



Doors to inefficiency?

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We have all witnessed lately the creation of so-called supplier portals by some companies. At these portals, the company offers to their suppliers an administrative interface, for the maintenance of the product range and prices, for example, or sales data, by point of sale, grouped by product family or not.

This means that these portals intend to offer, both known information (such as product range and prices) and new information (like sales data by point of sale). This seems to be quite good, since it creates a new information channel, in which known and new information passes through. However, the design and the system architecture of these portals tend to include an Internet interface on which the supplier has to insert or query manually the information. If this is the only possible interface, or if an alternative interface exists but is too expensive or technically impracticable, this solution is far from being good. Let us see why.

The way these portals work assumes that the customer's database is maintained by the supplier. If the Internet interface is the only practical, this means that the suppliers' admin workers are going to maintain the customer's database.

Under these circumstances, for information that is already exchanged between business partners (like product range, prices or document status, namely for invoice payment), a supplier portal is, in our opinion, a way of the customer obtaining an administrative service from their suppliers, at zero cost, representing a null sum game on which one of the partners wins and the other loses, without generating any efficiency to the supply chain.

Considering the new information, like sales data by point of sale, this channel can still have some value for suppliers, but inefficiency is not eliminated.

This means that, both for old and new information, the only change worthwhile noticing with the introduction of supplier portals is that the supplier's admin worker

does the maintenance of the supplier's database, and the customer's, both by keying in, with the associated mistakes and cross-digitations. In our opinion, this is not the way to add value to the supply chain.

The most productive way, that would effectively bring efficiency, was the database integration between business partners, where the customer's database, and on the opposite direction, the supplier's database would be maintained electronically. Information related to products, prices, orders, invoices and sales, as well as inventory, forecasts and service levels, would be transacted by EDI (classical or internet-based). Only this way could double digitations terminate, as mistakes and cross-digitation too.

We are convinced that the relationship models that only use Internet portals, can only bring benefits to smaller suppliers, that do not have scale to invest in an EDI system, and are not capable of seeing its advantages. All the others, middle and large companies, will be worse off, comparing to the present practices, and certainly to the alternative.

Considering this, we challenge our readers to consider not to adopt Internet portals as the only way to exchange information, for the sake of the productivity and efficiency. On the contrary, attention should be paid to the true integration between business partners, the electronic integration.

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