

**INTERSHOP™**  
 Success Story



**In addition to ensuring that troops have access to the latest high-tech equipment, modern armed forces also understand the importance of supporting administrative activities with innovative solutions. This is why, in November 2004, the procurement department of Norway's Ministry of Defense switched all its purchasing operations to a single e-procurement platform powered by Intershop Enfinity Suite 6. The new system enables the department and its associated agencies to make direct comparisons between different suppliers and quickly identify the most attractively priced products. The result: estimated annual savings in the region of 12 million.**

With some 30,000 troops, Norway's army plays a key role in international operations involving NATO and/or the UN. Norwegian soldiers are currently stationed in both Afghanistan and the Balkans. Like Germany, Norway is increasingly focused on deploying small, highly mobile units to handle crisis situations. To finance such operations, a defense budget of around 30.7 billion has been made available for 2005.

But even in today's climate of rising security challenges and military crises, the pressure to achieve savings remains. On January 1, 2002, the Norwegian Defense Logistics Organization (NDLO) was therefore set up to manage the entire purchasing and logistics operations of Norway's Ministry of Defense. With around 6,500 employees, the NDLO handles all purchasing, supply, and maintenance activities for the Norwegian army, air force, and navy.

**The target: attractive terms**

In the past, the organization's procurement processes were largely manual in character, relying on fax, mail, or phone. There was no systematic use of the Internet or of e-mail. One consequence of this paper-based approach was a lack of transparency, particularly in the use of global agreements. Since long-term savings could only be achieved through a radical overhaul of these processes, it was decided to migrate the department's entire purchasing operations to an e-procurement solution in order to maximize the benefits.

The objective was to combine and streamline all processes, from supplier management to catalog-based purchasing, on a single platform. Individual departments can now access the system locally and order items within the scope of their authorization. As well as considerably reducing order process times, this has enabled efficient reporting. "We were looking for a solution that would meet our requirements and equip us for future challenges. Intershop's e-procurement offering stood out because it covers the full range of functionality and is scalable to meet our needs," explains Eirik Arnesen, project manager at NDLO. "A further plus point was Intershop's experience with similar projects." The Enfinity Suite 6 software solution was implemented in just a few months. The Procurement Channel enables catalog-based purchasing as part of an organization-wide spending management system, while the Supplier Channel offers extensive supplier management capabilities.



**Key business benefits:**

- Reduction in number of global agreements/better leveraging of global agreements
- Greater transparency with regard to materials purchased, as well as volumes and prices
- Accelerated procurement transactions
- Extensive reporting functionality



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#### **Coordinated action**

The NDLO inherited a huge challenge in the shape of 900 existing global agreements, with all the associated costs and admin overhead. The new solution makes it possible to agree on common requirements, reduce the number of different contracts, and negotiate more favorable terms. As a result, the number of global agreements was soon slashed to 100. Supplier comparisons also help keep costs down—price savings of 7-8% were achieved in food purchases, while telecommunications costs were halved. Total annual savings are put at nearly 12 million.

#### **Everything under control**

The procurement platform also delivers extensive reporting capabilities, which act as an effective deterrent to maverick buying. Managers can view the date, quantity, sender, and terms of the orders at any time, thus

ensuring full cost control and enabling improvements to be implemented with minimum delay. Currently, the NDLO employees have access to the system for ordering “B” and “C” items. These include all items that are not directly relevant to defense activities, such as office supplies. Individual authorizations are defined up front to prevent users from having unrestricted access to order any product. “The software’s many reporting features are especially important in the public sector,” says Eirik Arnesen, “because ultimately, all orders are paid for with taxpayers’ money.”

Adopting an e-procurement solution is obviously not the answer to major funding problems, but this Norwegian example shows that cost cuts and process improvements can be achieved quickly and easily without sacrificing quality, thereby making a significant contribution to easing budgetary pressures.

#### **Software:**

Enfinity Suite 6

#### **Business Modell:**

E-Procurement

#### **Industry:**

Public Sector

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