

eProcurement by Coupa Software

Before defining *eProcurement* let us first define *procurement*. The term procurement is often mistaken for a purchasing process that involves creating purchase requests, soliciting approvals of those requisitions and issuing purchase orders. Procurement, in fact, has a much broader meaning than purchasing, though purchasing remains an important piece of the larger procurement function.

In September 1983, Harvard Business Review published a landmark article by Peter Kraljic on purchasing strategy that is often credited for triggering the transformation from tactical "purchasing" to strategic "procurement. As a strategic function, procurement includes supplier management, driving spend through preferred suppliers, ensuring compliance with contract terms, controlling maverick spend and managing the mechanics of the purchasing process.

The new definition of "procurement" was readily adopted in the corporate world. The flowchart below represents the procurement process as it existed through the late 1990s.

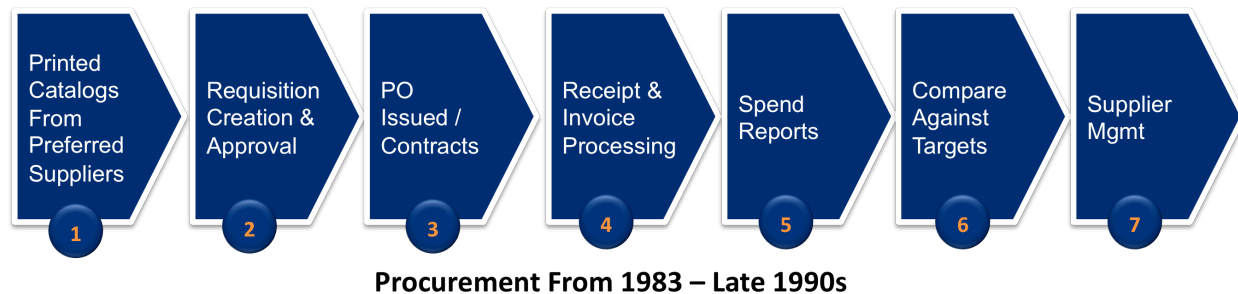


Figure 1

The process was paper-based and manual. The procurement function was primarily a centralized function with final approvals coming from the head office.

The procurement process underwent another transformation with the introduction of client-server technologies in 1980s. The new technologies moved procurement from paper-based processes to a mix of paper and automated electronic processes. Businesses started to process and store financial data electronically. ERP and procurement applications were developed and deployed first in the head office and then in the satellite offices / branches. This was the first incarnation of e-Procurement - i.e. electronic procurement. In addition to processing documents such as Requisitions and Purchase Orders, the new technology made it possible to create digital supplier catalogs that were stored and accessed electronically. The changed process is shown on the following page.

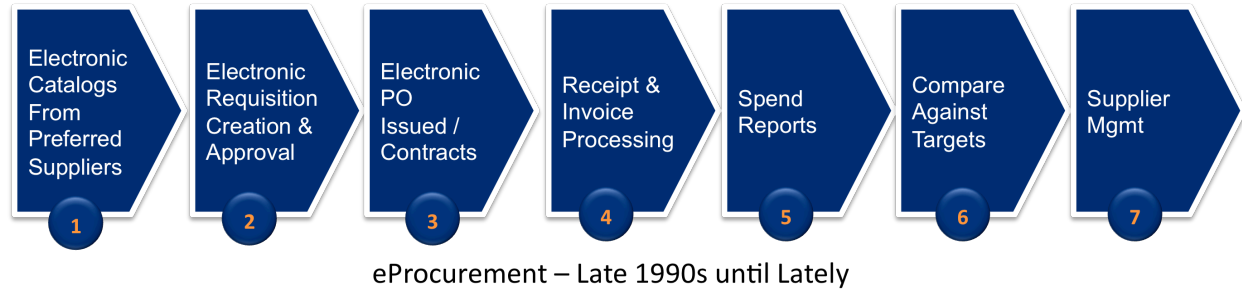


Figure 2

Despite the technology innovations, early e-Procurement applications suffered from low user and supplier adoption. The user interface on early solutions was designed primarily for expert users and never intended for mass adoption at the employee level. Without buy-in, adoption and compliance at the business unit level, most of procurement’s savings goals could never be achieved.

At the time of early e-Procurement innovations, Internet access was not yet common in the enterprise, so technology developed to support a model based on information and content being managed and controlled centrally in top-down mandate fashion. New web-based innovations eliminated barriers to information access, and content proliferated, making distributed procurement models a real possibility. Despite this broad trend, e-Procurement technology has been slow to adapt. Only recently has e-Procurement technology begun to address these broader trends:

- **Geographically distributed operations.** Enterprises have undergone a substantial change over the last decade. The traditional center-led procurement model did not effectively scale to support remote offices or locations. Today it is increasingly common for distributed enterprises to support the procurement function at the local level, where business is most often conducted. This, of course, poses significant challenges. The corporate HQ needs centralized control and visibility into spending, and cannot scale to staff procurement professionals at each remote location. There is great pressure, then, to simplify the tools to empower self-service at the local level, without incurring costs for user training and technical support or sacrificing the robust functionality needed to support multiple chart of accounts, local languages and currencies, and related complexities.

Greater user expectations – Over the last ten years business managers and end users have become much more comfortable and savvy in using technology, evidenced by the rapid adoption and frequent use Internet tools and mobile devices. People “expect” business applications to be highly usable. On the other hand, ERP and hosted applications are decidedly not usable by everyday user because they have been designed with an “expert” user in mind. It is no wonder that traditional business applications suffer from a low user adoption. For spend management, this low user adoption results in low spend under management, poor compliance and lost savings opportunities.

Today, cloud based e-Procurement solutions are effectively addressing the above challenges, especially end user and supplier adoption, by taking advantage of the latest technology innovations. Businesses have started to adopt cloud applications for good reasons –

- **Google / Amazon like usability.** A conscious focus on the end user experience, satisfying the 80/20 rule, and empowering distributed participation in cost savings programs at all levels in the organization.
- **Fast adoption.** New tools make it possible for companies to achieve near 100% user adoption within months.
- **Savings from more spend under management.** Rapid implementation and broad adoption greatly increases companies’ time to value with new cloud-based solutions. The new standard is for companies to achieve 85% spend under management within 12 months, and drive 18-20% of additional savings by driving spend through preferred suppliers
- **Instant visibility.** Executives and managers are able to see the budgetary impact of proposed spending BEFORE the requisition is event approved, giving greater control and preventing overspending.
- **Lower burden on IT** - Cloud applications are end user “configurable,” a big improvement over hosted and on-premise alternatives that are “customizable” by IT developers at great expense; this configurability promotes self service for business users and supports distributed operations.
- **Transparent pricing.** Cloud applications typically have an “all-in cost model / pay for what you use” business model that eliminates capital outlay as well as traditional professional services fees and IT maintenance costs.

The e-Procurement flow today can be depicted as follows -

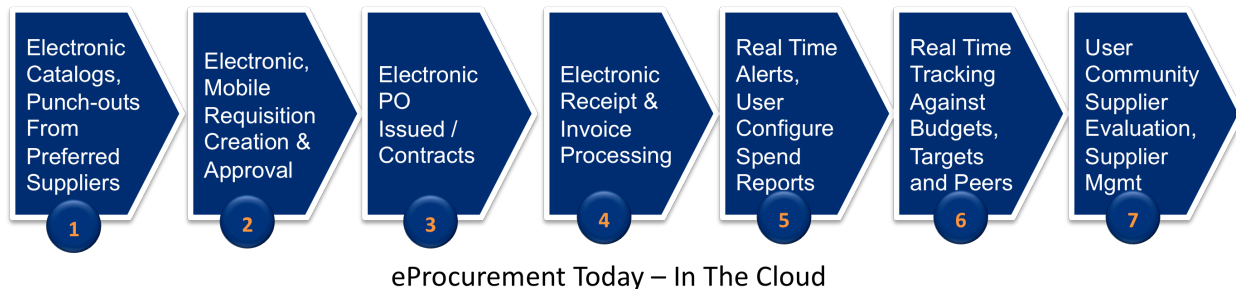


Figure 3

Conclusions

In summary, it appears that the original promise of e-Procurement technologies to instill greater corporate spending controls and discipline is finally becoming a reality with new cloud-based solutions. In the future, expect to see increasing adoption of cloud-based e-procurement solution, even by large enterprises.