

## Nurturing Web-based relationships

The emergence of the Internet and the World Wide Web as a business tool has changed many practices of business. Key amongst them is the use of the Web by IT suppliers to provide their clients with an on line ordering tool – e-procurement.



Efficiencies over paper based and telephone based procurement are easily recognised by both parties. For the User organisation product availability, information, and price is accessible in an easy to handle format 24 hours a day seven days a week. For the supplier reductions in headcount of phone based staff and data loading straight through to the picking face brings real efficiencies. All great benefits – availability, speed, and reduced costs. Yet this new technology brings its own problems, customer supplier relationship problems. The day-to-day person-to-person relationship is now gone replaced by an electronic interface. A key business relationship is lost to the benefit of expediency and efficiency, yet that day-to-day relationship provided a pivotal role in an overall supplier customer relationship.

Without e-procurement all supplier customer relationships in business were based on at least two key interfaces, a strategic relationship, normally Account Manager to IT Director and in support of that a day-to-day relationship between the client's purchasing department and the supplier's administration, that relationship underpinning the other. Without the underpinning the foundations of a strategic relationship can be eroded.



Advances in the sophistication of suppliers Web based e-procurement systems have greatly helped clients meet their strategic goals, no longer does IT or purchasing need to be directly in the supply loop. Greater sophistication in Web offerings now allows client defined catalogues that are loaded with preauthorised configurations and client standards are defined within and enforced by the client specific catalogue.

Purchasing negotiates pricing algorithms that are programmed into the catalogue so the client sees only their negotiated pricing. The more sophisticated supplier offerings enable devolved procurement right down to the individual User level, allowing Users to create a requisition from pre-defined product configurations at pre-agreed pricing. Email authorisation is incorporated for departmental purchase approval. No longer does the requisition need to go to IT to check the requirement is technically compliant, no longer does the requisition need to go to purchasing to gain pricing quotation. The process is now electronic, 'people-less' and 'face-less'. So where now is the relationship that underpinned the strategic relationship? Where now is the relationship that kept the supplier in touch with the day-to-day politics and changes in their client's business? Where now is the relationship that kept the client closely tuned to changes in their supplier's business?

With all the advantages of Web procurement there are also many disadvantages. If the users access the suppliers efficient e-procurement system via the Web, then with only a few key strokes they can access the offerings of other competitive suppliers and it is a certainty that with a bit of time and effort they will access a supplier who at that time is offering the required product at a better price than that carefully negotiated by purchasing and

supported by IT. Not for the User are considerations of cost of invoice processing, cost of setting up a new supplier on the system database and cost of setting up credit lines. The User sees only a similar product at a lower price.

The hard work put in by IT in setting standards and working with the supplier to maintain those standards, as well as the hard work put in by purchasing in negotiating price and reduced cost by consolidated electronic invoicing can all be lost as the User now has the power on their desktop to make and compare purchases but essentially is left out of the value of the relationship.



So how can value be put into the relationship, especially a relationship that may now extend to hundreds of Users that use the technology to procure? What is going to preserve and support the strategic relationship that purchasing and IT have gone to such pains to build? A person-to-person relationship with hundreds of Users is logistically not possible. The technology to manage the relationship is actually available - the Web procurement system itself. Each time a User needs to raise a requisition

they must access the procurement system, this is the point at which to bring value to the relationship, this is the point to gain User buy in. But how?

In support of the strategic relationship suppliers must demonstrate an understanding of the User's business, demonstrate that this relationship is not based on price alone but on a business understanding. What if the supplier's Web procurement system was also a portal for information and services related to the User's business? What if the supplier's site brought in news feeds related to the Users day-to-day business? What if the supplier's Web procurement site became a site Users visited daily not solely to procure but because of its valuable information related to their business?

Is a User then going to bother purchasing by telling them they have found the same box a few pounds cheaper, or are Users more likely to see the supplier as an integral part of their business that also provides wonderfully easy access for the procurement of products and services? By providing this service a supplier builds a relationship with a diverse community in a cost effective manner, the day-to-day connection to their business once provided by person-to-person relationships is now delivered in the only way possible. The relationship value is replaced; the supplier has once again become part of their client's business community. If a supplier does not take real added value to this now dispersed and numerate body of purchasers the strategic work done by IT, purchasing and the supplier will be quickly unravelled until the actual Users, the new supplier interfaces, see real benefit from the relationship.