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THE **TOP FIVE** BARRIERS  
TO SUCCESSFUL  
ePROCUREMENT

**JAGGAER** →

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## AN UNDERUTILIZED SOLUTION IS NOT MUCH OF A SOLUTION

Deploying and effectively utilizing an eProcurement system is one of the best ways for any company to lower its procurement budget and better control corporate spending. Making business-to-business purchasing as convenient and efficient as online shopping is for consumers, eProcurement connects B2B shoppers directly to their preferred suppliers. It not only eliminates all of the manual record-keeping and other processes associated with B2B purchasing, it also helps to enforce contract compliance and enables the acquisition of valuable data on procurement. This allows companies to become more competitive by taking procurement analysis and planning into the realm of business intelligence.

Companies that have deployed effective eProcurement solutions have improved the operating efficiencies of their procurement departments by as much as 50 percent. They also have increased contract compliance by as much as 80 percent, realized returns on investment by as much as six to one, and achieved self-funding payback in less than 12 months. Independent confirmation of eProcurement advantages abounds:

- The Aberdeen Group found that the typical post-implementation benefits of eProcurement include a 5 to 10 percent reduction in indirect/nonproduction spend
- Andersen Consulting estimated that eProcurement can yield a 7 percent reduction in indirect spend for the typical organization
- Gartner, Inc. estimated that many companies could save from 15 to 20 percent on their procurement budgets by using an eProcurement solution
- Forrester Research predicted that eProcurement solutions could deliver 5 to 15 percent cost savings in the first year

Despite the obvious advantages that eProcurement promises, Forrester Research found that resistance from staff and suppliers is a major obstacle to realizing those advantages. Why would staff and suppliers push back against a process that is so certain to improve their companies' competitiveness? In a nutshell, solutions that are inadequate to the task, and solutions that cannot adapt to the buyers' and/or suppliers' procurement universe, make the procurement process more inconvenient rather than less. Here are the top five ways in which eProcurement solutions fail the companies that have deployed them, and solutions that will ensure that your deployment could instead become a model on how eProcurement realizes its promise.

paying a supplier, but rather extends through the life cycle of the relationship, including supplier performance, compliance and risk management.

In addition, best practice analysis has helped organizations to identify new capabilities within each process that drive additional savings and operational improvements that cross functional boundaries. Capabilities can be as simple as process automation or as sophisticated as dynamic discounting and predictive analysis. The positive impacts of deploying a comprehensive spend management strategy are real and provide opportunities to influence both the top and the bottom line.

## BARRIER 01: SOLUTION DOES NOT PROVIDE USERS WITH A **ONE-STOP SHOP**

Corporate shoppers, like practically everyone else today, enjoy the convenience and savings of online shopping. Online retailers such as Amazon, Staples, and L.L.Bean have invested heavily in making the shopping, buying, and shipping processes as convenient, personal, and expeditious as possible. As buyers, we notice and appreciate those qualities. They are a large part of what keeps us coming back to our favorite sites. Of course, it is no accident. From the retailers' perspective, keeping us within the system, and incentivizing us to come back repeatedly, are the keys to making the system as profitable as possible.

eProcurement systems that fail to keep corporate shoppers within the system cannot deliver the promise that Forrester, Gartner, and the other firms reported. Some of these systems make the corporate shopping experience an inconvenient one by forcing buyers to use disparate interfaces for different categories of materials and services. Such inconveniences are a virtual invitation to maverick spend. Other systems fail to emulate the one-stop shop by forcing users to use external email systems for approvals or queries, or to use external search engines for comparing prices and attributes.

When an eProcurement solution fails to keep users within the system, it cannot realize its potential value. Contract compliance suffers, valuable data on suppliers and purchasing practices never becomes available for analysis, and prescribed workflows are interrupted or disregarded. Every time a buyer performs part of her or his job outside the system, the system leaks value.

## BARRIER 02: SOLUTION DOES NOT FUNNEL PROPER CONTENT TO SHOPPERS

B2B purchasing is not as simple as ordering books, office supplies, or clothing. In industries with highly diverse purchasing requirements, corporate shoppers need to purchase items from multiple suppliers and numerous categories. Their purchases include configured items and complex services. On top of all that, most companies have preferred suppliers of those materials and services. To realize its potential, an eProcurement system must be able to prioritize content according to preferred vendors and categories that may be relevant to the business, such as “green” or “locally produced.” If the system cannot prioritize content according to corporate aims, corporate buyers are forced to either go outside the system to find the preferred goods, or stay within the system and go against corporate policy.

Even when an eProcurement system does funnel the user to the proper suppliers and goods, it may fail if it does not deliver accurate content. Inadequately maintained catalogs may list prices or specifications at odds with those that the buyer’s company had negotiated, causing the buyer to place a telephone call or email to verify the terms of sale. And accuracy goes beyond specifications and price. It includes photographs or illustrations, verbal descriptions, units of measure, and classifications such as women- or minority-owned businesses. Systems that cannot keep up with corporate procurement policy and catalog changes erode user confidence and fail to achieve full adoption.

## BARRIER 03: SOLUTION FAILS TO PROVIDE AN EXPEDITIOUS WORKFLOW

Many eProcurement systems fail to realize their potential because they do not automate workflow as fully as possible. Again, this involves the capability to model all corporate procurement policies, and to manage every relevant detail in purchase orders, requisitions, invoices, and invoice approvals. Policy details may involve spending and approval hierarchies, and some purchases can involve special workflows. Such purchases include those of hazardous or dangerous materials. Ineffective systems may not be able to track specific quantities of such materials according to time and location. At best, the business then pays a premium to track the materials manually. At worst, failing to track such materials threatens public safety and security, and possibly leaves a business in violation of laws and regulations.

An inadequate eProcurement system can also impede workflow by being too device-dependent. If workflow moves only through stationary computers, mobile users will not have the

opportunity to complete their tasks until they sit down at the location of the stationary computer. Business agility demands efficient workflow and prompt responses to requisitions and requests for approval. Staying ahead of the game depends on empowering employees wherever they happen to be.

## BARRIER 04: SUPPLIERS FAIL TO BUY IN

Most suppliers perceive participation in an eProcurement system as a cost of doing business, rather than as value added to their materials or services. Integrating the value chain with customers has up-front and ongoing administrative costs, such as the cost of updating the attributes of items and services. They also need to invest in assuring the security of their own IT systems even as they integrate them with others' down the value chain.

In particular, they may be unwilling or unable to adequately maintain accurate catalogs. Doing so can involve a significant commitment of resources, and typically requires specialized technical-writing or coding skills, such as XML expertise.

Without the enthusiastic participation of suppliers, an eProcurement system leaves much of its value on the table. Limited integration with suppliers leads to performing more of the procurement process manually, wasting time, losing productivity, and missing the value of more comprehensive analytical capability.

## BARRIER 05: SOLUTION NOT INTEGRATED INTO THE ORGANIZATION

In a rapidly evolving business, an eProcurement system must be able to adapt as procurement policies and processes change. Systems that are not extensible and flexible enough to model any aspect of the procurement process—shopping, oversight and analysis, or supplier management—will be inconvenient to use and suffer poor adoption rates. Even systems that are flexible and extensible can be costly to maintain and degrade business agility if they routinely require IT expertise to change contract, payment, and shipping terms.

Finally, even the best of eProcurement systems can fail to meet expectations if they are not properly deployed. Upper management must demonstrate confidence in the system. The vendor must provide thorough and ongoing training. And the system must be amenable to analysis and adaptation as business conditions change.

## OVERCOMING THE BARRIERS

The convenience of the most popular consumer eCommerce sites has raised the bar for B2B procurement. The eProcurement system must present a unified interface through which corporate shoppers can do everything their jobs require. It must be able to access everything they are buying for their companies, inform them of order status, and provide them data and analysis on their procurement practices. It should feature a single and efficient checkout process, track frequently purchased items and services to simplify repeat buying, and provide meaningful comparisons of features and prices from different vendors.

A unified and intuitive interface, however, is not enough. An effective eProcurement solution must contain a search engine powerful enough to deliver relevant and accurate content, and ensure compliance with corporate procurement policies. It must be able to categorize goods and services in precisely the ways that corporate policy categorizes them. For example, if a company has preferred vendors, or has a policy to do a prescribed amount of business with companies located in a specific area, the system must make it easy for the user to find those companies, and track the amount of business done with them during each accounting period. What is more, the system must be adaptable enough to promptly recategorize and reprioritize when corporate procurement policy changes.

A one-stop shop accesses not only suppliers, but corporate policies and workflow as well. Best-in-class eProcurement reduces the amount of time it takes to authorize purchases and verify invoices, including invoices that have no referring purchase order, or that have price or quantity discrepancies. When processing the procurement of products or services that are significant from an environmental or security perspective, such as hazardous materials or explosives, the eProcurement solution should be able to verify automatically that the transfer complies with all corporate, industry, and governmental regulations. It should also integrate well with the prescribed reporting systems for such substances.

About 80 percent of business communications now take place on mobile devices, so eProcurement solutions must be enabled for smart phones, tablet computers, and other mobile digital appliances.

There is no doubt that eProcurement can be a burden on suppliers. Often, suppliers' only immediate compensation is the retaining of a customer. Managing catalog content for the benefit of buyers typically requires skills that suppliers do not possess. Vendors are best situated to provide this service, so it should be part of every effective eProcurement solution. When a solution includes this support, the resulting integration drives the costs for all parties down, and enhances productivity throughout the value chain.

Again, an effective eProcurement solution must be extensible and flexible enough to model all aspects of the procurement process—shopping, compliance and analysis, and catalog

management. This requires exceptional upstream and back office integration, and efficient administration for responding to fast-moving business environments. Contract terms for issues such as payment and shipping should be easy to feed into the marketplace, and should be apparent in the user's shopping cart. Information on quantities available from suppliers should be obvious to users, as should comparable details for services.

An eProcurement solution integrated with a business's financial and sales systems will be able to deliver the analyses necessary for strategic planning and day-to-day operations. It must also be able to adapt to changes in the global computing environment—for example, to integrate with cloud-based databases and applications.

## CONCLUSION

Organizations looking to deploy an eProcurement solution have many vendors from which to choose. Practically every vendor has great-looking interfaces and software that can handle the essential elements of routine procurement. The companies that will reap the most significant benefits from eProcurement, however, will be those with relatively complex procurement challenges. Those companies should evaluate prospective solutions in terms of usability, ease and depth of integration with up-stream and other back-office systems, and the availability of ongoing support from the vendor.



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