

SUPPLY MANAGEMENT

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GE Lights Up Supplier Management With Aravo

by Mickey North Rizza

In a perfect world, companies would have a single repository containing supplier profiles, capabilities, catalogs, contracts, insurance certifications, diversity, sustainability, payment terms, inventory requirements, performance data, quality information, pricing, and the like.

The real world is different. Based on extensive interviews with procurement executives, most have supplier-related information scattered across multiple ERP systems, point applications, databases, and file cabinets. To better manage this data, supply management organizations have increased their employee head count and system resources by 35%. Even with this increase, companies still are unable to capture the most pertinent details, such as a supplier's standard payment terms, a supplier's diversity information, or a supplier's capabilities, to effectively manage their suppliers. In a time of expense management and cost reduction, this is counterintuitive.

According to our research, companies are spending up to \$1,000 per supplier annually to manage their supplier information across the enterprise. While outsourcing some of the procurement function has driven this expenditure down, managing suppliers is still costly.

GE identifies potential savings

Smart software vendors are focusing on the cost per supplier as a key metric to measure need and potential value of their tools. Focusing on this metric has resonated with **GE**, which looked to a software-as-a-service (SaaS) product from **Aravo**, Aravo SIM, to achieve this.

Aravo SIM allows its customers to reduce the average cost per supplier down from the current average of \$720 to less than \$200. If you multiply that number times the thousands or hundreds of thousands of suppliers you have, you can see the potential for huge returns.

Currently in global rollout, GE has centralized information for its 500,000 global suppliers into the Aravo SIM system. GE predicts significant savings when the

rollout is complete, based on the number of suppliers and the estimated cost savings driven by a cost-per-supplier model.

Like most companies, GE segregates spend by category: shared service for indirect, services spend, operations for direct, and MRO spend. GE's global supply list includes all four spend types, regardless of business process and functions. It also includes data from many ERP systems, custom-built applications, and best-of-breed products.

Aravo provides a web-based, SaaS platform for supplier information management (SIM). The product, which automates and streamlines supplier information across businesses, has a supplier self-service interface, which means suppliers maintain their own information, reducing customer time. Aravo's supplier information management platform provides supply management executives with information across all aspects of supply information.

GE is one of the largest installations of SaaS technology to date. With over 500,000 suppliers, the scope and scale of the Aravo-GE project is unprecedented. In contrast, the total Ariba Supplier Network (ASN) has approximately 200,000 suppliers. Aravo has cemented its SaaS technology as an enabling business process tool in supply management.

One of GE CIO Gary Reiner's responsibilities is managing and maintaining the GE Global Supplier List (GSL), a centralized repository for a variety of supplier data types that feeds GE's multiple downstream systems at the business unit level. The cost of maintaining accurate data in the GSL and the inability to communicate directly with suppliers were factors that led GE to seek a new and better way to manage its global supplier information.

As a result, the team opted to look at packaged applications from various vendors. Aravo stood out because of its out-of-the-box approach. "GE's initial market search did not find any companies that met their specification and so began building its own solution," said Tom Hattier, Manager of Shared Sourcing Services within GE's Corporate Initiatives Group. "Once introduced to Aravo, GE realized that Aravo's offering was the most comprehensive and met most of the requirements, so GE stopped internal development in favor of Aravo." In addition, GE viewed Aravo's SaaS delivery model as an opportunity to move faster.

Opportunity in steps

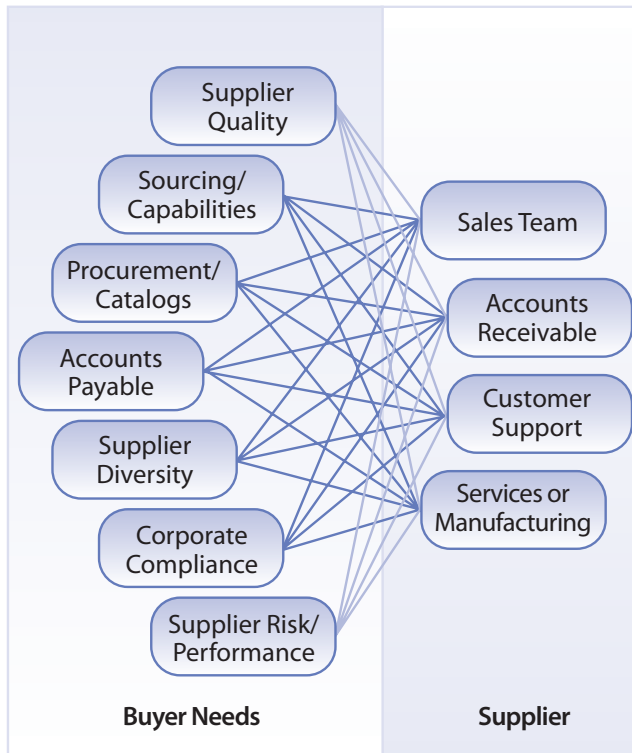
The project started in March 2008 and went live in October 2008. The go live included 500,000 suppliers across all of GE's business units, with six languages for the supplier-facing front end. The first phase of the

project was based on the most pressing workflows the business users required, including the supplier's profile, banking information, and commodity, diversity, and payment terms.

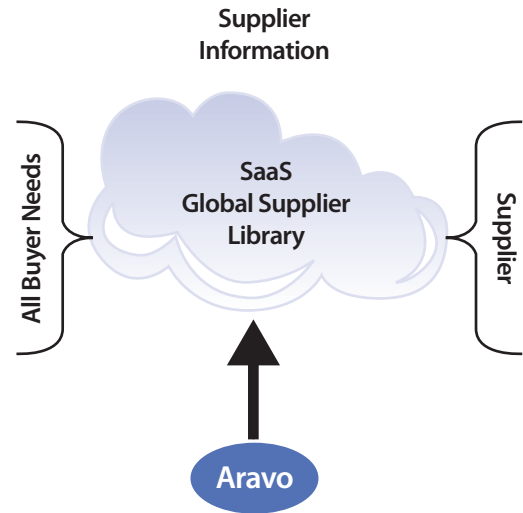
Now live, the Aravo SIM application is being rolled out as the GE repository for all pertinent supplier information with new suppliers coming online daily. The product provides supplier visibility to the GE functions of purchasing, manufacturing, quality, accounts payable, sourcing, and legal. Additionally, GE-preferred suppliers will use the Aravo self-service user interface to author and maintain information required by GE.

The technology enables GE to provide supplier information across the enterprise based on a combination of role and function, thereby increasing efficiencies, improving supplier data quality, driving compliance, and reducing costs. Benefits include lower hardware and software costs, reduced audit costs, improved workflow efficiencies, and fewer supplier information loading errors. Mr. Hattier put it this way: "Aravo provides GE with a universally accessible application for the management of critical information around our supply base that allows us to syndicate our information across our systems so that we have one common worldview of what's going on with all of our suppliers. We are confident our ROI is not just positive, but it's massively positive."

Figure 1: Multiple supplier information data paths can be streamlined



Large Management Costs Per Supplier



Visibility, Automation, Collaboration and Lower Supplier Management Costs

Source: Aravo, 2009

Imagination at work

GE’s newest tagline is “Imagination at Work.” Aravo’s SIM product is making that imagination work for supplier information management across the company. With only a fraction of the costs taken from the savings generated by Aravo, GE is setting its sights on the next enhancements for even more savings. These will likely include supplier catalog enablement and insurance certificate review and approvals. The savings potential to GE is significant since other Aravo customers have achieved 76% reduction in the time required to enable a supplier product catalog and a 92% decrease in the time required to review/approve supplier insurance certifications.

Supplier information management places a costly and massive time constraint on organizations. Supply management executives may find as much as a 7x improvement in time and expense required to manage suppliers with the right technology.

Supplier information management has been a lagging technology business process. The implementation of Aravo SIM at GE, however, offers a great example of how reliable supplier management technologies can pave the way to better supplier visibility, information consolidation, and significant cost savings.