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How can an eCatalogue manage complexity and control spend?



When I first started running sales teams that sold software to manage indirect spend, I came across a blog by Jason Busch of Spend Matters, written in June 2011. Back then it was clear that procurement teams were beginning to move their focus from managing direct spend to concentrate on indirect spend. In fact, the figures said that indirect spend should account for at least 70% of the cost reduction focus of a procurement team. This made absolute sense to me at the time and it still does today. The fact is that cost management should be the focus for all spend whether it is direct or indirect. It is unacceptable for costs to escalate out of control across any business, wherever they come from.

I have also learned in the meantime that 'supply chain risk management,' particularly the continuity and quality of supply, is equally as important as the spend itself!

Having worked at the sharp end of the industry for a few years now myself, I know that not much has changed regarding where the focus of managing spend should be. Underlying commodity prices are increasing and driving up the costs of direct spend categories, and continuity of supply is as hard to ensure now as it ever was. But there are further complications in the way products and services are now being purchased.

What has changed in the past 3-4 years, is that many organisations have realised the power of eCatalogues. These are mostly deployed as part of the incumbent ERP to manage common goods and services in indirect, and in some cases direct, categories of spend.

What did Jason Busch know?

One of the points made by Jason Busch, back in 2011, was that to ensure you manage your indirect spend well, you really need to understand your category well. This still makes perfect sense, but within the new landscape of eCatalogues, what if this category of spend is surrounded by complexity? Perhaps the products or services have multiple purchasing options or the process for management is difficult. Areas such as fleet management, capital goods, facilities management or marketing are especially prone to these complexities.

Category teams spend an inordinate amount of time in the act of buying, and traditionally eCatalogues can't cope with the complexity of spend. This drives buyers to work offline, sometimes in a non-compliant way and leads to a complete loss of visibility on spend. Add to this the fact that to truly know your category takes time and effort (something not afforded those teams responsible for managing complex spend categories), and you have a serious gap appearing. These people are the very ones who need to know their market most!

Is there a solution that can unlock the power of eCataloguing with complexity?

Part of the problem is that big investment in Tier 1 ERPs make it difficult for companies to justify the additional spend on niche solutions as well. But this is exactly what is required because *complex categories of spend are exactly that – complex*. They cannot be addressed by a vanilla ERP and we know how much it can cost to bespoke one!

How can organisations find a way to further leveraging the investment they have made in Tier 1 ERPs while empowering category managers to manage complex areas of spend – in simplicity? The answer is to use a powerful, proven eCatalogue solution that complements other IT investments and seamlessly extends into enabling simple management of complex spend areas. Doesn't that sound like a Geneus solution?

What if your category of spend is complex AND you work within a distributed buying environment?

Geneus can help there too... Stay tuned for more on Glocalisation, Demand Forecasting, Compliance, Aggregation to ensure Control, and more Indirect Spend cost saving opportunities.