



# the SOURCE

YOUR QUARTERLY GUIDE TO LONESOURCING



## SEE HOW LONESOURCING WORKS FOR OUR CUSTOMERS:

-  Decals for Waste Industries trash and recycling receptacles
-  Sourcing corrugated promotional trash receptacles for Waste Industries
-  Managing PPD's company store
-  Wireless head phones for Security Finance
-  Incident Kits for all CARQUEST vehicles
-  Standard first-aid kits (plus refills) for all CARQUEST stores
-  Neon signs for a variety of customers

## Why Spend Management Matters

The rise of the spend management industry is linked to the evolution of corporate purchasing. As recently as a decade ago, the primary definition of corporate purchasing was order placement and fulfillment. This old school model had distinct characteristics:

- Carried out by multiple departments within an organization
- Disparate accounting systems
- Thousands of invoices and suppliers
- Poor procurement performance
- Limited spend visibility and analytics capability
- Compliance and control problems
- Reactive transaction management
- Bloated and unwieldy supply base with unreliable supply

An effective purchasing and cost management strategy was not deemed important. The result was a myriad of spend procedures that made spend visibility impossible.

### Roadblocks to spend visibility

Today, many mid- to large-size companies still practice inefficient and ineffective sourcing procedures. They do not take the time to ask three basic questions: "How much do we spend? On which products? With which suppliers?"

Senior finance executives face many challenges. Understanding spend management practices from data in multiple systems takes too much time and money when there is not enough of either. It is difficult to know what data matters when there is a proliferation of too much data, which is mind boggling to analyze from different angles and perspectives.

Finance executives are fearful of implementing organizational procedures that increase bureaucracy and detract from a company's mission and business focus. An organization may practice entrenched ways of doing business that are resistant to change regardless of what technology makes possible. Consequently, the focus is tactical cost management rather than strategic cost management.

Gaining visibility into corporate spending across departments, locations and lines of business is a vital step companies can take to improve sourcing practices.

### Step One: Detailed Spend Analysis

Times have changed from the days of inattention to spend practices and how they affect the bottom line. More organizations are focusing on detailed spend analysis to promote smarter procurement that provides visibility into an organization's spend profile and patterns so they are better equipped to:

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- Decrease maverick spending
- Increase spend process efficiency
- Increase procurement proficiency
- Standardize spending measurements across the organization
- Improve management of total supply base spending
- Identify opportunities for cost savings
- Improve inventory management
- Enforce and monitor contract compliance
- Enhance budgeting and planning operations
- Track category spending and patterns over time

Despite these desirable results, detailed analysis is a daunting, time consuming task that can require immense human resources in time and expense. How can it be easily achieved?

## Step Two: Spend Management Systems

Spend management is simply how organizations control and optimize the money they spend by utilizing systems that integrate all facets of supply management functionality. It is a holistic view of the source-to-pay process that vastly simplifies the steps. The process includes spend analysis, sourcing, procurement, receiving, and payment settlement and management of accounts payable and general ledger accounts.

Spend management companies such as Lonesource help organizations achieve procurement transformation by providing spend management systems that automate the process of gathering and analyzing spend data in complete transparency. The emphasis of strategic management systems shifts from merely obtaining reduced supplier pricing to the measurement and management of all tactical and strategic sourcing in a way that is accessible and easily apparent to all.

Strategic spend management is becoming an important trend, with companies such as Lonesource poised for steady growth. More companies are identifying the importance of strategic procurement and how that cost savings flows to the bottom line by identifying waste, eliminating rogue spending, negotiating better deals, and making better procurement decisions.

Despite these gains and advantages, organizations may hesitate to explore outsourced procurement processes.

## How to Get On Board With Spend Management

In today's healthier economy, more mid- and large-size companies are adapting spend management systems. An organization can decide what it needs with a spend management system by asking:

- How should we scope and sequence our efforts?
- Do we focus on certain needs and processes or on full deployment of indirect procurement?
- What should we outsource?
- How much do we want to spend and with whom?

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# CASE STUDY:

## Driving Productivity for America's Premier Auto Parts Retailer

### THE SITUATION:

WITH 3,400 auto parts stores and 40 distribution centers across North America, CARQUEST is the premier supplier of replacement parts, accessories, supplies and equipment for virtually all makes of domestic and foreign automobiles. The company also distributes and sells tools, equipment, chemicals, paint and accessories.



CARQUEST's growth has been fueled primarily by acquisition, each bringing new accounts payable employees, new suppliers and thousands of monthly invoice processing requirements at each location. CARQUEST processed more than 100,000 invoices annually from more than 400 different vendors, requiring the company to spend a significant amount of time managing the chaos rather than focusing on the core business of buying and selling auto parts.

In 2005, Lonesource introduced a spend management strategy to streamline and consolidate CARQUEST's accounts payable processes for non-auto parts purchases.

"In order to manage growth successfully, companies must identify new and creative ways to modernize their businesses. With Lonesource, we saw an opportunity to streamline procurement processes that were becoming a distraction for our employees," said Temple Sloan Jr., CEO of CARQUEST.

### THE SOLUTION:

Lonesource provides a hosted, Web-based technology for companies to optimize and manage corporate spending across all departments to

increase profitability and dramatically simplify procure-to-pay processes. The company offers "centralized" management with real-time visibility of every transaction and improved controls that dramatically reduce the workload for finance teams.

The solution features a single user interface (buyer platform), a single set of processes (custom configuration of the hosted site), a single invoice (pre-coded, pre-approved, pre-reconciled, electronically interfaced to customer accounts payable system) and a single point of contact for customer service (the Lonesource call center). The Lonesource buyer platform is used by a majority of departments across an organization including administration, human resources, sales and marketing, facilities, information technology, manufacturing, and research and development.

### THE IMPLEMENTATION:

Lonesource first performed a detailed analysis to evaluate CARQUEST's suppliers and year-to-date buying trends. From identifying system users to establishing billing codes and setting desired controls for workflow and budgets, the necessary information was captured to configure the system.

"Our research indicated that CARQUEST had overwhelming volumes of vendor transactions – more than 100,000 transactions per year for IT, administration, sales and marketing and facility expenses. In many cases, these discrete transactions with more than 2,600 vendors were difficult to properly reconcile with the appropriate general ledger codes," said David Ryan, executive vice president at Lonesource. "This is a common scenario for organizations as large and geographically dispersed as CARQUEST, and their challenges aligned specifically with the benefits of our solution."

Lonesource customized a Buyer Platform for CARQUEST that provides a framework to establish uniform

procurement practices across the company. The platform integrates within the company's intranet and serves as the primary interface for all users. The Buyer Platform delivers custom catalogs, predetermined general ledger code reconciliation, approval routing, real-time reporting, budget and workflow management, automated purchase order management, and invoice consolidation.

### THE BENEFITS:

CARQUEST'S number of monthly invoices and vendors has been drastically reduced, as has the amount of money spent per transaction. Using administration as an example, in Q1 2006, CARQUEST recorded more than 7,100 transactions that were consolidated into three invoices from Lonesource.

As a result of working with Lonesource, CARQUEST:

- Streamlined its accounts payable processes for non-auto parts purchases
- Gained total visibility of company spending with detailed analysis and reporting
- Improved operational and regulatory compliance
- Reduced the number of monthly invoices from several thousand to one
- Established error-free requisitions and paperless processes
- Refocused internal personnel on strategic spend initiatives such as auto parts
- Achieved more purchasing oversight control with pre-determined reconciliation

**"Lonesource delivered a solution that dramatically reduced the number of invoices to process, delivering the control and resources necessary to drive consolidation, compliance and standards across all company departments. We have eliminated waste and saved money, directly contributing to the financial performance of the entire company,"** added Sloan from CARQUEST.

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- Which materials and services will yield the quickest results?

These are all important questions to answer; however, the smooth roll-out of your spend management initiative will depend on your corporate structure and culture. The entire organization must accept and embrace the change. What is the solution?

## The Lonesource Solution

The Lonesource system removes the mystery and complexity of spend management so our clients can focus their internal resources on mission critical processes, strategic spend categories and growing their businesses.

We provide a hosted, Web-based technology to optimize and manage corporate spending across all departments, increase profitability, and dramatically simplify procure-to-pay processes. The system offers centralized management with real-time visibility of every transaction, enhanced enterprise connectivity, and improved controls and service levels that greatly reduce the workload for finance teams.

Our solution can be implemented within a few weeks. It features a single user interface, a customized buyer platform that is developed after extensive detailed analysis of your organization's spending, suppliers and buying trends. The buyer platform is used by a majority of departments across an organization, and the solution features a single set of processes (custom configuration of the hosted site), a single invoice (pre-coded, pre-approved, pre-reconciled, electronically interfaced to customer AP system), and a single point of contact for customer service (the Lonesource call center).

## The Bottom Line

There is no more direct and transparent way to improve financial performance in mid- and large-size companies than to focus on spend and procurement. While corporate revenue earned entails significant costs in sales and overhead, every dollar saved drops straight to the bottom line.



## Mark Hartley

Vice President - National Accounts

### What are your responsibilities at Lonesource?

I'm a salesman and I serve our national accounts by finding clients that meet the profile best served by the Lonesource model, introducing them to our model, figuring out how we can help them and working them through the implementation process once they agree to use Lonesource.

### What do you like about your job?

I'm a technology guy who likes to see technology used. Each client customizes and implements the Lonesource technology a little bit differently, and I'm at the front end of that. I enjoy working with a broad range of employees in different client companies. I work with people in positions ranging from president and CFO to purchasing personnel and administrative assistants.

### How do you interface with clients?

It ranges from face-to-face sales calls to consulting calls once a client is closed. Because Lonesource technology brings us close to our clients, the most valuable part of our solution is we act as on-board consultants at no charge. Our model enables us to form partnerships with clients and help them run their businesses more

# employee profile



efficiently. We are more interested in long term partnerships than in selling a few extra supplies.

### Who have been your favorite clients to work with and why?

Kimley-Horn and Associates, an engineering firm in Cary, N.C., has challenged us more than anyone on all fronts. They've made us a better company and we've made them a better company. We're honest with each other. Another favorite is The Pantry because we became more than just another vendor to them. We have rolled out a whole new system that has taken our relationship to a new level in the past six months, and we challenge and help each other.

### What are strategies for the spend management industry in 2007?

I want Lonesourcing to be a verb, and I want to see it working every day. There's no reason for companies to have so many vendors because the business requirement just isn't there. Choosing a company to manage technology and services is a new working model and it's insane not to consider it. Lonesourcing is the only way to get everything outsourcing provides without injecting all that additional cost.

### Family members?

My wife Cindy and three sons – Nathan, Aaron and Isaac – ages 16, 12 and 10.

### What do you like to do to unwind from the job?

Play with my kids, a lot of sports and games, and travel with my family.