Procurement Analytics Demo Script

Welcome to this demonstration of IBM Cognos 8 Supply Chain Performance Procurement Analytics. This *packaged* and *adaptable* application provides a consistent and integrated analysis of spend and supplier performance to help organizations lower costs and improve margins.

One of the IBM Cognos Analytic Applications, Procurement Analytics offers customers a standard business model that delivers cross-functional insight that organizations can use to analyze spend and supplier performance, enabling faster insight and ultimately smarter procurement decisions.

The application provides standard packaged reports in 4 key procurement capability areas:
- Vendor Analysis
- Spend Analysis
- Contract Management
- And Operational Efficiency

These self-service *packaged* reports are interactive with easy-to-use prompts that deliver the insight that organizations need to make decisions quickly and smartly. Our solution *a*llows users to segment information however they want to see it, by vendor, spend, item, and other areas for analysis to more effectively and consistently assess supplier performance. The result – Faster time to value.

Unlike many other analytic applications, our software can easily be adapted to changing business requirements quickly. This is because the configuration and addition of new reporting content is streamlined quickly and cost-effectively, eliminating much of the customization and interpreting of data involved in changing business requirements. The result – better total cost of ownership.

Together with IBM Cognos 8, IBM Cognos 8 Supply Chain Performance Procurement Analytics provides insight into spend and supplier performance. This enables procurement professionals to anticipate and explore new information by easily extending the application to other IBM Cognos BI and performance management components to meet future needs in other areas of analysis. The result – optimized performance.

Let's now explore what kind of insight procurement professionals need to drive cost savings in their organization.

What insight does my team need to be smarter? Faster insight drives smarter decisions, aligned outcomes and optimized businesses.

Faster insight gives organizations the ability to tap into massive data sets and to capture, analyze, and deliver this data so that it is complete and relevant to the decision maker and the decision at hand.

For procurement professionals, this means you can:

- Gain insight into supplier spend to find ways to reduce costs
- Measure supplier performance consistently
- Access information that can leverage spend and supplier performance consistently across the organization
- Source information from multiple systems
- Use a solution that's easy-to-use, easy-to-change, easy-to-maintain and easy to scale
- And conduct reporting and analysis multi-dimensionally – comparing suppliers, spend, item, and costs

Let's look at a typical scenario. This company manufacturers and sells gaming products, more specifically gaming and pool tables. The company's high margin product, the Deluxe Pool Table, has a tremendous "return to ship" ratio – nearly a third of all products shipped are returned.

In addition, 70% of the returns are a result of a defective product. The sales operations manager contacts the procurement buyer of the product category to request further investigation. Her hunch is that the supplier, Last Chance Lumber, is proving less reliable and more costly.

But how can she back up her hunch with facts?

The buyer opens her IBM Cognos Supply Chain Performance Procurement Analytics solution, and runs her return to vendor activity report, comparing vendor performance over time.

Last Chance Lumber is a primary supplier for the Deluxe Pool Table product. The reject rate is 22%, however – unacceptably high for a lead supplier of a premium product.

Concerned, she emails the director of procurement to assess further some of the issues with this supplier and discuss potential alternative suppliers for their product.

This is her procurement director's cockpit. A 360 degree view of supplier performance, account for spend, POs by buyers, and overall performance.

In this dashboard, the director can look at spend by vendor type and period, compare vendor spend by year, and examine open purchase orders by buyers and vendors.

More importantly, she can gain insight into how Last Chance Lumber compares to other vendors on reject and delivery rates and average days late.

What's clear is that Last Chance Lumber is a poor performer –as indicated by spend. So our procurement director drills down to gauge how the company compares against other lumber and wood suppliers.

In particular, she wants to compare the company to Stellar Industries, which provides similar products for the Deluxe Pool Table.

Here too, Last Chance Lumber performs poorly, especially on reject rate but also on delivery and average days late. Stellar, meanwhile, performs much better … and may represent a solid option.

But she wants to learn more. So she opens a packaged report for cost of non-compliance by vendor. Here she wants to understand how this vendor is performing against others in terms of compliance to contractual obligations. What's the cost of not complying to contractual terms? Here, she notices that the purchase amount outside of the contract is high, nearly $300K, and that the potential savings if these purchases were within compliance would be more than $20K – a significant amount.

Yet another strike against Last Chance Lumber. Perhaps it's time to look at Stellar Industries – which has performed more effectively overall.

To know more about Stellar industries, she looks at the company's vendor profile. The profile provides a snapshot of the current status and performance of Stellar, as well as the chief buyer for the company's products.

She's interested in three things:

1) Open Purchase Orders – What items and amounts do this company currently have by open PO ranges, represented both graphically and in an operational chart?   This is important because she wants to understand current volume of purchases and related products.
2) Top 10 Purchased Items is another area – Here, she wants to ensure that the company's products are tracking into stock for production, with side by side views of purchase and receipt summaries.
3) Lastly, she'll want to understand the ebb and flow of orders over time, be able to scroll down in purchase and receipt details. On returns, she confirms the company's excellent quality track record on reject count and reject quantity.

With this information in hand, she can now approach Stellar to probe whether they'd be interested in bidding on a new supplier contract.

In summary, our packaged approach to solving a business problem enabled our procurement director to assess, manage and mitigate risk. She ascertained facts that drove specific action around ensuring the integrity of the product's value with a reliable supplier and its costs – which was achieved with a singular view of performance and consistent analysis. The ability to anticipate and explore this information across different analytic dimensions using a common business model enabled her to gain faster insight and ultimately guided her toward a smarter decision in her selection of a new supplier.