

All Aboard "E-Procurement 2.0" – Next Stop: The Mid-Market!

Market Segment

Based upon the findings of [The E-Procurement Benchmark Report: E-Procurement 2.0](#) published last month, mid-market enterprises are slightly more likely than their larger counterparts to have a Best in Class e-procurement program. This demonstrates that mid-market enterprises can and do utilize procurement to gain a competitive advantage. This also means that mid-market enterprises who are struggling with their e-procurement initiatives are being outpaced by their competitors and should consider making investments in these programs. Otherwise, Average performers and Laggards risk losing further ground while competitors drive more savings and operational efficiencies.

Key Findings

Mid-Market Keeping Pace

With slightly better results in three of the four Key Performance Indicators of an e-procurement program (Table 1), mid-market enterprises have shown that e-procurement success is not determined strictly by company size or revenues. In fact, in spite of fewer resources and smaller budgets, the average mid-market procurement organization has been able to drive significant value across the enterprise and to its bottom line.

Table 1: E-Procurement Performance: Mid-Market vs. All Others

Performance Area	Mid-Market	All Others
Spend under management	57%	55%
Requisition-to-order costs	\$40.75	\$32.28
Requisition-to-order cycles	2.9 days	3.2 days
Percentage of maverick (off-contract) spend	24%	25%

Source: AberdeenGroup, August 2006

On-Demand Traction

Until recently, the cost to license, implement, and maintain an e-procurement system presented significant challenges to mid-market enterprises. Those that could make an investment were still constrained and often couldn't extend the automation to other associated areas. The increased availability of On Demand Supply Management solutions and their subscription-based pricing

Announcement

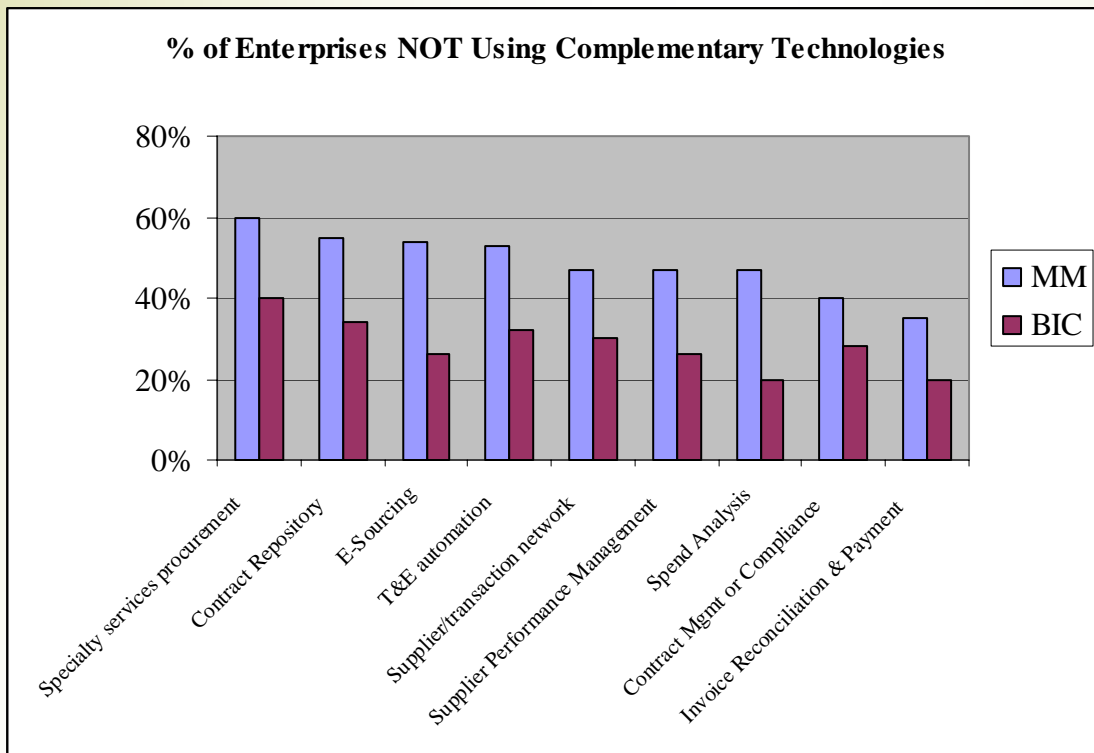
[Click here](#) to download a copy of *The E-Procurement Benchmark Report: E-Procurement 2.0*

models has now fully opened the e-procurement marketplace to the mid-market. In fact, of our mid-market survey respondents, a full **32% utilize On Demand** e-procurement solutions (including e-marketplaces and online exchanges).

Budgets & Education Still Required

Best in Class companies understand the value proposition of an extended e-procurement suite and were more likely to invest in complementary technologies by a **50-100% margin** when compared to the average mid-market respondent. This divergence in strategy may be explained by a lack of sophistication and/or budget. As shown in Figure 1 below, the lagging penetration of procurement automation technologies shows real opportunity for improvement.

Figure 1: Technology Gap Mid-Market vs. Best in Class



Source: AberdeenGroup, August 2006

Recommendations for Action

Included below are several recommendations for mid-market enterprises:

- **Catch a ride on the e-procurement train** – As discussed above, many mid-market enterprises have been very successful in utilizing their e-procurement system to place more spend under management, reduce maverick (off-contract) purchases, lower transaction costs, and streamline processes. If you are a mid-market executive and your company does not have an e-procurement system in place, it is time to demand that your procurement team pursue a strategy automate its legacy processes. The current packaging of numerous e-procurement solutions and the accessibility of standard functionality make an investment in e-procurement a necessity.
- **Update your program goals and objectives** – Compare the metrics you are currently tracking to the KPI's discussed in the latest E-Procurement Benchmark Report (click [here](#) to download).
- **Standardize processes across the organization** – Best in Class companies are more likely to have processes standardized across the enterprise. Wise procurement groups use the implementation of supply management technologies to drive process standardization across the enterprise.
- **Establish controls to block purchases that bypass your e-procurement system** – Simple but onerous controls that are actively tracked will ensure greater performance. Effective programs provide a path of least resistance and limit alternatives that route spend outside of established procedures and systems.
- **Expand your e-procurement system to include complementary technologies** – Best in Class companies understand that supply management takes a holistic view of procurement and its associated processes. Electronic invoice reconciliation, payment and contract management applications are logical places to extend your e-procurement system. Companies who are budget-constrained should consider on demand solutions which offer lower up-front investments via their subscription payment models.

Recommendations for Action

Mid-Market enterprises should consider the following as it relates to their e-procurement program

- √ All-aboard "E-Procurement 2.0," next stop: bottom-line results
- √ Update program goals and objectives
- √ Standardize processes across the organization and make them mandatory
- √ Limit alternative forms of "transportation" that route spend outside of e-procurement
- √ Expand to complementary solutions, especially electronic invoice reconciliation, payment and contract management

Technology Vendors used by the Mid-Market¹

Vendor	E-Procurement	Catalog Mgmt or Supplier / Transaction Network	Invoice Reconciliation & Payment
Anybill			✓
Aravo		✓	
Ariba	✓	✓	
B2B Centrum	✓	✓	
Basware			✓
Cc-hubwoo	✓	✓	
Elcom	✓		
Epicor	✓		✓
GHX	✓	✓	✓
Global eProcure			✓
Oracle	✓	✓	✓
PurchasingNet	✓		✓
Puridiom	✓		
SAP	✓	✓	✓
SciQuest	✓		
SynerTrade	✓	✓	

AberdeenGroup, September 2006

¹ Represents the list of vendors and specific application(s) used by mid-market respondents in *The E-Procurement Benchmark*

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Related Research

[*The E-Procurement Benchmark Report;*](#)
August 2006

[*The Invoice Reconciliation and Payment
Benchmark Report;*](#) June 2006

[*Doing More with Less: E-Procurement
Research Brief;*](#) July 2006

[*The Contract Management Benchmark Report:
Procurement Contracts;*](#) March 2006

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