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E-Purchasing for Businesses

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E-Purchasing for Businesses

The Internet is a valuable tool for marketing and selling to customers across town or around the world. It also provides an abundance of buying and cost saving opportunities. According to a recent survey of professional purchasers by Purchasing Online magazine, the web offers a wide range of significant purchasing benefits. For example: Faster sourcing, new sources of supply, improved comparison shopping, lower overall operating costs, lower prices paid, more control over spending and inventory, and more efficient use of sourcing personnel who can be made available to work on tasks that have more long-term strategic value to the organization.

Online Purchasing Options

The web offers professional purchasers a diverse range of online buying forums with varying levels of features, complexity and cost. While many of the web sites listed below are U.S.-based, they can be reached by a large and diverse international audience. Canadian firms need to explore, not only, the buying opportunities available to them on these sites, but opportunities to register as suppliers on the web-based services, in order to expand their global reach.

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Supplier Web Sites

The most basic e-tools for a business buyer are the web sites of companies that provide the goods and services the purchaser seeks to procure. Usually free to buyers, these web sites offer background information on the company, list the products and services on offer, and a set list of prices. In some cases, the web sites provide marketing information only, and buyers must procure the goods or services listed on the site either in-person or by using traditional telephone, fax, or mail. In other cases, the web sites are e-commerce enabled, and the buyer may purchase the goods and services online.

Pros: Usually free to buyers.

Cons: The web sites may be difficult to locate on the web.

Examples: Virtually any company web site that promotes or sells its products and services online.

Online Catalogues

These are product indexes that provide a searchable directory of products and services from a variety of suppliers. The catalogues often include product photos, detailed specifications, and price comparisons.

Pros: One-stop shopping source for an industry or product category.

Cons: Prices are sometimes pre-negotiated and static.

Examples:

- Thomas Register at www.thomasregister.com
- Digikey at www.digikey.com
- Grainger at www.grainger.com
- Newark Electronics at www.newark.com
- McMaster-Carr at www.mcmaster.com
- Global Computer Supplies at www.globalcomputer.com.

Vertical and Functional Marketplaces

Often administered by a third-party firm, these are an aggregation of buyers and suppliers in both vertical and functional markets. Vertical marketplaces serve a specific industry. Functional marketplaces focus on providing the same functions or automating the same business process across different industries. The e-catalogues are usually highly focused, and provide in-depth content and supplier information.

Pros: Broader supply base, and lower search and transaction costs.

Cons: Prices are sometimes pre-negotiated and static.

Examples:

- VerticalNet (a community of vertical markets) at www.verticalnet.com
- Altra Energy (energy) at www.altranet.com
- Band-X (telecommunications) at www.band-x.com
- Citadon (project management) at www.citadon.com
- Employease (employee benefits administration) at www.employease.com
- e-Steel (steel) at www.esteel.com
- IMX Exchange (mortgages) at www.imx.com

E-Catalogues are usually highly focused and provide in-depth content and supplier information.

- MRO.com (maintenance, repair, and operating procurement) at www.mro.com
- PlasticsNet (plastics) at www.plasticsnet.com
- Youtilities (energy management) at www.youtilities.com

Auction Hubs

Much like standard auctions, these are online electronic sales in which an item is sold to a bidder who has offered the most money for it. Types of auctions include commodity auctions (oil, natural gas, electricity), independent auctions (first-run and surplus manufacturing goods), and private auctions (geared toward re-sellers and dealers, rather than end users).

Pros: Better prices and matching, particularly for used capital equipment, perishable capacity, and one-of-a-kind and non-standard items.

Cons: Suppliers can misrepresent themselves online, so are unable to fulfill orders.

Examples:

- EBay at www.ebay.com
- Freemarkets Online at www.freemarkets.com
- iMark (used capital equipment) at www.imark.com.

Buy-Side Systems

These are web-based procurement applications hosted by the buying organization. The purchasing management set and enforce buying rules, and source from preferred suppliers.

Pros: Reduces cycle times, builds leverage with fewer suppliers, automates administrative tasks and integrates with back-office systems.

Cons: Very expensive (\$250,000 - \$5,000,000) to implement, and complex to manage.

Example:

- Government purchasing organizations including Merx (a Canadian government procurement online gateway) at www.merx.com

Trading Communities

These are hubs maintained by a third-party technology vendor where multiple buyers and suppliers from a variety of industries conduct business and transactions online.

Pros: Provides e-commerce opportunities for smaller firms, eases catalogue maintenance for suppliers with a publish-once model, and does not require buyers to invest in costly buy-side procurement software.

Cons: Few suppliers currently offer service.

Buyer Cooperatives

These pool groups of buyers who collectively negotiate improved terms and lower prices for a product or service. The more people who agree to buy a product, the lower the price will go.

Pros: Lower prices for selected products.

Cons: Buyers may have limited control over the times when products are purchased in bulk, and how they are delivered.

Example:

- Accompany Inc. at www.accompany.com

Within the next five years, your phone might instantly sort through rates as you place a call, and choose the lowest rate on the fly.

Software such as "bots" or automated shopping agents will soon proliferate on the Net. These software robots will not only search out deals on behalf of buyers, they will be authorized to make purchases automatically if they find the right combination of prices and features. Within the next five years, your phone might instantly sort through rates as you place a call, and choose the lowest rate on the fly.