

Big Data Standardization Software For Inside the Enterprise

Refresh™ Software Functional Discussion Document:

What's in it for Purchasing & Supply Management?



Don't ignore the Data Elephant in the room

About Refresh™:

Fresh International provides a very practical software called Refresh for standardizing and enriching the data that you use to describe all of the things that you procure.

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Now you can "fix" the data in your Purchasing systems (SAP, Oracle, Ariba etc.) - Refresh it, making it easier for you to:

- Find,
- Spend Classify, and
- Consistently fully Describe, all of the things that you procure. Whether these are stock or non-stock, consumables, office supplies, MRO, assets, services or Raw materials – avoiding large buckets of spend with that messy label "other".

Refresh's global dictionaries and content are the largest in the industry and out of the box this includes all major international codification standards such as UNSPSC, ISO, HS/Intrastat in all major languages. This powers the ERP system so that information like short texts, long texts, PO texts and spend classes are *not only typed but generated* in your ERP system at point of entry.

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- Trustworthy Spend Analysis
- Easy Searching of Items
- De-duplicated Inventory
- Lower Capital & Operational spend
- Standard Item specs, with list prices
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Overview:

Here we will have a look at some of the needs, frustrations, opportunities and benefits that our friends in Purchasing/ Procurement/Supply Management are experiencing in the daily use of their ERP systems. For similar discussions looking at the issues from other teams like Operations, Maintenance or IT, please see the other chapters in this series.

Over the last 15 years we have noticed increasingly important common issues at our global Enterprise Resource Planning (ERP) projects. Since 2003 we have been addressing these issues through development of our Refresh™ software. Refresh is live today in companies using various ERP / Purchasing systems such as SAP, Ariba, Oracle and others. For the purpose of this discussion we will use SAP as the example where we want to be specific but the reader should keep in mind Refresh brings the "missing piece of the puzzle" to Non-SAP Purchasing systems too.

Doesn't it sometimes feel like something important is missing from your systems making it harder to get all the benefits you expected? You've implemented Inventory management and purchasing systems to control your stock and non-stock items, maybe also Supplier Relationship Management and more add-ons from the ERP providers and others. Maybe you've even implemented Master Data Management, (MDM) in the anticipation that this will help you manage your master data. Even after implementing these solutions, thought to be the "silver bullet" they needed, many of the world-class organizations we have visited are still suffering unnecessarily with dirty "basic" data, undermining many sourcing efforts.

Back to Basics:

The Institute of Supply Management (ISM) in their excellent introduction of the Supply Management Handbook describes a 10 step process for a professional "Strategic Sourcing" initiative at any organization. The first 2 steps are:

• Map Current and Optimal Sourcing Processes

Step 1

Step 2

• Analyze Total Spend for Each Category

• Development Supplement Supplement Select Factor Sel

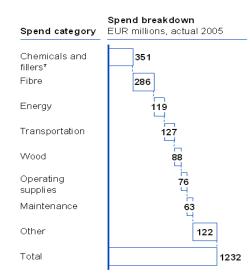
In Strategic Sourcing do we stumble at step 2?

Source: ISM

- 1. Map Current and Optimal Sourcing Processes
- 2. Analyze Total Spend for Each Category

Analyzing total spend for each category may sound trivial but it can be notoriously difficult to achieve in a truly trustworthy and practical way given the amount of purchases in a large organization. This often leads many purchasing practitioners to distrust their spend data or even worse "ignore the elephant in the room" and carry on, basing important procurement decisions on potentially shaky data foundations.

For example, at one early adopter of a leading ERP software, after passing hundreds of thousands of purchase line items through Refresh™ it was discovered that 30% of these were originally assigned to the wrong category (see below). In our experience this has been typical – that 30% or more of current purchases are receiving the incorrect material group code during the purchasing transaction or even at the initial point of master data creation. Apart from correcting their spend category assignments, the company also used Refresh to auto-apply UNSPSC codes for all transactions as well as automate commercially neutral descriptions for all materials - ultimately realizing substantial savings, particularly in Working Capital.



Can we trust the spend... and what exactly is "Other"?



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Trustworthy Spend Analysis: providing the missing key:

SAP BW	BI > P2P > SPEND ANALYSIS	Total Spend	Material S
▼ Code	Material Group (Spend Category)	1,694,395,155.95 USD	333,439,620
▶ A00000	Construction	15,685,648.73 USD	290,139
▶ B00000	Energy	130,523,771.83 USD	74,173,450
▶ C00000	Fixed Plant & Equipment	37,460,571.23 USD	24,605,281
▶ D00000	Logistics	38,421,621.37 USD	470,907
▶ E00000	Mobile Equipment	96,318,984.95 USD	43,351,350
▼ F00000	MRO & Consumables	83,054,344.99 USD	53,791,443
▶ F01000	General MRO	59,033,988.11 USD	41,859,152
▼ F02000	Electrical and Instrumentation	17,187,411.73 USD	6,044,844
F02000	Electrical and Instrumentation	11,173.64 USD	11,173
F02001	Electrical Hardware & Equipment	8,461,965.86 USD	2,237,896
F02002	Batteries	245,261.77 USD	245,261
F02003	Electrical Consumables Supplies	4,048,690.08 USD	2,498,873
F02004	Instrumentation Equipment & Components	4.420.320.38 USD	1.051.638

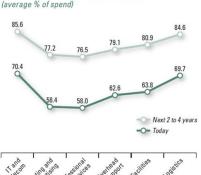
Trustworthy Spend Drill-Downs - it's all about the data

Most of the companies we have seen had in the past been collecting some sort of spend data. Usually an internal "Material Group/Category" code is either collected at point of entry of the spend transaction, or mapped afterwards in Excel by an employee or contractor. Both of these approaches tend to introduce too many inconsistencies.

Given the number of line items and players involved it is extremely difficult for all ERP users to consistently assign codes without an automated tool helping them to do so. We cannot ask our users to choose from a long list of classification codes and expect them to be right without providing an open and truly repeatable set of rules across all company sites. This is compounded when company sites are widespread across geographies and perhaps languages.

Of course it is not black and white - some materials and services are easier to categorize than others and the result is that much of the "lower-hanging fruit" has been well targeted by Purchasing Departments, leaving some of the other more tough areas of spend e.g. Indirect. But even in indirect materials and services which have more line items and more complexity the latest Procurement thinking is that there is now more than ever a focus on leveraging spend in these categories. Many Supply Chain managers recently surveyed saw opportunities in this economy, specifically within "Indirect Procurement – Higher Visibility, Greater Expectations".

Level of spend coverage by category



Indirect Procurement - Higher Expectations

So, all of the spend categories including those that are more difficult to measure have become more strategically important in the current economy. We all need to find high-quality, fast and cost-effective ways to get pure spend data.

Without it, we will continue to frustrate our own efforts at rationalizing our commodities & supply base and prioritizing our strategic sourcing & supplier relationship management efforts... resulting in higher total prices, higher inventory levels and poorer supplier performance.

Spend Categories & UNSPSC - in weeks (not months)

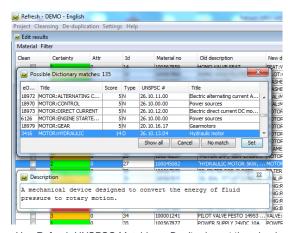
Material Groups, Spend Categories/Buckets, Commodity Codes, Classification Codes... whatever you call them in your organization they are generally used to serve one major procurement purpose: segregating your spend for analysis at the level of "contractible group" - the group or category of goods and services that may be bought from one supplier. Typically a good Spend Category Scheme is:

- Hierarchical (for drill down/up reporting)
- Consistent (each item belongs in only 1 category)
- Complete (each item has a home)

Refresh has many customer examples of good spend category schemas as well as all well-known international standards. These standards are <u>automatically assigned to every item</u> as it passes through Refresh, using the largest set of content in the industry, packaged into a really simple-to-use tool. Refresh is being used today to complete large UNSPSC or Internal Spend Categorization/Cleansing projects for all purchased items in leading companies and governments worldwide – <u>all within a matter of weeks</u>.

"The team has managed to complete the analysis and "re-freshing" of almost 500 000 material masters to UNSPSC in just over 10 days. AWESOME effort" SAP Supply Chain Project

Leader, North America - click here to read the customer story



Use Refresh UNSPSC Matching - Don't reinvent the wheel

Refresh

YOUR DATA MASTERED

On this page (3 of 10): Getting Clean Data for:

About Refresh™:

1) Existing Items

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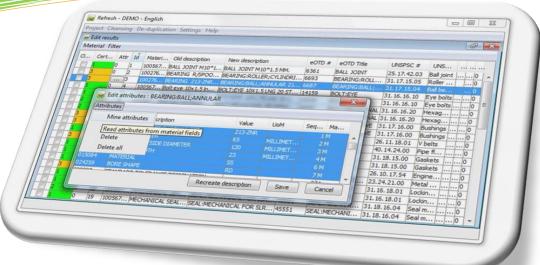
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Getting Clean Data: Different Approaches work best:

1) All Existing Items in your system

Most Refresh users have tens or hundreds of thousands of items in their ERP systems today with "less than perfect" data. This big categorization job is often made tougher by the problem of multiple ways of describing the same item e.g:

- MOTOR AC, 90KW, 3PH, 400V,160A,1500RPM
- MTR, ELEC, 3ph, 120hp, 220/400V,160amp
- ELEC MOTOR, 3-PHASE, 2 POLE, 90KW

Refresh avoids this with the largest collection of multilingual & ISO standardized, Noun:Modifier based naming content in the industry. This content is all mapped back to the international standards, meaning that from all your dirty descriptions you are able to automate clean key purchasing data. This automation step is the subject of AI by Fresh International which is a fresh approach to repeatedly automating spend classes, standardized descriptions & also removing duplicate items — using your existing "dirty" data.

Refresh - MOTORS - English roject Cleansing De-duplication Settings Help **Edit** results Material Filter ... Material... Old description MOTOR: AC, 75KW, 3PH, 400V, 160A, 1725RPM, 50HZ... New descriptio New long text New PO text CURRENT RATING IN AMPS = 160 A, ROTOR SPEED RATING IN RPM = 1725 RPM, FREQUENCY IN HERTZ = 50 Hz, POLE QUANTITY = <PLEASE PROVIDE>, FRAME SIZE DESIGNATION = <PLEASE PROVIDE>, MOUNTING METHOD = <PLEASE PROVIDES 27020000 18972 eOTD MOTOR: ALTERNATING CURRENT English ELEKTROMOTOR:WISSELSTROOM French MOTEUR: A COURANT ALTERNATIF A motor which is designed for operation from an alternating current source See also MOTOR:CONTROL.

Refresh Automation:All the data you see was auto-generated by Refresh from dirty ERP data for item 100038973 above

You can run hundreds of thousands of materials or PO line items through Refresh Desktop and have it check / produce this data, meaning you can start using the international standards today without any need for upfront work, and be live with a new spend reporting solution faster than ever. This can be done within days or a couple of weeks. If you want to go deeper into Data Standardization afterwards – it's up to you – your project can be as simple as you want and you can take bite-size chunks out of the data elephant.



You decide how much effort to put in Refresh and when

From a few days for simple spend classification to a few months for full enrichment, it's the automated algorithms in Refresh that makes the cleansing faster & more accurate.



Refresh being used to auto-enrich and translate an item

Refresh VOUR DATA MASTERED

On this page (4 of 10):

Getting Clean Data for: 2) New Items created on ERP

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2) New Items created on ERP

The creation of new items, for example a new stock item is a daily task in most businesses. Many companies are using a process when creating new materials on the ERP system. This is sometimes part of an overall "master data governance" initiative or it has just been developed over time as a good practice for trying to control the item data that gets created in the system. Some Refresh customers are using a simple webform, or a more complex workflow or an MDM tool to control the creation of these new items.

Whatever process that is being used it is very important to try to capture important, purified procurement <u>data at the first</u> <u>point of entry</u>. In general the person who knows the most about an item is the person who made it, and thereafter the person who uses it, and so we should try to involve the originator in classifying the part, but we have to make it easy for them to choose the right class. Asking a junior purchasing staff member or even worse an outsourced contractor to classify the item after it has been created often leads to poor data quality. We better do it <u>Right First Time</u>.

Refresh analyses the data that the originator types in to the original ERP system in real time and makes live suggestions to them about what the item may be. This is similar to most modern web tools for example:



FRESH INTER	Advanced Sea Language To
fresh international	
fresh interactive	
fresh intermedia	
fresh internet	
fresh interiors	
fresh interior desian	

Google guesses what you are trying to type



Refresh guesses what you are trying to type

Once the originator is happy with his description, Refresh will automatically standardize the data further – for example it will

apply standard agreed abbreviations, correct misspellings, correct to uppercase and of course return the correct codes for the description chosen for example UNSPSC, Material Group, eccma eOTD, HTS (HS Code), eClass, Intrastat, UNCCS, INC codes and many more. For example:



Material creation workflow example - ERP calling Refresh

Note that the items were coded without much effort from the user - he only had to type his description and even if he spelled it wrong he would still only have to choose from a limited & scored list of possibilities. Since the category codes are mapped together in Refresh it is always repeatable, no matter who is creating the item and in which language. When you first start using Refresh you may wish to map any useful existing in-house Spend Categories to the Refresh Standards Dictionary, this typically takes a couple of days and is normally time well spent as it will perform two functions: 1) It will allow Refresh to automatically populate your own Spend Categories when they are missing and 2) It will allow Refresh to propose corrections when the classification seems incorrect. Below is the same material as before but showing a custom Spend Category in the "Material Group" field for example.

equest details	
nort and long descriptions	
Short description Basic data long text Ins	spection text
Language: EN Description: * bearing 6:	23 Standardize
New description: BEARING	:BALL;ANNULAR 623
Basic Data MRP Data Purchasing Data	Plant Data Accounting Data Additional Data Standards
Basic data	
Base unit of measure: * EA	Old material number:
Material group: * 011090 🗂	Material group title: POWER TRANSMISSIO
Division: *	Cross-Plant Material Status:
Authorization group:	Gross weight: 0.000
Net weight: 0.000	Weight unit:
Volume: 0.000	Volume unit:
Size/dimensions:	EAN/UPC:
EAN category:	Dangerous Goods Indicator Profile:
Lab/office:	

Refresh also predicts/checks your own Spend Data Fields

Refresh VOUR DATA MASTERED

On this page (5 of 10):

Where to keep Spend Codes Getting Clean Data for: 3) New ERP Free Text Requisitions

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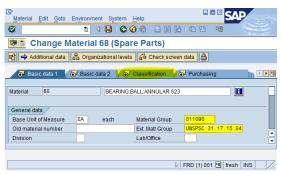
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Upon finishing the workflow approval above, the following item master would be created in ERP with all Spend Categorization Fields automatically filled in for the user:



Typical fields for Spend related data in ERP (SAP example)

There is sometimes a discussion around which fields to use and which standards to adopt. From Refresh it doesn't really matter – Refresh is configurable, allowing you to populate any ERP fields (even custom ones), and the toolset is "standards agnostic" – you can choose any or all.

However, there is a decision to be made on where to keep these codes in your ERP system. Some ERP vendors are not very clear about which field is best, for example in SAP you could choose from Material Group, Classification or Ext. Matl Group (EXTWG) fields as shown above. Whichever fields you decide to use, try to make sure that the field is a feature in as many of your purchasing transactional screens as possible (say purchase requisition, order, goods receipt & invoice verification). For the SAP example above, the traditional field is Material Group - a stalwart in the process from requisition to order all the way through to goods receipt and invoice payment. The more transactions your Spend Category codes appear in, the more you will be able to analyze your processes and the Vendors and Items in each.

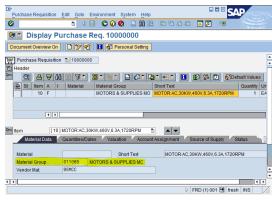
As time has moved on more sophisticated reporting tools / (BI/BW) tools are able to combine Spend data from more than one data source to build your spend reports - this may help you if in your organization your chosen data field has already been hijacked for another use. The important thing is to collect the Spend Categories as accurately as possible at creation & store them somewhere standard so that they can cover as much of your spend as possible (e.g. they appear in every PO or Invoice). Mapping them after the fact via a strange lookup table, or worse outsourcing the mess to have someone else have a go at identifying what was purchased is usually a very bad idea. All the fancy Business Intelligence / Reporting / Spend Analysis tools in the world will not be able to create or correct basic spend categorization codes out of nothing - so make sure you collect these important code as part of your standard procurement process. Refresh makes this easy for any business user to do.

3) New Free Text Purchase Requisitions created on ERP

The automatic collection and correction of key Purchasing data shown above can be used in the purchase requisition creation process exactly in the same way as the item create process. The only difference here is that a purchase requisition / purchase order is created instead of a new item:



Purchase Requisition example - ERP calling Refresh



All the key data from Refresh flows through the requisition...

D.								
Purchase Order Edit Goto	Environment System	<u>H</u> elp		SAP				
Ø	4 🗎 😂 😥 🐯	L L L L L L L L L L L L L L L L L L L	😨 🗿 📳					
Create Purchase O	Create Purchase Order							
Document Overview On	Hold Ga De G	Print Preview Messages	Personal Setting					
Standard PO	Vendor	SIEMENSUSA Frank Mar	shall Doc. date	24.11.2010				
Theader Header				Ä				
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ltem [10] MOTO								
Conditions Accor	unt Assignment Texts	Delivery Address Confir	mations Import	Condition				
	•	Deselect	2					
Legal categorization	Origin / Destination / Br	usiness Declara./Values	Cust					
Legal categorization								
Comm.limp. code no.	85011093	AC motors of an output <= 37,5 W						
Supplementary unit								
Import code no.	85011093	AC motors of an output <= 37,5 W		F				
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... and the Purchase Order Line Item.

As shown above the key data from Refresh including Standardized Short and Long Texts, Spend Category codes, UNSPSC codes, Import Commodity codes are all provided by Refresh wherever they are needed in your process, thus providing the key Spend Data needed to cover full management & visibility of all Purchase Order related spend.

Refresh Your data Mastered

On this page (6 of 10):

Getting Clean Data for: 4) Non-PO Purchases Kill Maverick Spend

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4) Getting Clean Data for: Non-PO Purchases

It is a fact of life that many purchases are not PO-related. In some cases there is only an invoice or a payment in the entire process. As Refresh can link in to any part of the process it can of course be used to automatically provide the needed data at the point of entry:



Invoice example - ERP workflow calling Refresh

Some Refresh customers also choose to run invoice / payment line items through Refresh Desktop to mass generate Spend Data for all of their line items in bulk. Refresh indicates in green which matches are fully automated with a high degree of certainty and does a "best guess" for those with a low certainty, marking them for human review.

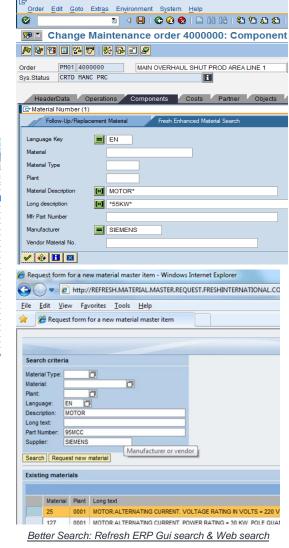
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Filter										
ertainty	Attr	Vendor	Material r	10		Old description	on	UNSPSC #	UNSPS	C Title
	0	"AAA SERVICES"	INVOICE 00037625		PAINTER		72.10.24.04	Industr	ial or specialized pai	
	0	"AAA SERVICES"	INVOICE O	0037624		LOCKSMITH		72.10.15.05	Locksm	ith services
	0	"AAA SERVICES"	INVOICE O	0037623	3	HANDYMAN		72.10.15.01	Handyr	nan services
	0	"AA CONSULTING"	INVOICE O	10037622	2	MANAGEMENT	SERVICE	80.10.16.04	Project	administration or p
	0	"AARON LOGISTICS"	INVOICE O	0037627	,	FREIGHT		78.10.00.00	Mail and cargo transport	
	0	"AGENCY ENGINEERING	INVOICE O	0037628		OIL FILTER FO	OR CLOSER	40.16.15.04	Oil filter	rs
	0	'B S R INTERNATIONAL	INVOICE 00037649			V-BELT SIZE: 9.5*1475 LA		26.11.18.01	V belts	
	0	BSR INTERNATIONAL	INVOICE 00037610-0020			DRIVING V-BELT 5VX850		26.11.18.01	V belts	
	0	"DHANASIRM CO.,LTD."	INVOICE 00037616-0040			LAUNDRY TEN	AUNDRY TEMP STAFF		Laundry services	
	0	"FMC TECHNOLOGIES C	INVOICE 0	0037650)	WASHER ST.S	WASHER ST.ST		Flat washers	
	0	"FMC TECHNOLOGIES C	INVOICE O	0037648		UNIVERSAL X			Constant velocity joints	
	0	"FMC TECHNOLOGIES C			SPROCKET (FILLER SIDE)		31.17.19.01	Roller chain sprockets		
	0	"FMC TECHNOLOGIES C	INVOICE 00037644		SPROCKET (C	OSER SIDE) 31.17.19.01		Roller chain sprockets		
	0	"FMC TECHNOLOGIES C	INVOICE 00037617-0020		LOCKING WAS	SHERS DIA. 30MM	31.16.18.01	Locking washers		
	0	"FMC TECHNOLOGIES C	INVOICE 00037611-0010		FLANG		40.14.24.00	Pipe flanges		
	0	"FMC TECHNOLOGIES C	INVOICE 00037608-0010		BUSH		31.17.16.00 Bushings		75	
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		SERVICE:INDUSTRIAL:CON		17		80.10.17.05	Co operative or cor			
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Invoice examples - Refresh Desktop automates the spend

Many lines can be selected at once and assigned to a whole bucket with one mouse-click; making it really fast to cleanse those lines with the cryptic texts often found in invoices e.g. "travel exp. J Smith". This of course works also for all purchase objects (e.g. items, shopping cart items, requisitions, PO line items, invoice texts) – basically all that is needed as a bare minimum is some variant of line item short text for you to get started.

Kill Maverick Spend – encourage process compliance "I can't find it on the system so I'll buy it free-text"

Also called "Maverick" buying and a pet-hate of ours, this happens far too much. While we often go to great lengths to select the correct supplier for each material with all the contract negotiations and discounts arranged and in place, it only takes operational requestors a few silly moments to try to buy it off contract as a free text item. It is estimated by ISM that on average we pay a premium of 20% purely on price for an off-contract purchase. If you have ever been involved with indirect MRO materials purchasing this will be all-too-familiar to you - a totally tactical operation and it is sometimes pure chaos. Operational buyers receive the requisitions in big piles from many people - all of them asking to buy it "right now". Most suppliers will want a PO first before shipping and so purchasing is "between a rock and a hard place" frantically struggling to keep up, often with orders going out "price advise". So what to do? One way we can improve is by making it easier to find items (stock or non-stock) in our ERP system when we want to buy them. Refresh's number 1 goal for operation staff is to help them find their materials first time through 1) better search tools for your ERP system transactions, and 2) better text standards in item masters (stock or non-stock).



Refresh

On this page (7 of 10):

Today's importance of Indirect Procurement:Non Production Items Get Commercially Neutral Texts

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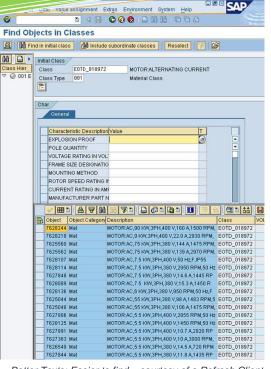
- Trustworthy Spend Analysis
- Easy Searching of Items
- De-duplicated Inventory
- Lower Capital & Operational spend
- Standard Item specs, with list prices
- Lower cost Procure to Pay process

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Refresh™ Software Functional Discussion Document: What's in it for Purchasing & Supply Management?



Better Texts: Easier to find - courtesy of a Refresh Client

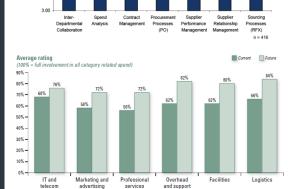
To reduce maverick spend you will have to work closely with your colleagues in operations, maintenance, storekeeping/ warehousing & production. You will have to automate the ensuring supply process for these indirect material consumers in such a way that the automated easiest process to obtain the part is also the most cost-efficient. An "integrated approach" to automating especially the indirect procurement process can bring great rewards, but only by working in unison with other departments. Otherwise it results in a false economy – one team makes a saving at the hidden loss of the other. There exists enormous untapped potential in these categories & processes for many CPO's – it's a key target area in the recent company survey.

Figure 4: Most Important Areas for Performance Improvement

3.57

3.40

÷ 3.30



Hot topics: Interdepartmental Teamwork & Indirect Spend

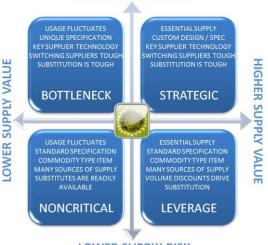
Get more "Commercially Neutral" Descriptions

Very often the supplier name or number appears in the description of the item to be purchased. This is happening more often than it should in most organizations. Of course there are some items which absolutely must be bought from a specific supplier (e.g. OEM parts that we must use), but in general there are too many items in ERP systems today with texts like this:

- a) MTR ELEC 75KW 1725RPM SIEMENS P56H1441
- b) SONY KLH-W32 32" LCD MONITOR
- c) BEARING SKF 6203

Now, unless Siemens, Sony and SKF are strategic vendors for your organization you may be losing out on possible price breaks as well as increasing your own supply risk, unnecessarily locking yourselves in to a single source of supply with texts that are supplier-specific instead of feature-specific. This is especially the case in Indirect Materials where many opportunities exist in the "Non-Critical" and "Leverage" quadrants:

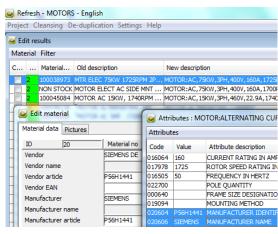
HIGHER SUPPLY RISK



LOWER SUPPLY RISK

Use Refresh to avoid Supplier Details in Lower Risk Items

Using Refresh to neutralize the a) Motor example above:



<u>Use Refresh to mine out item attributes & put manufacturer</u> and vendor detail in the right fields – not the item short text

Refresh

On this page (8 of 10):

Get technical&price content easily Remove Duplicate Items & Get Data Governance to Keep Duplicates out

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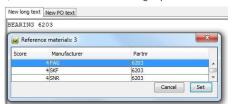
You are then able to decide if you wish to ask for a quotation for a motor with this specification (involving of course the maintenance and production staff where necessary). The PO text generation in Refresh has many possibilities – you are able to include or exclude manufacturer/vendor/supplier details and even ask suppliers for any missing attributes.

For the more industry standard items (for example ISO numbered bearings) in Refresh it is even easier. For example if we had example text c) **BEARING SKF 6203** from earlier loaded into Refresh, it is able to recognize the designation and propose some equivalents, as well as the usual functions of automatically bringing in whichever attributes have already been mapped into Refresh.

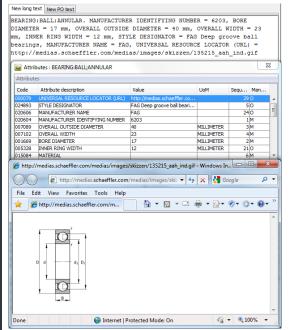


Technical Content in Refresh used to generate neutral texts

This description can be automatically built from attributes and templates that are in Refresh. For example, for the bearing above, Refresh identifies the following equivalents:



Clicking the Manufacturer for bearings gives the full spec



Obviously this is not possible for many items (most items do not have industry standard numbering) but bearings as well as some other popular commodities are well covered in Refresh out of the box. Your own key supplier specifications are also easy to add in Excel, bringing you some quick wins.

Remove Duplicate Items

Identify current duplicates in all your systems...

The first step to getting rid of duplicates in your system is to identify those items that are possible duplicates. These Duplicates are very common, especially when there are hundreds of thousands of materials as is usually the case for MRO / Indirect Materials.

Refresh contains a powerful duplicate proposal algorithm - it proposes possible duplicates for you to verify. This algorithm has been fine-tuned to be successful in finding a high level of true duplicates, while minimizing the amount of false duplicates. A false duplicate is one where Refresh thinks it is a duplicate but in fact it is not. Refresh tends to produce false duplicates most often when the vendor or manufacturer data is not well maintained. For Example if the manufacturer part number field contains instead of a part number a text like "N/A" or "Special Spare" for many materials, this will generate false duplicates.

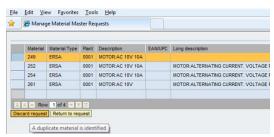
Identifying false duplicates is also useful - although these may not be real duplicates for you to remove, it does invariably help you to identify master data to be cleaned.



Refresh de-dupe is practical – Fine-tuned over many years

...and stop new duplicates from coming in

A further contributing factor is that your current material data descriptions may not be consistently well written making it very difficult for the creator to spot that a material already exists when he is trying to create a new one. To help "filter" the new creation process the predictive Refresh algorithms are connected in real-time to your ERP system, correcting any mistakes the creator might make as well as checking for duplicates at first point of entry. This includes a warning when Refresh identifies existing materials present in your ERP system with the same specification.



Refresh dedupe checks for duplicates at SAP point of entry

Items may be originated by more than one person and in more than one language. Refresh de-duplication tools and processes have been designed with this fact in mind.

Refresh VOUR DATA MASTERED

On this page (9 of 10): Translate all of your local text

Translate all of your local text purchases Benefits Summary

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Refresh™ Software Functional Discussion Document:

What's in it for Purchasing & Supply Management?

Understand Local Purchases even in another language

From the recent AT Kearney Survey of Indirect Purchasing:

"Indirect Takes Unexpected Turn: In the earlier survey, the largest number of participants (45 percent) reported a mixed centralized-decentralized indirect procurement organization with responsibilities split along function or category lines. Furthermore, 44 percent of survey participants expected that model to prevail. Now, fast-forward to today and the most successful model is far different. Measured by realized benefits, the leading model is a central-led indirect procurement organization that collaborates across business units. Users of this model have achieved savings greater than 10 percent over the past two years in 47 percent of categories. The model comprises a virtual team that works for the greater good of the organization. The head office collaborates with business units globally to come up with the optimal company solution. Success requires procurement professionals to develop solid working relationships. Local leadership, support and expertise are particularly important when dealing with complex categories such as IT, marketing and advertising, and professional services. Voluntary collaboration is also essential If centralized contracts for such categories and arms-length mandates from the head office are to deliver on their promises".

Given that many companies operate in different languages, it is tough nowadays to be able to see what is being purchased at each local location. Perhaps your plan is to be able to report only at spend category level, or perhaps you actually want to drill down in detail to what was bought inside that category. Often items are bought in the local language and without a proper technical approved description in each language it is often difficult to get any visibility. Refresh is able to generate these outputs in multiple languages to load into your ERP system - some 300 000 verified translations.

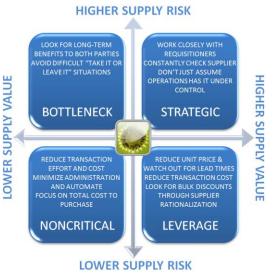
Input Material type: ERSA 🗇 Short description Base Unit of Measure: EA Default descriptions Additional languages Language Description Long text MOTOR:AC 1720RPM 6A 460V MOTOR: ALTERNATINO NL ELEKTROMOTOR:WISSELSTROOM 1720RPM 6A 460V | ELEKTROMOTOR:WIS FR MOTEUR: A COURANT ALTERNATIF 1720RPM 6A 460V MOTEUR: A COURANT DE MOTOR:WECHSELSTROM- 1720OPM 6A 460V MOTOR:WECHSELSTF MOTOR: AC: 1720RPM 6A 460V MOTOR:DE CORRIENT ES Row 1 of 6 ▼▼▼ ▼ Material group: 011065 18972 MOTOR:ALTERNATING CURRENT eOTD Class: UNSPSC code: 26.10.11.00 Electric alternating current AC motors eCl@ss code: 27020000 Drive (electr.) Intrastat code: 85011093 AC motors of an output <= 37,5 W (excl. Return Duplicates check Characteristics Proceed

Refresh being used to auto-enrich & translate an item in ERP

Benefits Summary

Companies with well-managed, innovative, relationshipfocused supply management practices outperform other companies in financial terms including total shareholder return, return on equity, return on assets, cash flow and return on investment. We should also not forget that good supply management also a large positive impact on productivity and sales where sales growth is an important indicator. Financially speaking however, by far the main area where Procurement hits the numbers it in its ability to reduce the Cost of Goods Sold (COGS). This has an immediate effect on profit margins and in a tough economy it is much easier to produce margin lift from reduced COGS than it is from increased sales. In most organizations, and even more so in manufacturers, purchased materials and services account for at least 50% of COGS. This means that in those organizations if you reduce the COGS by just 1% it has the equivalent margin lift as a 10% rise in sales growth! Purchasing & Supply Management professionals are uniquely placed to have a truly great contribution to future company profitability - bringing increasing visibility and importance to the profession.

Here we will only summarize some of the more popular benefits that our global customers are getting out of Refresh – allowing you to flesh out your own business case with real-life savings. Of course each business case will be different as each organization has its own current pain points and opportunities, but here we list many of the common areas. The typical professional Strategic Sourcing approach is to use Refresh to provide the data needed for each item to enable its own ideal procurement strategy. For example, for "Leverage" type items you may focus on Refresh-generated commercially neutral texts to enable supplier rationalization, or for "Strategic" items you may want to look at the Refresh-enabled search & requisition process to reduce maverick purchasing.



Use Refresh to get the data you need for all strategies



On this page (10 of 10): Benefits and Savings

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From the ISM Supply Management Handbook 7th Edition: "More Sophisticated Business Intelligence:

In the near future, procurement systems will be a lot smarter about gathering, interpreting and for communicating relevant procurement related information... For example, spend aggregation opportunities across departments or business units are less likely to be lost, and off-contract purchases can be identified more easily and addressed more proactively. The greatest value however, will be improving the speed of decision -making, with alerts, triggers and reports customized by endusers along with the ability to slice and dice procurement information at will. With this capability the supply management function becomes more proactive - identifying problems before they become serious and flagging cost-reduction opportunities before the company reaches its annual round of "let's go find the money"...Before these milestones can happen, however, most companies will require much more granular data and significantly improved classification schemes for content. Many should also plan to increase the granularity of item information captured in reporting and analysis solutions. Others will need to develop a clear and deep understanding of their services spend. These efforts - combined with technology improvements - will translate into real money very quickly."

Lean Inventory Savings with Refresh:

In the current economy we are seeing a large drive to reduce inventories / reduce working capital. When looking at an inventory-based benefits case remember that the total carrying costs of holding inventory are bigger than most expect at first glance. How do we quantify the total costs of holding inventory? In the case of working capital inventory here are the numbers in *The Supply Management Handbook*:

Cost of capital: 10% of average inventory value
Labor costs: 15% of average inventory value
Storage costs: 10% of average inventory value
Variable costs (telephone, insurance etc): 5 to 10%
Tracking costs: 2 to 5%

"a fair average cost for industrial firms is approximately 40%"

Remember these are <u>annual costs</u> – every year you hold the inventory costs you 40% of its value! That's in addition to the money already invested in buying all the inventory in the first place. And it's the same 40% cost the next year... and so on.

There are many examples of how you can make savings through standardization but the inventory should definitely be minimized to required service levels, freeing up cash for your business. In most cases this also minimizes the amount of borrowed Investment capital too - lowering your borrowing cost and risk which has become key for organizations today.

Refresh has special tools to help organizations move towards lean inventory practices and minimize working capital. Please see our chapter on benefits for maintenance and operations for more details on our approach to these specific items.

Refresh Supply Management Savings Summary:

Some of the saving lines in the summary below will apply to your organization. The numbers given are savings from our projects / research and each percentage given as a guideline is an average % for companies focusing on that specific topic. A safe place to start then, is to take from the savings lines below, those topics you think you will be able to focus on in your project and add these savings up. In our experience taking the areas you are most likely to focus on usually gives an excellent estimate of realistic benefits to be achieved. For example for a Refresh project with only purchasing staff involvement: trustworthy segmentation of spend analysis allows better bundling of purchases and materials described in commercially neutral terms creates an open competitive environment and reduced supply risk as alternative sourcing channels can be secured. Both of these benefits are part of the 8% "Reduction in material costs by informed sourcing" below. If you think you are already good at trustworthy spend and commercially neutral descriptions perhaps your target would be less than 8% (say 6 or 4%). If you are new to the topics then you may get more savings (say 10 or 12%). Also, have a look at our documented savings for other teams discussed in further detail on our website e.g.: Refresh Savings for Maintenance and Operations for origins of the Capex numbers below.

Some Refresh Project Purchasing Savings:

Remember to include as COGS savings repeating/year:
Reduction in material costs by informed sourcing - 8%
Annual Savings Inventory Carrying Costs - 40% (of30%)
Reduced Maverick Buying - 20% total requisition spend
Reduction in Purchase Orders - 25% of total buyer time
Operations staff Time Savings - 1.5 hours / person/ day
Reduction in lost production due to stoppage - 5% stops
Reduction in lost production due to quality - 2% stops
Financial closing (compliance) and A/P time savings - 2%

Remember to include these as once-off reduced Capex:

Overall Reduction in Indirect Item Inventory Levels – 22%

Overall Reduction in Duplicate Inventory – 8%

There are also some intangible benefits but the tangible ones should give your project an excellent NPV & payback for your management in today's challenging economy.

Intangible Savings:

- Increased Safety & Environmental Performance
- Increased Compliance with tax authorities, lower risk
- Implementation of initiatives like 5S, lean & six sigma.
- Transfer of learnings & tools to finished products too
- Better data promotes system and process ownership

- Better, fuller use of IT Systems with low effort for IT team

Contact Fresh for more information and further practical project tips – we'd be glad to hear about your experience.