

ISM, Value X4

November 11, 2002

The Next Step in E-
Procurement:
Make It Part of
Your Strategy



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Welcome

- Doculabs is a Research and Consulting firm.
 - Services that provide the connection between current business pains and future business success
 - Applied across a variety of emerging technologies
 - Knowledge of technology applications to vertical markets

Agenda

- Introduction
- Procurement Shift
- “We Have The Technology...”
- Conclusions/Recommendations
- What would you like to learn about this afternoon?

Audience survey

- By a show of hands: What are you interested in?
 1. Preparing for an implementation
 2. Learning about vendor differentiators
 3. Making the most of technology already in house

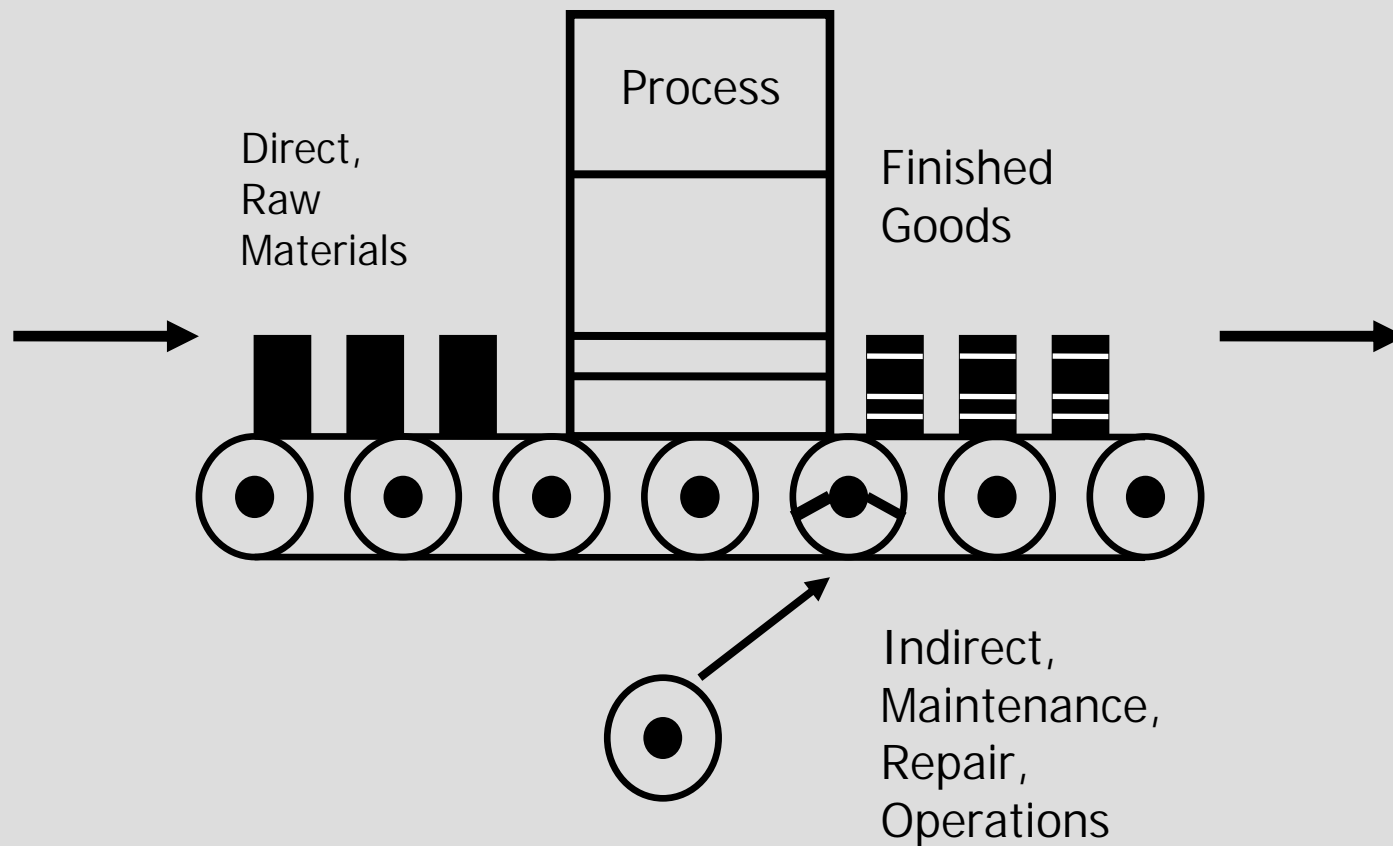
Definitions

- Procurement – process of acquiring resources and inputs
- eProcurement- solutions for automating purchasing process and providing enterprise control over spending
- Sourcing – strategy for coordinating search and optimizing selection of suppliers and products
- Supplier Relationship management (SRM)- business practice for managing interactions with suppliers

Traditional Procurement Segmentation

Direct Materials	<ul style="list-style-type: none"> ▪ Customized materials ▪ Specific build to order components 	<ul style="list-style-type: none"> ▪ Commodities ▪ Excess capacity ▪ Surplus finished goods
	<ul style="list-style-type: none"> ▪ Office supplies ▪ Human resources ▪ Business services 	<ul style="list-style-type: none"> ▪ Industrial MRO (capital equipment) ▪ Real estate ▪ Excess capacity
	Contract Procurement	Spot Procurement

Direct versus Indirect

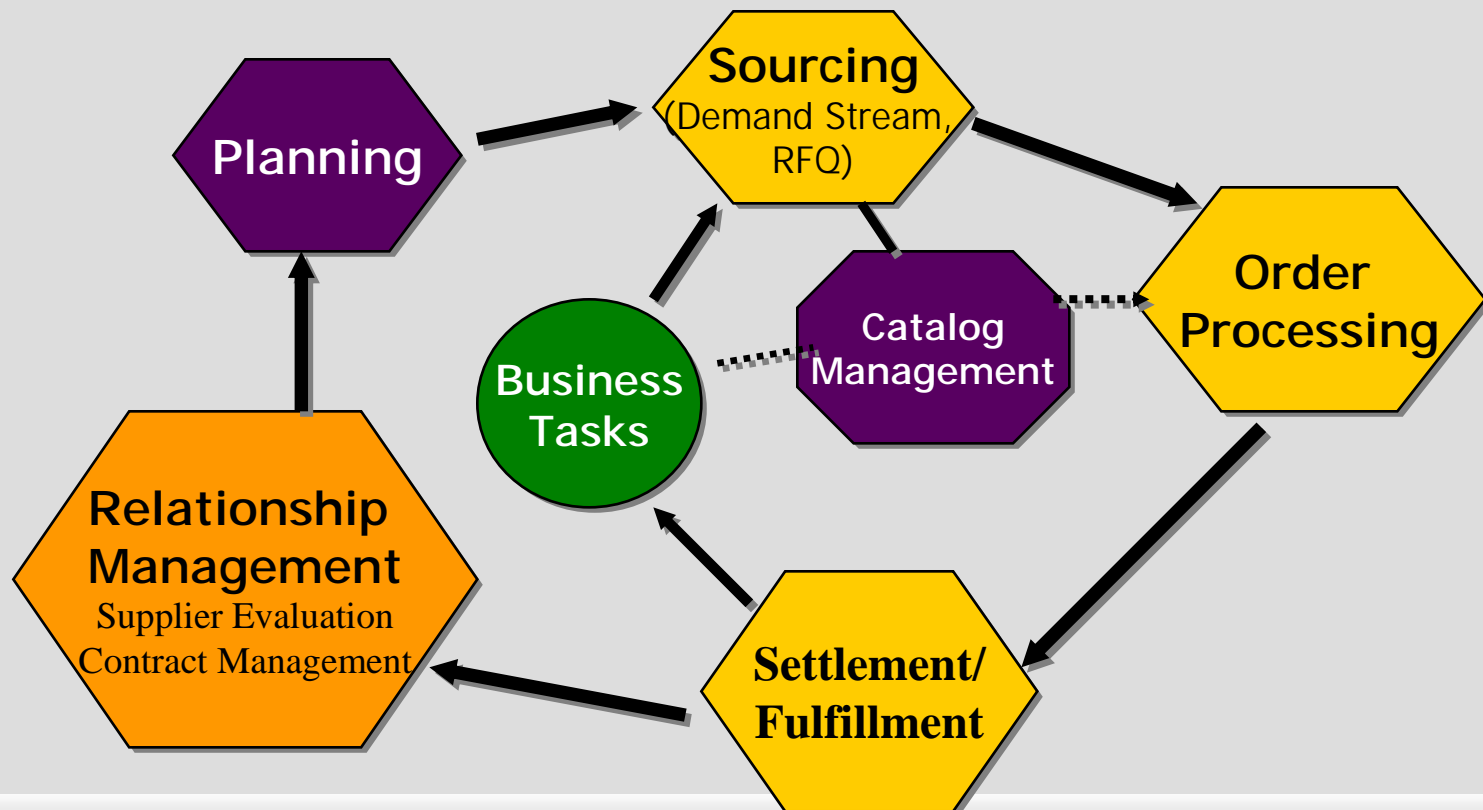


What has changed?

- Shift from tactical to strategic
 - Benefits to users
 - Applied software
 - Depth and breadth of optimization
 - Technology

Relationship of procurement to processes

Common Transaction Flow



Simplified View

Strategic Purchases	<ul style="list-style-type: none"> ▪ Build to order components ▪ Commodities ▪ Custom Materials ▪ Industrial MRO (capital equipment) ▪ Excess capacity 	<ul style="list-style-type: none"> ▪ Commodities ▪ Industrial MRO (capital equipment) ▪ Excess capacity
Non-strategic purchases	<ul style="list-style-type: none"> ▪ Office supplies ▪ Human resources ▪ Business services 	<ul style="list-style-type: none"> ▪ Surplus finished goods ▪ Real estate ▪ Excess capacity ▪ Business services
	Planned	Exception

Source: HBR

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Procurement Shift

Shift in benefits

- Historical
 - indirect materials
 - control and departmental automation
 - simplification
 - finding new suppliers
- Current and Future
 - Direct materials
 - Global control and contract compliance
 - Automated and line of business enabled
 - Optimized supplier relationships

Shift in user requirements

- More real time control of purchasing decisions
- Evolution from spot to recurring purchasing
- Purchasing increasingly embedded in business processes
- Emphasis on managing supplier relationships
- Planning by exception
- Interest in collaboration

Shift in application

- Historical
 - Indirect materials
 - Event purchases
 - Event collaboration

- Current and future
 - Direct materials
 - Long term, contracted relationships

Shift in application

- Historical
 - Transaction optimization
 - Aggregation
 - Routing and approvals

- Current and future
 - Relationship optimization
 - Macro reporting
 - Extensive business process management

The shift

- Supplier finding
- Event purchasing
- Price reduction
- Departmental automation
- Indirect materials
- Reporting
- Control spending



- Optimizing supplier relationships
- Contract purchasing
- Cost reduction
- Organizational automation
- Managing by exception
- All materials
- Global reporting
- Optimizing spending

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“We Have The
Technology...”

Technology responses

- Historical
 - Shopping carts and catalogs
 - Sourcing event tools
 - Transaction routing and approval
 - Limits and controls
- Current and future
 - Contract management and compliance
 - Global reporting
 - Far reaching value propositions to neighboring applications
 - Deeper integration and process controls

Technology responses

- Integrated solution strategies: eliminate tradeoffs
- Accommodate recurring transactions: links to contract management and sourcing
- Support for real-time decisioning
- Sourcing- services orientation and vertical expertise
- Next generation sourcing- integration of sourcing, contract, and order management
- Unified administrative capabilities
- Much grander view of workflow

Enterprise Procurement Space

Procurement Vendors

- ◆ Ariba
- ◆ Broadvision
- ◆ Clarus
- ◆ Commerce One
- ◆ I2
- ◆ iPlanet
- ◆ Lawson
- ◆ Manugistics
- ◆ MRO Software
- ◆ Oracle
- ◆ PeopleSoft
- ◆ Peregrine
- ◆ PurchasePro
- ◆ SAP

Sourcing Vendors

- ◆ FreeMarkets
- ◆ Frictionless
- ◆ Indus
- ◆ JD Edwards
- ◆ Procuri
- ◆ Moai
- ◆ Perfect Commerce

Key Differentiators

- Macro visibility into spending activity
 - Real-time analytics
 - Reference to contract, off catalog data
- Supplier Enablement
 - Self-service supplier management (admin, workflow)
 - Supplier content tools
- Linking procurement to key processes
 - Lights out procurement- rules based triggers
 - Touch point integration to key business processes

Key Differentiators

- Relationship management
 - Contract management
 - Supplier scorecard
 - Collaboration features
- Catalog
 - Complex associations between products, services, processes
 - Access to external data: service, maintenance, manufacturing
- Administrative tools
 - Sophisticated hierarchy
 - Portal interface
- Order Management
 - Multiple order models
 - Settlement

Solution Highlights: Traditional procurement vendors

- Focus on enterprise spend management- Ariba.
 - Key features- contract management, advanced hierarchies, supplier network and enablement, advanced workflow, integrated sourcing.
- Compelling mid-market offerings: Clarus, PurchasePro (Perfect Commerce).
 - Clarus: integrated robust sourcing, settlement, and procurement, ease of access and deployment, development of SRM features.
 - PurchasePro: Demonstrated savings through sourcing events, spending controls in accessible hosted environment
- Advanced collaborative sourcing- Commerce One
 - Sourcing tools, advanced user hierarchies, development of web service platform/portal delivery model for shared applications

Solution Highlights: Direct Materials

- Strategic optimization of purchasing and supplier management- i2 and Manugistics.
 - I2 SRM- integrated modules include contract management, content services, link to planning apps; advanced workflow and admin tools;
 - Manugistics- advanced pricing and planning, incorporation of contract management
- Link between procurement and processes
 - MRO Software- lights out procurement
 - Peregrine- life cycle management of assets

Solution Highlights

- Sourcing specialists- vertical market expertise
 - FreeMarkets, Material Net, Perfect Commerce
 - Continued demand for immediate returns
- ERP solutions- SAP and PeopleSoft
 - SAP: Advanced SRM capabilities, integrated sourcing and order management
 - PeopleSoft: Focus on spend management, augmented by advanced SRM features
- Asset management
 - Indus: EMPAC
- Vertical market offering
 - Lawson

Persistent Problems

- Data synchronization- data quality
- Data synchronization- integration/timing
- Building supplier critical mass
- Disconnect- purchasing from business processes
- Lack of visibility
- Return on investment- we're just not seeing it

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Conclusions/ Recommendations

Go Forward Strategy

- Plan
 - Business Goals
 - Business Processes
 - Supplier relations
- Select
 - Empower individuals
 - Incorporate business rules
 - Address exceptions
 - Accommodate multiple models- buying scenarios
- Optimize
 - Deployment options
 - ◆ Hosted model
 - ◆ Staged deployment
 - ◆ Modular approach- bite sized implementation
 - Concentrate on return on investment

Go Forward Tactics

- Get data ready
- Utilize extended functionality
- Articulate ROI based deployment model
- Support suppliers
- Plan for contingencies
- Catalog preparedness
- Deployment models

Go Forward Tactics

- Data to get ready:
 - Catalog Information. Must set standards and consider how to differentiate vendors and support collaboration
 - Approval routines. Must consider who needs to be involved in manual processes and be willing to set standards for automated approvals
 - Supplier content rules. Considering the importance of supplier adoption, it is important to set rules of collaboration
 - Reporting goals. In order to support visibility, ROI, or KPIs consider desired information outputs

Questions & Answers

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Thank You

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