

eProcurement and dynamic purchasing systems

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Public Procurement in Europe

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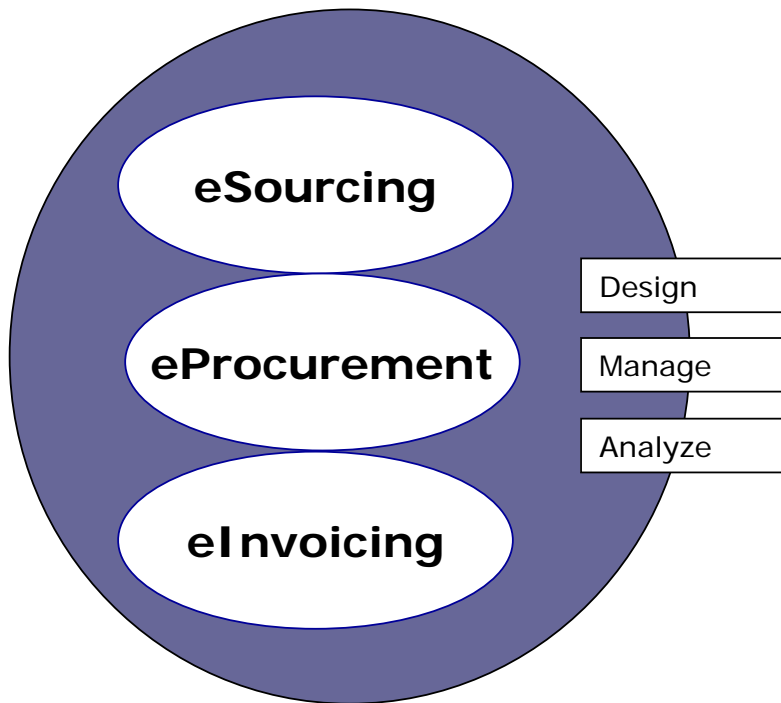
summary

SRM — Definition of Terms; by Gartner

- **Supplier Relationship Management:**
 - The practices needed to establish the business rules, and the understanding needed for interacting with suppliers of products and services of varied criticality to the profitability of the enterprise.
- **Strategic Sourcing:**
 - An ongoing analysis to evaluate the right mix of products and services, determine appropriate suppliers and terms and conditions to balance cost, quality and risk.
- **E-Procurement:**
 - A set of applications and B2B information management processes that support the buying of direct and indirect goods and services.

Supplier relationship management – concept area

SRM connects design, sourcing and procurement processes

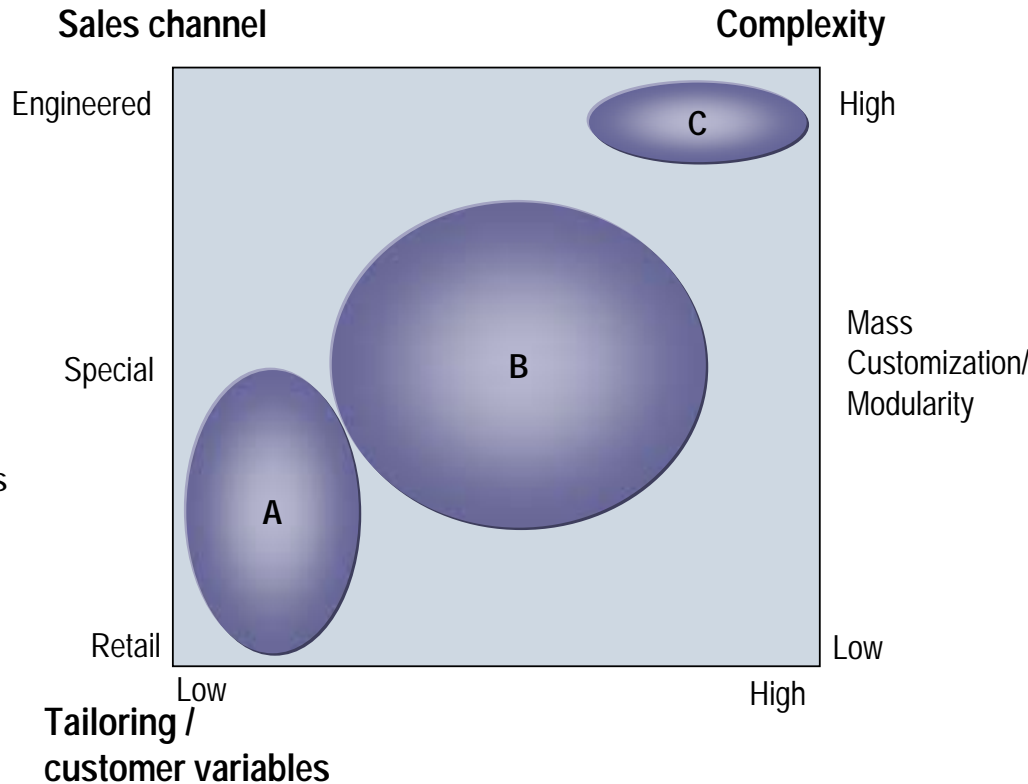


- Purchasing
- Catalog Management
- Performance Metrics
- Online RFQ
- Qualified / approved Manufacturer lists
- Qualified / approved Supplier lists
- Commodity Management
- Planning and Forecasting
- Replenishment
- Online Shipment Tracking
- Supplier Performance Measurement
- Trend Analysis

What do you buy?

What products you can buy through e-channels?

- Products are different by nature
- Group A – toilet paper, office utensils
 - East to procure, products can be described easily and their content is nearly always the same (ie. Not dependent on their brand)
- Group B – mobile phones, PC's
 - Require some knowledge about technology, have different features that must be chosen from
 - Usually procured by corporate standards
- Group C – Production machinery
 - Always tailored to the need, complex systems, must be specified carefully
 - In some cases can be eSourced



eProcurement concept area

Generic eSourcing - process eAuctions (ie. Dynamic purchasing)

1. Expression of interest
2. RFQ – request for quotation
3. Tendering
4. Tender evaluation
5. Acceptance / rejection notification

- eSourcing – eAuctions or dynamic trade
 - System support for full lifecycle of doing dynamic procurement
- The idea is to build transparent, efficient and open online bidding system which records automatically all actions
- The system should support best practices of procuring
- The procurement process must be very carefully thought
- Requires thorough preparation from buyer and supplier
- The products / services must be defined very carefully
- The products / services must such that they attract enough competition
- The buyer must be prepared to change supplier
- Speeds up the procurement process remarkably and diminishes the procurement labor needed
- For class A and B products (utilities and simple products that can be defined carefully)

eProcurement concept area

eProcurement - process

1. Search and select (from catalogue)
2. Authorize
3. Order
4. Recieve
5. Pay

- eProcurement

- System support for doing "static" procurement from a product catalogue
- The idea id to build an online shopping system for standard items with automated workflow features for getting approvals for procurement transactions
- System supports searches from product catalogues (large number of standard stock items)
- Requires carefully considered and quick processes for approving and disapproving suppliers or manufacturers and constant maintenance of product catalogues
- Speeds up the procurement process remarkably and diminishes the labor needed
- Increases the quality of purchasing due to better management of information and automatic transaction recording and traceability
- For class A and B products (utilities, simple products, standardized products that can be defined carefully)

eProcurement concept area

- eInvoicing
 - System support for invoicing in electronic form
 - The idea is to build a functioning connection between buyer's and supplier's financial systems to transmit invoices in standardized electronic format (eg. XML)
 - Speeds up the invoicing process and diminishes the labor needed
 - With Self Billing the idea is to send the payment directly to the supplier when eProcured items are received and checked (applicable in very close and active business relationship)

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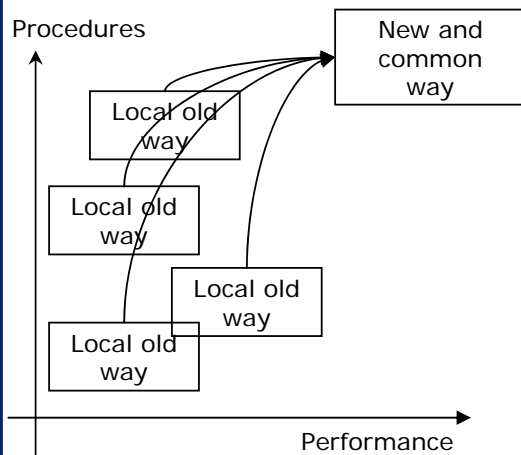
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Moving from paper to electronic trade



- **Sourcing issues**

- Local contracts → global / corporate contracts
- Local volumes → global / corporate volumes

- **Process issues**

- Manual processes → electronic processes
- Local / individual ways to operate → corporate processes

- **Systems issues**

- Number of local systems → one corporate system

- **Management and organizational issues**

- Carefully considered roles and approval rights in procurement process all over the corporation
- Online analyses information
- New skills, roles and organizational responsibilities

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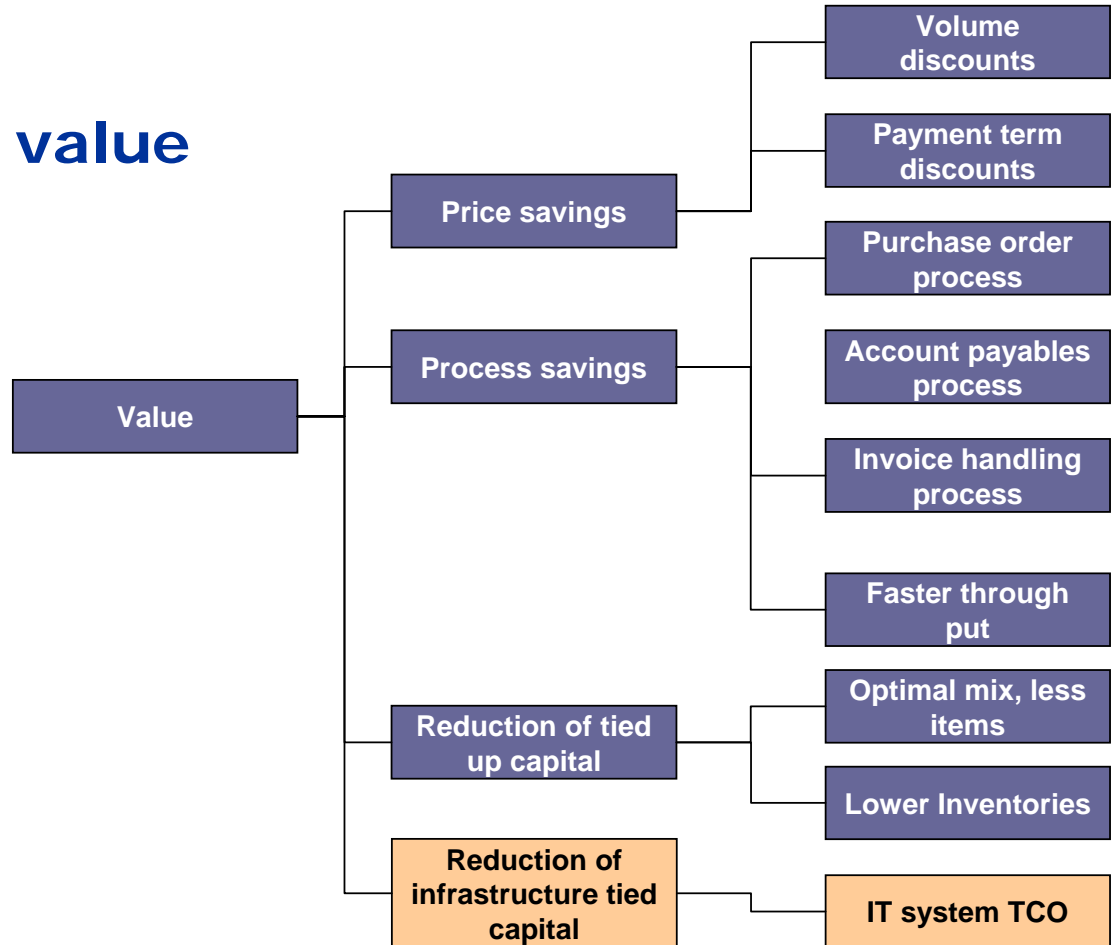
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Savings potential

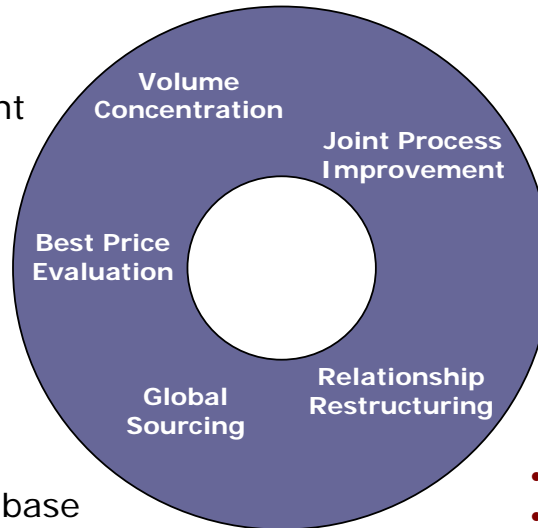
Generic business value of eProcurement



Best practices in eProcurement

Exploit Buying Power

- Consolidate number of suppliers (still there must be enough suppliers)
- Pool volume across business units
- Redistribute volume among suppliers
- Combine volume from different categories
- Compare "total" costs
- Renegotiate prices
- Unbundle pricing
- Expand geographic supply base
- Develop new suppliers
- Profit from global supply/demand imbalances



Find Ways to Create Advantage

- Reengineer joint processes
- Share productivity gains
- Integrate logistics
- Support supplier operations improvement
- Establish/develop key suppliers
- Employ strategic alliances/partnering
- Examine strategic make versus buy
- Develop integrated supply chain

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Building your eProcurement system

- Key success factors:
 - a) Understanding your current position and your needs for eProcurement
 - b) Forming a clear picture of the surrounding circumstances
 - a) Suppliers (are they ready for e-world)
 - b) The business logic of the products / services you need (is it suitable for eProcurement)
 - c) Volumes
 - c) Building a concept for the new procurement way
 - d) Redesign of purchasing processes for global e-environment
 - e) Managing the change to eProcurement in your organization
 - f) Building new kind of relationship to suppliers
 - g) Selecting right tools for to do eProcurement

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- There is wide variety of eProcurement tools available today and tomorrow there will be even more
- The technology is there
- To get the maximum benefit of eProcurement for your organization you must:
 - a) Form clear understanding of your own needs
 - b) Form a clear understanding of the circumstances, are the products that you buy suitable for eProcurement, what are your volumes, who are your suppliers?
 - c) Create eProcurement concept for your business
 - d) Form a vision how to transform the old ways into new ones
 - e) Redesign your processes for new era
 - f) Succeed in managing the change