



Efficient Procurement Through eCatalogs

Key Factors To
Online Catalog
Success

An Introduction

eCatalog systems have been designed to support the indirect purchasing process by making information required for purchasing the products easily accessible. eCatalogs help buyers to search for products and suppliers, place orders and track them online through the eProcurement system. eCatalogs also help the suppliers to easily customize contents and views of their products and keep the list of offerings updated.

In other words, eCatalogs help to streamline the requisition process and reduce the cost of purchasing. It empowers every employee within the organization to raise purchase orders from their workplaces to preferred suppliers by complying with the policies that are to the best interest of the organization. This result in reduction of maverick spend, better leveraging of discounts and gain more visibility in to spend.

Common challenges faced by organizations in absence of eCatalogs:

- Uploading and maintaining large no. of catalog items from different suppliers
- Delays in procurement cycle transactions
- Automating the entire Order to Cash transactions on the buyer and supplier side
- Manual paper based transactions are error prone and wastes time
- Risk of procurement non-compliance
- Need to manually input data to the ERP
- Limited control and visibility of procure-to-pay process

Why Is It Crucial For Organizations To Adopt eCatalog?

According to The Hackett Group, maverick purchases alone can account for up to 2% of overall indirect spend. Although this figure might seem unworthy of your time, up to 50% of your organization's cumulative purchases are attributed to indirect spend. So if your organization is spending, say, \$2 billion indirectly, \$20 million of this spend is maverick purchases. On the other hand, a report from EY suggests that optimization of indirect

spend can yield savings of up to 25%. Coupling automated purchasing systems with eCatalogs can support standardization and aggregation of indirect spends. By limiting requisitioners to the catalogs of goods and services already under contract from preferred suppliers, volume commitments can be realized and maverick spending can be reduced. Few facts and figures from a recent report from The Hackett Group highlight the importance of eCatalog:

- Top performers have shorter cycle times for processing orders and use catalogs to a greater extent, bypassing longer requisition processes. For instance, it takes top performers five hours to complete a purchase order, versus 15 hours for the peer group. Catalog purchases also indirectly influence invoice processing cycle time. According to the report, the invoice cycle time is six days for top performers versus 11 days for peers.
- Top performers order 43% of indirect line items through eCatalog versus only 20% of peers

Which Categories Can Be Brought To Online Catalogs?

It has been observed that the top performers of the world enabled eCatalogs for a major portion of their suppliers which contributes to a major chunk of their spend. eCatalogs form the first step to supplier enablement. Hence, the top performers ensure that the majority of their buying happens through eCatalogs and reap the benefits from it.

Organizations can realize the pre-negotiated savings from subsequent sourcing processes if they can have the previously contracted items as a catalog item. eCatalogs from preferred suppliers with whom the company sources items frequently will save both time and money by reducing the requisition cycle time.

Best Practices for ECatalog Success



1. Create The Platform to Enable eCatalogs

Following are the two ways in which a supplier can open its storefront to the customer organization

I. Punchout Catalog:

Punchout catalogs allow buyers to access a supplier's eCommerce website, be automatically logged in, search the catalog, configure items, add them to the shopping cart, and return the cart as a pending purchase order back to the procurement system. In short, a Punchout catalog website is a standard eCommerce website with the ability to communicate directly with a procurement system and return a pending purchase order back to the buyer so they don't need to enter product information in the procurement system. This saves purchasing personnel valuable time since they don't need to enter the product information. Punchout catalogs also save time by eliminating all the maintenance and data entry of catalog upkeep. Punchout catalogs are maintained by the supplier and do not require constant upkeep from Procurement.

Punchout Catalog setup can be either of the following formats:

- cXML
- Open Catalog Interface (OCI)

II. Hosted Catalog:

The eProcurement solution provider like Zycus, hosts these catalogs shared by suppliers through the provider's Procurement Network.

Hosted catalogs require manual loading into the procurement system and therefore it's a tedious task to keep product inventory and pricing data up to date. As a result, hosted catalogs are specifically suited to managing lists containing a fewer products, which are purchased frequently and mostly have stable prices.

On the other hand, Punchout catalogs are dynamic and always show an up-to-date range with both replacement and new products. Punchout catalogs can provide real-time pricing and availability, multiple configuration capabilities and showcase related documents and decision-support information. Therefore, these catalogs are better choice if you procure products that are complex, highly configurable and service-oriented or have considerably large catalogs with many line items or goods that require constant price and feature updates.



2. Maintain Current Pricing

Catalogs need to be updated on regular basis so that the buyers can make requisitions based on correct data and pricing. As discussed above, Punchout catalogs have the added advantage of displaying any updates in pricing and items immediately. This minimizes the amount of time and resources required in updating the data and ensure that pricing is always current.

For internally hosted catalogs, both contracted and non-contracted items need to have a relevant price expiration date, beyond which the supplier need to upload the eCatalog with new contracted price. Most eProcurement systems now support simple CSV files, and allow suppliers to upload the updated eCatalog data securely.



3. Track and Expand Compliance

By using an eProcurement solution to enforce buying from approved supplier catalogs at pre-negotiated prices, greater spend compliance can be achieved. According to a recent Hackett report, the indirect procurement benefited the most through the use of eCatalogs in procurement, with an average of 20% increase in compliance.

An eProcurement catalog implementation helps to monitor and reduce unauthorized spend, improve compliance and financial reporting through consistent sourcing processes. An efficient eCatalog solution should provide:

Punchout Catalog setup can be either of the following formats:

- Automated Compliance Checks to ensure POs leverage negotiated pricing and volume discounts.
- Quick Purchase options from preferred suppliers or products within pre-defined spend limits.
- Administrative Controls to configure and limit item availability and item details to specific types of users.



4. Maintain Up-to-date eCatalog Content:

In order to provide seamless purchase using the eCatalog system, the important fields of eCatalog that needs regular maintenance are:

Granular Commodity Codes:

Using commodity codes which acts as a primary key in identifying specific items in the eCatalog and is a crucial element in the success of online catalog management. EProcurement systems now have browsable category trees that rely on unique commodity codes to assign the item to most appropriate category. The unique codes for every item on the online catalog is also important while setting up requisition approval rules that are reliant on the codes to determine who should approve the purchase request for a specific category/item. The codes also help the eProcurement system to provide better spend visibility.

Description:

Each catalog item need to have proper description including name and list of product-specific attributes. Creating this description requires lot of manual effort initially but it not only helps the buyer to make the right choice but a proper description containing rationalized words, aids in accurate keyword searches during requisitions.

Images for Every Product:

Using professional and high resolution images that are hosted on a publicly available web server, a higher level of confidence can be provided to the buyer on making the right product selection and in reducing the chances of ordering incorrect items.

Conclusion

eCatalogs have proven to be an important tool for improvement of Procure-to-Pay efficiency. Organizations adopting it along with their procure-to-pay system can achieve improved purchase order accuracy, improved supplier enablement and collaboration, encourage compliance with procurement processes, enhanced cash flow and reduced cost for data processing operations.



About us

Zycus is a leading global provider of complete Source-to-Pay suite of procurement performance solutions. Our comprehensive product portfolio includes applications for both the strategic and the operational aspects of procurement - eProcurement, eInvoicing, Spend Analysis, eSourcing, Contract Management, Supplier Management and Financial Savings Management. Our spirit of innovation and our passion to help procurement create greater business impact are reflected among the hundreds of procurement solution deployments that we have undertaken over the years. We are proud to have as our clients, some of the best-of-breed companies across verticals like Manufacturing, Automotives, Banking and Finance, Oil and Gas, Food Processing, Electronics, Telecommunications, Chemicals, Health and Pharma, Education and more.



NORTH

Princeton: 103 Carnegie Center, Suite 201 Princeton, NJ 08540
Ph: 609-799-5664

AMERICA

Chicago: 5600 N River Road, Suite 800 Rosemont, IL 60018
Ph: 847-993-3180

Atlanta: 555 North Point Center East; 4th Floor, Alpharetta, GA 30022
Ph: 678-366-5000

EUROPE

London: Kajaine House, 57-67 High Street, Edgware, Middlesex HA8 7DD,
United Kingdom Ph: +44(0)1189-637-493

ASIA

Mumbai: Plot No. GJ-07, Seepz++, Seepz SEZ, Andheri (East),
Mumbai - 400 096 Ph: +91-22-66407676

AUSTRALIA

Melbourne: Level 9, 440 Collins Street, Melbourne VIC 3000