

## ***The 2001 Corporate Eprocurement Benchmark Survey Results***

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### **STUDY FINDS E-PROCUREMENT USERS CONTINUE TO BE OPTIMISTIC BUT BARRIERS THREATEN PROGRESS**

**Abstract** – Most organizations are taking a “wait and see” approach toward investment in electronic procurement technology as business and technological challenges continue to confront early adopters. The results of this study are based on survey data collected in the first quarter of 2001.

The “E-Procurement Benchmark Survey Results” examines the progress of four models of e-procurement technology: (1) e-procurement systems, (2) Internet market exchanges, (3) Internet B2B auctions, and (4) Internet purchasing consortia. In addition, the results highlight customer needs in relation to e-procurement technology, the impact of e-procurement on supply chain management and payment technology, and the perception of security and risks in relation to e-procurement adoption.

Overall, 38% of respondents use and 13% plan to use one or more of the four types of e-procurement technology. About 43% of the survey respondents currently use or plan to use an e-procurement system, 24% Internet market exchanges, 20% Internet B2B auctions, and 14% Internet purchasing consortia. The most popular form of an e-procurement system is software acquired from a third party vendor. E-auctions are primarily used at large national and global corporations, while Internet market exchanges are more popular with governmental, educational, and not-for-profit entities.

Those using these four e-procurement technology models have routed about 3% of their spending through e-procurement mechanisms. However, significant increases in e-procurement-enabled spending are expected by organizations that have invested in these technologies. Over the next two years, e-procurement system-enabled spending is expected to grow by about 445%, public Internet market exchange spending by about 116%, and Internet B2B auctions spending by about 370%.

The bulk of e-procurement spending for most organizations is in the low dollar indirect goods categories, such as office supplies, computers, and maintenance, repair and operating goods, where the incremental benefits of purchasing leverage and standardization enabled by e-procurement technology are less robust. Only a small

number of respondents acquire significant amounts of inventory or capital goods through their e-procurement systems or at e-auctions. The limited spending activity and inability to move beyond low dollar indirect goods purchases has clearly negative implications for the economic viability of many providers of e-procurement solutions.

The big challenge for e-procurement solution providers is to integrate their technology with inventory processes. If this cannot be done within a reasonable time frame, the market's interest in this technology may drop considerably. Large investments in technology and resources are not justified on the basis of leveraging small-dollar purchases such as office supplies.

The five items of greatest concern to all respondents about e-procurement are integration of e-procurement solutions with legacy/ERP information systems, lack of a technology standards, dealing with anonymous vendors, general lack of awareness as to which solutions best meet company needs, and lack of organizational readiness for e-procurement technology. Further, organizations that *are not* involved in e-procurement perceive the technology to be a greater threat to system security and data integrity. Across all e-procurement technology models, organizations identify lack of participation by suppliers as a major concern. If buyers "build it" (an e-procurement infrastructure), it is essential that suppliers come.

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