Background

CASME RoundTable meetings on the subject of E-Sourcing were held in London, Shanghai, Singapore, Mexico City and Budapest during a period from April to September 2016. The following main topics were discussed:

- Scope and strategy
- Organisational implementation issues
- Systems for e-Sourcing
- E-RFxs, e-Auctions and e-Catalogues
- Measuring performance and return on investment (ROI)
- Future trends.

This Digest provides the key points, good practices and insight into future trends identified by CASME members around the world. Full notes from each meeting are available on the subscriber-only Resource Centre.

Scope and strategy

- E-Sourcing is the use of electronic tools to conduct purchasing processes, create and manage contracts, and control supplier performance, while storing and tracking data within the system.
- The advantages of e-Sourcing include centralisation and standardisation of processes and data, consistency, speed and efficiency, as well as improved governance, compliance, auditing, risk management, cross-functional and inter-regional visibility and knowledge retention.
- Implementing e-Sourcing can provide savings of 10-30% through price reductions versus traditional sourcing methods. Savings from headcount reduction are also considered.
- E-Sourcing systems are rarely completely compatible with companies’ current requirements and financial processes, and often do not interface easily with existing tools.
- Cumbersome interfaces can be challenging for users; therefore training, simplified processes, and an e-Sourcing centre of excellence (COE) are regarded as being essential to increasing adoption and usage.
- E-Sourcing may be mandated for purchases above specified spend thresholds, or a percentage of sourcing projects to be conducted through e-RFxs may be required.
- Sponsorship from senior executives is regarded as being essential for implementing e-Sourcing across an organisation.
- The importance of maintaining relationships with suppliers is recognised, making it essential for buyers and stakeholders to continue to communicate and interact with suppliers in person.

Organisational implementation issues

- Acceptance and support from the chief procurement officer (CPO) is a critical factor in the success of e-Sourcing. The CPO should be convinced of the effectiveness and value of e-Sourcing and of advocating its adoption. Consideration needs to be given to company culture, as well as factors such as internet connectivity, market maturity, language barriers, and cultural practices and protocols in various countries.
- E-Sourcing should be promoted as a toolkit for procurement professionals to improve their functional performance, while retaining their expertise and value. Good communication and relationships need to be established with stakeholders, who need to regard e-Sourcing as a tool that will help them to achieve their performance targets.
- The organisation’s purchasing policies and procedural requirements should be built into the system’s architecture. Direct and indirect procurement categories may require different system configurations. Approval, delegation of approval and authority levels will be required, which may counter current authorities or accepted practices.
- The timescale for implementing e-Sourcing is impacted by multiple variables including system integration challenges, customisation, development and end-user training. A phased roll-out strategy is recommended, starting with a small-scale pilot implementation, with any lessons learned transferred to the subsequent roll-out and expansion of the e-Sourcing programme.
- Having a motivated change agent or ‘super user’ in each region is useful for encouraging adoption and providing training. System suppliers provide e-Learning and training courses, but system upgrades or modifications may lead to differences between the operation and appearance of the training tool and the actual tool. To ensure valid data, it is beneficial to have a test system for users to practice on, providing access to the live system only once they become competent.
• If spend analytics is to be performed using data from various systems and software, consideration must be given to ensuring the correct taxonomy for data input, to ensure consistency and effective analysis.
• Data migration from legacy systems may be minimal, such as only supplier details and active contracts. Data not required in the new system, but which may be necessary for legal and auditing requirements, may require special agreements with the system supplier to ensure continued access.
• Some categories may not be suitable for e-Sourcing and may be excluded from the programme.

**Systems for e-Sourcing**

• Ideally, an e-Sourcing system should be integrated with all the systems used for purchasing, which eliminates the need for data transfer between systems. However, in most companies the e-Sourcing systems are not currently automatically integrated with the enterprise resource planning (ERP), master data management (MDM), contract management and supplier relationship management (SRM) systems. Such modules may be available in some systems but not included in the e-Sourcing suite, having been developed to sell as upgrades.
• Supplier qualification and due diligence processes are conducted using tools such as Achilles and Helios, through which health and safety, corporate social responsibility (CSR) and ethical sourcing questionnaires can be completed by suppliers.

**Electronic signatures**

• Although e-Signatures provide efficiency and transparency, their use has not been adopted by many companies due to concerns regarding legal validity in some countries.
• Risk management procedures should be in place for using e-Signatures, including spend approval via email and signature authorisation.

**E-RFxs, e-Auctions and e-Catalogues**

**E-RFxs**

• Requests for proposal, information or quotation (RFxs) can be created electronically on a dedicated platform, often present within e-Sourcing systems.
• Initial template creation is not significantly different from manual RFxs; however, the time required for subsequent events is substantially reduced.
• Sharing templates within the tool between different locations and regions provides the opportunity to refine RFxs with the best procurement practices as they are being developed.

**E-Auctions**

• Successful e-Auctions require preparation and supplier evaluations to be conducted beforehand. The rules of engagement need to be made clear to participants before an e-Auction commences, and buyers should adhere to the processes that have been outlined. E-Auctions must be conducted ethically in order for the company to maintain credibility and integrity with its suppliers.
• An e-Bidding exercise does not guarantee a binding contract for the supplier, as further evaluation of the supplier may be needed afterwards. It is important to inform suppliers that the lowest price may not guarantee them being awarded the contract.
• Attention should be paid to the types of suppliers to be included in the same e-Auction because the primary motives of the potential and existing suppliers can be very different.
• Setting targets is one approach applied to increase the adoption of e-Sourcing, and although many companies have targets for the use of e-Auctions, few have targets for the percentage of spend required through e-RFxs.

**E-Catalogues**

• E-Catalogues are effectively a virtual shop of a supplier’s items that can be ordered directly by users, and are covered by an existing pricing, discount or rebate agreement with the supplier.
• Through negotiation, the cost of creating an e-Catalogue can be absorbed by the supplier.
• The benefits of using e-Catalogues include rationalisation of the supply base, improving payment terms and minimal involvement of Procurement for purchasing lower-value items.
• E-Catalogues can be a starting point for introducing e-Sourcing to the company, although the systems used for catalogues are often separate from those used for e-Procurement and the P2P process.

**Measuring performance and return on investment (ROI)**

• Quantitative KPIs used to measure the performance and value of e-Sourcing include:
  - The percentage of overall spend and of addressable spend through e-Sourcing
  - Savings achieved through e-Sourcing compared to historical spend
  - The achievement of targets per buyer, buying group, category and business unit
  - The number of e-Auctions held and the percentage of spend through e-Auctions

• Qualitative KPIs used to measure the performance and value of e-Sourcing include:
  - Policy compliance rates
  - Percentage spend covered by contract
  - Stakeholder engagement levels.

• Success tends to be measured primarily by the amount of cost savings achieved. Such results can quickly be demonstrated from the accrued sourcing data as tangible financial delivery.

• Additional savings and ROI arise from process efficiency and standardisation, data storage, governance, contract cover, audit evidence, traceability and risk avoidance and mitigation.

• It is important for Procurement to clarify and agree with Finance how savings will be measured.

**Future Trends**

• E-Sourcing is expected to be regarded as a core procurement process in the future, and the number of users is increasing as buyers and suppliers become more familiar with the processes and benefits.

• E-Sourcing systems will be improved to incorporate all procurement functions, including SRM and spend analytics capabilities.

• Access to data and automated processes will result in adoption in business areas other than Procurement.

• Sustainability, corporate social responsibility (CSR) and common codes of conduct will become standard expectations in KPIs and service level agreements (SLAs) for e-Sourcing format.

• Business-to-business (B2B) electronic data interchange (EDI) is expected to become more common.

**Resource Centre Links**

The following are links to the full meeting notes for each region:

[Asia, Shanghai](#)
[Asia, Singapore](#)
[Europe, Budapest](#)
[Europe, London](#)
[Latin America, Mexico City](#)
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**Important**
These notes are a summary of the facilitated discussions held between the delegates various meetings. We recommend that any references, particularly to legislation, or recommendations contained in these notes are cross-checked by the reader in order to verify their accuracy prior to being acted upon. Any third party organisations named in this document are not recommendations but are examples of companies mentioned during the meetings that might be considered when tendering for appropriate goods or services. These are not intended to form an exhaustive list and it is likely that other organisations not listed may also provide similar goods or services.

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CASME is the trading name of Market Focus Research Limited
EMEA and Head Office: 1 Holt Barns, Frith End, Bordon, GU35 0QW, United Kingdom
T: +44 1420 488355    W: casme.com    E: info@casme.com

**Americas**
New Jersey USA
T: +1 973 218 2566

**Asia**
Singapore
T: +65 6832 5584

**Australasia**
Sydney NSW
T: +61 2 8015 2340