

# SUPPLY CHAIN COLLABORATION IN RETAIL

Shared procurement systems cut costs, not competition.

In today's extreme economic conditions, innovation for survival is key. As the procurement of merchandise represents the single largest expense for any retailer, any reductions in procurement costs lead to a direct increase in profits — with an immediate ROI. IT solutions organization, NIIT Technologies, has confirmed that, through new advances in procurement collaboration, its retailers are reporting average product cost savings of 8–22%, shortened negotiation cycles, improved productivity (30–50%) and streamlined indirect procurement processes leading to administrative cost savings of up to 60%.

Ravi Pandey, UK Head, NIIT Technologies, says: "In these difficult economic times, the retail and manufacturing industries are seeking ways to streamline the procurement process, reduce costs, manage their spend more effectively and, ultimately, develop an enhanced collaborative platform for the whole supply chain. NIIT Technologies Ltd has been partnering with some of the leaders in the retail and supply chain industry and they have reported the benefits of procurement collaboration." Gartner predicts that by 2012, at least one third of business application software spending will be service subscription-based instead of as a product license. NIIT has also invested in a dedicated Software as a Service (SaaS) platform for clients. "ProcureEasy," the first of NIIT Technologies' SaaS offerings is a feature rich, user-friendly solution that meets the diverse procurement process needs of large enterprises. The flexibility of the model is built around a 'shared services' concept whereby enterprises can feed from a common pool of customized IT applications. This scalable offering offers full business process functionality and can be innovatively structured in terms of pricing, which can be subscription-based or transaction-based, with assured performance Service Level Agreements (SLAs).

Retailers have also started to explore beyond their inward-looking Enterprise Resource Planning applications and are

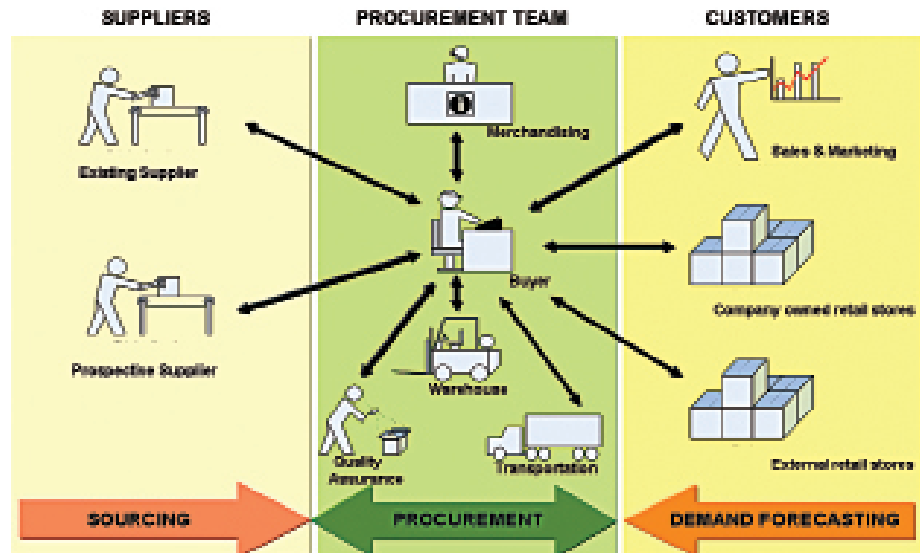


Figure 1: Features of an online supplier exchange.

adopting collaborative supply side platforms, including online collaborative systems, which help their buyer team to seamlessly connect with suppliers — and save time and money. Online system-generated documentation provides a much better support for decision making and allows retailers to increase efficiency and reduce their cost structure. Contrary to the currently prevailing modes of communication between supply chain partners, which is normally through e-mail, fax or EDI, the retailer's private exchange supports a flow of online documentation according to standardized formats. As per Figure 1, the exchange of documents is controlled by authorizations, workflows and alerts across an extremely secure private network.

Online procurement life cycle management, which includes all post-order purchase transactions — from requisitions to invoices — significantly reduces the delivery lead time and improves supplier relationships. It offers the following key benefits to the retail and manufacturing industries:

- **Significant cost reductions through**

- **reverse auctions:** buyers publish bid specifications to allow prospective suppliers to bid online against each other by offering

their best prices. The buyer can compare the prices, along with the terms and conditions, to release the purchase order to the most appropriate supplier(s). Reverse auctions are best suited to categories that are commoditized and undifferentiated, with supply exceeding demand, such as fruits and vegetables, stationery, jute bags, non-branded towels and any goods for internal consumption within the organization.

- **Streamlined indirect procurement**

- **processes:** retailers are relying on the supply side platform to centrally consolidate the procurement of their non-sale items across different locations. This allows the organization to manage the suppliers and their contracts centrally, thereby curbing unnecessary purchases.

- **Ability to consolidate demand across**

- **the retail chain:** replenishment requests for merchandise from different locations can be collected and consolidated centrally for better stock utilization and higher fill rates at the point of sale.

- **Effective spend management analysis:**

- the advanced web interface provides the retailer with increased visibility and control of the spending data across different locations

and users. Spend analysis is supported by exception reporting and helps to maintain checks and balances on the critical “money out” processes.

- **Sourcing optimization through private exchange:** the fully enabled online private network comprises the following members:
  - all existing and prospective suppliers
  - all influencers and decision makers involved in the sourcing, selection, logistics, procurement and transportation planning process
  - all internal and external customers.

This exchange facilitates the collection of “demand” from all points of consumption, which can then be aggregated for procurement activities. Procurement transactions can then be initiated with the participating members from the supply side. This leads to a highly efficient supply chain network, resulting in huge savings for the retailer and also translating into a high level of service for its customers. Retailers are all competing with one another to offer a more compelling value proposition to their customers in terms of merchandise assortment, price and customer service. In these tough times, the real winners will be those who offer better value

and gain customer confidence. To effectively deliver this enhanced value, retailers need to implement strategies that increase efficiency and reduce their cost structure.

### Value Delivery by NIIT Technologies

For companies that want complete control of the application and have enough resources to manage it, NIIT Technologies provides licensed application software. For companies that are seeking all the benefits of the procurement platform but are unable or unwilling to manage the application, NIIT Technologies provides a hosted platform with Service Level Agreement-based services. The commitment by NIIT to meet the SLAs would guarantee the performance of the system and mitigate the risk to the client. For those wishing to incorporate a reverse auction as part of the organization’s procurement strategy, NIIT Technologies provides end-to-end management of the auctions, including identification of new suppliers using BPO operations. Typically, the reverse auction is an act of opportunistic procurement to save costs. The NIIT Technologies team can provide solutions to identify suitable vendors

for the given category of items and offer a combination of services that goes above and beyond the IT application. In addition to these solutions, NIIT Technologies ensures that all suppliers are adequately trained to use the platform as desired.

### About NIIT Technologies

NIIT Technologies is a leading IT solutions organization, servicing customers in North America, Europe, Japan, Asia and Australia. It offers services in Application Development and Maintenance, Enterprise Solutions (including Managed Services and Business Process Management) to organizations in the Financial Services, Transportation, Retail, Manufacturing and Government sectors. NIIT Technologies’ software development processes are assessed at SEI CMMI (Level 5 Version 1.2). Its human resource processes are assessed at the highest level of maturity (PCMM Level 5). Furthermore, NIIT Technologies has processes and systems for information security management certified in accordance with ISO 27001, and its facilities offering Managed Services conform to the ISO 20000 standard of Service Management ([www.niit-tech.com](http://www.niit-tech.com)). •

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