Supplier Enablement: Maximizing ROI with Supplier Relationships

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Abstract. Regardless of the assortment of e-Procurement tools available, the overall success of your e-Supply Management initiative is tied directly to your relationship with your suppliers. Learn first-hand how you can enhance the supplier enablement process, expand supplier participation and profit from developing your "win/win" supplier relationship.

This presentation will describe:
a. An understanding and appreciation of the important role the Supplier must play in the world of e-supply management.
b. A suppliers' perspective of the numerous challenges encountered during enablement, and proven solutions for eliminating or neutralizing these barriers.
c. A "real-world" methodology for incorporating and maintaining a long-term, value-based Customer/Supplier relationship within the venue of e-Supply Management. These processes will allow for maximization of your program ROI targets.

Introduction. Are you satisfied with the Return On Investment (ROI) you're getting from your e-Procurement software? What does it take to make these investments pay? Are these the questions that you are facing as you deploy your e-Procurement solution? Over the last twelve months, industry analysts and customers of e-Procurement applications have indicated supplier enablement as their # 1 issue in delivering to the success of their implementations. AMR Research has pointed to supplier enablement and content management as key technical challenges to e-Procurement.

Our objective is to provide a clear understanding of the enablement process from a Supplier's perspective and help you develop and present a compelling case to those Suppliers to avoid their lack of commitment.

What is Supplier Enablement and why is it so important to the success of your e-Procurement program? Supplier Enablement has many different interpretations and definitions:
➢ Content companies will talk about organizing catalog content from suppliers.
➢ EDI or XML Integration companies will talk about routing documents between organizations.
➢ ERP companies will talk about having a portal for suppliers to log into.
➢ Sourcing companies will talk about enabling suppliers to participate in online events.

In its simplest form, Supplier Enablement is the ability for suppliers to transact and work with their customers electronically. It is not enough to only have a fax machine to be considered electronically enabled; think of the Internet as a fax machine on steroids. The B2B movement to electronic trading is not going away anytime soon, but the fact is, despite the pressure on the supplier to get eCommerce enabled, they are not jumping on the eCommerce bandwagon.

The leading ROI contributor from e-Procurement projects – is actually reduced purchase prices through aggregating your demand and creating corporate contracts. Sourcing actually delivers the main component of the ROI in e-Procurement. Nevertheless, bringing "all" your suppliers online, regardless of their size, is e-Procurement's biggest shortcoming. An Aberdeen survey showed that buyers with e-Procurement solutions deployed, "have an average of thirty suppliers enabled – a number that does not reflect a company's entire universe of suppliers," as Aberdeen puts it. Without the widespread participation of its suppliers from which the end users can procure goods and services, the realization of any significant ROI is severely limited. "Sourcing and e-Procurement are certainly no-brainers in terms of ROI," said Pierre Mitchell, vice president and research fellow at AMR Research, in Boston. "E-Procurement was never just about laying off the purchasing agents and the accounts payable clerks. A lot of those projects were strategic sourcing projects in disguise. At a high-level, if suppliers are unable or unwilling to participate in your e-Procurement solution because of the resources, costs, or complexity required to implement, the project will not deliver the desired results, or worse yet, it will fail."

How do you prevent failure?   Throughout the evolution of B2B eCommerce, eProcurement and eSupply Management, a basic premise remains intact – the buyer/seller relationship. However, the primary focus of these initiatives has been directed towards the needs of the buyer – cost savings, streamlined processes and category management leading the list. The business objectives have been clear and concise – the systems integration and program implementation often less obvious and sometimes disjointed.

The Sellers, too, have struggled with adopting these business models, as their goals and challenges tend to be on a different plane. By understanding the necessary fiscal and cultural constraints of the Seller, you can develop a strategy to garner Supplier participation in e-Procurement programs. In building a business case, you must take into consideration the current state of the Supplier community:
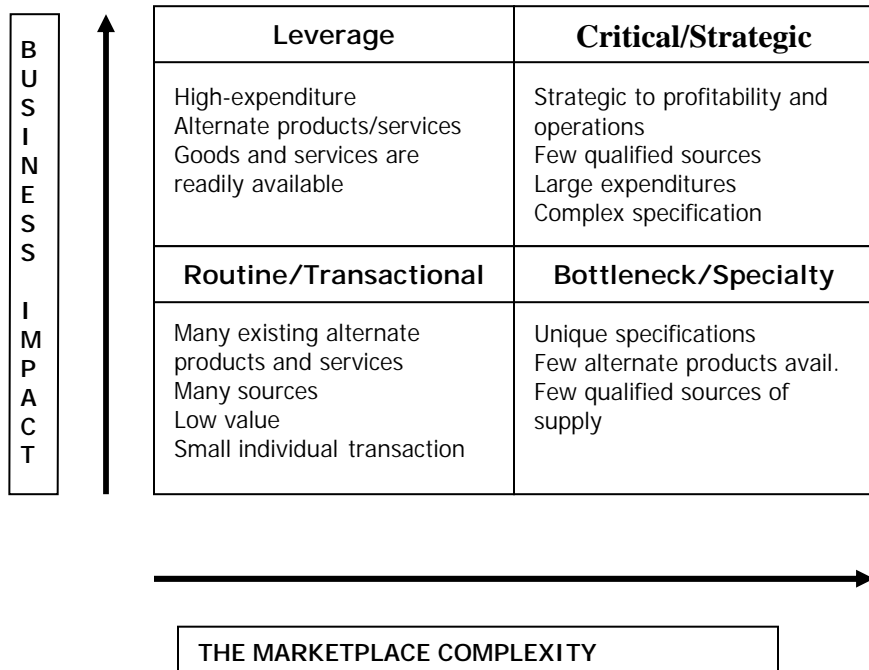
➢ Suppliers are at elementary stages of e-Business understanding
➢ Suppliers view e-Business as a tactical rather than a strategic business initiative
➢ Suppliers need to understand how e-Business will affect their business

Delving into each side of the buy-sell equation helps clarify the value proposition. A survey by AMR indicates that "suppliers in general are more interested in supporting new selling channels, reducing data redundancy and gaining competitive advantage than they are in responding to buyer demands to participate online at any cost."

As an example: According to the National Association of Manufacturers, "the manufacturing community will resist participation in e-Commerce initiatives that will further commoditize them and weaken their value to their customers. Most manufacturers will focus their energies on how to strengthen the trading relationships they already have. For them, rich, accurate and current product information is the key to successful electronic trading relationships and a necessary first step to e-Commerce enablement. They must own their data and feel a sense of control over the process of how it is gathered, managed and communicated and, importantly, who has access to it."

Remember, without the widespread participation of your suppliers, you limit the ability of your buying community to maximize overall ROI. Reviewing and developing sourcing strategies and relationships is critical, but e-Procurement and full spectrum supplier enablement require an answer to the basic question: How does your company want to conduct e-Commerce with each supplier?

Your e-Procurement Strategy… or How Does the Supplier Fit? Your Supplier Enablement Strategy will be inextricably linked to your overall procurement strategy when implementing any e-Procurement solution. Determine your position with your suppliers. Figure 1: Framework for Supplier Analysis.

B U S I N E S S I M P A C T ↑	**Leverage**	**Critical/Strategic**
	High-expenditure Alternate products/services Goods and services are readily available	Strategic to profitability and operations Few qualified sources Large expenditures Complex specification
	Routine/Transactional	**Bottleneck/Specialty**
	Many existing alternate products and services Many sources Low value Small individual transaction	Unique specifications Few alternate products avail. Few qualified sources of supply

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THE MARKETPLACE COMPLEXITY

Your Supplier Enablement plan becomes clearer after you systematically align the organization's mission, resources, and processes with the trading partners you need to involve. Getting suppliers connected electronically with buyers through flexible solutions is only part of the challenge. Understand that suppliers come in various sizes and level of complexity, and represent a unique position in your supplier base. This presents an interesting hurdle in the path to your e-Commerce success. You need to have an understanding of your commodity spends and supplier capabilities, and then supplier prioritization evolves into supplier adoption.

Remember companies that use e-Procurement to squeeze their critical/strategic suppliers will live to regret it.

Roadmap for Supplier Enablement. Once the process, business strategy and supplier prioritization are understood, then the recruitment process begins.
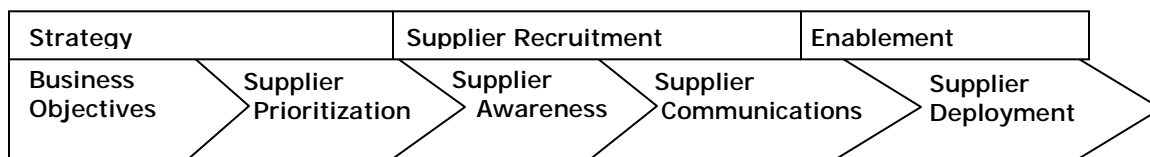
Build your recruitment approach from the supplier's perspective. Suppliers look at the e-Commerce landscape as it relates to their own business ecosystem and their ongoing efforts to drive maximum revenues and benefits. All suppliers have different types of customers that will be served through some combination of traditional and electronic methods. Additional issues that the suppliers face when moving towards e-enabled selling need to be understood by the purchasing practitioners. They see these as "real-world" barriers:

➢ Commoditization
➢ Cannibalize sales
➢ Differentiating themselves from competitors
➢ Lack of brand identification
➢ Margin erosion
➢ Meeting trading partner demands (e.g. Multiple formats)
➢ Leveraging their existing site to accommodate buyer needs
➢ Catalog and Content Management decisions
➢ Technology Investments and changes
➢ Business decisions, process and organizational changes
➢ Limited resources
➢ Internal change management

Sound evaluation and communication of the value proposition to the supplier establishes a solid business case, which is a vital part of ensuring the commitment of your trading partners.

Communication is the most overlooked aspect of Supplier Enablement. Make sure to interview certain suppliers up-front to understand their situation and their own enablement plans. Next, kick off your Supplier Enablement efforts with a series of meetings, conference calls, and web seminars; and hold these events throughout the initiative.

Figure 2: Supplier Enablement Work Flow Process

Strategy		Supplier Recruitment		Enablement
Business Objectives	Supplier Prioritization	Supplier Awareness	Supplier Communications	Supplier Deployment

Once the suppliers are committed, they need to be involved in the process. If necessary, provide your suppliers with the support and tools to reduce or eliminate the barriers to participation. Taken in the proper spirit, the buyer and supplier can use this as an opportunity to build solid and lasting relationships.

Finally, while enablement is an ongoing process, buying organizations should celebrate with suppliers the achievement of certain goals and consider setting up a recognition program for suppliers who are enabled.

The Return on Investment. The "top down" approach to calculating savings is delivered in practice by the "bottom-up" volume of successful, automated transactions through the system.

This requires that items users want to buy are available on the system with a wide range participation of your supplier base.

Figure 3: Return on Investment

Return on Investment		
Rationalized Supply Base	Process Efficiencies	Greater Contract Compliance
Transactions and Spend = Liquidity		
Prioritized Suppliers		
Number of Suppliers Enabled onto the System		

Successful e-Procurement programs depend upon large number of users, buying what they want from approved suppliers and at the correct contract price. This is true regardless of the underlying business rationale for the implementation, be that rationalization of the supply base, reduction or elimination of off-contract spend ("maverick-buying"), purchasing process efficiencies or even simply the communication of preferred supplier relationships. The key to your ROI is enabling the correct number of suppliers that reflects you company's entire universe of suppliers, rather than just those that are ready for enablement.

Conclusion. Unlike any other issues encountered in the implementation of e-Procurement, Supplier Enablement is a fundamental challenge for successful implementation. Every supplier will be different, will require different approaches and will have different issues to resolve. Despite the challenges, the companies that don't reach out to their supplier base, work together to overcome the issues, will be missing the opportunity to establish closer working relationship and leverage the benefits to both the buyer and seller.

It takes an effort to convince the selling community that e-Procurement is not just another electronic data interchange (EDI). They need to understand the benefits from their perspective, since many suppliers have taken a "once-bitten, twice-shy" attitude. Rather than pushing your suppliers into e-Procurement, you present the value proposition and work to involve them in the initiative. The buyer can strategically plan, enhance, expand and maintain a reciprocal relationship that is guaranteed to pay dividends.

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