

-esm

amazon



WHAT'S IN YOUR CART?

Pro and Cons of Amazon

Do you embrace Amazon
or do you keep them out?

ARE THE AMAZON BOXES PILING UP
IN YOUR HALLWAYS AND OFFICES?
IF SO, **YOU'RE NOT ALONE.**



PART 1: INTRODUCTION/**OVERVIEW**

Are the Amazon boxes piling up in your offices? If so, you're not alone.

It's highly likely your organization's faculty, staff, employees and students number among the 300 million active Amazon.com users who, at home, have turned to the online retailer to buy everything from canned soup to rare autographed baseball cards. For them, tacking on another order for beakers and battery packs for work is a no brainer.

For you, the procurement and finance professional, it can turn into a nightmare. Letting employees loose on the internet, purchasing items from random retailers, sets your campus up for all kinds of issues.

Not only are those Amazon orders overloading mailrooms with thousands of boxes, your organization also is missing out on deals and rebates through your negotiated contracts. What's more, during tight budget times, it's just another invitation to more maverick spend.

It's not all bad news though. Amazon, of course, is a familiar e-commerce site with millions of products. Amazon Business, for business users, offers business-only prices, corporate purchasing cards and approval workflows. Users can compare prices with other products on Amazon and quickly get what they need.

So, as an overseer of your organization's spend, you have some decisions to make.

Do you embrace Amazon? Or, do you keep it out? In this e-book, we explore the pros and cons of Amazon shopping and, if you choose to go Amazon, offer ways to rein it in.

**YOUR ORGANIZATION
IS MISSING OUT ON
DEALS AND REBATES**

PART 2: **GO FOR IT**

SHOPPING WITH AMAZON

At organizations where we provide spend management and eProcurement solutions, many have elected to allow users to buy on Amazon for one big reason: Because **they're already doing it.**

Administration, faculty and staff often have plenty of autonomy when purchasing items for their departments. Smaller items - less than \$5,000, for instance, at many institutions - can be purchased without approval or sign off.

So, when the athletic department needs more orange pinnies for the soccer team, they can simply click over to Amazon and get what they need.

And it's no surprise. That soccer coach probably already has cruised Amazon for personal purchases for years. She knows how to quickly search for what she needs and compare prices. If she's using her own Amazon Prime membership, shipping is free and the pinnies arrive a couple of days later. What's more, if it turns out they came in a rainbow of colors, it's easy to make a return.

'PROCUREMENT TECHNOLOGY DISRUPTOR'

But Amazon knows the big money comes not just from individuals ordering pinnies. It comes when companies and organizations purchase big bundles of needed items from their site.

So, in 2012, Amazon waded into B2B spend with AmazonSupply, which was renamed Amazon Business in 2015. It didn't go unnoticed in the procurement world.

IN MANY WAYS, **AMAZON BUSINESS** LOOKS A LOT LIKE AN EPROCUREMENT SOLUTION. **"EVERYTHING YOU LOVE ABOUT AMAZON – FOR WORK,"** – AND THAT'S WHAT YOU GET - ACCESS TO MILLIONS OF PRODUCTS, FAST SHIPPING AND PRICE COMPARISONS.

“Amazon is a procurement technology disruptor in more ways than one,” according to a 2016 article in Spend Matters. “Procurement organizations need to pay attention even if they’re not yet working with Amazon as an approved supplier. (We suspect many are, in fact, without even knowing it.)”

In many ways, Amazon Business looks a lot like an eProcurement solution. “Everything you love about Amazon - for work,” the website declares. And that’s what you get - access to millions of products, fast shipping and price comparisons.

But it also comes with features not available to the average Amazon shopper. There are business-only prices, corporate purchasing cards, approval workflows and purchasing analytics. It’s also possible to pay for items with a purcha-

sing card or a purchasing order number to track orders, depending on how the account was set up.

Through its Amazon Business for education and government sections, users can take advantage of solutions customized for a particular market, including spend controls and reporting and analytics.

But, even though it’s easy, is shopping on Amazon always best?



EVEN THOUGH IT'S **EASY**,
IS SHOPPING ON AMAZON
ALWAYS **BEST**?


CHAPTER 3: **IT'S NOT ALL ROSES WITH AMAZON**

So it's quick and easy for your users to shop on Amazon. And it's growing. One college campus reports that Amazon spend has grown nearly 40 percent.

Procurement staff there say it's getting out of control. Because, while there are plenty of benefits to Amazon, there might be the same number of drawbacks when compared to more traditional suppliers such as CDW, the provider of technology and other services for the business, government and education sectors.

Consider these stories about those ubiquitous brown boxes on college campuses across the country:

- » The University of Connecticut's college newspaper reported that postal workers were handling 3,000 packages a day, forcing some to work into the wee hours of the morning. The surge spurred the university to make changes to its own mailroom practices too.
- » At Ithaca College in New York, the number of packages delivered has nearly tripled in a decade, according to the campus paper.
- » And Amazon is extending its reach into college campuses with package pickup points and reduced Prime memberships for students at Purdue University, the University of Pennsylvania, the University of Massachusetts at Amherst and others.



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3X

At Ithaca College, the number of packages delivered has nearly tripled in a decade

But students aren't the only ones loading up their Amazon shopping carts with everything from pens and paper to laptops and mini fridges. Department heads, professors, graduate students, administrative staff and maintenance workers are online, buying needed items and filling their offices with cardboard. The same goes for faculty and staff at many of the school systems and nonprofits that we work with.

Buyers are getting what they want, perhaps. But you give up much of your authority over what

BUYERS HAVE THE PURCHASING DOWN, BUT WHO IS STEERING THE SHIP?

they're buying and how. In other words, buyers have the purchasing down, but who is steering the ship?

Problems only multiply when thousands of staffers place individual orders on Amazon for whatever they need. **Dealing with logistics, following through on required mandates and ensuring compliance all can be trickier when Amazon is your campus' main vendor.**

LOGISTICS

If Amazon has become your go-to sourcing solution, you could face the same kinds of headaches as officials at the University of Connecticut, Ithaca College and elsewhere. On the streets, delivery trucks are clogging already cramped roads and parking lots.

What's more, instead of receiving consolidated shipments from a supplier such as CDW, individual items are coming in separate boxes, causing logistical problems for mailrooms and overloading recycling and trash bins.

MANDATES

Procurement departments can make big impacts depending on the choices they make as they line up suppliers. Some numbers to keep in mind:

- » More than 61 percent of likely college applicants say a school's commitment to **sustainability** would affect their decision to apply or attend, according to the Princeton Review.
- » Companies that focus on supplier **diversity** generated a 133 percent greater return on procurement investments than an average business, according to a study by The Hackett Group.
- » Nearly 68 percent of every \$100 stays in the community when goods are **purchased locally**, boosting the local economy.

At many organizations the mandates for purchasing extends even beyond quality products and low prices. They also aim to ensure that particular suppliers all get a piece of the pie. Those include companies that are committed to sustainable products and services; are owned by minorities and women; and are located nearby.

While Amazon Business users can track green purchases, organizations relying on Amazon instead of shopping around for a wider variety of vendors could be missing out on opportunities to fulfill those important mandates.

COMPLIANCE

Use it right - or lose it. Grants are vital for the research and other work done at higher education institutions, school systems and nonprofits. But your organization could lose it all when you don't spend grant monies from private groups or federal, state and local governments on approved items.

With a typical eProcurement solution, you're able to restrict catalogs and purchases to items that meet the requirements of those grants. Not with Amazon.



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61%



Companies that focus on **supplier diversity** generated a 133 percent greater return on procurement investments than an average business

133%



Nearly 68 percent of every \$100 stays in the community when goods are **purchased locally**, boosting the local economy.

68%

MOST IMPORTANT FOR YOUR USERS, **ESM PURCHASE IS EASY**. LIKE AMAZON, ESM PURCHASE IS SIMPLE TO USE AND **ACTS LIKE ANY OTHER E-COMMERCE SITE**. THE BIG DIFFERENCE IS THAT IT INCORPORATES ONLY YOUR SUPPLIERS.

CHAPTER 4: **CONTROL AMAZON SPEND WITH ESM**

To shop Amazon or not is up to individual organizations. But, if you decide to embrace it, with ESM, we can help you get control of Amazon spend.

Using ESM Purchase, buyers can scan not just products sold on Amazon, but items sold through other vendors that you have negotiated contracts with. **Amazon is simply another catalog in your ESM shopping portal, enabling you to capture the benefits of Amazon Business and corraling the spend through the portal for better visibility and control.**

With the features we've built into ESM Purchase, you can ensure that your users get what they need and you get the savings you require, earning money back from rebates and stretching limited budget dollars.

But, perhaps most important for your users, ESM Purchase is easy. Like Amazon, ESM Purchase is simple to use and acts like any other e-commerce site. The big difference is that it incorporates only your suppliers.

Buyers get an Amazon-like shopping experience with an intuitive eProcurement solution and user interface. It's so simple to learn that in less than six months after deployment, for instance, 2,300 people were actively using ESM Purchase at Ivy Tech Community College of Indiana.

That kind of rapid adoption with built-in controls makes the solution popular with procurement officers, who have seen other eProcurement solutions languish because they simply required too much training and handholding.



ESM PURCHASE USERS CAN:

- » Automatically compare prices with different vendors, for instance, a pack of pens on Amazon compared to the same pack from Office Depot
- » Set purchase approvals, which allows you to control rogue spend
- » Restrict where a package is shipped to avoid delivery nightmares
- » Shop from catalogs designed just for them or their team to guarantee compliance
- » Have visibility to ensure spend is dedicated to specific items, categories and only your suppliers.



Portland State University

EMBRACING AMAZON
'MOST EXCITING ROLLOUT:'

CHAPTER 5: **TALE OF TWO CUSTOMERS**

Some ESM customers are choosing to embrace Amazon. Others are doing all they can to keep them out. Here are the stories of two higher education institutions making very different decisions.



Iowa State University

WITHOUT AMAZON:
GETTING MORE FOR LESS

EMBRACING AMAZON

‘MOST EXCITING ROLLOUT:’

Who: Portland State University

What: Public research university in downtown Portland, Oregon

Size: 28,000 students

Portland State staffers were turning to Amazon to buy items, from sit-stand desks to art supplies for the university's preschool, that they couldn't find in the organization's eProcurement marketplace.

So, the higher education institution's procurement team decided to take charge, eventually adding Amazon Business to its list of approved vendors within the ESM portal.

Amazon Business allows Portland State better pricing on products sold by Amazon, along with access to about 8,000 more items than the average shopper would find on Amazon.com. Two-day shipping through Amazon Business also is free for orders over \$49, which means departments could give up their individual Amazon Prime memberships.

Portland State slowly rolled out the expanded marketplace, starting with current portal users. "We wanted to test the waters," said Ahrea Summers, Portland State contract officer. "Folks were thrilled."

After a couple of weeks, Portland State continued its methodical introduction of Amazon in the portal to users, inviting P-card custodians and P-card budget authorities to check it out.

"That rollout really increased the usage of the portal," Summers said.

KINKS TO WORK OUT

There have been a few challenges along the way.

The implementation took a bit more time than Summers expected.

"The key in any purchasing portal is you've got to be really diligent at that test stage before you go live," she said. "Amazon and ESM connected up beautifully. Then we went into test mode. We found some little kinks, but we got all of those worked out. It took a couple of weeks."

They also needed to give users clear instructions on how to set up Amazon Business. That included requiring people who had personal Amazon Prime accounts associated with their university email address to change those accounts to a different email address. "We wanted to keep it as clean as possible," Summers said.

Amazon Business' requirement to enter P-card information as users set up their Amazon Business account also was confusing. With ESM, users don't enter credit card information until they're back in the portal, ready to order. Some users worried that they would be charged twice for the same items - once at Amazon and then again through the ESM portal.

"We had lots of calls and lots of emails about that," Summers said. "Those are decent concerns. We're a public institution. We're accountable to the public. Individuals just wanted to make sure they read it right. That they weren't going to be charged twice and were safe on Amazon."

NOW, WITH AMAZON IN THE ESM MARKETPLACE, THE INSTITUTION CAN SET **APPROVAL WORKFLOWS** AND HAS A **CLEAR PICTURE** OF EVERYTHING USERS ARE BUYING ON AMAZON.

MORE VISIBILITY

Without Amazon in the ESM portal, Portland State couldn't track the kinds of items users were buying with the e-commerce giant. Now, with Amazon in the ESM marketplace, the institution can set approval workflows and has a clear picture of everything users are buying on Amazon.

In fact, Amazon Business sends Summers monthly reports that track the number of people added to the portal, the total number of Amazon Business users and the breakdown of all of the items purchased that month. With a university-wide mandate to purchase sustainable products, Summers also can track green purchases.

On the frontlines, users can set up multiple cart transfers and avoid the lengthy purchase order process to get reimbursed for an Amazon order outside of the marketplace. They also are able to compare the price of pencils, for instance, on Amazon and other approved catalogs.

"They are definitely able to compare everything," Summers said. "That's one of the reasons we wanted to go up on the portal so folks could do the comparison shopping that they couldn't do previously."

BOOM TIMES IN THE MARKET-PLACE

Since adding Amazon, Portland State has seen a spike in shoppers in the university's broader marketplace.

"In some ways, Amazon has been the most exciting rollout in that people on campus were already using it and they're excited to see it available on the portal," Summers said. "Amazon is everyday life for a lot of people. It's an organization that they trust, that they use and that they've had good experiences with. In fact, having Amazon in the marketplace is driving purchases from even more vendors through the portal."



“WE DON'T HAVE AS MUCH PULL WITH AMAZON”

WITHOUT AMAZON: **GETTING MORE FOR LESS**

Who: Iowa State University

What: Public flagship land-grant and space-grant research university in Ames, Iowa

Size: 36,600 students

At Iowa State University, Cory Harms, Director of Procurement Services, hasn't added Amazon to the institution's eProcurement marketplace and has no plans to put them in any future line up.

“I would absolutely never do that,” Harms said. “Because that makes them a legitimate vendor now. How do you tell people not to buy from there if you add them to the marketplace?”

For Harms, it's all about control. With Amazon in the marketplace, Harms can't limit the kinds of products users see, for instance, or take out all of the third-party vendors. In some cases, buyers aren't quite sure of the origin of a product that might seem like a great deal, but, in the end, is a lousy item. The university also has no clout with Amazon when something goes wrong.

“We don't have as much pull with Amazon, compared with our other vendors that we have relationships with,” Harms said.

CHEAPER PRICES? NOT ALWAYS ON AMAZON

And, while Amazon is known for cheaper prices, it's not always the case.

One study found that Amazon's algorithm ranks products it sells higher than products sold by others that are a better deal. The report found that among a shopping cart of 250 products, a buyer would spend nearly 20 percent more purchasing products sold by Amazon or by its preferred vendors instead of products sold by others, according to the nonprofit news organization ProPublica.

"They are not the lowest price on everything. Sometimes it's a third party vendor and it's way higher," Harms said. "You can go to Walmart and buy the same thing for less."

CLOSE WATCH ON SPEND

To rein in Amazon and other off-contract spend, Iowa State has put plans in place to carefully monitor purchases.

They include:

Regular audits: The procurement team audits every purchase made on a university credit card.

Frequent reminders: When users buy something off contract, the team reminds them of the cheaper prices available in the marketplace through contracted vendors and urges them to use the contract the next time.

Required notifications: While there are no rules explicitly put in place, before users go to Amazon, Best Buy or another off-contract vendor, they must email the procurement department for an exception.

"That allows us to match or beat the price, for instance, for toner on Amazon," Harms said. "We can show them it's half price on our contract."

"THEY ARE NOT THE
LOWEST PRICE ON
EVERYTHING..."



BIG DROP IN AMAZON SPEND

Harms said less shopping on Amazon means more volume for on-contract vendors such as CDW and Office Depot. Encouraging on-contract spend could push Iowa State into additional rebate categories that they couldn't get from Amazon.

"The more volume I build with CDW and Office Depot, the better off I am for lower prices," he said. "If I pull volume away, what's their incentive to give discounts?"

Iowa State's work to steer people away from Amazon and towards approved vendors is already paying dividends. Between 2015 and 2016, there was a 44 percent drop in Amazon spend and a 37 percent total decrease in total Amazon transactions.

At the same time, on-contract spending increased 20 percent despite a small drop with CDW. But that wasn't because Iowa State purchased less from the supplier. For 2016, Iowa State had negotiated a 2 percent across the board discount because of increased volume.

"We're getting more stuff from CDW and paying less money," Harms said. "To me that shows that not only did we move the volume to the contract, but we got people to use them more often for other things that they may have been going to Amazon to get."

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"REQUIRED NOTIFICATIONS ALLOWS US
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OUR CONTRACT."



CHAPTER 6: **CONCLUSION**

There's no perfect solution for any organization. And even if you do choose to allow your buyers to click away on Amazon, you'll still need other suppliers - from the giants such as CDW to the mom and pop shop down the street - for all of an organization's needs and to meet all of your spend requirements.

Whatever you choose, with help from ESM, you'll get visibility, control and savings.

HAVE QUESTIONS?

Contact us to set
up a demo

With ESM, organizations can automate the procure-to-pay process with a suite of cloud-based, mobile solutions that can be tailored to your specific business needs and requirements.

Implementation is easy. Adoption rates are high. Integration is key. And you get the benefits of more savings, improved visibility and better control.

Contact ESM to learn more about how our suite of spend management solutions can help your organization now.

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