



Aberdeen *Group*

## Best Practices in E-Procurement

---

*Reducing Costs and Increasing Value through Online Buying*

December 2005

— Sponsored by —



## Executive Summary

---

### Issue at Hand

Since the Internet arrived on the scene as a supply management tool in the mid-1990s, enterprises have tried to gain the benefits e-procurement can deliver: cost reduction, process streamlining, improved contract compliance, increased spend under management, and more. However, many challenges stood in the way, and only in recent years have leading enterprises have taken full advantage of the value of e-procurement.

Today, leading enterprises are enjoying e-procurement's benefits and expanding their e-procurement systems. As a higher percentage of enterprise spend and more spend categories flow through e-procurement systems, greater cost savings and other benefits are realized. E-procurement technology and other advanced technologies essentially are freeing procurement professionals to become true supply managers at these enterprises, and the role of procurement is shifting from reducing costs to creating supply value for the company.

### Key Business Value Findings

Thankfully, the hype over e-procurement is long gone, but its value impact, when applied intelligently, is indisputable. Through effective deployment of e-procurement technology, enterprises can:

- Reduce transaction costs
- Improve process efficiency
- Reduce or eliminate “maverick” buying
- Increase contract compliance
- Reduce cycle times
- Save inventory costs

Perhaps most important, e-procurement can shift transaction processing to the end users who actually use the purchased goods or services, freeing up supply management personnel for strategic value-creation work.

To identify and understand the key tactics and strategies required for e-procurement success, Aberdeen conducted research that closely examined e-procurement implementations at 25 companies. Our research revealed that enterprises benefiting the most from their e-procurement implementations display common traits and practices:

- Procurement leaders actively solicit support and required investment from top management.
- Cross-functional teams examine and reengineer business processes before implementing e-procurement technologies. Only then are these processes automated using e-procurement solutions.



- Supply managers and other internal stakeholders drive user adoption and system compliance through significant change management efforts and ongoing education of end users. At some leading enterprises, supply executives become highly active internal marketers of e-procurement systems.
- Suppliers are involved early in e-procurement initiatives and play an active role in process refinement and change management efforts.
- Suppliers are enabled for e-procurement technology using a combination of supplier enablement approaches. Supplier enablement has held back widespread use of e-procurement technology for years, but leading enterprises have overcome the supplier enablement challenge.

### Recommendations for Action

Best-in-class e-procurement performers have long-term, well-thought-out strategies for e-procurement implementation. This research identified key strategies used by companies that have achieved Best Practice status in e-procurement:

- Solicit top management support to help drive system compliance and ensure sufficient funding and resources are made available.
- Focus on ease of use to improve end users' acceptance of the system.
- Don't underestimate change management. Insufficient focus on change management has held back acceptance of many e-procurement systems.
- Make sure processes are efficient before applying automated solutions.
- Clearly define and reinforce metrics for measuring costs, process efficiency, and performance of e-procurement technologies and processes. Where possible, link incentives for both procurement and business units to these metrics.

### Best Practice Companies

Table 1 lists in alphabetical order the enterprises we recognized as demonstrating Best Practices in e-procurement and the supporting solutions they used to achieve results.

Case studies of each enterprise's experience, including business challenges, strategies, results, lessons learned, and future outlooks are provided in detail in Chapter Four of this report.

**Table 1: Best Practices Winners and Their Solution Providers**

Enterprise Winners	Solution Providers Used
GlaxoSmithKline	SciQuest
Hewlett-Packard	Ariba
Novo Nordisk	IBX
Rolls-Royce	Exostar
RTI International	ePlus inc.

<b>Enterprise Winners</b>	<b>Solution Providers Used</b>
<b>The Scottish Executive</b>	Elcom; Cap Gemini
<b>Servicemaster</b>	Ketera
<b>Skanska AB</b>	IBX
<b>Toys R Us</b>	Oracle
<b>University of Pennsylvania</b>	Oracle; SciQuest

Source: AberdeenGroup, December 2005

## Table of Contents

Executive Summary .....	i
Issue at Hand .....	i
Key Business Value Findings.....	i
Recommendations for Action .....	ii
Best Practice Companies .....	ii
<i>Chapter One: Issues at Hand</i> .....	4
What's Behind the Resurgence? .....	4
<i>Chapter Two: Key Business Value Findings</i> .....	6
E-Procurement Really Works.....	6
Cost Reduction .....	6
Higher Productivity.....	6
Increased Spend Under Management .....	6
What it Takes to be an e-Procurement Leader.....	7
Challenges to e-Procurement Implementation.....	7
<i>Chapter Three: Recommendations for Action</i> .....	9
<i>Chapter Four: Best Practice Case Studies</i> .....	10
GlaxoSmithKline Opts for 'Independent' Solution .....	11
Hewlett-Packard: e-Procurement Handles Nearly All of Indirect Spend.....	14
Novo Nordisk Saves Millions While Streamlining Processes .....	17
Rolls-Royce Uses e-Procurement to Transform Procurement .....	19
RTI International Shifts Purchasing to Value Creation .....	22
E-Procurement Helps Scotland Achieve 'Efficient Government' .....	25
ServiceMaster Invests in the Procurement Function.....	29
Skanska AB: e-Procurement is All About Change Management .....	31
Toys R Us Cuts Costs, Improves Processes, Reduces Cycle Time.....	34
University of Pennsylvania: Purchasing 'Sells' E-Procurement to End Users .....	38
Featured Sponsors.....	40
Sponsor Directory .....	42
<i>Appendix A: Research Methodology</i> .....	43



## Table of Contents

<i>Appendix B: Related Aberdeen Research &amp; Tools</i> .....	44
About <i>AberdeenGroup</i> .....	45

## Tables

Table 1: Best Practices Winners and Their Solution Providers.....	ii
Table 2: Supplier Enablement Approaches.....	8
Table 3: Summary of Processes Carried out by the Solution .....	30



## Chapter One: Issues at Hand

### Key Takeaways

- E-procurement can deliver major cost reduction and process efficiencies.
- Enterprises are moving toward increased spend compliance and increased spend under management of procurement; e-procurement can help achieve both goals.
- Best practice implementations in e-procurement are greatly reducing costs, increasing spend volumes managed by their e-procurement systems, adding new spend categories to be managed by their e-procurement systems, and examining other ways to reap more value from their e-procurement systems.

**E**-procurement developed a well-deserved bad reputation a few years ago when the dot.com bubble burst. The combination of zealous solution providers and eager-to-automate end users produced a backlash response to all the hype about e-procurement's value, value that was largely unfulfilled during the first "wave" of e-procurement deployment. For a time, this backlash obscured a very important fact: Properly deployed, e-procurement can deliver tremendous value to enterprises, and in various ways. But proper deployment requires up-front detailed planning and a lot of time and effort, not only by procurement groups but by executive management, other internal stakeholders, suppliers, and solution providers.

Today, the backlash against e-procurement is gone. Leading enterprises have learned a lot of lessons from their early e-procurement deployments, and best-in-class performers have intelligently expanded their e-procurement implementations and are gaining benefits that create a competitive edge in the marketplace.

### What's Behind the Resurgence?

Several major forces have combined to place e-procurement back on the front-burner of enterprises' supply management strategies:

- Continued and growing **cost pressures**. Outsourcing, consumerization of markets, globalization—these forces have combined to exert continuous price pressures on product manufacturers. E-procurement is a proven way to reduce costs, often dramatically.
- **Compliance issues**. E-procurement drives compliance with negotiated contracts, reducing or preventing the "leakage" of negotiated pricing. And better spend visibility is allowing enterprises to more easily comply with new legislation, such as the Sarbanes-Oxley Act.
- Advances in **supplier enablement**. Supplier enablement has been a major stumbling block for e-procurement success. End users have made great progress in their approaches to supplier enablement, essentially pushing enablement and content management to third parties.
- Increased **functionality** from e-procurement solution providers. E-procurement functionality and usability have advanced; most solutions now include core requisitioning, approval routing and workflow, and basic integration and reporting capabilities. Solutions providers also have extended their process footprint and category-specific functions. Implementation and maintenance also have improved.
- **Supplier networks** and **catalog hubs** have expanded, reducing the burdens of supplier enablement.





- New **pricing models**. Specifically, the emergence of the “on-demand” model has made e-procurement much more affordable for mid-market and small enterprises.

All of these advances have helped move e-procurement along the maturity curve, making it easier and less expensive for enterprises to implement e-procurement technologies and gain the many potential benefits. Enterprises that have not deployed e-procurement, especially mid-market and small firms, now have the opportunity to take advantage of e-procurement technology without suffering much of the pain of the e-procurement “pioneers” who had to learn from past mistakes and, in some cases, wasted investment.

Enterprises that employ best practices generally have years of experience with e-procurement and have learned from past mistakes. These enterprises also have worked closely with e-procurement solutions providers, sometimes for many years, to refine solution functionality and system usability. The experiences of these best practices stand as examples for enterprises that want to implement e-procurement or expand existing systems.



## Chapter Two: Key Business Value Findings

### Key Takeaways

- Enterprises in the best practice category in e-procurement are expanding their systems to include more spend volume and additional spend categories.
- Leaders in e-procurement place major focus on driving system acceptance and conducting ongoing change management.
- Leaders in e-procurement have shifted supplier enablement to supplier networks and catalog hubs, outsourcing content management to solution providers and/or suppliers. But leading e-procurement enterprises typically use a combination of supplier enablement approaches.

Successful e-procurement implementation hinges on a combination of both internal and external factors. Past experiences of enterprises that have implemented e-procurement systems – including unsuccessful implementations – present opportunities for other enterprises to learn from successes and mistakes. Any enterprise that is considering an initial e-procurement system deployment or expansion of a system that’s already in place can avoid costs and speed success by studying examples of other implementations.

### E-Procurement Really Works

Participants in Aberdeen benchmark research conducted in 2004 showed that e-procurement produces cost reductions, higher productivity, and increased spend under management. Simply put, e-procurement is consistently delivering significant benefits to enterprises. Benchmark survey respondents reported improved compliance, reductions in off-contract (“maverick”) spending, reductions in requisition-to-order cycles and costs, and percentage of total enterprise spend under management of procurement.

The best practice examples in this report have all achieved these benefits. Several of them also reported a benefit they considered the most valuable: Use of an e-procurement system has freed supply management and other personnel to focus on creating value for the enterprise.

### Cost Reduction

E-procurement not only reduces the cost of transactions, it also improves process efficiency and can reduce administrative and other costs. Manual (phone and fax) communications are reduced or eliminated, as are paper invoices and their associated costs.

### Higher Productivity

Enterprises that implement e-procurement report that procurement, accounting, and other corporate functions are more productive now than with traditional buying methods. E-procurement systems provide a standardized approach to rolling out efficient processes to not only procurement but all departments involved in transaction processing and financial record-keeping.

### Increased Spend Under Management

One of the most compelling findings in the 2004 Aberdeen benchmark survey was the ability of e-procurement users to bring more spend under management of the procurement organization. Increasing spend under management helps ensure the enterprise achieves maximum spending lever-



age in supply negotiations; it also ensures that consistent and thorough market diligence, costing measures, and compliance methods are applied to each spend category. In contrast, that portion of enterprise spend that is managed outside the procurement group typically results in less negotiation leverage and sub-optimal market analysis, producing higher pricing levels and management costs. Aberdeen research shows that each new dollar of spend brought under management can yield 5% to 20% cost savings.

### What it Takes to be an e-Procurement Leader

The enterprises that Aberdeen's research team chose as best practices in e-procurement for this report arrived at their advanced levels by different routes, but they also share many similarities in how they implemented e-procurement technology. Aberdeen's research reveals that the keys to success of e-procurement include:

- **Early process reengineering.** Best performing enterprises examined and “fixed” business processes *before* applying automated solutions. Slapping an e-procurement solution on an inefficient process will not fix that process.
- **Strong focus on user adoption.** End users will resist change, especially a change that may remove some of their buying power and prevent them from doing business with their “pet” suppliers (which usually are not best-performing or lowest-price suppliers).
- **Involvement of all affected stakeholders in system implementation.** Getting input from all internal groups and all affected suppliers typically speeds system acceptance and minimizes implementation problems.

### Challenges to e-Procurement Implementation

Though much progress has been made, significant challenges to successful e-procurement implementation remain. Specifically:

- **Supplier enablement.** 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. Leading enterprises typically use a combination of supplier-enablement approaches. Various approaches with their benefits and trade-offs are reviewed in Table 2. Though tremendous progress has been made in supplier enablement, all involved parties – end users, suppliers, and solution providers – continue to work to make enablement as simple and cost effective as possible.
- **User adoption.** Individual end users and entire business units will naturally resist any change in business processes that takes away buying power and buying flexibility. Over the past few years, user adoption has increased at essentially the same pace as the increase in suppliers enabled. With more products and suppliers on the e-procurement system, users have less reason to try to circumvent the system. Still, end users report that several factors continue to hold back user adoption, including inadequate representation of spending categories within the system, inconsistent purchase requirements, procedures, and supply bases by site or region, and a lack of executive mandates or policies to drive adoption and system compliance. Best Practice enterprises have worked on user adoption for years, and many supply executives at these enterprises have become leading “sellers” of the e-procurement system to end users.
- **Budget and policy support.** In Aberdeen's e-procurement benchmark research late last year, more than half of research respondents reported that securing budget/policy support



for their e-procurement initiative was a challenge that delayed or muted the benefits of e-procurement. In contrast, the Best Practice enterprises depicted in this report received top management support and a level of investment needed to gain cost savings, process efficiencies, and the other benefits of e-procurement. However, even supply executives at Best Practice enterprises would like to see more investment and support of their e-procurement systems.

**Table 2: Supplier Enablement Approaches**

	Description	Advantages	Trade-offs
<b>Buyer-managed</b>	Aggregated catalogs of suppliers.	Buying organization has control	Burdensome to buying organization, which incurs costs; limited supplier population
<b>Supplier-managed</b>	Buyers access product information by “punch-out” to supplier’s site	Leverages industry-standard XML schemas to provide maximum control over product data	Buying organization loses some control Usability of product information can be limited
<b>Supplier networks</b>	Buyers pay subscription fee for access to customized version of suppliers’ catalog	Single point of integration for product and transaction content management	Not all suppliers in the network will be relevant to all buying organizations
<b>Alternative</b>	Supplier portals Smart Forms	Can be best approach for relatively complicated, non-catalog items	Do not provide the inherent benefits of machine-to-machine communication

## Chapter Three: Recommendations for Action

### Key Takeaways

- Enact policy changes and organizational changes to drive adoption of e-procurement.
- Use supplier networks and supplier-managed catalog hubs for the majority of supplier enablement.
- Define and reinforce metrics for measuring e-procurement, and internally communicate system adoption and success.
- When possible, link incentives to e-procurement performance for both supply management teams and individual business units.

**B**est-in-class e-procurement performers have long-term, well-thought-out strategies for e-procurement implementation. Many such systems have been implemented in phases, with each new phase building off the successes – and lesson learned – of prior phases.

However, all examples of Best Practices in e-Procurement have many things in common. This research identified key strategies used by companies that have achieved Best Practice status in e-procurement:

- Solicit top management support to help drive system compliance and ensure sufficient funding and resources are made available.
- Focus on ease of use to improve end users' acceptance of the system.
- Don't underestimate change management. Insufficient focus on change management has held back acceptance of many e-procurement systems.
- Make sure processes are efficient before applying automated solutions.
- Clearly define and reinforce metrics for measuring costs, process efficiency, and performance of e-procurement technologies and processes. Where possible, link incentives for both procurement and business units to these metrics.



## Chapter Four: Best Practice Case Studies

---

### Key Takeaways

Ten enterprises are recognized for demonstrating best practices in e-procurement:

- GlaxoSmithKline
- Hewlett-Packard
- Novo Nordisk
- Rolls-Royce
- RTI International
- The Scottish Executive
- Servicemaster
- Skanska AB
- Toys R Us
- University of Pennsylvania

**A**berdeen reviewed in-depth 25 leading e-procurement deployments and identified 10 companies with highly successful initiatives.

Case studies of these successful best practice enterprises follow in this chapter.

## GlaxoSmithKline Opts for ‘Independent’ Solution

### Business Challenge

GlaxoSmithKline (GSK) is a research-based pharmaceutical company with 100,000 employees worldwide. The company operates 80 manufacturing sites in 37 countries and 24 research and development centers globally. Annual revenues total \$37.2 billion, and annual corporate spend exceeds \$13 billion.

Research scientists spend millions each year on lab supplies. Prior to implementing e-procurement, GSK scientists relied on paper catalog and phone communication to order the supplies they needed. Not only did these processes waste valuable time scientists could otherwise devote to research, the archaic buying process created situations in which GSK was not getting the benefit of negotiated deals with suppliers. GSK needed a way to make the most of their global sourcing group management process.

### E-Procurement Strategy

GSK recognized the need to improve its buying processes and systems, and provide researchers with high-quality and accurate content to purchase lab supplies.

A cross-functional team was formed consisting of representatives from procurement, finance, research & development, and information technology to review available tools and recommended a solution.

GSK realized that gaining significant cost savings from an e-procurement tool required the delivery of accurate and up-to-date content to end users. The GSK team evaluated a number of e-procurement tools that would provide a large amount of lab supply content to researchers.

“We looked at three major strategies for lab supplies,” says Chris Kiernan, director, e-procurement. “We could choose a specific lab supplier’s tool, we could go with an internal solution in which GSK would handle all content within the system or develop a number of punch-outs to suppliers’ catalogs, or we could choose a ‘neutral’ solution provider that would manage the content.”

### Solution Selection and Deployment

The GSK team opted for the third option and selected SciQuest’s Spend Director solution.

The primary factor in the selection of SciQuest was that the solution was lab supplier neutral. SciQuest presented an application that wasn’t tied to a particular supplier. Other solutions were offered by laboratory equipment suppliers, but procurement professionals at GSK believed that

Best Practices in e-Procurement

#### Company Name

GlaxoSmithKline

#### Solution Provider

SciQuest; Ariba

#### Business Challenge

Research scientists were ordering lab supplies and other goods via archaic, paper-based processes and telephone communications with suppliers, which wasted valuable research time and prevented GSK from purchasing at the best negotiated contract price.

#### Strategy

Implement an e-procurement tool to drive savings while ensuring users will be provided accurate and up-to-date product content.

#### Value Achieved

Significant savings due to reduced “middle-man” costs, increase in contract compliance, and reduced cycle time due to more efficient purchasing processes.



choosing a supplier's solution was not the way to go. "The SciQuest solution had excellent functionality and allowed us to include content from any lab supply company," says Kiernan.

GSK implemented its e-procurement solution as a pilot in 2001. Time from pilot stage to implementation was about eight months. The application was rolled out to U.S. and U.K. business units in 2002 and 2003. The e-procurement system, called "eSP," includes requisition creation, approval, distribution and receipt-creation functionality. More than 3,500 buyers use the system each month.

Currently, GSK has about 200 U.S. suppliers enabled on the company's U.S. and U.K. e-procurement platform. Of that, 160 suppliers are enabled through the Spend Director solution. The GSK site in Italy is currently piloting the Spend Director application and has enabled 30 suppliers through the tool. The Spend Director solution is externally hosted by SciQuest, and the SciQuest tool is integrated with Ariba Buyer. For other category areas, GSK uses a mix of supplier enablement and content management approaches, including punch-out, aggregated solutions, and internally managed content.

Today, the e-procurement system manages about 50% of GSK's indirect spend. Spend categories covered by the e-procurement application include lab supplies and equipment; office supplies; maintenance, repair, and operating (MRO) supplies; computer hardware and software; print purchasing; facilities services; marketing research; capital goods and construction services; and training and instruction services.

## Results

Contract compliance has improved more than 20% overall. Just as importantly, the higher compliance rate has been sustained. In addition, implementing supplier content directly through SciQuest allowed GSK to halt the practice of using a wholesaler, saving more than \$500,000 a year.

The e-procurement system has also streamlined GSK's procurement process, allowing the company to capture more detailed spend information, enhancing spend analysis. Manual purchase orders have been eliminated, allowing GSK to reduce headcount or reassign resources.

## Lessons Learned

Kiernan believes the e-procurement implementation has taught GSK the following:

- Key to successful implementation is creating a strong support structure—help desks, system administration, IT support.
- You can't do enough change management. "And e-learning for a complex system is not effective," says Kiernan. "It's better to train face-to-face."
- Having high-quality and accurate catalog content is critical to end user compliance.

## Future Outlook

GSK plans to increase the percentage of total spend in the e-procurement application. Complex buying areas, such as marketing and clinical services, will be brought under the e-procurement umbrella. GSK also is looking to streamline the order and distribution process by ramping up use of the Ariba Supplier Network (ASN). At the same time, GSK is focused on increasing the amount of online content that users can access.

## Aberdeen Conclusions

GSK's e-procurement system has produced significant benefits, but they would have been limited had the company not taken the sound steps of choosing an "independent" solution provider and en-



uring catalog content would be accurate and managed well. GSK's success underscores the value of upfront planning and involving all affected stakeholders in the solution selection process.



## Hewlett-Packard: e-Procurement Handles Nearly All of Indirect Spend

### Business Challenge

Hewlett-Packard is a Fortune 11, global manufacturer of technology products, with annual sales of \$80 billion. HP is the largest information technology company in the world, and has 140,000 employees in more than 170 countries.

Annual spend is a staggering \$60 billion. Of this total, \$13 billion is spent on indirect materials, the rest on direct materials and services.

Purchasing at HP is addressing non-compliant spend, local sourcing and strategic procurement activity, strategic global sourcing, and other initiatives. In addition, the indirect procurement group is working across business units and geographies to drive down the total cost of ownership by attacking spend across such horizontal commodities as print supply chains, labor and software.

To achieve aggressive savings and spend reduction objectives, Indirect Procurement must be able to direct spend to preferred suppliers, enforce compliance to purchasing policy and have visibility to spend globally.

### E-Procurement Strategy

Larry Welch, VP Indirect Procurement for HP, notes that there have been several milestones in HP's e-procurement strategy.

HP selected Ariba Buyer as the company's procurement platform, way back in 1998, very early in the evolution of e-procurement solutions. HP saw Ariba as an early leader in spend management technology.

When HP merged with Compaq, the company took another look at available solutions and decided to stick with the Ariba platform because of its comprehensive functionality that supported HP's worldwide deployment, the fact that the Ariba platform already was integrated into other critical "go-forward" systems within HP, and because HP's platform was more highly developed than the technology platform that Compaq used.

### Solution Selection and Deployment

More recently, purchasing at HP had to evaluate possible solutions to deploy for its go-forward platform for strategic procurement. HP once again chose Ariba as its solution provider. HP purchasing sought global capabilities in its solution provider, a clear technology roadmap and vision, superior functionality, and the strong desire to partner with customers. Ariba met all these criteria, in

Best Practices in e-Procurement

#### Company Name

Hewlett Packard

#### Solution Providers

Ariba

#### Business Challenge

HP is focused on addressing non-compliant spend, local sourcing and strategic procurement activity, and global sourcing and procurement activity.

#### Strategy

HP has been a user of Ariba's spend management solutions for several years, and now is in the process of planning to deployment several additional Ariba strategic solutions.

#### Value Achieved

HP's single e-procurement platform provides the capability to achieve broad strategic objectives, including savings, compliance, risk management, spend visibility and reporting, and systems efficiencies.



addition to HP's desire for a speedy implementation, reasonable solution cost, extent of platform integration, and the presence of many existing installations. Currently deployed are Ariba Buyer, Ariba Category Procurement, and OB10 (for invoices). HP is in the process of planning deployment across all procurement functions (direct, indirect, services) of Ariba Analysis, Ariba Category Management, Ariba Sourcing, Ariba Contract Workbench, Ariba Compliance, and Ariba Supplier Performance Measurement. HP calls this initiative "Enterprise Strategic Procurement," and the HP procurement team expects this broad adoption of the Ariba's solution to provide numerous opportunities for cost savings and process efficiency improvements.

Ariba solutions are now deployed for indirect procurement in 46 countries where HP operates. Ariba Buyer is available to nearly all of HP's 140,000 employees. Approximately 10,000 users purchase through the system each month, and approximately 50,000 HP personnel have used the system since it was implemented. When the strategic procurement solution is implemented, there will be about 1,500 procurement professionals who use the system.

HP's indirect supply base is 45,000 suppliers, but 82% of HP's indirect spend is with 265 suppliers.

A staggering 95% of HP's annual indirect spend of \$13 billion flows through the Ariba e-procurement system. Various spend categories flow through the system, including software, outsourced IT services, IT consulting, R&D supplies, marketing materials, real estate and workplace services, and travel and meetings expenditures.

From 1999 through 2003, Ariba Buyer was deployed across HP's worldwide sites, including pre-merger Compaq sites. From 2003 through 2005, HP built out additional capabilities of the system. Full Ariba platform rollout and implementation will be done in 2006 and 2007.

## Results

HP has realized significant quantitative benefits:

- Through 2005, Indirect Procurement has achieved over \$1.8 billion total negotiated savings and spend reduction. These results are due to its total spend management strategy, including creation of strategic procurement capabilities, workforce expertise and implementation of a standardized e-procurement platform.
- Operation expense was reduced from 0.95% of total spend in 2002 to 0.75% in fiscal year 2005.
- Implementation onto a standardized platform has resulted in the retirement of over 100 legacy systems with estimated savings of \$7 million annually.
- Contract compliance has reached approximately 80%

HP also gained qualitative benefits from use of the system.

- The supply base was decreased significantly and more spend was directed to preferred suppliers.
- The spend management solution has enabled HP procurement professionals to address more corporate spend and focus more on strategic supply initiatives.

## Lessons Learned

- Executive-level support is crucial to e-procurement success. Active support from top management will drive system use and compliance with approved systems and processes.



- Adoption should be facilitated with strong focus on system ease-of-use.
- Seamless integration of the spend management system with the overall technology platform is a major undertaking, especially for a very large organization like HP. Creation of a long-term technology roadmap can be very valuable.
- A robust support/operations infrastructure is needed to ensure success.
- Users will naturally desire to customize spend management applications. HP recommends that a formal process and structure be created to evaluate customization proposals. Only essential customizations should be approved.

### **Future Outlook**

The Indirect Procurement group at HP will focus on standardizing the Ariba spend management platform across the full procurement process. The group will actively seek to use the integrated platform to implement more cost-effective processes to drive system compliance and maximize services.

### **Aberdeen Conclusions**

The HP-Ariba implementation is staggering in its scope and breadth. HP's approach to choosing a solution provider that could offer broad reach to various types of suppliers, in various global locations, has paid off for HP in a big way. HP took a long-term, strategic view of e-procurement, and has laid a strong foundation that is likely to produce major benefits as the company moves toward implementation of the full Ariba spend management platform.

## Novo Nordisk Saves Millions While Streamlining Processes

### Business Challenge

Novo Nordisk is a Danish pharmaceutical manufacturer that had revenues of \$4.6 billion in 2004. The company has 20,750 employees. Purchasing expenditures in 2003 totaled \$492 million.

Novo Nordisk wanted to reduce all costs related to indirect purchases, from item requisition through final payment to suppliers. Key issues to address were reducing maverick spending, a general failure to pay invoices on time (30% to 35% of invoices were not being paid on time), and process inefficiencies.

### E-Procurement Strategy

Novo Nordisk's e-procurement strategy has three main goals: Optimize contracts, increase spend under management, and enhance compliance.

The company established ambitious goals for procurement in 2005: a savings goal of \$31.7 million, creation of contracts that cover at least 80% of the company's total indirect spend, and a 20% reduction in maverick spending.

### Solution Selection and Deployment

Novo Nordisk selected SAP eProcurement and Business Warehouse solutions, along with the IBX Search Engine and IBX Supplier Network. In 2004, more than 2,500 Novo Nordisk employees used the e-procurement system and 72 catalog suppliers. In addition, more than 350 other suppliers were enabled through a third-party supplier network, punch-out, and internal hosting. Users now total more than 5,500.

The e-procurement system is handling about 15% of Novo Nordisk's total spend. More than 100 spend categories are purchased through the system. Novo Nordisk has seen the average number of monthly transactions increase steadily since the system was implemented in 2001, when the monthly average was 4,531 transactions. The following year, the monthly average rose to 13,401, then to 15,022 in 2003, and then rose to an average of 18,416 monthly transactions in 2004.

### Results

Novo Nordisk realized about \$20 million of savings in 2003 due to the e-procurement system. In addition, cost savings achieved through improved spend leverage and sourcing were 15% to 42%, depending on the spend category. Maverick buying dropped to 19% in Q42004 from 52% in Q42001.

#### Best Practices in e-Procurement

#### Company Name

Novo Nordisk

#### Solution Providers

IBX, SAP

#### Business Challenge

Novo Nordisk sought to reduce costs of indirect purchases and greatly reduce maverick spending.

#### Strategy

Optimize use of negotiated contracts, increase spend under management, and enhance compliance through the rollout of e-procurement.

#### Value Achieved

Millions of dollars in cost savings, reduction of maverick spending, improved contract compliance.



## Lessons Learned

- Top management support is critical to system success.
- It's important to limit procurement channels after the e-procurement system is implemented. Novo Nordisk closed all but four channels for employees once the system was up and running.
- Ensure system acceptance through consistent follow-up communications. Novo Nordisk implemented various internal communications mechanisms to drive system use.

## Future Outlook

Novo Nordisk is rolling the system out to European locations while preparing a business case for system rollout in North American and South America.

## Aberdeen Conclusions

Novo Nordisk's e-procurement system has seen continuous growth in use and savings since it was first implemented. As is the case with other e-procurement systems, success depended on management support, focused change management and ongoing efforts to drive system acceptance and use, both by limiting end user options and by ongoing internal communication efforts to educate end users on the system's value.

## Rolls-Royce Uses e-Procurement to Transform Procurement

### Business Challenge

Rolls-Royce is a leading producer of power systems for use on land, at sea, and in the air. Rolls-Royce operates in four global markets – civil aerospace, defense aerospace, marine, and energy. The company’s broad customer base includes 500 airlines, 4,000 corporate and utility aircraft and helicopter operators, 160 armed forces, and more than 2,000 marine customers, including the naval forces of 70 nations. Rolls-Royce currently has a total of 54,000 gas turbines in service.

The huge installed customer base generates strong demand for services. Key to the company’s business strategy is maximizing revenues from services, which have increased 60% over the past five years and makes up 55% of the company’s \$10.44 billion in annual sales.

Purchasing at Rolls-Royce was tasked with removing all non-value-added purchasing activities and reducing inventory levels. The company needed better visibility into its annual spend of around \$100 million for low-value, high-volume indirect goods and services. It also wanted to consolidate its supplier base, achieve better control of maverick spending, and improve efficiency by reducing the volume of paperwork associated with buying these goods.

Prior to 2003, the 120-strong Purchasing group at Rolls-Royce that bought low-value, high-volume indirect goods and services used a manual, paper-based purchasing process. The process was supported by an archaic, internally developed database, was labor-intensive, and prone to errors resulting from manual key entry. The department had essentially become a bottleneck for processing orders, which encouraged unauthorized buying throughout the organization and increases in inventory levels by internal business units to offset the complex ordering process. Spend information was difficult to collect and analyze, and internal customers had a poor perception of the process.

### E-Procurement Strategy

Rolls-Royce examined solutions that would help purchasing become more strategic in indirect spend. It decided to implement a decentralized industry standard, web-based catalog-ordering system that would allow end users to order commodities online instead of through the purchasing department.

<b>Best Practices in e-Procurement</b>	<b>Company Name</b>
	Rolls-Royce
	<b>Solution Providers</b>
	Exostar
	<b>Business Challenge</b>
	Disparate manual employee expense reimbursement processes among business units precluded close control and discount opportunities from preferred suppliers
<b>Strategy</b>	
Deploy web-based employee expense reconciliation tool integrated with its travel and purchasing card programs	
<b>Value Achieved</b>	
Saved more than \$1 million each year in supplier discounts and processing cost avoidance	



## Solution Selection and Deployment

The goal was to remove all non-value-added purchasing activities associated with low-value, high-volume buy. The e-procurement system helped achieve this goal by:

- Providing spend and supply information that enabled the supply base to be rationalized from in excess of 5,000 suppliers to less than 100;
- Developing strategic business relationships and close contract management of first-tier suppliers;
- Implementing an industry-standard consumables catalog order placement system that connected Rolls-Royce requisitioners with suppliers via the Internet;
- Reducing inventory stock value levels; and
- Using procurement cards for supplier payments, with accounting data fed directly into the company's ERP system.

The e-procurement system is deployed across the entire Rolls-Royce enterprise, and includes all processes from requisition to automated invoicing and payment. A total of 1,700 Rolls-Royce personnel use the system, and all suppliers (less than 100) of low-value, high-volume goods and services are enabled.

Exostar hosts the system for Rolls-Royce, in an On-Demand delivery model. Suppliers are enabled and catalog content is managed by Exostar via punch-out. Eighty-five percent of the low-value, high-volume indirect spend now goes through the system; this took only 90 days to implement.

## Results

The e-procurement implementation has produced a number of quantitative and qualitative benefits, including:

- Reduction in cost of goods of up to 20%;
- Reduction in inventory value levels from \$43.5 million to \$8.7 million;
- Reduction in errors due to the elimination of manual re-keying of buying data;
- Reduced cycle time, in some cases by up to 80%;
- Near-elimination of paper and fax processes.
- Improved relations with suppliers, who have benefited from reduced transaction costs and improved efficiency.

## Lessons Learned

Rolls-Royce learned some valuable lessons during implementation and use of the company's e-procurement system. Some of the more important lessons were:

- Change management is the single biggest challenge. People naturally resist change, so senior management buy-in and active support is needed to accelerate system adoption by end users. Also, ensuring that the e-procurement system is easy to use will speed acceptance and use.
- Examine and "fix" existing business processes before automating them. Ensure that process development efforts are accepted by all stakeholders. Selection and deployment of technol-





ogy will be easier if processes are well-defined and made as efficient as possible before automation efforts start.

- Breaking down local cultures is difficult but essential. Enterprise-wide e-procurement will likely result in the elimination of many suppliers that are “local favorites.”
- Engage suppliers, early and often. Selling the benefits of e-procurement to all entities in the supply chain is very important.
- Training and education of end users takes a lot of time and effort. Many enterprises underestimate the time needed to educate both internal users and suppliers.

## Future Outlook

The e-procurement system implementation has allowed Rolls-Royce to have more control over its spend, including pricing levels, through process discipline. By reducing waste and creating more efficient processes, the system has produced a true “lean” procurement process, which is central to Rolls-Royce’s overall business strategy.

## Aberdeen Conclusions

By focusing on a particular spend category – low-value, high-volume indirect goods and services – purchasing at Rolls-Royce has successfully reengineered an archaic process to one that has produced various savings and benefits, both internally and with suppliers. The Rolls-Royce example shows that e-procurement can produce major benefits relatively quickly, especially in indirect spend.



## RTI International Shifts Purchasing to Value Creation

### Business Challenge

RTI International is an independent, nonprofit organization that conducts research and development work in such areas as pharmaceuticals, advanced technologies, education and training, economic and social development, and the environment. Headquartered in Research Triangle Park, N.C., RTI has eight regional offices in the U.S., five international offices, and one international subsidiary. RTI clients include governments and other public service entities, industrial enterprises, and academic institutions.

RTI has more than 2,500 employees; annual spend is \$150 million.

RTI International wanted to move from a manual, paper-based purchasing process to an automated, online system. “Our goal was to shift purchasing toward creating strategic value through efficient contracting and sourcing, and away from tactical work such as placing orders,” says Jon Davis, director, office of purchasing at RTI International.

### E-Procurement Strategy

RTI International needed a flexible e-procurement system that required minimal user training and implementation time. “Speeding and simplifying the purchasing process was an important part of RTI’s strategy,” says Davis, “because this would enable employees to focus on issues that are strategic to RTI’s success.”

### Solution Selection and Deployment

RTI formed a cross-functional team to evaluate several e-procurement solutions. It selected the Procure+ solution from ePlus largely for its ease-of-use and functionality. Procure+ also has an intuitive user interface that allows purchasers to generate orders and requisitions with a few keystrokes, and the solution met RTI’s needs for a tool that required minimum end-user training.

ePlus’s Procure+ solution also provides a complete procure-to-pay system that can accommodate punch-outs, managed catalogs, and open requisitions for high-dollar services that require attachments. RTI needed all of these capabilities.

The e-procurement system is deployed across the entire RTI enterprise, and handles requisitions, purchase order (PO) processing, and payment to suppliers. Currently, 1,200 users engage the Procure+ system, and RTI plans to add about 100 users each year.

Best Practices in e-Procurement

#### Company Name

RTI International

#### Solution Provider

ePlus inc.

#### Business Challenge

RTI wanted to move from a manual, paper-based purchasing process to an automated online system to free purchasing personnel to focus on creating value for the enterprise.

#### Strategy

RTI sought a solution that needed only minimal user training and implementation time but also provided a complete procure-to-pay system.

#### Value Achieved

Cost savings approached \$1 million annually, and cycle time has been reduced. E-procurement has freed purchasing to focus on strategic value creation.



Purchasers use Procure+ to buy from seven catalogs, five via punch-out and two that RTI manages. Six of the seven suppliers have auto-PO capability. RTI plans to use Procure+ to punch-out to an additional five to 10 supplier catalogs over the next year. The Procure+ solution is hosted by ePlus.

The system handled 45% of RTI's POs that were processed in fiscal year 2005, amounting to 61% of total line items and \$6 million (4%) of enterprise spend. Spend categories that the system manages include office and lab supplies, chemicals, software, paper, bulk gases, and computer peripherals. Procure+ also manages laboratory services, maintenance agreements, and contracts.

It took 90 days to implement the system.

## Results

By driving end users to catalogs that contain contracted pricing from suppliers, the e-procurement system is saving RTI \$300,000 a year. In addition, enhanced spend leverage and strategic sourcing saved \$1 million in fiscal year 2005. Critical spend data is generated by the system, which enables RTI supply managers to make better spending decisions and improves the budgeting process.

The e-procurement system also has enabled RTI to reduce its cost per order 70%, from \$85 to approximately \$25, producing "soft" dollar savings of about \$500,000 a year. The auto-PO feature of Procure+ has improved cycle and delivery time five to seven days, and invoices that traditionally took 30 days to pay are now paid in five.

Perhaps most importantly, the system has improved user productivity and helped RTI achieve its goal of shifting purchasing's focus toward value creation and away from day-to-day tactical buying activities.

## Lessons Learned

RTI learned some valuable lessons during and after implementation of the system, including:

- Appointment of a dedicated project manager to oversee system implementation, rollout, and management. Having someone dedicated to the project will facilitate user adoption and ultimate system success.
- Involvement of customers and end users to help determine appropriate supplier catalogs to be included in the system and to review and/or change business processes.
- Leverage existing spend data in legacy systems and existing technology infrastructure to the greatest extent possible.

## Future Outlook

RTI intends to increase the amount of spend that's managed through the Procure+ system to 60% of all POs and 75% of line items in the near future, up from 45% and 61%, respectively, today. Also, the system will manage more service spend categories and additional catalogs will be added. RTI also plans to add functionality, such as integrating with its chemical tracking system.

## Aberdeen Conclusions

RTI International has deployed e-procurement technology to achieve a goal Aberdeen's research has identified as strong trend: shifting purchasing/supply management away from day-to-day tactical work that's targeted at reducing costs toward strategic activity that creates value for the enterprise. RTI realized the importance of system ease of use to end users, and the speed at which the



system was deployed across the enterprise reflects RTI's success in providing an easy-to-use e-procurement solution.

## E-Procurement Helps Scotland Achieve ‘Efficient Government’

### Business Challenge

The Scottish Executive (SE) is responsible for the day-to-day issues of concern for the Scottish people in education, health, justice, transport, and rural affairs. In 2000, a cross-sector Procurement Steering Group identified a number of issues in the conduct of public sector procurement in Scotland. The group realized that implementing e-procurement was a way to uncover issues on the ground, taking a common approach to resolving them, then locking the benefits of process change into place.

Following considerable market research, SE recognized that a marketplace solution was not the appropriate model since it wouldn't address underlying business issues and because it was more appropriate to begin with the existing contracted suppliers to organizations. As the project got underway, SE also recognized that early e-procurement solutions were being sold on the basis of their attractiveness to buyers. But, in order to succeed, the Executive model would also have to appeal to suppliers.

In conjunction with an early adopting group of local authorities and health organizations, the SE specified and bought a common e-procurement platform for the entire Scottish public sector. The contract was awarded to Cap Gemini in November 2001. The service is branded “eProcurement Scotl@nd Programme,” or ePS, and managed from a central program office. The first order through the service was placed by Highland Council in May 2002. Within its own corporate administration, the SE planned a phased implementation of ePS, which went live in January 2003.

The business change will deliver cost benefits, including measurable savings. The SE's goal is to increase participation in the service to all 125 public sector organizations by 2007 (sixty already participate or are implementing it) and stimulate collaborative procurement of \$5.2 billion to \$7 billion in expenditures to achieve recurring cost savings of around \$348.4 million per year.

The primary objective of introducing ePS within the SE's corporate administration is to save two million to three million UK Pounds (approximately \$3.4 million to \$5.1 million) per year. The SE achieves these savings through a combination of reduced transaction costs, greater purchasing discipline, price savings through demand aggregation, improved audit trails of transactional activity, more effective staff deployment, and other benefits.

Best Practices in e-Procurement

#### Enterprise Name

The Scottish Executive, eProcurement Scotland Service (ePS)

#### Solution Providers

Cap Gemini as prime service provider; Elcom's e-procurement technology platform

#### Business Challenge

Address structural issues in the conduct of procurement in the entire Scottish public sector; use e-procurement as a catalyst for personnel to concentrate on higher value-added activities.

#### Strategy

Deploy e-procurement platform that all Scottish public sector organizations can use to spur change in conducting public sector business.

#### Value Achieved

Major cost reductions, process improvement/streamlining, improved compliance with contracts, elimination of paper invoices.



## Solution Selection and Deployment

Following an international bidding process, the SE selected a bid led by Cap Gemini, which included Elcom's PECOS Internet Procurement Manager and Dynamic Trade Center offerings. Elcom provides a fully hosted e-procurement solution, a platform that includes e-sourcing capabilities and transactional purchasing functionality.

According to Ian Burdon, the ePS program sponsor, Cap Gemini was selected because the hosted service element of Elcom's technology model substantially reduced the need for a heavy, upfront capital expenditure. Also, given the realities of purchasing in large organizations and the degree of variability in existing processes, the inherent flexibility of the Elcom product was very attractive. Cap Gemini offered proven skills in systems interfacing and the capability to act as service provider and prime contractor for a major business change program.

The system's elements include a full e-sourcing solution (eRFX and reverse auctions), interfacing with financial systems, procurement-card functionality, configurable business rules/authorizations, catalog management tools, and the ability to produce management analysis reports. Optional services include process re-engineering, change management, strategic sourcing, and legacy system interfacing.

As of September 2005, the SE's corporate administration has 1,400 users in more than 40 central government organizations using ePS. Nationally, there are 9,600 registered users on the system representing 60 organizations. More than 10,000 suppliers have received orders through ePS and that figure is expected to grow as major public sector organizations that are currently implementing it begin live rollouts.

The SE and early-adopting organizations realized early in the implementation process that supplier enablement and content management were key factors that could hinder successful implementation if not handled properly. Because of this, a standard five-step methodology was developed to guide suppliers through the entire process of connecting to the service. E-learning techniques were used to help guide suppliers through the enablement process.

Nationally, a wide range of goods and services is purchased via ePS as the service rolls out through local government and the health sector. The SE itself buys a range of goods and services, including general office goods, information technology (IT) consumables, IT hardware, temporary staff, car hire, catering, and advertising and media services.

According to Tom Wilson, ePS director, an important aspect of the system's deployment was the success in identifying the key elements of a P2P "toolkit." One tool that achieved early success was integrating the government's Visa procurement card. Integrating an embedded procurement card has maximized the system's value through cost and process savings using automated payment capability. Developments in 2006 will include extending the use of electronic consolidated invoicing, evaluated receipt settlement (or payment on receipt) and developing XML-based e-invoicing.

## Results

As more organizations sign on to the system, the SE is still calculating all the benefits received. It has derived from the system. However, the SE's corporate administration counts the following benefits:

- \$2.875 million in purchase-to-pay savings since inception;
- Improved contract and pricing compliance. In a recent competition for a new stationery supplier, the SE won an extra 1.5% discount for using the XML capabilities of Pecos and automated payments through an embedded Visa procurement card;



- Price savings of \$5.834 million from July 2004 to August 2005 through the use of reverse auctions;
- Major reduction in administration costs;
- Elimination of 52,000 invoices from use of physical and embedded Visa government procurement cards;
- Elimination of 45,000 invoices as a result of electronic consolidated invoicing; and
- Reduction in the number of purchase-to-pay related processes from 45 to 4.

## Lessons Learned

Through the rollout of ePS, the SE has gained valuable knowledge about key factors that influence e-procurement success, specifically:

- E-Procurement is not an IT project and cannot be run as such. It's about changing the business culture of organizations, then locking the changes into place. So, the prefix "e" is misleading.
- Successful procurement change requires strong, senior leadership and proper resources within organizations.
- Effective procurement rests on managing and developing relationships between buyers and suppliers. The same is true in e-procurement.
- The aim of introducing e-procurement should not be only to deliver benefits and cost savings to a buying organization, but benefits and cost savings to suppliers as well.
- Supplier enablement is crucial. Simply put, an organization cannot maximize the potential benefits of an e-procurement solution if suppliers can't link to the system or decline to participate.
- Procurement and finance are two different disciplines and should not be confused. Many or most organizations have deployed a variety of different purchasing processes and payment systems. An e-procurement solution as part of a P2P process that offers a variety of payment options can produce improvements in pay performance regardless of the type of financial management system or systems in place at the buying organization.
- All internal groups that will be affected by changing the procurement culture should be involved when implementing the solution; it would be wise to include your internal auditors. Streamlining processes before the solution is implemented, or as part of the implementation, will maximize value.

## Future Outlook

Tom Wilson reports that the SE plans to expand e-procurement to more suppliers. "The suppliers with whom we place orders cover a wide spectrum from multinationals to locals. In the future, we want to continue to assist small and medium-size businesses through pointing them toward the increasing number of supply-side catalog tools providers, as well as developing e-invoicing and self-help tools," Wilson says. "As a procurement operation, we cannot, under public sector competition regulations, discriminate in favor of Scottish suppliers, but the SE has a major role to play in setting the e-commerce agenda for the Scottish business community by leading the way and showing them how to compete in the modern market. We plan on bringing e-commerce to the wider supplier community."



## **Aberdeen Conclusions**

The SE implementation is a relatively rare example of the public sector leading private enterprise. Major benefits have been delivered over a three- to four-year period since initial e-procurement deployment, including cost savings, process streamlining, reduced maverick spending, and improved contract compliance. The SE has a clear, progressive plan to expand the impact of e-procurement in Scotland, and any enterprise looking to implement or expand e-procurement can learn valuable lessons from the SE's implementation.



## ServiceMaster Invests in the Procurement Function

ServiceMaster is a \$3.8 billion company that provides service to U.S. residential and commercial customers. It serves approximately 10.5 million homes and businesses each year and is known for leading brands such as TruGreen, ChemLawn, Terminix, and Merry Maids.

### Business Challenge

ServiceMaster’s decision to implement an e-procurement solution was driven by a number of challenges and potential opportunities: Rationalizing the supplier base, improving the ability to negotiate best prices, and eliminating maverick spending were areas that showed promise. Additionally, ServiceMaster wanted better visibility into item-level spend and better tools to assess supplier performance. Some challenges they hoped to overcome were implementing a consistent procurement process and enabling a disciplined and decentralized buying practice.

### Solution Selection and Deployment

According to Dian Trosclair, VP of Supply Chain Management, the Ketera solution appealed to ServiceMaster largely due to its high cost-effectiveness. Also, because the solution is delivered “On Demand,” there was minimal burden on ServiceMaster’s internal IT resources. A key differentiator was the solution’s user friendliness.

The solution includes the use of Ketera supplier services; essentially, Ketera is responsible for enabling suppliers on behalf of ServiceMaster. This process was carried out by business unit and rationalized by organizational structure. The solution has been implemented in ServiceMaster’s largest division, TruGreen Lawn. Enterprise-wide rollout has been planned using a distributed model, with more than 600 branches and franchise businesses.

Currently, approximately 600 users are connected to the system, with plans for more than 3,000, covering all business units. The amount of spend transacted via the Ketera solution is \$22 million, with an annualized run rate of \$100 million.

Approximately 70 suppliers are on the system. Supplier enablement approaches used were internally hosted or punch-out, based on the number of catalog updates and complexity of offerings. ServiceMaster has a good mix of direct (chemicals, fertilizers) and indirect materials (office supplies, safety equipment, vehicles) being purchased via the system. The system was implemented within 90 days, then deployed at TruGreen Lawn. Users were trained within six months.

Best Practices in e-Procurement

#### Company Name

ServiceMaster

#### Solution Provider

Ketera Technologies

#### Business Challenge

Lack of visibility into item-level spend

Improve overall performance of supply management

#### Strategy

Implement an OnDemand e-procurement solution, with Ketera providing supplier enablement via internal hosting and punch-out.

#### Value Achieved

Cost savings of at least 3% for all spend that goes through the e-procurement system. Additional savings of 7% to 20% were achieved through increased spending leverage and sourcing activity.



**Table 3: Summary of Processes Carried out by the Solution**

Processes	Steps Involved
<b>Product requisition</b>	<ul style="list-style-type: none"> <li>• Custom catalog to the branch level</li> <li>• Supplier catalog (punch out and hosted)</li> <li>• Lease products (capital equivalences)</li> </ul>
<b>Order execution and approval</b>	<ul style="list-style-type: none"> <li>• By commodity</li> <li>• By spend limits (commitment authority)</li> <li>• By supplier</li> </ul>
<b>Invoice process</b>	<ul style="list-style-type: none"> <li>• Supplier PO flip</li> <li>• Supplier cXML/EDI interfaced</li> <li>• Automated Invoice audit/rejection</li> <li>• Manual invoice rejection</li> </ul>

### Results

The solution has provided significant savings and improvements, some of which include cost savings through improved contract pricing and pricing compliance, which is conservatively estimated at 3% across the board. A compliance rate of 98% has played a major role in achieving this savings. The company realized an additional savings ranging from 7% to 20% through increased spending leverage and sourcing activity. The system also allows for easier spend aggregation and a more efficient sourcing process. Internally, says Trosclair, “We have been able to utilize our chemical catalogs to create the item master while implementing our enterprise inventory system, which has reduced the cost of inventory implementation and improved the quality of the project.”

Trosclair says suppliers have also reaped savings because they have one interface to integration with the full family of ServiceMaster companies. The company has reduced the requisition-to-payment cycle substantially because of the philosophical change from approving payments after the fact to approving to purchase, allowing for streamlined payments of validated invoices.

ServiceMaster has not targeted savings from reduced administration costs. “Our goal is to create a world-class environment for collaboration with our field operations, suppliers, and corporate administration. We are looking to redeploy people in more effective roles,” says Trosclair.

ServiceMaster now has one purchasing platform with the ability to collect data, track orders, receipts, and compliance, as well as create supplier scorecards. Trosclair singled out scalability as a significant benefit, referring to activities such as training and its scalability across the hundreds of branches while providing enterprise knowledge for materials management and decentralized buying practices. Externally, Ketera’s supplier enablement services formed a partnership with ServiceMaster’s internal resources for a quick ramp up. Each business unit took approximately 90 days for set-up and testing; training time-lines varied at each business unit level.

### Lessons Learned

Trosclair’s first piece of advice: “It is important that the team that is helping you put it together to roll it out — your own team and the team that is provided to you on the ground — should gel appropriately and have a good cross functional mix going forward.”

He also believes it is essential that people stay motivated. The enterprise may have been successful, but it is important to see that the branches and field operators who have direct contact with customers get what they need and are satisfied.

## Skanska AB: e-Procurement is All About Change Management

### Business Challenge

Skanska AB is the world’s largest construction company. Headquartered in Sweden, it has 54,000 employees worldwide, with annual revenues of approximately \$15.11 billion in 2004. Annual spend is \$4.36 billion.

Skanska management analyzed its procurement operations and discovered significant opportunity for cost reduction and value creation in the construction industry. Its analysis revealed that while other industries had continuously reduced prices for products and services while maintaining profitability, the construction industry had been increasing prices for its products and services without any profitability improvement. The analysis also showed that Skanska was purchasing more services and outsourcing more work to subcontractors — essentially, a higher percentage of company revenue was being spent on supplied goods and services than in the past.

The same study also showed that Skanska was not coordinating its purchasing activities to leverage its spend volume. Subcontractors were doing a good deal of purchasing for Skanska projects, and they did not have anywhere near the purchasing leverage of Skanska. There was little, if any, purchasing from suppliers in low-cost countries, and Skanska’s decentralized purchasing group needed to reduce prices and channel greater volumes to fewer suppliers.

### Supply Management Strategy

Based on the findings of the analysis, Skanska management developed a strategy to address the company’s shortcomings in purchasing. The new strategy was aligned with corporate goals and had as its key components:

- Close cooperation with subcontractors;
- Standardization of products;
- Deployment of logistics solutions;
- Continuous cost reduction; and
- 100% compliance with established processes.

To deliver on its strategy Skanska created “Project Effect,” a plan consisting of five phases: e-procurement, collaborative commerce, eSourcing/eRequest, logistics, and order/invoice matching.

Best Practices in e-Procurement	<b>Company Name</b>
	Skanska AB
	<b>Solution Providers</b>
	IBX
	<b>Business Challenge</b>
	Analysis of procurement operations uncovered significant opportunities for cost reduction and value creation.
<b>Strategy</b>	
Skanska AB wanted to address its purchasing shortcomings by cooperating closely with suppliers to continuously reduce costs and increase compliance with approved processes.	
<b>Value Achieved</b>	
More than \$5 million in cost savings, better processes and visibility into corporate spend, and identification of high-profit projects.	



Skanska started this overall change process by implementing e-procurement, which enables the company to address contract compliance, contract distribution, and spend visibility, as well as enabling collaborative commerce with subcontractors.

## Solution Selection and Deployment

Skanska faced a major internal change management task to execute its strategy. It decided to focus first on internal change rather than technology and the changes suppliers would experience. Management also realized it had to make a lot of products available through the e-procurement system to drive user acceptance.

Skanska's e-procurement selection criteria were based on four major factors:

- **Functionality:** The company wanted a “one-stop shop” for all purchasing solutions — e-procurement, e-sourcing, supplier management, and content management. It preferred the solution be hosted by an ASP.
- **Delivery capacity.** Skanska wanted an experienced, complete-service provider that could handle content, supplier activation, operations, integration, support, and hosting.
- **Cost:** The company sought an on-demand solution with low investment cost and rapid implementation.
- **The potential to establish a marketplace for the construction industry:** Skanska wanted to be sure its chosen supplier would make a long-term commitment.

Skanska chose IBX for its ability and capacity to handle the supplier activation, content management and refinery, integration, support, and hosting needed for a potential construction industry hub.

Initial focus is on the Nordic countries. E-procurement implementation began in Sweden in January 2004 and went live at the end of April 2004. In Sweden, 2,500 of 4,000 users have been trained, and 130 out of 150 catalog suppliers enabled on the e-procurement system. In Norway, 500 users out of 1,200 have been trained, and 45 catalog suppliers out of 100 total have been enabled. Implementations in the other Nordic countries were of similar timeframes.

Meanwhile, in Finland, system rollout has begun and will be live in February 2006, with targets of 600 users and 80 enabled suppliers. And in Denmark, rollout will start in Q12006 with plans to go live in Q2. Skanska is targeting 600 users and 50 enabled suppliers.

Poland, The Czech Republic, the U.K., and the U.S. also have showed interest in joining Project Effect.

IBX handles supplier activation, content management, and content refinery for Skanska.

## Results

New contracts signed in 2005 in Sweden alone have generated \$4.98 million in savings. In addition, improved compliance with contracts and with using preferred suppliers within two category areas have saved \$137,000, and negotiated e-procurement price reductions have yielded another \$311,500 in savings.

Both direct and indirect spend categories flow through the e-procurement system. In September 2005, approximately 50% of Skanska's total monthly spend in Sweden was flowing through the e-procurement system. The goal: 100% of monthly spend in Sweden will be processed by the system by the end of 2006.



The e-procurement system also generates full documentation of purchase orders. Prior to using the system, there were no purchase orders or other documentation of what was spent. The system also enables Skanska to efficiently distribute negotiated contracts, preferred product lists, and pricelists to all sites, and site managers and team leaders use the e-procurement tool to find assembly, technical, and environmental specifications easily.

Data from the system has shown Skanska management that projects with greater contract compliance enabled through e-procurement are yielding the highest profit. And the tool has provided much greater visibility into the spend, which provides numerous opportunities for additional savings and gains in process efficiency.

## Lessons Learned

Skanska learned early in the process that e-procurement implementation is more about change management than technology deployment. Skanska says it chose a partner in IBX that will stand by its side long term, and perform supplier enablement and contract management in order to free Skanska resources to focus on change management and system rollout.

Skanska managers note the project was initiated as a procurement project, not an IT project. They believe the implementation focus should be on process improvement, contract compliance, change management, and gained benefits, not technology.

Printed materials were used to support change management, and managers believe printed materials are superior for this purpose than online content.

Skanska also points out the importance of measuring all details of the “new” procurement process. That enables the creation of key performance indicators (KPIs), which are then used to provide incentives for regional managers.

Last, but not least, support from top management is key to success of an initiative such as e-procurement, which requires a good deal of change management. Skanska’s top management committed to Project Effect and supported it with appropriate staffing levels and other resources.

## Future Outlook

Skanska’s strategy is designed to capture both direct and indirect spend categories in the e-procurement system. In the next phase of the project, Skanska will implement functionality for its partners, enabling subcontractors to purchase through the e-procurement tool without seeing Skanska pricing information. Subcontractors will be exposed to the correct suppliers and orders, and they will place orders that Skanska will approve. This will further increase the volume that flows through the e-procurement system and will ensure all materials used at Skanska construction sites are at a quality level that Skanska will have previously approved.

## Aberdeen Conclusions

Skanska AB’s e-procurement efforts have not only improved the company’s competitive position, they may also benefit the entire global construction industry. Skanska management realized that e-procurement success hinges more on change management than on technology, and the company mapped out an effective strategy that has proven its value through system implementation. Skanska’s implementation approach is an example that should be studied and possibly followed by any company considering an e-procurement implementation.



## Toys R Us Cuts Costs, Improves Processes, Reduces Cycle Time

### Business Challenge

Retail chain Toys R Us operates in a fiercely competitive market in which cost reduction can be key to market share gains and profitability. Also central to market success is compressing cycle time to reduce inventory and free working capital, goals that are especially challenging to Toys R Us due to globalization of the supply base, the inherent cultural autonomy of individual operating units, and the widespread distribution of store locations.

The Toys R Us staff had also been using traditional procurement methods and processes and was resistant to change. The company had been using a software application that did not meet basic requirements for an e-procurement system, and the software developer no longer supported the product. Procurement processes and operations involved verbal requests, manual entry of purchase orders into a standalone system, heavy use of inefficient, paper-based processes, “snail mailing” of purchase orders and invoices from suppliers to Toys R Us purchasing, manual matching and codification of POs and invoices, snail mailing of coded invoices from purchasing to accounts payable, and manual re-keying and mailing of paper checks to suppliers.

Use of archaic processes and systems produced problems for Toys R Us — for individual stores and at the corporate level. The stores had no visibility into preferred suppliers and products, poor understanding of supply availability due to inconsistent information on requirements, no standard approval processes, long and unpredictable delivery of required goods and services, and a general poor control of the spend. At the corporate level, the processes and systems created challenges from a divisional approach to supply management that damaged leverage with suppliers, a decentralized and sub-optimum oversight of supplier relationships, ad-hoc negotiation of contracts, and the failure to create a strategic approach to supply management and the business processes needed to execute effective supply management.

The inherent procurement inefficiencies also caused major problems for suppliers, who had to deal with unpredictable and extended payment terms, high error rates, high administrative overhead, multiple points of contact within Toys R Us headquarters and individual business units, and a general inability to create strategic offerings for Toys R Us.

<b>Best Practices in e-Procurement</b>	<b>Company Name</b>
	Toys R Us
	<b>Solution Providers</b>
	Oracle
	<b>Business Challenge</b>
	Traditional procurement methods were not delivering key benefits needed to remain competitive in an increasingly price-conscious market: Cost reduction, reduced cycle time, inventory reduction, and the ability to free working capital for strategic corporate initiatives.
	<b>Strategy</b>
	Toys R Us implemented e-procurement solutions that had the potential to dramatically reduce costs and improve business processes, thereby achieving several key goals that can keep the company in a strong competitive position.
	<b>Value Achieved</b>
	The company achieved significant cost savings due to the e-procurement implementation. It also streamlined business processes and reduced cycle times.





Recognizing the potential that a transformation of procurement/supply management could achieve, Toys R Us wanted to create a centralized procurement organization, and a senior-level procurement professional was recruited to lead it. The new procurement organization was faced with several challenges, including:

- Keeping up with very high transaction volumes;
- Identifying and qualifying new suppliers to upgrade the supply base;
- Launching cost-reduction initiatives with suppliers that were accustomed to dictating pricing levels;
- Taking ownership of supplier relationships from internal customers;
- Transitioning from a tactical to a strategic focus; and
- Implementing formal strategic sourcing and supply management systems and methodologies.

## **Solution Selection and Deployment**

Toys R Us chose the following Oracle solutions to enhance its procurement transformation: Purchasing, Sourcing, iProcurement, iSupplier Portal, Accounts Payable, and Purchasing Intelligence. Oracle solutions were chosen for their ability to automate and integrate order management functions across all business divisions, all suppliers, expense payables, and budgeting and planning processes. Also, management believed the Toys R Us financial value chain had to be seamlessly linked with supply management to achieve its objectives. The Oracle suite accomplished this goal.

The Oracle solutions were implemented in a two-phased approach. The first phase focused on streamlining the core processes used by purchasing, finance, and suppliers. This set the stage for the requisitioning implementation to begin once sufficient intelligence on spending patterns had been gathered. Core Purchasing, iSupplier Portal, Purchasing Intelligence, and Sourcing went live in just 10 weeks. Toys R Us placed emphasis on forcing system compliance from purchasing professionals, which would produce process improvement and speed the needed cultural change. The company mandated the use of the Core Purchasing module, along with the use of e-invoices and elimination of paper invoices. A “zero tolerance” policy was adopted on invoice matches.

Phase One enabled Toys R Us to identify spend categories and end user communities that represented the best possible candidates for additional streamlining.

The second phase extended reengineering and automation to end users by implementing electronic requisition management. The iProcurement module was installed for end user requisitioning, extending process improvement to end users at Toys R Us stores. Implementation was characterized by the following:

- Aggressive use of punch-out to push catalog hosting burdens to the top 15 suppliers;
- Aggressive deployment of requisitioning tools to the stores; and
- Clearly defining spend thresholds and approval hierarchies to drive fiscal discipline.

The system went live in mid-2003 with Phase One. Phase Two took considerably longer, starting in mid-2004 and implemented in a matter of weeks.

Tools are used at varying levels throughout Toys R Us. Seven hundred stores and 72 regional executives were brought online. For corporate offices, the system was rolled out to three divisions, with a focus on 220 administrative personnel considered “power users.” More recently, the system



was extended to the company's 217 Babies R Us stores, along with 20 district managers and three regional directors.

The implementation is very broad in scope and includes spend and supplier analysis, spend category analysis, sourcing, requisition management, PO processing, invoicing, and accounts payable. Approximately 1,500 Toys R Us users are connected to the iProcurement system, in more than 900 Toys R Us locations. Meanwhile, 250 suppliers are enabled with the iSupplier portal. As is the case with all applications, Toys R Us runs all e-procurement and related applications internally.

If possible, suppliers are enabled via punch-out. For supplier unable to use it, Toys R Us directs them to content services available from Oracle's private exchange (oracle.exchange.com).

The e-procurement system is used for both store and non-store items, such as fixtures and maintenance items.

## Results

Toys R Us achieved cultural change and process improvement via the system's rollout. As business leaders and executives gained immediate visibility into requisitions for lines of business and store locations, their interest dramatically changed the company's culture. The budgeting process became much more efficient and predictable, freeing capital for investment in strategic initiatives, such as new store openings or store remodeling.

Each level of the organization benefited. Stores had immediate access to online catalogs for easy ordering, as well as better selection of goods and services, often with higher quality levels at lower prices. Lead times were reduced, and users gained visibility into order status and access to complete order history. Essentially, users became able to rely on purchasing to ensure quality supply, allowing users to focus more deeply on selling toys.

At the corporate level, executives can manage business requirements and purchase specifications better. The purchasing department has been upgraded dramatically, and is focused on providing better service to internal customers and external suppliers instead of engaging in numerous tactical activities that had been required. Spend is centralized across all divisions, resulting in better leverage during negotiations with suppliers. The company has reduced working capital requirements and improved cash management.

For procurement, the system has dramatically reduced the number of verbal requests and amount of effort required to satisfy internal customers. Paper order processes have been eliminated, and there is seamless integration into the accounting function via Accounting/General Ledger, Fixed Assets, and Expense Payables.

For accounts payable and finance, the e-procurement initiative has reduced headcount, increased inventory accuracy, eliminated paper invoices, eliminated manual invoice entry, and enforced automatic matching of POs and invoices.

For suppliers, the e-procurement initiative has resulted in payments from Toys R Us that meet or exceed payment terms. Pricing is now locked in, and all primary contact is through Toys R Us purchasing.

## Lessons Learned

Toys R Us has discovered that key strategies underlie e-procurement implementation. First, change management is critical to success. If processes are not reengineered and cultural change not addressed proactively, users will revert to the old way of doing business. End users will also tend to





resist any change they perceive as a threat to their relationships with suppliers or an indictment of past practices.

System implementation can be accelerated dramatically if a company conducts an objective and critical evaluation of existing business processes, and reengineers processes appropriately before the system is extended to end users. This approach also reduces the need for customizing solutions and lowers total cost of ownership (TCO).

Supplier cooperation and enablement also are critical. Any organization looking to implement e-procurement should include suppliers' willingness and ability to support e-procurement as part of their overall evaluation of suppliers and their responses to RFPs.

Overall savings attributed to the e-procurement system are impressive: 30.05% in 2003, 17.56% in 2004, and 27.47% so far in 2005.

### **Future Outlook**

Toys R Us has leveraged the transaction efficiency the e-procurement system produced to allow procurement professionals to focus on strategic sourcing opportunities. The company will continue to use Oracle's e-procurement solutions and Oracle Sourcing to perform online auctions for key commodities, further increase spend compliance, and continue to drive cost savings and value creation.

### **Aberdeen Conclusions**

Toys R Us faced a situation in which it had to make dramatic change, and the company, with the Oracle products, met this challenge. By mandating the use of the e-procurement system and undertaking aggressive change management steps, management has greatly reduced costs and enabled personnel to focus on strategic activities.



## University of Pennsylvania: Purchasing ‘Sells’ E-Procurement to End Users

### Business Challenge

The Purchasing Department at the University of Pennsylvania sought to increase campus-wide compliance with financial policies, approved buying methods, and preferred contract suppliers. The university also was looking to gain procure-to-pay process efficiencies, reduce the cost of products, and eliminate off-contract (“maverick”) buying.

Penn is a decentralized procurement environment in which authorized purchasing system users make supplier sourcing decisions at the point of demand. Purchasing was faced with the daunting challenge of “selling” adoption of a new system to research scientists and other end users who were accustomed to buying from their own choices of suppliers.

### Solution Selection and Deployment

The university formed an e-procurement team made up of representatives from the comptroller’s office, purchasing, and the information technology group. This team evaluated the university’s business requirements and selected Oracle as an e-procurement partner along with SciQuest for content-hosting services.

Oracle Financials, (including the General Ledger, Purchasing, iProcurement, and Payables modules), was deployed campus-wide in July 1996. The SciQuest Incorporated Spend Director solution, which went live in January 2004, hosts Penn’s private electronic supplier exchange, which is integrated into Oracle Purchasing. Since then, several enhancements have been made to the solution, resulting in new features and functionality for the approximately 1,750 system users.

Currently, out of a purchasing system database of 30,000 approved suppliers, 136 have been made available in the private electronic exchange, called Penn Marketplace, through which approximately 70% of all purchase order transactions flow. Use of these marketplace-enabled preferred contract suppliers has doubled since Penn Marketplace was deployed, when only about 35% of transactions were with these suppliers.

Eventually, Penn plans to enable 175 to 200 suppliers in Penn Marketplace. The SciQuest Spend Director solution, a hosted application; enabled all content from 122 suppliers with hosted content and 14 through punch-out.

Best Practices in e-Procurement

#### Enterprise Name

University of Pennsylvania  
(www.purchasing.upenn.edu)

#### Solution Providers

Oracle and SciQuest

#### Business Challenge

A highly decentralized purchasing environment with little control over the purchasing process, resulting in high prices and long lead times.

#### Strategy

Purchasing group implemented an e-procurement system now used for 70% of purchase-order transactions. End-user adoption had to be achieved by selling them on the system’s value.

#### Value Achieved

The system has produced \$77.4 million in cost savings, 484% improvement in contract compliance, average cycle time reduction from 18 days to less than one, and various improvements in process efficiency.



In 2005, approximately 18% of Penn's total procurement spend has been managed via the e-procurement system, which handles all spend categories. User acceptance and adoption were keys to system success, and the university's purchasing group was involved deeply in this, as well as change management. Purchasing's focus was to make the e-procurement system and processes as easy to use as possible and to continually reinforce to end users the value of buying through the system.

"What we do is market the value of our business processes and supplier relationships in our purchasing programs," says Ralph Maier, director of purchasing services. "We wanted to empower the users to perform requisitioning at point of demand, but we also saw e-procurement as a way to drive utilization of our contract suppliers. We don't worry about mandating compliance; we focus on selling the benefits of the system to user communities — best-in-class pricing, reduced cycle time, tools that make users' lives easier."

## Results

Penn attributes \$77.4 million in total product cost savings to the e-procurement system; this includes improved contract and pricing compliance, which purchasing estimates at \$7.7 million resulting from the enablement of Penn Marketplace suppliers. Purchasing also has identified significant administrative efficiencies, though the university does not report such "soft dollar savings."

Since the system was deployed, Penn has seen a 484% improvement in contract compliance. Also, average cycle time (online purchase order creation to electronic order transmission to supplier) has fallen from 18 days to less than one for more than 92% of all purchase orders.

Penn has also improved administrative processes and reduced the number of full-time employees needed to process transactions.

## Lessons Learned

Maier stresses the importance of engaging the user community for product evaluation, testing, and implementation. He adds that there should be a good deal of collaboration among the user community, business units, and the IT organization. He believes it's important to proactively "sell" an e-procurement initiative to end users, and that Purchasing should have a clear and concise marketing strategy for that.

## Future Outlook

Purchasing plans to extend the purchasing expertise and technologies to indirect spend commodities, to evaluate and implement complementary emerging technologies and develop integration points with internal service providers. "We want to have more services in the system in the future," says Vira Homick, associate director, eBusiness. "We believe we'll see even further adoption."

## Aberdeen Conclusions

Because of the nature of the research done at Penn, its purchasing group had to take a different approach to get users to adopt the system. Mandates were out of the question, so Maier and his team made very strong, consistent, and ongoing efforts to market the system's benefits and advantages to end users. This e-procurement success story speaks volumes about the need for purchasing to actively and continuously "sell" the value of e-procurement and related solutions to end users.



## Featured Sponsors

---



Ariba, Inc. is the leading provider of Spend Management solutions. Ariba helps companies realize rapid and sustainable bottom-line results. Successful companies around the world in every industry use Ariba Spend Management software and services. Ariba Spend Management solutions help companies automate, integrate, and streamline their entire purchasing process from planning to payment, resulting in significant process efficiencies and sustainable cost savings that go straight to the bottom line. Ariba Spend Management consists of strategy, sourcing, procurement, visibility, managed services, and supplier management solutions, and encompasses all categories of spend from direct goods to MRO and services.



ePlus is a leading provider of Enterprise Cost Management solutions to information technology, finance, procurement, operations, and supply chain professionals who want to reduce the costs of finding, purchasing, managing, and financing information technology goods and services. Our Enterprise Cost Management solutions provide sourcing, procurement, spend analytic, supplier management, document collaboration, asset management, professional services, and leasing to ePlus' 2,000-plus customers. Profitable since inception in 1990, the company is headquartered in Herndon, Va., and has more than 30 locations in the U.S. For more information, visit [www.eplus.com](http://www.eplus.com), call 888-482-1122 or e-mail at [info@eplus.com](mailto:info@eplus.com)





Ketera Technologies is the leading provider of on-demand spend management solutions, providing companies with the applications and services needed to control and reduce corporate spending at a low cost of ownership. As of fall 2005, Ketera has enabled more than 70 clients with their spend management and procurement initiatives and has processed more than \$3.2 trillion through its spend analysis solution. Ketera's on-demand suite includes applications for spend analysis, sourcing, contract management, e-procurement, and payment & reconciliation. The Ketera “on-demand advantage” is our delivery model, which combines hosted procurement applications with the “heavy lifting” services required for success, including supplier enablement, hardware infrastructure, project resources, system administration, and solution upgrades.



## Sponsor Directory

---

### ***Ariba***

807 11<sup>th</sup> Ave.  
Sunnyvale, CA 94089  
(650)390-1000  
[www.ariba.com](http://www.ariba.com)  
[info@ariba.com](mailto:info@ariba.com)

### ***ePlus***

13595 Dulles Technology Drive  
Herndon, VA 20171-3413  
888-482-1122  
[www.eplus.com](http://www.eplus.com)  
e-mail: [cbenedetto@eplus.com](mailto:cbenedetto@eplus.com)

### ***Ketera Technologies, Inc.***

3965 Freedom Circle  
Santa Clara, CA 94109  
408-572-9500  
[www.ketera.com](http://www.ketera.com)  
e-mail : [ketera@ketera.com](mailto:ketera@ketera.com)

## Appendix A: Research Methodology

---

Between October and December 2005, *AberdeenGroup* conducted a detailed examination of the most mature e-procurement initiatives at 25 companies. Subjects were identified from Aberdeen's previous research and benchmarking of e-procurement installations, including a December 2004 Aberdeen benchmark study of e-procurement practices at 147 enterprises, as well as vendor nominations.

Enterprise travel programs and automation deployments were assessed based on the following criteria:

- Percentage of total spend managed by the e-procurement system;
- Breadth and scope of automation deployment;
- Hard-dollar reductions in transaction costs and other costs;
- Process cycle and cost efficiencies gained;
- Improvements in compliance, budgeting, risk mitigation, and other business issues impacted by the e-procurement initiative; and
- Alignment and integration of the e-procurement initiative with broader supply management and business strategies.

Aberdeen began with an initial blind screening of nomination forms describing the scope, solution selection, deployment, and performance attributes of travel cost initiatives and implementations. This initial screen was used to identify best practice "finalists." Aberdeen analysts conducted in-person or telephone assessments of each finalist before selecting the winners.

Solution providers recognized as sponsors of this report were solicited after the fact and had no influence on the outcome of the *Best Practices in E-Procurement Report*. Their sponsorship has made it possible for *AberdeenGroup* to make the report available to readers at no charge for a limited time.



## *Appendix B:* **Related Aberdeen Research & Tools**

---

Related Aberdeen research that forms a companion or reference to this report include:

- [\*The Contract Management Solution Selection Report\*](#) (June 2005)
- [\*The CPO's Agenda\*](#) (March 2005)
- [\*The E-Procurement Benchmark Report\*](#) (December 2004)

Information on these and any other Aberdeen publications can be found at [www.aberdeen.com](http://www.aberdeen.com).



## About AberdeenGroup

---

### Our Mission

To be the trusted advisor and business value research destination of choice for the Global Business Executive.

### Our Approach

Aberdeen delivers unbiased, primary research that helps enterprises derive tangible business value from technology-enabled solutions. Through continuous benchmarking and analysis of value chain practices, Aberdeen offers a unique mix of research, tools, and services to help Global Business Executives accomplish the following:

- IMPROVE the financial and competitive position of their business now
- PRIORITIZE operational improvement areas to drive immediate, tangible value to their business
- LEVERAGE information technology for tangible business value.

Aberdeen also offers selected solution providers fact-based tools and services to empower and equip them to accomplish the following:

- CREATE DEMAND, by reaching the right level of executives in companies where their solutions can deliver differentiated results
- ACCELERATE SALES, by accessing executive decision-makers who need a solution and arming the sales team with fact-based differentiation around business impact
- EXPAND CUSTOMERS, by fortifying their value proposition with independent fact-based research and demonstrating installed base proof points

### Our History of Integrity

Aberdeen was founded in 1988 to conduct fact-based, unbiased research that delivers tangible value to executives trying to advance their businesses with technology-enabled solutions.

Aberdeen's integrity has always been and always will be beyond reproach. We provide independent research and analysis of the dynamics underlying specific technology-enabled business strategies, market trends, and technology solutions. While some reports or portions of reports may be underwritten by corporate sponsors, they do not influence Aberdeen's research findings.

---

**AberdeenGroup, Inc.**  
260 Franklin Street  
Boston, Massachusetts  
02110-3112  
USA

Telephone: 617 723 7890  
Fax: 617 723 7897  
[www.aberdeen.com](http://www.aberdeen.com)

© 2005 **AberdeenGroup, Inc.**  
All rights reserved  
December 2005

Founded in 1988, **AberdeenGroup** is the technology-driven research destination of choice for the global business executive. **AberdeenGroup** has over 100,000 research members in over 36 countries around the world that both participate in and direct the most comprehensive technology-driven value chain research in the market. Through its continued fact-based research, benchmarking, and actionable analysis, **AberdeenGroup** offers global business and technology executives a unique mix of actionable research, KPIs, tools, and services.

The information contained in this publication has been obtained from sources Aberdeen believes to be reliable, but is not guaranteed by Aberdeen. Aberdeen publications reflect the analyst's judgment at the time and are subject to change without notice.

The trademarks and registered trademarks of the corporations mentioned in this publication are the property of their respective holders.

# THIS DOCUMENT IS FOR ELECTRONIC DELIVERY ONLY

## The following acts are strictly prohibited:

- **Reproduction for Sale**
- **Posting on a Web Site**
- **Transmittal via the Internet**

Copyright © 2005 Aberdeen Group, Inc. Boston, Massachusetts

## Terms and Conditions

Upon receipt of this electronic report, it is understood that the user will and must fully comply with the terms of purchase as stipulated in the Purchase Agreement signed by the user or by an authorized representative of the user's organization.

This publication is protected by United States copyright laws and international treaties. Unless otherwise noted in the Purchase Agreement, the entire contents of this publication are copyrighted by Aberdeen Group, Inc., and may not be reproduced, stored in another retrieval system, posted on a Web site, or transmitted in any form or by any means without prior written consent of the publisher. Unauthorized reproduction or distribution of this publication, or any portion of it, may result in severe civil and criminal penalties, and will be prosecuted to the maximum extent necessary to protect the rights of the publisher.

The trademarks and registered trademarks of the corporations mentioned in this publication are the property of their respective holders.

All information contained in this report is current as of publication date. Information contained in this publication has been obtained from sources Aberdeen believes to be reliable, but is not warranted by the publisher. Opinions reflect judgment at the time of publication and are subject to change without notice.

## Usage Tips

Report viewing in this PDF format offers several benefits:

- **Table of Contents:** A dynamic Table of Contents (TOC) helps you navigate through the report. Simply select "Show Bookmarks" from the "Windows" menu, or click on the bookmark icon (fourth icon from the left on the standard toolbar) to access this feature. The TOC is both expandable and collapsible; simply click on the plus sign to the left of the chapter titles listed in the TOC. This feature enables you to change your view of the TOC, depending on whether you would rather see an overview of the report or focus on any given chapter in greater depth.
- **Scroll Bar:** Another online navigation feature can be accessed from the scroll bar to the right of your document window. By dragging the scroll bar, you can easily navigate through the entire document page by page. If you continue to press the mouse button while dragging the scroll bar, Acrobat Reader will list each page number as you scroll. This feature is helpful if you are searching for a specific page reference.
- **Text-Based Searching:** The PDF format also offers online text-based searching capabilities. This can be a great asset if you are searching for references to a specific type of technology or any other elements within the report.
- **Reader Guide:** To further explore the benefits of the PDF file format, please consult the Reader Guide available from the Help menu.