

ECONOMIC VALUE OF TRIDGE SOURCING INFRASTRUCTURE

A Quantitative Study on the
Economic Impact of
Tridge Sourcing Infrastructure (TSI)



TRIDGE

BACKGROUND

Tridge Sourcing Infrastructure

Tridge provides a sourcing infrastructure designed to help buyers efficiently source any kinds of food and agricultural products from the global market. In this study, we will refer to this infrastructure as **“Tridge Sourcing Infrastructure” or “TSI.”**

The foundation of TSI is built upon three pillars: an extensive network of local professionals, a community of verified suppliers, and a comprehensive collection of market intelligence. The synergetic relationship among these three is the cornerstone of its capability to deliver unique value to Tridge’s clients, boosting their overall competitiveness in the global market.

Through TSI, buyers can get matched, be connected, and communicate with verified suppliers from almost any markets without the need to extend their current sourcing teams or invest heavily in building their own global sourcing network. All they need to do is merely sending their sourcing inquiries to Tridge. Those inquiries then will be sophisticatedly channeled through TSI reaching local professionals and suppliers in a way that maximizes the probability of the buyers getting connected with the right suppliers and receiving the best possible offers.

Research Objective

In this study, we will examine the economic impact of using TSI from a buyer’s perspective. The purpose of this study is to help buyers understand its economic significance through quantitative analysis in comparison with traditional sourcing operations.

Although we attempt to conduct this research in the most objective way possible, the data used in this research were derived from primary sources, including buyer interviews, which may differ case by case depending on various factors such as company characteristics, team structures, or even difference in operational activities.

EXECUTIVE SUMMARY

This study focuses on two key areas regarding the economic impacts of Tridge Sourcing Infrastructure (TSI) has on traditional sourcing operations: sourcing productivity gain and substitution of trade shows.

As a result of this quantitative study, **with TSI, buyers can save their sourcing operation costs by \$38,578 per year on average, and the average ROI (Return on Investment) for the annual usage of TSI is 11 times of the amount spent on annual TSI subscription.** This number is more or less the amount of saving per sourcing employee. That means the larger a buyer's sourcing department, the more savings the buyer can achieve through TSI.

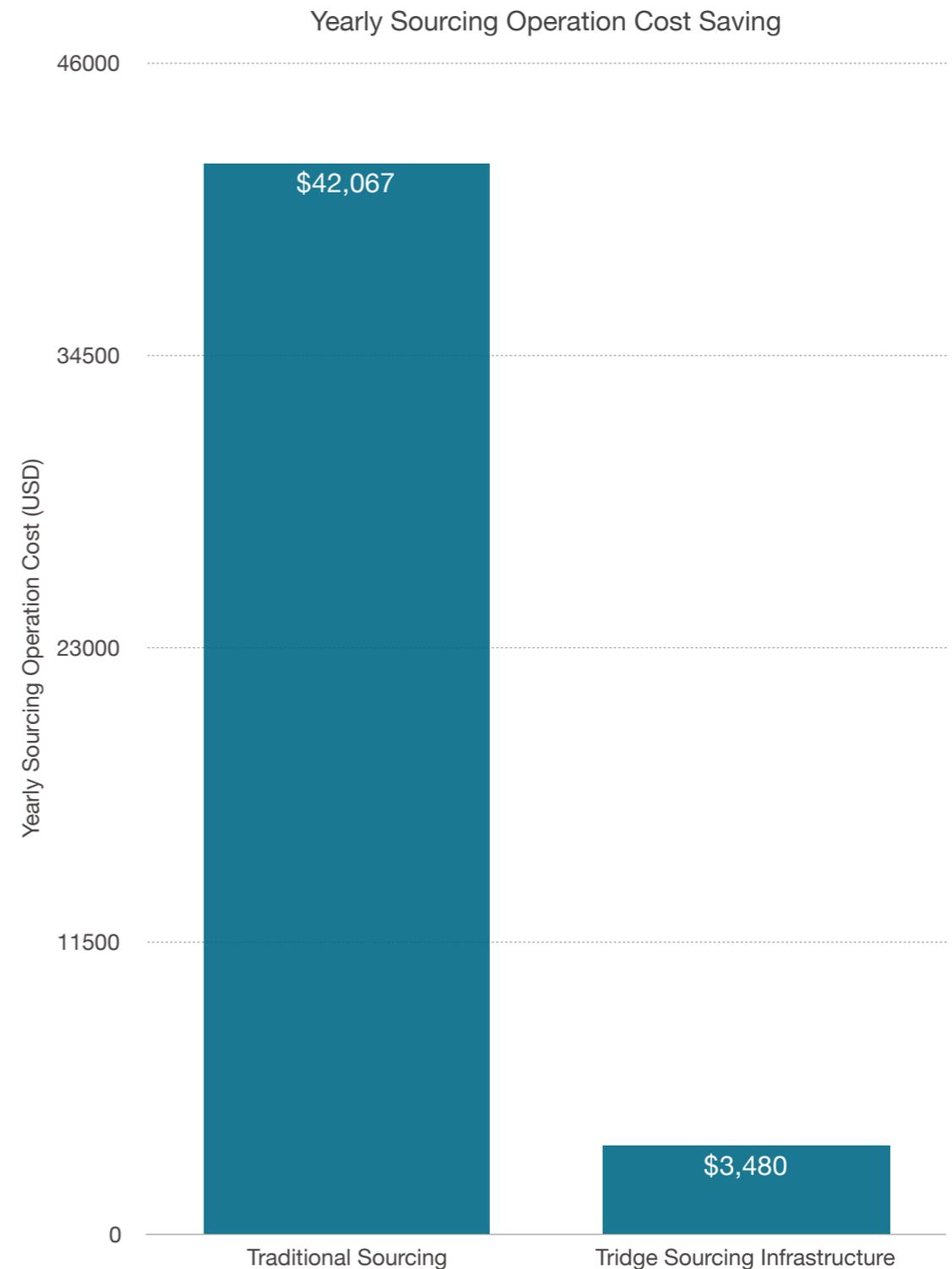
Overall, such outcome is made possible by the fact that buyers no longer need to spend more time and resources on finding qualified suppliers through traditional means as TSI subscription allows them to achieve a similar outcome with a significantly higher level of efficiency.

\$38,578

sourcing operation cost saved per year

11x

return on investment

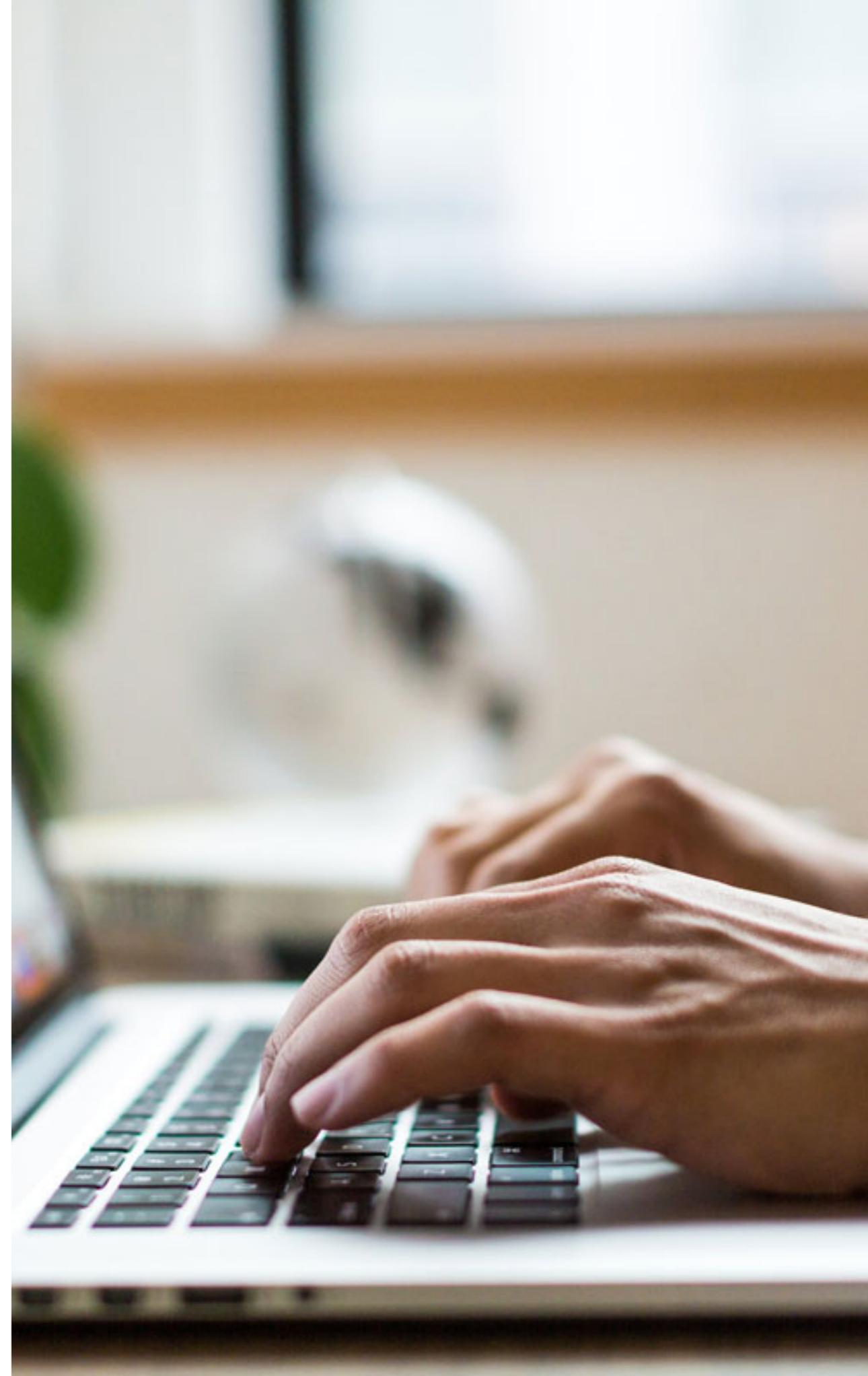


SOURCING PRODUCTIVITY GAIN

Before we evaluate the economic impact of TSI, we will need to understand the areas in which it affects the traditional global sourcing operations. We determine that sourcing productivity gain is one of them.

In this section, we take a look at how productivity is gained through the use of TSI. Our approach here is first to identify the number of **"qualified suppliers"*** obtained through a traditional sourcing method in comparison with that acquired through the TSI method. Both methods are subject to the same one-year time span. We then determine the amount of time spent on obtaining qualified suppliers using both ways. To derive productivity gain, we then calculate the time it takes for each method to acquire one qualified supplier.

* The term **"qualified supplier"** in this report refers to the supplier that makes at least one offer and remains active after one month from the initial point of contact.



More Qualified Suppliers

Traditional Sourcing Method

To find the number of suppliers using the traditional method, we first determine how many interactions with suppliers are needed on average per year ^{1, 2}. Each interaction referred to here can represent an email or a phone call. Then, the conversion rate of these interactions to suppliers with offers ³ is determined. Lastly, the number of the remaining qualified suppliers is calculated using the average percentage in which these suppliers typically remain active after one month from the initial point of contact ⁴.

Traditional Funnel 1

Average number of interactions with suppliers per year ^{1, 2}	416	Interactions per year
Conversion rate of interactions to suppliers with offers ³	35%	
Average percentage of in which suppliers with offers remain active from the initial point of contact ⁴	20%	
Average number of qualified suppliers per year	29.12	suppliers per year

Tridge Sourcing Infrastructure (TSI) Method

To find the number of candidate suppliers that can be obtained using TSI, we take into account the average number of offer subscriptions that our buyers typically use ^{5, 6} in a year together with the average number of suppliers with responses per offer subscription ⁷.

TSI Funnel 1

Average number of offer subscriptions per year ^{5, 6}	15	offer subscriptions per year
Average number of suppliers with responses per offer subscription ⁷	4.6	suppliers per offer subscription
Average number of qualified suppliers per year	69	suppliers per year

Numbers of Qualified Suppliers Per Year from Sourcing

29.12



+ 36.69%

69

Less Time Spent on Sourcing

Traditional Sourcing Method

Now, we take a look at the time needed to be spent on sourcing on average. Here, we take into account the time required for searching for suppliers ⁸, the time used for contacting them ⁹, and the time spent following up with them until offers are received ¹⁰.

Traditional Funnel 2

Average number of hours spent per year searching for suppliers ⁸	208 hours per year
Average number of hours spent per year contacting and validating suppliers ⁹	104 hours per year
Average number of hours spent per year following up with suppliers ¹⁰	52 hours per year
Average number of hours spent per year to obtain qualified suppliers	364 hours per year

Tridge Sourcing Infrastructure (TSI) Method

On the other hand, the time a buyer needs to spend on TSI includes only the time required to check qualified suppliers and new offers from them ¹¹.

TSI Funnel 2

Average number of hours spent checking qualified suppliers and offers on Tridge ¹¹	26 hours per year
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Number of Hours Spent Per Year on Sourcing

364



- 92.8%

26

Productivity Gain in Sourcing

Traditional Sourcing Method

Based on the number of qualified suppliers per year from sourcing and the number of hours spent per year on the same activity, we can derive the number of hours spent on acquiring one qualified supplier using the traditional sourcing method which is **12.5 hours per supplier**. That translates into **750 minutes per supplier**.

Tridge Sourcing Infrastructure (TSI) Method

In the same way, we can derive the amount of time spent on acquiring one qualified supplier using the TSI method, which is **23 minutes per supplier**. In comparison to the traditional sourcing method, this means a **97% increase in efficiency** on acquiring one qualified supplier.

Minutes Spent on Sourcing to Acquire One Qualified Supplier

750



23

- 97%

Productivity Gain on Acquiring One Qualified Supplier

97%

SUBSTITUTION OF TRADE SHOWS

Attending trade shows can help you find and get connected with high-quality and trustworthy suppliers, but it also brings about a substantial amount of hassle and cost. In this section, we examine how TSI can deliver similar values compared to the traditional way of finding suppliers through trade shows.



Comparison of Values of Trade Shows vs. TSI

Trade Show Method

Here we examine the average number of qualified suppliers acquired through trade shows by considering the average number of trade show attendance in a year ¹², the average number of meetings per trade show ^{13, 14}, and the average percentage of the remaining suppliers after one month from trade show meetings. ¹⁵

Traditional Funnel 3

Average number of trade show attendances per year ¹²	3	trade shows per year
Average number of meetings per trade show ^{13, 14}	24	meetings per trade show
Average percentage of remaining suppliers after one month from trade show meetings ¹⁵	30%	
Average percentage of suppliers with complete information	100%	
Average percentage of credible suppliers	100%	
Quantitative Value Score of Trade Shows	21.6	

Tridge Sourcing Infrastructure (TSI) Method

With the TSI method, we also calculate the number of qualified suppliers. Here, we take into account that the completeness of supplier information ¹⁶ and the level of credibility of suppliers ¹⁷ can be inferior to the traditional method of attending trade shows.

TSI Funnel 3

Average number of offer subscriptions per year ^{5, 6}	15	offer subscriptions per year
Average number of suppliers with responses per offer subscription ⁷	4.6	suppliers per offer subscription
Average percentage of suppliers with complete information ¹⁶	60%	
Average percentage of credible suppliers ¹⁷	70%	
Quantitative Value Score of TSI	28.98	

Quantitative Values of Trade Shows vs. TSI

21.6

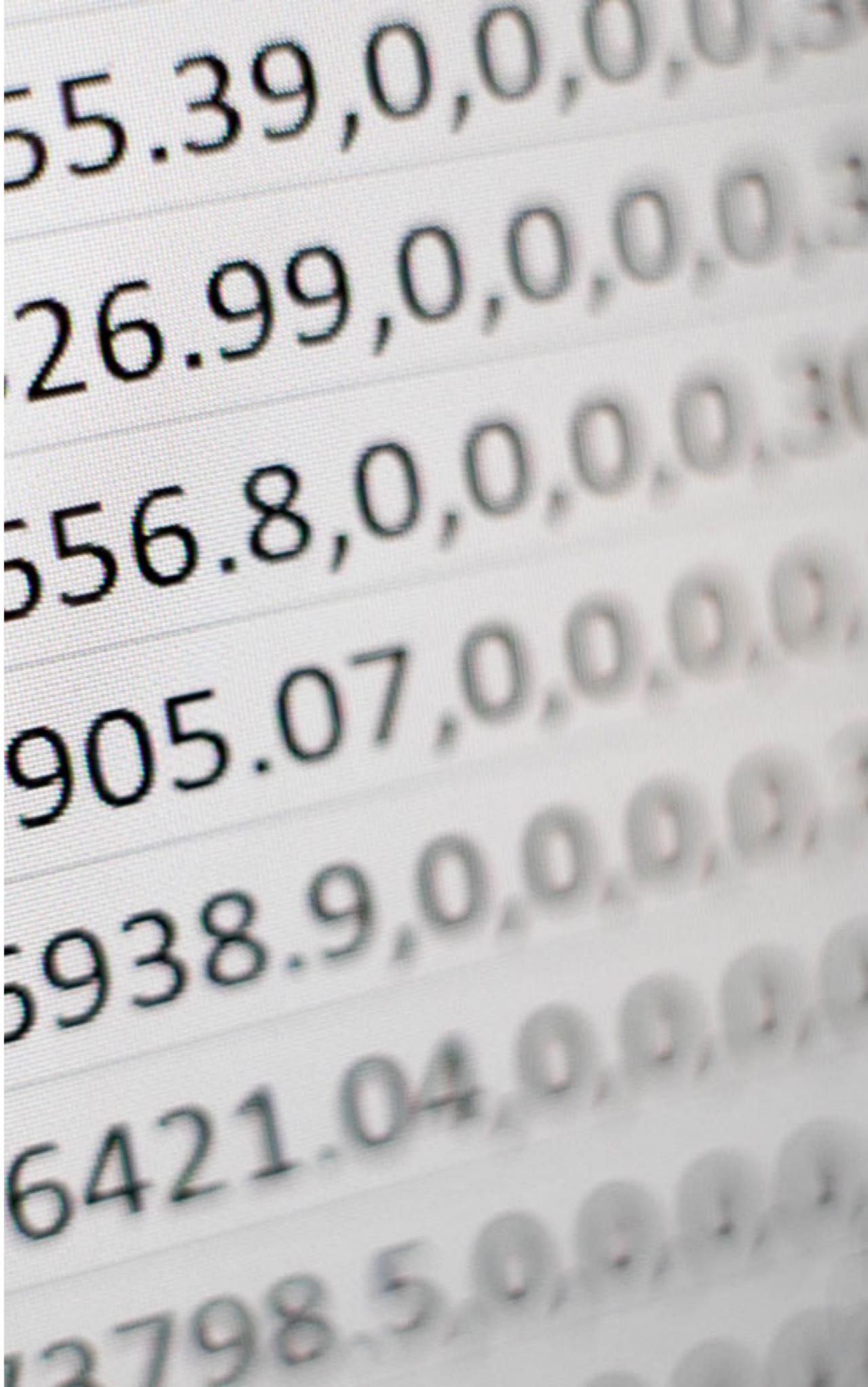


28.98

+ 34.16%

TOTAL ECONOMIC IMPACT OF TSI

Now that we understand the impact of sourcing productivity gain and cost reduction on trade shows through substitution, we can now determine the total economic impact on sourcing operation of a buyer as a whole when these two impacts are taken into account.



Percentage of Time Saved on Sourcing Operation Per Employee

To examine how increased sourcing productivity can have an economic impact on sourcing operations of buyers, we take a look at the man-hour TSI can save to acquire a number of qualified suppliers.

In the earlier section, we determine that the numbers of qualified suppliers per year each method can achieve are as follow:

Traditional Sourcing Method: **29.12** suppliers per year

Tridge Sourcing Infrastructure (TSI) Method: **69** suppliers per year

We also found that the numbers of hours required to obtain these numbers of qualified suppliers per year for each method are as follow:

Traditional Sourcing Method: **364** hours per year

Tridge Sourcing Infrastructure (TSI) Method: **26** hours per year

Now, we want to find the time required for both methods to achieve the same number of qualified suppliers. Assuming that we want to find 46 qualified suppliers per year, it will take **862.5** ($69 / 29.12 \times 364$) hours per year for the traditional sourcing method to achieve this number.

That means the number of hours TSI can save in order to acquire 46 qualified suppliers is **836.5** hours per year when considering that 26 hours per year would be needed to review qualified suppliers and offers received through TSI.

Assuming that the total number of working hours of a sourcing employee is **2,080** hours per year, the total time spent on sourcing operation per employee that can be saved by using TSI will by around **40.2%**.

836.5

Number of Hours Saved Per Sourcing Employee Per Year

40.2%

Percentage of Working Hours Saved Per Sourcing Employee Per Year

Percentage of Cost Reduction on Trade Show

To examine how the substitution of trade show attendance with TSI can have an economic impact on sourcing operations of buyers, we take a look at the value TSI can bring compared to trade shows.

In the earlier section, we determine that the quantitative value each method has are as follow:

Trade Show Method: **21.6**

Tridge Sourcing Infrastructure (TSI) Method: **28.98**

From these numbers, we can derive that the value that TSI is **134.16%** of that of the trade show method.

From this quantitative analysis, it implies that TSI can replace the need for attending trade shows in a year, albeit it may not be able to truly replace qualitative values such as the feeling of trust earned from seeing potential partners face-to-face.

134.16%

Percentage of Value of TSI vs. Trade Shows

Financial Analysis

Calculation on Economic Impact of Tridge Sourcing Infrastructure (TSI)

The following calculation considers two main areas of benefits of the TSI as discussed in earlier sections. By assuming that the TSI can replace the traditional sourcing operations up to the point of finding qualified suppliers and substitute the need for attending trade shows to an extent. We can derive the total economic impact of using the TSI per year as shown on the table in this section.

The adjusted values represent the cost saving from the use of TSI. For sourcing productivity gain, the saved cost is based on the average annual salary of a purchasing manager in the U.S., multiplies by 40.2% time saved by the use of TSI. For the substitution of trade shows, the saved cost represents the amount of saving achieved after taking into account that TSI can replace 134.16% of the value of attending trade shows in a year.

By calculating the total saved cost, and then subtracting it by the cost of a one-year subscription for using TSI, we can derive its total economic value equivalent to \$38,578 per year.

	Average	Adjusted
Sourcing Productivity Gain		
Average Annual Salary	\$ 67,600	
Payroll Tax	\$ 5,200	
Health Insurance	\$ 13,000	
Subtotal	\$ 85,800	\$ 34,320
Substitution of Trade Shows		
Entrance Ticket	\$ 90	
Flight Ticket	\$ 3,405	
Hotel	\$ 1,296	
Extra	\$ 990	
Subtotal	\$ 5,781	\$ 7,747
Cost of Subscription to Tridge		
One-year subscription plan for 5 products	\$ 3,480	\$ 3,480
Total Annual Economic Value		\$ 38,587

Key Findings

In conclusion, compared to traditional sourcing methods, with TSI, buyers can save their sourcing operation costs by **\$38,578** per year on average, and the average ROI (Return on Investment) for the annual usage of TSI is about **11 times** of the amount spent on annual TSI subscription.

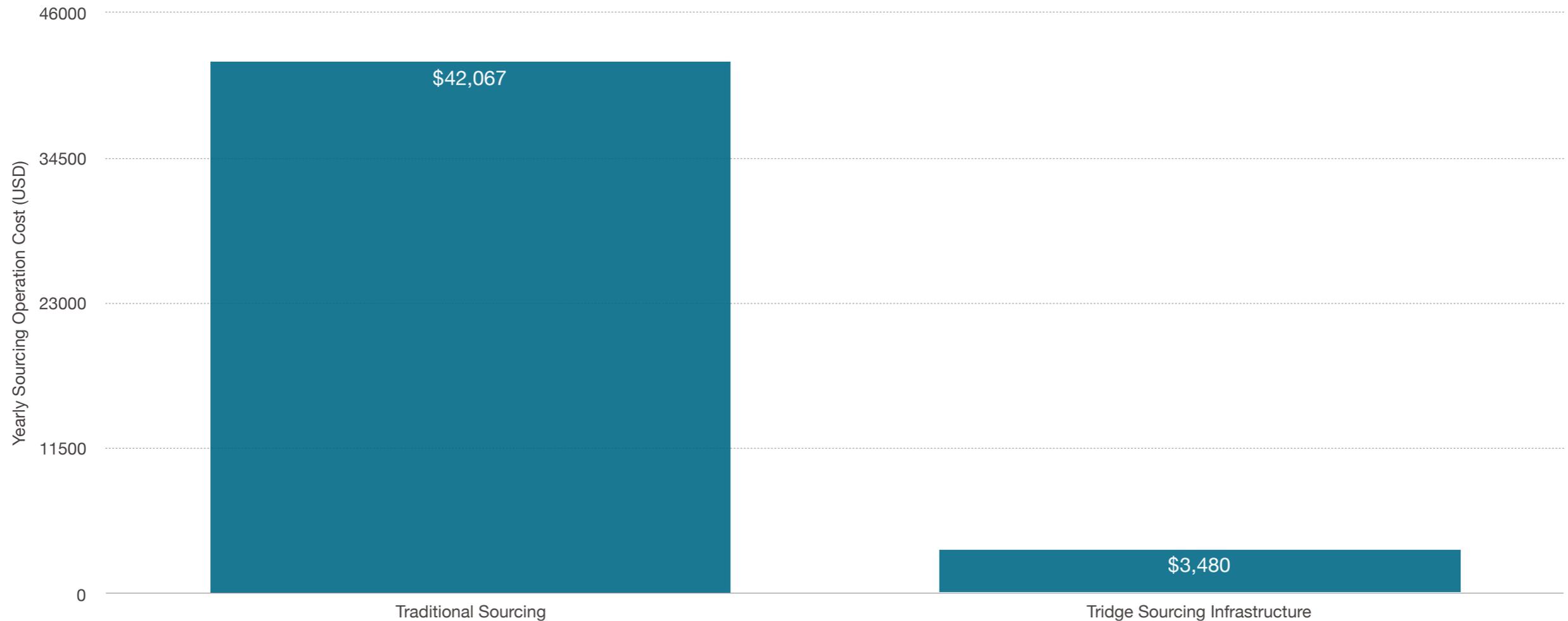
\$38,578

sourcing operation cost saved per year

11x

return on investment

Yearly Sourcing Operation Cost Saving



KEY ASSUMPTIONS

This section lists all the key assumptions and variables used in this study. The numbers on the left-hand side are linked with the superscripts used in this document.



- 1: Number of contact trial per week
- 2: Number of weeks per year
- 3: Conversion rate from communication to offer
- 4: Average ratio of remaining suppliers for continuous offers after one month from first contact
- 5: Number of Product Slots for Tridge plan
- 6: Number of total product sets from product changes during subscription
- 7: Number of Suppliers with offer/feedback for one inquiry in Tridge
- 8: Average hours spent searching for new supplier candidates
- 9: Average hours contacting / validating for new supplier candidates
- 10: Average hours spent managing follow ups with new supplier candidates
- 11: Average hours spent for checking suppliers with offers in Tridge
- 12: Average number of Trade shows attending in one year
- 13: Average number of Meetings per day in trade shows
- 14: Average number of Days attending per trade show
- 15: Average ratio of remaining suppliers after one month from trade show
- 16: Coefficient for Depth of Supplier Information
- 17: Coefficient for Credibility of the Suppliers

REFERENCES



- Annual Salary of purchasing manager in US (<https://www.bls.gov/ooh/business-and-financial/purchasing-managers-buyers-and-purchasing-agents.htm>)
- Payroll tax for Annual Salary of purchasing manager in US (<https://gusto.com/tools/employer-tax-calculator>)
- Average Insurance paid by employer in US (<https://www.peoplekeep.com/blog/what-percent-of-health-insurance-is-paid-by-employers>)
- 1: Number of contact trial per week (Buyer Interview with Korean Wholesaler for food items, 2019)
- 2: Number of weeks per year (Buyer Interview with Korean Wholesaler for food items, 2019)
- 3: Conversion rate from communication to offer (Buyer Interview with Korean Wholesaler for food items, 2019)
- 4: Average ratio of remaining suppliers after one month from contact (Buyer Interview with Korean Wholesaler for food items, 2019)
- 5: Number of Product Slots for Tridge plan (This is a case when buyer uses 5 product plan)
- 6: Number of changes for product slots (This is a case when buyer changes product into another for one time during yearly plan)
- 7: Number of Suppliers with offer/feedback for one inquiry in Tridge (Average number of suppliers with offer or feedback for buyer's inquiry in Tridge during 2019)
- 8: Hours spent searching for new supplier candidates (Buyer Interview with Korean Wholesaler for food items, 2019)
- 9: Hours spent contacting / validating for new supplier candidates (Buyer Interview with Korean Wholesaler for food items, 2019)
- 10: Hours spent managing follow ups with new supplier candidates (Buyer Interview with Korean Wholesaler for food items, 2019)
- 11: Average time for checking suppliers with offers in Tridge (This is a time for user to check offers, company profiles, messages from suppliers in a week)
- 12: Average number of Trade shows attending in one year (EXHIBITOR Magazine, "Trade Show Trends," April 2012)
- 13: Average number of Meetings per day in trade shows (EXHIBITOR Magazine, "Trade Show Trends," April 2012)
- 14: Average number of Days attending per trade show (EXHIBITOR Magazine, "Trade Show Trends," April 2012)
- 15: Average ratio of remaining suppliers after one month from trade show (Buyer Interview with Korean Wholesaler for food items, 2019)
- 16: Coefficient for Depth of Supplier Information (Consider 100% as Company brochure that 60% for what Tridge provides including product information, certificate, facility, company details etc)
- 17: Coefficient for Credibility of the Suppliers (Consider 100% as face-to-face meeting that 70% for what Tridge provides because all suppliers in Tridge are validated by phone calls / emails with local professionals. Differences are from availability of face-to-face meeting)
- Major Trade Shows
 - <https://www.gulfood.com/>
 - <http://www.gep.or.kr/overseas-exhibition/info/2019-hktdc-food-expo--OVSEXBI0000000008253>
 - <https://www.africabig7.com/>

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- <http://www.fggle.com/html/english/>