ePURCHASING'S next wave

New easy-to-implement technologies are slashing costs and beefing up bottom lines.

MasterCard. *Underwritten by MasterCard Corporate Products*

Business-to-business e-purchasing — buying everything from paper clips to training services online — is on the verge of a boom. As with consumer shopping, it's fast and easy. It also saves a bundle in administrative expenses. Instead of poring over catalogs and calling dozens of suppliers to investigate product availability and pricing, corporate buyers use a Web browser to access an online catalog, examine product specs, route a requisition to a purchasing department, process payment and generate a report that feeds into the company's accounting software. The processing cost is about a third of the $150 or so a company spends to do it the old-fashioned way.

So why aren't all companies using e-purchasing right now? Primarily because of the expense of designing and implementing such a system and teaching employees how to use it. But that excuse is headed for retirement, thanks to the emergence of stan-

dardized and comprehensive e-purchasing systems than can be up and running quickly. In a pace-setting development this March, Clarus Corp., the leading developer of e-procurement systems, joined with Microsoft Corp. and MasterCard International Inc. to introduce WebPurchasing, an integrated solution for streamlined purchasing and payment reporting.

WebPurchasing uses a combination of local databases and supplier Web sites to place contracted supplier catalogs with part numbers, descriptions, and contracted pricing, at employees' fingertips. Smaller, regional and less frequently-used suppliers may be accessed directly through the Web. The system can also accommodate specialized and non-catalogued items, such as catering services, by electronically generating requests for product information and availability.

To add an item to an electronic shopping cart, an employee creates a requisi-

tion by pointing to the item and entering a quantity. The WebPurchasing system fills in the part number, description, price, cost center, project number and shipping destination. Then it routes the requisition for approval based on preset business rules. Approvers are notified via e-mail that a requisition needs their attention. Unlike with paper requisitions, the employee always knows exactly who has approved the order and where it goes next.

Once an order is okayed, the system automatically forwards it to the appropriate suppliers via electronic data interchange, fax, or e-mail. The system also accepts acknowledgment and status messages back from the supplier, keeping employees informed about shipping dates, back orders, and other information. Along the way, the system tracks progress, right down to final receipt.

WebPurchasing also tackles the issue of supplier readiness for electronic com-

merce. Any size supplier can become web enabled using Microsoft's Site Server Commerce solutions. Suppliers can then easily integrate into the Clarus E-Procurement application.
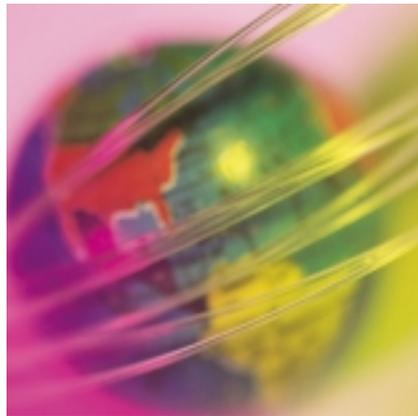
Purchases are charged to the MasterCard Corporate Purchasing Card. The card issuer bills the company and forwards a wealth of computer data that can be fed right into the company's e-purchasing system, including the vendor's name, the name of the employee who made the purchase and the amount and date of purchase. Many vendors also supply tax information and details about their business, such as its minority supplier status, its incorporation status and its tax ID number.

Through the Clarus system, MasterCard takes the Purchase Order data created by the requisitioner and integrates this "Level III" data (typically line item detail including quantities, product codes, product descriptions, freight and duty costs) into the customer's Corporate Purchasing Card reporting and card payment systems. Buying organizations can retrieve this valuable data daily, weekly or monthly and use PC-based software to create reports or map the information into a company's general ledger system.

Everyone is happy: Employees get what they need fast, with confidence that they are complying with corporate policies. Managers can monitor spending more easily and quickly. The purchasing department is freed of excess paperwork. Suppliers can market their products more efficiently.

How well does the NetPurchasing system function on a day-to-day basis? MasterCard International itself offers a good case study, having tested technology for 6 months before opening it up to more departments in January 1998. Used now by 750 people internally, the system will eventually be rolled out to 2,300 users across MasterCard's entire enterprise.

"When I came in three years ago, everything was manual," Jim Cullinan, MasterCard's Vice President of Global Purchasing. "Filing, processing, everything was a piece of paper that needed to be moved around." Cullinan set out to reduce expenses and speed up delivery by elimi-

nating much of the paperwork and automating the purchasing outflow. "The goal was to move away from being a procurement group that is transaction-based to one that is more strategically oriented," explains Cullinan. "If you can set up an electronic process where the catalog is on the desktop, it really keeps the buyer out

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of the transaction itself and positions them to play a more strategic role."

Cullinan did not have a particular system in mind, but a review of electronic procurement products ultimately led him to Clarus, then known as Elekom. "We did evaluations of who had product out there, and more importantly who had product that was actually working," says Cullinan. "Clarus was a company that was very aligned with our strategy, very willing to work with us. They were committed to our project, and it was as important for them for this to be a success as it was for us." The decision was made easier by the fact that MasterCard had already decided to standardize on Microsoft software, upon which the Clarus system is built.

MasterCard employees can comparison shop from a cross-supplier product index containing more than 35,000 items, thanks to the design of the system, which allows suppliers to submit data in almost any form, from CD-ROM to Microsoft Excel spreadsheet. The system uses a collaborative approach, storing catalog content in a local database,

with links to supplier Web pages that allow access to extended descriptions and pictures of products.

How's it working? Look at the numbers. The system has helped MasterCard to slash the average time required to approve and transmit a purchase order from 3.98 days to 1.24 and to cut the cost of most of these purchase orders from $125 to $40. During the pilot program alone, the company was already saving an estimated $10,000 per month on office supplies, computer hardware, and computer software alone. "It's giving us a much smoother flow of requisition to order to vendor, so we've become much more efficient and have been able to process a whole lot more without adding staff," says Cullinan. "My guess, based on how it has reduced processing time, ended maverick purchasing, and allowed us to negotiate better with our vendors, is that it has probably lowered costs somewhere around 15%."

The new system is also delivering a wealth of valuable reporting data to MasterCard's managers. "They are really getting much more information than ever before," says Cullinan. "For example, looking at office supplies, what does the average person spend a month? How does that vary from department to department? We can drill down all different kinds of ways, and the users can go in and get this information whenever they want. We're learning a lot."

And it is continuing to explore ways to enhance the system. The company now enables users to attach documents containing terms, specifications, or custom art, for example to their orders. "We're also going into non-traditional areas," says Cullinan. "For example, we're going to have a catalog of temporary employees, so when someone needs a temp, they can order it through the system."

The benefits of e-purchasing are only beginning to be achieved.

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