

Introducing a New Era of Direct Procurement Risk Management

“Amateurs talk strategy.
Professionals talk logistics.”

While initially referring to soldiers, it's directly applicable to 21st-century industry. Today's direct spend supply chains are the linchpins of modern manufacturing operations, with the power to affect every function from production to inventory to customer delivery to invoicing to revenue. One late or short inbound shipment can mean the difference between on time customer orders and potentially disastrous delays that can ripple across the entire organization.

Despite its critical importance, the supply chain risk and disruption onslaught continues. In fact, the more global and efficient supply chains become, the less margin for error and the more vulnerable they become to political, economic, and environmental disturbance. Supply chain leaders can employ various strategies to hedge against these challenges, but there's little they can do to avoid them. The good news is that there are many risks in the supply chain that can be minimized and even eliminated. SourceDay is focused on helping organizations manage the risks they can control.

SourceDay starts with a dedication to supplier performance and reliability as the foundation of risk management. When you can trust your suppliers, everything becomes smoother. Then combines the most extensive PO lifecycle dataset in existence with patent-pending, AI/ML models and a risk-focused interface to detect, predict and prevent risks to on-time delivery. The resulting increased visibility, precision, and data accuracy throughout the PO lifecycle drive efficiencies and cost reductions throughout the organization.

Altogether, SourceDay's direct procurement risk management solution empowers manufacturing companies to deliver more on-time customer orders and operate their businesses with more reliable revenue projections, leading to improved financial and operational performance, confidence, and increased value across the organization.

INBOUND SUPPLY CHAIN RISK

Supply chain disruptions made headlines during the pandemic, with news of manufacturing shutdowns, port backups, and unprecedented order volumes due to exploding e-commerce. The resulting turmoil has pushed procurement and supply chain up the executive-level priority list, according to [McKinsey](#). It's now a critical part of the organization's value chain discussion in a way it never has been before. While big disturbances draw the most attention, realistically supply chain leaders have very little control over these crises. However, SourceDay's decade of proprietary data shows that 70% of inbound supply chain issues actually occur prior to shipment. That means most interruptions are at least somewhat preventable. Reducing these risks and cutting the associated costs can and should be a priority.

We've found that risks develop throughout the PO lifecycle at several critical stages. Over 52% of PO lines require manual intervention at an average of 2.5 changes per line. For a medium-sized company with 300,000 lines per year, that means 375,000 updates that require manual intervention. Procurement employees at top-performing organizations process between 1,000 to 3,000 purchase orders annually.

This volume of change and complexity makes inbound supply order delivery risks challenging to see, predict, or resolve, forcing team members to divert focus and effort to tactical instead of strategic tasks. There's little available time to evaluate overall supply chain performance, focus on supplier management, or explore cost-saving measures when buyers are spending time keeping manual track of hundreds of PO issues that could fall through the cracks. This amount of manual work also leaves room for error – meaning that reducing the burden on procurement professionals also reduces risk. And if even one of the experienced professionals on the team leaves or is unavailable for a significant period of time, it can leave a gap that stretches the remaining employees even further or simply means those POs are unattended, opening the door for additional risk.

“PO RISK” DEFINED

SourceDay's decade of streamlining and accelerating POs from issue to inventory informs a singular understanding of the most critical and vulnerable areas of the PO lifecycle.

SourceDay defines “PO Risk” as any issue that may put a purchase order at risk of not being delivered on time and in full for the agreed upon price. Not more or less, not different items, not at a higher price, not earlier or later. Any variation in the agreement impacts operations and finance. Delayed and short orders cause noticeable disruptions like late customer deliveries, increased shipment costs, and even missed revenue projections. Variations that may seem positive are not exempt: too much stock or an order that arrives too early can require additional storage space and the costs of holding inventory longer than necessary.



SUPPLIER RELIABILITY

Supplier reliability consistently ranks within the top three to five concerns for manufacturing leaders. Having a network of suppliers who will deliver according to the agreements in place is a critical factor in ensuring smooth operations and a perfectly synchronized supply chain, as disruptions lead to production delays, stockouts, and increased costs – impacts across the organization.

Unfortunately, ERP supplier portals and broad-based solutions like P2P and S2P platforms fall short in ensuring consistent supplier performance because they are built with a ‘buy-side’ focus without considering the supply-side of the relationship. They often lack real-time collaboration, transparency, and proactive risk management, all of which are crucial for maintaining strong supplier relationships and improving performance. The rigid ‘portal’ approach also makes it harder for suppliers to communicate and manage orders by forcing them to use unfamiliar technology and processes. They limit data-driven feedback to broad metrics, leaving important gaps in measuring performance and rapidly addressing improvement plans.

With SourceDay’s centralized platform that not only automates workflows and enhances supplier accountability but also fosters stronger, more collaborative relationships, you can trust your suppliers to perform at the levels you need them to. Our platform removes an important barrier to engagement and reliability by expanding access channels to support the normal workflows of both roles (email, direct to platform, EDI). This provides both buyers and suppliers with real-time visibility into purchase orders and supplier performance, allowing both sides to address potential issues before they become critical. In doing so, SourceDay ensures smoother operations and builds long-term trust, filling the gaps left by other systems and enabling manufacturers and distributors to depend on their suppliers with confidence.

Add in a powerful, configurable automation engine that manages no- and low-risk changes, and manufacturers can achieve up to 80% touchless POs.



PROACTIVE RISK VISIBILITY AND RESOLUTION

Historically, risk has been mitigated reactively – once it presents as a problem. Since most supply issues occur before shipment, delivery can already be at risk before the order even leaves the supplier’s warehouse. Buyers and Procurement professionals are left trying to avoid production delays with expedited shipping or increased buffer stock – both of which add to operating expenses and the cost of goods sold. SourceDay has successfully mitigated these issues by providing critical real-time visibility and management of PO acknowledgments and changes, increasing PO data accuracy confidence to 100% and OTD to 96%. However, the growing instability and complexity of today’s supply chain require powerful new tools to help supply chain leaders mitigate risk earlier in the procurement process.

SourceDay’s Risk Dashboard gathers risks from across the entire PO lifecycle into a straightforward management view. Users don’t need to look through each PO to find outstanding issues; they’re sortable by risk, enabling users to prioritize issues requiring intervention from a single, actionable platform. Add in a powerful, configurable automation engine that manages no- and low-risk changes, and manufacturers can achieve up to 80% touchless POs.

CRITICAL SUPPLY RISKS INCLUDE:

Supplier Risks (*Actionable opportunities to improve supplier performance*)

- Incorrect contacts
- Low acknowledgement
- Drop in OTD
- Process improvement opportunity
- High price variance

On-Time Delivery Risks at all stages of PO Lifecycle

Item Risks

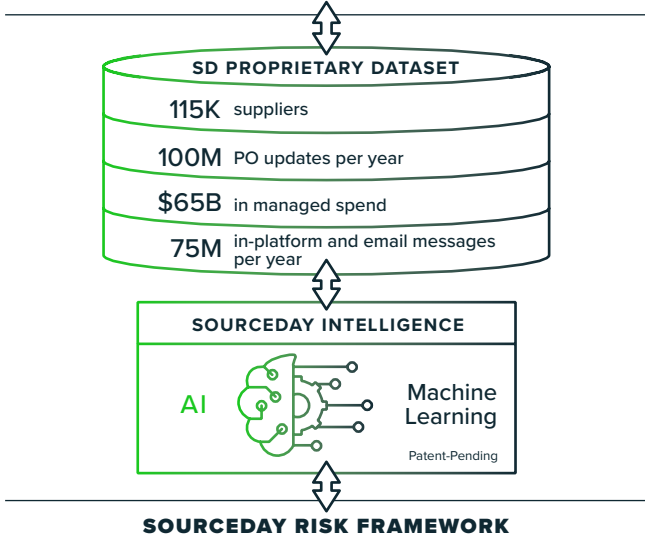
- High price variance
- Inaccurate lead time

UNPRECEDENTED AI-DRIVEN RISK MANAGEMENT

As a leader in the PO lifecycle management space for more than a decade, SourceDay has built a network of more than 115k suppliers, comprising more than \$65B in customer direct materials spend, behavioral data on 100M PO updates annually, and 75M in-platform and email messages per year. This authentic and massive PO behavior dataset is unmatched and provides SourceDay with the unique ability to understand the factors that drive PO changes and thereby more accurately detect risks, predict outcomes and deliver smart solutions that others simply can't.

According to [McKinsey](#), "The need to automate is growing in line with the volume and complexity of procurement data, which are increasingly difficult to analyze manually in a way that leads to specific, actionable insights...The most effective solutions can identify relevant data patterns and deviations from the expected, explain results and their impact, and even suggest measures to take in response."

SOURCEDAY PO LIFECYCLE MANAGEMENT PLATFORM



SOURCEDAY INTELLIGENCE: POWERING THE NEXT TRANSFORMATION

SourceDay Intelligence, our patent-pending machine learning platform, puts the power of SourceDay AI/ML models in our users' hands. SourceDay Intelligence is designed to deliver actionable insights and relevant recommendations to solve real user problems. Applying our insightful risk modeling, trend identification, and pattern matching platform to each customer's protected data derives exclusive observations for those customers and uncovers risk blind spots they couldn't find on their own or with any other solution.

SourceDay Intelligence empowers users to detect risks earlier, predict impending risks, and resolve previously hidden risks faster, including:

LEAD TIME RISK: Identifies POs likely to be late due to unrealistic lead times and recommends a more likely delivery range to resolve the issue with suppliers.

MISSING ACKNOWLEDGEMENT RISK: Identifies POs that have not been acknowledged within the supplier's standard timeline and may have slipped through the cracks.

PROPOSED CHANGE RISK: Highlights POs with supplier-proposed changes and offers detailed recommendations to address the changes while minimizing impact to operations.

EMAIL ISSUE RISK: Alerts to POs that failed to deliver due to incorrect or blocked email addresses and provides steps to verify and update supplier contact information.

EMAIL ISSUE RISK

☐ All Supplier risks

☐ New email detected

☐ Email issue

☐ Uninvited supplier

▲ Lead time

LEAD TIME RISK

PO #123456789

Details

This purchase order is at risk of being delayed due to a high-risk lead time. The due date is Jan 1, 2024, but the estimated delivery range is Jan 3, 2025 - Jan 7, 2025.

SourceDay Intelligence recommends that you Message your supplier to confirm the due date. You can also view historical lead times for this item and update your ERP accordingly.

[Message supplier](#)

[View lead times for this item](#)

Regardless of how the risk is identified, SourceDay Intelligence recommends effective resolutions for each to reduce the burden of manual PO management, remediate more issues more quickly, and diminish the risk of human error.

SourceDay Intelligence also approaches AI integration more purposefully than other solutions. It isn't layered on top but instead strategically integrated throughout our PO Lifecycle Management platform at key points of supplier collaboration. SourceDay relies on a decade of domain expertise to inform where and how we utilize SourceDay Intelligence to pragmatically support users, address risks, and streamline manual PO management tasks. PO behavior modeling at the customer level predicts unforeseen risks displayed in the Risk Management dashboard, recommends smart resolutions to all risks, and in the future, automates custom workflows to manage high frequency and low impact PO tasks to eliminate 52% of manual PO touches.

Most importantly, SourceDay Intelligence is designed to be relevant and useful. It harnesses the right AI tool and the right data to intuitively support, enhance and accelerate buyer and procurement professional decision-making at the most vulnerable stages of the supply chain. Our goal is to resolve real problems for real companies.

**SOURCEDAY
PO LIFECYCLE RISKS**

ALL RISKS

☐ All PO risks

Supplier proposed

☐ Date change

☐ Quantity change

☐ Cost change

☐ Split

☐ Confirmation requested

☐ Cancellation

Review needed

☐ Date accepted

☐ Quantity accepted

☐ Cost accepted

Email issues

☐ Email notification warning

☐ Email notification failure

★ Detected by SourceDay Intelligence

☒ Lead time

☒ Missing acknowledgement

PREDICTIVE RISKS

“This has had a huge impact on our business. It’s critical that the information we use to make business decisions is accurate, timely, and drives the valuable analysis that our teams need to meet our customers’ demands. This is a critical value we’ve unlocked with SourceDay.”

- Adam Lynch, Apparel COO, [Marine Layer](#)

ENTERPRISE-WIDE VALUE

With the supply chain’s prominence, impact, and vulnerability only continuing to intensify, leaders face powerful inducements to seek out new strategies to insulate and reinforce supply operations. SourceDay’s risk management approach delivers the more stable and predictable inbound supply flow manufacturers need when so many global factors are out of their control. Functions across the company, from Materials Planning to Delivery, Production, Customer Delivery and even overall Business Revenue, see smoother operations and improved metrics with SourceDay handling Direct Procurement Risk Management. This more resilient supply chain delivers continuity and confidence executive teams can rely on.

REDUCED SUPPLY RISK WITH REDUCED COSTS:

Eliminate parts-related impacts to scheduling and costs for lower OpEx/COGs. Our customers have experienced a 44% improvement in delivery date accuracy and have seen direct materials OTD increase up to 96% with SourceDay. SourceDay customer [JBT AeroTech](#) cut missing parts at production start from 33% to 8% – a 76% reduction – amid pandemic-driven supply chain churn. Automotive mobility leader [BraunAbility](#) was able to significantly reduce buffer stock, cutting carrying costs while protecting production. “Before SourceDay, we were talking about a multi-million-dollar expansion for warehouse space. Now, we’ve reduced on-hand inventory by 22%, and we’re actually looking at no longer storing production components at an offsite warehouse,” explained Ben Hitchens, the Associate Director of Procurement and Supply, BraunAbility.

GREATER PO MANAGEMENT EFFICIENCY:

With SourceDay, users can reduce manual PO interventions by 50%, and even when PO interventions are required, SourceDay Intelligence makes issues easier to find and address. Procurement team efficiency can improve up to 80%, all while achieving 100% accurate PO data in the ERP. “This was what we had been waiting for—one platform for all buyers to use, which freed up 25% of three key staff members’ time,” Troy Mauk, Director of Global Procurement, [Global Interconnect](#). [Progress Rail](#), a Caterpillar company, was able to reduce their planner’s daily workload by 30%. Less time spent on manual tasks reduces errors and minimizes labor costs, while increasing productivity.

BOOST END CUSTOMER SATISFACTION:

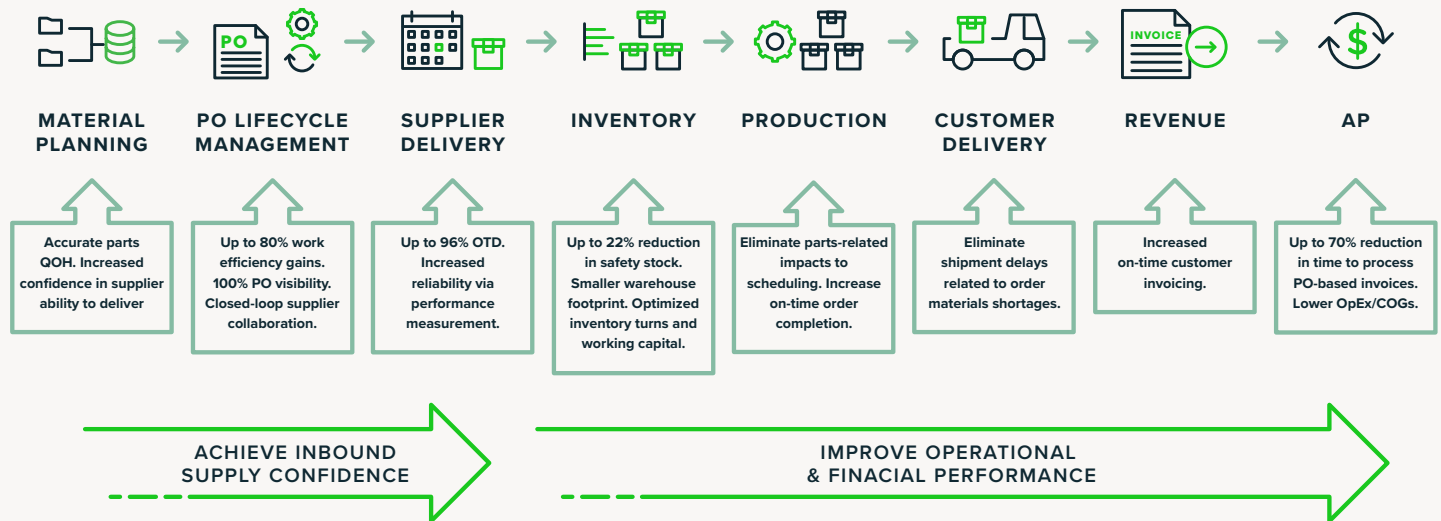
A disrupted supply chain directly impacts the ability to deliver customer orders on time. With SourceDay, you can eliminate shipment delays related to order materials shortages. [Select Brands](#) is better able to achieve their goal of “Making sure our customers have what they want, when they want it,” and SourceDay customer, [Mott Corporation](#), for example, was able to reduce each buyer’s workload by 25% while also increasing customer OTD to 90% in just one year.

INCREASED CONFIDENCE AND IMPROVED FINANCIAL PERFORMANCE:

Improved delivery KPIs and streamlined PO management create ripple effects across the organization. Accurate ERP PO data leads to a 70% reduction in days to process invoices resulting in faster payment as well as improved financial forecasting and performance.

SOURCEDAY VALUE ACROSS THE ORGANIZATION

ERP DATA ACCURACY



CONCLUSION

The tumult of the preceding years has intensified direct procurement's importance to the manufacturing organization value chain with supply chain now being seen as a critical consideration at the executive level. Companies realize that the ripple effects from an unstable and untrustworthy inbound material and parts supply can extend all the way from production to customer satisfaction to board-level revenue projections.

By ushering in this new era of direct procurement supply chain efficiency, performance, and assurance, SourceDay enables manufacturing companies to reduce critical supply risks to deliver more on-time customer orders. This results in more reliable revenue projections, improved financial and operational performance, and increased value across the organization.

Learn more about SourceDay Risk Management at sourceday.com/risk-management/