

## GE Information Services



**Marketing &  
Sales**



**Purchasing/  
Supplier**



**Logistics  
Management**



**Financial  
Services**



# GE Trading Process Network



**Our mission.... streamline sourcing and facilitate the trading of the majority of a company's procurement dollars & develop a methodology for its application**

**Our Goals ....**

**Balance supplier partnerships vs bidding**

**Drive down purchasing process costs**

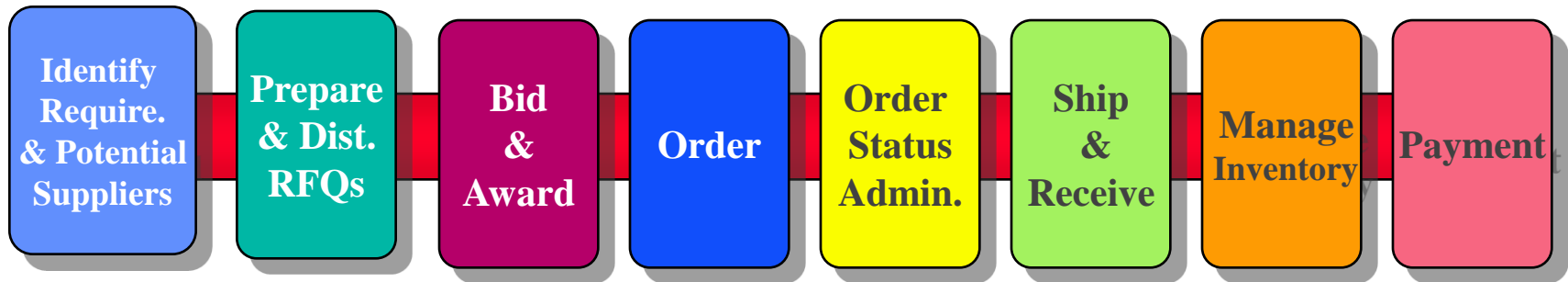
**Improve quality and responsiveness of suppliers**

**Broaden access to global markets**

**Streamline transaction buying**



## GE Information Services



Assess Need  
Develop Requirements  
Screen & Qualify  
Suppliers  
Create RFQ

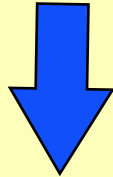
Send RFQ  
Answer Supplier  
Questions  
Receive/Review Bids  
Evaluate Bids  
Select Supplier

Notify winners/  
losers  
Create PO  
Send PO to  
Supplier

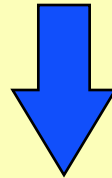
*The purchasing process requires tremendous coordination costs*



•The essence of **coordination** costs involves **communication** and **information processing**,



•Therefore **growth** in the usage/capabilities of IT leads to a **decline** in search and coordination costs



•Which allows firms to **coordinate with a greater number** of suppliers OR **better communicate** with those few strategic partners



## Strategy: Minimize the price of acquired goods

- Work with a large vendor base to increase buyer power
- Frequent shifts in the amount of business given to each supplier to limit supplier power
- Arms-length transaction-oriented relations conducted through short-term contracts



Strategy: Minimize the price of acquired goods

- Work with a large number of suppliers to increase buyer leverage
- Frequent shifts in business given supplier power
- Arms-length transactions conducted through contracts

Strategy: Focus on total quality

- Longer-term relationships with fewer suppliers
- Closer interaction among multiple functions
- Supplier proximity, to allow rapid “Just-in-time” delivery and facilitate closer working relationship





**The key is implementing an IT solution that strikes the right balance between competitive bidding and VAPs for your firm**

*The Paradox- Striking the Right Balance*



GE TPN is a service that facilitates the business-to-business buying and selling of industrial goods and services.

- The GE TPN TradePOST module allows for structured electronic bidding
- The GE TPN TradeMART module allows for end user buyers to search and place orders off a private catalog

*What is the GE Trading Process Network?*





- **Reduce order-to-remittance cycle time by 50%**
- **Allow Contracting Agents to be more strategic and less transactional**
- **Quote more parts to a larger pool of qualified suppliers**

<b>Year</b>	<b># Agents</b>	<b># Suppliers</b>	<b>Quote</b>
<b>1995</b>	<b>2</b>	<b>56</b>	<b>5,100</b>
<b>1996</b>	<b>2</b>	<b>100</b>	<b>10,000</b>

- **Increase transactional quality and efficiency through automation (projected \$15,000-\$20,000 cost take-out)**



- Recruitment and pre-qualification of over 250 suppliers across the US
- Paper savings of 20 to 25% on average
- Realigned savings of 10 to 15% on average
- Completion of the Outsourcing challenge in seven months



**Buyers**

- Improved process efficiency
- More focus on value-added activities
- Reduced cost of goods
- Ability to receive quotes larger supplier base (more efficient allocation of resources)
- Improve quality
- Improved supplier management

**Suppliers**

- Increased access to RFQs from multiple divisions, companies
- Decreased Marketing and Sales expense
- Shorten selling cycle
- Global access



- Tool to attract and qualify suppliers
  - Access to GE TPN supplier database
- Selecting Qualified Suppliers
  - Once Buyer selects suppliers from database they are notified of upcoming RFQs for quoting
- Organizing and Distributing RFQ Packages
  - Prepare and upload RFQs- post only once
- Receiving Bids & Awarding Business
  - All bids come into database for evaluation

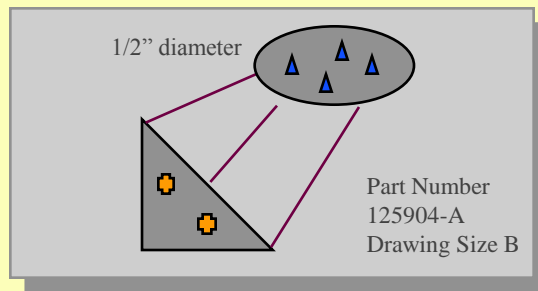
ID  
Requirement  
& Potential  
Suppliers

Prepare  
& Dist.  
RFQs

Bid  
&  
Award



- One source for receipt of multiple RFQs from multiple companies
- Low cost response vehicle for sending in quotes
- Built in spreadsheet for calculations
- Ability to receive and read engineering drawings at the desktop



Part #	Qty	Target	Your Price
34069	150	5.74	
450-769	10	25.75	



- ◆ **Dedicated 800 number for GE TPN**
- ◆ **Advanced Technologies (IVR, Tracking...)**
- ◆ **Implementation & Support Services**
  - ▮ **Supplier Development Programs**
  - ▮ **Web Master Services**
  - ▮ **Customized Supplier Invitation Packages**
  - ▮ **Order Entitlement and Fulfillment**
  - ▮ **Installation and Training**
  - ▮ **Technical Implementation and System Administration**



**GE TradePOST Demo**



## GE Information Services

High

### Strategic

#### Strategy

- Integrated supplier
- Long-term agreement
- Technical relationship

**Technology, Quality, Price, Cycle Time**

### Leveraged

#### Strategy

- "Home Base" supplier
- Create competition

**Balance of Price & Quality**

### Niche

#### Strategy

- Develop new sources
- Strategic negotiation with local source

**Caution Required**

### Commodity

#### Strategy

- Multiple sources
- Quote business
- Low risk/low cost to move

**Pure Price Play**

Low

Low

**Number of Capable Suppliers**

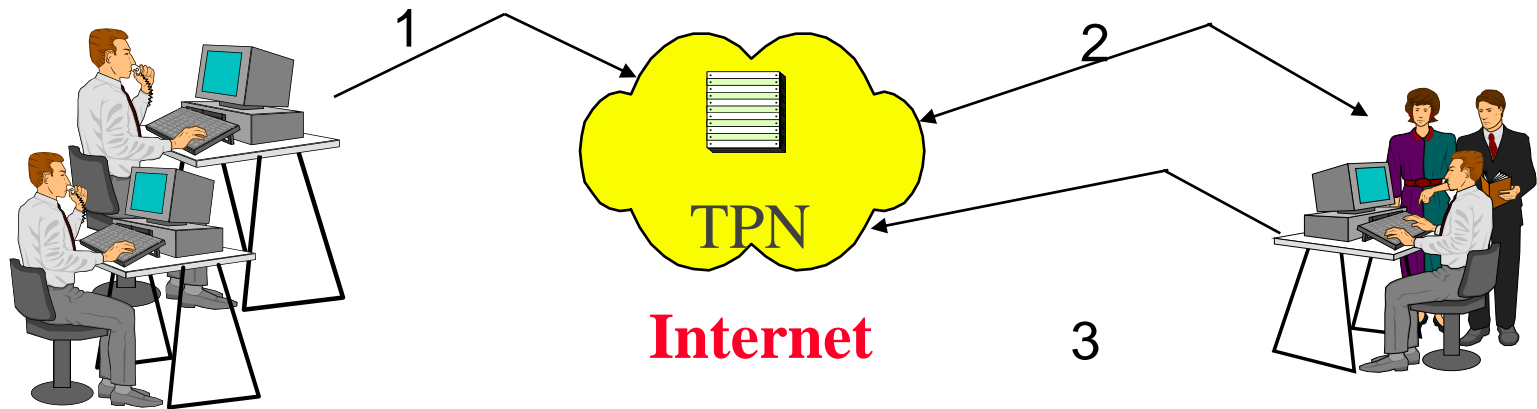
High

*Application Methodology: Segment Your Buy*





## GE Information Services



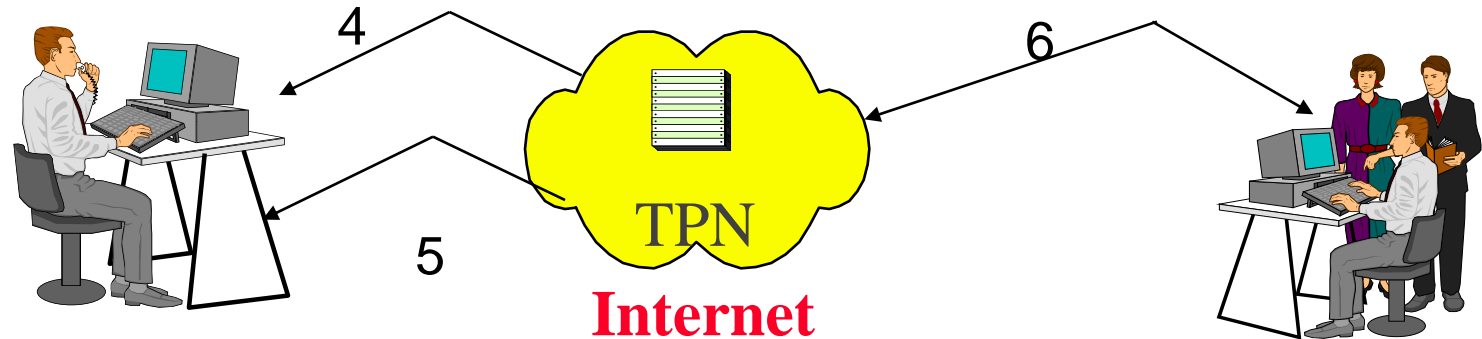
1) Suppliers register for GE TPN by filling out pre-qualification form on TPN Home Page

2) Buyer searches in TPN supplier database and selects suppliers (list of suppliers downloaded to Trade Management Tool)

3) Buyer prepares and uploads RFQs and supplier list.



## GE Information Services



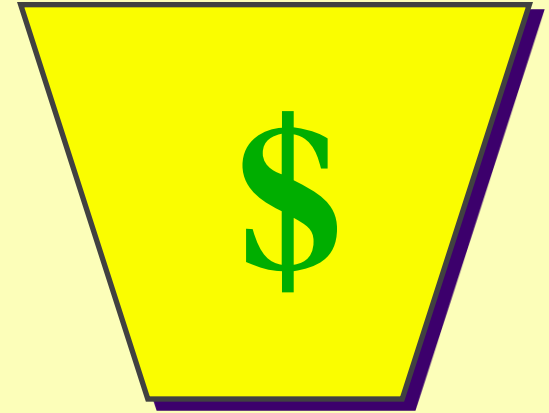
4) Based on buyer's selection, suppliers are notified of the upcoming project that they have been invited to bid on.

5) Suppliers search on database and download selected RFQs, fill out response and submit quote.

6) Buyer evaluates suppliers' responses, invite suppliers back for additional rounds and make final selection.



- Speed
  - Reducing cycle time
  - Time pressure is in sourcing
- Piece Part Price Reduction
- People
  - Get them to focus on value added activities
- Materials



***GE Information Services***

**Buyers**

- Improved process efficiency
- Reduced cost of goods
- Ability to source from a larger supplier base
- Buyers focus on value-added activities
- Global Supplier communications

**Suppliers**

- Increased access to RFQs from multiple divisions, companies
- Decreased Marketing and Sales expense
- Shorten selling cycle
- New access to business



- **Outsource \$80 million of fabricated sheet metal parts in eight months (over 5000 part numbers)**
- **Reduce cost of outsourced components by 10-15% on average**
- **Accomplish task with less than 25 people**



**Development supplier identification and pre-qualification process**

**Reduction of the coordination cost to gather and distribute RFQs (integration with MRP and drawing systems)**

**Development of an on-line negotiation mechanism to facilitate a large number of concurrent suppliers**



- **GE TPN Web Site <http://tpn.geis.com>**
- **Opportunity Assessment**
- **Suppliers fill out self-assessment, pre-qualification form**
- **GEIS will distribute software to those all registered suppliers**
- **Buyers then select suppliers by searching on SIC code**



Thank you!

