



# Service portfolio

Successful procurement with *sourceit*

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November 2008

## **1 How you can benefit from sourceit's assistance**

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Based on its numerous global sourcing projects, Sourceit GmbH guarantees a reliable realization supported by the necessary expertise and our extensive network contacts.

Particular advantages of collaboration with sourceit:

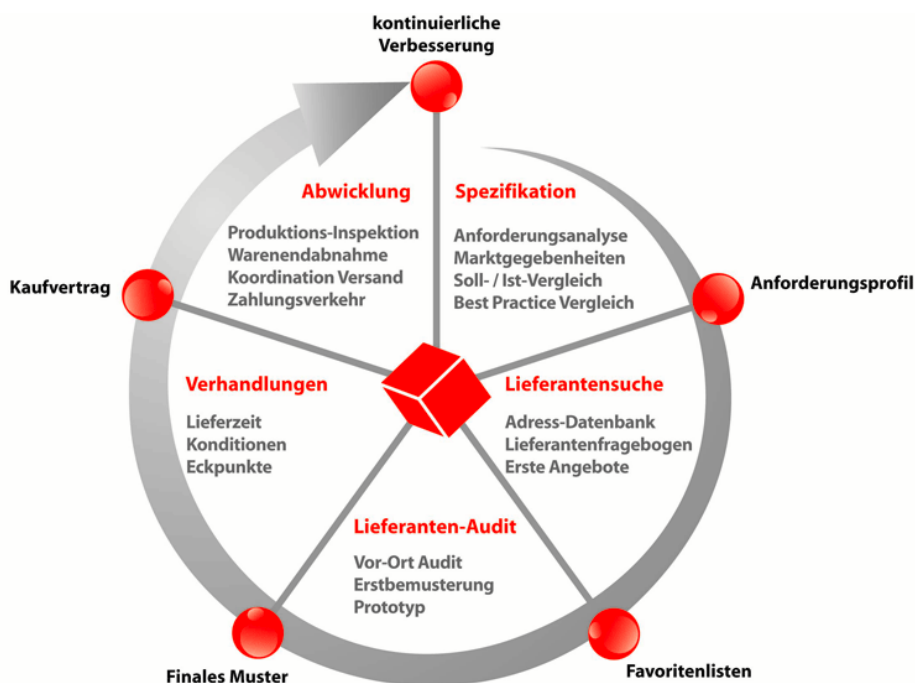
- ◆ Reliable quality management (proven, amongst others, through various successful projects in the automobile sector)
- ◆ Global experience: Projects ranging from China, Malaysia, Taiwan to India and Bolivia
- ◆ Alternative: A German-based sourceit project manager will provide full-service assistance and ensure relay and execution through our Chinese team.
- ◆ Support with customs and conveyance questions
- ◆ IPO-office in China (Shanghai): Your operation in Asia pushing your needs
- ◆ Elaborate procurement project management according to sourceit's own project-framework Quinto™
- ◆ Experience with complex SCM projects for conglomerates

## 2 Sourceit projects in summary

Based on our diverse procurement projects we have developed a standardized approach, the project-framework Quinto™, according to which we execute our projects. Quinto™ is based on the classic theory of evolutionary project management (continuous improvements in order to meet the requirements of dynamic markets).

Quinto™ creates room for customization of individual projects according to the individual circumstances and demands of each client while still profiting from the general guidelines.

Every project is executed along 5 distinct phases, which each are concluded with a gateway. The following graph summarizes this approach:



Sourceit Quinto™ accomplishes the continuous improvement, which is at the center of evolutionary project management, along two dimensions:

- During the first phase, sourceit exploits the iterative learning process. This means for example that insights gained from interviews with one supplier will be used to purposefully test another supplier with respect to the strengths and weaknesses of the first. Like this the procedure is continuously improved within each individual phase.
- After the completion of each project sourceit conducts a review workshop together with the client evaluating the different parts of the project. The gained insights are then used to improve the performance of future projects with the client.

## **2.1 The individual phases of sourceitQuinto™ projects**

### **2.1.1 Specification phase**

During the specification phase all the requirements are collected and benchmark prices as well as quality control criterias are established. Concluding this phase is a definition of the requirement profile, which can vary in length from 1-100 pages depending on the project.

### **2.1.2 Supplier search**

Based on a variety of methods such as on-site search in clusters, survey of exhibitor directories, internet research and network research, a comprehensive pool of addresses of potential suppliers is developed. These suppliers are then evaluated and selected according to a project-specific questionnaire. The second phase concludes with the generation of a list of favorites – a list of possible suppliers that qualify for an in-depth investigation.

### **2.1.3 Supplier audit**

Depending on the extent of the project the suppliers on the list of favorites are investigated. This includes on-site audits as well as sampling inspection and the verification of supplier certificates. Concluding this phase is a short-list of suppliers capable of delivering the requested product specifications together with product samples.

### **2.1.4 Negotiations**

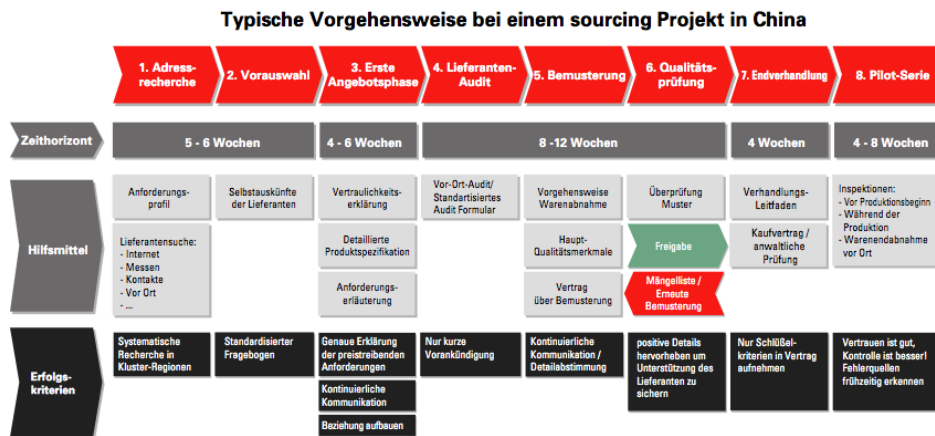
In this phase sourceit negotiates with one or more potential suppliers. When dealing with strategic projects there is a strong focus on establishing a favourable master agreement. In order to ensure optimal results a set of guidelines are developed beforehand together with the client. These then form the basis according to which sourceit conducts the negotiations. The outcome of this fourth phase is either a purchase order or a valid master agreement.

### **2.1.5 Execution**

Sourceit now facilitates the execution based on the contractual conditions (delivery time, price, amount etc.). Depending on the extent of the project this includes monitoring of production, communicative project attendance, coordination of monetary transactions as well as monitoring and coordination of shipping.

## 2.2 Refinement of steps for client projects

According to sourceit Quinto™ a detailed and customized project plan is developed for each project. This plan accounts for the specific circumstances of each project (time-to-market, complexity, discretion, certification requirements etc.) and is based on the following scheme:



### 3 Sourceit service portfolio in summary:

Sourceit supports its clients on various levels covering all aspects of the procurement process in the Far East. We divide our services roughly into strategic projects, operational projects and continuing support services.

The following is a summary of typical service packages. These service packages are combined and arranged individually for each project in order to accommodate the client's needs and provide an optimal solution for the given circumstances.

#### 3.1 Overview





3.2 -

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## ***Detailed service description***

### ***3.2.1 Strategic support***

#### ***Procurement market analysis***

Exhaustive studies and analyses of the Chinese procurement market and identification of production clusters for products or product groups constitute an ideal preparation for the development of a strategic supplier pool.

#### ***Global sources study***

Analysis of global data to investigate attractive procurement markets for different product groups

#### ***Supply chain setup***

Sourceit organizes supplier networks for complex component assembly and modules in Far East.

#### ***Master agreement negotiations***

Based on your requirements sourceit negotiates master agreements with suppliers, on the basis of which regular purchasing orders can be placed.

#### ***Currency strategy***

Do you pay in Euros or in USD? What kinds of developments are to be expected and which possibilities for protection are available? Sourceit also offers competent advice on these matters.

#### ***Customs optimization***

Examining the possibility of an optimization of customs is especially worthwhile for large-volume projects. Which possibilities do EU-regulations offer to legally reduce the tariff burden?

#### ***Cost checker***

Analysis for savings potential based on a comparison of your current purchasing prices benchmark prices and component prices calculated through reverse engineering - this enables reliable controlling and sustainable improvement of your purchasing prices and facilitates the formulation of realistic target prices.

#### ***Supplier development***

Improvement of the sourcing performance through development of specific suppliers, for example by using on-site training, the provision of test equipment, exchange of experience etc.

#### ***Supplier audit***

Qualification and verification of potential suppliers through an auditing process - for this purpose sourceit discusses production details, conducts sampling inspection and visits and evaluates suppliers on-site.

#### ***Business case development***

An analysis of your business needs as well as an analysis of synergy potential from procurement in the Far East is conducted. This may result in a recommendation to establish an own IPO



(International Purchasing Office), to utilize one or more trading companies or exclusive service providers etc.. Self-evidently, a ROI-inspection is part of this task.

### **3.2.2 Operational support**

#### ***Supplier search***

Get quick results by identifying suppliers for standardized products and goods as well as subsequent proposal solicitation.

#### ***Negotiation of purchasing orders***

Based on the master agreement or on the results from the supplier search, sourceit negotiates the concrete purchasing orders.

#### ***Execution***

Supervision of the production process via phone, coordination of monetary transfers and coordination and execution of customs and shipping

#### ***Production control***

Based on the product and the client's specifications, sourceit devises a testing and control-plan for the production. Sourceit coordinates the execution of these tests with suppliers, clients and, if needed, with international testing-institutes.

#### ***Supplier emergency control***

In the case of production problems of a current supplier of the client sourceit offers quick unbureaucratic support and develops functioning contingency plans to avoid the worst.

#### ***External purchasing agent***

You have a high and continuous operational demand in Asia? We hire and coordinate or use an existing employee as your exclusive purchasing agent – in such a case sourceit attends to all legal issues and to the management of the agent.

### **3.2.3 Support services**

#### ***Purchasing travel inspection***

Sourceit organizes trips to exhibitions and visits to suppliers. In the process our local purchasing experts support you on all issues.

#### ***Exhibition scouting***

Should you not have enough time to attend all relevant local exhibitions, one of the sourceit experts will attend on your behalf and inform you about the newest trends.

#### ***Inspections/QC***

Sourceit carries out the on-site quality control and inspection of your goods, or the collects random, independent samples for subsequent testing by accredited laboratories (e.g. TÜV, SGS).

**HR services**

We support you in your search for suitable purchasing agents, technicians and managers in China. Our interdisciplinary team consisting of Europeans and Asians conducts pre-selection and accesses our extensive network of contacts in order to help you find the ideal colleague.

**IPO setup**

Sourceit supports companies that seek to enter the Asian market by establishing their own purchasing office in China by offering comprehensive advice ranging from choice of location to the handling of the establishment process itself. In connection with the HR services sourceit can also be of assistance in finding qualified personnel for key positions. In combination with our external purchasing agent services sourceit specifically for a soft start.

**4 Contact**

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