



eProcurement and Dynamic Purchasing Systems

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Some Points for Discussion

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► Assertions

Transactional
eProcurement

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→ Assertions:

1. Transactional E-Procurement has generally been a failure and has not achieved significant improvements in cost or choice over existing EDI systems.
2. Reverse auctions have been one of the few clear success areas but will be adversely impacted by the new directives.
3. Good procurement requires good pre-qualification of suppliers and contractors and new means of achieving these aims are appearing through systems
4. By not taking the chance to extend qualification processes into the public sector the EU has promoted poor procurement and helped suppliers who are low quality and may be dangerous.
5. Dynamic purchasing systems don't exist in real life and the legislation on this question is pointless.





Transactional E-Procurement

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→ Findings from a study by Oxford University

1. Transactional e-procurement model exaggerated importance of price based buying
2. Model failed to take account of the importance of the choice of partner compared with the choice of product.
3. Model misunderstood the real costs of doing business and exaggerated the gains to large corporations from e-procurement
4. One large supermarket chain has dropped its e-procurement system and gone back to 12 year old EDI system
5. Cost of finding items was already low and therefore little to gain
6. Infrastructure, technology and business culture not capable of supporting mass introduction of e-procurement





Growth of e-Marketplaces and Nasdaq Composite

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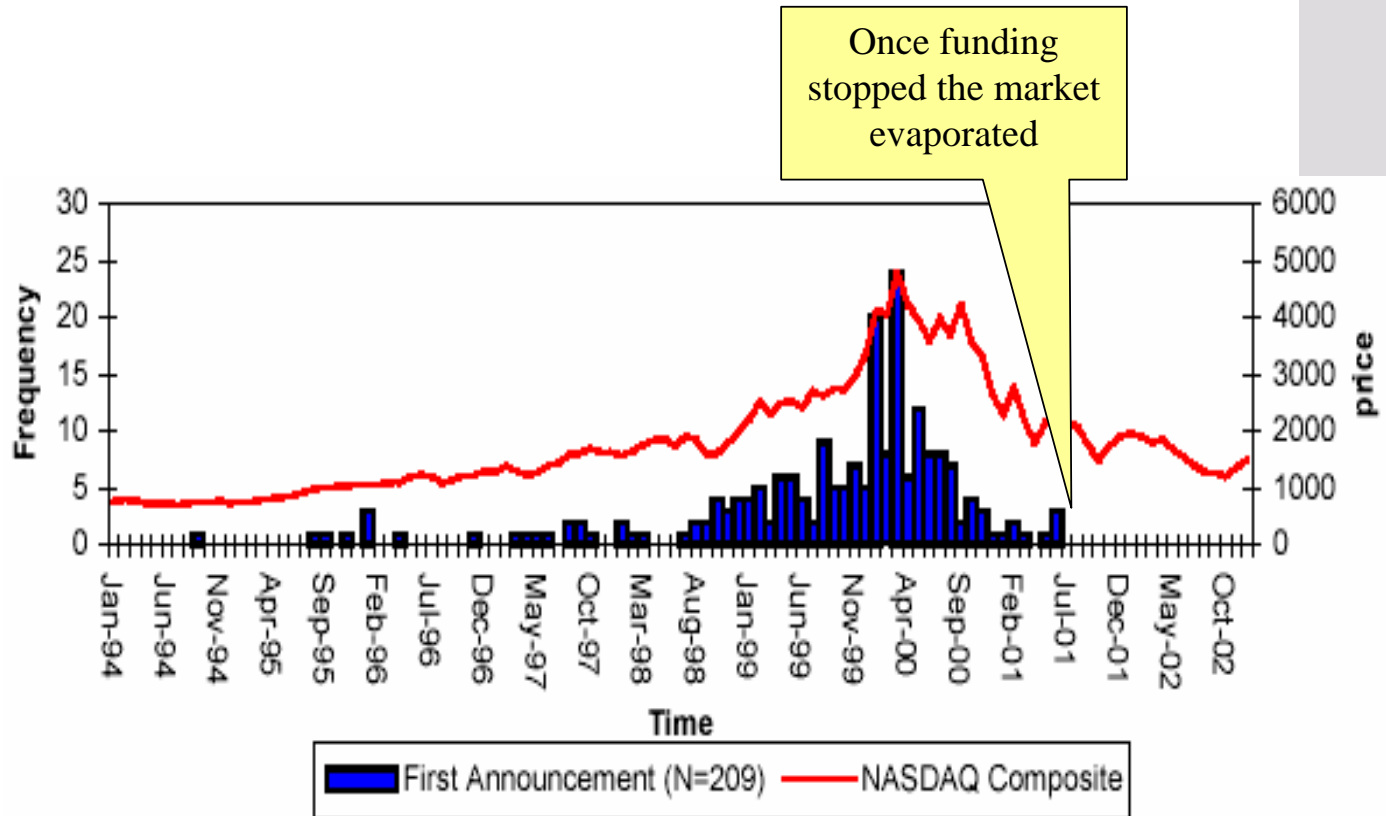
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Dead and Alive e-Marketplaces

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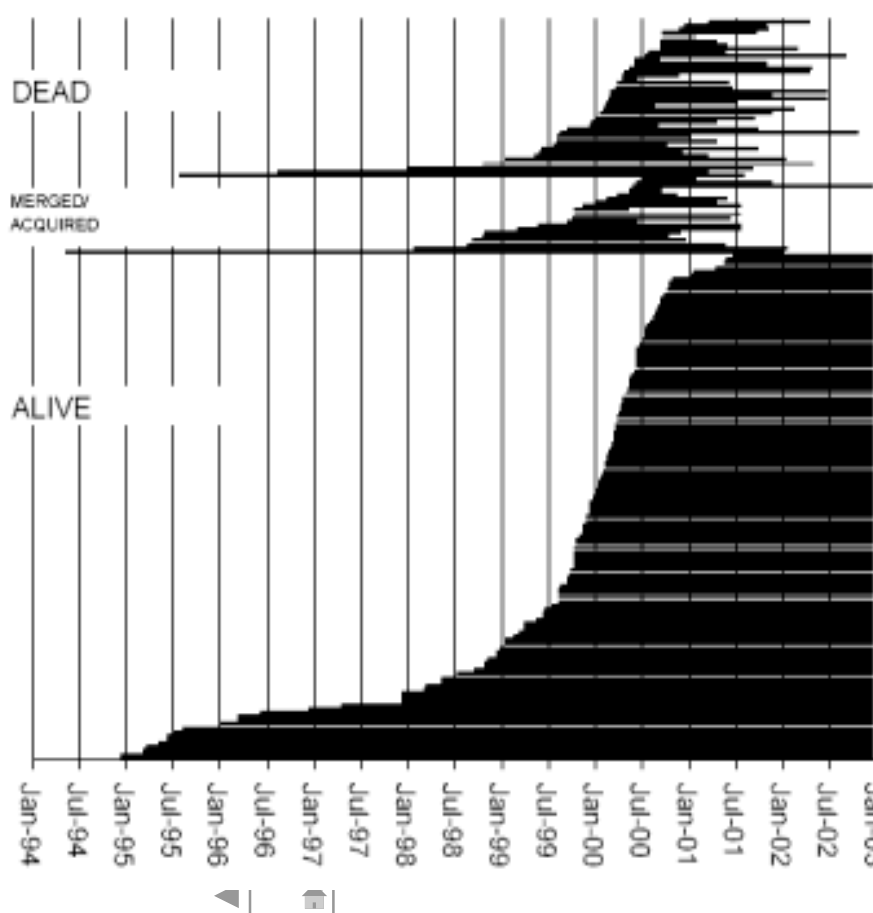
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less than 10% with *any* quantified data on transaction or financial throughput

3600 eMarketplaces announced - 1100 actually started

Believed that less than 40 e-Marketplaces are now operating worldwide



Reverse Auctions

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- A relatively new tool highly suitable for certain procurements. Major successes include:
 - Engineering services
 - Design
 - Computer peripherals, stationery etc
- Huge lobby of providers of so-called “complex services” determined to resist and oppose auctions
- There was no reason for imposing the restrictions from the public sector rules onto utilities.
- Reverse auctions are transparent and aid professional procurement if used properly and judiciously.





Pre-Qualification

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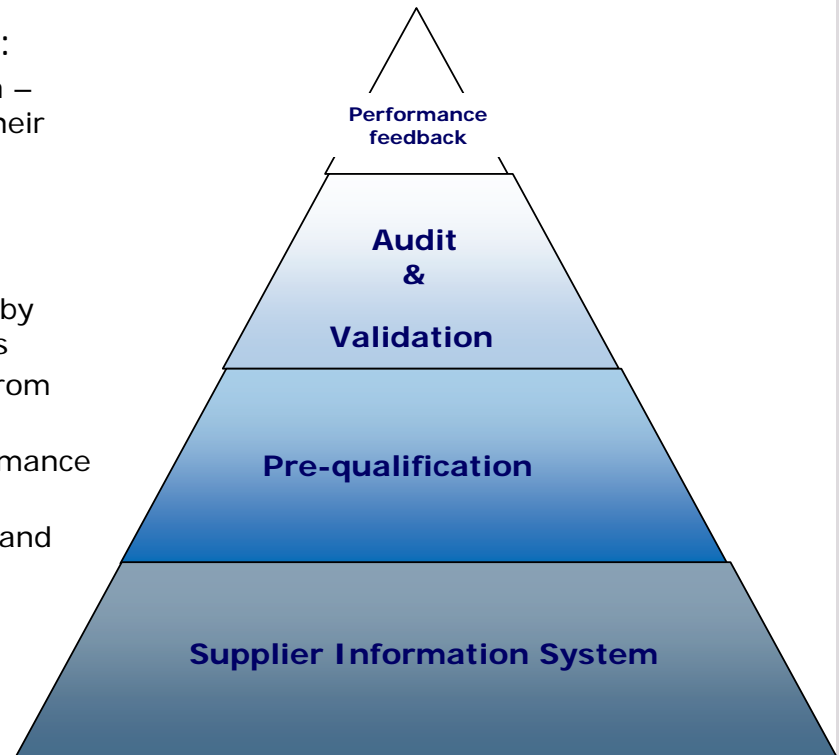
Reverse Auctions

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- Reasons for growth:
 - Increased globalisation – companies don't know their suppliers
 - Increased risk – more litigation and change of attitudes to HSE risks
 - More work carried out by management contractors
 - Greater expectations from suppliers
 - More interest in performance management
 - Expense of site audits and post tendering costs





Supplier Benchmarking and Performance Feedback

Example of Web-Based Systems – UK Oil & Gas Industry

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Performance Feedback Profile (Total Company & All Products) - Microsoft Internet Explorer

[Click Here to Print Graph](#)

Performance Feedback Profile (Total Company & All Products)

Supplier Ref. [Redacted]
 Supplier Name [Redacted]
 Source Feedback from purchasers only
 Time Period Up To 3 Year(s)

Supplier Capability Profile(Previous CPQ)
 Supplier Capability Profile(Latest CPQ)
 Performance Feedback range
 Average Performance Feedback

NA No. of Non-agreed Feedback scores A No. of agreed feedback scores **Single Sided Submissions: 0**



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- E-Procurement's initial impact will be seen in improved procurement information management
- The impact will be limited in transactions where adequate systems often already exist
- eMarketplaces are largely doomed until a model emerges which provides facilities for mid-sized businesses
- Information sharing will allow much better supplier sourcing and improvement activity
- By regulating *activities* rather than setting down *principles* the legislation will be continuously needing update - reverse auctions demonstrates this.

