company-specific objectives and tailored to suit company-specific needs. ICG Commerce's flexible approach to procurement outsourcing is gaining industry-wide recognition as the company and [QualxServ](#) were named finalists in the 2004 Outsourcing Excellence awards. Established by the [Outsourcing Center](#) in 1997 and sponsored this year by [Everest Group](#), Forbes and Wharton Executive Education, the award program recognizes outstanding outsourcing relationships, awarding both buyers and service providers.

To view the full announcement, please follow this [link](#).

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Keith Hausmann Named a "Pro To Know" by Supply & Demand Chain Executive



In February, [Supply & Demand Chain Executive](#) magazine named ICG Commerce vice president of sourcing delivery and operations, Keith Hausmann, to its annual "Pros To Know" listing. This marks the second consecutive year that an ICG Commerce executive has been recognized as a top procurement thought leader by the publication.

The *Supply & Demand Chain Executive* "Pros to Know" recognizes leading individuals from software and service providers who exhibit deep domain knowledge and innovative thinking within the supply chain industry. *Supply & Demand Chain Executive's* editorial team and advisory board developed the list after evaluating hundreds of nominations. Individuals were chosen based on their ability to equip supply chain management professionals with the proper tools and services they need to improve the efficiency of their supply and demand chains.

For the complete listing of *Supply & Demand Chain Executive's* 2004 "Pros to Know" and accompanying editorial, please see the February/March 2004 issue of the publication in print or follow this [link](#).

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Expert Spotlight – Jason Gilroy

As vice president of ICG Commerce's outsourcing service line, Jason Gilroy is responsible for the ICG Commerce outsourcing service capability in North America where he has been involved with several leading companies investigating and/or realizing the benefits of procurement outsourcing. At ICG Commerce Gilroy has helped the procurement services provider develop the industry's leading procurement outsourcing capability and methodology, which has exceeded all client delivery targets. By combining procurement services with the appropriate technology and governance models, Gilroy and his cross-functional teams help companies enable their BPO strategy, accelerate return-on-investment and ultimately realize significant savings.

Mr. Gilroy brings more than ten years of leadership experience in industry and consulting driving large enterprise transformation and technology initiatives for healthcare companies, business services providers,

automotive companies and media and entertainment companies and a wide variety of business process concerns to ICG Commerce. At ICG Commerce he led the successful implementation and transformation of indirect procurement for a global management consultancy that exceeded its goals by 20%. Prior to joining ICG Commerce, he was a principle at PricewaterhouseCoopers, where he was responsible for running large service delivery and change management projects for large multi-national companies like Sony Music, Ford Motor Company and Caremark.

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Save the Date

Webinar - "Procurement Outsourcing: Is it right for you?"

July 20th 1:00 pm ET

More and more companies are outsourcing procurement of non-core buying and purchasing activities in order to reduce costs and improve procurement efficiencies and effectiveness.

Topics will include:

- Why leading companies are pursuing outsourcing
- Key considerations and approaches
- Relationship critical success factors
- Real-world success stories
- Interactive Q & A

To register, please call your ICG Commerce account representative or contact [Genevieve Brill](#) at 484-690-5333.

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