
4 Ways to Automate and Improve Your Buyer/Supplier Relationship

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Executive Summary

Globalization and digital technologies provide tremendous opportunities for companies operating in business (B2B) markets. There are many strategies companies are employing to try to automate the demands of business communication to make it more efficient, reliable and profitable. Business is about the profitable delivery of value to a customer. This means that, everyone in the organization should be focused on delivering this value.

Manufacturing businesses have created trading relationships based on communication channels which include: face-to-face contact, telephone calls, faxing, mail and email. Each of these communication channels affect how a customer or supplier responds and the strength of their relationship.

There are four primary ways to improve the relationship between buyers and sellers including 1) Simplified document sharing 2) Distribution of Request for Quotes (RFQ's) and the ability to process RFQ's efficiently 3) Distribution of purchase orders to suppliers in a centralized manner 4) Receipt of purchase orders in a consolidated manner.

Trends Identified

- B2B exchanges are becoming more commonplace
- Cost of doing business is increasing
- Communication between business is burdensome
- Almost all businesses have internet communication capabilities

Definitions

MRP – Material Requirements Planning
ERP – Enterprise Requirements Planning
MES – Manufacturing Execution System

Introduction - What is an exchange?

“Exchange: A building, office, institution, etc., used for the transaction of business or for monetary exchange.” The New Shorter Oxford English Dictionary. On the internet there are many business websites which allow other businesses to interact through ecommerce transactions. Business websites are setup to basically be virtual “Exchanges” where companies can come together without physical walls to perform monetary or non-monetary transactions.

A b2b exchange, can be separated into at least two main categories

- Open Bidding or Auction Houses
- Exchange which improves business process through electronic transactions with existing businesses within a community

Open bidding or auction houses are online exchanges or marketplaces that try to match qualified buyers and suppliers together.

Advantages for buyers are they could find new suppliers and potentially get better prices. Disadvantages are the buyer does not create a long lasting relationship with the supplier which in turn gives better on time deliveries and quality.

Suppliers have advantages in this type of exchange because it gives them the opportunity to look for new work and expand their business. Reality is, many suppliers are not satisfied with this model because the pricing becomes the entire focus of the job, not the quality and delivery performance. Many suppliers feel buyers are placing potential jobs on the system and are not actually looking to award jobs, but to get their existing suppliers to drop their prices.

MIE Exchange is a web based service which caters to existing buyer/supplier relationships by improving the efficiency and productivity of business transactions through electronic processes.

Charge 1: Simplified Document Sharing.

The Future of Document Communication

If every company published their blueprints on their company owned website, a supplier would possibly have to go to 100's of websites to pick up required files. This would be an example of the internet not being efficient.

Manufacturers are constantly receiving blue prints, documents, cad files through Fax, mail FTP Sites, Email and/or customers websites. The key to using the internet effectively is to not make it so cumbersome to use that it actually creates more work. Imagine if every company you did business with published their blueprints on their own company website. A supplier would possibly have to go to 100's of websites to pick up the required

files to produce the product. This would be an example of the internet not being efficient.

MIE Exchange enables buyers to publish their blueprints and engineering documents on the service for each of their suppliers to download at their convenience. Now a buyer would publish their engineering documents in one spot and all of their suppliers could easily download the files. A big benefit for the supplier is getting multiple buyers on the service which then allows the supplier to download engineering documents from one website instead of going to each individual buyers website.

The more partners you have connected through an online community, the more efficient the document sharing becomes.

Charge 2: Distribute and Process RFQ's efficiently.

The Future of RFQ Communication

Custom manufacturers receive Request For Quotes (RFQ's) on a daily basis. This includes sheet metal, machining, stamping and plastics industries to name a few. RFQ creation and distribution is one of the least technologically advanced areas where buyers email and fax out RFQ's to individual suppliers. Creating an RFQ through an email may seem nice now since the previous technological revolution was to fax the RFQ.

A spreadsheet can be used to manage your list of RFQ's and responses, but each RFQ must be copy-pasted into either the spreadsheet or email. Even worse is every individual supplier response must be managed where there is not an easy way to consolidate all the responses to an RFQ

Emailing an RFQ has some drawbacks where the buyer either creates separate emails per supplier through copy-paste functionality or a blind CC copy to all the suppliers. These two methods are time consuming and most importantly can only be tracked through a lot of effort. A spreadsheet can be used to manage your list of RFQ's and responses, but each RFQ must be copy-pasted into either the spreadsheet or email. Even worse is every individual supplier response must be managed where there is no easy way to consolidate all the responses to an RFQ. MIE Exchange makes the distribution and processing of RFQ's much more efficient by assigning

suppliers to an RFQ, publishing the RFQ to multiple suppliers simultaneously and lastly having the RFQ's responses consolidated automatically for easy review.

MIE Exchange enables buyers and suppliers to get immediate feedback by providing a workflow mechanism. A workflow is a method which the buyer can provide feedback directly through the RFQ to the buyer. If the supplier No Bids the RFQ the manufacturer is notified and can pursue other manufacturers. If a supplier is preparing a response, the supplier can flag the RFQ and the buyer is immediately notified without having to call on the phone. Purchase orders can then be awarded to the supplier electronically by selecting the RFQ and evaluating the best supplier for the job.

Charge 3: Distribute Purchase Orders Online

The Future of Purchase Order Distribution

Buyers submit purchase orders to suppliers through their accounting, MRP, ERP or MES systems. Every purchase order is then either emailed or faxed to the supplier which is not as efficient as pushing all the purchase orders to a single service where all the suppliers would pick up their orders. Double entry is the death of all systems which is

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why MIE Exchange has an open API (Application Programming Interface) which allows 3rd party applications to push data to MIE Exchange. In the manufacturing business, purchase orders are changed on a monthly, weekly or even a daily basis. Through the built in work flow mechanism, change orders can be submitted to the suppliers for their approval. Suppliers can either accept or decline the change order which notifies the buyer. Purchase orders can

then be tracked similar to an Advanced Shipment Notification in EDI which enables suppliers to notify buyers when their product is being shipped.

Charge 4: Receive Purchase Orders Online

The Future of Purchase Order Communication

Purchase orders come through faxes and email daily to suppliers. Suppliers have to manually type in the purchase orders into their MRP, ERP or MES systems which is both time consuming and prone to error. Electronic communication through EDI has been

EDI is very complex and expensive to interface with which makes it prohibitive for many companies to implement.

around for many years in some industries, but most suppliers and buyers do not communicate through EDI. EDI is very complex and expensive to interface with which makes it prohibitive for many companies to implement. MIE Exchange has an open application interface which enables other software packages to pull purchase orders

from MIE Exchange into their system directly. Through MIE Exchange you are not only picking up purchase orders for a single customer, all your customers are able to push their purchase orders to you. Through the workflow mechanism you can simply mark purchase orders as being accepted which notifies in real-time the buyer your intentions.