

The Source
ICG Commerce Confidential

Welcome to the second 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 our perspective on key trends developing in the marketplace. In the first issue of *The Source*, we outlined the ASETmax approach for addressing the entire procurement value chain. Here we delve more deeply into the first piece of that chain - ASSESS.

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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ASSESS: Uncovering Significant Savings Opportunities Through Comprehensive Spend Analysis

By David Clary, ICG Commerce, Senior Vice President of Delivery

Realizing bottom line savings begins by assessing spend. To truly understand how to save money through procurement, companies must first understand where they spend money and with whom. For many companies the information required to make good purchasing decisions is buried in multiple systems and manual processes. Consequently, only a partial picture of spend is available, which immediately limits a company's ability to maximize its own internal leverage. For companies to make the best purchasing decisions, these disparate data sources need to be transformed into comprehensive picture of spend across the enterprise. Gaining control of this information enables a company to unlock the negotiating power and leverage of its spend, often identifying significant savings opportunities in the process.

To understand what a company is buying, enterprise-wide spend must first be cleansed and categorized in a meaningful way. The resulting categorization forms the basis to analyze savings opportunities and develop value based implementation plans. Categories should be defined so that they make sense to the company and are aligned with how the company operates and manages its business.

Once the categories have been defined and the spend is categorized accordingly, each category should be analyzed to determine the number of suppliers and the distribution of spend among suppliers and across locations, business units or other organizational groupings. From this analysis, companies gain an understanding of their total leverage with suppliers and opportunities for supplier rationalization.

While this process may appear complicated, there are many solutions to help companies conduct a spend analysis - from custom data warehouses to spot consulting support to existing supplier databases and tools that can quickly categorize data up to 80% in weeks. By applying category and industry expertise in conjunction with these tools, companies further improve the quality of their analysis and confirm actual buying patterns.

The final output of a spend assessment is a savings strategy and prioritized savings roadmap. The savings strategy identifies and categorizes the savings opportunities. The savings roadmap strikes the right balance between the highest value opportunities, ease of implementation, favorable market or economic conditions and current contractual obligations. By prioritizing opportunities, savings generated by quick hits can fund more complex, higher value opportunities. Current market conditions may also offer a unique opportunity to renegotiate existing contracts. Each of these considerations is factored into the savings roadmap, creating a manageable set of purchasing initiatives designed to maximize savings and ROI.

These assessment components provide insight and plans necessary to realize significant bottom-line improvements. Without this insight, companies all too often rely on anecdotal evidence drawn solely from familiar, well-analyzed, high-spend categories. The true value of spend assessment lies in what it tells a company about its spend that it does not already know - and the corresponding savings opportunities that are generated as a result.

A company's basic negotiating strength lies in its knowledge of its purchasing volume with suppliers. Without ASSESS as a first step, companies cannot fully unlock the value from their spend and automatically limit their procurement savings potential. A properly executed assessment can quickly provide a company with the information and savings insights to develop a plan to drive real, measurable savings.

Novartis Saves Through One of Largest Online Auctions of PC Equipment Ever

In late March, ICG Commerce announced that it facilitated one of the largest online auctions of PC equipment ever on behalf of Novartis International AG (NYSE: NVS). Leveraging ICG Commerce's Enabled Sourcing solution, the global healthcare leader was able to save 17% on the purchase of 49,000 new computers.

The project, which stretched across ten countries and was completed over four weeks, represents Novartis' first foray into sourcing PCs through an online auction.

"When looking at the highly competitive PC market, we saw an opportunity to generate significant savings for Novartis by using the Internet to evaluate suppliers and negotiate a favorable contract," said David Clary, Senior Vice President of Delivery for ICG Commerce. "But we recognized that the success of the project - particularly one of such size and scope - would be dependent upon much more than auction technology."

"We brought decades of category experience to the table that enabled Novartis to quickly develop a sound, global sourcing strategy," Clary continued. "Our team helped Novartis negotiate the best possible deal by taking a total-cost approach that factored both price and service into the selection process. While the bottom-line results speak for themselves, Novartis executives were pleased with the savings that far exceeded their objectives."

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

News Behind the News

Prior to engaging with ICG Commerce, Novartis had already begun an initial RFP with targeted suppliers. However, ICG Commerce experts quickly realized that the original RFP did not include critical data that would ensure the suppliers were bidding on a **like-for-like** basis. Like for like comparisons are critical in the sourcing process to make sure each supplier is bidding against the same specifications and requirements.

Like for like comparisons become more critical as the product or service being sourced becomes more complex. It was particularly critical to Novartis because the company placed such a high level of importance on supplier services. One of the most complex requirements Novartis issued was that the suppliers be able to handle global distribution of their product and services.

Coordinating multiple divisions around the world was challenging, but it was just the beginning. Novartis also required the winning supplier to ensure a smooth transition to the new equipment. For instance, the vendor has been asked to dispose of all 49,000 old PCs as well as load basic software and track and register all the new PCs.

"For an auction to be effective, a company must be able to compare suppliers on a like-for-like basis," Clary said. "That's part of the fundamental value of strategic sourcing to the overall project. The greater number of service requirements, the more challenging that becomes, of course. Through our deep domain expertise and category experience in IT, we were able to establish immediate credibility with the suppliers, which translated into a very smooth sourcing process and successful results for Novartis."

The BOC Group Fuels Up For Procurement Savings

On the international front, ICG Commerce announced that it has been selected by the BOC Group (NYSE: BOX), one of the world's largest suppliers of industrial gases, to provide Enabled Sourcing services to help reduce costs on 60 million (US \$86 million) of BOC's annual spend on bought-in materials and services throughout its European operations.

"BOC is always striving for more effective supplier relationships to improve its supply chain," said Jim Ford, managing director, Industrial and Special Products, BOC Europe. "ICG Commerce brings us additional capabilities and category expertise, and we look forward to the savings that their team will deliver to our organization."

BOC has engaged ICG Commerce to provide strategic procurement services across a variety of categories including Telecommunications, IT Services, Logistics and Technical items over the next three years. Initially, ICG Commerce will conduct a complete corporate procurement assessment and category analysis. From the results of the early research, ICG Commerce will manage the entire strategic sourcing process of identification, qualification and negotiation to recommend suppliers that can best meet BOC's sourcing requirements. ICG Commerce will use its integrated suite of eSourcing tools to deliver benefits, including its reverse auction capability.

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

For more information, please visit www.icgcommerce.com.

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