Cloud Procurement - the future of purchasing

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Today, even with an e-procurement solution the delivery method becomes the essential factor when choosing a software provider. Cost of infrastructure, operating cost, maintenance, service and software updates can all represent considerable costs. In order to achieve efficient e-procurement processes software operation in the Cloud is essential for the quick productive use by the customer and for the acceptance among users and suppliers especially when considering the benefit in the scope of a worldwide service. The cloud business model is designed to provide Procurement applications in the Cloud. German companies, as world leaders in manufacturing and production, have been realizing the benefits of Cloud applications since as early as 2000.

On the basis of various case studies we can demonstrate that:

1. Cloud Procurement, taking all relevant cost and benefit factors into consideration, is the most economical form of using a software in procurement
2. At the same this ensures a maximum global availability of the solution (24 / 7)
3. Cloud-based procurement is the basis for extremely quick implementation times

Procurement processes run between customers and suppliers, companies and subsidiaries. These processes occur worldwide, 24 hours a day, 7 days a week. Purchasing as the interface between suppliers and product developers assumes an increasingly central role within companies. Therefore it is advantageous to avail oneself of a centrally provided infrastructure (hardware, software, content, services) with regard to process management.

Accepting this technological trend software, like TradeCore® Technology and others have been developed for the Cloud and designed especially for the provision of these applications via the Internet.

The technology micro-site of the book *Next Level Supply Management Excellence*
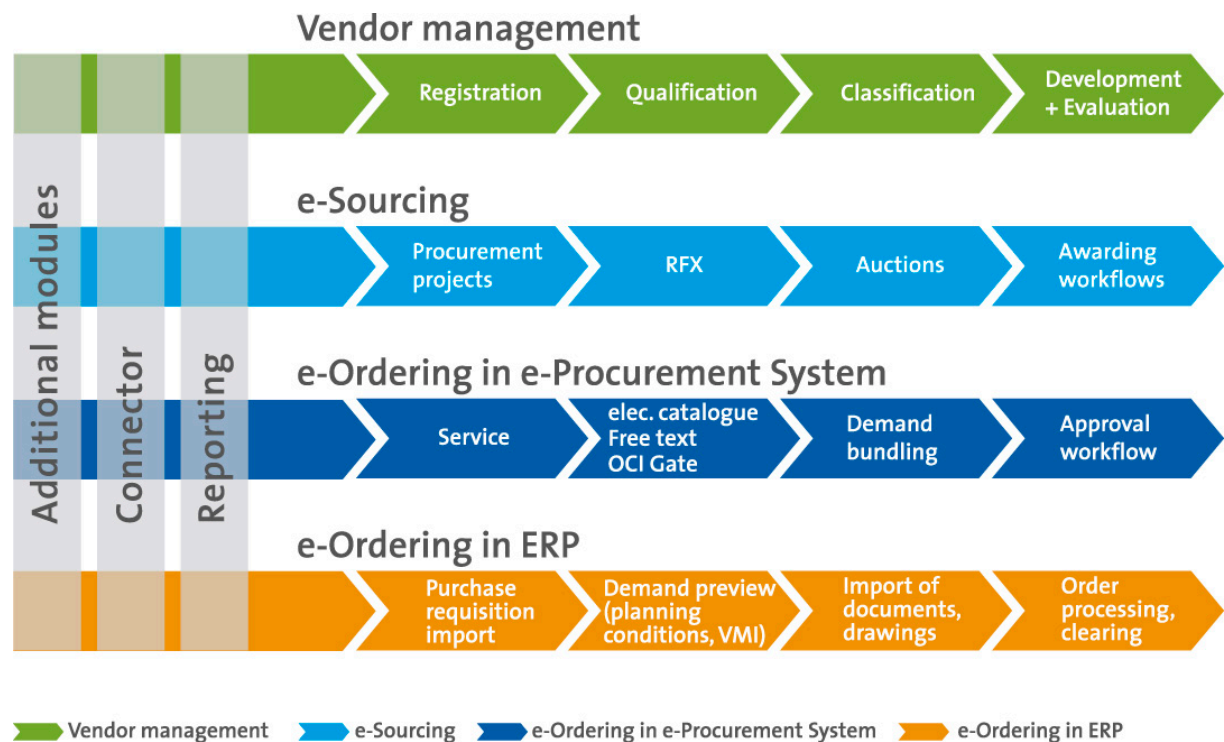
Costs of Cloud Procurement

The basis for decision of locally installed on-premise software versus Cloud software is formed by a calculation to compare the total operating costs (TCO Total Cost of Ownership). For a company to choose a Cloud option it does not matter if a company is big or small. Considering a five year horizon the cost for a Cloud solution amounts to 31 percent (for a medium-sized company) or 38 percent (for a large company) when compared to locally installed software. Or in other words, the on demand software in general costs less than 60 percent of the total cost of ownership (TCO) of the locally installed software.

When SRM systems (Supplier Relationship Management) are used, the combination of Cloud operating models and the cost reducing effects of processes and in materials purchase related to the procurement platform leads to very quick ROI periods of less than 6 months – referring to the full amortization of the total project value and the cost evolving through an on-demand contract.

Benefits: savings generated and ROI

The use of an e-Sourcing module alone has helped a technology company to realise documented savings in material costs amounting to € 100M since 2003. A medium-sized manufacturer calculates purchasing potentials of more than € 200,000/year with the implementation of an extensive e-Procurement strategy based on the Cloud Procurement Solution. On the basis of further process automation and a process integration into the SAP-governed procurement process an additional total of approx. 3,500 working hours a year could be saved. **The Cloud Procurement Solution pays off after 3 - 4 months.**

Conclusion

As a technological pioneer in Cloud Procurement we are convinced that the future of purchasing will be in the Cloud, because especially for the business model of purchasing the Cloud offers unbeatable advantages. Consider the following:

- The people involved in the process are scattered all over the world and are reliant on organising a central form of business communication with numerous possible partners
- The people involved in the process can be found in all company sizes resulting in a broad spectrum of complexity within the company organisation
- The number of employees and the variation of existing IT landscapes. (Backend systems such as ERP and DMS systems can be easily connected by means of standard interfaces and innovative Cloud based middleware.)
- Functions and user numbers are seamlessly scalable without additional project-related expenditures.

Even for small companies – on the purchase side as well as on the supplier side – Cloud Procurement offers its fully professional functionalities at a reasonable price. The form of provisioning in the Cloud results is a significant cost reduction with regard to the infrastructure as well as reducing costs for operation, maintenance, service and software updates. Add the benefit of simultaneously maximising the availability of services 24 hours, 7 days a week throughout the world and you will find that Cloud Procurement can be the best alternative for taking your Procurement technology to the next level.