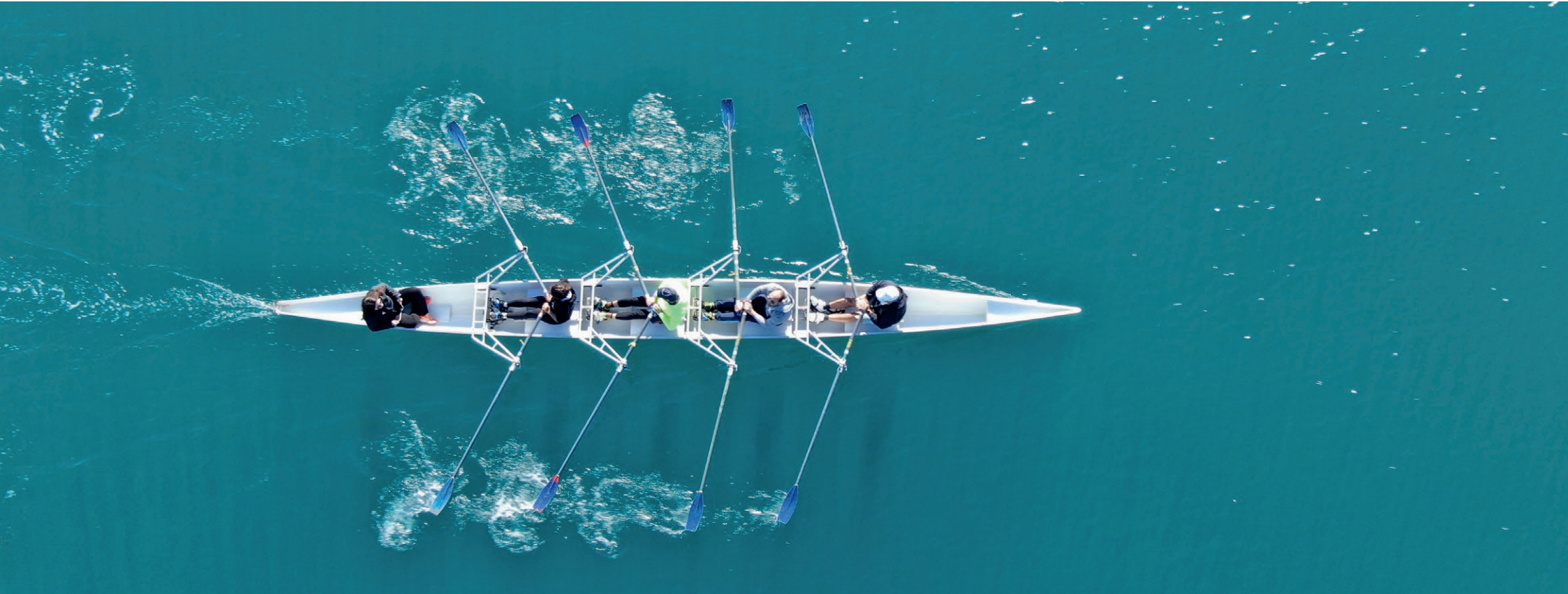


EBOOK

# CONTENT STRATEGIES IN E-PROCUREMENT

*OpusCapita*



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## EXECUTIVE SUMMARY

Procurement is an exciting place to be in a large organization with plenty of opportunity to save the company money and be recognized as a high performer. According to Hackett Group statistics, world-class procurement departments are able to operate with 29% fewer staff while providing 10.7X better payback than their lower-performing peers. Much of these benefits can be linked to broader digital transformation efforts and we believe, a key element of what is making these organizations world-class is their approach to content.

Considerable savings are possible through negotiation with different supplier groups. A classic supplier segmentation model 'ABC' splits your suppliers into A (10-15% of your suppliers, representing 80% of spend), B (20-25% of your suppliers accounting for a further 15% of spend) and C (60-70% of your suppliers and yet, only 5% of your spend - often referred to as the 'long-tail').

Working with this mix of suppliers, purchasing managers have their hands full. Direct and indirect products and services are covered by internal catalogs or marketplaces such as Mercateo,

but what about midfield and B and C suppliers in indirect purchasing? To effectively manage these supplier groups we need a content strategy which optimally supports both a compliant purchasing policy and various spend under management KPIs. How organizations can create their own content strategies and how OpusCapita supports them is the subject of this eBook.

## Your content strategy



More spend under management



Compliance to contracts and legal obligations (liability)



Supplier segmentation strategies that work

### YOUR CONTENT STRATEGY

Just to put everything in context quickly, it's worth pointing out that a content strategy is a means to an end AND only a part of what procurement does as a whole. A content strategy

supports 3 overarching procurement goals. Specifically, the goal of increasing your spend under management, the goal of compliance to contracts and legal obligations (reducing your liability) and the goal of effective sourcing & supplier management. These three goals are

all supported by an effective content strategy. Now that we've added that little bit of context, let's continue.

## INDIRECT PROCUREMENT - EVERYONE'S GOT IT

Indirect purchasing includes a broad list of goods and services - basically, anything not going directly into the production of a product. That means, all your office equipment, phones, laptops, facilities management services, the guy who washes your windows, the lady who takes care of plants, uniforms, marketing, events, all those other services and even the parts and services which ensure the production equipment continues to function (MRO - materials, repair and operations). For most organizations, the distinction between 'direct and

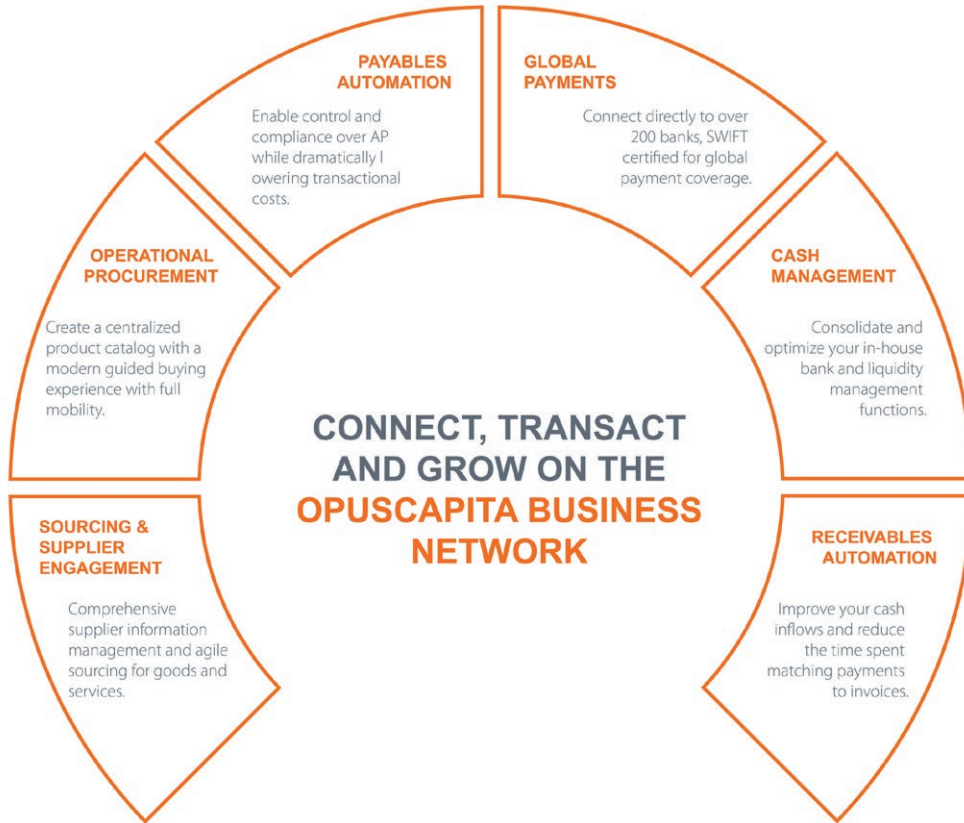
indirect' is meaningless as all of their procurement is technically indirect - which means, all of their procurement is simply 'procurement'. So, which categories are then the right ones to target for your content strategy and your cost savings efforts? Most organizations have some form of plan/strategy for cost control - let's call it a 'spend under management' plan. This plan aims to get as much control over all indirect expenditure as possible, including all basic commodities, anything non-basic (such as you might find within the world of MRO), AND all those services. Spoiler alert - this plan needs to recognize content.



**“There are three basic requirements that every best-in-class procurement organization must have. An excellent tool, a good process and the right content. The three work together but the quality of your content determines the success overall.”**

**Dirk Fischbach  
Head of Source-to-Pay, OpusCapita**





## BUILDING BLOCKS OF SPEND UNDER MANAGEMENT

Each Spend Under Management plan is based on three pillars: First, there is the technology in the form of an e-procurement platform, which supports the needs of the employees as they search for, find and buy goods and services in support of their various roles. Directly connected to the technology is the process. Gartner describes two paths to becoming a digital business - a path where digital optimization is the goal. And a path where digital transformation is the goal. It's true that this ebook will focus almost exclusively on digital optimization, we feel it's worth mentioning that people and/or culture is the only real ingredient missing which would allow you to broaden your thinking (and ambitions) towards 'digital transformation'.

**FYI:** OpusCapita is globally recognized vendor of source-to-pay software and services. It's true. OpusCapita has customers using its solutions in over 100 countries. Customers like Maersk, IBM, Equinor, Ramirent, Liebherr, Rossmann, etc. OpusCapita solutions provide an intuitive, consumer-like buying experience and yet, is well known by Gartner and others as uniquely able to support highly complex environments and processes.

## Main advantages of a content strategy in purchasing:

-  **Benefit from a 'one-stop-shop' and centralized purchasing**
-  **Cost savings based on increased on-contract spend**
-  **Faster go-to-market with improved access to suppliers' goods & services**
-  **Streamlined process saving everyone time**
-  **Reduced effort managing the long-tail of suppliers**
-  **A Single Creditor Model simplifies cash management**

The third essential building block is called “content”, ie product/service related information such as descriptions, prices, images, terms & conditions, etc. It's this information which you (as a consumer) are familiar with when shopping on Amazon or eBay. Just like if you were selling your sports memorabilia on eBay, suppliers need to provide all the details for the buyer to understand what the product is, how it looks, what attributes it has, how it compares with similar products, what colors it's available in, how it ships, where it ships - the list goes on. The buying organization needs to have all this content provided by the supplier. The more extensive the content the better, and the higher the quality and correctness of the information, the greater the chance of automated acceptance by the platform it's being submitted to. When the supplier submits the information in the form of an eCatalog, the buyer system

(for example: OpusCapita eProcurement) can automatically validate and approve or validate and flag discrepancies, on behalf of the category manager. If/when approved, the goods are made available to the corporate shop and users are able to requisition the goods. Without this process in place, users may find it easier to go elsewhere, bypassing procurement policy and creating 'maverick buying'. Maverick buying is entirely uncontrolled, opens the door to all kinds of risks, is typically more expensive, reduces the accuracy of reporting and causes issues downstream in the accounts payable process.

As you can see, good content provided by your suppliers through an automated process is essential as a foundation for many procurement related KPIs and other sought after benefits.



## CONTENT MANAGEMENT IN INDIRECT PURCHASING - AN UNPOPULAR TASK?

The content strategy of every purchasing company should be to achieve the greatest possible spend category coverage with the help of content. A pragmatic approach to achieving this goal begins with supplier segmentation. A classic approach to supplier segmentation is the ABC Analysis.

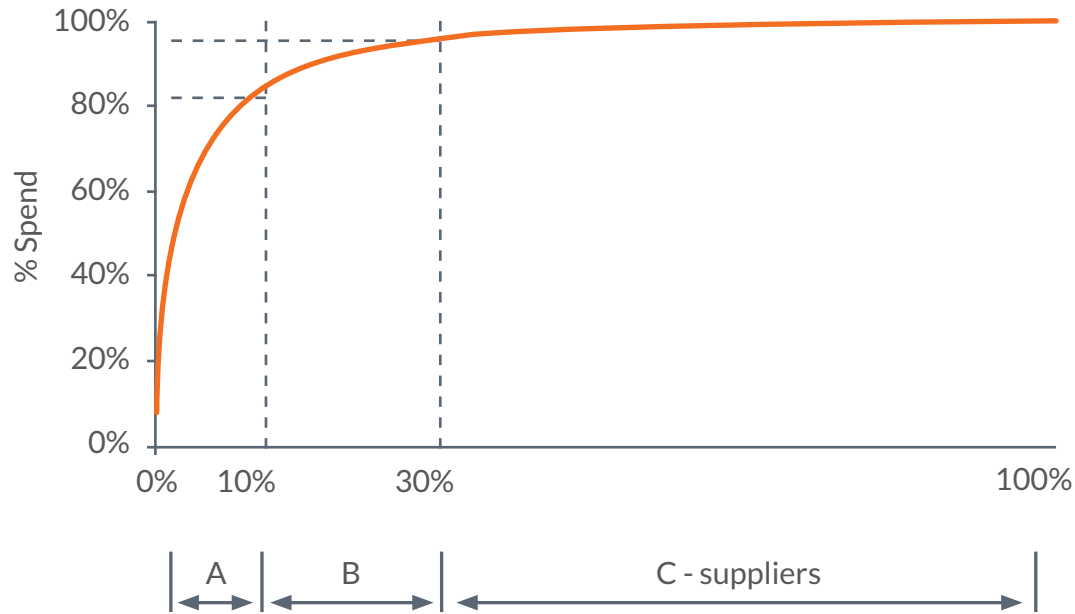
The ABC Analysis aims to tell you which suppliers are the most important to you based on spend value. Your A suppliers will account for 80% of your spend while only making up 10% of your total suppliers. These are your most important suppliers and you need to really ensure your value chains are as tightly integrated as possible. Your B suppliers are more numerous, accounting for approximately 20% of your suppliers but only 15% of your

spend. This B group could still include some highly important suppliers offering specialty goods or services. Group C is often described as the 'long-tail' of suppliers. This group makes up approximately 70% of your suppliers and yet, only accounts for 5% of your spend.

It's highly important to understand your supplier landscape so you can better focus your own resources where the value is highest.



### ABC analysis



Obviously, the A and B groups are where the money is and therefore, where your team can make the most impact during negotiations and contracting. These groups are also the suppliers who you want to work with in order to get eCatalogs (negotiated, contracted) into your system. Best case scenario, the majority of your A and B suppliers will be able to provide you eCatalogs for you to add to your shop - this information is then considered 'internal'. Some few will require you to 'punch out' to their catalog. This information is then considered 'external' - however, the punch out catalog is still on-contract spend as the vendor is typically able to provide only those products or configurations which are contracted.

That leaves Group C. Here, the challenge relates to the vast numbers of C suppliers compounded by the low value associated with your spend AND any effort you spend engaging, onboarding and contracting them. How then do we manage this long-tail?



### THE SOLUTION: 3RD PARTY MARKETPLACES WITH PRE-NEGOTIATED CONTRACTS

With supplier segmentation in place, your strategy for getting group C supplier content available within your procurement process must rely on integration with 3rd party marketplaces. With one integration API, e-procurement plat-

forms (like OpusCapita) integrate existing marketplaces where broad categories of goods are already available under pre-negotiated prices. An example of a 3rd party marketplace you already know is Amazon Business but there are many others (such as Mercateo, Unite, Beka, T-Systems, etc). These marketplaces are great opportunities for the buying organization to quickly gain access to all the basic commodity

groups with minimum effort. Once integrated to your e-procurement system, the end result is an effective way to support your overall spend under management efforts.

## OPUSCAPITA TOOLS SUPPORT CONTENT MANAGEMENT IN E-PROCUREMENT

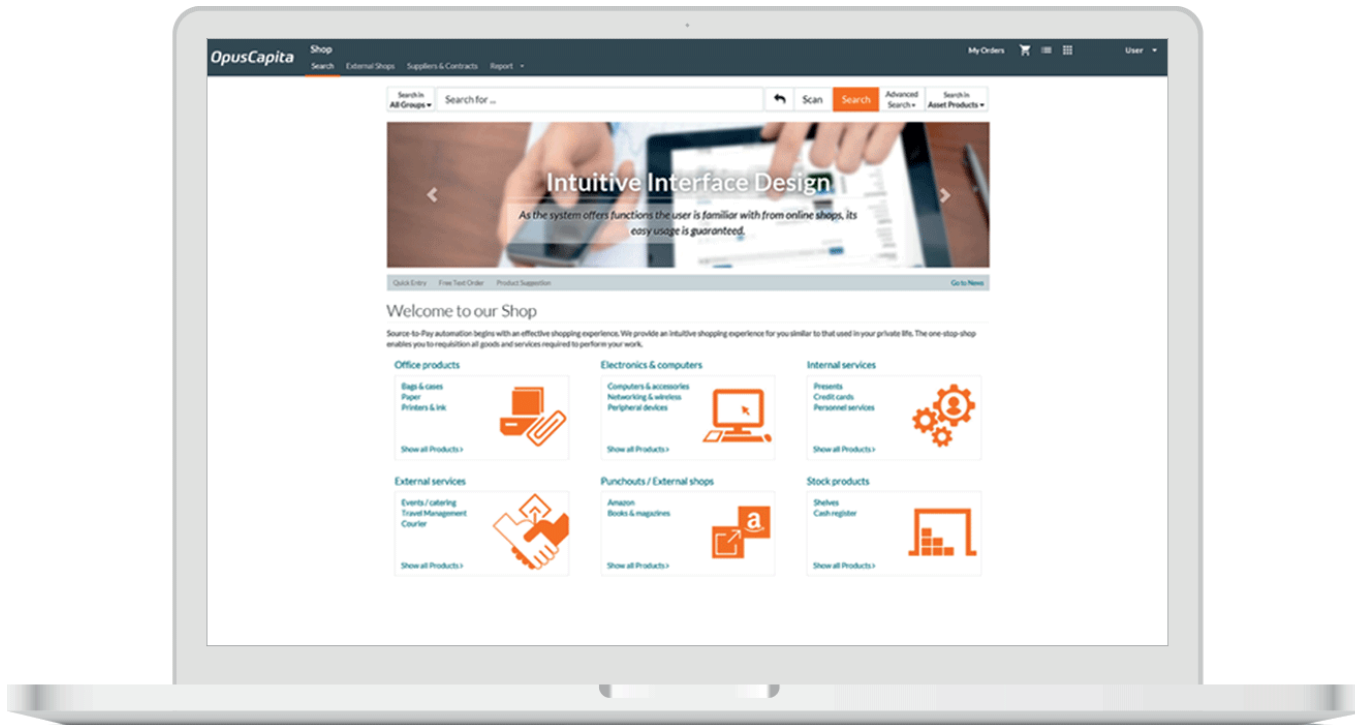
This section is all about giving you a different context to our conversation around content

strategies for e-procurement. Here we will describe to you how you and your suppliers work with the tools within the OpusCapita eProcurement portfolio to manage content and support your procurement objectives.

## CONTENT CONSOLIDATION IN A CATALOG

The **Online Product Catalog** (OPC) is the core catalog management tool within OpusCapita's eProcurement suite. Just like you'd expect from your personal experiences shopping, it's as easy as searching, finding and adding to your cart for ordering. And just like when shopping for a new phone or camera, you want to be able to read product descriptions, make comparisons and read user reviews. This is where 'content' becomes decision support in a business procurement context. Content can be uploaded to the OPC in various ways:

Via the **Self-Service Manager**, companies can autonomously carry out the technical uploading of supplier catalogs from product information management or ERP systems. During this import, various validations, cleanups, and check routines are performed. These checks ensure that the content is complete, looks appealing and creates transparency and security. The tool also ensures that the only assortments imported



are those that are to be sourced from this supplier and that the prices are in line with the negotiated conditions.

Standalone content uploading is also possible but includes a little more work. Someone has to import the data, check it for accuracy, etc. The supplier must clarify the import format, the data must have a certain classification and otherwise meet all their own quality requirements in terms of image size and quality, length of the descriptions, number of attributes, etc. - In the long-tail sector, this is a much too labor intensive for most companies.

Therefore, there are alternative ways to access content. At OpusCapita, a dedicated “Content Services” department is responsible for uploading product catalogs from suppliers to the Self Service Manager on behalf of the customer and then importing them into the OPC. The customer then only has to ‘release’ the content for general use. This service follows the same

process as the automated process described earlier, including the validation of catalog conformity with the contractually negotiated prices. Although it’s difficult and time consuming, Buyers do typically negotiate contracts and pricing with their long-tail suppliers, but there are alternatives. OpusCapita has partnered with various catalog (or content) partners who have specialized in negotiating supplier catalogs and offering ready-made catalogs in specific product groups. These include i.e.: beka, Mercateo, Mercateo Unite and Amazon Business. Their content is readily integrated to e-procurement platforms (like OpusCapita) thus, significantly expanding the Buyer’s content strategy.

### **ROLL-OUT E-PROCUREMENT SOLUTIONS FASTER WITH READY-MADE CONTENT**

Pre-negotiated goods & services (content) is on the rise: the company saves on process costs and e-procurement projects can be carried out

faster, as valid and comprehensive supplier data is available within a very short time. Their import and the approach of desired suppliers usually cause considerable effort in the context of e-procurement projects.

Although some OpusCapita customers have many thousands of suppliers, the average is closer to 100-200 suppliers, most of them in the long tail sector. These are technically and organizationally very differently positioned. For some suppliers, it can take up to two months to deliver their content. The result: Even if the e-procurement platform is available, you can not just roll out certain product groups on it. Best case scenario is that your procurement solution provider is able to support your content strategy by integrating with third party marketplaces where pre-negotiated contracts for defined product groups is available right from the start. The company can use the benefits of its e-procurement solution much earlier and perform international roll-outs more efficiently.

## INCREASED COMPLIANCE IN PURCHASING

In the operation of the procurement platform, such a content strategy leads to significant savings in process costs. Purchasing does not have to spend a long time looking at products and services from non-strategic product groups,



but uses the provided material of its content partners. Working with third parties doesn't necessarily violate (internal) compliance requirements as some of the partners provide tendered contracts.

## INTERNAL CATALOG, PUNCHOUT AND BACKGROUND SEARCH

The way catalog partners of OpusCapita provide their content varies. Beka (for example) is a vertical marketplace with a focus on the public sector, such as public utility companies and public transportation companies. As a service provider, beka not only operates an electronic marketplace but also negotiates framework agreements from a wide variety of product groups. These framework contracts are not only available to public transport but also to industrial companies. As a content partner, beka (via OpusCapita) allows you to access your content and use the negotiated conditions for your own customers. Customers can integrate beka's content into their catalog management as an internal catalog. A

win-win situation, because the higher utilization of their contracts by companies outside of the public transportation industry (a focus area) automatically raises the purchasing volume of beka among the connected suppliers - which in turn opens up scope for negotiating better prices.

Other content partners, in turn, do not provide internal catalogs, but only allow a "punch out", i.e., a physical jump by link from a catalog management (like the OPC) on their platform. The reason: You want to focus as much traffic and therefore clicks on your own page and not be used as a mere repository. Naturally, purchasing managers prefer the content to be internal rather than external. Requisitioners who leave their own environment and are led directly into the webshop of the content partner mean the procurement department has less control over the content, less control over the user experience and less control over the purchasing behavior of the employees. The concept of 'guided buying' then becomes much harder when the requisitioner is shopping in an external environment.



To prevent this, there is another technical path: Background Search. The jump from the internal catalog tool into the webshop is prevented by entering a search term in the user interface and passing the search request in the background to the connected webshop, which then transfers the hit list back to the catalog management tool.

However, this type of background search is only supported by a few providers or their Web-Shops - two examples include Mercateo (an online wholesaler where you can buy all kinds

of items, and Unite, a more typical marketplace - where Maercateo is a participant.) In both cases, the content presents itself within the catalog management tool of OpusCapita as a pure take-off tab: If the employee does not find a certain product in the internal (supplier uploaded) catalog, he has beside the internal search also the external search available. By simply checking a box, the requisitioner can search both internal and external content in parallel. When a search includes the third party marketplace, the search results can include (for example) the full provid-

er network within Mercateo Unite. Alternatively, the various providers and their catalogs can be locked or unlocked individually, for inclusion in the search.

#### Product range



Stationery



Computers & accessories



Tools & building supplies



Electronics



Office & warehouse equipment



Occupational safety



Industrial supplies



Medical supplies



Building services engineering



Hotel & catering supplies

[Other categories »](#)

#### Quote Mercateo Unite

“OpusCapita is a provider of solutions across the entire source-to-pay chain and a worldwide network of users. Its portfolio is complemented by the partnership with Unite, creating valuable opportunities. Our neutral B2B network Unite allows the unimpeded digitization of business relationships between companies, without neglecting existing personal relationships. Buyers benefit from seamless integration with their usual procurement processes and gain access to a growing network of vendors that can be flexibly expanded.”

Dr. Bernd Schönwälder,  
Member of the Management Board  
of Unite Network AG



## MORE CHOICE THROUGH A SUITABLE CONTENT STRATEGY

OpusCapita's support for a comprehensive content strategy addresses the different usage conditions of content partners, making it as broad as possible. Customers can work with internal content and/or punch out to companies

like DELL (where the purchase of products is highly configurable - and contracted) or marketplaces like Amazon, Maercateo, etc. in order to gain access to external content. For certain product groups within the strategy of a customer, one is suitable, while the other option is a better fit for other product groups. The preferences within purchasing departments may vary.

However, when it comes to delivering internal content, aspects such as increased security and better control over the purchasing behavior of employees are more significant which is why the majority of larger organizations choose to have their key suppliers' (the A and B groups) content available internally.

## Key Characteristics of your tail spend (generally about 10-15% of your spend):

- ✓ One-off purchases
- ✓ Low-volumes
- ✓ Low-value
- ✓ Lack of spend control
- ✓ Off-contract/no-contract
- ✓ Difficult to onboard
- ✓ High costs of invoice handling

## PAYMENT AND ONE-VENDOR MODEL

Those who buy from a marketplace often receive invoices from many different suppliers. An administrative effort that a company's accounting department would like to avoid. Therefore, some content partners in the field of payment offer the so-called single creditor model. All suppliers invoice to the partner, who bundles the receivables and forwards them to the company in a consolidated invoice. Advantage: The Buyer's accounting department only has to create one vendor in their master vendor file. Mercateo Unite provides such service to its customers.

## CONCLUSION - YOUR CONTENT STRATEGY IS PART OF THE BIGGER (PROCUREMENT) PICTURE

An essential part of an e-procurement rollout are the choices you make with regard to the content strategy. The procurement department should aim for a balance between control and efficiency. Obviously, there's more control possible for internal content but at some point, that level of control comes with a price tag and as you begin attempting to control the long-tail suppliers, you will find the returns are diminishing.

For internal catalogs, purchasing should rely on tools for supplier self-service catalog uploading

where the tool automatically runs check routines to validate each individual price against an existing contract - this results in a very high level of confidence AND compliance. With PunchOuts, the procurer moves onto a third party marketplace or onto the shop of a single supplier - in both cases, this content is managed externally. Here the procurement department has little control over the buying process, the user experience and in some cases, pricing. When possible, the 'background search' can also source the content externally, but provide it in parallel to the internal content for a hybrid approach.

The question of how to support which spend category is, as we have discussed, not without its

complexity. There are questions of risk vs return which do come up and it is essential that this conversation precedes the definition of the appropriate content strategy. In turn, your content strategy will, to some extent, depend on the categories of goods you require and the geographical options you have with regards to source of supply. Depending on where you are physically, you may find there are no 3rd party marketplaces which service your market.

Remember, even though your content strategy work will begin with a commodity group analysis - it will always be within the context of the bigger (procurement) picture.

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Rowan has more than 10 years of experience in the purchase-to-pay arena. During this time, he has managed the go-to-market for a diverse set of portfolios including Accounts Payable Automation, B2B Networks, Financing Services, eProcurement and Product Information Management.

Learn more about how you can benefit from OpusCapita's Source-to-Pay solutions services at <https://www.opuscapita.com/solutions/source-to-pay>



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OpusCapita enables organizations to sell, buy and pay quickly and securely, with a real-time view of their business. Our customers use our source-to-pay, cash management and product information management solutions to connect, transact and grow. OpusCapita processes hundreds of millions of electronic transactions annually on its Business Network. OpusCapita is headquartered in Helsinki, Finland. Visit us at [www.opuscapita.com](http://www.opuscapita.com).