



How IT buyers can navigate a complex market

Ian Nethercot, Supply chain director at Probrand gives us an insight into the IT market structure, with areas of consideration to get the best deal when buying IT requirements for your organisation.



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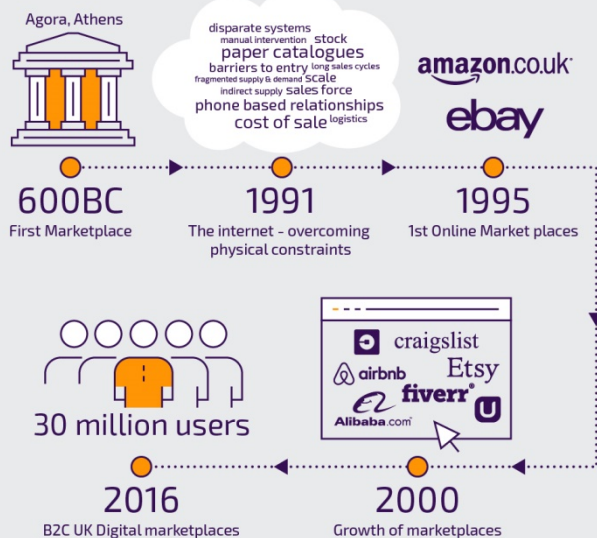
Some of the earliest marketplaces can be traced back to Athens in 600BC where they were known as the 'agora' or, the literal translation; 'meeting space.' Defined as 'arenas of commercial dealings', this was a space where buyers and suppliers could come together in an open environment to access new goods and compare different stock, as well as to browse, barter, and buy.

The rise of B2B marketplaces

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The marketplace has transformed since ancient Greece, creating value whilst reducing the chain for B2C and now B2B markets. Digital marketplaces deliver one open space where multiple buyers and sellers trade without physical constraint and inefficiency.

Key moments



The opportunity

B2B buyers and sellers want the same



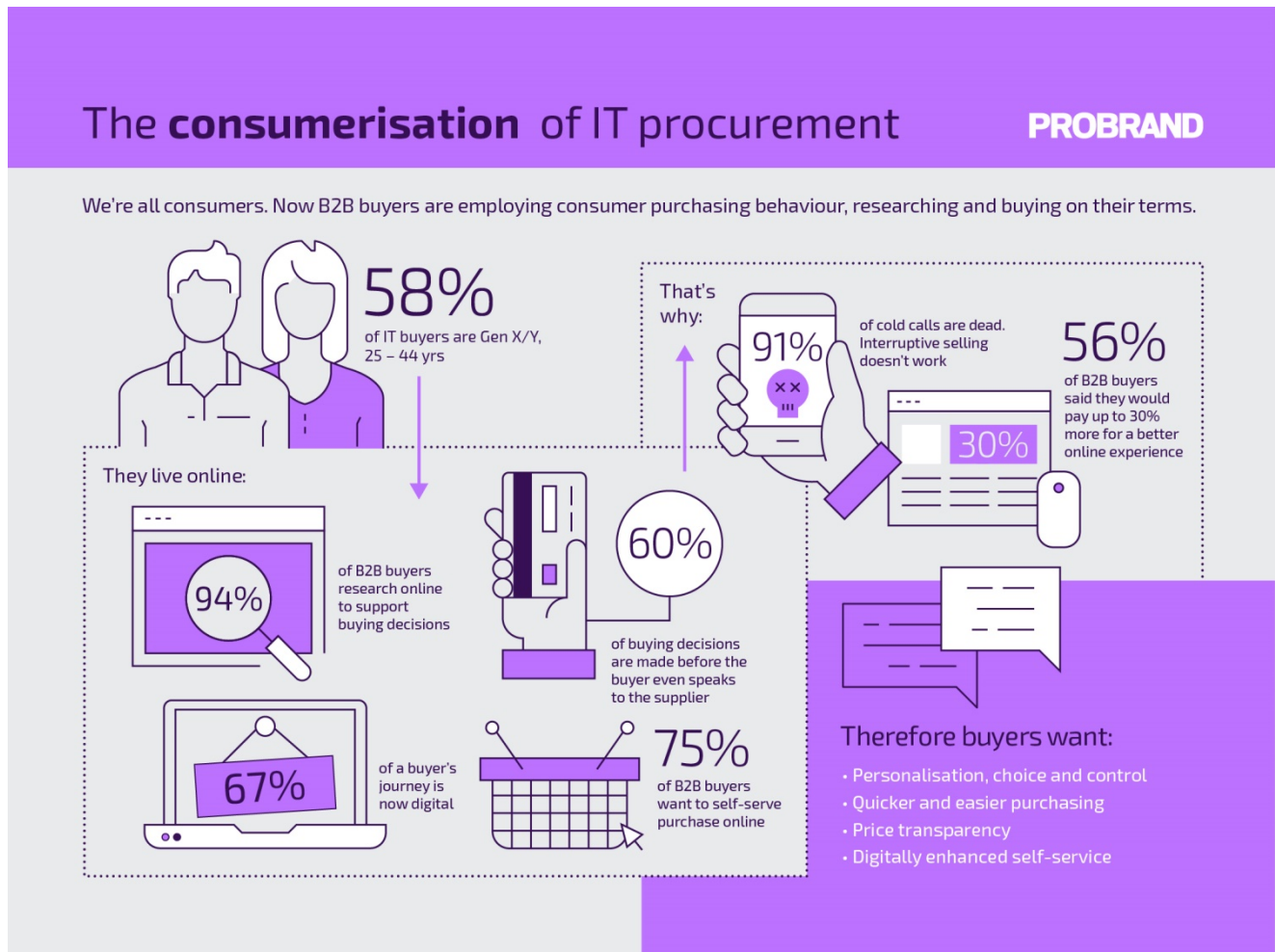
Fast forward to today and we've lost a lot of that transparency when it comes to our daily commercial dealings. For the IT buying space in particular, buyers face endless cold calls from sales teams, confusing price fluctuations and at times, inflated margins.

A whole new (buying) world

As consumers, if we want to buy flights, accommodation, car insurance, or even groceries, we almost instinctively head to a comparison site such as Skyscanner or Kayak. These online portals give us the ability to self-serve, browsing different product types and prices in a matter of seconds.

In the business world, IT buyers face the same variety and choice, yet do *not* have the same tools at their disposal to help them make decisions. Moore's Law says the speed of technology leads to an abundance of products every two years. This fast-moving market means it is even harder to keep on top of prices, with new stock affecting the price of 'old'.

In answer to this problem, we're starting to see a consumerisation of B2B procurement, with digital marketplaces like Microsoft Azure Marketplace, Amazon for Business, and Fiverr now bridging the gap – offering solutions that gather information, monitor prices, and offer bespoke solutions.



How we buy

With 94% of business buyers researching products and services online before they buy, B2B buyers want the same self-shopping experience that they get in the consumer world.

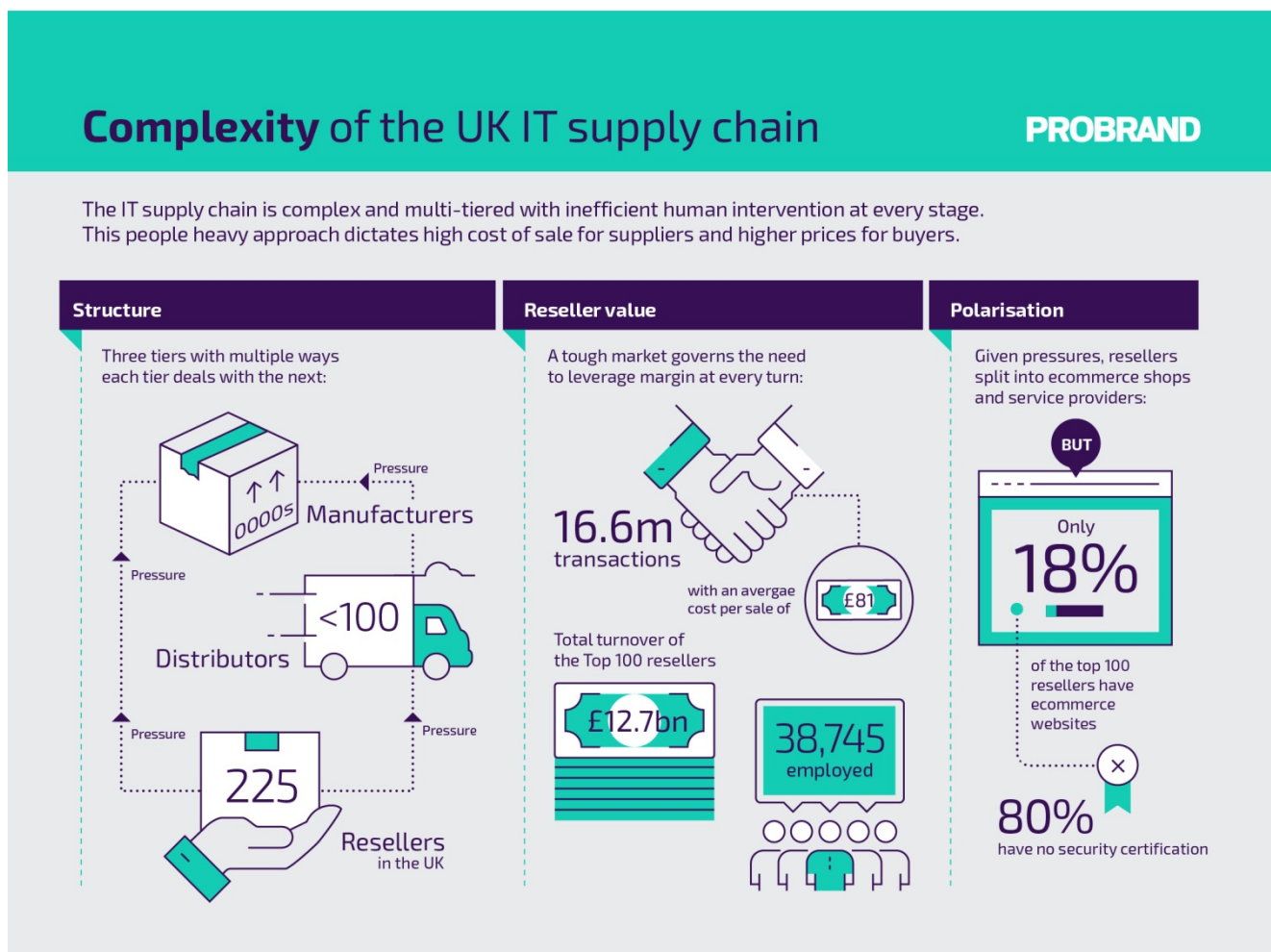
It doesn't mean buyers won't sometimes need to look beyond that self-service element for additional guidance. But it's important to consider that 60% of buyers have already decided on a purchase before they have any contact with the supplier, and that online information needs to reflect this. Suppliers need to deliver smooth customer service which facilitates decision-making, aggregating multiple companies, products and services in one space.

As Norman McLennan says in his book, *Collaborative Principles for Better Supply Chain Practice*, "B2B online purchasers are looking for a great experience with speed and convenience as two huge factors. An easy search process and seamless check-out will help buyers more easily transition from traditional buying methods to online purchasing."

Getting the best IT deal – navigating a complex market

Nearly every business has an IT requirement and, while budgets will vary, the challenge remains the same: browsing and buying multiple products and services is incredibly tough. Especially when you consider that the IT sector must navigate a complex supply chain, often involving distributors, suppliers, and manufacturers.

Each of these tiers – distributors, suppliers and manufacturers – is looking to make money, and this is where it becomes complicated. Each tier has multiple ways of dealing with the next, adding pressure at each stage which can then impact the end price, with costs passed through the value chain.



Understanding the lifecycle of products is critical here. This is where buyers need to look closely at what manufacturers are doing. They are the people responsible for forecasting trends, planning product development and deciding exactly what's going to hit the shelves and when. This is a biggie because, as soon as a new product launches, it affects the cost and availability of everything else.

For example, a manufacturer may launch a new smartphone which looks like it's great for all your needs. But it's brand new and you will be expected to pay a pretty price as vendors seek to maximise

the perceived value. Should you buy now, or wait in hope that the price goes down? And can your team wait that long until they have that product in their hands?

Sometimes it helps to hang around. That new smartphone's value will decrease when newer products start arriving on the market. It can also pay to look around for similar products already on the market, that have already been bumped down in price. If you know there is an abundance of stock still in the market and a new product on the way, you'll know with a degree of certainty that suppliers will start offering discounts to get rid of older stock and make way for the new.

This is where Value Added Resellers (VARs) can prove invaluable. They can share insights from conversations with manufacturers around trends and what the future technology market looks like.

As well as product lifecycle, there are several other impactors at play that can affect price and stock changes – including seasonal trends. Chinese New Year has a significant impact on the supply chain, with factories shutting for as long as a month. Resellers often forward buy to ensure mid-February doesn't yield stock shortages. Then there are shut-downs which are not planned. Natural disasters like the Japan Tsunami cut the Hard Disk Drives (HDD) supply chain stock 'buffer' to just 80 days and so UK prices rose sharply. When floods in Thailand hit an area producing 70% of the world's HDDs, it stopped production for 56 days leading to a shortfall of 20M units per month. HDD prices increased 25% and end product prices rose in line.

Keeping up-to-date with key impactors means you can spot when margins are unnecessarily inflated – and question why – versus identifying whether a socioeconomic issue may have had a knock-on effect.

Demanding greater clarity when it comes to market volatility

As well as these complexities, buyers also face a market that is in a constant state of flux. Hundreds of new products are released daily – we've seen 7,000 released within a three-day period – and this has an impact on existing product prices. It's not unusual to see these prices fluctuate by as much as 66% in a single day as a result.

With the needle constantly moving, how can buyers confidently assess the right time to obtain the best product at the right price?

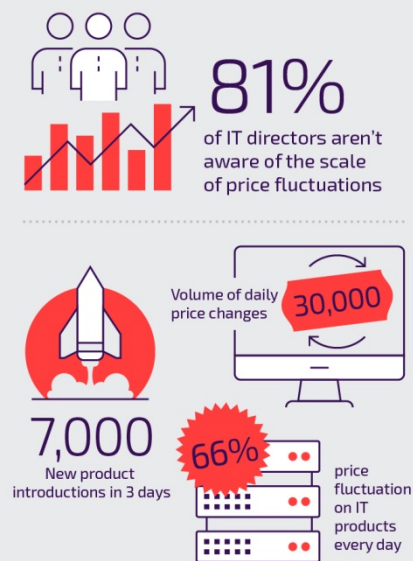
We carried out research looking at how IT buyers can secure best value on every purchase and we found that it's a time-consuming task – with buyers spending up to one hour per day manually sourcing and comparing products and prices from multiple suppliers. Beyond the time and energy invested, buyers often ended up frustrated when the deal they discovered was no longer available due to insufficient stock levels.

Volatility of the IT market and buyer pains

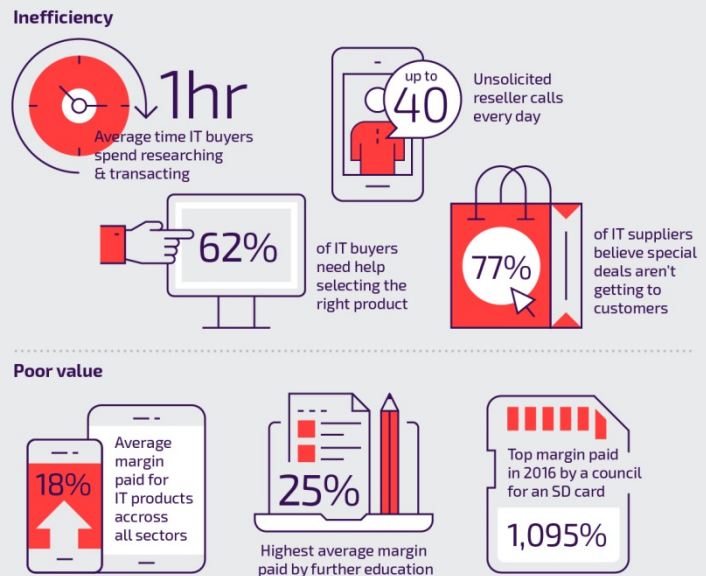
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Price and stock change every minute. Manual ways of working and a complex IT supply chain, see IT buyers burning time and struggling to get sustained value.

Cause: Volatility



Effect: Inefficiency for buyers & poor value



With the market experiencing up to 30,000 price changes every day, it's likely that the trade price for a product could change if the purchase isn't made on the same day. These changes aren't all caused by the release of new products, however.

Global events, such as supply chain disturbances, can also have a major impact on prices. An increase in raw materials and component costs, could squeeze manufacturers' profits and force them to put up prices. Equally, currency fluctuations can see vendors looking to maintain margins within countries from one month to the next. When Britain opted to leave the EU in 2016, the pound fell 13% against the dollar.

While we can expect prices on new technology to fall by up to 50% within the first two years following launch, manufacturers increased prices by an average of 20% after the Brexit vote. Suppliers were also able to capitalise on rapid price inflation and the uncertainty amongst buyers. Many resellers simply increased margins across the board, regardless of whether trade prices had gone up or not – leaving buyers paying out more than necessary.

In the hope of delivering value, organisations might look to obtain quotes from a handful of selected suppliers. However, the manual nature of obtaining these quotes means buyers can be waiting hours, days or, in some cases, weeks, for suppliers to get back to them with the right information. In

that time, of course, the price and stock levels may have shifted again, and so buyers are back to square one.

When slow responses are combined with rapid price fluctuations, it can be hard to police the prices suppliers are quoting. This isn't helped by a lack of knowledge of the problems that exist within the market. Our research has revealed that 81% of IT directors have no awareness of the scale of price fluctuations.

It's little wonder that, on average, companies pay an 18% margin above the trade price on all IT products – six times higher than the industry best practice level set by the Society of IT Managers (SOCITM). We've found examples of organisations paying ten times the trade price. Alarming, one local authority paid a 1,095% margin on an order of SD cards.

These inflated margins highlight just how much buyers are struggling to get a grip of this market volatility. If buyers want to keep a tighter rein on IT spending, however, they need to gain greater visibility over prices and stock levels available in the market.

When you look at consumer platforms, such as Skyscanner or Alibaba, why shouldn't B2B buyers expect the same? After all, isn't this the age of transparency? If suppliers aren't prepared to offer this level of visibility, buyers should feel justified in asking why this is the case. It's time we started to raise the bar in the market to help IT budgets go further.

These complexities and inefficiencies are hugely frustrating for buyer and supplier alike. Yet, this is where digital marketplaces can help – performing the same function as the 'agora' of Ancient Greece, they provide a meeting place that connects both sides, doing all the legwork for you – researching best price on your behalf and helping both sides thrive.

Taking a personalised approach

Having information that is more structured and bespoke to an individual buyer's needs is particularly important. Today's IT buyers need a solution which offers the option to speak to industry professionals or vendors directly, as well as using digital advisors to configure services and help them make more informed decisions.

A local council, for example, may have specific challenges which only a unique combination of technology will solve. The choice that's now available means the buyer might need to investigate physical, virtual, two-in-one, Cloud and mobile before they find the right solution for their organisation. And even then, they may not feel confident they've made the right choice.

Of course, trawling through all this information in the first place is hugely time-consuming and dull. Rather than having to sift through several pages, personalised marketplaces filter out and present only relevant items based on past searches and purchasing history, as well as one-to-one conversations with sector specialists who build a profile of you, your sector and your buying needs. This ultimately leads to a better customer experience – delivering the right product or service at the right time, at the right price.

Time for a modern marketplace

Business is different to consumer, there are relationships, trust, systems and processes to account for. That's why modern B2B marketplaces need to blend the online consumer experience with offline specialist sales support and configure to integrate with the likes of ERP systems and procurement best practice.

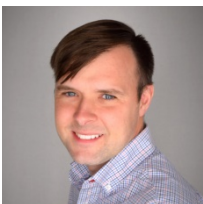
There is a key benefit here for governance too – where it's possible to integrate ERP and procurement systems, governance protocols can even be automated, providing procurement with a digital audit trail for all company purchases. This gives procurement professionals the reassurances they need and allows buyers to operate freely within a safe environment, where all activity is tracked. Crucially, this is great for company employees as it provides a one-stop-shop that feels the same as those consumer marketplaces we are all familiar with. They no longer need to follow prescriptive procurement protocols – often the source of resentment – when they want to make a quick purchase. They can just jump on a preapproved platform, and order anything they need instantly, without fuss. Given the complex set of challenges it faces, it's easy to see why IT is a sector ready for change; embracing an open approach which accounts for how people really want to buy, whether that's online or on the phone with an expert. True digital marketplaces do that and put people in the mix at the right time.

This boils down to a customer-focused approach which centres on buyers' needs and the demands of the business purchasing cycle for both products and services.

As McLennan highlights, “a well-integrated marketplace brings buyers and suppliers together in an innovative digital environment and creates a space to facilitate both smart purchasing and selling processes.”

With buyers more knowledgeable about their IT than ever before, maybe it's time to build on what we already know and start to look towards a truly modern digital marketplace with people at its heart.

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