WHITE PAPER

STUCK IN THE SUITE SPOT:

The Prevalence of Excel Use Alongside eSourcing and Procurement Suites

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ABSTRACT:

For those in sourcing and procurement roles, it likely comes as no surprise that some amount of RFIs and RFPs are still handled through the shuffling of Microsoft® Excel® spreadsheets and other desktop tools. Over the years, organizations have increasingly invested in eSourcing or Procurement Suites (either as part of a larger ERP application or as stand-alone suites) to provide a better enterprise solution to improve the productivity, efficiency, visibility and results of supplier sourcing. Despite those investments, the extent of Excel use for RFI/RFP creation, bid collection, and analysis remains stunning – creating what we call "The Suite Spot" where spreadsheets are turned to instead of the available suite solutions. This paper reveals market research findings in this area, identifies root causes, and highlights how a best-in-class eSourcing tool like CombineNet can augment suite solutions to reduce spreadsheet reliance and improve eSourcing adoption and results.

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EXECUTIVE SUMMARY

eSourcing and Procurement suites[1], including those modules found in ERP applications, are considered by many to be mature technology offerings. In fact, Gartner estimated sourcing and procurement software revenue to be nearly $2.16 billion worldwide in 2010, with SAP, Oracle, and Ariba as the top three in market share.[2] With well over a decade of implementation across organizations of all sizes in every industry, one would expect that adoption of these solutions would be high, capturing a large portion of an organizations' sourcing activities in formal spend management processes.

CombineNet recently (April-May 2011) surveyed sourcing and procurement professionals at 100 organizations about their collection and analysis of bids in sourcing and supplier selection activities. None were CombineNet customers. The results of this survey reveal that while a large percentage of respondents have implemented eSourcing and Procurement suite solutions, the use of Excel is still extensive throughout the bid collection and analysis cycle. While Excel's continued use may not be surprising, the frequency of its use, and its predominance as the tool of choice within many organizations is stunning. The broad adoption of these suite solutions for sourcing activities is partly driven by the need to improve upon the shortcomings of Excel, and yet the results of this survey suggest that these suite solutions have considerable gaps in bid collection and analysis capabilities that actually sustain users' reliance on Excel.

This paper presents the findings of the survey, which polled participants on their utilization of various technology solutions and tools to create and manage RFPs (Request for Proposal), collect bids from suppliers, and analyze bids to make award decisions. In addition to asking the participants about their solution choice, they were asked about the characteristics of their sourcing events, what visibility they had into the sourcing process, whether their company's sourcing activities were decentralized or organized in a somewhat centralized (center-led) or highly centralized manner, and what improvements or enhancements they would like to see in their solutions to improve their effectiveness.

BIDDING IN EXCEL ACROSS THE BOARD

When it comes to the critical tasks of creating RFPs and collecting supplier bids, sourcing professionals turn to a variety of solutions. According to this survey, which allowed respondents to select multiple tools, Microsoft Excel remains the tool of choice for creating RFPs and collecting bids from suppliers, with 65% of participants stating that they use Excel frequently. eSourcing and Procurement suites were the second choice, with 50% of respondents claiming frequent use for managing RFPs. Other frequently used tools included Microsoft Word® (48%), and homegrown solutions (21%).

It is not surprising that Microsoft products represent a highly available and frequently utilized option within a business user's repertoire. After all, Microsoft Office® applications are used every day by business users across all functions. But what is intriguing is that while about half of the respondents said their organizations have acquired eSourcing and/or Procurement suites to improve the efficiency, productivity, and visibility of sourcing activities, the users of these suite solutions still rely heavily on desktop applications to conduct a large share of their sourcing activities.

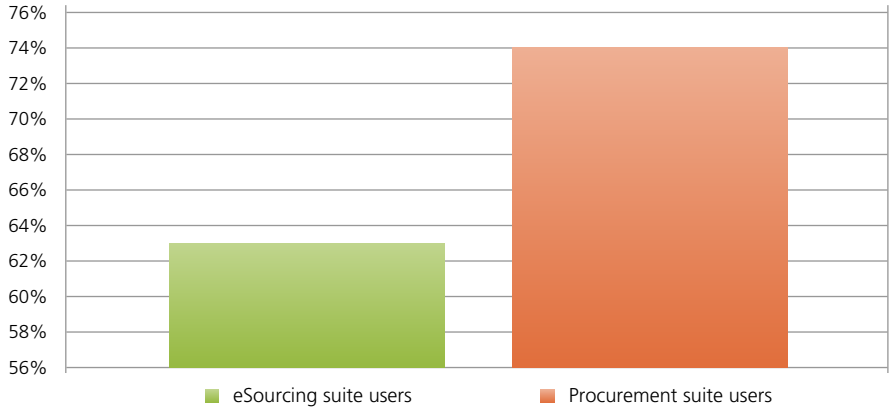
[1] eSourcing and Procurement suite definitions for the purposes of this report: "eSourcing suites" describes software suites that include multiple sourcing functionalities, including, but not limited to sourcing (reverse auction, RFP, RFI solutions), spend analysis, contract management, and supplier performance management. "Procurement suites" describes software suites that include multiple Procure-to-pay functionalities, including, but not limited to e-catalogs, supplier networks, PO creation and approval, invoice matching and payment, as well as sourcing modules (reverse auction, RFP, RFI).

[2] *Market Snapshot: Supply Chain Management Software, Worldwide, 2010,* Chad Eschinger, Gartner, April 21, 2011.

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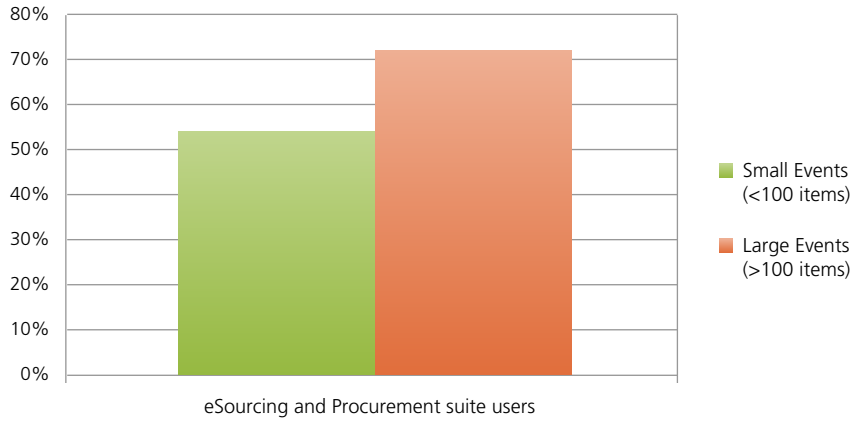
Consider the use of Excel within organizations that have implemented an eSourcing or Procurement suite (Figure 1). For survey participants that have eSourcing suites, 63% continue to use Excel for creating RFPs and collecting supplier bids outside (or embedded within) their eSourcing solutions on a regular basis. For users of the sourcing modules of their Procurement suites (Procurement users), the use of Excel for RFP management is even higher, at 74%.

Figure 1: Use of Microsoft Excel for RFP Creation/Bid Collection



Event size has an impact on the use of Excel for RFP creation and bid collection (Figure 2). For smaller sourcing events (fewer than 100 items put out to bid), 54% of eSourcing and procurement suites users still turn to Excel. For larger events (more than 100 items), a much larger percentage (72%) of eSourcing and Procurement suite users are turning to Excel for these sourcing events.

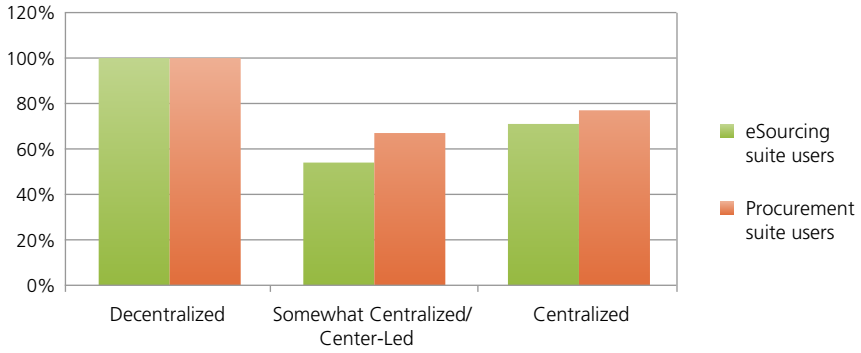
Figure 2: Use of Microsoft Excel for RFP Creation/Bid Collection by Event Size



Organizational structure also has an impact on the frequency of use of Excel within the survey population (Figure 3). For Decentralized organizations without a formal sourcing organization, 100% of eSourcing and Procurement suite users employed both Excel and their suite solutions for RFP creation and bid collection. The prevalence of Excel use within organizations having a Centralized sourcing function is slightly reduced (though still high), with 71% of Centralized eSourcing suite users and 77% of Procurement suite users turning to Excel to manage RFPs. Organizations that were Somewhat Centralized (or Center-led) showed a slightly smaller reliance on Excel to supplement their suite solutions to manage RFPs, with 54% of eSourcing suite users and 67% of Procurement suite users claiming use of Excel.

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Figure 3: Use of Microsoft Excel for RFP Creation/Bid Collection by Organization Structure



One might think that Centralized and Somewhat Centralized suite solution users would have fewer instances of Excel use, due to more formal processes and increased adoption of implemented tools, and compared to Decentralized organizations, this assumption holds true. However, the data shows that Centralized users turn to Excel more frequently than users within Somewhat Centralized or Center-led organizations. Based on the event size and organizational structure data, and other data collected in the survey, we attribute the increased use of Excel by Centralized users over Somewhat Centralized users to the prevalence of larger, more complex sourcing events being managed by Centralized sourcing teams which are aggregating larger spend pools across a broader range of stakeholders. And as was highlighted previously in this report, those larger, more complex RFPs are not finding strong adoption with the existing suite solutions in place.

These findings are similar to a survey CombineNet conducted one year prior[3], where 55% of respondents that had implemented one of the industry-leading eSourcing suites reported that they use Excel frequently to create RFPs and collect supplier bids. For these survey respondents, who had been using their eSourcing suite for at least two years, the two most often cited reasons for turning to Excel for RFP management were: ease of configuring the RFP to collect the information needed from suppliers (34%), and the ability to create robust cost models that accurately represent the cost components they were collecting (36%).

THE EXCEL "ADDICTION" FOR BID ANALYSIS

Most eSourcing and Procurement suites were designed to automate the creation and management of bid collection and event management, with a secondary emphasis on bid analysis. Considering the high level of Excel use for creating and managing RFPs, it should not be a surprise to users of these solutions that the reliance on Excel for analyzing supplier bids is even more prevalent than its use for RFP creation and bid collection.

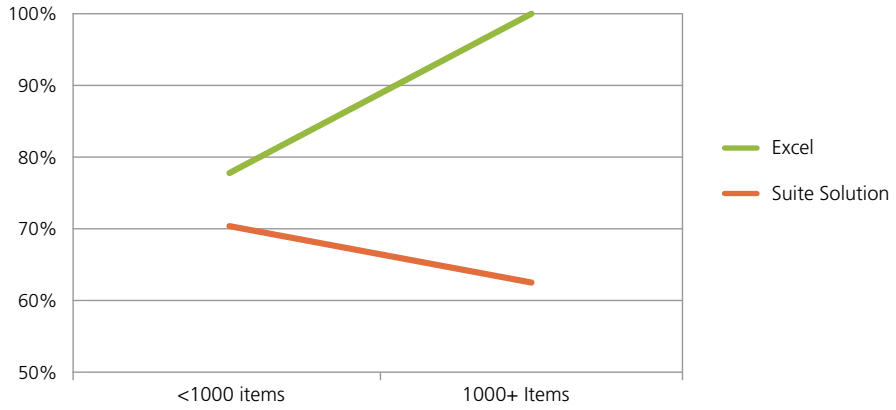
According to our survey, 85% of all eSourcing and Procurement suite users turn to Excel for bid analysis. The use of Excel for bid analysis is so frequent amongst these survey participants that a meaningful percentage of eSourcing and Procurement suite users claim to completely forgo the use of these suites for bid analysis (30%). While it is predictable that sourcing professionals who collect bids in Excel will most likely analyze those bids in Excel, it is interesting to note that 70% of the survey participants who claim to rely exclusively on their eSourcing or Procurement suites to create RFPs and collect bids then turn to Excel to analyze those bids.

[3] eSourcing user phone survey conducted with more than 100 users of the two of the largest eSourcing suite solutions (by market size), conducted by a third party on behalf of CombineNet in May-June 2010.

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Once again, RFP/sourcing event size has an impact on the use of Excel for eSourcing and Procurement suite users when it comes to supplier bid analysis (Figure 4). Respondents were asked to select which tools they use for bid analysis, and were able to select multiple options. For small to moderate-sized events (<1000 items), eSourcing and Procurement suite users indicated that Excel is used slightly more often for supporting bid analysis (78%) vs. their suite solutions (70%). For larger events (>1000 items), their Excel use skyrockets, with 100% of eSourcing and Procurement suite users turning to Excel to help analyze bids in large events. Conversely, the use of the suite solutions for bid analysis in larger events drops to 63%, with more than one-third of suite solution users not even attempting to use their suite solutions for this purpose.

Figure 4: Solutions Supporting Bid Analysis by Event Size



This data strongly suggests that these eSourcing and Procurement suite solutions fall far short of providing the type of analytical capabilities users need to accurately and efficiently evaluate supplier responses, especially for larger sourcing events – so much so that users would rather engage in manual, time-consuming analysis activity off-line. Our previous survey showed a similar dissatisfaction with the bid analysis capabilities of a popular eSourcing suite solution, with 67% of those 2010 survey participants stating that they frequently use Excel for bid analysis.

WHY THE PREVALENCE OF EXCEL USE ALONGSIDE SUITES?

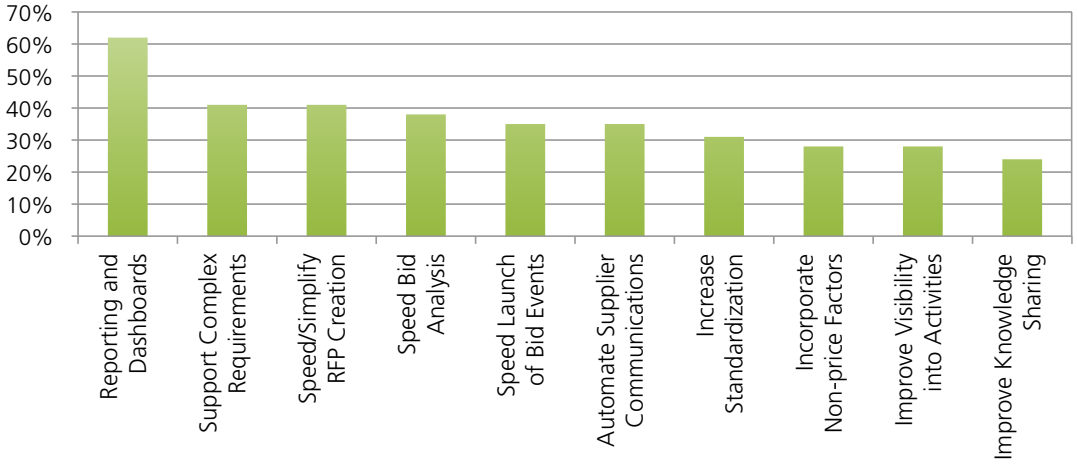
In addition to asking participants about their use of Excel alongside eSourcing and Procurement suite solutions, we asked about the improvements and enhancements they would like to see in their solutions to help them do their jobs more effectively (Figure 5). Many of these requests shed some light on why such a large percentage of eSourcing and Procurement suite users are turning to Excel on a frequent basis to manage the RFP process.

For eSourcing and Procurement suite users, the most popular improvements they would like to see in those products include: improve reporting and dashboards (62%), support more complex requirements and configuration (41%), speed/simplify creation of RFPs (41%), speed bid analysis (38%), speed/simplify launch and management of sourcing bid events (35%), and automate feedback and communications to suppliers (35%).

Other frequent requests include: increase standardization and centralization (31%), incorporate more non-price factors into bid collection, analysis and award decisions (28%), improve visibility into sourcing activities across the organization (28%), and improve knowledge sharing across teams (24%).

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Figure 5: Requests for Improvements to Existing Suite Solutions



Many of these requests suggest a correlation between the shortcomings of the eSourcing and Procurement suites and the continued use of Excel for RFP creation/bid collection and bid analysis. Excel provides a familiar, easily configured platform for creating RFPs with extensive data collection and analysis capabilities.

However, the use of Excel has drawbacks that are also represented by these requests (i.e., to improve reporting and dashboards, automate feedback and communications to suppliers, increase standardization and centralization, improve visibility into sourcing activities, and improve knowledge sharing). Certainly, many other drawbacks to Excel exist that were not specifically solicited in this survey, including security concerns, productivity hindrances, lacking best practices, risks to retention of data and institutional knowledge, inability to integrate bid optimization capabilities, and more.

In our 2010 leading eSourcing Suite user survey, the most often repeated reasons given by participants turning to Excel for bidding and bid analysis were that Excel was easier to configure to collect the type and amount of information required of suppliers, that it was familiar and easy to use, and that it provided the analysis capabilities not provided by the eSourcing suite.

The paradox is that eSourcing and Procurement suites are investment decisions that have been made to overcome the many drawbacks of conducting these business activities using Excel. So how do organizations bridge this adoption gap?

RECOMMENDATIONS FOR GETTING BEYOND THE USE OF EXCEL

For highly decentralized organizations, where a large proportion of corporate sourcing and procurement activities are handled outside of a formal process, the popularity of spreadsheet-based sourcing activities is understandable, though represents a huge opportunity for those organizations to move towards a coordinated e-sourcing practice. However, as our data shows, Excel use remains prevalent even in companies with a formal, centralized or center-led sourcing organization with access to a range of sourcing technologies, suggesting that adoption levels of these solutions remains low.

The bottom line is that using Excel as a tool for creating RFPs, collecting bids, analyzing bids, and as a basis for collaborating with suppliers and stakeholders is a fundamentally flawed and ineffective practice. Among CombineNet's customer base alone, we have worked with customers who had turned to Excel after lackluster

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results from their sourcing and procurement suite solutions. In every one of those cases, the adoption of CombineNet has resulted in:

- New value uncovered through a more refined and superior e-sourcing process (average of 10% of savings against total spend size)
- Significant productivity gains (generally 15-20% of time savings, or approximately 1 day per week)
- Massive boosts in supplier and stakeholder collaboration, internal reporting effectiveness, getting more spends through an e-sourcing tool faster, and best practices in strategic sourcing.

For organizations to continue on the path of capturing more spend under formal management, improving the productivity and efficiency of sourcing teams, whether centralized or decentralized, and gaining increased visibility into sourcing processes and results, they must reduce their reliance on Excel-based sourcing activities without reducing the effectiveness of their sourcing professionals.

In order to achieve these goals, organizations must look at the level of Excel use within their sourcing activities to understand where and why sourcing professionals are turning to Excel for RFP management, bid collection and bid analysis. Identify the patterns of these Excel-based sourcing activities, including size of sourcing events, categories of spend, and other characteristics of sourcing events.

Understand your sourcing professionals' motivation for using Excel:

- Is it ease of use over the available eSourcing or Procurement suites?
- Is it too cumbersome to integrate existing RFP data and templates into the suites?
- Is it that the requirements of certain RFPs are poorly supported by your eSourcing or Procurement suite?
- Do the analytical capabilities fail to accurately and efficiently evaluate supplier bids alongside business goals and total value?
- Are the RFPs conducted infrequently, thereby making the sourcing team or individual buyer less willing to learn a new process?
- Or is it simply habit and a change management issue?

Once the underlying issues and reasons are understood, evaluate your options for either replacing or complementing your existing eSourcing or Procurement suite solutions to better capture the sourcing activities that are being managed in Excel. Review the capability for alternative solutions to support your sourcing professionals who are comfortable in Excel and whether the solution provides a friendly "on ramp" to convert existing Excel bid sheets into formal online RFPs. Finally, investigate the ease of use of these solutions to improve adoption rates within the sourcing trenches.

Only once you've provided your sourcing teams with the tools they need to perform their jobs more effectively and efficiently will you reduce your reliance on Excel and get out of the "suite spot."

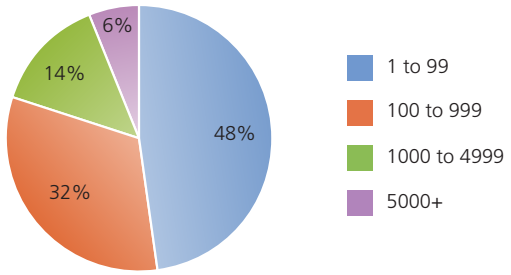
CombineNet ASAP – COMPLEMENTING YOUR SUITES FOR SOURCING EXCELLENCE

Originally developed in 2000 to support the largest and most complex sourcing activities, CombineNet ASAP today offers customers a best of breed sourcing solution to manage sourcing events of any size, scale or complexity (Figure 6). CombineNet ASAP provides unmatched flexibility, speed and robustness in creating RFPs and streamlining bid collection, coupled with fast, powerful optimization-based bid analysis.

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Responding to customers' requests to help them reduce their reliance on Excel and to fill the gaps left by eSourcing and Procurement suites, CombineNet has developed an easy to use "on ramp" to CombineNet ASAP that enables users to quickly import existing Excel-based RFPs (bid sheets) that are converted to formal online RFPs. Via CombineNet ASAP's RFxpress wizard, organizations with large numbers of Excel users can achieve the benefits of better visibility into sourcing activities, robust reporting, improved supplier communication and feedback, standardization, and knowledge sharing enabled by an e-sourcing solution.

Figure 6: Sourcing Events Sizes of CombineNet Customers by # of Items



More than 70% of CombineNet customers are using CombineNet ASAP as a complementary solution to augment the capabilities of their eSourcing or Procurement suite, capture more spend under formal management, and improve the productivity and efficiency of sourcing teams.

CombineNet ASAP's capabilities make it possible to easily support the needs of sourcing professionals who have been turning to the cumbersome use of spreadsheets for additional bid collection and analysis flexibility, helping them get out of the "suite spot of Excel use."

THE SCHINDLER GROUP: A CASE STUDY IN MOVING FROM EXCEL TO BETTER SOURCING

Schindler

The Schindler Group, one of the world's largest suppliers of elevators and escalators, provides extensive services to its customers enabled by a fleet of 17,000 vehicles across 100 countries.

In the past, Schindler's Corporate Purchasing organization tried various e-sourcing suites, consultants providing custom project management services, and then finally hundreds of Excel spreadsheets to manage the sourcing of their fleet vehicles. But none of these solutions or approaches was sufficient to support the number of price elements used to model Total Cost of Ownership, to accurately measure the CO_2 impacts of vehicle choices (and other non-price factors), improve productivity and time-to-bid cycles, or to facilitate efficient communication with regional teams and stakeholders.

Schindler's Corporate Purchasing organization turned to CombineNet ASAP to more efficiently and effectively manage its fleet vehicle sourcing activities.

Despite being a mature sourcing category, Schindler was able to achieve exceptional cost savings using CombineNet ASAP. Other benefits reported include: improved staff productivity and resource utilization, improved reporting, standardization and centralization of the process, and better supplier communication.

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"This is a mature spend category for Schindler, one that we've strategically sourced for 10 years. Yet with CombineNet, we were able to achieve excellent cost savings. We've tried other solutions that weren't capable of supporting this category, including Excel spreadsheets. Now I have a tool that works much, much better."
– Douglas Else-Jack, VP of Purchasing Excellence & Indirects, The Schindler Group

For the detailed write-up of this case study, please visit: www.combinenet.com

Please contact us to learn more and to see a demo of how CombineNet ASAP can provide a "rapid on-ramp" from the world of Excel to better e-sourcing.

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