

# The PITFALLS of Do-It-Yourself Catalog Management

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Managing their own electronic supplier catalogs may be a good solution for smaller buyers, but for many large corporations, turning to the experts for content management can mean the difference between failure and success.

Internet procurement is one of the hottest topics in the business world today. Many companies now readily acknowledge that by moving to a web-based purchasing solution, they can reap a sizable return on their investment.

Yet as more and more companies begin to move into a state of live implementation, another lesser-known issue has emerged: content management.

Without a good strategy to manage catalog content, a company's return on its Internet-procurement investment can be held hostage. Nothing makes an employee revert back to paper-based purchasing and maverick spending faster than a few long, frustrating searches for products on-line. Providing access to accurate, highly searchable catalog content is key to rapid user adoption and fast Internet-procurement ROI.

#### Tower of Babel

*Content management* is a catch-all phrase used to describe all the work necessary to ensure that catalog content is easily searchable and transactive (ready for a purchase order transaction).

It requires engaging suppliers and then collecting, standardizing, classifying, hosting, and continually updating their catalog data – no small task considering that most large buying organizations have



hundreds of suppliers, each using different data formats and different nomenclature to describe their items.

### Do-it-yourself management

Some early adopters of Internet procurement thought they could save money by attempting to build

servers to host it. They also need people to customize it with their specific contract information, and manage incoming supplier updates.

### A million dollar proposition

In 1999, the Atlanta-based AnswerThink Consulting Group conducted a year-long survey of 10 Fortune 500 organizations from a variety of vertical industries, as well as one large, prestigious university, to try to benchmark the average cost for a company to build and maintain its own catalog content. The survey determined that the average cost to aggregate, reformat, standardize, classify, host, and update the data was over \$29 per line item, for a total average cost of over \$1 million in just

to 30 percent a year after that. And still, the risk that their users will not be happy with the search-ability of the final product is very real.

According to AnswerThink's Anthony Tarantino, as more companies begin to go live with their Internet procurement solutions, real-life content management woes are emerging. For example:

- ◆ One of the world's largest insurance companies created and maintained its own catalogs at a cost of over \$50 per part, and reported very unhappy user acceptance and sporadic usage. This was aggravated by limited search capabilities due to inconsistent schemas and poor part normalization and rationalization. The company now has decided to outsource content, believing that it will receive a much higher quality product at a fraction of the cost.
- ◆ A large West Coast technology company invested more than

## Costs to Build and Maintain Catalog Content

Cost Element	Average
Number of Line Items	129,200
Number of Users	26,590
IT Staff Headcount	5.4
Labor's % of Total Cost	45.7%
Hardware & Software Cost	\$714,000
Total All Costs	\$1,156,376
Average Cost Per User	\$1,503
Average Cost Per Item	\$29.31

Source: AnswerThink Consulting Group

their own internal catalogs. But, there are at least two major problems with the do-it-yourself approach for large, multi-enterprise organizations: internal support cost and speed of deployment.

In-house content management can be a lengthy, tedious process that requires a great deal of software, hardware, and highly skilled (i.e., very hard to find and expensive to keep) personnel resources.

Even if organizations opt to license some "packaged" content from an outside vendor rather than build it all, they still need to purchase software to see the content and

the first year alone.

With hundreds of thousands of

catalog line items to manage, most large, multi-enterprise companies could easily see costs skyrocket upward to \$2 or \$3 million in year one, with an estimated increase of 20

\$2.5 million to load catalog data from 40 suppliers. The company was never able to transform the data into easily searchable content, and gave up.

**Nothing makes an employee revert back to paper-based purchasing and maverick spending faster than a few long, frustrating searches for products on-line.**


◆ A leading telecommunications company created and maintained its own catalogs using spreadsheets to force some limited content conformity. In spite of pushing content management back on each supplier, the average cost per part was well over \$12, and content was inconsistent from supplier to supplier. This company also has decided that in the future, content management will be outsourced to a third party. Further, it expects to cut costs by 75 percent, while significantly improving search capabilities and user acceptance.

#### **The outsourcing solution**

The good news is that companies no longer have to go it alone. AnswerThink estimates companies can reduce their costs by over 75 percent and greatly improve the finished product by outsourcing all their catalog needs to a net marketplace service with expertise in providing comprehensive content management services.

By turning to a third party for content management, a company can enjoy rapid supplier implementation, widespread user acceptance, increased contract compliance, and fast ROI without the infrastructure costs and ongoing maintenance

hassles associated with managing the content in-house.

While in-house catalog management may work for smaller buyers with a limited number of suppliers, leveraging the services of an outsourced content management expert with net marketplace capabilities is often the better route for growing corporations seeking to quickly capture the most return on their investment. 

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