

E-procurement

Delivering the goods?

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E-procurement - Delivering the goods?

This presentation was given at the 'E-delivery Conference,' in London, February 2001.

It was aimed at showing some real benefits that had accrued from an actual e-procurement implementation, along with some important questions to ask along the way.

These notes have been added for the benefit of users of the version found on the Northlight IT Web site.

As ever with this type of presentation it's much better with the real presenter. (;-))

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Achieving real benefits

- How a major aerospace company tamed its indirect spend
- Doing it electronically
- Results
- Choose carefully.

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The real benefits that can come, and why it pays to look beyond the software.

A real life example, that Northlight IT was closely involved with.

Contrast some of the issues in this presentation with some of the 'claimed' benefits from e-procurement vendors...

The Rolls Royce approach

- Over 30,000 suppliers
 - Local suppliers
 - Personal 'favourites'
- No centralised buying
- £350 million annual indirect spend
- Average 56 day order cycle.

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This was the situation several years ago. Many large businesses are *still* at this stage today.

Is yours?

High level issues

- No board level representation
- Low profile
- Non-core business
- Non strategic.

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If this is your business, then just buying an e-procurement system is not going to help much.

RR results

- 3500 suppliers
 - National contracts
 - Rationalise products
 - 80% of business with 250 suppliers.

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After the application of good procurement practice.

RR results

- Application of best practice
 - Benchmarking
- Procurement Organisation
 - Centralised purchasing
 - Aggregated spend
 - Purchasing data.

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More benefits, and still not an e-Business vendor in sight.

RR results

- £160 million annual indirect spend
- Average 4 day order cycle
 - 80% of orders in 2 days
- Moves towards global procurement.

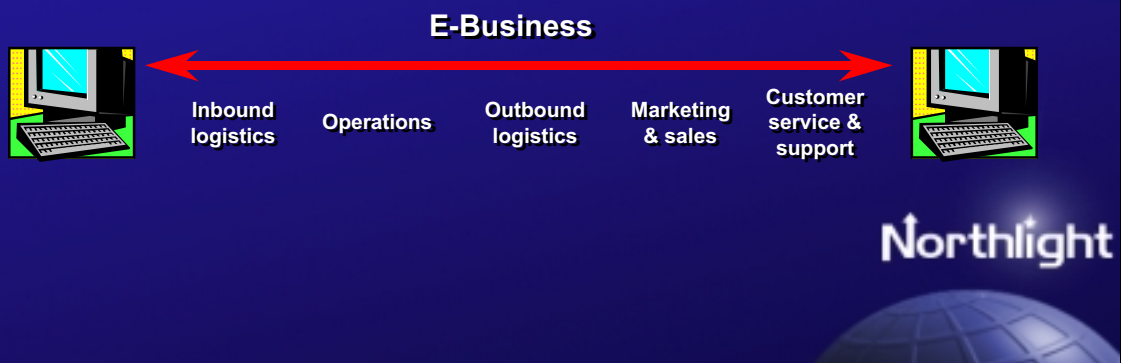
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Quite some change...

This includes a first generation (non web based) e-procurement solution.

E-enablement

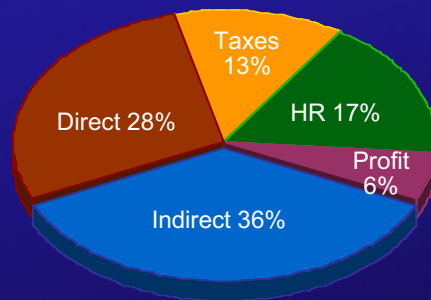
- Look at the whole value chain
 - Remove costs that do not add value
 - Integrate the whole chain



E-business covers the whole value chain. An integrated approach is vital.

What are the benefits of E-procurement?

- What are the costs of Indirect procurement?
 - Do you know?

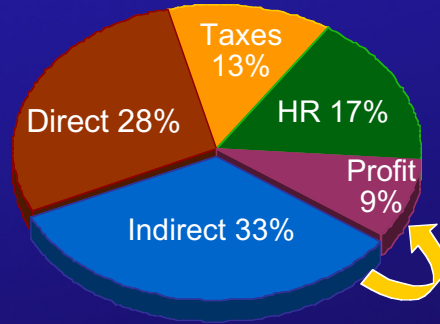


Source: CAPS (Center for Advanced Purchasing Studies)

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Well, -do- you know how much your organisation spends??

The bottom line



-Typical Manufacturer-

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Source: CAPS (Center for Advanced Purchasing Studies)

Benefits move straight to the bottom line.

What else do you get?

- Lower costs per transaction
 - Automation of low-value processes
- Purchasing benefits
 - Better management of spend
 - MIS available
 - Less 'off contract' buying
 - Purchasing leverage (lower prices)
 - Speed of transactions
- Reduction of inventory.

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E-procurement benefits are added to those of good procurement practice.

What else do you get?

- Empowerment of Staff
 - Devolve demand signal to user
 - Reduced authorisation time
 - Better use of purchasing staff.

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Some of the less tangible benefits.

What are the challenges of E-business?

- E-business is NOT about technology
- It is the alignment of business and technology
- Supplier adoption
 - Catalogue management.

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The vital messages:

E-business does not re-write any of the fundamentals of business.
Just throwing technology at the problem rarely helps.

And some issues specifically to ask the e-procurement vendors:

Where are the (real) suppliers?

How are you going to get my suppliers onboard?

How long did it really take with your last customer?

Are you sure about that?

Who is looking after the catalogues?

How does your system handle price-breaks?

And for good measure don't forget to ask any vendor to justify their business model. I've seen many a potential vendor struggle to justify their longer term revenue forecasts, when faced by a skilled group of purchasing professionals. "Just tell me again why anyone in their right mind would want to pay you a \$1.50 transaction fee to order a box of paperclips..."

So, I need e-procurement?

- Do you really understand your costs?
- Is your business ready for change?
- Are you ready to realise the benefits?.

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Once again, if you have not got the business in a state to benefit...

Where to go?

- Appreciate the technology
- Understand your business
- Talk to people who understand procurement.
 - *Talk to Northlight !*

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<http://www.Northlight-IT.com>

All e-procurement vendors are not equal, don't be fooled by the brand. Find a partner that will work with your business and understands procurement.

Northlight IT can help with this process, by helping your business appreciate some of the bigger issues, and plan to deal with them.

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