



How Can E-Procurement Positively Influence Your Business?

With the growth of the Internet, and particularly mobile technology that allows access to it in remote areas, e-procurement is rapidly becoming a popular option for industrial stock management. However, what considerations need to be taken when choosing your e-procurement system to ensure maximum cost savings and efficiency?

Peter Burrows of ERIKS explains how a good e-procurement system can save your company more than just administrative costs and why the new multi-functioning Tradcom is ERIKS' system of choice...

Traditionally purchasing industrial stock can be extremely time consuming and create large administrative costs. Technicians who require a part will often need to find the item in a catalogue and fill in a requisition form, which then needs to be sent to the purchasing department. Once this is received the purchasing department centralises the paperwork / deciphers the fax, and usually performs several additional data entry tasks, they then research the best deals and place the order. Such a lengthy process can easily create lead times exceeding a week.

The hidden costs of the lengthy paper trail and the extended downtime can often be greater than the cost of the item purchased; administrative costs alone can easily over £100 per item. Other possible costs from this system come from potential mistakes as the original request becomes lost in translation. With such a large paper trail it is easy for mistakes to be made when ordering, resulting in redundant stock being ordered and longer lead times being generated.

Moving to e-procurement can help a business reduce its administrative costs while at the same time reducing lead times and eliminating mistakes during the ordering process. A good system can also help to find competitive prices or discounts as well as streamlining the purchasing process; but how do you know what the right system is for your needs?

A good system will automatically improve process efficiencies, simultaneously eliminating the need for paperwork and minimising human intervention, while also allowing individual employees to make necessary purchases at the touch of a button. By allocating individual employees with purchasing guidelines tailored to their needs they can make orders without the risk of unnecessary or unauthorised purchasing.

E-procurement should enable users to find an item via electronic catalogues and then make the order at the touch of a button. A good system should have a wide selection of products and contain information and prices in order to let buyers compare similar items and make the most suitable purchase. The system should also maintain accurate information on past purchases and provide reports on request to allow procurement managers to scrutinise buying patterns.

The system should have a powerful search engine that can quickly find a required product by broad category, part description or part number; it should provide customised supplier lists that can be grouped by department and purchase level to ensure that employees make approved purchases only. Offering comparative prices and hyperlinks to supplier websites will also allow users to make a well-informed choice.

With the right system installed, e-procurement is designed to create cost savings in two key respects. Firstly, it reduces the direct cost of the purchase; by eliminating paperwork and human intervention and reducing transaction costs, as users can easily compare prices. Secondly, indirect savings are made. Lead times are reduced which in turn reduces costly potential downtime and, by allowing employees who need equipment to purchase it directly, it eliminates the risk of error by going through a middleman.

Tradcom is an e-procurement system that began life and development in 2001, a second generation version has now been released that features a wide range of functions that not only allows users to control their purchasing but also to control stock levels, generate invoices, link to and communicate with, other software systems. Tradcom operates in a similar manner to RSS; it is a web-based portal to a catalogue of over 500,000 products.

Tradcom is designed to be used as more than an online shop; it allows users to set up individual order and stock management systems that are tailored to specific requirements. The catalogue has a wide range of items spanning from



engineering parts to office supplies and even product training programmes. Each user has their own level of access, which allows them to view and buy only products that are approved to them.

One of Tradcom's key features is the availability of a system enabled barcode scanner; this performs a range of functions including quick and efficient replacement stock ordering. Product barcode labels can easily be generated in-house by any permitted user in accordance to their requirement.

The Tradcom barcode scanner can also be used to improve store management, the stock management function provides a fully automated management system. Users can set stock parameters to ensure that products are never over ordered or run out. This level of management means that orders can be tracked from purchase, to arrival and through to their final use and installation.

The system has been designed to communicate with other software and is compatible with a number of ordering and ERP systems used around the world. Standard links have been developed for various purchasing packages such as SAP, ARIBA, Oracle iProcurement and other, smaller packages. Orders generated from an existing purchasing system can be sent electronically via the Tradcom communications platform using the most widely accepted formats (EDI, XML) and communication protocols.

Tradcom uses a powerful search engine that is available to users 24/7; each product in its 500,000+ range has extensive information and images supplied to enable the user to be sure that they are buying the correct product for any given application. Users can be given a personalised budget and authorised product list, which can be checked and altered by the procurement manager.

Application example: Not just hot air...

A large air compressor manufacturer has recently employed the use of Tradcom in a bid to make the procurement of supplies more efficient. By giving the technicians access to simple ordering the company has seen dramatic reductions in both costs and maintenance lead times.

The company's service department has 80 technicians that are all positioned in different locations; each technician is responsible for the day-to-day maintenance of industrial compressors in a particular area. Before moving to Tradcom any purchases had to be made using a traditional paper based system which meant that there was an average lead time of 7 days for any parts ordered.

As each technician already had a laptop with an Internet connection, with which they received their work schedules and drew up maintenance reports, it was decided to use e-procurement as it offered an opportunity to streamline and optimise the purchasing process.

ERIKS recommended the use of Tradcom, as it is a collaboration of several market leaders in industrial supplies which, together, offer a well varied and balanced range of stock. From the large product range, it was easy for the company create a subset of relevant stock that could be easily browsed and tailored to each technician's personal needs.

Each supplier keeps its product range up-to-date in the catalogue, including any current offers and discounts, the technicians can search, order and track the order themselves, from any location where they have internet access. The purchasing department is still responsible for choosing suppliers, commercial negotiations and updating each technician's product subset but no longer has to decipher order request forms or authorise each purchase.

Each of the technicians was given an annual budget and a set limit per order. If a limit is exceeded then the purchasing department is notified to give approval to ensure that there is no maverick buying. The purchase manager can also generate order reports, which makes it easier for the purchasing department to keep track on what has been ordered.

The move to Tradcom was extremely smooth, within a year the system was fully integrated within the company. There were immediate reductions in job turnaround time as essential orders could be dispatched immediately; the general



stock management has also improved which has reduced costs from over ordering.

In the current economic climate, there is increasing pressure for costs to be cut in most businesses. When approached correctly, e-procurement is a realistic tool for reducing costs and creating efficiency throughout a company. There are many methods of e-procurement available, some more suitable to certain types of business than others, Tradcom is ideal for MRO purchasing for manufacturing and processing companies. For further advice on e-procurement and improving your purchasing process, contact ERIKS at www.ERIKS.co.uk

About ERIKS UK

We offer over 90 years technical knowledge and experience from 76 nationwide industrial service centres, supplying over 500,000 unique industrial products. We have 88 integrated on site stores and procurement centres reducing the costs of all maintenance and repair products and industrial services. With 9 core competence centres and 23 fully equipped repair workshops maintaining equipment from electric motors, pumps, gearboxes, generators, transformers through to condition monitoring based preventative maintenance services, such as thermography, air leak surveys and vibration analysis.

Editor Contact

DMA Europa : Roland Renshaw

Tel: +44 (0)1299 405454

Fax: +44 (0)1299 403092

Web: www.dmaeuropa.com

Email: roland@dmaeuropa.com

Company Contact

ERIKS UK : Richard Ludlam

Tel: +44 (0)121 508 6000

Fax: +44 (0)121 508 6255

Web: www.eriks.co.uk

Email: Richard.Ludlam@eriks.co.uk