

What Middle-Market Businesses Need From E-Procurement Providers

By: Spend Matters Brand Studio

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All businesses buy goods and services, but not in the same way. A large multinational corporation has complex, global purchasing needs to manage, and its procurement group will typically have the strategy, budget and necessary software to meet that challenge. Small and medium-sized businesses, however, need a lower volume of goods and services supplied to stakeholders, and thus often lack the procurement infrastructure, strategy, budget and tools that larger organizations enjoy.

When it comes to designing e-procurement systems, software providers have largely focused on serving the needs of the large enterprise while ignoring the needs of the middle market. E-procurement has caught on as a necessary tool of the Fortune 500 business, but mid-sized companies have remained doubtful that the technology – and its hefty price tag – can really improve their procurement performance and drive commensurate value.

The situation isn't hopeless, though. As the number of pursuable customers in the large enterprise space begins to dwindle, e-procurement providers will need to change their strategies to attract the SMEs that are not well served by current offerings. To do that, they should focus on three key areas to convert middle market skeptics into e-procurement advocates.

Help with Content

Mid-market organizations often lack the resources or negotiating strength to populate an e-procurement system with the contracted catalog content needed to use the solutions effectively. Many mid-market organizations are just beginning to build their businesses, and their relative lack of leverage hampers their ability to negotiate effectively in categories like information technology, or cleaning and office supplies.

One approach that e-procurement solutions could take to entice more mid-sized firms, which are primarily focused on scaling quickly while keeping costs contained, is to provide pre-populated and localized catalogs. Platform provider BuyerQuest, for example, told us its solution comes preloaded with more than 25,000 suppliers across multiple product and service categories, including agriculture, industrial, cleaning and food service. This gives mid-market companies immediate access to these categories, allowing procurement to avoid the lengthy process of identifying and on-boarding suppliers in low-value categories.

Broader Appeal

Mid-market organizations often don't have a CPO or even a fully formalized central procurement function. That means e-procurement providers need to focus on delivering value not just to those managing procurement but also illustrate why technology is valuable to the CFO and CEO.

While a CFO and CEO in a middle-market business may not have time to manage the day-to-day operations of purchasing, they have investors and shareholders who want confidence that the business is spending wisely. No matter what the size, the CFO and CEO care about the following:

- **Making buying easy.** Mid-market businesses require employees to wear many hats, including purchasing. Making the buying process as easy as possible allows staff to focus on their core responsibilities. Easy buying means easy-to-search-for products and a streamlined purchasing process.
- **Saving money.** Mid-market businesses, like all businesses, are looking for ways to stretch every dollar in savings so it can be focused on revenue-positive strategies.
- **Creating a positive buying experience.** In the middle market, employee retention is critical. While it may not seem like it, creating a positive buying experience that makes buying easy can impact not only the level of adherence to the buying policies, but take the stress out of trying to buy with fiduciary focus.

For e-procurement providers, this translates to creating a user experience that requires little to no training for the average business professional to use, ideally as close to the consumer buying experience as possible while adhering to necessary company-defined policies. Users must be able to easily navigate the purchasing process to ensure the solution can claim a high level of user adoption.

Flexibility

Since mid-market organizations don't typically have the ERP and supplier management tools available to larger organizations, e-procurement solutions targeting this segment will need capabilities to fill these data management gaps as needed, stepping in for other technologies in an adaptable and intuitive way.

For example, some e-procurement providers provide mechanisms for suppliers to engage with the procurement organization through a supplier network without the need for an ERP system. Suppliers can manage their profiles, catalogs and turn POs to invoices through the provider's network.

Payables capabilities allow for an array of options for creating and managing invoices. This includes PO and non-PO invoices, partial invoicing, tax, shipping, handling, discounts and miscellaneous charges. In addition, three-way matching is streamlined by linking PO, receipt and invoice, leading to a payment settlement by credit card or purchasing cards payments, or passing along an OK-to-Pay notification to AP.

For mid-market businesses, this means that everything from purchasing through payment is managed in a single system, eliminating the need to invest in ERP solutions that provide far more capabilities than are needed to manage procurement and suppliers.

A New Era for E-Procurement

When it comes to designing their solutions, e-procurement providers need to empathize with the needs and challenges of middle-market companies, putting both buyers and other users involved in the purchasing process first in their roadmaps to make sure the technology has broad appeal and can bring its well-known benefits to all parties that need them. For the mid-market, a focus on the buyer experience can be more valuable than this year's latest "disruptive" technology. ■

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