



Fact Sheet

eProcurement

July 2007

If your firm sells products or services to larger firms, Local Authorities, the NHS or Government, or even if you want to source cheaper suppliers yourselves - you need to know about eProcurement.

Our E-Business Advisers discuss what the term means, and what the impact on your business is likely to be:

1. What is eProcurement?

eProcurement is simply the business-to-business purchase and sale of supplies and services using the Internet. This involves a range of technologies that are detailed later in this Fact Sheet.

At the moment, eProcurement tends to be associated with non-strategic purchases, such as office supplies, IT, business travel etc - which may make up to 25% of the costs of running a business.

eProcurement is expected to be integrated with the trend toward computerised supply chain management for those core items needed in production - e.g. materials.

Larger firms are typically the users of eProcurement at the moment - but changes in the marketplace are driving the requirement for engagement with eProcurement towards smaller firms.

For example, the UK Government has ordered Local Authorities to engage in eProcurement with their suppliers - if they don't, this will impact on their funding from central Government.

Local government is big business for small and medium sized firms.

Collectively, the local authorities of England and Wales spend approximately £25bn per annum on bought-in goods and services, placing circa 38 million purchase orders with about 800,000 suppliers.

The driver for this Governmental requirement is the cost savings that can be achieved by eProcurement.

For example, the Audit Commission showed that it typically cost the UK Government £75 to process a purchase invoice, the NHS estimates its costs to be £50 per invoice, and the private sector has generally managed to get their cost down below £35 per invoice.

In all cases, this was irrespective of the cost of the actual purchase - it can easily cost more to process an order than the cost of the items bought!

With the drive towards cost reduction in the public and private sectors, eProcurement has the benefit of bringing these processing costs down substantially.

Internet technology allows firms to deliver orders and invoices electronically, computer to computer, without incurring charges associated with handling by staff, printing, envelopes and posting.

It also avoids the need for re-keying data, which again saves on staff costs and improves accuracy.



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Hence - there are benefits for both the buyer and seller in being engaged with eProcurement.

It is also clear that eProcurement will be an increasingly large part of the business environment for many firms.

2. What does eProcurement involve?

eProcurement is actually a whole range of technologies and systems that can be used to automate the purchasing process:

- e-Auction: this is where a supplier can place items for sale via a web site.
- e-Tendering: this is where a firm advertises their requirement for goods or services, registers potential suppliers, issues and receives tender documents via the internet, and (sometimes) automates the evaluations of responses to a tender.
- e-Marketplace: this is a web based facility that allows trading between one or more purchasing organisations and a variety of suppliers.
- Purchase cards or “p-cards”: these work in a similar way to credit cards. They can be used to purchase a limited and predefined range of goods or services, and can be for a controlled amount of spend.

3. What's next?

Currently, it tends to be larger firms that are involved in eProcurement processes.

As discussed earlier, this situation is very likely to change within the next few years, and encompass many types of businesses.

IT firms are developing affordable systems that will allow smaller firms to access these types of systems - in particular through Application Service Providers (ASPs - see “ASP” Fact Sheet in this series).

Right now, you could investigate eMarketplaces - they cover a wide range of product and service offerings, are relatively cheap to join and you can use them for both selling and buying.

You should also:

- Talk to your customers and see what plans they have for automating their purchasing process, or if they would like you to use some of the eProcurement techniques discussed to improve efficiency.

This is particularly valid if you supply Local Authorities, the NHS or some larger firms - they may even have approached you already!

- Use email to speed up your internal purchasing processes, e.g. by sending requisition documents as attachments.
- Issue P-Cards to your budget holders: you can set them up to allow purchases with approved suppliers, and within monthly purchase budgets. This provides a basic eProcurement system, as purchases can be made directly from the electronic Catalogues of multiple suppliers.

Finally - you need to start developing your eProcurement strategy. This needs to be based on the requirements of your buyers, and the requirements of your business for cost efficiencies.

You really need to start the research and planning now, before your business is left behind - eProcurement is just around the corner!



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4. Useful Links

www.opportunitywales.co.uk -
Useful web site, with good explanatory articles
about many e-business issues, including
eProcurement.

<http://www.supply2.gov.uk> –
Web site of the Supplier route to Government
portal – whereby you can register free for local
and central government tender information.

www.emarketservices.com -
Useful guide to eMarketplaces, with links to
many different ones serving different sectors.