

**AUTOMATION. YES, OR NO?**

**HOW TO USE E-PROCUREMENT**

**TO FUTURE-PROOF**

**YOUR SOURCING.**







Only **21 %** of businesses make full use of digitalisation when it comes to sourcing.

**Are you one of them?**

1 = hardly  
digitized

5 = completely  
digitized

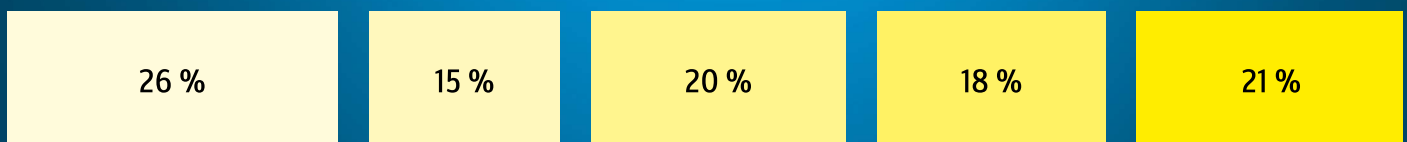


Fig. 1<sup>1</sup>

<sup>1</sup> Online survey of 571 Conrad business customers (2021)

# PURCHASING DRIVES PROFITABILITY

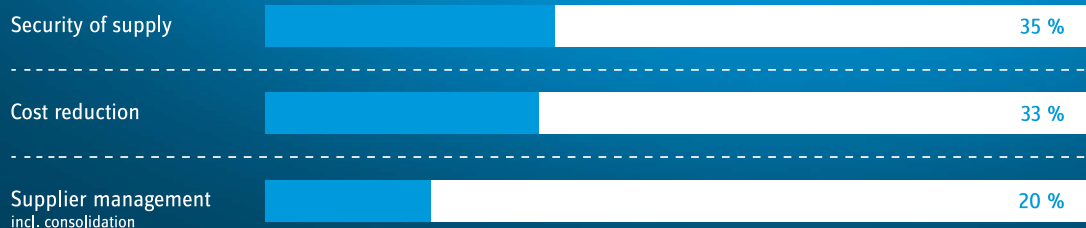
A phrase well known in merchant circles that goes way back and still applies today. Even more so since, these days, changing market conditions result in ever-increasing cost pressure, which is why sourcing efficiency is key.

For businesses across the board, this means starting to make use of digital tools if they want to future-proof their purchasing operations. On the following eight pages, we explain the benefits of e-procurement, and show you which type of setup might be the right solution for your company.

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# THE CORE ISSUES – FROM A PRACTICAL PERSPECTIVE

Digitising business operations is one of the most pressing issues of our time. In particular, when it comes to smooth sourcing. Asking purchasing managers about what is on top of their to-do lists, they all put security of supply, cost reduction and supplier management first (Fig. 1<sup>2</sup>).

Fig. 1<sup>2</sup>

Limited purchase authorisation immediately results in an increased workload. On average, purchasing managers across the industries receive three or more purchase requests every day. Looking at small businesses, a third of the purchasing managers receive five or more requests each day that require their involvement to place and process the orders.

According to the survey<sup>3</sup>, **55 %** of the respondents order C-parts required for operating their business from four or more suppliers. This also includes small companies with manageable needs. Which results in Purchasing and Accounting departments pushing for supplier consolidation, as one third of all businesses currently spend a couple of hours each week to create new supplier and product master data.

Fig. 1<sup>3</sup>

## UNTAPPED POTENTIAL – OF C-PART SOURCING IN PARTICULAR

You probably already know that the process costs involved in sourcing C-parts frequently exceed the product price. Means reducing manual effort and streamlining the sourcing processes have a much larger impact than the item purchase price.

Using an **electronic procurement system** featuring digital approval processes allows people from across different departments to place orders. This **frees up time** for the company's purchasing team, to be spent on strategically important tasks such as contract negotiations, supplier management and sourcing A- and B-parts.

<sup>2</sup> Online survey of 60 Conrad business customers (2021)

<sup>3</sup> Online survey of 103 Conrad business customers (2021)



## AT A GLANCE: THE BENEFITS OF E-PROCUREMENT

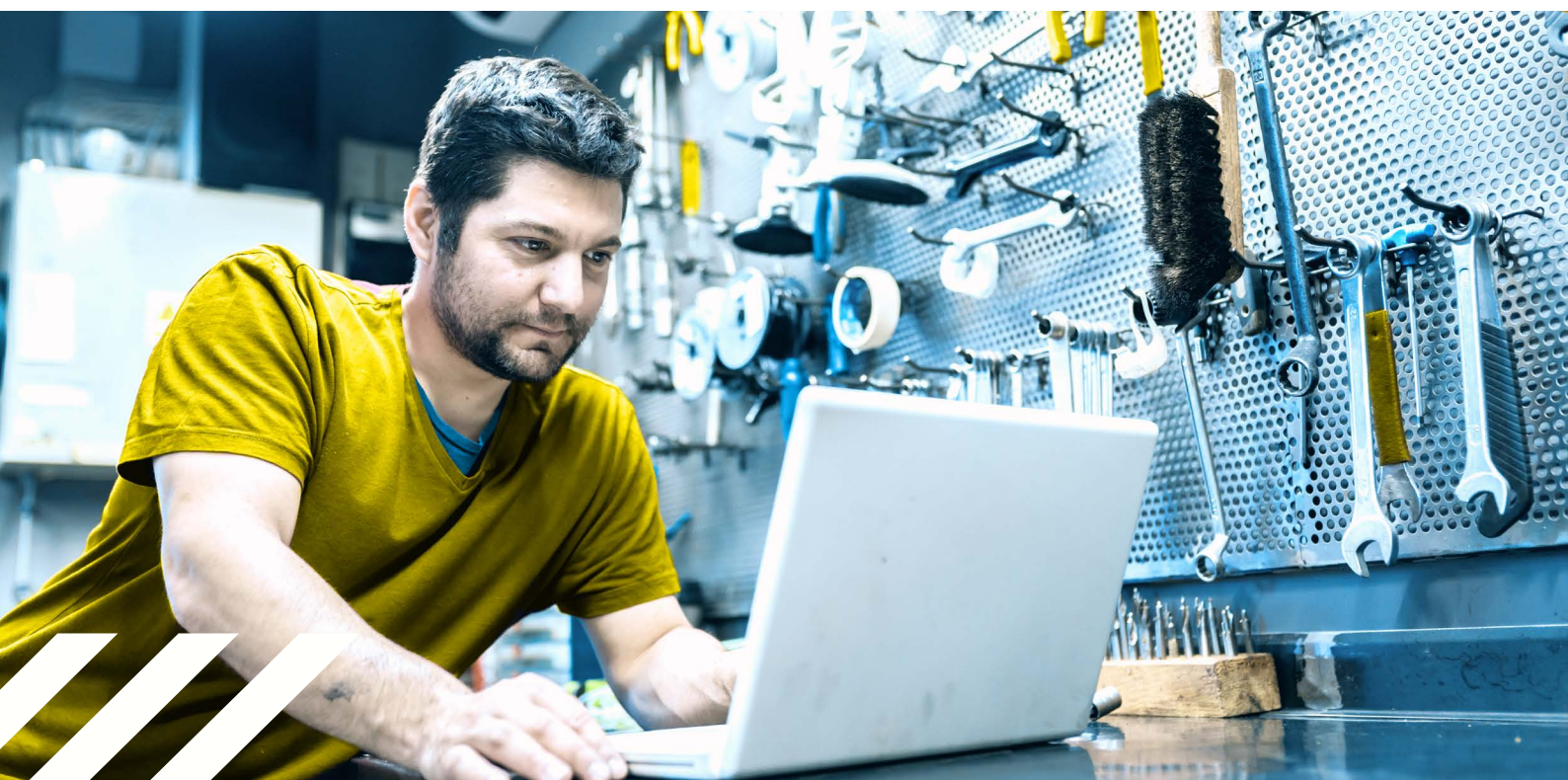
A recent survey<sup>4</sup> of business customers revealed that roughly half of them are saving more than 15 minutes every day by using e-procurement. And 15% of the respondents were able to reduce the time spent on sourcing by **over 1 hour**.

A study carried out by the BME<sup>5</sup> (Germany's Federation of Purchasing and Supply Management) substantiates the case for cost reduction: opting for e-procurement centred around eCatalogues lowers the process costs associated with purchasing by on average **30%** percent.

- Faster sourcing: e-procurement systems automate and speed up routine tasks and workflows.
- More transparency: they allow you to keep an eye on the entire ordering process using one single system. This reduces data entry and transfer errors, and enables the direct comparison of prices.
- Less Maverick Buying: using a limited pool of suppliers prevents unauthorised order placement sidelining the purchasing department.
- Improved supplier management: interactive dashboards display all supplier transactions and staff buying behaviour.
- Direct performance assessment: some systems allow leaving supplier feedback and ratings right away.

<sup>4</sup> Online survey of 178 Conrad business customers (2021)

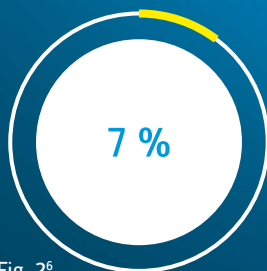
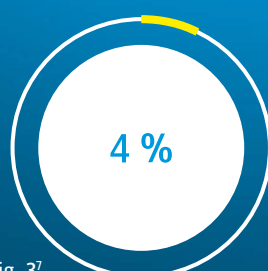
<sup>5</sup> BME & OpusCapita Software AG (13 Oct 2016), <https://www.bme.de/sechs-gute-gruende-jetzt-in-e-procurement-zu-investieren-1828/>



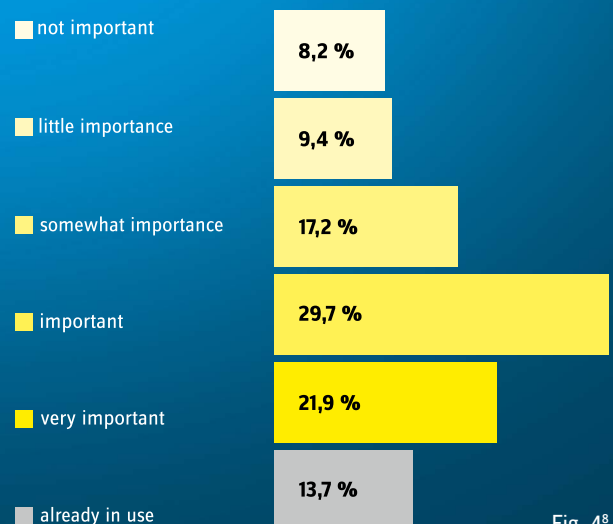
# REASONS WHY BUSINESSES HESITATE TO USE E-PROCUREMENT

Although purchasing managers consider cost reduction and supplier management as two of the key tasks involved in their job, few of them are actually making use of e-procurement solutions. Looking at business customers who currently do not utilise e-procurement, the situation is as follows:

So far, only **7%** have familiarised themselves e-procurement (Fig. 2). And just about **4%** have implemented digital purchasing systems in one way or another (Fig. 3).

Fig. 2<sup>6</sup>Fig. 3<sup>7</sup>

The BME's 8 "E-Procurement Barometer" confirms the results (Fig.4). Just **13.7 %** of the surveyed businesses use an operational purchasing process that includes fully integrated and automated auditing, accounting and payment. However, half of the respondents consider above a necessary step, and are about to look into it now, or intend to do so shortly.

Fig. 4<sup>8</sup>

## COMPANIES STILL DON'T USE E-PROCUREMENT. WHY?

This question was put to 53 business customers<sup>9</sup>. The result: the most frequent reason for a company not using e-procurement is that it is considered **low priority** when compared to all the other tasks that make up the day-to-day business operations (37.8%). Other prominent reasons are **"not enough information available"** (25.8%), and **"too busy to implement it"** (19.4%).

At first glance, these are perfectly understandable reasons. Looking into the topic in more detail, however, invalidates them quickly. True, setting up an e-procurement system does initially cost you time and money (how much depends on the chosen solution). However, this declutters your everyday business operations which, in turn, **reduces costs** and **boosts efficiency**, helping you recover the initial investment costs quickly.

<sup>6</sup> Online survey of 196 Conrad business customers (2021)

<sup>7</sup> Online survey of 121 Conrad business customers (2021)

<sup>8</sup> BME (2020) "E-Procurement Barometer", bme.de/fileadmin/\_horusdam/12016-BME-Barometer\_2020\_FINAL.pdf

# WHICH E-PROCUREMENT SOLUTION IS BEST FOR MY BUSINESS?

Looking at e-procurement, there are **two main setups** to choose from: browser-based solutions are aimed at businesses that do not operate an in-house ERP or procurement system. On the other hand, dynamic or static product catalogue interfaces suit companies that run their own procurement systems.

## BROWSER-BASED SOLUTIONS:

Your business doesn't use its own ERP system? Don't worry, you won't miss out. Many suppliers, including retailers, distributors and manufacturers, offer browser-based setups. This usually involves collaborating with software providers who won't charge you for the service (and if they do, the fees are low).

### Pros & Cons of browser-based solutions:

- + Browser-based, no in-house procurement system required
- + Individual approval procedures
- + User-specified goods/product categories
- + No additional IT set-up costs
- + Supplier marketplace solutions allow the inclusion of third-party sellers
- No integration of procurement services of other suppliers

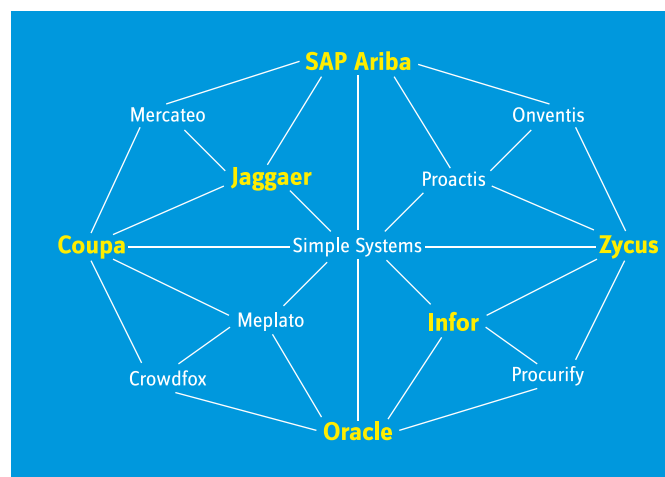
Opting for one of these **"Smart Procure"** solutions means you'll be directly linked into the supplier's procurement solution, and are able to place orders via a standard browser interface on your system.

Besides placing orders, "Smart Procure" setups also allows you to check the current product availability, and view the status of your order. Moreover, you can link browser-based systems to your in-house procurement system using an interface with a higher security level.

## ERP SYSTEM INTEGRATION:

Businesses operating an in-house procurement system usually opt for software solutions from SAP Ariba, Coupa, Oracle, Jaggaer or others. This allows either linking to supplier platforms via OCI PunchOut, or using electronic catalogues. Which to choose depends on whether you prefer a dynamic (OCI) or static (eCatalogues) solution.

## TOP ERP SYSTEM PROVIDERS:





## a) STATIC SOLUTION (eCATALOGUES)

The use of eCatalogues first and foremost suits companies whose purchasing patterns don't change, and who prefer fixed price lists that are updated a few times a year at most. Orders are placed and processed via a single platform used by all parties involved.

### **This is how it works**

Purchasing managers select the product ranges and brands they need. The supplier then compiles a static eCatalogue containing the relevant product data. This catalogue is uploaded into the purchaser's ERP system (most common file formats are BMEcat, CSV, and XLS). Staff can now use their company procurement system to view the details of each product. The product information won't change until the next catalogue update.

### **Pros & Cons of eCatalogues:**

- + Full integration into your procurement system
- + Supported by all common procurement systems
- + Compliance with e-business standards and use of the same catalogue formats prevents media discontinuity within the supply chain
- + Individualised deals, terms and information for each customer
- Some tasks such as linking catalogues and updating product master data have to be done manually
- Most procurement system providers charge for catalogue updates
- Display of new products, price reductions and changes made to product details requires a catalogue update
- No access to third-party sellers listing on supplier-operated marketplaces





## b) DYNAMIC SOLUTION (OCI/ PUNCHOUT)

Open Catalog Interfaces (OCIs) are standard interfaces enabling the exchange of product details between your company's procurement system and the online platform operated by a supplier. This happens in the form of digital PunchOut catalogues. This solution allows you to directly access an e-commerce webpage maintained by the supplier. Most suppliers won't charge you for setting up an OCI.

Unlike common web shops, OCI setups enable customers to specify product ranges, product features and sales terms that suit their business beforehand. Means purchasing managers using a PunchOut catalogue only see goods and product categories that are relevant for their company's business operations.

### **Another significant advantage:**

PunchOut catalogues are always up-to-date, means price changes and product additions are displayed in real time. Which comes in handy if your supplier offers a wide range of products, and a lot of product depth.

### **Pro & Cons of OCI PunchOut:**

- + Full integration into your procurement system
- + Supported by all common procurement systems
- + User-specified goods/product categories
- + Dynamic product range expansion
- + Product details and availability displayed in real time
- + Display of the latest prices including agreed discounts and tiered pricing
- + Addition of third-party sellers listing on supplier-operated marketplaces
- + Hardly anything needs to be done manually after the system has been set up
- Extent of approval and analytic procedures depends on procurement software/provider
- Some providers may charge for linking to PunchOut catalogues





# HOW TO IMPLEMENT THE SOLUTION

No doubt, choosing a technical solution that fits your business needs is key when it comes to setting up a workable procurement system. However, keep one thing in mind:

## **You got to get out of your comfort zone!**

Because this is what a business undergoing change is all about, with staff being asked to start using new tools or systems as part of their day-to-day work. Truth is, if your employees are opposed to a new setup, this tends to sabotage both the implementation and the later use thereof.

### **PRACTICAL TIP #1: IN-HOUSE COMMUNICATION.**

Regardless of the fact that the new tool comes with a range of benefits (e. g. simplifying the purchase approval procedures during the sourcing process), some people on your team won't like the resulting changes in responsibilities and authorisation. Besides, any new technology doesn't automatically go down well with everyone in the first place. Means communicating the extent and impact of the changes in a clear and accessible manner is essential, to make the process transparent and comprehensible for everyone involved - which includes providing the appropriate training.

### **PRACTICAL TIP #2: THE PEOPLE BEHIND THE SYSTEM**

Whether new technology is going to be accepted or not largely depends on who introduces and backs it. Which makes finding someone who people can trust essential. Moreover, appointing several employees as deputy administrators, and training them accordingly, is always a good move. This prevents the entire responsibility resting with one individual, means everything keeps running smoothly even if the chief administrator is temporarily unavailable.

### **PRACTICAL TIP #3: REFLECT COMPANY CULTURE**

How does the organisational structure of your company look like? Centralised? Multi-level? Is it a flat or a hierarchical organisation? Answering these questions is important as it helps align the responsibilities and authorisations associated with the use of the new e-procurement system with existing business structures. The key questions are: Who gets authorised to do what? And: Is this in line with our company culture?



#### **PRACTICAL TIP #4: ENSURE SYSTEM USABILITY**

Getting people to use a new system relies on making it easily accessible. In other words: usability. Staff need to be able to use the tool in an efficient and intuitive manner - and that includes people doing shift work and managers alike. If not, the main benefit of e-procurement, namely its common availability across all company divisions, is lost.

#### **PRACTICAL TIP #5: DISTINCT PRODUCT CATEGORIES**

Specifying product ranges and categories in line with existing supplier agreements is vital for the efficiency of the new e-procurement solution. For instance, if your business uses a certain company to supply printers because they also service them, you need to exclude the "Printer" category from the catalogues of all other suppliers.

#### **PRACTICAL TIP #6: GET ACCOUNTING ON BOARD**

If you are going to implement an e-procurement tool, think about doing the job properly by also setting up automated invoicing in the process. Means your system doesn't only handle product information, but also takes over routine accounting procedures.

#### **PRACTICAL TIP #7: CREATE A SENSE OF ACHIEVEMENT**

Experience shows that acceptance levels and subsequent use of electronic procurement systems post-rollout strongly depend on the tool providing a sense of achievement. In other words, offering a wide product range with a lot of depth means that customers are more likely to find the item they want. Also, tailoring both product range and categories to the respective target audience right from the start is always a good idea.



#### **Ready to upgrade?**

Our specialists help you find the right e-procurement solution, to save you money on your purchase orders.

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