

Delivering e-Procurement

The Suppliers Guide to trading electronically with the Public Sector

Local e-Gov | National Project

www.nepp.org.uk

e-commerce broadband why bother?

Your buyers are changing
Your business may be under threat
The early birds are already getting the worms
That's why



St. Albans City & District Council wishes to support local companies and suppliers to meet the challenges of e – Procurement. We hope that you find this booklet helpful however, if you require more information please refer to the partners contact panel on the back cover.



local e-gov



OFFICE OF THE
DEPUTY PRIME MINISTER





The move to electronic trading



As a supplier to the council and other public sector organisations you may be aware that they have a deadline to adopt e-Procurement by 2006

e-Procurement is the ability to trade with all suppliers using email and web technology. It removes paper processes and reduces costs for both buyer and supplier, making trading simpler and more cost effective.

If you are a contracted supplier you may have already had the requirement to trade electronically written into your contract. If you supply the public sector on an ad hoc basis you will also be expected to have this capability.



This is not one of those technology fads that you can ignore. Large organisations in both private and public sectors are implementing e-procurement, for one reason: it will save them a great deal of time and money.

So it's not going to go away. Whether you supply into the corporate or public sector, it is important that you prepare your company for this change.



Benefits for Buyers and Suppliers

In any large organisation buying goods and services is a complex and expensive process which is managed by many staff. It is designed to run hand in hand with departmental budgets in order to ensure there are no budget overspends.

Unfortunately the need to audit and control the process means that it is generally cumbersome and bureaucratic. Because many hands need to touch each order, it is expensive and in most large organisations the cost of buying low value goods and services is greater than the value of the goods bought.

e-Procurement automates the process and takes out much of this cost, perhaps as much as £40 per order. A large company or public sector organisation, which might process over 1,000,000 orders per year, so can make major savings.

e-Procurement helps suppliers just as much as buyers, as it removes the majority of the paper-based activities related to processing an order and getting paid, releasing valuable time for sales and other activities.

It also helps suppliers cut down on mistakes and improperly authorised orders and is a key to ensuring quick payment.

Without pieces of paper to get lost in the post or mislaid within the department, supplier invoices are turned around and settled quickly.



→ How you do business today...



1. An individual wants to buy something from you.
They contact you or check your catalogue for a price, type the details on to a purchase order requisition and send it to be authorised.



2. Authoriser checks budget and authorises order. Buyer types out the order, prints it and posts it to you.



3. You receive order, type details into your accounts system, send acknowledgement to the buyer.



4. Buyer receives goods and you create and send a paper invoice.



5. Buyer authorises invoice and sends to accounts for payment.



6. Accounts enter the details into their financial system.



7. You produce a statement and post to buyer; buyer receives statement, sends to accounts.



8. Accounts write cheque, enter cheque details into accounting system and post cheque.



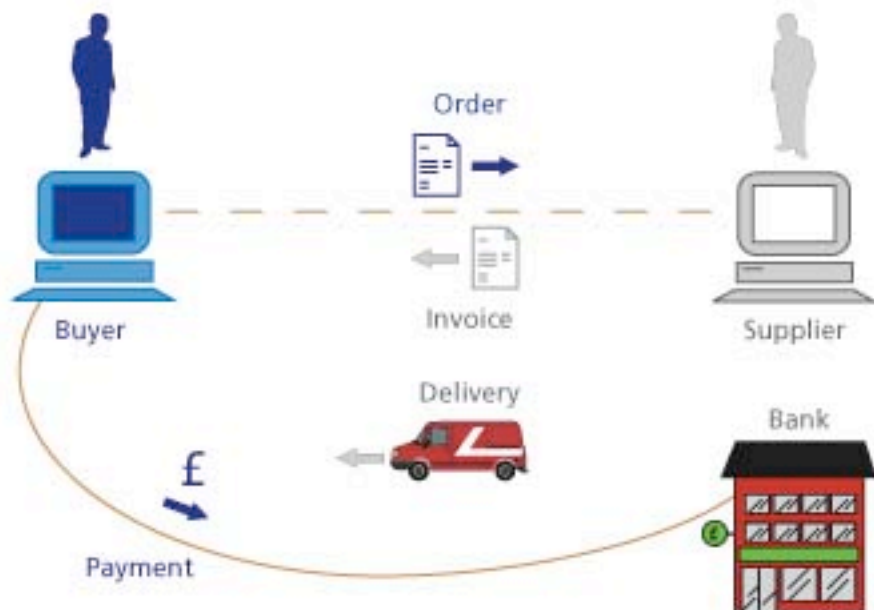
9. You receive cheque, enter details into your accounting system and send cheque to bank.



10. Both of you reconcile bank statements and accounting entries.

...and in the future?

- ↓ 1. An individual wants to buy something from you.
They 'log in' over an internet connection, look at your web catalogue, click on the desired products / services and send the order electronically.
- ↓ 2. You receive the order via email, and the invoice is automatically emailed back to the buyer directly into their financial system.
- ↓ 3. You enter information into your accounting package or use software to integrate information saving time re-keying.
- ↓ 4. Buyer receives goods / services and authorises invoice for payment.
- ↓ 5. Buyer's financial system generates payment by BACS.
 - No paper, no errors, no delays, no chasing for payment.





Case study

Red Shark is based in rural Northumberland and sells ink jet cartridges to a wide range of businesses and individuals nationally and internationally.

Although only 3 years old it has been very successful in winning Local Authority business and now has 117 Local Authority accounts.

Red Shark was conceived as a purely internet company with slick online processes and payment by credit card over the net. Its overheads are very low and its annual internet hosting and maintenance costs are less than £1,000. Its sales are now several million pounds per year and its business is growing very fast. This low cost base has meant that it can offer products at very low prices.

"I am sure that eProcurement will make Britain a more prosperous economy as it removes needless work and speeds up payment - exactly what every small business is crying out for"

Neil Davidson, MD, Red Shark



What's the hurry?

You can't afford to hang around; it's not just about adopting the new technology.

As your customers modernise their purchasing, they will reduce the number of suppliers they deal with directly and be demanding more from those they keep.

This will tend to favour suppliers that can transact electronically, can compete for larger contracts covering more than one department and can cope well with the formal compliance and tendering processes required on larger contracts.

So you need to consider the real added value you represent and be able to demonstrate that to your customers, ensure that you are easy to deal with (ie via email and the internet) and check that you meet the formal requirements. This may mean you have to change what you do, the way you present it and to whom.

Getting started

1 The first step is to ensure that you have email in your organisation and that you have a dedicated address for receiving electronic orders. Many companies use individuals' email addresses, but this can lead to chaos when an employee is sick or on holiday. Someone needs to check these emails regularly.

2 These emails can be treated as standard paper orders and keyed into accounting systems in exactly the same way as any order received through the post. This ensures that your company can trade electronically with any client.

3 The next level is to set up a web site which allows you to take orders and payments for goods, and accept purchase orders and create electronic invoices if you sell services. There are inexpensive web tools available which will allow you to do all this without having to become a web expert!

4 If you wish to accept credit cards for payment you will also need to have an electronic merchant account - your bank will be able to help you with this. This will need to be integrated with your web site, again this is commonly done and there is lots of help around to get you up and trading.

5 The final level is to integrate this with your accounting system in order to cut out any duplication of effort and re-keying of information. Many of the most popular accounting packages can be easily integrated with your web information and your accounting package provider will be able to give you practical guidance.

£? It is possible to do all of this for hundreds of pounds not thousands, and the savings for your company can be very large. For instance;

ESTIMATE COSTS:	200 page ecommerced catalogue and web site	£240
	Sage Transaction eMail (to run with Line 50)	£99
	Barclays ePDQ (online merchant account)	£300
	Total annual cost	£639 + VAT

ESTIMATE SAVINGS: as much as one full time salary, say £15,000



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