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CAPITALIZE ON NEW SOURCING



Above and beyond their impact on operating models, digital transformations are affecting how supplier markets are structured and how transactions are conducted between buyers and sellers. The development of intermediation platforms, the sharing economy, and programmatic media procurement are three major examples of these new models and the new sourcing options they generate.

Uber-everything

Digital transformations (connectivity, mobility, and geo-tracking) have accelerated the emergence of intermediation platforms between consumers (buyers) and offerings that were previously fragmented, not particularly transparent, and variable in quality. In the mass market, Uber and Airbnb are clear examples.

These new supply-and-demand aggregation models now constitute real sourcing alternatives for procurement in a wide variety of domains. Uber and Airbnb are now also offering competitive alternatives to taxis and hotels for business trips and travel through their dedicated “for business” offerings.

Such opportunities are proliferating in every domain. In insurance, a player like Urgent.ly, which puts insured drivers in contact with towing companies offering roadside assistance services, gives users access to the entire offering and a qualitative evaluation of all players with just a click. Users can be connected with suppliers almost instantaneously, profoundly challenging historical sourcing models (such as direct contracts with panels of tow trucks).

In intellectual services, a platform like Colibee.com puts freelance consultants in contact with large clients, challenging part of the business model of some DSC, based essentially on farming independents out to work on the client site (agencies).

In logistics, Deliver.ee puts retail distributors in contact with shipping operators to ensure last-mile logistics, thus simplifying subcontractor relations that were hitherto complex in a fragmented, non-transparent market of variable quality.

EXHIBIT 7: AMERICA'S LEADING ON-DEMAND ROADSIDE ASSISTANCE SERVICE

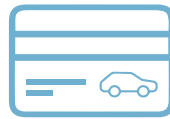
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Source: urgent.ly

▲
RENTAL
CAR COMPANY
AVIS BUDGET
GROUP
ACQUIRED
ZIPCAR



a car sharing
company, for
\$491
million

For procurement, the question is how to integrate these new intermediaries, structure the relationship, gain bargaining power, and capture the potential benefits of these new sourcing opportunities.

The sharing economy/ Gig economy

Another growing dimension correlated directly with the emergence of intermediation platforms is what has been baptized as the “sharing economy.” As previously mentioned, platforms are bringing transparency and simplicity to networks in industries with highly fragmented offerings. But these platforms also enable the available offering to grow and develop. In situations where professionals used to address other professionals, now non-professionals can propose their available time, capabilities, or assets to the market at an extremely low marginal cost.

This is true of platforms like Drivy and BlaBlaCar, for example.

These two examples from everyday life reveal something about the market: the reason this new model can compete directly with other

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Source: Yardclub.com

types of services at an extremely competitive cost is that its underlying economic rationale is completely different.

Examples abound in the B2B world, with startups like YardClub.com, which allows construction companies to rent construction equipment from other companies in the industry. Conversely, this system helps maximize the utilization of assets and reduce TCO.

Also of note is recently founded Bird-Office.com, an extremely flexible, dematerialized platform offering office space and conference rooms for rent from other companies, and by the same token, allowing these companies to rationalize real estate costs by renting out unused space in their facilities.

Finally, another very recent startup, Mobiliwork.com, has developed an even more disruptive platform: the site helps companies

lend employees to other companies within a secure legal framework and thus adapt personnel costs to business fluctuations, while allowing employees to develop their capabilities.

For procurement, these new economic models herald the emergence of new sources, new types of partners, and new ways to obtain services. Conversely, such platforms, which represent the potential suppliers of tomorrow, could also enable companies to monetize underutilized or idle assets, generating complementary revenue. It's up to procurement to shed light on all of these potential applications.

65%
of B2B marketers currently buy or sell advertising programmatically, as compared to 54% in 2016



Programmatic buying

When it comes to procurement media space, digital transformations have driven the advent of programmatic buying. These veritable online exchanges have transformed a previously long, unresponsive, and complex procurement process into an almost instant transaction based on the analysis of a complex combination of data, machine-learning algorithms, and practically instantaneous contacts between buyers and sellers.

The most effective approaches allow for quasi-individual recognition of consumers, regardless of the communication channel and contact model (such as website, mobile app, Facebook, and email) to ensure that each interaction generates data for the next one.

For procurement, integrating new technologies and new practices of this type disrupts

capability models (what data to integrate, how to configure algorithms, and how to negotiate), prescriber relationship models (impact of cost algorithm specifications, how to integrate this type of procurement into traditional TV/Radio advertising, and acceptance to rely on automated decision making), and supplier relations (intermediation).

E-commerce B2B: the “low value spot buy” revolution

In 2015, Amazon launched Amazon Business, an online marketplace dedicated to companies, offering a catalogue of products specifically adapted to B2B needs, estimated at several hundred million SKUs.

The potential benefits of this new offering are tremendous and may literally transform how procurement manages (or fails to manage) its class C procurement.

These benefits exist both for large companies that have already deployed industrialized e-procurement systems/outsourced “low value spot buy” type procurement, and for mid-sized companies with difficulties managing this type of procurement.

For large corporations, an approach such as Amazon Business can be used to create a fully integrated platform to manage both the act of procurement (negotiation/contract) and the supply. Buyers thus save the time and resources required to outsource/industrialize sourcing, as with e-commerce systems, and specifically all that is required to manage corresponding catalogs.

The benefit is even greater for mid-sized clients, who have fewer resources and whose procurement organizations are typically less developed.

Features that can generate the greatest benefits include:

1. Liberate time previously devoted by buyers/non-buyers/procurement specialists to find products/suppliers and negotiate prices.
2. Consolidate supplier panels to benefit from volume discounts.
3. Integrate contractually-negotiated prices.
4. Integrate means of payment such as procurement cards.
5. Manage user profiles and complex approval workflows.
6. Track and measure demand with embedded analytics.
7. Benefit from free delivery tracking and 48-hour delivery.
8. Benefit from complete product information.

Moreover, it is possible to integrate Amazon Business into Coupa/Ariba procurement models at companies that are already equipped.

KEY TAKEAWAYS

- New economic models have disrupted traditional business models and create new sourcing opportunities for all types of goods and services purchased.
- Digitally enabled intermediation platforms (uber-like) have created unprecedented access to supplier markets that were particularly fragmented and opaque.
- Large e-commerce players such as Amazon are entering in the space of B2B bringing tremendous tail end spend rationalization.