

# E-procurement

## *Cutting through the Hype?*

Keith Cooper  
K.A.Cooper@Northlight-IT.com  
<http://www.northlight-it.com>

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### E-procurement - Cutting through the hype?

This presentation was part of the Keynote Address at the 'www. OnlinePurchasing 2000' Conference, in London.

It was aimed at giving some pointers to cutting through the high levels of hype surrounding E-procurement at the time and show how success in E-business needed good old fashioned 'business sense' just like anything else.

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. (;-))

*Please feel free to contact Northlight IT Ltd for any more information:*

Northlight IT Ltd

Norwood House, 86 Harrow Road

Leicester, UK

LE3 0JW

Tel +44 116 291 9092

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

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## How big will it be?

- 1999-2003 Compound Annual growth rate of 94% (IDC)
- By 2004 B2B will be worth \$2.7 trillion (Forrester)
- By 2004 B2B will be worth \$7.29 trillion (Gartner).

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The usual suspects are wheeled in to make up some plausible sounding numbers

## How has the view of E-commerce changed?

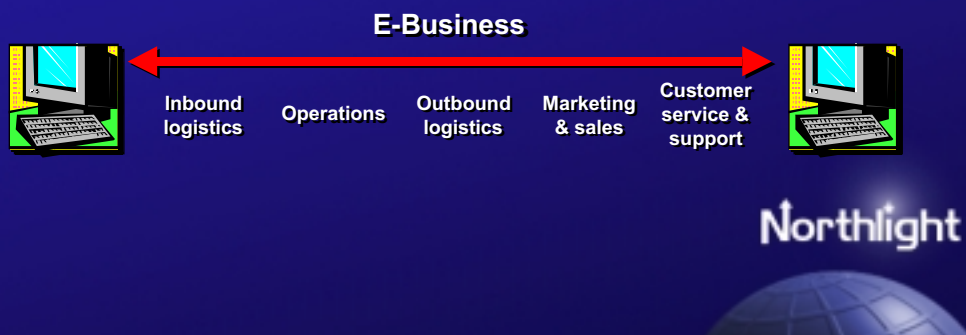
- The first websites
  - Noticeboards (Brochureware)
- The first shops
  - Simple kiosks
- Problems arise....
  - Fulfillment and delivery
  - Integration
  - Customer relationships.

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A quick overview of where all of this e-biz stuff has come from

# E-enablement

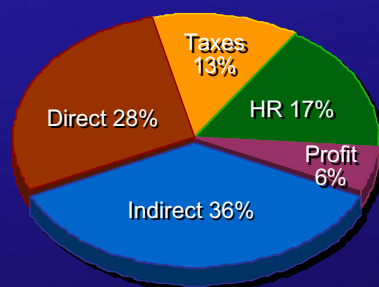
- Look at the whole value chain
  - Remove costs that do not add value
  - Integrate the whole chain



E-business can be applied right the way across the value chain. It's more than just a web front end.

## What are the benefits of E-procurement?

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

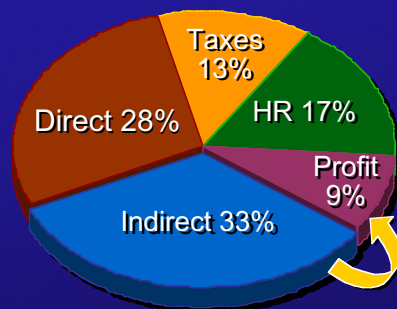


Source: CAPS (Center for Advanced Purchasing Studies)

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Moving to procurement (the theme behind the conference)

## The bottom line



-Typical Manufacturer-

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Source: CAPS (Center for Advanced Purchasing Studies)

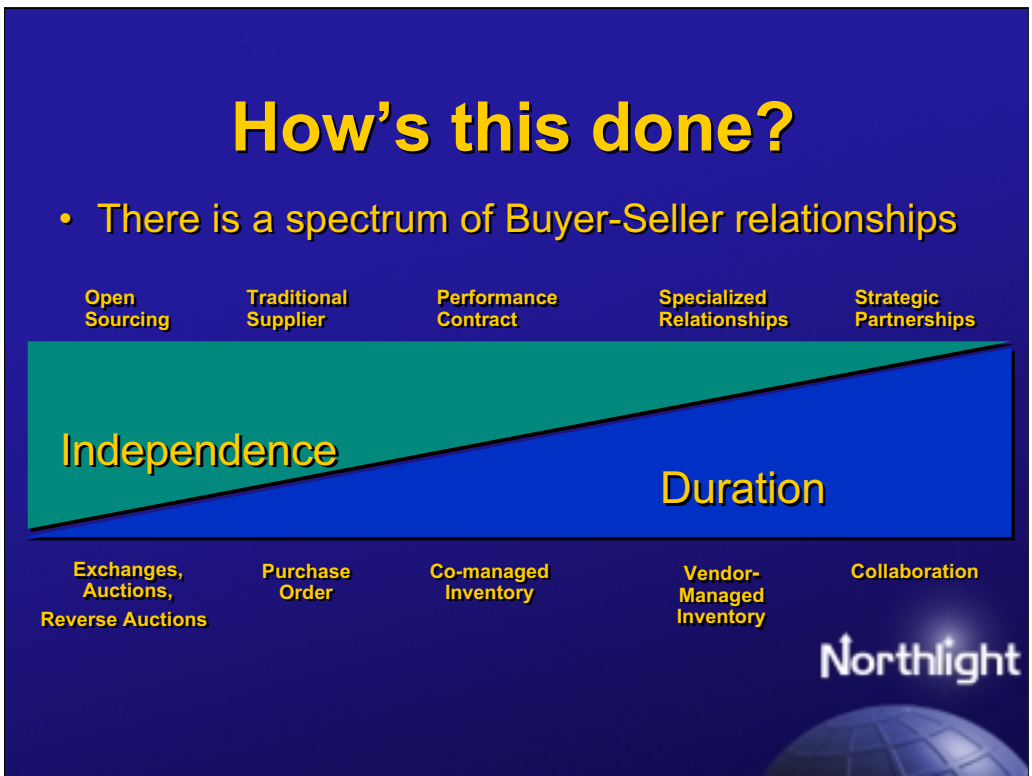
How savings in indirect costs make a very visible contribution to the bottom line (36% to 33% in this example)

## What else do you get?

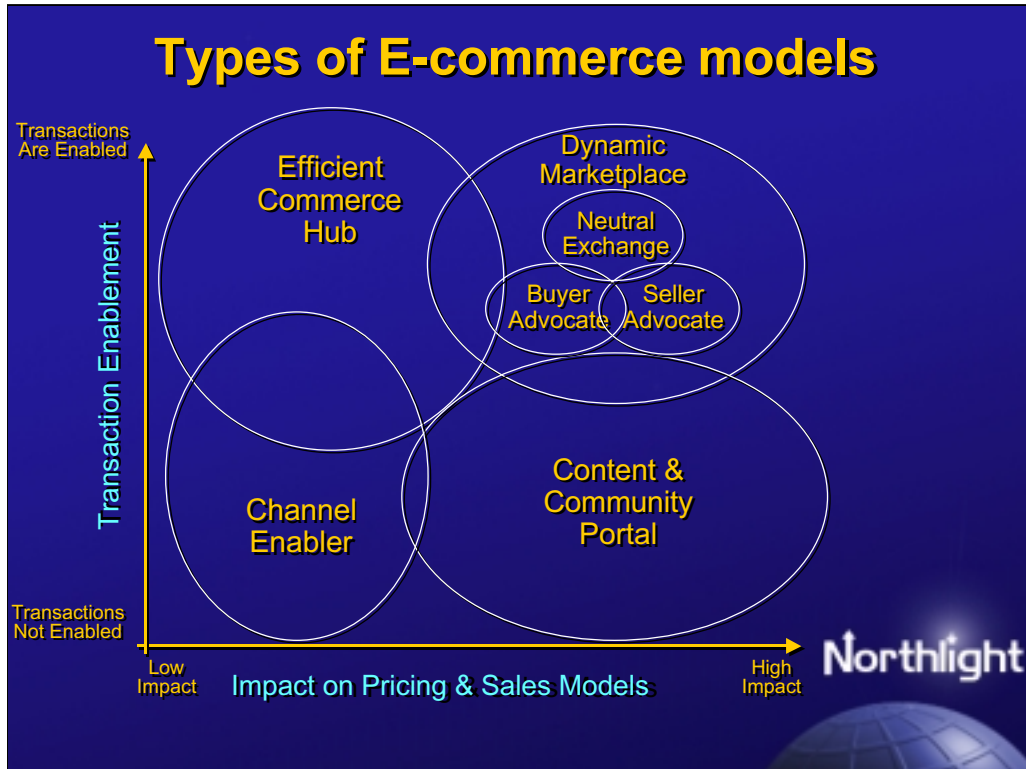
- Lower costs per transaction
- Purchasing benefits
  - Better management of spend
  - Less 'off contract' buying
  - Purchasing leverage (lower prices)
  - Speed of transactions
  - Better use of purchasing staff
- Empowerment of Staff.

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Some of the real benefits you get with e-procurement



Realising the complexity of trading relationships, suggests that a 'one size fits all' software vendor driven approach may lead to problems...



There is a similar range of e-business models to apply

## What are the challenges of E-business?

- E-business is NOT about technology
- It is the alignment of business and technology.

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There is ample history of technology fixes that have not really delivered.

Trite but true :-))

“The E in E-business is a rather small part of the solution”

## Technical Issues

- Integration
  - Back Office systems
  - The scourge of paper
- Lack of real standards
  - XML
    - Lack of meta-data
  - Biztalk
    - Aims to remove the need for glue.

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This stuff will probably have to work with existing systems..

So called standards:

Moving the right way, but always expect compatibility to be “almost working”

(Incidentally, this was presented before Microsoft had its .NET vision)

# Business Issues

- Realistic expectations of systems
  - People expect web based systems to be speedy
- Over-estimation of overall complexity
  - Underestimation of detail
    - There are no 'out of the box' solutions.

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Some business related issues

## Business Issues

- Disruption of equilibrium
  - No-one likes change
    - Make good use of it
  - Departmental interactions change
- There is a strong need for near and long term gains
  - Find ways of measuring your ROI.

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## Planning for E-business

- This is a top level activity
- The whole business may change
  - No, it **will** change!
- This needs someone with vision to push it through.

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A comprehensive uptake of e-business needs drive from the top.

## Planning for E-business

- Business value is the core reason for change
- How well do you actually understand your own business?
  - How well do you know your suppliers
  - How well do you know where you fit in the value chain?.

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If you don't fully understand your business now...

## Planning for E-business

- Not everyone will like it
  - Turkeys can vote for Christmas
- Departmental walls lowered
- Be wary of 'turf wars'
- Look for impact on existing relationships
  - Supplier relations
  - Distributors.

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Some of the problems that can emerge..

(The turkeys in this instance were procurement departments (strongly represented in the audience:-)) who might possibly see e-procurement as a direct assault on their livelihoods)

# Planning for E-business

- The double edged sword
  - Pricing transparency
  - Disintermediation
  - Be careful what you wish for.

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If you can see your suppliers costs and use it to beat them down, what are your customers going to do?

Disintermediation- removing intermediaries (distributors etc)

# Planning for E-business

## **Sellers Want:**

- Bigger markets/new channels
- Competitive intelligence data
- Behavioral and demographic data
- Preferred placement
- Back-office efficiency



## **Buyers Want:**

- Seller choice
- Best prices
- Seller assurance
- Product assurance
- Convenience
- Ease of use
- Back office efficiency
- Added value services

***But the balance of power shifts to the buyer ...***

- *More-perfect information*
- *Price & quality information*
- *Aggressive info-mediaries*
- *Automated comparisons*

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How the balance of power could shift...

## Planning for E-business

- Look for partnerships
  - Bring on your suppliers
  - Carrots and sticks
- Experiment
- It's a 'land grab' situation at the moment
  - Very tempting offers from Software vendors
    - Very like PC software market in the 1980's
    - There is going to be a fallout
    - Cover your options - open standards.

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Some pointers for moving into e-procurement (and general B2B too)

(Interestingly, nearly a year after this presentation was written the market has slowed and this is still just as relevant)

## So, what's new?

- It's 5,000 years ago
- A small town in Mesopotamia
- Set up a market
- Sell goods
- Charge for access
- Taxes.

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Is there anything -fundamentally- new in e-business

(This slide actually drew the most comment in the bar later, when a healthy discussion ensued as to just what was new, and whether any aspects of 5000 year old commercial practice had yet to become e-enabled. )

## So, what's new?

- Look to historical precedents
  - The telegraph in the 1840's
  - The telephone in the 1880's
- How long did it take to reach 1M people?
  - Telephone 38 years
  - Fax 22 years
  - VCR 9 years
  - The web 5 years.

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Looking to historical precedents.

## So, what's new?

- It's the speed of interaction
- It's the reduced cost of interaction
- The rules have not been re-written
- It is still about buying and selling
  - Even if this becomes services as opposed to goods.

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The real differences?

## Where to go?

- Appreciate the technology
- Learn from others
  - It's why we're here today
- Doing nothing is not an option.

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The lead in to the rest of the conference ...

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

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