

A Strategic Guide to Complete Supplier Enablement Tactics

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Oracle knows that supplier enablement is a multifaceted challenge that requires a multifaceted approach to be fully successful. Instead of forcing customers into a “one size fits all” approach, Oracle equips customers to craft a supplier enablement strategy that is driven by their own business priorities and procurement practices.

Oracle’s strategy is to provide customers with the tools to pursue a portfolio approach based on three critical and complementary capabilities:

- Open architectures
- Supplier portal applications
- A specialized supplier network.

This complete approach to enablement provides every customer with the opportunity to enable 100% of its own suppliers.

Because legacy methods tend to focus only on leveraging supplier networks, it is reasonable to question how three components can work together to provide a complete solution. First, open architectures provide customers with the flexibility to connect directly with major suppliers or to choose any combination of supplier networks for supplier connectivity.

Second, supplier portals provide customers with the opportunity to extend electronic efficiencies to less technically sophisticated suppliers as well as to those with transaction volumes insufficient to justify electronic integration.

Third, a specialized supplier network provides the opportunity to “jump start” procurement programs by providing ready access to some of the most commonly used suppliers.

OPEN ARCHITECTURES

Oracle recognizes that the best way to streamline the ordering process with high-volume, technically sophisticated suppliers is by exchanging electronic documents and creating a *machine-to-machine* connection. While this connection can be done directly using modern gateway technologies, connecting suppliers by way of a network is extremely useful because it reduces the effort required by IT departments. The responsibility of establishing and maintaining connectivity is

Enter Oracle Supplier Network (OSN)—designed to help customers simplify their electronic messaging. See “Specialized Supplier Network” later in this document for more about how OSN complements the open architecture Oracle’s standards-based applications—which already include market leading B2B messaging technologies.

carried out by a specialized third party service provider instead of being added to the load of an already overburdened IT group.

Oracle also knows that purchasing organizations must operate in every conceivable supply market—including those serving niche categories and remote parts of the world. Because it is impossible for any one network to connect all buyers and all suppliers in all global markets, the success of our customers often depends on their ability to use multiple networks. Oracle’s open architectures provide organizations with the flexibility to use procurement applications across *any* network of their choosing (including Hubspan, GSX, Perfect Commerce, and Siemens to name a few) or even across several networks at once. For this reason, Oracle does not restrict the use of its software to a single supplier network and remains dedicated to an open approach.

PORTAL APPLICATIONS

While important in many respects, networks cannot compete with a *portal-based* approach when addressing specific subsets of the enablement challenge. Oracle introduced supplier portal applications because we recognized the need to extend effective procurement practices to every supplier regardless of the supplier’s technical ability or trade volume.

In most organizations, low-volume suppliers represent the majority of the supply base. (Conservatively, 80% of suppliers account for only 20% of transactions.) These same suppliers account for a substantial percentage of the manual burdens being placed on buying organizations. While there is no doubt that networks play a key role in the efficient management of large-volume suppliers, it is not possible to justify the cost of machine-to-machine communication for the vast majority of suppliers with low transaction volumes. Because of the effort needed to establish machine-to-machine communication (even *with* a network in place), it is far more cost-effective and much faster to use a portal-based approach.

Portal applications offer advantages that are not available with the more transaction-centric network approaches.

- Identical interfaces for all purchasing activities from sourcing, through contract negotiations, and including ordering, fulfillment, and payments.
- Support for a broad range of purchasing processes, including prospective supplier registrations.
- Profile information, such as key contacts, addresses, business classifications, products, services and banking details for existing suppliers.
- Submission of non-PO information, such as timecards for contingent labor

Our portal products provide suppliers with access to current information including purchase orders, delivery information, and payment status without making them go through complicated network registration processes and without any unwarranted technical demands. Portal applications let suppliers to submit change requests, ship

notices, payments, and profile data providing buying organizations with better service, lower processing costs, and relief from routine supplier inquiries.

SPECIALIZED SUPPLIER NETWORK

Networks can provide tremendous value to buying organizations; however, given Oracle's emphasis on supplier portal applications, the concept of a supplier network takes on a unique role in our customers' implementations

Oracle's analysis of the current market of supplier networks led us to believe that there were few truly compelling choices for buying organizations. Today's network providers are characterized by:

- Unstable ownership structures—Both legacy VANs and smaller upstart vendors have been subject to mergers, acquisitions, and divestures.
- Unstable financial structure—Legacy VANs and new market entrants are all subject to the whims of venture capital markets and the pressures of negative cash flow. This is especially troubling in such a low margin business.
- Shifting business models—Legacy VANs and upstarts are struggling to define the right combination of services and software. Vendors are caught between the desire to meet all customer needs and to introduce channel conflict with partners wanting to create a compelling solution (for example, competition between software vendors, content aggregators, BPO providers, payment vendors, and so on.)
- Insufficient Coverage—In spite of claims to the contrary, no single vendor today has a critical mass of suppliers, buyers, or geographic coverage.

This market analysis also convinced us that customers would be receptive to a low-cost (or no-cost) utility, from a highly stable vendor, which could automate a high percentage of transactions by enabling a narrow slice of "top tier" suppliers.

Given that Oracle had already addressed more casual trading relationships with the supplier portal applications, why not offer a specialized network focused on a relatively small number of the top suppliers in major supply markets? This concept is in stark contrast to strategies that try to get every supplier in the universe to pay tariffs to get onto a single network, but the idea is paying off. Oracle is providing an expedient, low cost utility, and customers are signing up. They are eliminating paper and increasing the value that they derive from our applications.

This top tier approach is precisely the strategy behind the Oracle Supplier Network (OSN). The Oracle Supplier Network, launched in February 2004, is an online service that simplifies electronic messaging for Oracle procurement customers and their suppliers. OSN focuses on a select group of suppliers (those who have the largest number of transactions) used by most customers. OSN supports common electronic commerce standards and provides the document services (authentication, translation, routing, non-repudiation, and archiving, for example) necessary for electronic trade.

Oracle's business practices explicitly prohibit us from violating customer's privacy by opening transaction documents or sharing sensitive information. This limits what we can disclose, but we can share that between late 2004 and the middle of 2005, OSN grew by adding

- **Approximately 130 registered suppliers**
- **A transaction growth rate of 25-30% per quarter**
- **30 buying organizations**

MULTIPLE STRATEGIES: ONE COMPANY

Oracle's portfolio approach has multiple strategies that help customers solve the most compelling enablement problems. Oracle's combination of open architectures, supplier portals, and a specialized supplier network provide the most flexible and complete offering on the market.



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