



eSourcing in Action

An on-going series of real life case studies

FlexRFP™ Corrugated Boxes Case Study

Background:

A new client within the Retail Apparel Industry, needed help reducing the cost of corrugated boxes to be used at a Mid-west manufacturing facility. The Purchasing staff had been under pressure from the CFO to find ways to reduce cost and better articulate vendor award decisions.

Project Goals:

1. Reduce cost of corrugated boxes
2. Better articulate vendor award decisions

Project Data:

Baseline Spend:	\$586,000
Number of Line Items:	8
Number of Suppliers Participating:	6
Project Goal:	Single Source

Vendor Scorecard:

As a first step in the supplier evaluation process using our FlexRFP™ solution, the suppliers participating in this project were asked to complete an on-line questionnaire that was developed by the buyer in FlexRFP's Request For Information (RFI) module. A total of 30 questions were asked in various formats (yes/no, multiple choice, essay, etc.) regarding areas such as Company Information, Quality Assurance, Operations, Transition and Financial. Each question was worth either 5, 8 or 10 points, for a questionnaire total of 216 points.

Initial RFP Bids:

After completing the on-line questionnaire geared towards qualitative evaluation, each supplier was asked to provide a single RFP bid for each of the 8 line items (box types) required for this project. Each line item had two specification documents attached to it, including a cut/spec drawing and a printing layout for carton graphics.

Suppliers were also informed that based on pricing submitted, they might be invited to a reverse auction that was tentatively scheduled for one week after the RFP due date. When supplier RFP bids were received back, 3 suppliers were lower than the baseline price and 3 suppliers were higher, with a best-case savings of 8.2% compared with baseline from a non-incumbent supplier.

Reverse Auction:

As part of EC Sourcing Group's unique approach to reverse auctions, each of the six suppliers entered the auction with their RFP bids as their starting point for the reverse auction. Because of the single-source strategy, the auction was set-up so that suppliers bid on each of the 8 line items and saw their ranking for each item, but they also received their total ranking at the "basket" level, which was a roll-up of all 8 items. The interesting phenomenon that consistently occurs with this approach, is that many suppliers continue to bid on line-items even though they are already ranked first for the entire basket.

The Corrugated BOX-ING Match:

Once the auction opened, each supplier was able to see their rank for each line item and for the entire award basket. Immediately, the incumbent supplier and the supplier that provided the best RFP bid squared off in a battle that extended the originally scheduled 20 minute event to a total of 74 minutes! There were a total of 168 bids with between 18 – 25 bids per item.

The End Result:

At the end of the event, the two suppliers were still very close in price (less than \$1000), but the total savings had increased from **8.2% to 17%**...where the incumbent moved **10.8%** during the auction to meet the market. The final award decision has not been finalized, but non-price factors such as turn-around time and issues relating to conversion (that were defined/scored by the buyer during the RFI / Vendor Scorecard) will contribute to the final outcome.



EC Sourcing Group, Inc.

18 Cattano Ave., Unit 2B
Morristown, NJ 07960

About EC Sourcing Group

One of the most important things to know about EC Sourcing as a company and its philosophy of doing business is to know the backgrounds of our company's principals. As founders of EC Sourcing Group, we previously held positions similar to most of our clients, in helping to direct the Strategic Sourcing efforts of a well-known Fortune 500 company. This means we grasp the practical and everyday requirements of the supply management solution you seek.

We began by extensively reviewing the current solutions in the marketplace, and we liked the overall concept of applying a technology tool to the Sourcing process. However, we found that the tools available fell short in several key areas important to everyday sourcing professionals like:

1. Most are designed by IT people, not from Sourcing, Purchasing or Procurement viewpoints
2. Most are too complex for the average user (both, buyer & supplier) and did not address the day-to-day realities of what actually occurs when doing the work
3. Most require too much training and therefore don't even get used once their purchased
4. Most are inflexible "you have to do it their way" or "you can't do that in the system"
5. Most are too auction-focused, & sometimes take an adversarial approach towards suppliers

Our Unique Differences

- Founded by Strategic Sourcing Professionals with a focus on developing tools & services that are:
 - Flexible to meet the unique needs of each client
 - Easiest-to-use, taking less than 3 hours to learn, so they get used & stay in use
 - Familiar by capturing & managing data your way without requiring you to change your current process
 - IT friendly, thereby requiring no IT involvement
 - Supplier-friendly to insure their willing participation
- We believe software companies shouldn't be telling you what's important to your business or how to organize and manage your sourcing data
- We offer many easy ways to do business with us, including flexible zero-risk payment options
- Above all else, we value our clients; therefore, we understand the importance of follow-up, and follow thru in every aspect of our service and support.

Contact Us:

Toll Free: (866) FLEX - RFP
(866) 353 - 9737

E-Mail: sales@ecsourcing.com

Visit Us: www.ecsourcing.com