

Challenges of e-procurement go beyond technology

While e-Procurement is delivering measurable benefits to businesses around the world, its adoption is being hampered by several factors which have little to do with technology and more to do with people.

That's according to Pieter Bouwer, a Senior Account Manager at leading e-Procurement company, MWEB CommerceZone, whose platform has handled transactions valued at well over R25 Billion over the past 6 years.

"CommerceZone's experience of the e-Procurement market in South Africa closely resembles that reported in the latest Aberdeen Group e-Procurement Benchmark Report*," he says.

For example, the main business drivers for the implementation of e-Procurement systems as reported by Aberdeen are – in order of importance – a reduction in transactions costs; automation of procurement processes; centralisation of procurement processes; improved spend visibility; and a reduction in maverick (off-contact) spend.

Aberdeen found that respondents had achieved notable success in all areas. They had increased their spend under management by 36%; reduced their requisition-to-order cycles by 75%; reduced their requisition-to-order costs by 48%; and reduced their maverick spend by 36%.

"These drivers are the same as those underpinning the adoption of e-Procurement in South Africa – with one important addition: the Preferential Procurement element of Broad-Based Black Economic Empowerment (BBBEE) Scorecard. Indeed, once the Codes of Good Practice for BBBEE have been promulgated, it will have the most significant impact on e-Procurement adoption to date," Bouwer adds.

However, he warns that businesses moving to implement e-Procurement in order to experience its benefits, face serious challenges.

"The most significant of these is reluctance by users to adopt the system. And this goes beyond the fact that individual end users and entire business units will naturally resist any change in business processes that takes away buying power and buying Flexibility," he says.

"CommerceZone has found that over the past few years, user adoption has increased at essentially the same pace as the increase in number of suppliers that are available on the system. With more products and suppliers on the e-procurement system, users have less reason to try to circumvent it."

Yet, supplier choice apart, there are several other factors that continue to hold back user adoption.

These include:

- inadequate representation of spending categories within the system – if individuals are expected to use the system, they will want to use the system for everything, not just a few items; and

- inconsistent purchase requirements, procedures – individuals expect to be able to use the system in the same way for every purchase;

“It’s clear that user adoption goes hand in glove with supplier enablement,” Bouwer continues.

In the early days of e-Procurement, buying enterprises and solution providers underestimated the time, effort, and resources required to enable suppliers to transact business electronically. Today, leading enterprises typically use a combination of supplier-enablement approaches.

“Although tremendous progress has been made in supplier enablement, all involved parties – end users, suppliers, and solution providers – must continue to work to make enablement as simple and cost effective as possible. This is particularly important if e-Procurement is to deliver on its BBBEE,” he concludes.

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Notes to Editor:

Aberdeen Group published The E-Procurement Benchmark Report (“E-Procurement 2.0”) in August 2006. The report is based on research conducted by Aberdeen Group between July and August 2006, involving nearly 170 enterprises across multiple industries and geographies, with 69% based in North America; 22% in Europe; 6% in Asia Pacific; 2% in Latin and South America; and 1% in Middle East and Africa. Respondents were quizzed about their e-Procurement strategies, experiences and intentions.

About MWEB CommerceZone:

MWEB CommerceZone, a wholly-owned subsidiary of M-Web Holdings, is South Africa’s leading provider of hosted e-procurement solutions and services. The company specialises in the provision of business-to-business (B2B) e-procurement solutions and services that enable customers to realise measurable and sustainable business benefits associated with the management and control of procurement processes. These benefits are based on the strategic sourcing of indirect goods and services and include ensuring that a greater percentage of customers’ spend is able to be directed to bona fide black empowered organisations.

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