



## **ENABLING IMPROVED DIRECT MATERIALS SOURCING**

Convergence Data Services (CDS) provides solutions that enable major savings through improved direct materials sourcing. Our tools provide capabilities which assist in the development of a rich set of purchased item data that is utilized by engineering and purchasing to make better decisions in course of sourcing direct materials. Here are some of the benefits CDS customers have realized by leveraging CDS solutions to improve their direct materials sourcing:

- **Average part cost savings 15-25%**
- **Improvement in throughput of sourcing direct materials 300%**
- **Parts rationalization 30-60%**
- **Reduction in time preparing for sourcing events 100%**

### **Data Challenges that impact effective Direct Materials Sourcing:**

Through strategic sourcing initiatives, many companies are striving to rationalize their direct materials spend. Their objectives are to move to fewer, lower cost suppliers who are providing higher volumes of a smaller set of unique parts and assemblies. This seems quite straightforward. However, in practice many are hamstrung by a lack of readily available information to help them make the right decisions on what are the right parts and the right suppliers. To get the best results requires a rich set of data regarding all of the items that are currently being purchased which doesn't readily exist within the typical manufacturing enterprise.

Much of the item data required to make the best decisions is embedded in documents or files that are not accessible or easy to search including: part drawings, specification documents, requirements documents, etc. Moreover, the data that is readily available, say from an MRP/ERP system, has issues with inconsistent nomenclature. Or, it is lacking enough information about the physical characteristics of the parts to allow for easy identification of duplicates or "near" duplicates. With these data challenges it's hard for a company to source multiple similar items to achieve economies of scale or to control the number of suppliers and mitigate duplicate inventories. Most companies have not been able to face up to this challenge because they have no way to obtain this data easily.

Many vendors who claim they tackle this issue typically fall short. For example: spend analysis software vendors will analyze your data and cut your direct material spend at a high level, e.g., spend by high-level commodity category or spend by vendor. In these situations you typically end up with some nice looking graphs but little guidance on what to do next to start saving money.

### **Convergence's approach to preparing data for cost-effective direct material sourcing.**

CDS solutions prepare the necessary data to effectively drive savings as you source your direct materials.

The first thing we do is help you to organize your items, based on common characteristics, into a hierarchical "classification" structure. The classification structure consists of nested "categories" that



segment the items based on their "attributes", from the most broad at the top of the structure to more specific the deeper the structure "tree" goes.

Once the item categories have been established, item attribute value information, such as physical dimensions or "commercial" attribute data such as supplier name or purchased price, is loaded. Once the data has been validated, it's ready to be analyzed for sourcing. Here is a summary of our key capabilities for direct material sourcing:

- Classification manager – manages the categories and attributes for purchased items (e.g., taxonomy, item structure, etc.)
- Item clusters – analysis application to help you identify sourcing clusters which are logical groups of items to source in a single sourcing event
- Item relationships – allows parts to be mapped to both actual manufacturers and vendors you purchased from; typically they are different. This way engineers can find the preferred parts to use

Once your data has been cleansed for sourcing and sourcing clusters have been identified, your data can be exported, for example to e-sourcing applications. Convergence has established relationships and integration with direct materials management software vendors like Co-Exprise. These software companies can effectively manage the actual transaction process between your company and direct material suppliers.

### **What are the benefits to better direct material sourcing?**

With good data, sourcing professionals can attack cost reduction in a much more effective manner. Rather than just pressure your vendors for better pricing, persuade them with better data. When you can source more items in a single sourcing event, it will put your preferred vendors in a better position to obtain more business with you; creating a win-win situation for both you and your suppliers.

Want more information about how Convergence Data Services can help you to drive improvements in your direct materials/strategic sourcing initiatives? Contact us at [info@convergedata.com](mailto:info@convergedata.com) or **203-364-8600**.