

E-Services focusing on E-procurement Technology

Electronic Procurement:

The act of placing an order using the Internet Technology.

Source: "IDC -International Data Corporation"

Procurement is the process of sourcing products and services from point of supply to the point of demand

E-procurement

E-procurement is the business-to-business purchase and sale of supplies and services over the Internet.

➤ **Example:**

E-procurement Web sites allow qualified and registered users to look for buyers or sellers of goods and services.

Helping users

- Buyers or sellers may specify prices or invite bids.
- Transactions can be initiated and completed.
- Ongoing purchases may qualify customers for volume discounts or special offers.

E-Precurement Software systems

Example:

- Singapore's GeBIZ was implemented as one of the programmes under its e-Government masterplan.
- System for Acquisition Management (SAM)

GeBiz:

GeBIZ is a Government-to-business (G2B) Public eProcurement business centre where suppliers can conduct electronic commerce with the Singapore Government.

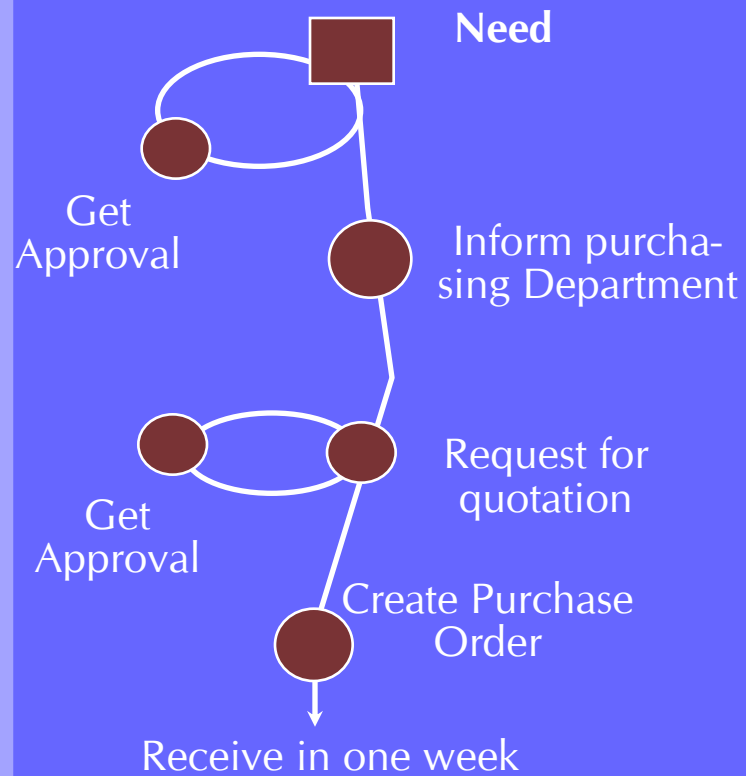
- Suppliers can search for government procurement opportunities, retrieve relevant procurement documentations and submit their bids online.

Why is procurement important?

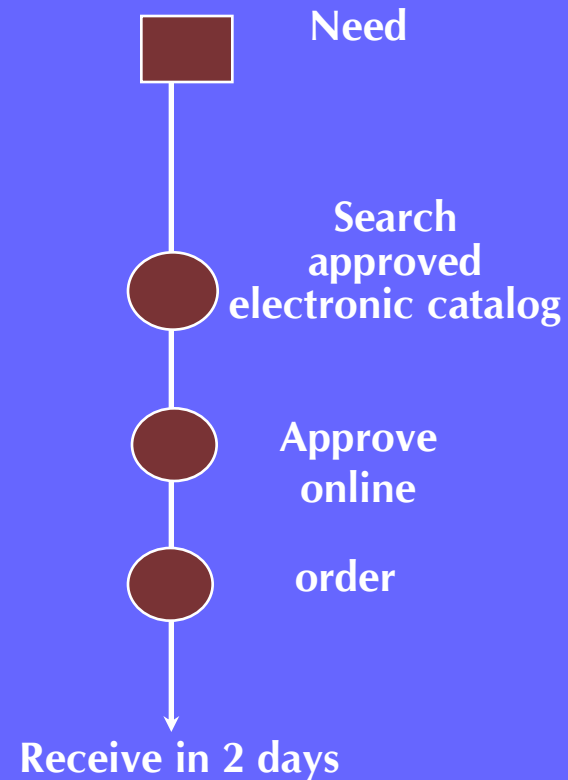
- ❑ It received a lot of attention
- ❑ Open up countless opportunities
- ❑ Multidimensional relationships

Traditional Vs Internet Procurement

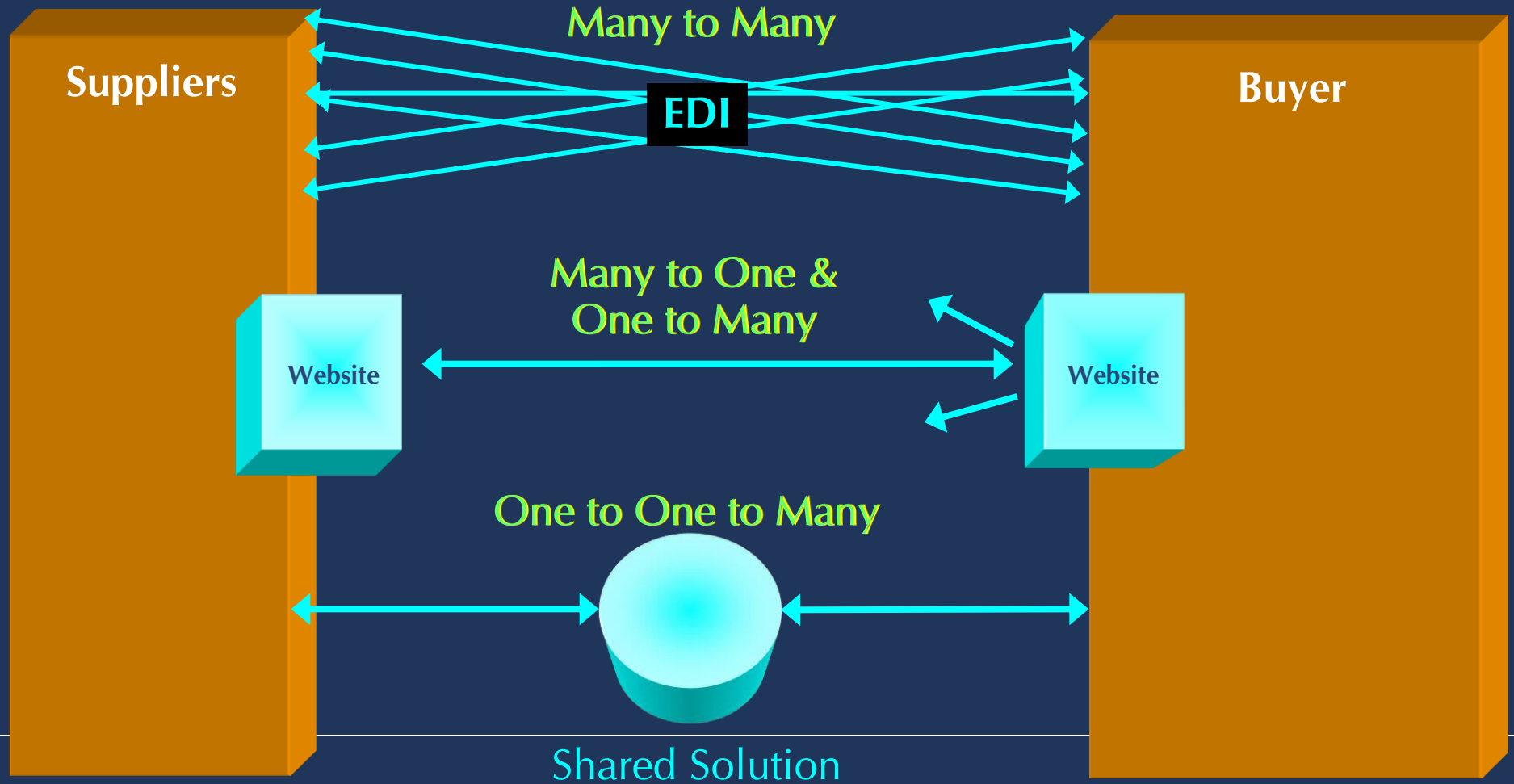
Traditional Purchasing



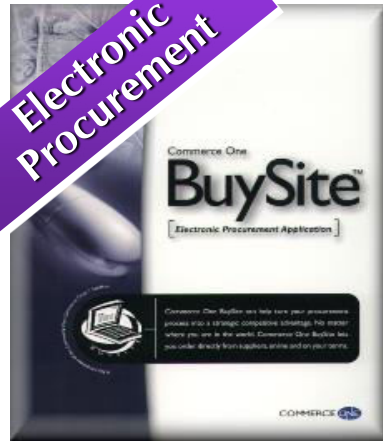
Internet purchasing



Connectivity Models



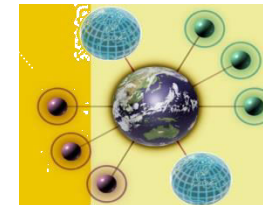
The Total Solution



Suppliers



Business Services



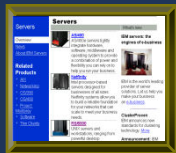
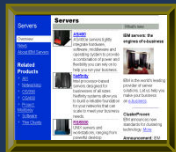
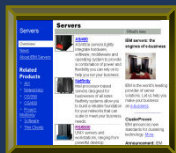
Other Portals

- Automates entire buying and selling process
- Provides access to new services, portals & communities

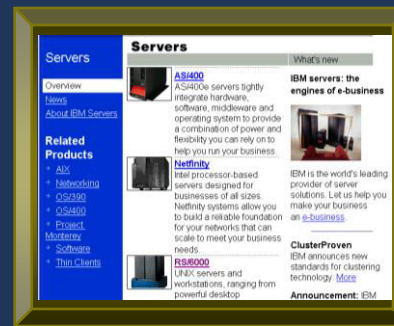
How the e-procurement process works...

e-procurement enables distributed but controlled purchasing. It automates the process from requisition to payment - to streamline operations, shorten cycle times and reduce costs

End User



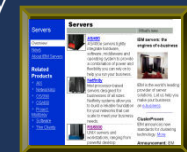
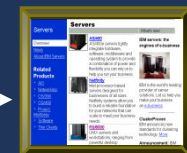
- Select approved goods
- Check prices
- Check availability
- Submit requisitions



Catalogues

- Negotiated relationships
- Buyer specific content

Suppliers



- Manage content
- Maintain accuracy

Purchasing Dept.

- Approve requisitions
- Place orders
- Manage consolidation
- Analyse purchasing data

e-procurement - The principal Benefits

- **Processes Efficiency**
- **Compliance**
- **Leverage of Purchasing Power**

e-procurement savings: *the principal benefits*

1: Increase in Process Efficiency

E-Procurement reduces the administrative cost for each transaction shifted from paper to the electronic channel:

- reduced error rates
- reduced processing time
- reduced fax / phone usage
- reduced on-site inventory

Los Angeles County

have reduced the cost of procurement from an average of \$130 per order to \$40 per order.

Their target is to achieve a cost of \$25 per order.

(Costs are inclusive of all business & IT personnel and systems involved in the procurement process)

E-procurement: *the principal benefits*

2: Increase in Contract Compliance

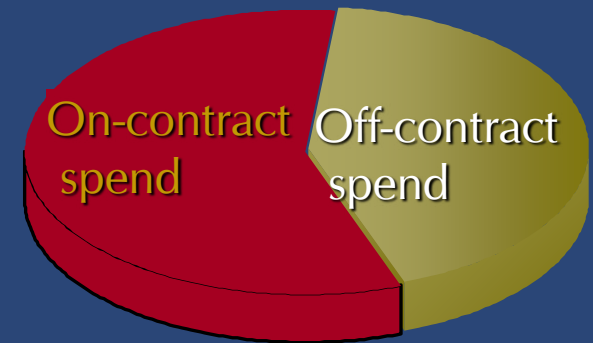
Electronic procurement enables organisations to ensure procurement compliance:

- increased use of preferred suppliers
- reduced off-contract spending
- reduced processing errors

so that:

- more goods are purchased at lower prices

Typically this is the largest element of the e-Procurement value proposition



A PwC client plans to generate savings of \$50m per annum through increasing compliance from 40% to 75%.

How e-procurement delivers the savings

1: Reduction in Process Costs

E-Procurement:

- eliminates re-entry of orders
- accuracy of stock item and price eliminates need for supplier to re-work orders
- eliminates order-chasing by providing on line status information
- reduces cycle-times so can deliver reduced inventory stock levels across supply chain

By removing the administrative overhead from indirect purchasing, your procurement staff can focus on:

- strategic procurement: improving existing contracts and building new supplier relationships
- supporting priority or time-critical purchases

How e-procurement delivers the savings

2: Increase in Contract Compliance

Off-contract purchasing is typically because of the implicit delay or difficulty in locating preferred supplier product range.

E-Procurement:

- Reduces time taken for employee to source product by provision of single composite catalogue of preferred suppliers
- Simplifies requisitioning process by point-and-click ordering
- Reduce time to place order by providing immediate placement of requisitions within approval limits
- Reduce fulfilment time by avoiding need for supplier rework of orders.



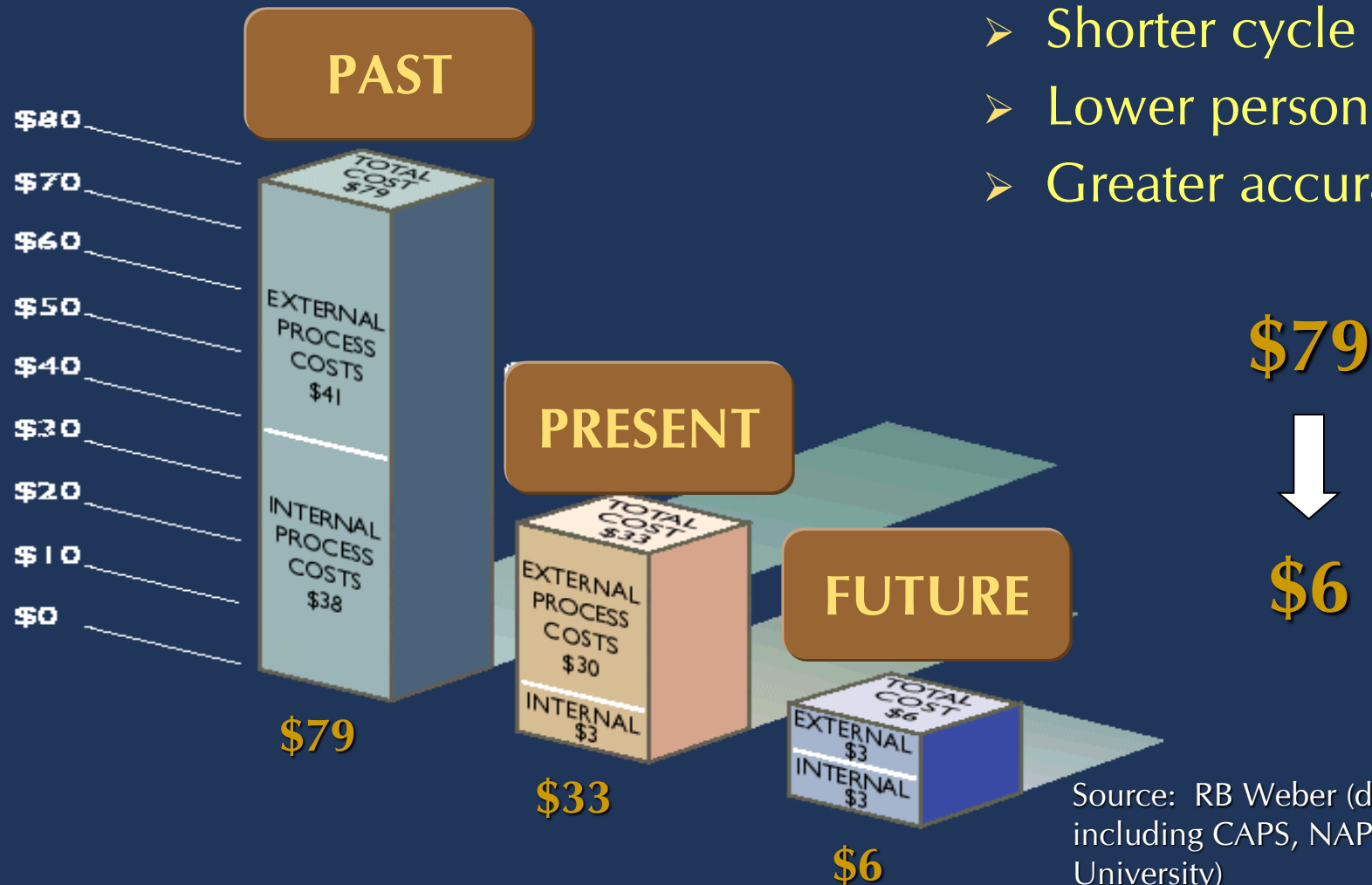
Benifits

Increase purchasing power:

- Research estimates that an additional 5% to 10% savings can be generated.



Reduction in Process cost

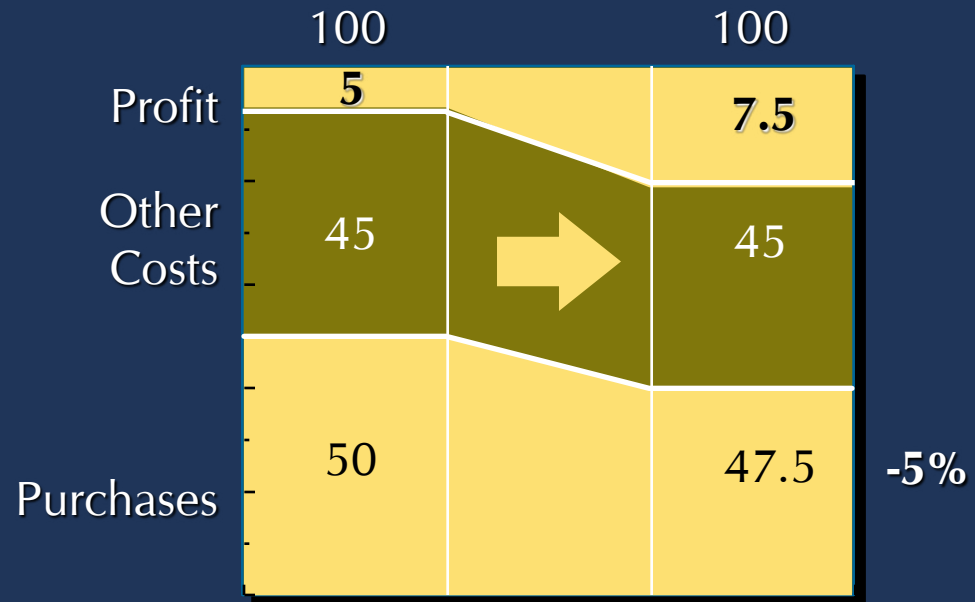


- Shorter cycle times
- Lower personnel costs
- Greater accuracy

Source: RB Weber (data derived from sources including CAPS, NAPM and Stanford University)

Savings go direct to the bottom line

A 5% reduction in purchase cost can result in a 50% increase in profit margin.



In order to obtain an equivalent impact, a firm would have to...

- ▲ Increase revenue by 50%
- ▼ Reduce overheads by up to 20%
- ▼ Significantly reduce staff numbers

E-Procurement Business Opportunities

Automating the Entire Goods & Services Supply Chain can Deliver:

- **Reduced Cost of Goods...** *3 - 5% or More*
- **Reduced Administration..** *\$ 80 to \$ 7 per order*
- **Shorter Cycle Times.....** *From Weeks to Days*
- **Inventory** *Reduced or Zero-Stock*

Risks

Process Risk – Operations:

Human resources risk if the personnel do not possess the requisite knowledge, skills or experience to manage the new process.

Process Risk - Information Technology:

Relevance risk because the integration required may not deliver the "right data/information to the right person/process/system at the right time to allow the right action to be taken

➤ Process Risk – Financial:

If there are insufficient controls related to cash flow risk and concentration risk.

➤ Information for Decision Making Risk:

Performance measurement risk if the new metrics are not informative, understandable, believable, actionable, or cannot initiate change