

# Commerce

Butler Group Subscription Services

## e-Procurement

### TECHNOLOGY AUDIT

#### Probrand

The IT Index

**Abstract** *The IT Index is an e-procurement service that streamlines a company's purchasing process by interfacing electronically with a number of product – related feeds for various suppliers, and by aggregating and comparing the data to provide details of the best price and availability for each product. Many organisations have the problem, during the procurement process, of evaluating the multiple distribution channels used by vendors and manufacturers for their product range. Buyers frequently have to phone a number of distributors in order to find where the required product is available, and to ascertain the cheapest price. This can be a time consuming task. The technology automates the procurement process leading to significant savings in both time and the amount paid for products. Any organisation with a significant IT budget would benefit from utilising this innovative procurement service.*

#### KEY FINDINGS

- |   |   |   |  |
|---|---|---|--|
| ✓ | Price and availability updated daily.                                 | ✓ | Aggregation and comparison software.                                       |
| i | 380 manufacturers and 103,000 products contained within The IT Index. | i | Free e-procurement service for companies with an IT budget over UK£50,000. |

**Key:** ✓ Product Strength ✗ Product Weakness i Point of Information

#### LOOK AHEAD

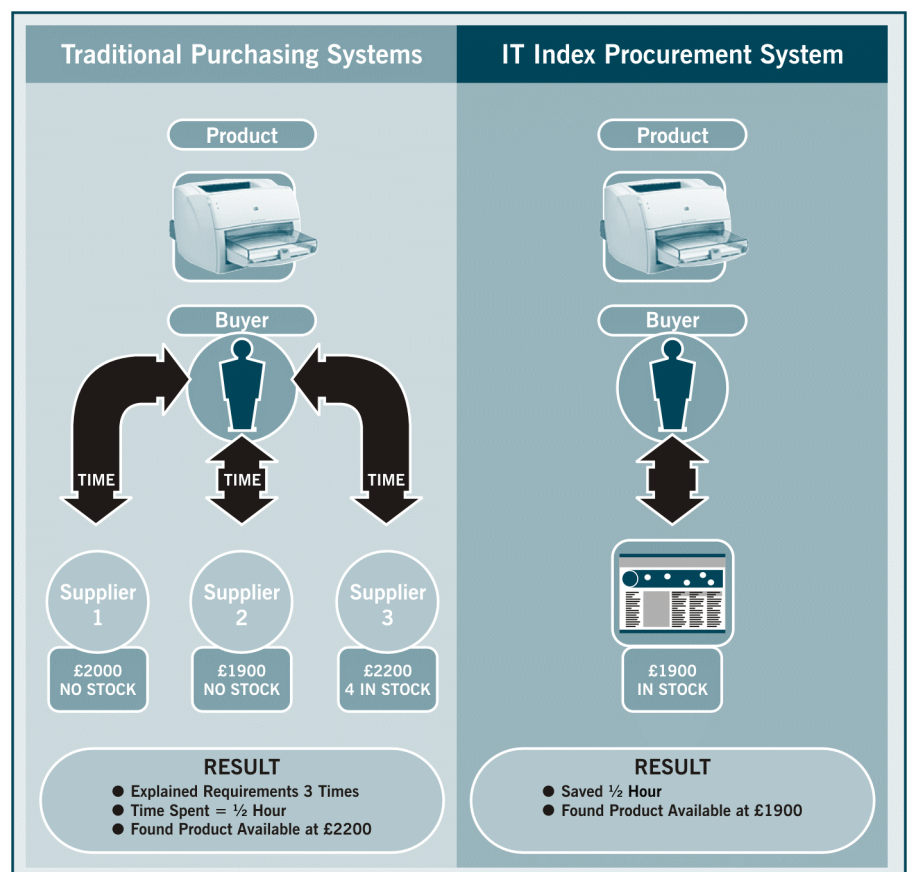
There is an opportunity for the solution to be rolled out to other vertical market sectors and the technology marketed as a software product.

## ► FUNCTIONALITY

**Product Analysis** During the procurement process many organisations face the issue of evaluating the multiple distribution channels used by vendors and manufacturers for their product range. This is particularly problematic in the Information Technology (IT) sector where there are many suppliers and thousands of products with multiple product codes and references. Buyers often need to phone a number of distributors in order to find where the required product is available and to ascertain the cheapest price.

The IT Index provides an answer to this problem by collating product availability and price information from a number of sources, and then makes the lowest price with availability visible through a browser interface. By logging onto The IT Index a buyer is able to access secure and personalised product details and can easily create an order. On average, this process takes under five minutes, from logging on, to finding the required product and placing the order. This is compared with approximately 30 minutes using the traditional approach of phoning a number of distributors before finally placing the order.

Significant timesavings can accrue as this exercise is repeated many times in a large corporate buying department. The ability to cut out the time-consuming telephoning of distributors to determine the stock position and the lowest price, leads to an increase in productivity and better efficiency.

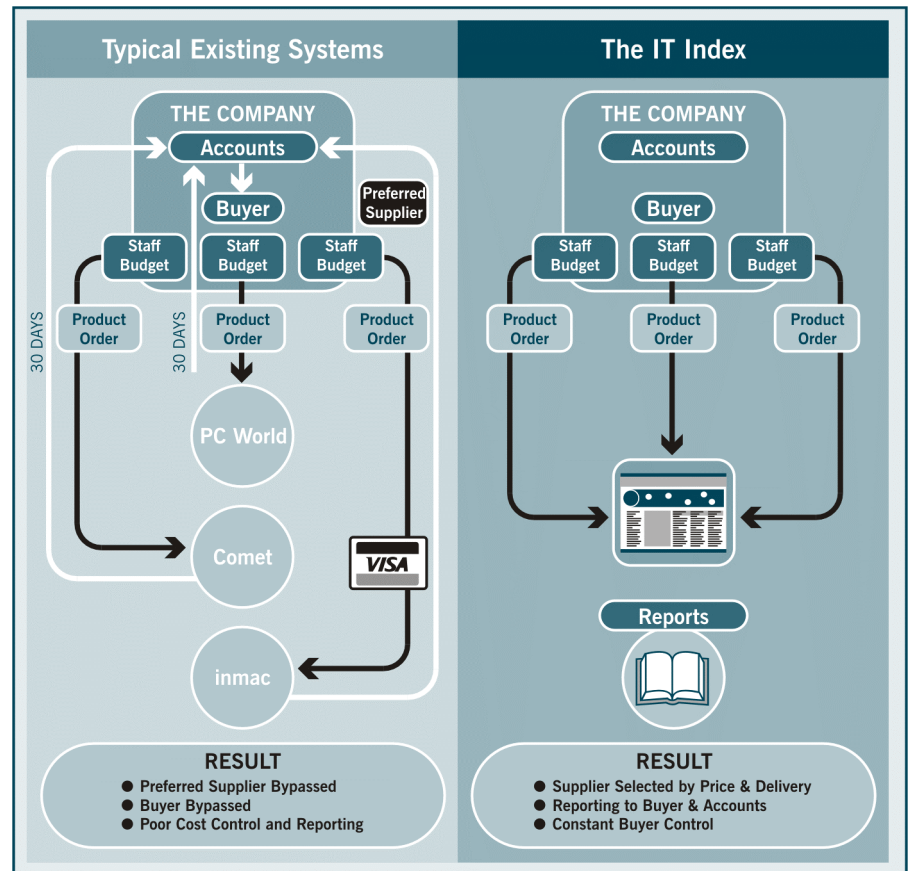


**Figure 1: Time/Cost Saving**

The solution is offered free of charge to customers with a reasonable annual IT budget and requires no investment other than a standard Internet browser and access to the Internet, which most users already possess.

The solution can offer more than the 'soft' benefits, such as increased productivity. Real savings can be exploited from the system by utilising the transparent pricing to get the lowest price obtainable in the market place. For example, while a major retail corporate were trialing the solution they were able to save UK£200,000 on one order by using the information in IT Index to negotiate more favourable terms from their current supplier.

Another advantage of The IT Index solution is the ability to closely control IT purchasing. It is much more difficult for individual departments to bypass the buyer, for example, purchasing products from their preferred supplier, contacting a supplier out of habit, or utilising the first supplier they find with stock regardless as to whether the price is competitive. With the tedious time consuming task of finding a supplier taken care of by the system, based on price and delivery, buyers are able to focus on added value activities such as meeting rebate targets. Additional control can be exercised over purchasing decisions by the utilisation of various reports available from the system.



**Figure 2: Purchasing Control**

### Product Functionality

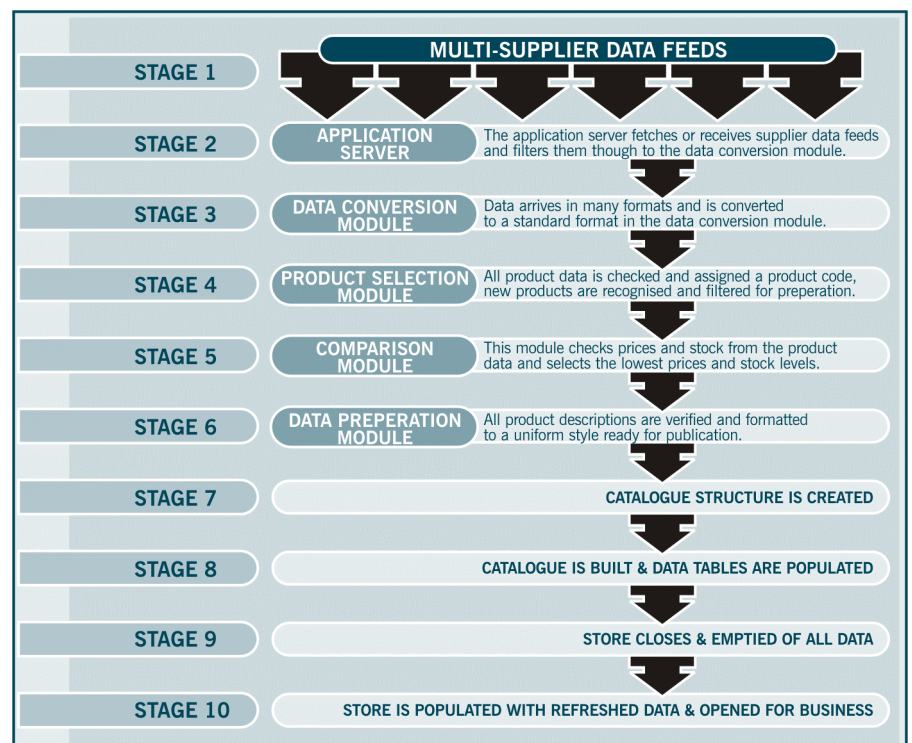
The IT Index (version 1.4) streamlines a company's procurement process by interfacing electronically with a number of product related feeds from 17 different suppliers and aggregating price and stock availability information on over 103,000 separate IT computer products. The architecture of the solution has been designed to be scalable to a large number of products and suppliers, which is dictated by the database technology, currently Microsoft SQL Server 2000.

The IT Index is based on Probrand's own Advanced Procurement Technology, developed over a number of years. An application server front ends the solution, receiving or polling supplier data feeds every night, which are passed through to the data conversion module where the different data formats are converted into a common layout for subsequent processing.

The product selection module validates the information and assigns the Probrand product code. New products are identified and separated out for subsequent manual investigation and processing by Probrand's Indian operation. Once the information has been collated from all the supplier sources a comparison module validates the price and stock details and selects the lowest prices and best availability.

Probrand believes the aggregation and comparison engines found in the solution to be unique. A key differentiator is the 'intelligence' built into the system to enable it to recognise identical products that are coded slightly differently by each supplier. To a human conducting a comparison of products the variation or abbreviations in the supplier's product code is easy to spot. This is more difficult for a system. The development of a rule set to cater for these anomalies is both complex and challenging, especially when multiplied across many different suppliers and when the large product range is taken into consideration.

After the comparisons have taken place the data is prepared for publication, the use of a uniform style description for each product. The catalogue structure is created and populated with the new data, and The IT Index is closed and refreshed with this new catalogue data.



**Figure 3: Advanced Procurement Technology**

Other features built into the solution include:

- Browser based.
- Order authorisation mechanism.
- Personalisation at company, branch, department, and individual level.
- Individual user order pad, where the first page after log-on lists the user's most often purchased items.
- Multiple shipping addresses, which enables centralised procurement without the need for centralised distribution.
- Budgetary reporting tools, allowing central authority to pass ordering to other areas of the business and still maintain control.
- Fully integrated with internal e-CRM solution.

**Product Emphasis** The IT Index provides an on-line procurement service based on technology developed through real world experience in the purchasing arena. The service aims to increase the efficiency of the buying process and to exploit the savings obtainable from automatically scanning multiple information sources for the best in stock price.

## ► DEPLOYMENT

In developing and setting up the e-procurement service Probrand encountered a number of barriers, which have now been overcome. Buyers were reluctant to embrace the new method of operation as it could be said that the system eroded part of their job function and removes the ability to form relationships with certain suppliers or individuals. There needs to be a level of trust built up between the seller and the supplier – from a seller's perspective, they need to be comfortable in supplying important company information; and from a supplier's point of view, their IT operation must understand the importance of providing the data on time, every evening, as without this commitment potential sales would be lost.

Another issue, which Probrand had to overcome, was the lack of standards in this area. Not only did each supplier utilise a different hardware platform and software, but there was no common consensus as to product identification and description. This required Probrand to develop an adaptable interface to ensure different data formats could be processed. New suppliers can now be integrated into the system within days.

The IT Index is provided as an Application Service provider (ASP) solution, therefore there are no resources required by the customer to deploy the service. It can normally be made available to a new customer within 24 hours. 170 organisations and over 1,000 individual users currently make use of the service.

The system is fully automated and requires little or no management and administration by the customer. The system is very intuitive and requires only a minimal amount of training for users. A Web-based demo showing the procurement process is provided.

## ► PRODUCT STRATEGY

The focus of the solution is to improve the efficiency of the standard business model: End User <--> Reseller <--> Manufacturer, reducing the bottleneck within the purchasing process due to reliance on phoning each supplier to obtain the best price and availability. Probrand also found that as more and more of the IT products were becoming commoditised it was putting pressure on margins. The solution is a way of adding more value for the customer and to offer more than just a box shifting operation.

The service is targeted at organisations with an IT budget in excess of UK£50,000. The size of the enterprise is of secondary consideration to that of IT spend. Companies using the service range from large concerns (such as Marks and Spencer and Geest), to Small to Medium-sized Enterprises (SMEs). The service only operates in the UK at the moment. However, there are plans to widen this by licensing the technology in other countries, especially the US.

The future plans include the launching of an e-procurement solution for use in other vertical market segments. The company is investigating a number of opportunities which should give significant growth over the next two years. The recruitment of additional staff is planned for The IT Index with the aim of increasing turnover by a factor of four. The Web-based design gives the flexibility for these agents to be located away from the office.

## ► COMPANY PROFILE

Probrand is a privately owned company, based in Birmingham in the UK, with development and administration resources in Calcutta, India. Founded in May 1992 the company started distributing computer consumables. Over time the company widened the range to include all types of computer hardware. Today the company has evolved from a computer supplies reseller to a broadly based technology company, whilst retaining a foundation in Business-to-Business (B2B) computer systems related reselling.

Probrand's current turnover is UK£10 million, generated from three core activities: computer products reselling, The IT Index, and icomm technologies, a computer services operation. The company has 45 employees, predominantly based at the Birmingham office. There are plans to exploit the e-procurement technology by setting up a nationwide network of home-based agents connected through the Internet.

The company has over 170 customers using The IT Index, most notably Geest, Marks and Spencer, IMI Norgen, Paragon Labels, Luminar Leisure, Securicor Custodial Services, Linde Gas, and Cheltenham Borough Council. Probrand's total customer base across the three business units is around 2000.

## ► SUMMARY

The IT Index is the on-line procurement systems division of Probrand Ltd, providing procurement services based on technology developed in-house and utilised by Probrand for a number of years. The software compares the availability and prices of the same product from a number of sources, by taking data feeds every night from each supplier and giving visibility to the best price with current stock via various publishing channels, such as The IT Index. Butler Group particularly likes the overall usability of the solution, coupled with the ability to provide the latest stock position and best price information for IT products.

The company has an opportunity to exploit the e-procurement technology further by utilising it in other vertical sectors, where the standard business model applies and there is reliance by manufacturers on a number of distributors. Another area, although it would require additional investment, is for Probrand to become a software vendor and package the technology as a saleable software product.

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The IT Index is an operating unit of Probrand Ltd.

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