

Telecommunications industry giant makes e-procurement a key part of its new global strategy using Commerce One® solutions

Like all global telecommunications giants, Cable & Wireless has had to confront a series of radical changes in recent years. Deregulation, corporate consolidation, changing customer demands, and the growing importance of digital technologies and wireless phones at the expense of analog landline networks—all these factors and more have turned the once staid “telephone” business into a very competitive and uncertain industry. As the Internet and mobile technologies have opened up the possibilities for new business models in the communications sector, service providers such as Cable & Wireless have had to make difficult choices. Most importantly: what are the best strategies and organizational structures for succeeding in the new marketplace?

With operations spread across Europe, Asia, North America, and Latin America, Cable & Wireless fixed on a global approach concentrating on the market for IP and data solutions within the business sector. An integral element of this strategy was to transform the company’s procurement practices in order to derive maximum leverage from its global footprint. More than that, however, the company hoped to streamline the interlocking cycles of sourcing and buying in order to realize cost benefits from faster transactions and more efficient information management.

Early in 2000, Ben Jackson, E-Procurement Programme Manager at Cable & Wireless, and several of his procurement department colleagues began looking into how e-procurement technologies could best be implemented. The former Cable & Wireless Optus had pioneered the e-procurement concept within the company with its Optus MarketSite, an e-marketplace for Australian and New Zealand businesses. Built on the MarketSite™ operating environment, Optus MarketSite serves up to four million customers each day. In addition, it provides a single connection to multiple trading partners and potential cross-border connections via the Global Trading Web, the world’s largest online trading community.

“Ben and his team considered a host of options—from a global e-marketplace based on the Optus MarketSite model to desktop procurement applications,” says Martin Drinkwater, Commerce One Account Manager in the United Kingdom. Shortly after the management consulting firm Accenture was brought on in an advisory role in March 2000, Cable & Wireless embarked on a pilot e-procurement program with Commerce One utilizing Enterprise Buyer™ Professional, a joint solution developed by Commerce One and SAP Markets, and Auction.

Making the Case for E-Procurement

The three-month pilot program was aimed at determining—in a real-world situation—the benefits of e-procurement. So at the same time Cable & Wireless began implementing its e-procurement initiative, it simultaneously began constructing a business case that would set out specific objectives and benchmarks by which to measure its progress. “From the very beginning, we’ve focused exclusively on benefits delivery, not solution implementation,” says Jackson.

Looking at past e-procurement implementations at major corporations in Europe and the United States, Jackson’s team built a solid case for the cost-effectiveness of online supply chain management. Their studies showed that e-procurement was delivering savings of anywhere from four to five percent on direct and indirect goods for global oil companies, and as much as eleven percent for a major global telecom. They also set out five clearly defined criteria for measuring return on investment including improvements in baseline prices and the sourcing process, reporting and monitoring, agreed sign-off, and the ability to quickly and easily calculate benefits.

Results as of September 2001

- 700 end users and 35 suppliers engaged
- Savings of USD 600,000 (or 50 percent) on an auction for PCs
- Savings of USD 140,000 (or 26 percent) on an auction for archive storage services
- Savings of USD 1.9 million (or 22 percent) on an energy auction
- 75 percent reduction anticipated in purchase order processing times
- Project expected to reach break even status in first quarter of 2003
- Cumulative five-year benefit expected to exceed USD 165 million

Commerce One Solutions and IT Standards

- Enterprise Buyer Professional 2.0
- MarketSite 3.1
- Auction 4.1
- Windows NT
- Sun Solaris servers
- SAP ERP system
- Oracle database
- JRun middleware
- Requisite catalog solution

"It was essential to us to have the ability to report progress by area, by team—even down to the individual," says Jackson. "The Commerce One solution integrates with our worldwide SAP ERP system, simplifying the creation of purchase orders and associated financial processing. This made our goals for tracking and reporting results easily achievable."

Delivering Results in the Real World

Jackson's team, comprised of Cable & Wireless procurement and IT specialists along with consultants from Accenture, initiated the pilot program in September 2000. Fifty sites at Cable & Wireless offices in the U.S. and the U.K. were enabled with Enterprise Buyer and Auction. The idea was to have procurement professionals source and purchase a range of direct goods and services—communications hardware, for instance—and indirect goods such as office supplies and temporary labor.

Over the 90-day pilot period, Cable & Wireless held a series of reverse auctions. One in particular stands out as an illustration of the program's success. A regional business unit of Cable & Wireless U.K. needed to purchase 500 high-end PCs for its call center operations. Because the computers were needed for highly specialized tasks, Cable & Wireless set out very detailed specifications. Based on these specs, a budget of USD 3,000 per unit was set after pre-event quotations were solicited from vendors.

On the day of the auction, four major manufacturers indicated their intention to participate. The auction opened at 2:23 P.M., and the first bid came in shortly after in the amount of USD 2,200. By the end of the event, at 2:45 P.M., three bids had been submitted, the winner coming in at USD 1,495 per unit—representing savings of more than 50 percent off the original budget target.

"This was dramatic, concrete evidence of how e-procurement could produce real cost efficiencies," says Jackson. "The net result was a savings of USD 730,000. We fully expected to see a price discount, but our research had indicated results more in the single digit to low double digit percentages.

To come in 50 percent under budget, and to see the price drop as it did over a 30-minute period was very gratifying." The pilot program produced impressive returns in other areas as well. One auction for archive storage services resulted in savings of 26 percent, or USD 720,000. Another auction involving energy utilities saved Cable & Wireless 22 percent, or USD 2.15 million.

With the pilot showing solid returns, Cable & Wireless has set out an ambitious plan to implement a Commerce One e-procurement solution for its entire global supply chain. With a budget of USD 42 million for a five-year rollout, Jackson and his team expect to deliver a cumulative benefit of more than USD 165 million.

The global launch of Cable & Wireless began on September 3, 2001, with 700 end users, 35 suppliers, and 3000 line items in the catalog. Before year-end, 1,000 more participants from the U.S. and Japan will join the e-procurement system.

"Our go-live day was a great success with a keen interest to participate expressed by those who saw the system for the first time. For them, the appeal is that it is simple to use, intuitive to navigate, and allows them to buy what they need, when they need it. For procurement professionals, the appeal of the system is visibility. They now have the management information they need to improve supplier relationships and drive out savings for the business," says Jackson.

"We fully expected to see a price discount, but our research had indicated results more in the single digit to low double digit percentages. To come in 50 percent under budget, and to see the price drop as it did over a 30-minute period was very gratifying."

Ben Jackson

E-Procurement Programme Manager with Cable & Wireless

About Cable & Wireless

Cable & Wireless is a major global telecommunications business with annual revenues of over USD 14 billion and customers in 70 countries. It offers a full range of telecommunications services, focusing on IP (Internet Protocol) and data services and solutions for business customers. It is developing advanced IP networks and value-added services in the U.S., Europe, and the Asia-Pacific region in support of this strategy.

About Commerce One

Commerce One is the e-marketplace company. Through its software, services and Global Trading Web of interconnected business communities, Commerce One enables worldwide commerce on the Internet.

In alliance with SAPMarkets, Commerce One enables enterprises and communities of all sizes and industries to efficiently conduct collaborative business on the Internet.

Worldwide Headquarters

4440 Rosewood Drive
Pleasanton, CA 94588-3050
United States

Toll Free 800 308 3838
Tel 925 520 6000
Fax 925 520 6060

European Headquarters

Minton Place
Victoria Street
Windsor, Berkshire, SL4 1EG
United Kingdom

Tel +44 1753 483 000
Fax +44 1753 483 001

Asia Pacific Headquarters

18-01/04 Commerce Point
No. 3 Phillip Street
Singapore 048693

Tel +65 212 9398
Fax +65 212 9399

Copyright © 2001. Commerce One, Global Trading Web, and MarketSite are either trademarks or registered trademarks of Commerce One, Inc. Enterprise Buyer and MarketSet are trademarks of Commerce One, Inc. and SAPMarkets. All other company, product, and brand names are trademarks of their respective owners.