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e-Sourcing Must Be Easy to Be Adopted

By: Michael Lamoureux, Research Analyst

Introduction

A platform that is not used does not identify savings or generate value. Many organizations are only using their existing e-sourcing platform on 25% of their events. This means that an average organization is not maximizing the savings or value on 75% of events, and losing out on considerable value. Even if all of the sourcing events that did not go through the platform were tail spend, when you consider that the overspend on these lower dollar categories is typically 15%, the savings can add up fast when an e-sourcing platform is used even 50% of the time.

Since you downloaded this paper, you are firmly aware that the messaging around e-sourcing has shifted from functionality to adoption, as many of the platforms now offer more or less the same functionality at a high level. However, just because the majority of e-sourcing platforms offer RFX, it doesn't mean that all RFX offerings are equal. Moreover, just because two platforms offer the same RFX features, such as attachment management, it doesn't mean the features are equal either. This is very important as adoption depends on a buyer being able to do what she needs to do more efficiently and effectively than she can do it now.

Adoption will never happen if the platform is not efficient and effective. While power users and senior buyers will adopt any platform that will allow them to be more effective and efficient than they were before, the majority of buyers won't look at another platform unless they can see not only the efficiency, but also ease of use. Most of today's platforms are more effective and efficient than any sourcing process that does not involve the platform, but not all are easy to use. Moreover, many of the platforms that look easy to use are only easy for small events. Once an event gets too large or complex, these platforms fall to pieces fast. This is one of the many reasons why platforms that look good on paper (and in the demo) don't get adopted.

In this paper we'll address not only what capabilities a platform needs to have to be adopted (in short, how easy it is to use), but why many current sourcing platforms don't get broadly adopted. This will help you understand what you need in an e-sourcing platform if you want it to be used by every member of your team, and why it might be time for a sourcing platform upgrade.

An Overview of Basic e-Sourcing Platforms

Before we go too far, let's define what makes a basic e-sourcing platform. At its core, e-sourcing requires RFX, and these days it's hard to claim e-sourcing without also supporting an e-auction capability. Awards need to be identified and should be tracked, so there is typically some degree of contract management.

Moreover, not only do responses and bids need to come from suppliers, but so do answers to queries and questions that need to be answered, so a good supplier portal is a must. Also, since some suppliers will be invited to many events, their information needs to be maintained as well, so some degree of Supplier Information Management (SIM) needs to be present.

Other functionalities that may or may not be included are sourcing project management, advanced supplier performance or relationship management functionality, strategic sourcing decision optimization, spend analysis, SCAR (supplier corrective action management), a template library, a category management capability, and a budget / savings tracking tool. However, none of these capabilities are considered core for a (mid-market) sourcing platform and are often a bonus for an organization just beginning, or trying to escalate, their e-sourcing journey.

Key Requirements for Effectiveness and Efficiency

Now that we have defined the basics of e-sourcing, let's define what is necessary for effectiveness and efficiency in each core part of the platform. Efficiency and effectiveness is key to successful sourcing, as a Supply Management organization that is not efficient will not successfully complete many sourcing events and a Supply Management organization that is not effective will not see much in the way of savings.

RFX Efficiency	RFX Effectiveness
• Easy construction of questionnaires • Easy assignment of question weights for scoring • Easy invitations to current & new suppliers	• Distributed scoring among team members • Rapid re-issue of modified RFXs • Support for relevant cost breakdowns

Auction Efficiency	Auction Effectiveness
• Custom lots and bid decrements • Initial bid import from RFX or spreadsheets • Parameter-based customization	• Delegate support • Structured bids • Support for alternate products

Contract Management Efficiency	Contract Management Effectiveness
• Contract template generation from award • Tracking of contracts by product and service • Tracking of commitments and expiry	• Definition of alerts for key dates • Exportation of price lists and awards • Powerful meta-data (wild card) search

SIM Efficiency	SIM Effectiveness
• Support for supplier-side maintenance • Query by location, product, or contract • Track insurance and certifications	• Quick identification of suppliers for RFX • Bulk upload of catalogs • Insure the right prices are being used

And pretty much every relatively modern e-sourcing platform on the market contains all of these capabilities to some extent, so one would think they would be adopted en masse at every organization which has purchased an e-sourcing platform, but they haven't. This says that efficiency and effectiveness alone are not enough.

Key Requirements for Easy Implementation and Use – The Real Key to Adoption

When it comes to e-sourcing platform adoption, the statistics are almost as abysmal as the statistics for the number of organizations that have purchased a platform. We're all familiar with the statistic that less than 4 in 10 organizations have modern e-sourcing and e-procurement platforms, but the statistic that we are not as familiar with is that fewer than 4 in 10 organizations have more than 1 in 4 buyers using the tools, and this statistic hasn't changed much since CIPS first discovered it in 2010.

So while it's true that most of the platforms you are considering have a lot of marquee customers, and while it's also true most of them have some great success stories, the reality is that these success stories are the result of a handful of buyers working with the vendor to get great results on a relatively small amount of strategic spend. This means that, within the average customer organization, the majority of sourcing events by the majority of buyers are not going through the platform, and the organization is not realizing anywhere near the extent of savings it could be. For example, saving 10% on $100M of spend is great, but saving 5% on $500M is even better (2.5 times better, to be precise) — and if e-sourcing best practices were applied across all spend, not just the high-dollar strategic spend, this is what happens — but only in organizations where the technology is adopted by all buyers for all events.

This will only happen if the platform is easier to use than traditional methods. In other words, first you have to understand the classic, but valid, reasons why modern platforms are avoided.

1. E-mail is easy and effective for supplier communication
The buyers have been doing it for years, the supplier reps respond, and it's easy to find what you need when you create the right folder structure in the e-mail tool.

2. Spreadsheets are simple for bid collection and comparison
The buyers can define any number of bid components, use formulas for any weighting scheme they want, and even average rankings by multiple reviewers. Plus, suppliers know how to fill out the sheet without any explanation or direction.

3. Word is great for creating standard term and FAQ sheets
It's very simple to print to PDF and distribute whatever information is needed whenever it is needed through the e-mail channel.

4. In many platforms, especially first generation, the simple things take too long.
When all information requests have to be through structured RFX forms, all bids have to be submitted through complicated ill-structured bid sheets, all attachments have to be added one at a time, all suppliers have to answer fixed questionnaires with too many questions, there is no support for substitution, and so on, then it's faster to not use the solution.

So how do you make it easy? Simply put, you have to select a platform that makes the user's life better. At a minimum, such a platform must do three things.

1. The platform must support the buyer's typical workflow
and it must be easy to alter the workflow as needed.

A big reason that many platforms sit on the virtual shelf is that they make it cumbersome for a buyer to run typical events. When a platform is configured for a one-size-fits-all approach, as many are, setup of a sourcing event typically takes many more steps than the event needs. If the RFX is only going to pre-qualified suppliers, the supplier RFI phase is not needed. If it's a low-criticality one-time purchase tail-spend item, it's typically three-to-five-bids and a buy and there is no analysis or contract creation and all the user needs is the RFQ. And so on.

But one-size fits all platforms force a user to go through a supplier RFI stage, supplier master data update, RFP generation, RFQ separation, award selection, contract creation etc. for an RFX and then initial bid collection and detailed auction setup is included for an auction. This is a lot of work for an everyday event.

The platform must be dynamic and flexible and allow the user to do as little, or as much, as they need in an integrated seamless fashion. The last thing the user should have to do is access four modules for a simple RFQ. (Spend analysis to identify the current products and suppliers. Supplier Management to identify potential new suppliers. RFX to create and run the RFQ. Contract Management to select the award.) Everything should be seamlessly integrated and the user should be able to select the appropriate next step at any time.

2. The platform must scale
even if 9 out of 10 events are fewer than 20 items and 10 suppliers.

A lot of platforms work great (in the demo) when the event is small, but as soon as the user tries to source raw materials for a category of manufactured products, each of which has dozens or hundreds of line items and there are thousands of different raw materials and products that are required and thousands of suppliers, the platform quickly becomes unusable.

Since too much focus was put on streamlining simple events and making it look nice, there was no code optimization and the user has to wait minutes for every screen refresh. Due to poor design choices, the user has to scroll or tab though screen after screen to find the item or supplier of interest. The lack of collaborative event building capability means that one buyer has to do everything. Scale was not designed in, so buyers have to resort to Excel and e-mail. Since some events have to be handled this way, it becomes easier to handle all events this way and the platform sits on the virtual shelf.

3. The platform must make repetitive and time-consuming tasks easy
and not take the control away from the user.

Many platforms are designed to make it relatively easy to set up events, but not reuse common event components. For example, the financial and social responsibility questionnaires often change by less than 10% across categories, but yet the buyer either has to design a one-size-fits-all questionnaire (knowing a lot of questions will be NA for every supplier) or design the questionnaire from scratch for every vertical. The cost model templates across steel parts are always similar as all will have a steel, energy, and labor component, with often the only differences being whether the steel is stamped, bent, or laser cut. However, the buyer will still have to create a model from scratch for every steel part. Moreover, without proper templates that can be built to the buyer's specification, the buyer will be stuck copying events and overriding data, or building from scratch each time.

Moreover, a good platform has to do more than allow templates and setup flexibility, it has to identify the little things that are quick in small events but extremely onerous in large events. One example of this that is almost always overlooked is attachments.

In a typical platform, when a buyer wants to attach a spec sheet to a line item in an RFQ, she has to select the line item, select an upload option, select the file(s) of interest on her drive, click upload, and wait for the upload to occur and the attachment process to complete. With fast internet, this usually only takes a minute or two and takes no longer than sending an e-mail. Easy peasy, right? Wrong! Going back to our bill of materials, if there are 20 to 40 components for each of the 20 products in the category, that's 400 to 800 spec sheets that will need to be uploaded and attached one by one. Even assuming the internet, and system, is working at full speed, and the user is lightning fast, that's still 400 to 800 minutes, or 7 to 14 hours, or 1 to 2 days of just uploading files!

An event that could likely be assembled and reviewed in a couple of hours if there are RFQ templates for each category item that can be assembled into a new RFP or auction event will now take at least 3 days to put together! This is an example of the biggest, and most overlooked, reason that e-sourcing software doesn't get adopted — the little things that aren't reviewed in a typical demo take forever!

A good platform will define an attachment naming scheme that will allow all of the attachments to be zipped and uploaded at once (over the web if the zip file is below a threshold or through an FTP connection otherwise). The user will only have to intervene if a file can't be identified (due to a typo) or a file is detected as being corrupt.

Summary

From an effectiveness and efficiency point of view, there are a lot of great e-sourcing platforms on the market. Each and every one of these platforms, when properly used, can capture currently available savings and deliver real value. But the kicker is they have to be used, and, right now, even if your organization has such a platform, chances are it is being used on less than 1 in 4 events. The reason it's not being used is because it takes too much time and effort for the majority of events, and with buyers having so little time, they take the path of least resistance: Excel and e-mail.

A platform only gets adopted and consistently used if it is easier to use the platform than the conventional methods (based on Excel and e-mail) the buyers currently use. This only occurs if:

1. The platform is flexible
 * The workflow can be modified to what the buyer, and supplier, needs at the time
 * RFX and bid templates can expand and contract as needed
 * Event template functionality is available so the same event structure can be re-used
 * There is the ability for suppliers to suggest substitutions during the event
 * Suppliers can be added after event creation if initial suppliers can't supply one or more
    products or services in sufficient quantity or at desired price points

2. The platform is scalable
 * It must be as quick and easy to run an event on 1,000 line items and 1,000 suppliers as it is
    to run an event on 10 line items and 10 suppliers
 * Views must be expandable and collapsible, filter-driven, and dynamic, and always load fast
 * It must support Excel export and import for bid templates, suppliers, questions and bids
 * It must support collaborative event creation, maintenance, and scoring

3. The platform was designed for automation
 * It must allow bulk import of prior event bids for auction initiation
 * It must allow bulk upload of attachments for line item specification
 * The workflow for buyers and suppliers must be logical
 * If the buyer always has to consult the on-line help or the suppliers are always asking
   questions, it's not *easy* e-sourcing and not very automated

However, if the platform addresses these requirements and doesn't overlook the little things that make the difference between 3 hours of work and 3 days of work (which are never shown in the demo), it will not only look good, but it will work great. And it will be adopted and used for the majority of events, not just a handful of events by a handful of buyers. And the organization will see its savings multiply seemingly overnight. ■

About the Author

Michael G. Lamoureux is a CS PhD who has spent most of the last ten years working on supply chain and sourcing applications, and most of the last sixteen years working in the more general e-commerce space. Before that, he was in the academic realm, which included some teaching and research post-graduate degrees. He has a deep expertise in data structures, computational geometry, optimization, and modeling (mathematical and data). Michael authors and edits the site, Sourcing Innovation, a leading resource for education on Supply Management best practices, technologies, and trends that really matter.

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