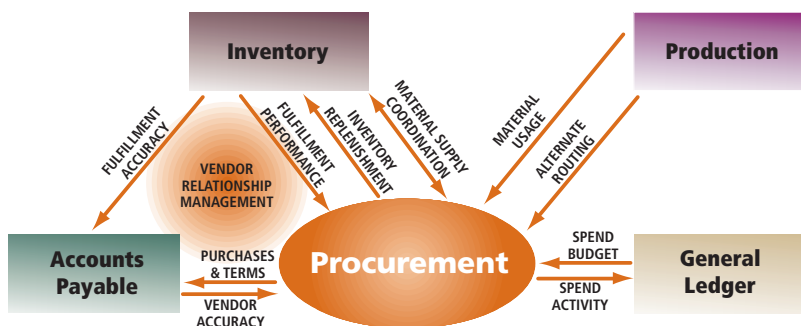




# PROCUREMENT ANALYSIS WITH COGNOS® PERFORMANCE APPLICATIONS

THE BEST, FOR THE LEAST

A company's procurement organization is tasked with securing a reliable supply of quality products to meet the demand of both internal and external customers. And it must achieve this at the lowest total cost by sourcing from strategic suppliers and maximizing corporate buying power.



*The procurement function operates in close conjunction with many other core functions in an organization to ensure effective vendor relationships, material demand fulfillment, and process effectiveness.*

Cognos Performance Applications quickly turn your corporate data into an information asset to answer your key business questions. By packaging best-practices business requirements, Cognos Performance Applications create a rich, business analysis environment for all levels in your organization.

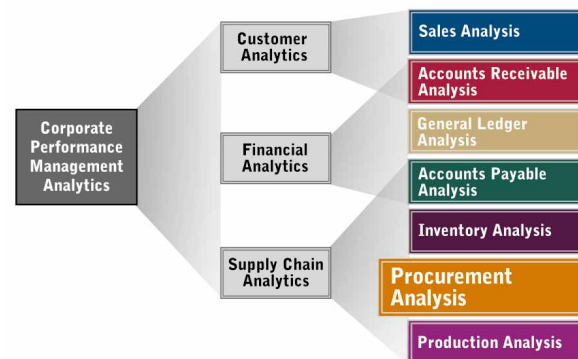
## CONFIDENT PROCUREMENT MANAGEMENT

Cognos Procurement Analysis gives you actionable information about procurement activities. You can understand what is being purchased, from where, for whom, and for how much. You can see how reliable the supplier base is and identify strategic vendors to ensure your supply source is secure. You can analyze key purchasing transactions by vendor, material, buyer, or any other perspective you choose, and find out how any measurement is trending over time.

The five key areas of analysis answer 200-plus critical business questions, using more than 180 key performance

indicators (KPIs) and over 30 reports. Real-time interaction with the reports and the 18 dimensions lets you manipulate the information and drive deeper analysis. You gain an in-depth understanding of your key purchasing transactions that lets you:

- Source goods for the least overhead investment and maximize buying power.
- Strengthen the supply chain by knowing when to move from tactical procurement to strategic supplier relationships.
- Streamline the delivery of the required supply.
- Evaluate and improve purchasing and material management processes, policies, and strategies.



*Procurement Analysis is part of Cognos Performance Applications CPM Foundation—which tears down information silos and lets you see across all core business functions.*

## STRENGTHEN ENTERPRISE MANAGEMENT

Using Cognos Procurement Analysis, you can analyze operational effectiveness to ensure that the procurement function is contributing to overall corporate performance and stakeholder value. Evaluate current processes, policy, and strategy, and identify trends and opportunities for improvements.



THE NEXT LEVEL OF PERFORMANCE™

# Answers to the Im

This is just a sample of the many procurement related questions you

## Procurement

### MATERIAL EXPENDITURE ANALYSIS

*What is being bought? Ensure goods are sourced for the least overhead investment. Improve the supply chain and maximize purchasing power by understanding buying patterns from various viewpoints.*

#### Sample Questions

- What materials has the procurement organization purchased this period? What volumes for what prices? How are they distributed over an ABC analysis?
- How is the total landed cost of a material distributed across unit cost, and other carry costs? Has this changed?
- How is the procurement budget distributed across material groups and types this period compared to last?

### MATERIAL DEMAND ANALYSIS

*What is required and when? Plan an effective purchasing and material management strategy and optimize the “buy” phase of the process through an analysis of internal demand patterns for specific materials.*

#### Sample Questions

- What materials and material groups have internal customers requested this period? How has that changed over time?
- What types of requests (MRO, manufacturing job orders, MRP) by volume have been processed? Do patterns reveal opportunities for streamlining?

### PROCUREMENT VENDOR ANALYSIS

*From whom are we buying? Turn your vendors into strategic sources for key commodities and maximize corporate buying power by analyzing your buying patterns and how well your suppliers are responding to your needs.*

#### Sample Questions

- How many vendors have we purchased from this year? How do vendors rank by volume and revenue spent? How has that changed over time?
- On average how much is spent per vendor in a specific period?
- How many vendors do we have for a specific material or material group? What percentage of the volume is sourced from a single supplier?
- How do prices compare across vendors for a specific material? How has this changed?

### PROCUREMENT PROCESS EFFECTIVENESS ANALYSIS

*Streamline the purchasing process by analyzing process steps and eliminating non-value-adding activities.*

#### Sample Questions

- How many transactions are performed for various stages in the procurement cycle? How do these volumes compare to the total level of purchases within a period?
- How many requisitions, contracts, and purchase orders are processed across the organization? How do these relate to specific purchasing groups or buyers and specific commodities? What is the average value of each transaction?

### PROCUREMENT ORGANIZATIONAL EFFECTIVENESS ANALYSIS

*Find opportunities to consolidate or redistribute purchasing across buyers by evaluating buyer volume, budget distribution, and buyer/vendor relationships.*

#### Sample Questions

- How many requisitions, contracts, and purchase orders are processed across the organization by buyer? What is the average value of each transaction?
- How do processing times relate to specific buying groups? Where are opportunities for reducing ordering lead-time across commodities?
- What percentage of a buyer's requisitions is declined? What are the reasons for rejection?

Cognos Performance Applications enable a thorough analysis of the procurement function well beyond the questions shown here. Multidimensional analysis lets you expand on any single question in any direction you choose, deepening the knowledge you gain from your ERP data.

# Important Questions

You can answer in five vital areas using Cognos Procurement Analysis.

## Procurement Analysis

<p>In this analysis, you can answer the following questions:</p> <ul style="list-style-type: none"> <li>• How many items do we carry on our material list? Has this increased over time? Can we consolidate or substitute items to maximize buying power?</li> <li>• How are purchase volumes distributed across buyers? Are there opportunities for consolidating the purchase of certain materials with certain buyers?</li> <li>• Which materials have been the most and least reliable in the process? How does quality compare across products and product groups?</li> </ul>	<p><b>Sample KPIs</b></p> <ul style="list-style-type: none"> <li>• Number and value of units purchased</li> <li>• Percentage of total material purchases</li> <li>• Landed cost</li> </ul>
<p>This analysis can help you answer the following questions:</p> <ul style="list-style-type: none"> <li>• What percentage of the buying budget is spent on each demand channel to meet its material requirements? How does this compare to the previous period?</li> <li>• How is each buyer's activity distributed across demand channels? Can responsibility be redistributed?</li> <li>• Are different demand channels ordering similar commodities? Can we synchronize needs across channels or substitute materials for consolidated buying?</li> </ul>	<p><b>Sample KPIs</b></p> <ul style="list-style-type: none"> <li>• Value spent by cost center</li> <li>• Units purchased as percentage of total</li> <li>• Transaction type counts</li> <li>• Average value by cost center</li> <li>• Requisition count and value</li> </ul>
<p>This analysis can help you answer the following questions:</p> <ul style="list-style-type: none"> <li>• What is the total value of contracts with vendors in a year? What percentage of new purchasing agreements is fulfilled within a period?</li> <li>• How do purchasing terms such as payment and delivery compare across vendors? How much has been paid to a vendor for additional receiving charges?</li> <li>• Are certain vendors consistently late to deliver? How late? What about quality of materials received, delivery inaccuracy, and invoice errors?</li> </ul>	<p><b>Sample KPIs</b></p> <ul style="list-style-type: none"> <li>• Value spent with vendor, percentage of total value spent</li> <li>• Units purchased, percentage changed over time</li> <li>• Count of materials purchased from vendor</li> <li>• Units received</li> <li>• Open days for RFQ, PO, and Requisitions</li> <li>• Outstanding contract values and volumes</li> <li>• Vendor count</li> <li>• Transaction count</li> <li>• Units returned</li> <li>• Delivery days late</li> </ul>
<p>This analysis can help you answer the following questions:</p> <ul style="list-style-type: none"> <li>• How long does it take to move from one stage to the next in the procurement cycle? How do processing times relate to specific materials and vendors? Where are the opportunities for reducing ordering lead-time across commodities?</li> <li>• What percentage of requisitions is declined? What are the reasons for rejection? How does this compare across commodities, and demand channels?</li> </ul>	<p><b>Sample KPIs</b></p> <ul style="list-style-type: none"> <li>• Average PO and contract value</li> <li>• Percentage of POs/contracts used</li> <li>• Days from requisition to PO</li> <li>• Average days by release procedure type</li> <li>• Ratio of requisitions to POs</li> <li>• Open versus received versus relieve quantity</li> <li>• PO count</li> <li>• Requisition count</li> <li>• RFQ count</li> </ul>
<p>This analysis can help you answer the following questions:</p> <ul style="list-style-type: none"> <li>• How do material requisitions for vendors and materials spread across buyers? Is there an opportunity to consolidate transactions with a vendor through one buyer? Should buyer responsibilities be redistributed?</li> </ul>	<p><b>Sample KPIs</b></p> <ul style="list-style-type: none"> <li>• Total value per buyer control (as percentage of total)</li> <li>• Count of materials per buyer (as percentage of total)</li> <li>• Total number of vendors per buyer</li> <li>• Transaction processed counts by employee (trend)</li> <li>• Closed transaction count/value by type (completed, cancelled)</li> <li>• Approved, blocked, entered transaction count</li> <li>• Days open count</li> <li>• Average contract count, value, transaction count by employee.</li> </ul>

(... continued from page 1)

Of course, no function operates in isolation. An enterprise-wide implementation of Cognos Performance Applications lets you see causes and effects across functions. You can understand the effects of buying decisions across all organizational processes from inventory and manufacturing through to sales and service. You can investigate payment patterns and volume with accounts payable, perform vendor analyses with inventory and accounts payable, and carry out customer-focused supply chain planning with sales distribution. This strategic enterprise-wide analysis lets your organization manage with confidence.

**PROCUREMENT SCENARIO:  
STRATEGIC SOURCING**

Suppose that part of your corporate strategic plan is to reduce costs without impacting customer satisfaction. In the procurement function, where expenditures can reach up to 65 per cent of revenues, costs can be reduced by dealing with fewer vendors on better terms. Cognos Procurement Analysis helps you focus buying power by forging these strategic supplier relationships.

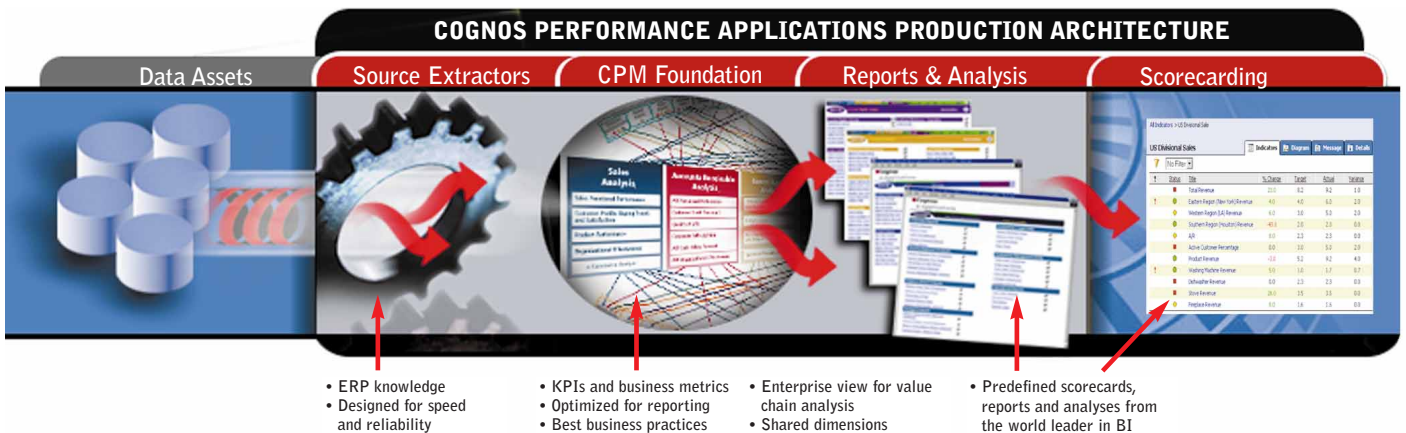
Because you will get the most impact from consolidating vendors for the highest volume and value products, you view all of your “A” class products. Widget A accounts for almost 30 per cent of your cash outflow, trending upwards, but is sourced through multiple vendors in many small, frequent transactions. Of the many vendors, B and Z have the highest spend. Vendor B has better pricing, higher volumes, and higher spend,

though the pricing was only recently lowered to coincide with increased spend. Vendor Z’s prices have been consistently lower than B’s until recently. Taking a step back, you see that vendor Z provides you with 14 other products, half of them “A” class. Vendor B focuses on widget A and two other limited volume products—both of which vendor Z offers at similar pricing.

Cognos Performance Applications have shown that Vendor Z is the better choice for single-sourcing widget A because of consistently lower price and existing high-volume, high-value commitments. Renegotiating your agreement with this vendor will strengthen your buying position and relationship, and reduce overall cost of materials and process steps.

**FULL SOLUTION — ONE VENDOR**

To build Procurement Analysis, Cognos has drawn on years of expertise as the market-leading provider of fully integrated business intelligence solutions. Cognos is the only vendor in the market to offer an end-to-end solution that gives everyone from executives to production managers fast, insightful, appropriate answers to critical business questions. The global coverage and world-class professional services, support, and training offered through Cognos give you a single point of contact focused on your success. When you combine these advantages with the rich business content of Cognos Performance Applications, you get a powerful business solution designed to give you that competitive edge.



[WWW.COGNOS.COM](http://WWW.COGNOS.COM)

Stock No. 36313  
(09/04)

Cognos, and the Cognos logo are trademarks or registered trademarks of Cognos Incorporated in the United States and/or other countries. All other names are trademarks or registered of their respective companies.