

District Online Purchasing Stops Paper Chase

The Promise of Internet-Based Procurement For School Districts

During the past few years, many companies have been founded on the premise that Internet-based procurement could deliver operating efficiencies and lower vendor prices.

Several of these companies focused on the K-12 market, and claimed that their systems would reduce vendor prices and dramatically reduce the \$150 cost to process a purchase order, as estimated by the Department of Education, thus saving the schools vast amounts of money.

Now that many of these companies have gone out of business and others are struggling, it is time to ask what happened to the promise.

The Difficulty of Purchasing Exchanges

The reports are coming in from small organizations and large, that operating a purchasing exchange with full integration of all vendor catalogs and ordering is far more difficult than first thought.

The Research Report on eBusiness published in April 2001 by the National Association of Purchasing Management and Forrester Research, states that "manufacturers report significantly lower levels of collaboration with suppliers, as well as substantially increased dissatisfaction

...Operating a purchasing exchange with full integration of all vendor catalogs and ordering is far more difficult than first thought.

with suppliers' online capabilities." According to Gartner Group analyst Karen Peterson, many vendors still aren't convinced there's anything in it for them. Online activities that drive down prices aren't attractive to vendors because they're hurt by pricing pressures. Concerns about the cost and the

complexity of linking back-end systems over the Web add to the inhibitions.

With the difficulty and cost for a vendor to participate in one exchange, much less several, along with the need to pay a commission to the exchange, the expected price reductions may never materialize. Also, large companies and vendors are struggling with exchanges, despite having significant resources to devote to those projects. It is even more difficult for local and regional supply vendors to participate.

As a result, schools hoping to see lower vendor prices and complete automation of all their purchasing are finding little or no price benefit, and only a fraction of their preferred vendors choosing to participate in any given purchasing exchange. In this circumstance, a school needs to maintain a separate purchasing process for all the vendors and products that are not available through the exchange.

"...We have a better process for making purchases. Our people are spending less time running around trying to find out what happened to a purchase order."

The Real Benefit of Internet-Based Procurement

While integration with vendors is much more difficult than first thought, it is becoming apparent that a large portion of the expected cost savings can be achieved through the automation of the paper process used to create and approve a purchase order.

An example of these benefits is explained by Shelley Stewart, vice president of supply chain management at Raytheon Co. "We're saving some money partly because we're getting better prices, but a big part of it is that we have a better process for making purchases. Our people are spending less time running around trying to find out what happened to a purchase order."

Recently, a series of articles has explored the difficulties General Electric is having integrating its vendors into its supply chain, causing GE to "question whether it's even possible to build a fully Net-enabled supply chain."

However, GE is seeing great benefits in automating paper processes, creating "an electronic foundation that will yield considerable and progressively larger bottom-line benefits in the years to come."

These savings are realized through the use of workflow software, which is defined as "software tools designed to allow closer monitoring and more effective coordination and management of documents as they flow through an organization."

Large Districts Can Invest Large Dollars

Large companies and districts have spent billions of dollars implementing systems to automate their internal processes. Smaller districts cannot afford the investment to deploy and operate these advanced systems, and, therefore, have not had the opportunity to achieve some of the potential efficiencies available through workflow automation.

Also, school-focused purchasing companies primarily target the larger schools where the

Purchasing companies primarily target the larger schools where the hoped for vendor commissions will be much larger.

hoped for vendor commissions will be much larger. These companies provide a reduced cost solution to schools assuming that vendors will pay lucrative commissions in order to better access school customers. This business model has not been proven and is not well suited to serve smaller schools where the potential commissions from vendor purchases may not be enough to cover the large cost of implementing a supplier exchange in that school.

Internet Business Services - The Answer for Smaller Districts

Fortunately, Internet Business Services companies are now providing the opportunity for districts of all sizes to be able to achieve many of the same efficiencies previously available to only the largest districts. DataTeam Systems provides advanced software solutions hosted from state-of-the-art data centers and made available to all authorized users from any browser-based computer. These services are made available for an annual subscription fee that is far less than it would cost for the client to deploy and operate the software in their own data center, and can usually be justified through the cost savings from workflow automation.

...Organizations of all sizes can immediately start achieving many of the cost savings and time efficiencies promised by Internet-based procurement.

Through Internet Business Services, districts of all sizes can immediately start achieving many of the cost savings and time efficiencies promised by Internet-based procurement. DataTeam Systems also offers additional workflow automation services through the same platform, thus reducing the cost of implementing multiple software solutions, and providing a continuing stream of efficiencies that can be realized by schools year after year.

DataTeam Systems Inc. is an Internet Business Services provider. We are dedicated to providing Internet based services to schools that will help them focus on their mission – educating students. Coming from a rich history of providing financial administration software to schools for over 20 years, DataTeam represents the next generation of software services. If you would like to receive a copy of a case study documenting the savings resulting from our unique eRequisitions Service, please contact us at sales@datateamsys.com.