

eProcurement – A Margin Making Opportunity!

BY TODD JENNEY, PARTNER, BATEAM, FORMER CEO, HUCK'S CONVENIENCE STORES



In the retail industry, it's very easy to focus on revenue growth, even to the detriment of other important areas of focus. Mergers and acquisitions, new store openings, and same-store sales growth can quickly and easily consume the focus of any CEO and executive leadership team. This focus is important. Paying attention to revenue growth and making sure the entire organization is also focused on sales is critical. From the clerk to the CEO, everyone needs to be selling. Upselling, managing promotions, and maintaining the margins are all important activities. Are you doing all you can to maintain or even grow margins?

Over a several year period while working as CEO of a large, regional convenience store chain, I balanced the dueling interests of driving revenue and cutting costs by investing untold hours of focus on managing our costs and improving our margins. I thought we did a pretty good job negotiating – for supplies as well as goods for sale.

While the concept and practice of reducing costs and improving our margins was not new, we were able to elevate to another level when we began using a very specific approach

and set of tools. We had been introduced, through a mutual connection, to an eProcurement company. Their entire focus of the eProcurement company is on reducing costs for their customers, many of whom are other retail chains. Through their ability to bundle opportunities for disparate clients and take those opportunities to suppliers, better costs for our company were actualized.

In our organization, we made significant cost reductions happen without hiring a large team or investing huge sums of money upfront. We achieved dramatic results immediately and the entire initiative was self-funding from the beginning.

The initiative was to strategically leverage eProcurement to better negotiate pricing for the products and services that we purchase every day. eProcurement, for anyone not familiar with the concept, consists of many different types of solutions in a larger procure to pay lifecycle. This includes everything from spend analytics, to online reverse auctions, catalog management, contract management, to purchase order management, invoice reconciliation, and more. ▶



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The eProcurement Request for Quote (RFQ), also known as a reverse auction, is the most effective way to reduce costs. My own experience in this area is firsthand. From the start, I made the commitment to work directly with our eProcurement partner and internal teams to spearhead the initiative. It's best to have an executive champion in support of the RFQ initiative to ensure the teams understand that it is a priority.

If you have not yet experienced an RFQ, either as a buyer or seller, an RFQ is a live, online bidding event in which vendors are invited to participate and are given the opportunity to bid for your business. Whether you are sourcing something simple, like office supplies or coffee equipment, or you are sourcing something more complex, such as car wash buildings or your donut program, the RFQ is well suited to reduce your costs. Vendors are encouraged to provide more competitive quotes by features within the RFQ and to continue to compete with one another in order to become your awarded vendor. This is a very valuable negotiating tool and the savings achieved with the use of these tools far exceeds the savings that even your most skilled negotiators can deliver using traditional negotiation techniques. In my experience, it's not uncommon to find additional savings in excess of 15% or more on top of what your own team has been able to negotiate using their own practices.

Implementing an eProcurement initiative within your organization is relatively easy and straightforward. There are multiple steps in the process, with much of the work performed by the eProcurement company. Beginning with analysis, you and the eProcurement partner will identify a savings roadmap to follow with the value identified for the associated spend categories. Then you and your partner will form a strategy and begin to work toward hosting the RFQ events. Again, much of the legwork is done by the eProcurement company, including all of the communications with the vendors. Our eProcurement

partner was very proactive about engaging with vendors and had an enormous database of vendors to pull from. Just that piece alone relieves the heavy burden that your internal teams carry today of managing the suppliers throughout a bid process.

It's understandable to have disbelief at this point. It is also common to find that individuals within your organization will have reservations about the use of RFQs. Even so, to try is to believe. In my experience we were able to find success in a variety of categories from our beverage cups through our dairy products. The results were impressive, and the process delivered huge savings to the organization in excess of the effort required to implement the initiative. After beginning to use eProcurement RFQs to reduce costs while I was in my role as CEO, my biggest regret was all of the spend we had already sourced without using RFQs. ★

About the Author Todd Jenney

Revenue generation consulting is a finely crafted niche for the Business Accelerator Team (BATEam). This team of industry experts, including Todd Jenney, combined their 350 years of collective experience to improve profitability for a range of clients. Jenney has worked all facets of the grocery store business from carryout boy to CEO. Todd retired as CEO of Martin & Bayley, Inc. (dba Huck's) in May of 2018 after 47 years in the C-Store/Grocery industry. Jenney is extremely well-versed in P & L Improvement, Initiative Programs – Revenue Building, Cost Cutting, Employee Stock Ownership Programs, Planning and Forecasting, Marketing, Training, Gaming in C-Stores, and Warehouse Operations – Self Distribution. The BATEam serves suppliers and retailers convenience retailing and foodservice by operating as an outside-in catalyst assisting with insight, strategy and marketing www.thebateam.com, tjenney@thebateam.com