One Set of E-procurement Strategic Drivers – Two Corporate Needs
E-procurement systems offer organisations such significant cost and efficiency benefits - in terms of facilitating contract compliance, price conformance, and reducing cost per transaction as well as manual effort - that they have become a strategic tool for enabling market agility. In essence, e-procurement enables an organisation to do more effective business with a rationalised strategic supply base. And, today, e-procurement is enabling just in time procurement. However, while the strategic drivers remain the same for all organisations, the approach to e-procurement differs in two fundamental ways related to the nature of the organisation involved.

An example would be the fact that, when it comes to IT procurement, Dimension Data clients have a need to use e-procurement to buy what Dimension Data sells (which includes a range of products from globally dispersed IT vendors as well as our own related services) – and then Dimension Data has a need to use e-procurement to buy what the client wants. Obviously, scenarios differ, but, in principle, the clients buy many products and services through a single source. Dimension Data, however, buys many different products and services from multiple sources. In an abbreviated way, this illustrates the difference between those organisations that use e-procurement to cut costs, boost productivity, and speed time to market and those whose e-procurement focus is on more effectively managing a multinational or multi-regional business.

Strategic drivers

Both types of organisations share many of the strategic drivers that make e-procurement such an important business tool.

For instance, as a general rule, organisations using e-procurement want an end-to-end platform that is a single portal for purchasing both products and services – covering, at a minimum, IT products from a variety of manufacturers, managed services, such as IT support (maintenance and monitoring), professional services, such as installation and integration, training, and software licensing.

Specifically, they want the business benefits of being able to:

- Streamline purchasing practices
- Enforce on-contract purchasing across the entire organisation
- Set-up internal workflows within the provider’s portal that will be automatically applied with each purchase
- Set up user-specific roles and permissions (e.g. shopper, approver, etc.)
- Optimise their investment in internal procurement and ERP systems
- Shorten the quote to invoice process and compress order cycle times
- Reduce paperwork and human error and increase accuracy of documentation
- Eliminate rogue spend
- Increase IT spend visibility
- Have on-demand reporting
- Include trade-in rebates on quotes
- Convert quotes to multiple POs
- Create quote templates for common and repetitive orders
- Make informed buying decisions based on lead-time and availability information
- Have back-office integration with vendor catalogues and price-lists
- Have electronic storage of Quote and PO to enable faster payment reconciliation
- Have the option to receive electronic invoicing reduces invoice processing time.

When volumes justify it, they also want an e-procurement portal that can be integrated directly with their existing procurement and ERP systems.

The easiest way to do B2B business

The depth and scope of the list of requirements above is an indication of how important the role of technology has become in B2B environments. Before e-procurement, it was much more costly and time and resource intensive to deal with the fact that each organisation in the supply chain usually has its own unique supply chain, business model, and business processes. As e-procurement evolved, each company also developed its own custom B2B and self-service strategies that require rule automation. All of which made setting up B2B systems difficult enough between two organisations attempting to partner with each other. Extending such partnerships across multiple business models and value chains became extremely difficult. So, achieving visibility across all the transactions and variables had been well-nigh impossible.

However, by providing the facilities listed above, e-procurement has changed all that. Having understood and bedded down the enhanced efficiencies and levels of control that e-procurement provides, organisations are now looking to take it to its logical conclusion by scaling their solutions across geographies and purchases and increasing the speed of transacting still further while reducing the volumes that they buy - by moving to a just in time approach.
This eases cash flow management as well as making the organisation much more agile in being able to respond to changes in operational demands.

“As the just in time approach proves itself, so organisations are finding they would like to manage it themselves,” says Mike Brown, head of Dimension Data Direct, Dimension Data’s global e-procurement portal. “As a consequence, they’re demanding self-service capabilities from their service providers and vendors.”

The global factor

Organisations with a global footprint are looking to scale their investments in e-procurement across multiple theatres. This drives up complexity as suppliers seek to comply consistently across geographies in spite of supply chain models that differ in terms of crucial issues such as landed costs, supply base, price lists, and latency.

Organisations therefore want to:

• See products and services quoted in different currencies
• Obtain quotes in multiple currencies
• Procure in local language and currency
• Have accurate, local business rules automatically applied
• Have logistics, customs VAT, customs duties, and other delivery fees (if applicable) for cross-border transactions displayed on quote.

Also, by giving organisations visibility into the supply chain, e-procurement reduces for global organisations the risk inherent in logistics and in the management of the variable legislation around procured goods and services. In addition, it lowers cost throughout the supply chain. And, because e-procurement is absolutely dependent on integration and consolidation of systems and information, it is a prime example of technology-enabled collaboration.

The logistics factor

When it comes to procuring technology, a major consideration is the fact that most IT vendors have global manufacturing operations, often with different parts of any given product being manufactured in different regions or countries. Even global system integrators such as Dimension Data, whose gold and platinum partnerships with organisations like Cisco are deep and influential, are informed only a short time before a part is due to be shipped. It’s vital, therefore, for Dimension Data to have a centralised fulfilment management platform that is integrated into supplier systems – and can, therefore, track and trace a part from the moment it enters the supplier’s system. Then, because all parts supplied by all business partners relevant to the Dimension Data supply chain are visible, it’s possible, even with a short lead time, to sort ship sets into meaningful, cost-effective loads, perhaps even holding back the shipping of certain parts until they can be incorporated into a bigger load.

This, of course, eliminates the problem of multiple shipments and the resultant multiple customs, tax, and duty interactions at both the ports of departure and the ports of entry. Supply chain visibility also enables consolidation and co-ordination of third-party logistics suppliers, increasing efficiencies right across the value chain, stripping out further costs, and facilitating adaptation to local commerce nuances. In addition, it enables accurate planning of foreign exchange implications.

“All of which makes achievement of budgets and implementation times truly feasible,” says Leigh Lambert, head – business development and strategic alliances at Dimension Data. “It also makes logistics and procurement environmentally friendlier, because it means fewer air, road, or rail trips to deliver a given system to a client – and it means fewer invoices and far less paperwork overall.”

Scale and technology sophistication

Procurement across international borders creates logistical problems that are extremely onerous for individual organisations to tackle on their own. An e-procurement provider takes the headache away.

In order to do that, however, the e-procurement provider’s system must be flexible and scalable enough to be able to interface with all the different supply chain systems of an extensive range of different suppliers – as well as those of a range of clients. As Andre Botha, Dimension Data’s group chief financial officer for operations points out:

“This implies that any organisation providing e-procurement services must itself be a global player and have the kinds of relationships with vendors that will enable them to trust it enough to allow integration with their systems.

“It also implies that the vendor will allow you as the e-procurement specialist to take over from it the loading of pallets and planes, as well as the management of shipping volumes. The vendor places itself completely in your hands.”

In addition, e-procurement suppliers must have advance knowledge of legislation in each country in which they work in order to avoid delays and penalties related to non-compliance with such legislation.

“In other words, because e-procurement providers are collaborating with every single stakeholder in the value chain, they are the unifying element in the chain,” Botha says.

“But, in fact, it often becomes the responsibility of the e-procurement provider, usually the systems integrator, through a facility such as Dimension Data Direct, to co-ordinate, streamline, and amalgamate all the different processes and expectations not only within the supply chain in general but also within the client’s procurement organisation itself.”

With that immense accountability, it’s essential that the e-procurement provider have a track and trace system that provides visibility of all the provider’s transactions with the client – from the moment an order is placed on the provider (electronically, of course), through manufacture, schedule to ship, forwarding and courier organisations (using live feeds to monitor delivery), to the publishing of a delivery note on the system. All of this, to and from anywhere in the world.