

eRFx: the best way to prequalify suppliers



Grundfos



With an annual production in excess of 16 million units, Grundfos is one of the world's leading pump manufacturers. Dániel Gál is a key member of the team responsible for eSourcing at Grundfos and supports category managers. The category manager for office supplies and print materials requested support to run eSourcing events in order to select the best supplier.

He recently completed his first online prequalification tender and integrated eAuction on print materials with a very satisfactory result. Dániel Gál explains his experience of the process and why he preferred eSourcing rather than the more traditional face-to-face negotiation.

Challenge & Solution: eRFx is the best way to prequalify your suppliers

Dániel Gál decided to use the [Source-to-Contract by Scanmarket (S2C)] eRFx and eAuction products to prequalify his suppliers. The reason was that he needed to compare side-by-side a large number of prospective and current suppliers.

"I suggested to the category manager to start with an eRFx because of the many suppliers to invite within the category — not only our existing ones, but also some potentially new suppliers. [Unit4 S2C] eRFx gave me the opportunity to retrieve detailed information about each supplier — especially about their environmental profile, which is a crucial issue to Grundfos. Some suppliers chose not to respond to our eRFx. My interpretation is that these suppliers are either not competitive or just not interested in new business although few claimed that they only participated in traditional RFPs.

Benefit: Easy Solution

"Evaluating supplier responses was fast and easy — the eRFx provided me with an immediate overview of the best suppliers — I could easily see who were in the top 10, for example. After my evaluation I shortlisted the suppliers that I found qualified for the second round eAuction. Within the eRFx this is done by a few clicks, and the system can even transfer the initial eRFx bids into opening bids in the eAuction."

Industry

Manufacturing

Location

Headquarters: Bjerringbro, Denmark

Size

More than 20,000 people

Product

Unit4 Source-to-Contract by Scanmarket (S2C)

Challenges

To compare side-by-side a large number of prospective and current suppliers.

Key metrics

3 weeks

TIME SAVINGS

Three weeks instead of three months to analyze process

“[S2C] is a great tool to keep track of information because you have everything gathered in one place.”

Dániel Gál

Global Senior Sourcing Analyst, Grundfos

Results:

1. Large savings against current prices
2. Substantial time savings
3. A structured process for collecting and storing all information centrally within the organization and focus on ensuring that all participants understand this is the future of negotiation

1. Large savings and market transparency

Due to variations in the standards of paper quality amongst suppliers, the market prices were quite different and therefore difficult to compare. The eRFx gave Dániel Gál the opportunity to evaluate the suppliers on qualitative criteria as well as price, which resulted in transformed prices that were a lot more comparable than the initial market prices.

“When conducting an eRFx followed by an eAuction we found we were able to get a comparable price level, which made it much easier for us to weight the suppliers against each other. There is no doubt that not only has eSourcing helped us to select the best suppliers, it has also resulted in significant savings and better market transparency. When you take a look at the overall result, I can say for sure that I would never have obtained savings as large as these in a traditional face-to-face negotiation.”

2. Economize your time with eSourcing

Dániel Gál also explains that his workload was significantly reduced

when utilizing the [S2C] platform.

“Using eSourcing places the responsibility for responding with the suppliers. They need to provide you with all relevant information and prices and the system takes care of the rest! It made it easy for me to analyze the final prices from a methodically selected number of suppliers. If I had conducted the sourcing process as a traditional face-to-face negotiation, I would have spent at least three months on the whole process. With the Scanmarket platform I have managed to complete the same process in less than three weeks! So there is no doubt that such significant time savings creates a heavy argument for me to use eSourcing.”

“[S2C] is a great tool to keep track of information because you have everything gathered in one place.”

3. eSourcing vs. traditional face-to-face negotiation

The goal of the eRFx and eAuction was to select and prequalify a selected range of suppliers that, as a final third step, would be invited to participate in a traditional face-to-face negotiation. Thanks to the eSourcing process, Dániel Gál has an exclusive selection of suppliers and very keen competitive pricing.

“If I compare the [S2C] online process with a traditional face-to-face negotiation, it would have been very hard for me to convince the supplier to come down to the low price level I obtained in the eAuction. At this point the eAuction has provided me with a list of very competitive prices which will be beneficial for us when we conduct the final negotiations.”

Important suppliers were willing to participate

“Since this is the first time I used eSourcing instead of a traditional negotiation I was a bit worried about the reactions from our current suppliers. Fortunately, we discovered that all the larger existing suppliers wanted to participate. My conclusion is that as long as a supplier can be competitive, he will participate.”

This was also confirmed when I reviewed the event statistics from the eAuction. The suppliers have been very active with their bidding and several of them have continued bidding after the intended close time, which resulted in the eAuction being prolonged with a whole extra hour. The eAuction created a very dynamic process that I would not have experienced in a traditional face-to-face negotiation.”

More eAuctions and pre-qualifications coming up!

Dániel Gál's first experiences with eSourcing have proven to be very valuable to Grundfos when they are carrying out pre-qualifications and negotiations.

“I can strongly recommend [S2C] — I personally think that the platform is a great tool and I already plan to run more events in the future. I also know that three of my colleagues have been inspired by my success and now are planning to use the [S2C] platform in their purchasing projects.”