



How could e-procurement save you time, money and energy?

Finding the most efficient procurement model for every situation



Is e-procurement right for you?

The business challenges facing technology departments are well known. IT budgets remain static or are growing barely enough to maintain business-as-usual operations. At the same time spending is under greater scrutiny from executives and boards, who want technology infrastructure to be more closely aligned with business needs.

Within this constrained environment, technology departments must find ways to meet business units' continual demands for additional services while attempting to make the most of existing technology investments.

The hidden costs of procurement

For many businesses, indirect purchases – the procurement of goods and services aside from raw materials – account for more than one-third of overall costs and more than two-thirds of purchasing transactions. Finding a cost-effective way to source and purchase those goods and services is a guaranteed way to achieve a better bottom line.

However, many companies struggle to control these costs due to inefficiencies in their procurement processes. Businesses must deal with multiple suppliers, each with its own set of purchasing and finance paperwork to handle. They must handle the complex logistics of taking delivery, followed by a great deal of administrative work in matching purchase orders to invoices and delivered goods. As a result, procurement staff spend a great deal of time on tedious, low-value tasks. This process can also lead to high error rates and long lead times.

At the same time, most Australian and New Zealand businesses lack the purchasing scale to drive hard bargains with technology suppliers. In addition, they often have to deal through channels of distributors and resellers, rather than directly with vendors.

Even when a business has purchasing contracts in place with vendors, people within the organisation often make 'rogue' orders of unapproved items or through alternative suppliers. They might buy items

using corporate credit cards, for instance, rather than deal with the complexities of internal enterprise resource planning (ERP) and procurement systems.

A final hidden cost of the traditional approach to procurement is that buyers may not get the ideal product. This occurs if vendors provide contradictory or confusing advice, making it hard for purchasers to be sure they are getting the best technology at the right price.

Unifying sourcing, procurement and payments

The buying process for indirect goods comprises three distinct phases: sourcing, procurement and payments. In theory, businesses can achieve savings in all these phases.

- **Sourcing** involves negotiating with vendors for the products and services required. Larger businesses can achieve savings of 10 to 20 percent by driving hard deals with their suppliers. However, this may be less easy for many businesses in Australia and New Zealand.
- **Procurement** is the process of raising and fulfilling orders. Companies can reduce costs here by minimising transaction costs, inventories and non-compliant purchases through electronic catalogues and order management systems.
- **Payments** are the back-office functions of receiving invoices and arranging payments. In a typical company, around half of all invoices received are for less than \$100. Considering it can cost up to \$10 to process an invoice, there is substantial room for cost saving.

A strong case emerges for centralising purchasing from a single source rather than multiple vendors. The essence of e-procurement is the ability to order through an online portal and allow a third party to handle the vendor negotiations, logistics and paperwork. This creates a holistic framework that unifies and automates the three phrases of sourcing, procurement and payments.

The case for e-procurement

With e-procurement, businesses can acquire their hardware systems and software licences from a single vendor. Through the vendor's e-procurement portal, they can access quoting, ordering, invoicing, stock availability and up-to-date pricing, as well as historical data and analysis of their past spending.

As Figure 1 shows, a comprehensive e-procurement service includes a great deal more than simple purchasing. Throughout the pre-order, procurement, supply, installation and support phases, an e-procurement specialist can also provide procurement management and service management functions. Combined, these ensure a seamless service to manage the entire procurement process.

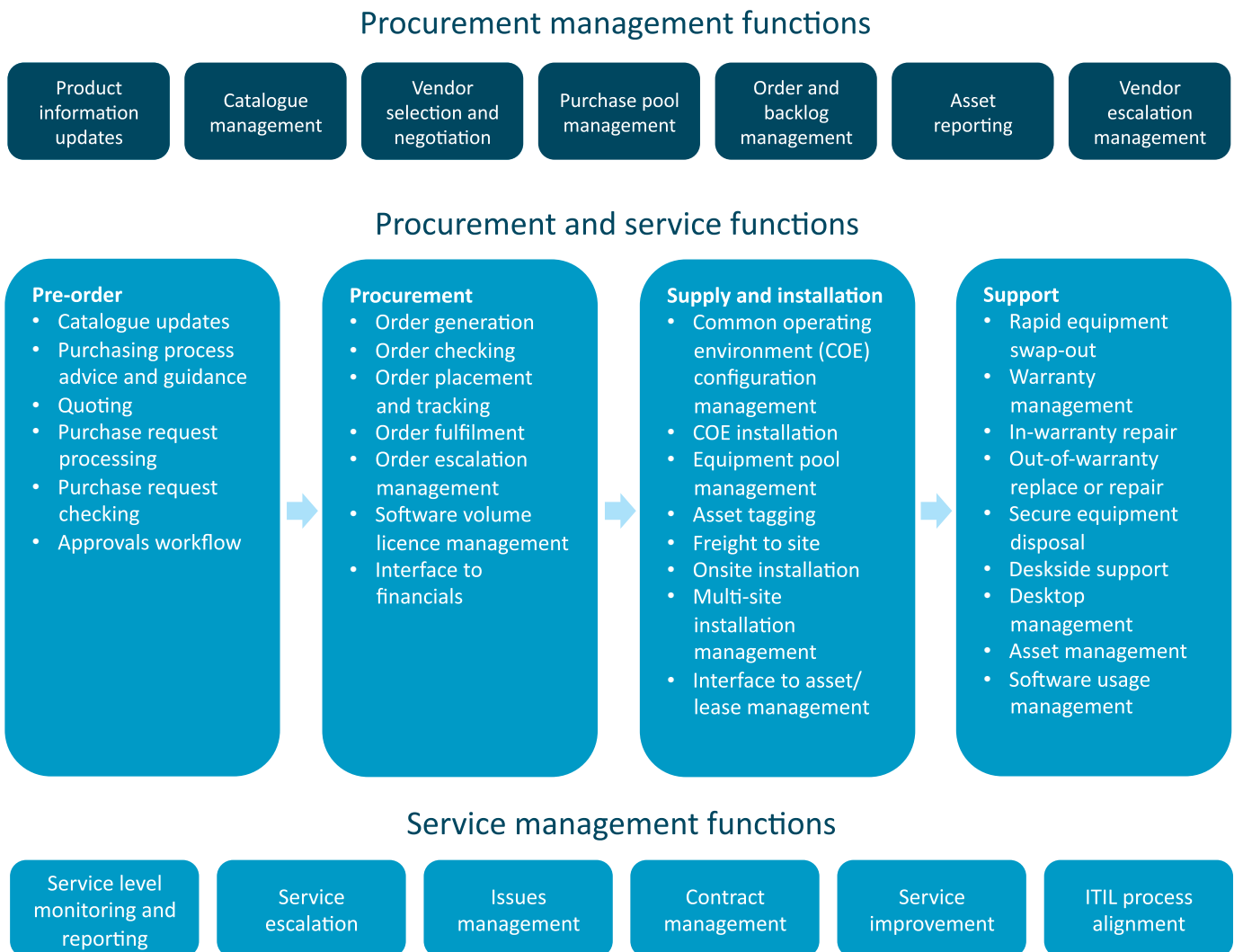


Figure 1: Features of a comprehensive e-procurement model

Making e-procurement part of the mix

While the value of e-procurement may already be evident, e-procurement alone cannot answer all of an organisation's technology purchasing needs.

In the case of simple, one-off purchases, e-procurement may not deliver a significant up-front cost saving. This is especially the case for goods that can be ordered online directly from their manufacturers.

In addition, with complicated technology acquisitions, simply buying the boxes or software licences is rarely enough to achieve value. These systems must be designed, planned, implemented and integrated.

At Gen-i, we believe there is no one 'right' model for technology procurement. Rather, we recommend a range of approaches based on the complexity of the solution being purchased and the frequency with which the organisation would need to acquire that technology. Figure 2 shows how our approach works.

Figure 2: Gen-i's e-procurement matrix

		Frequency of purchase	
		Occasional or one-off	Regular
Complexity of solution	Simple	Direct purchase or e-procurement	E-procurement
	Complex	Consulting	Integrated consulting and e-procurement

1. Simple, occasional purchases

For low-value, simple and one-off or occasional purchases, e-procurement may deliver a price advantage over retail, but buying online directly from vendors can also be cost effective.

While the up-front cost may be low, buying directly from vendors does not address the hidden costs such as the administrative time and effort of managing multiple suppliers and handling small invoices. It may also encourage rogue purchases. By contrast, a comprehensive e-procurement system helps ensure an organisation only acquires the correct IT systems from the right suppliers.

2. Simple, regular purchases

This is the classic case for e-procurement, for relatively simple items such as PCs, laptops, printers and office software licences. In scenarios such as replacing outdated hardware, opening new offices or hiring additional staff, companies can easily order new computers and software licences.

The e-procurement firm might also keep stock on hand to help reduce lead times for common items. Further, it can automatically provision new systems under an existing common operating environment, so they can simply be plugged in and ready to go.

3. Complex, occasional purchases

Infrequent, complex technology purchases such as server virtualisation or storage consolidation projects require full-service consulting. In the case of Gen-i, we take time to understand a customer's existing IT infrastructure and business objectives, rather than simply taking an order for technology systems. We then identify technologies to match the customer's requirements and provide services to create complex technology systems and integrate them with existing systems. E-procurement may form a part of this model to increase visibility for the customer and reduce component costs.

4. Complex, regular purchases

For more complex technology systems, Gen-i's integrated consulting and e procurement model works by determining the technology products required and implementing and integrating them once they are ready to use. E-procurement helps drive down the cost and complexity of the solution by giving the customer one vendor to deal with. In some cases, such as ordering additional servers or storage to expand existing systems, these items can be ordered 'off the shelf' – fully configured and ready to implement.

Business benefits of e-procurement

With Gen-i's integrated consulting and e-procurement model, customers can order all their IT requirements using a single online portal. This enables customers to purchase simple technology solutions efficiently, while scaling up to a blend of e-procurement and consulting services for more complex needs.

At all times, customers deal with dedicated, proactive procurement specialists, backed by an independent industry heavyweight with an unbiased view of the products in the marketplace. Gen-i's e-procurement model helps customers to:

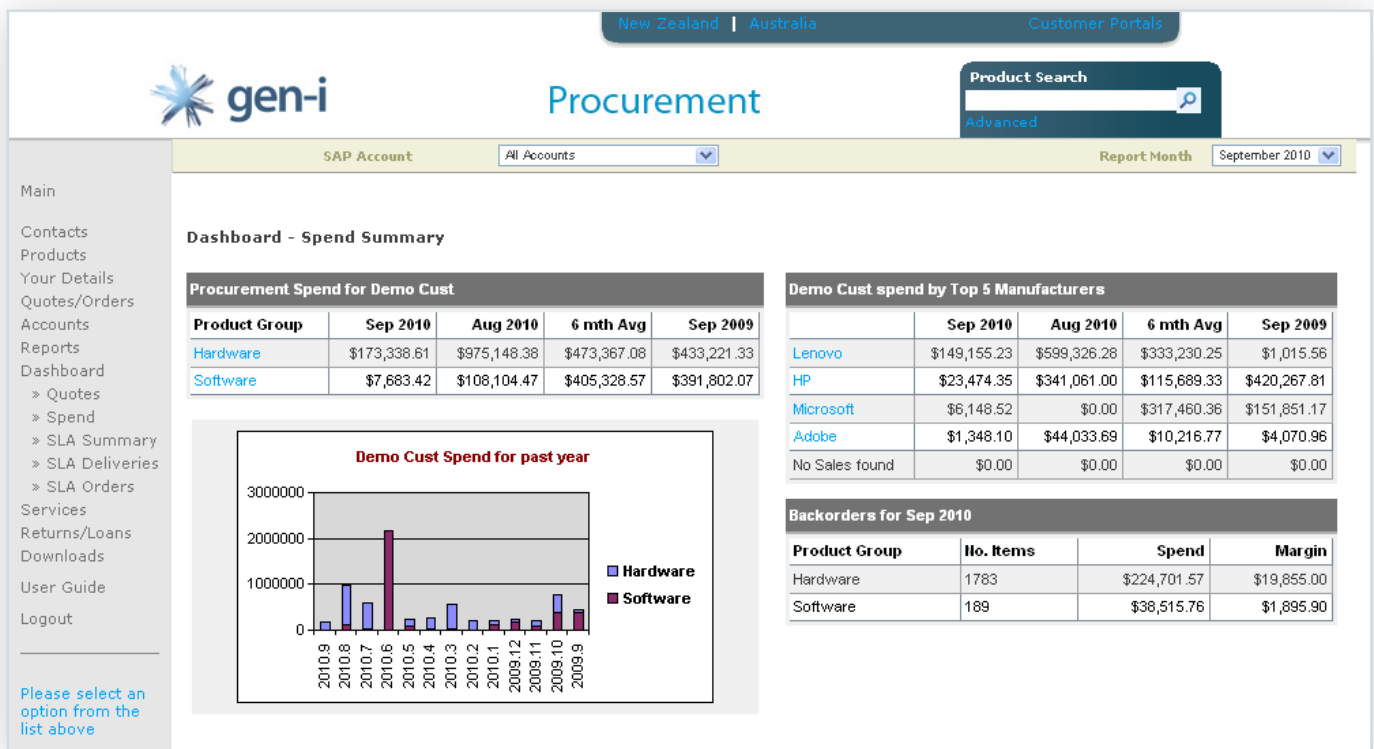
- Minimise risk. Gen-i's dedicated procurement specialists ensure customers receive the right solutions at the right time, for the right price and to the right quality standards.

- Lower costs. Our specialists can leverage Gen-i's top-tier vendor relationships, certifications and buying power with more than 200 leading ICT suppliers to ensure customers always receive competitive market pricing. Gen-i also proactively provides regular updates on suitable vendor specials and strategic advice on when to buy in the vendors' financial cycles.

- Reduce complexity. Customers can order all their hardware and software through a single online portal and deal with a dedicated e-procurement specialist.

- Stay in control. The Gen-i e-procurement portal allows customers to track spending by vendor or user over time and maintain robust control and authorisation over all purchases. This data can also be integrated into existing ERP and financial systems to further streamline the procurement process.

Figure 3: Gen-i's e-procurement dashboard



About Gen-i

Gen-i is at the forefront of helping customers take advantage of the convergence of technology and telecommunications, and the new opportunities this makes possible. Gen-i works alongside its 3,300 corporate, government and business customers to deliver seamless and integrated ICT solutions. It achieves this with the support of over 3,000 highly skilled people in 17 locations across Australia and New Zealand.

For more information, visit:
www.gen-iprocurement.com.au

Our partners

Microsoft[®]



CITRIX[®]



AVAYA