



# The Future of E-Commerce

By Matthew Worth  
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E-PROCUREMENT REDUCES processing costs, improves Sarbanes-Oxley compliance and captures spending for future analysis. Utilities started using Internet-based e-procurement on high-volume, low-dollar materials such as office supplies. Utilization has expanded beyond indirect materials to include business-critical items such as cable and meters. Industry leaders have embraced e-procurement with most spending at least \$100 million yearly through this channel. Many have established vendor managed inventory (VMI) and auto-replenishment programs. Utilities continue to move toward the "single pipe" for transactions with Internet-based e-procurement.

E-sourcing improves the efficiency of the sourcing process and enables higher savings rates through the use of reverse auctions. Leading utilities conduct all sourcing projects in e-sourcing applications. Reverse auctions are utilized

for approximately 30 percent of utility non-fuel spending, including business-critical areas such as capital projects, vegetation management and transformers. The latest e-sourcing applications include functionality for project planning, requests for proposals, auctions, contract management and supplier performance management.

Services spending is typically the most fragmented and difficult to track for utilities. E-commerce offers the opportunity to simplify commerce through supplier rationalization, transaction efficiency and contract compliance. Many utilities have applied e-commerce in the area of temporary labor. On-line solutions are used to request, hire and manage contractor time and payment. Leading utilities are realizing value from project management systems that include on-line time collection, approval and invoicing. These systems are eliminating duplicate and non-compliant supplier billings.

Spending analysis software has improved to enable up to 80 percent automation of the process of categorizing spending. Reporting tools have advanced allowing better tracking of compliance and savings. A small number of utilities have embraced these systems, integrated them to their procurement systems and monitor the data on a monthly basis.

In the future, technology will further expand into the financial settlement arenas to streamline and enhance cash management. The market will continue to evolve from point solutions to fully integrated software suites that enable utilities to manage supplier relationship management (SRM). Companies are turning to on-demand computing instead of packaged or custom-built SRM applications.

Knowledge management applications will include systems that leverage data for benchmarking, commodity tracking, supplier performance tracking, e-learning and category management. In the future, utilities will deploy highly trained workers that use fully integrated SRM software in the performance of strategic category management. This combination will enable utilities to realize greater bottom-line improvement from supply chain management.

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