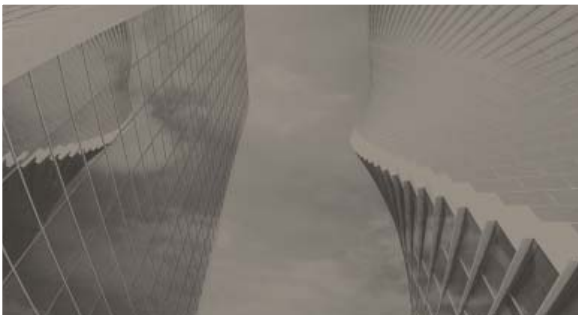




## Air France-KLM's Procurement Process Soars with Strategic Sourcing

*In the airline industry today, it is critical for companies to maintain loyal customers, provide high-quality customer service, and remain competitive by offering the best values to their customers. After 85 years in the airline industry, Air France-KLM knows what it takes to be successful. So when it came to managing a more successful supply chain process, the company knew that ondemand, strategic sourcing solutions were the answer.*



*“Internet technology is the key enabler to facilitate and improve the entire KLM procurement and supply chain management process.”*

Lesly Roozen  
Director of Procurement for KLM Ground Services

### Targeting a Provider

KLM began their quest for a strategic sourcing solution provider in early 2001. After conducting a piloted reverse auction for Polyethylene, or plastic, a routine product for KLM, and realizing 30 percent savings, the company discovered that electronically sourcing goods and services achieves significant savings and greatly improves processes. The company began looking for a provider that was Web based and had an optimal mix of services and functionality.

“Internet technology is the key enabler to facilitate and improve the entire KLM procurement and supply chain management process,” said Lesly Roozen, director of procurement for KLM Ground Services.

In order to evaluate providers, KLM created a list of criteria that would help them assess providers and compare services and applications. The list included types of buyer and supplier collaboration tools, report and analysis capabilities, bidding formats, and overall user friendliness.

After over a year of market research and provider evaluations, KLM chose Procuri as its strategic sourcing solution provider (In December 2007, Procuri was acquired by Ariba). The decision was based upon the company's positive evaluation against all of KLM's criteria plus its easy-to-learn and easy-to-use functionality.



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### Preparing for Take-Off

After choosing its provider, KLM developed a strategic adoption plan to minimize resistance and maximize usage. The new process was introduced to KLM's Procurement Directors after which the buyers were trained. A support office was set up and management encouraged the buyers to use the solutions.

Initially, the purchasing team was slow to adopt the new solutions into their processes. Some complained that the new process created more work for them, while others professed that their suppliers would not understand how the solutions worked. In order to encourage the organization to use the application, KLM created an incentive plan that if the solutions were not used, there would be no bonuses for that year.

The plan worked and after six months of using the new solutions, buyers realized the value behind strategic sourcing solutions. "Our team really started seeing the value behind the solutions. Buyers praised the software for how it helped put the whole sourcing process under control and for how much time the new process saved them. We will never go back to the manual process again!" said Roozen.

The suppliers were also pleased with the new electronic process. "Suppliers even complimented the solutions for its very professional process. Some suppliers expressed that it made their life easier and created an even playing field to win KLM's business," said Roozen.

### Let it FLY!

Air France-KLM has experienced significant savings of up to 40 percent with the new strategic sourcing solutions. The company has electronically sourced a variety of direct and indirect spends including aircraft seats, temporary staff agencies, consultants, software maintenance, ground handling equipment and flight crew uniforms. Some of the most successful events KLM originally conducted were for

hotel rooms for stranded passengers that were sourced daily through a reverse auction. These auctions realized 35 percent savings.

The value strategic sourcing solutions provided Air France-KLM was proven through improved purchasing results and throughput time. They have provided more transparency, efficiency, and higher quality to the sourcing process and have helped build new relationships between the company's buyers and suppliers. Air France-KLM plans to increase its use of spend management solutions to improve decision-making by automating more processes.

### Results

- *Improved purchasing results and throughput time*
- *Up to 40 percent savings through strategic sourcing*
- *Sourced a variety of direct and indirect categories, including aircraft seats, temporary staff agencies, consultants, software maintenance, and more*

### About Ariba

*Ariba, Inc. is the leading provider of spend management solutions to help companies realize rapid and sustainable bottom line results. In December 2007, Ariba acquired privately held provider of on-demand supply management solutions, Procuri. Successful companies around the world in every industry use Ariba Spend Management software and services. Ariba can be contacted in the U.S. at 1-650-390-1000 or at [www.ariba.com](http://www.ariba.com).*