

Modern, More Affordable eProcurement

Best-of-breed eProcurement services support a strategic approach to purchasing – and now innovative financing makes it possible for government.

Effective procurement is the lifeblood of state and local government. Unfortunately, legacy procurement applications don't live up to today's demands. These add-on enterprise resource planning (ERP) modules lack the latest capabilities for modern procurement and aren't designed for the unique requirements of government. What are the consequences? Governments don't have the analysis and reporting tools needed to efficiently meet expectations for financial transparency or to fully optimize procurement activities, which according to some estimates represents 70 percent of public sector spending.

But forward-looking government CIOs have an alternative: cloud-based, best-of-breed eProcurement solutions that turn purchasing into a strategic resource. These new solutions can easily integrate with existing ERP platforms to eliminate rip-and-replace upgrades, which simplifies implementation. They also give procurement departments access to critical resources like end-to-end procure-to-pay processes, online catalogs with products from approved vendors and analytics tools that can help in negotiating more favorable contracts.

Just as significant, leading eProcurement solutions now include self-funded financing options that enable states and localities to modernize procurement without tapping into scarce budget dollars. With innovative funding options, governments can offset some or all of the operating expenses for powerful, cloud-based eProcurement.

Modern eProcurement Advantages

States, counties and cities across the country are already seeing the benefits of turning procurement into a strategic resource with eProcurement solutions. For example, the commonwealth of Massachusetts modernized its procurement operations with a best-of-breed eProcurement cloud service that now tracks and reports the number and value of orders placed each day, how many of those orders are based on statewide contracts, the number of registered vendors and how many government entities purchased individual products. This information gives procurement staff accurate insight into which products are growing in demand and identifies opportunities for negotiating volume agreements. The procurement staff has also seen a significant increase in the number of vendors competing for bid awards since deploying the new solution, which may further drive down costs.

Other governments capitalizing on best-of-breed eProcurement services are Illinois, New Jersey, Oregon, Maryland and the cities of Baltimore and Tucson. Some of the advantages they are realizing include:

Simplified Management and Reduced Costs

Cloud-based eProcurement solutions eliminate the need to buy, implement, test and manage on-premises hardware and software. The cloud also spares agencies from incurring upfront capital costs associated with traditional on-premises solutions. Instead, cloud-based, best-of-breed eProcurement solutions are designed to easily integrate with ERP applications widely used in government. In addition, they offer predictable service fees for the life of the contract without unexpected costs for upgrades, security patching or infrastructure issues.

Innovative Funding Options

States and municipalities have a valuable resource for financing procurement modernization, despite tight budgets. A growing number are using money generated from supplier transaction fees to pay for eProcurement solutions. This means procurement departments can fund

Best-of-Breed eProcurement

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modernization without tapping into their budgets. Once the service fees recoup the initial investment, the transaction fees can help IT managers fund new projects, while also becoming an important new revenue stream.

Access to Vendor and Transactional Data

eProcurement solutions must support end-to-end procurement processes. This starts with online product catalogs that let buyers quickly view approved vendors, compare pricing and submit requisitions. Because government procurement rules often promote supplier diversity, eProcurement solutions should enable procurement professionals to identify woman-, minority- or veteran-owned vendors. Some eProcurement solutions closely manage bids and purchase orders, and offer customizable vendor management and payment processing tools. Additionally, eProcurement platforms should be capable of sending transaction data to backend reporting systems so staff can perform trend analyses for ongoing purchasing improvements.

Capabilities Specifically Built for Government

The best eProcurement solutions incorporate the latest capabilities used in the private sector, but are also designed with the public sector in mind. This means the ability to comply with the unique laws and needs of government, including advanced encumbrance, pre-encumbrance and expense controls. Best-of-breed eProcurement solutions also address other special requirements, such as obtaining multiple quotes for some products and services and complying with the U.S. American's with Disabilities Act. Another plus: Bids and transactions are easily viewable to constituents and legislators for greater transparency of government spending activities.

Turn Procurement into a Strategic Resource

Ultimately, procurement isn't just about managing contracts or controlling budgets. Effective procurement is what empowers government agencies to get things done – everything from implementing efficiency-boosting mobile applications to better serving constituents to modernizing transportation systems. These initiatives directly benefit not only government professionals but citizens across the nation.

Procurement must be a strategic function for states and localities, and must be supported by sophisticated best-of-breed solutions that deliver data-driven insights, access to supplier networks and superior usability. Fortunately, cloud-based solutions and innovative self-funding models are putting these vital capabilities within reach of more governments.

This piece was developed and written by the Center for Digital Government Content Studio, with information and input from Periscope.

An eProcurement Checklist

When evaluating and selecting eProcurement solutions, government leaders should get input from all relevant stakeholders, including IT, the procurement office and engineering. Unfortunately, this doesn't always happen. Many states still rely on finance, HR and other departments to make these critical choices. This can lead to services that don't fully consider a comprehensive list of needs. Look for the following characteristics when selecting an eProcurement solution.

- ✔ **Cloud-based services:** Eliminates upfront capital investments and implementation headaches, and automatically performs ongoing software upgrades and security patching.
- ✔ **Complete procure-to-pay services:** This should include everything from requisitions and purchase orders to payment processing.
- ✔ **Sustainable financing options:** Consider innovative approaches like using supplier networks and vendor service fees to offset some or all operating expenses for the eProcurement solution.
- ✔ **Advanced analytics:** Access to transactional data and trends can help in the negotiation of more favorable contracts.
- ✔ **Online catalogs:** Digital catalogs enable buyers and requisitioners to easily compare terms of approved vendors and speed procurements with online orders.
- ✔ **Modern interfaces:** Easy-to-use dashboards and intuitive, graphical interfaces make procurement activities more efficient.
- ✔ **Support for multiple departments and external municipalities:** Cross-agency support means other departments or jurisdictions can piggyback on contracts to further promote vendor competition and volume discounts.

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