

XML TECHNOLOGY DELIVERS ONLINE PROCUREMENT WITH EASE

Extensible Markup Language (XML) is a technology that tags individual pieces of data in a standard way, so different computer systems can communicate with one another. While this technology has been much hyped in the media, varying standards and subset families of the technology have muddied the waters.

Two practical and current applications of XML technology are in procurement. While the detail of how these systems work on an intricate technological level are complicated, the use of XML in each case has delivered tangible benefits for buyers and suppliers.

Salford University

The UK Higher Education sector comprises in excess of 130 institutions, with a combined annual spend on maintenance, repair and operations, goods and services that exceeds £5bn. Procurement processes are typically manual and paper based, neither of which is efficient or cost effective. The cost of raising an order often outweighs the cost of the goods being ordered. As such, there's an identifiable need to streamline the procurement process.

Known as HEeP (Higher Education eProcurement), Salford University's marketplace was developed with funding from the UK Higher Education Funding Council and enables staff in universities to purchase goods from contracted suppliers in an easy and efficient electronic way.

The project was developed in conjunction with the Business Application Software Developers' Association (BASDA), Softwire and Microsoft's .Net platform.

The Salford approach to procurement eliminates the difficulties associated with using online catalogues for ordering services and supplies by providing direct links to suppliers' websites and using a method known as punch-out, which automatically generates a content order directly to the buyers' purchasing system before the order is confirmed.

Tony Oliver, director of HEeP, says: "In a typical eprocurement scenario, you have a marketplace with suppliers on one side and buyers on the other. The suppliers have to download their catalogue information and host it on their own proprietary marketplace, and that is very expensive." Instead, HEeP enables purchasers to use existing suppliers' websites rather than set up expensive proprietary marketplaces.

The HEeP system has also been developed in conjunction with major software developers such as SAP and Oracle, so orders can be registered in suppliers' finance and accounting systems automatically. "None of the systems we have previously seen integrate into suppliers' finance systems unless they are based on single bespoke propriety systems that are again expensive," Oliver says.

The complete system uses the BASDA eBIS-XML suite of open standards for electronic purchase orders and invoices,

and operates with conventional email delivery techniques.

HEeP runs on a not-for-profit basis, with marketplace access being provided free of charge to participating universities and with low-cost supplier buy-in.

Viking Direct

Founded in 1986, Office Depot (listed on the NYSE) is the world's largest supplier of office equipment. Its European arm, Viking Direct, has more than 1,000 suppliers across the continent, from which Viking sends and receives more than 1.5 million orders and invoices every year.

Historically, Viking was dependent upon traditional phone, fax and paper-based ordering that often led to delays and errors resulting from orders that were input manually.

Viking attempted to address the problem by introducing a large electronic data interchange (EDI) system but found that only a few of its large suppliers would sign up to the project. So, at the end of 1999, the company decided to implement a web-based order and invoicing service based upon XML technology that would be up and running Europe-wide in a 12-month period.

Viking chose Burns ecommerce solutions to implement the first of its Business eXchange managed services (BeX). Burns has subsequently implemented this system for BAA and Balfour Beatty.

BeX went live at the beginning of 2001. And while Viking had only managed to get 28 vendors to sign up to its previous EDI project over the space of two years, more than 100 suppliers were using the XML-based system in just three weeks, and all UK suppliers were integrated within six weeks.

Some of the benefits of Viking's XML-based procurement solution include the following:

- XML is quicker and cheaper to implement than large bespoke EDI systems.
- Invoice rejections due to errors significantly decreased in number.
- The orders facility includes multiple line-item-level delivery scheduling, with the quality of communication allowing partial deliveries to be flagged as they occur so that corrective action can be taken rather than when the goods arrive at the warehouse. To achieve this, exception notifications are sent by email to warn buyers when an order cannot be completely fulfilled by a supplier.
- The invoice facility supports both full and partial invoicing, and includes automatic calculation of local VAT rates, surcharges and discounts, thus increasing invoice accuracy to ensure prompt payment.
- Quality-of-service emails alert suppliers to new waiting orders or elapsed unread orders to ensure swift communication and prompt fulfilment.

Tom Berry.

A wide range of Briefings can be found at www.financialdirector.co.uk/briefing

Useful links

- Background and discussion documents regarding HEeP are available at www.heep.ac.uk
- An Aberdeen Group analysts' report on Viking's XML procurement platform is available at www.burnsecs.com/uploads/Aberdeen_OnSite.pdf
- XML.org is a not-for-profit organisation driving the utilisation and adoption of XML globally. www.xml.org