

INTERSHOP™

Success Story



For some people, shopping is a fun activity, while for others it is a necessary evil—in both cases, the amounts involved can be significant. In a corporate scenario, for example, buying something as simple as a pencil with a list price of 40 cents can incur total costs of 70 euros when internal processes, approval procedures, and delays are taken into account. With other items—such as production materials—the cost discrepancy is even greater. When it comes to controlling this drain on financial resources, the Internet has become a crucial ordering and management tool: e-procurement has become synonymous with streamlined, cost-effective processes. The systems implemented by Dutch systems house ESIZE are powered by proven Enfinity software from Intershop Communications. Enfinity's Procurement Channel was developed specifically for online corporate procurement. This solution has been deployed by the Dutch ministries of finance and social affairs/employment, as well as online bookseller Bruna.

Buyers or financial controllers are usually the driving force behind e-procurement. Consultants A.T. Kearney regularly carry out an "Assessment of Excellence in Procurement" survey, with 275 multinational businesses taking part in 2004. The results show that two thirds of companies already regard electronic procurement as an integral part of their strategy. Although supply chain integration is still an area of weakness, this issue will be overcome in the future through direct linkage with value creation activities. At the same time, management teams already recognize that e-procurement can be used as a strategic tool to cut costs. Over 60 percent of those surveyed now have a dedicated manager responsible for this aspect of the business—40 percent more than when the survey was first conducted in 1999.

Microsoft simplifies processes

As mentioned above, e-procurement can be used for so-called "B" and "C" goods, which include office supplies and other low value items ("A" goods are those directly related to production). Most enterprises focus their initiatives on B and C items because of the glaring gap between item value and procurement cost. Buyers and financial controllers want to have goods in the right place, at the right time, at an acceptable price. Taking the Microsoft Corporation as a case in point, in 2000 the company had 23,000 suppliers and was handling 500,000 separate transactions. The average cost per order was 60 euros. By introducing an e-procurement system, this was reduced to 10 euros, delivering annual savings of around 30 million euros without impacting quality or quantity. As an added

Key business benefits:

- Central management of authorization levels and authentication
- Strategic sourcing through integration of auctions
- Contract management, including global agreements
- Cost control/reduction of average cost
- User-friendly interfaces make navigation easy
- Requisition requests can be posted online
- Purchasing department can focus on strategic sourcing/operational side is handled by individual departments



IT specialist **ESIZE** from Muiden in the Netherlands has been deploying the Procurement Channel in customer projects since 2000. Centralized online purchasing coupled with corresponding approval processes and rules on budgetary responsibility ensures that spending stays firmly under control.

bonus, procurement statistics are always up to date and every transaction can be traced back to an individual employee or department.

The Intershop answer when it comes to implementing e-procurement projects comprises the company's Enfinity Suite 6 software, which includes the Procurement Channel. This modular solution also supports the realization of e-commerce offerings or portals for working with suppliers and partners. IT specialist ESIZE from Muiden in the Netherlands has been deploying the Procurement Channel in customer projects since 2000. Centralized online purchasing coupled with corresponding approval processes and rules on budgetary responsibility ensures that spending stays firmly under control. Employees, departments, or cost centers can buy the products and services approved for their level of authorization via a web-based user interface. The ability to combine product catalogs from multiple suppliers allows the creation of a single, easy-to-use resource.

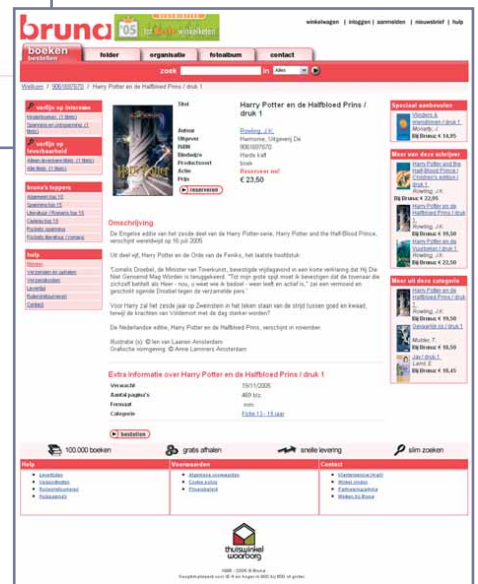
Ministers do the math

In early 2004, decision-makers at the Dutch ministries of finance and social affairs/employment chose ESIZE as their partner to help plan and implement a comprehensive electronic procurement strategy. PIA, a Dutch professional purchasing and subcontracting organization, handled core project management tasks and liaised with the implementation partner and with consultants LogicaCMG. Since numerous suppliers were already plugged in, the system went live very



quickly. Now catalogs from all suppliers can be viewed online and office items, hardware, and software are all ordered via the Procurement Channel. ESIZE also delivered a solution that simplifies and optimizes contract management by offering centralized functions. Both ministries benefit from an exact overview of all procurement-related processes—from ordering through to invoice payment. But e-procurement can involve more than “just” purchasing. With ESIZE’s help, online bookseller Bruna incorporated multiple customer-side purchasing applications into its catalog. When placing an order, these customers can see current stock and select the required product via the ESIZE SupplierConnect interface. The related data is forwarded via the Internet in real-time to Bruna, which can then process the order as usual.

In view of the practical benefits of e-procurement, the obvious question is why more companies haven't made the transition yet. The answer often lies in a company's history, with technological and cultural factors playing a major role. Ultimately, like with e-mail and the Internet, it can only be a matter of time before this type of system becomes the norm.



Intershop Product:
 Enfinity Suite 6

Business Model:
 E-Procurement

Industry:
 Retail, Public Sector



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