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## Exploding the myths surrounding the e-marketplace

The e-marketplace was hyped up to be the new trading platform replacing 'bricks and mortar' retailing and providing every industry with its own online shopping centre dealing in trillions of pounds worth of trade. The real role of the e-marketplace in the NHS is to support e-procurement but this can only work if a system is integrated with catalogues and the electronic purchase order and invoice. Badly executed e-procurement can create more problems than it solves.

Martin Band, CEO, UKprocure

**W**ith the arrival of the Internet more than a decade ago, it was thought that e-marketplaces would dominate the business-to-business landscape. The general vision was that every industry would have a few online shopping centres with all the best prices and trillions of pounds' worth of trade. There was even talk of 'a new business model'. Some e-marketplaces were worth more on paper than their blue-chip parent companies.

Then reality set in. Actually, there was no new business model. Suppliers continued to do what they have always done – that is, respond to competitive pressure, give discounts for volume and jealously guard their customers. The idea that an e-marketplace could suddenly attract enough business to get better discounts than major buyers was a pipe dream.

### The role of the e-marketplace

Taking a closer look at the function of the e-marketplace, it fundamentally supports e-procurement. E-procurement is that wonderful technology that allows the sister on the ward, the clinician and the pathologist to order what they need for their work or their patients from approved catalogues under the supervision of those in procurement and finance.

Most goods and high-volume services, such as agency staff, can be catalogued. How do those catalogues get into the e-procurement

systems? Usually because a small team of people in an NHS trust collate them, checking beginning and end dates, price breakpoints, descriptions and prices, and load them into the e-procurement system. The typical cost of doing this is the equivalent of 1–3 full-time staff.

The next step is generating a purchase order (PO). No apparent issue here: if the person ordering has the right authority, a PO is created, often automatically. Then what? It is usually sent to the supplier by fax or email, or perhaps printed and posted. But is a fax or email an electronic transaction? Actually, the answer is no. They are both pieces of paper and they can be lost or arrive incomplete, requiring the supplier to retype them.

### Errors increase expenses

Some suppliers are actively pushing for e-commerce, driven by the benefit of increased accuracy and decreased cost of transactions. But are you supporting your leading suppliers by sending them a fax or email? Well, not really, because it can result in extra costs for uncertainty of delivery, telephone calls back and forth to confirm the order, additional cost to the supplier that you will pay for one way or the other and, most importantly, order errors resulting in problems matching the invoice.

There is also the processing of the invoice to consider. It is believed that all you have to do is take all those paper invoices, put them in a giant hopper, scan them into electronic files and, hey presto, you have an electronic

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invoicing system giving you huge cashable savings. It's not as simple as that. What if the invoice does not match the order because the order was wrong, either because the supplier mistyped it or the user didn't use an accurate catalogue? If your problem is that only a fraction of trust procurement takes place via official PO route at all, will the invoice match the order? If your real bottleneck is matching invoices, an e-invoicing-only solution will just fill that bottleneck faster.

In conclusion, if you don't have the full catalogue, electronic PO and electronic invoice process, you don't have e-procurement. To enable those three steps involves skills you probably don't have and that are not your core business. If you don't have the three touchpoints working together, it is likely that your organisation is doing e-procurement badly and that can compound the problems e-procurement was designed to solve in the first place.

**Benefits still evolving**

Why are people still investing in e-marketplaces? The benefits have matured and evolved into:

- Better financial control, knowing what spend is committed at any time, being able to track and analyse procurement spend to ensure best prices;
- Much higher first-time invoice match rate;
- More accurate orders as entered at the supplier's order entry system and access to supplier discounts for electronic orders;
- More of your spend by PO and less by the end user picking up the phone;
- Less time spent between your suppliers and your end users or your procurement staff clarifying orders over the phone;
- More accurate requisitions based on catalogues authored by the suppliers themselves;
- Redeploying 1–3 people in procurement who would normally spend a significant proportion of their time managing catalogues.

These benefits, both strategic and administrative, can be achieved with:

- Accurate catalogues: supplier-managed, buyer-managed or service provider managed, as appropriate;
- Electronic PO delivery, in the format required by the supplier – from autofax or email right up to full systems integration, easily and cheaply;
- E-invoicing from the outset, taking feeds directly from supplier systems, PO flip (turning an electronic PO into an invoice) or allowing the supplier to use self-authoring tools, scanning only for the tail end of the most recalcitrant suppliers;
- A service provider who recruits suppliers and teaches them the ropes with regard to trading electronically with multiple buyers;
- A service provider who understands your goals and how to manage them – a provider who can deliver a targeted and good-value e-enablement project to help you achieve your objectives.

The technology is here now and it has been around for some time. If you want to achieve the vision of e-procurement, you need to consider all the touchpoints with the outside world. You don't have to tackle them all at once but you need to think big before starting small.

**What could an e-marketplace do for you?**

What could an e-marketplace do for your organisation? It acts as a conduit, facilitator and translator. It handles catalogue content going from suppliers to buyers, translates and transmits electronic purchase orders and translates and transmits e-invoices. It connects e-procurement systems to the outside world to all the various systems your suppliers have. It supports your current relationships with your suppliers, making interactions faster, more accurate and lower cost. It enables e-procurement, improves financial processes and improves governance. ■

