



OVERCOMING SOURCING INERTIA

Abstract

Infosys BPM partnered with its client, a global aerospace major, to address single- and sole-sourcing challenges caused by institutional force of habit



Infosys' client is a listed multi-billion dollar revenue Aerospace major. Based in the US, the company produces both commercial and consumer products and is part of the Fortune 500.

The challenges of single- and sole-sourcing

The client faced a major challenge due to the stiff vendor qualifying criteria in the aerospace industry. Nearly 78% of its tail spend for over 6,000 unique part numbers, and worth over \$60 million, was coming from either single source suppliers or sole source suppliers. This situation had

resulted in a negative save of 4% equalling about \$2.3 million.

The client was looking for a partner to drive savings in the tail spend category through sourcing strategies and value engineering that could challenge its single-

and sole-sourcing relationships. Infosys BPM emerged as the perfect partner for the client, due to its spend analysis, tactical procurement, and vendor management capabilities.



Overcoming institutional force of habit

Infosys BPM deployed its spend analysis solutions in order to analyse historical data sets. This enabled the team to identify suppliers that were being chosen due to institutional force of habit. Parts were being purchased through the same distributor for years without seeking other capable distributors that had better relationships with the suppliers, and without seeking to negotiate directly with the manufacturers.

The team pulled up old specification drawings of parts to identify additional

approved suppliers or direct replacement parts manufacturers. Further, the team also involved internal engineering support to research the supply base and study market data and supplier provided data. This approach gave several other avenues for multi-sourcing as several manufacturers provide direct replacements of their competitors' products.

Next, the team utilized a robust strategic sourcing model for category positioning of the key parts that were being procured, as a basis to implement volume concentration

to drive savings.

For components determined to be truly sole-source with only one manufacturer producing them, the team renegotiated pricing based on a 12 to 18 month forecast of usage. For the parts which were being single-sourced, the team implemented competitive sourcing events and eAuctions to obtain better pricing for the parts from the other alternative sources already identified through the drawing reviews, historical analysis, and market and industry interchange data.



The benefits of forward momentum

The new sourcing strategies developed by Infosys BPM resulted in 4% year-on-year gross savings on an annual non-contracted spend of \$30 million for three straight years. The team also conducted Ariba eAuctions which helped the client drive savings of over \$10 million.

Further, the team managed end-to-end supplier transitions from previous single-source relationships, resulting in cost savings worth \$300,000. Approved value engineered projects also contributed an additional cost savings of \$75,000.

The bottom line is that choosing the right partner with the right capabilities and innovative mindset can help organizations seeking to transform their age-old procurement practices for greater competitive advantage.

For more information, contact infosysbpm@infosys.com



© 2019 Infosys Limited, Bengaluru, India. All Rights Reserved. Infosys believes the information in this document is accurate as of its publication date; such information is subject to change without notice. Infosys acknowledges the proprietary rights of other companies to the trademarks, product names and such other intellectual property rights mentioned in this document. Except as expressly permitted, neither this documentation nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, printing, photocopying, recording or otherwise, without the prior permission of Infosys Limited and/ or any named intellectual property rights holders under this document.

[Infosysbpm.com](https://infosysbpm.com)

Stay Connected     SlideShare