

**In this issue of Premium Procurement Bulletin...**

- How to Choose the Right Procurement Software
- [Case Study] How to Build Relationships for Better Negotiations
- 4 Social Media Skills You Need for Procurement Success
- [Case Study] How Energy Star Products are Saving Government, Business Big Bucks

## How to Choose the Right Procurement Software

Does your head spin when you try to wade through the enormous offerings available for procurement software? Some companies almost give up trying to weigh the pros and cons of all the types of systems and employ an "innie minnie miney moe" approach. Don't give up. Here is everything you need to know to make a sound decision.

### Software as a Service

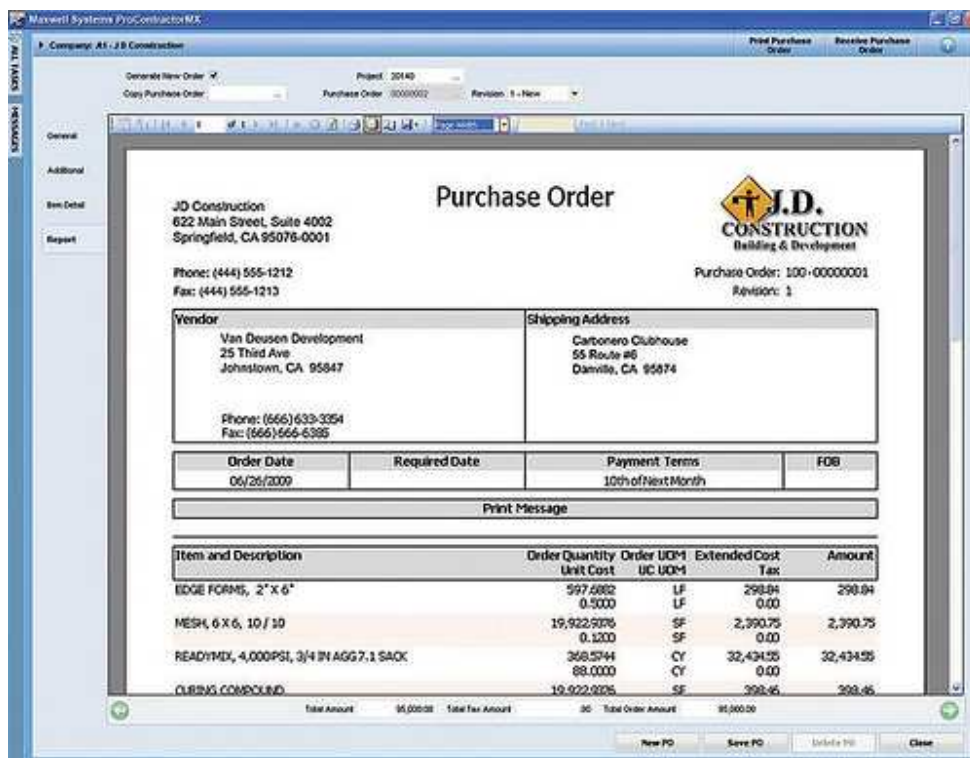


Image via [Flickr](#) by Maxwell Systems

Software as a Service, or simply SaaS, is the most cost-effective option, and it eliminates many of your deployment barriers. SaaS is an on-demand software solution. On the con side, SaaS

allows for less configurability for your specific company and causes concerns about where your assets are kept.

There are two basic types of SaaS software: on-demand via vendor, and on-demand via outsourcing. This is a pay as you go plan where you get a renewable subscription and access the software through a thin client, usually a web browser.

There are some options with SaaS, such as multi-tenant and single-instance. With on-demand software, the vendor or outsourcing agent is responsible for all the updates, which frees up the internal staff of the company for other tasks.

## **Perpetual**

Perpetual software licensing incurs a one-time cost (though generally a significant one), and the software never expires. There are three basic types of perpetual licensing systems: on-site, hosted, and business process outsourcing.

### **On-Site**

With on-site solutions, the business has complete control of the system. In addition to payment for the software, companies must obtain and maintain servers and other hardware to house the system.

### **Hosted**

Third-party hosting allows you to retain ownership of the system and data, and gives you some control over management of the system. Not all third-party hosts are procurement specialists, and this is a factor to consider when choosing a hosting service.

### **Business Process Outsourcing**

In this model, the company gives more control and a deeper level of ownership to the outsourcing provider. It's a partnership, in which the BPO partner is responsible for the uptime of the system and the hardware. Often, the BPO partner takes care of the daily purchase orders and manages operational activities.

## **Making a Choice**

Now that we understand the types of procurement software available, how do you proceed to make an informed decision? The first consideration is generally cost. SaaS solutions are generally cheaper than perpetual models, but with the money savings you give up much of the ownership of your systems. You'll have to determine which model is most in line with the business model your company follows.

Also, consider how much you have to put toward IT resources. The more work and management you keep in-house, the more personnel and resources it will take to install and maintain the

system. Complexity is also a factor. Some companies find it prohibitive to install complex in-house systems and retain the day-to-day management responsibilities.

Another consideration is the type of data you hold. Some industries deal with regulated data or confidential information on people, governments, or companies which isn't allowed or shouldn't be placed with a third-party vendor. These businesses and organizations are resigned to on-site software solutions.

Fortunately, there is a package out there to work with any budget and business model.

## **[Case Study] How to Build Relationships for Better Negotiations**

Avenues Trust subcontracts work for a mid-size social care provider in and around London and South East. The care provider works on an extremely tight budget, employing 800 staff members to care for 900 people. They operate about 50 homes for those with learning disabilities and mental health issues. The program has historically been underfunded, and as time, inflation, and expenses rise, it becomes increasingly difficult to recoup full operating costs for the services rendered.

### **Attempts to Recoup Full Costs of Operations**



Image via [Flickr](#) by excelcompanioncare

Avenues Trust contracts to serve about 90 of the patients from the social care provider. These people have recently completed an extended hospital stay. The initial service contract was for five years.

The five-year period has expired, and now Avenues Trust negotiates the contract with the social care provider annually. The two parties meet twice each year to go over quality control issues, costs, and other related issues.

As Avenues Trust attempts to negotiate full cost, the social care provider feels a tremendous sense of responsibility for keeping costs low and making the most out of the public funds that go toward the care of the patients. The budget is currently around £4.6 million per year. The two parties send operations specialists, finance specialists, human resources representatives, and quality control officials to attend the meetings.

Because Avenues Trust has held this contract for so long, they have developed a trust and familiarity with the representatives of the social care provider. They have done so by being completely transparent with their books. Over time, Avenues Trust has learned that the only way to get additional funding approved to cover costs is by submitting clear evidence of their expenses.

### **Transparency in Negotiations**

Even with full transparency, getting the funds approved is difficult. The two are working in a heavily regulated industry, but work hard to prevent negotiations from becoming unpleasant or overly hostile. Avenues Trust presents detailed activity reports and financial reports for the social care provider to examine.

At the end of the meeting, Avenues Trust was able to negotiate a 1.5 percent increase for inflation. It was granted because they were able to present a fully documented case for their position, and because they have worked hard over the years to foster a dependable, reliable relationship with the social care providers.

### **How the Issue Was Resolved**

The 1.5 percent increase will not be enough to sustain operations at the full level, but the two parties were able to reconfigure certain services which were not profitable to help offset the lack of additional funding.

In final analysis, officials with Avenues Trust determined that it becomes harder to get additional funding after several years of a contract, but with good relations between the two sides, a compromise is almost always possible.

Avenues Trust further determined that it is important to focus on what the company does best, and let other, non-related services go when funding is particularly tight. The best time to negotiate additional or higher funding is at the beginning of a new contract. Negotiations become increasingly difficult over time, even if every effort is made to establish a good working relationship.

## 4 Social Media Skills You Need for Procurement Success

Many procurement professionals shy away from social media due to the overwhelming amount of information out there. It's simply easier to manage if you avoid the up to the minute news and reports, and rely on the old newspaper or water cooler chat. However, with a few skills you can leverage this powerful tool and reap the rewards in your business.

### 1. Build Good Social Media Habits



Image via [Flickr](#) by linkedmediagr

Before changing how you use social media, set specific guidelines on when to use it. The most effective way is not sitting in front of the never-ending news feeds with glassy eyes all day, it's simply to make a habit of checking your most important sources for information in the mornings and again in the late afternoon or early evening.

Limiting how much you use it keeps you from getting sidetracked or overwhelmed. Write your social media checking time in your schedule, and limit yourself to these hours.

### 2. Depend on Conversations More Than News Feeds

Keeping up with all the social media feeds out there is too time consuming and frustrating. Instead, keep up with what your friends are posting and chatting about.

Turn the news gathering time you have into a time for collaboration and discussion with peers, colleagues, and industry leaders instead of trying to chase every trail of information. This way, you get the most up to date stuff in a timely manner without going insane. If you're following people in the know, you'll always get accurate and timely information.



### **3. Get the Right Tools**

Depending on the social media accounts you use, there are two ways to approach getting your information. The first is to download apps for each of your social media accounts, such as Google Plus, LinkedIn, Twitter, and Quora. Then you can easily pop on and check updates when you're ready.

The other method is to download Hootsuite, which gives you access to all your news feeds in one convenient package. Hootsuite is quicker, unless you happen to depend on one of the social media sites it doesn't support. Either way is fine, so long as you're sticking to your social media checking schedule.

### **4. Connect With Suppliers**

Keeping up with industry leaders is important, but don't neglect to follow and share with your suppliers, as well. This is an excellent way to keep your finger on the pulse of your business without seeming like you're looking over their shoulders.

You'll know about potential problems in plenty of time to react, without spending countless hours on the phone with customer service asking lots of questions and getting few answers. Your suppliers will likely appreciate your interest in their affairs.

Social media is often a hotbed of too much information, but with these skills you can leverage their usefulness without sucking endless hours out of your day. By using social media properly, you'll always be in the know yet you won't be hostage to the 9 p.m. newscast or the newspaper delivery. There's room in everyone's day for some social media interaction.

## **[Case Study] How Energy Star Products are Saving Government, Business Big Bucks**

Replacing HVAC units, electrical equipment, lighting, hardware, and cleaning equipment sounds like an expensive prospect, especially for businesses struggling to recover from the recent economic recession. However, those businesses taking advantage of Energy Star products save money and increase profits in several ways.

### **Situation**



Image via [Flickr](#) by Cummings Properties

A struggling economy, rising energy costs, increased pressure from environmental groups, and stricter regulations by the EPA and other federal and state agencies are putting pressure on businesses and governments to find ways to consume less energy and produce lower emissions during operations.

In a recent survey by the Small Business & Entrepreneurship Council concluded 41 percent of businesses were hiring less due to rising energy costs, 22 percent had to cut back on the work hours of employees due to energy prices, and 40 percent have increased their prices to compensate for energy costs. Forty three percent of small businesses fear going out of business if energy prices continue to rise. Clearly, something needed to be done.

### **Approach**



The federal government began initiatives to address these problems, including tax incentives for purchasing Energy Star products. Tax credits are so alluring to businesses and governments that 21 states plus the District of Columbia have passed mandatory Energy Star purchasing requirements. These purchasing requirements extend to state buildings and agencies, as well as state-funded college campuses and other operations.

In addition to the tax credits offered for businesses employing green technologies, the federal government offers special tax incentives on Energy Star product purchases for builders (home and commercial), manufacturing companies, and any company operating fleet vehicles.

## **Impact and Advantage**

Overall, companies see three to ten percent savings on energy bills by using Energy Star products. In many cases, these products can pay for themselves in energy savings in a few years.

Energy Star products are more efficient, usually resulting in better performance while costing less to operate. This is a win-win solution for companies and governments, allowing them to get the best performance while keeping costs low. Additionally, Energy Star products come with the most advanced features.

Energy Star products are made with eco-friendly materials, and also produce fewer toxic particulates. These two benefits combined translate into fewer sick workers, higher productivity, and lower healthcare costs for businesses and governments. Carbon emissions (CO<sub>2</sub>) are among the most dangerous emissions, to both workers and to the environment. Energy Star products have lowered emissions by an estimated 1.8 billion metric tons.

Politicians and businesses also reap rewards in the public eye from using Energy Star products. Nevada's Green Alliance is just one such example of how a state can garner public appreciation with environmentally conscious programs and initiatives.

Sears, Raytheon, USAA Real Estate, LIPA and many other companies have used their Energy Star ratings and awards to boost their marketing and public relations campaigns. Adopting these policies can also help clean up the public images of businesses which have been cited for environmental problems in the past, such as the manufacturing industry.

During this period of economic recovery, governments and businesses are using Energy Star products to lower costs and improve profit margins while protecting the environment that sustains us all.