TACTICAL SOURCING OPPORTUNITY IDENTIFIER TOOL DELIVERS BENEFITS WORTH $1.7 MILLION LEVERAGING ADVANCED ANALYTICS AND AUTOMATION

Abstract

When an organization gets data from disparate sources across the globe with multiple formats in multiple languages, it gets difficult to deal with it. Without having any visibility on data, utilizing it further becomes a cumbersome process especially when it comes to identifying opportunities for Savings. This Case Study talks about how Infosys helped one of its customers achieve quick benefits upward of $1.7 Million leveraging advanced analytics and automation in Tactical Sourcing.

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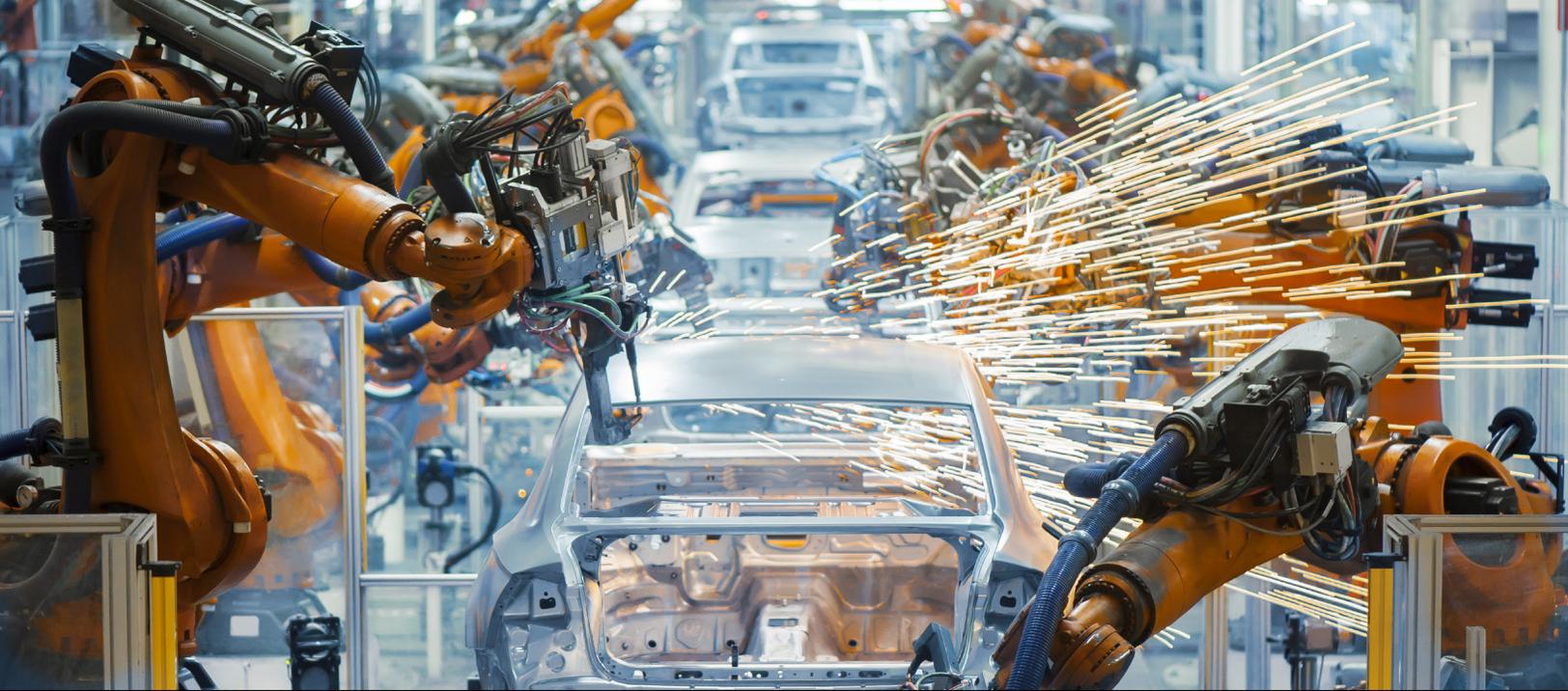
Introduction

The customer is one of the leading global automobile parts manufacturer with some of the largest global automotive manufacturers as its customers. Infosys has a multi-year Sourcing and Procurement (S&P) services contract with the customer. It aims to focus on identifying quick win opportunities to bring additional spend under management, increase compliance and catalogue penetration, introduce new savings levers, and also reduce back office operations work through automation and analytics.

Background and business challenge:

Being a global manufacturer, the customer has operations and plants across the globe where the lack of a harmonized sourcing process across these operations was a key challenge. This further got compounded due to complexity in consolidating data. The data was captured from different sources in multiple formats, currencies, and languages causing lack of visibility on holistic data for the category managers who were involved in multiple strategic savings initiatives. In addition, many of the key sourcing projects were independently handled by the plants who were the final decision makers.

Infosys approach and solution:

One of Infosys's key result areas for the customer included identifying

opportunities and quick win projects of tactical nature which could be immediately executed to tap into low hanging savings. The Infosys team commenced the exercise by performing initial diagnostics and encountered numerous challenges with regards to data availability and data interpretation. This made the opportunity identification process very difficult in the initial stages. Some of these challenges included:

- The PO and invoice data were not linked and could not provide information on availability of SAP price files

- The Supplier Relationship Management (SRM) extract (the price file uploaded in SAP) had incomplete catalogue data

- High data fragmentation across catalogs, SRM, SAP, and sales reports prevented the team from carrying out integrated analysis

- The master data had its own complexities as it was handled differently across different regions and led to issues such as:

  - Short text nomenclature in different formats across plants
  - Multiple languages
  - Incorrect category classification

The below representation further provides an idea into the breadth of complexity (spend in approx. USD):

~ 1 Bn Total Yearly Spend		~ 450 M Total Spend in Scope
6 Regions		17 Countries
150+ Plants		10000+ Vendors
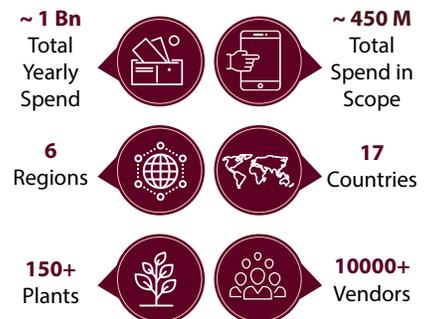
These challenges indicated a need for a two-fold solution approach combining technology for tackling data challenges and a specialized team to provide domain intervention for setting up the business rules:

- Infosys leveraged its advanced analytics and visualization skills to create a customized tool which could bring data across multiple sources into a harmonious unified format as a 'single source of truth'. The tool named as the 'Tactical Sourcing Opportunity Identifier', had a user friendly visualization which used process decision rules and algorithms to help identify tactical sourcing opportunities.

- Incorporated a cross functional team to bring in expertise to enable the development of the tool, with members comprising of:
  - Infosys S&P Centre of Excellence (CoE) - for domain and category expertise
  - Infosys operations team - for customer context and close customer alignment
  - Infosys analytics team - to create data models, automate analysis, and visualize data

Infosys also obtained feedback from various customer stakeholders at both regional and country level regarding various plant specific sourcing guidelines to help in realistic identification of spend under scope.

The key features of this tool include:

- Ability to bring together data from various sources in a database
- Supports validation, normalization, classification and cleansing
- Enables creation of data models aligning to different savings levers
- Provides Dashboard catering to various levels of the customer sourcing organization
- Automates sourcing project identification at item/supplier/plant level.

Data
- PO data
- Spend data
- Contract data

Dashboard
- Visibility on global level with drill-down to the granular Level
- Savings opportunity identification

Project Identification
- Sourcing projects identified based on various levers on dashboard
- Identified Vendor-wise and category wise projects list

Project feasibility validation and implementation
- Activities post identification of opportunities

The tool also incorporated multiple saving levers which helped in quick identification of easy to implement Tactical Sourcing projects. Key levers included:

Price Variance Analysis
- Analyzing the price variances to obtain better prices
- Quick payback opportunities

Contract By-Pass Analysis
- Analyzing spend and contracts data to identify and move the non-contract spend to existing contracts.

Demand Aggregation
- Analyzing non-contracted purchases and bringing them under price lists
- Moving the non-preferred vendor spend to preferred vendors.

Competitor Analysis
- Identifying competitors by tagging similar material number purchased
- Executing benchmarking exercise

A pictorial representation of the dashboard price variance analysis is given below:
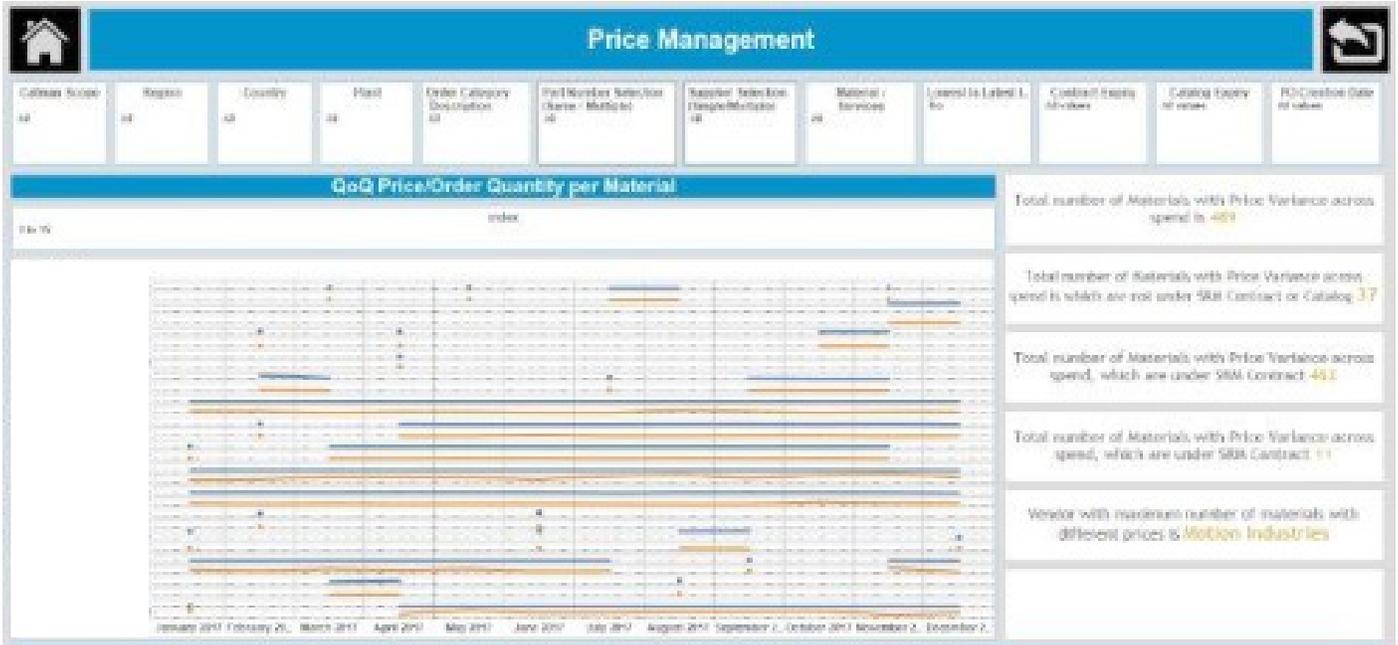
Value delivered

Based on the identified initiatives, Infosys created a collective Tactical Sourcing pipeline of $100 million with a savings potential of approximately 2.5%. All these projects were quick to implement, easily accepted by global operations, and also required reduced amount of efforts. The following indicates a break up of average percentage savings achieved from different levers:

1.5%	2%	2.5%	2.5%
Price Variance	**Contract By-Pass Analysis**	**Demand Aggregation**	**Competitor Analysis**
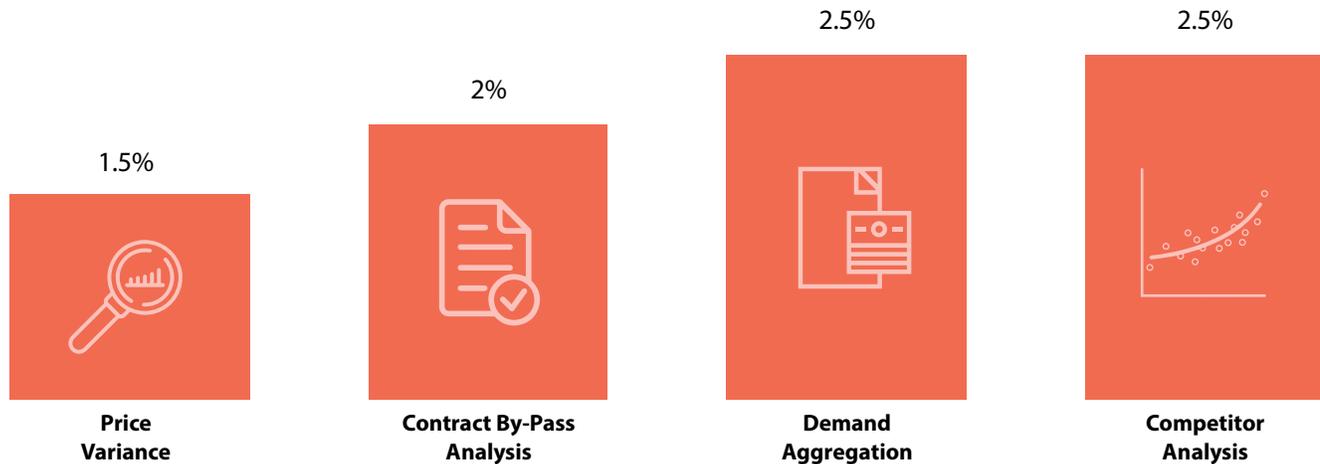
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