

PUBLIC eTENDERING IN PORTUGAL
vortalGOV[®] Case Study

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November 2010

Acknowledgements

I would like to express my sincere thanks to Professor Dr. Pedro Dionísio for the constant availability, encouragement and feedback he provided me throughout the preparation of this project, without which this thesis might never have been achieved.

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Executive Summary

Vortal is the leader in electronic platform operations for public and private market contracting in Portugal and one of four international reference points in electronic public contracting.

In 2004, after having achieved a wealth of private market experience acquired through electronic market operations within the construction sector through its brand Econstroï, Vortal launched a new brand, vortalGOV, which is specifically aimed at the public sector and indeed the first ever electronic public tender in Portugal was launched through this Vortal platform.

In 2008 a new public contract law came into force directing all entities linked to electronic contracting platform use to formalise pre-contracting. Furthermore, that same law specified that platforms should not charge the economical operators, the suppliers, any fees to access their basic services. In other words, revenues from the Public eTendering platforms should only come from public entities awarding the contracts.

In 2009, order to meet these new legal requirements, Vortal launched its free Universal service. In 2010, Vortal decided to contract the services of a specialist company to carry out a satisfaction survey of its Universal clients.

The Vortal Board of Directors sought to evaluate possible scenarios for the development of the public sector market drawing on the experience the company had acquired in the private market.

The vortalGOV case study aims to stimulate reflection on the innovation surrounding the legal limitations of business operations, based on an analysis of customer value.

Key words: eSourcing, eProcurement, eMarketplace, eBusiness

Sumário Executivo

A Vortal é a empresa líder na operação de plataformas electrónicas de contratação nos mercados público e privado em Portugal e uma das 4 referências internacionais em Contratação Pública Electrónica.

Com uma vasta experiência no mercado privado, adquirido através da operação do mercado electrónico para o sector da Construção, o econstroi, a Vortal lançou em 2004 o vortalGOV, para o sector público.

O primeiro concurso público electrónico em Portugal foi lançado através da plataforma da Vortal.

Em 2008 foi publicada a nova lei dos contratos públicos que obriga todas as entidades vinculadas à utilização de plataformas electrónicas de contratação pública para formalização dos procedimentos de pré-contratação. Esta mesma lei indicada ainda que as plataformas não poderiam cobrar qualquer valor aos operadores económicos, os fornecedores, para acesso aos serviços básicos das mesmas. Isto é, as receitas das plataformas de contratação electrónica seriam apenas provenientes das entidades públicas adjudicantes.

Para fazer face a esta contingência, a Vortal lançou logo em 2009 o serviço Universal, gratuito, de acordo com todos os requisitos da lei em vigor.

Em 2010 a Vortal decidiu solicitar os serviços de uma empresa especializada para fazer um inquérito à satisfação dos seus clientes Universais.

A Administração da Vortal pretende avaliar os cenários possíveis para desenvolver o mercado do sector público a partir da experiência adquirida no mercado privado.

O caso de estudo do vortalGOV pretende estimular uma reflexão em torno da inovação em torno de limitações legais à operação do negócio, em função da análise de valor para o cliente.

Palavras-chave: eSourcing, eProcurement, eMarketplace, eBusiness

Parte A – vortalGOV[®] case study: offering development

1 - The problem

In February 2010 the Board of Vortal - Portugal's leading G2B2B (Government to Business to Business) eMarketplace operator - intended to give fresh impetus to their business in public markets.

In order to define a new strategy, the company commissioned a market study from a specialist firm, and has just received the summary of results.

The economic situation in 2010 is not propitious, either domestically or in international terms. The words 'crisis' and 'reducing expenditure' (rationalization) invaded the media lexicon and day to day conversations creating a delicate psychological and social environment imposing new dynamics in buying behavior.

2 - History

Founded in December 2000 by PT Prime, Espírito Santo Tech Ventures and twenty of the main Portuguese Contractors, Vortal is a Portuguese based metanacional¹ company, a leader in the Iberian G2B2B market and, according to Gartner Group, one of the four major players in Public eTendering in the World².

Vortal acts as a facilitator and integrator of business processes through advanced transactional platforms in electronic markets, having started its activities with the econstroi portal for the construction industry and later expanding to the areas of Public Procurement, Industry, Office Supplies, Utilities and, more recently, to the Health sector. In 2005 it began its operations in Spain through econstroi.

¹ Doz, Santos and Williamson (2010), "From Global to Metanational: How Companies Win in the Knowledge Economy".

² Gartner Group (2010), "Strategies for Public-Sector Investment in Procurement Applications", July.

Vortal arose from an idea to create a tool that would allow the streamlining of purchasing procedures bypassing inefficiencies in an extremely heterogeneous and fragmented sector, such as the construction industry in Portugal, where there was clearly room for potential improvements from leveraging competitiveness in the management and conduct of proceedings.

As a shareholder in the project, Vortal joined the larger national contractors in 2000: Mota & Co., Somague, Engil, Monte & Monte, A. Mesquita, Soares da Costa, Opcá, Novopca, Construtora do Tâmega, Sociedade de Empreitadas Adriano, Sopol, Hagen, Rosas Construtores, Etermar, Amandio de Carvalho, Bento Pedroso, CME and Jaime Ribeiro.

The launch of econstroi was an innovative business project in Portugal and a clearly differentiated concept in Europe whether in the market approach and business development strategy or the business model whose main stated objectives are:

- Improving the acquisition and sale of products, services and works;
- Organizing, streamlining and automating processes inherent to these operations
- Expanding the customer base and facilitating access to a larger suppliers network;
- Promoting the transparency of processes;
- Saving costs and increasing profitability and productivity;
- Optimizing company resources;
- Following trends in electronic integration.

In October 2001, econstroi began its operation by providing an internally developed platform targeted specifically for the construction market: contractors, sub-contractors, suppliers and service providers (Figure 1).

Unlike other companies operating in this general area such as Tradecom (PT), Bizdirect (Sonae), Forum B2B (EDP, Galp) and others like the AEP portal, econstroi entered the market gradually (for sub-sector of construction) and proposed a pricing based on fixed annual fees, according to customer size rather than a fee per transaction, like the majority of the business models at the time.

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The screenshot displays the homepage of econstroj, a construction marketplace. The header includes the logo and navigation links. The main content area is divided into several sections: a large banner for suppliers awards, a list of business opportunities, success stories from Edifer and MOTAENGIL, and a detailed EMarketplace statistics table. On the right side, there is a login form, contact details, and promotional buttons for subscription and inviting customers/suppliers. The footer area contains various certification logos.

Figure 1 - Homepage econstroj

The Construction sector's eMarketplace operation is extremely simple: each company pays an annual subscription, regardless of the number of transactions, ensuring the right to use the platform to issue their RFP (requests for Proposal) or RFI (Requests for Information) (for buyers) or to access business opportunities and register their bids (for goods vendors and service providers).

From the outset Vortal has followed a strategy of innovation, offering value-added customer aftersales services, such as the following:

- Information about the construction sites and projects underway in Portugal and Spain - iObra - with 60,000 construction sites and active projects;
- Market Intelligence services (market share per supply category, competitive position in the bid analysis, business productivity, among others);
- Service “offers and promotions” allowing direct marketing to platform users;

- Categorization of supplier industry;
- Services integration with ERPs (VORTALconnect);
- Advertising services to suppliers;
- Service Guaranting[®], guarantee of payment brokered by banks;
- Training services (paid) for customers - Vortal Academy.

In 2002, a new competitor joined the market – Construlink - associated with the IST (Instituto Superior Técnico) and the company Teixeira Duarte - which initially bet on contents (industry's information, technical specifications), and subsequently diversified its offering with an electronic purchasing and selling platform. As of today, this platform has no relevance in the Construction Business but it is a relevant player in the Public Sector.

The general portals have never succeeded in obtaining a minimum critical mass to become true players in the construction industry, having been confined to office supplies - products that are common to all sectors of activity.

3 - On Public Sector Market

The Public sector can be understood as all the entities controlled by Central and Local Government.

However in this case there is a catch-all definition which includes not only government as a whole but also the entire public corporate sector which is either entirely or primarily funded from public sector capital. Therefore, in addition to the general government sub-sectors (central, regional, local and social security), the public enterprise sector is included, integrating public companies, municipal companies and autonomous capital companies which are exclusively or primarily public.

Essentially, what distinguishes general government sector entities from the corporate sector is the logic of operations. While the latter essentially have a market logic, the first does not.

The overall structure of general government in countries which adopt the SEC95³ is given for statistical purposes as follows:

- Central government
- State government⁴
- Local government
- Social Security Funds

In the case of federations such as Germany and Austria, there are three levels of government constitutionally defined as central/federal, state and local. In the case of unitary States such as Portugal and the United Kingdom, only the distinction between central and local government is considered. In the case of Portugal, “local administration” includes local authorities and regional governments (in the autonomous Regions of Madeira and the Azores).

Public contracting rules set out in the Public Contract Code (PCC) apply to all traditional segments of the general government sector: the State, Autonomous Regions, Local Authorities, Public Institutions, Public Foundations and Public Associations. All the contracts to be awarded by one of the entities in this sector are subject to the rules of PCC, irrespective of their value.

On the other hand, PCC public contracting rules still apply to the enterprise sector of the State, Autonomous Regions and Local Authorities, when companies operate outside the logic of the market and free competition (according to the special relationships that they maintain, in particular with the State, Autonomous Regions or Local Authorities). However, these corporate entities are only subject to the public contracting rules established in the PCC at the time of the drawing up of the following contracts: contract

³ SEC 95 is an exhaustive national accounting system which namely lays down a precise expenses definition for the Public Administration sector. Member States should respect the accounting norms and regulations set out in SEC 95.

⁴ As this is a general classification, it applies to federal and unitary states.

for agreement of public works, licensing contracts (for works and services), contracts for hire and purchase of goods and contracts for provision of services.

Finally, the public contracting rules set out in the PCC also apply to the private entities which operate in specific sectors such as water, energy, transport and postal services, when those entities are the holders of special or exclusive rights.

The entities to which public contracting rules apply as set out in the PCC are known as the contracting authorities.

Based on the information obtained, it is estimated that approximately 12,000 contracting authorities exist in Portugal, distributed as follows:

| Type | # | Includes |
|----------------------------------|-------|--|
| Local government | 9,000 | Municipalities, other Local Authorities and Services |
| Central government | 950 | Central government, Sovereignty Agents, Regional Services and Public Companies |
| Regional Government | 330 | Regional Government of Madeira and the Azores |
| Educational establishment | 1,900 | Schools and Higher Education Establishments |

These contracting authorities call 5,500 public tenders per year (open procedures⁵) and approximately 1,000,000 (one million) limited disclosure procedures (limited tendering / direct contracting⁶). It is estimated that the amount of public procurement in Portugal, and on average in EU countries, is about 15% of the GDP, in other words, approximately €25,000 million in Portugal.

⁵ The open procedure: this is a formal tendering procedure under which the call for tender is publicly advertised in the TED (<http://ted.europa.eu/TED/main/HomePage.do>) and all interested parties are allowed to tender.

⁶ The restricted procedure: only those companies invited by the contracting authority may submit a tender.

The PCC⁷ establishes the following types of procedures:

- a) **Direct award:** is a pre-contract procedure through which the awarding entity directly invites one or several entities of their choice to submit a tender proposal.
- b) **Public tender:** in an open procedure, any interested economic operator may submit a tender; the award of the contract in this type of procedure is granted, mandatorily, to the lowest priced bid.
- c) **Tender limited by prior qualification:** this is also a formal tendering procedure, whereby a notice is publicly advertised inviting potential suppliers to express their interest. The suppliers request to participate, but only those companies invited by the contracting authority may submit a tender.
- d) **Negotiation procedure:** under this procedure the contracting authority simply selects potential contractors with whom to negotiate the terms of contract, awarding the contract to one of these contractors without necessarily following any formal tendering procedure. There are two types of negotiated procedures: the negotiated procedure with advertisement, under which the authority must advertise in the TED (Tenders Electronic Daily)⁸ to find suitable contractors to negotiate with; and the negotiated procedure without advertisement, whereby the authority is permitted to consult the contractor or contractors of its own choice and negotiate with one or several of these.
- e) **Competitive Dialogue:** a contracting authority may make use of the competitive dialogue for complex contracts if it is not able to define by itself the technical solutions to satisfy its needs or is not able to specify the legal and/or financial make-up of a project. Large infrastructure projects would seem to lend themselves to this type of dialogue.

Regarding the direct award procedure (the more frequent one), there are two characteristics with a relevant impact on transparency:

⁷ http://ec.europa.eu/youreurope/business/profitting-from-eu-market/benefiting-from-public-contracts/portugal/index_en.htm

⁸ TED (<http://ted.europa.eu/TED/main/HomePage.do>)

- a) Companies cannot be invited to present proposals to the awarding entity if they have already been awarded contracts during that financial year or the two previous financial years, where the objectives of those contracts is identical or is based on the same types of services and whose accrued contractual price is equal to or higher than the limits of direct adjustment (€150,000 or €1,000,000 for public works agreements, according to the awarding entity; €75,000 or €206,000 for acquisition of goods and services, according to the awarding entity);
- b) The awarding of any contracts in the sequence of direct award must be published by the awarding entity, in the www.base.gov.pt portal. The efficiency of the above mentioned contracts is dependent on this publication. Without it, it would therefore not be possible to start to execute the contract or make any payment in respect of that contract.

4 - The strategy of markets diversification

The portal's success led to econstroi Vortal seeking to expand its business to other sectors beyond the Construction Sector.

Decree Law 18/2008 (Public Contracts Code) which became law on the 30th of July 2008, sought to require all contracting authorities (Government, Local Authorities and Institutions) to "carry out all pre-award procedures by electronic means" in accordance with European Union guidelines in this respect.

Vortal pioneered this market and launched in 2004 vortalGOV[®], a Public eTendering platform that allows electronic management of all processes related to procurement (not just Public Works), from "Limited tendering / Direct contracting" to "Open tenders".

Until the Public Contract Code became law in 2008, some public bodies had already run procedures using vortalGOV[®] on their own initiative. Good results obtained by these contracting authorities were signs of the deemed success of this initiative.

In 2006 Vortal added three more platforms to its product/service portfolio:

- vortalENERGY & UTILITIES: vertical market for energy, gas, fuel and water;

- vortalOFFICESUPPLIES: vertical market for stationery, office and information technology;
- vortalINDUSTRY: vertical market for MRO's, and maintenance services;

And more recently, in 2008:

- vortalHEALTH: vertical market for the health sector (Public eTendering).

In 2010, Vortal launched its Public eTendering platform fully adapted for Spanish law (La Ley de Contratos del Sector Público (30/2007)).

5 - Business model for the Public Markets

From the outset the business model has been a matter of different approaches. At the end of the day, buyers and suppliers have to pay according to the recognized value of the service or technology. The Technology acceptance model emphasizes perceived usefulness and benefits as the key factors influencing the adoption of new technology (Davis, 1989)⁹.

“On the other hand, e-marketplaces should reach out to large number of enterprises to ensure that they have a good supplier base, which would help them to provide a good choice for the large enterprises buying through the e-marketplace. E-marketplace vendors need to provide interfaces and services similar to other Internet applications which will enable SMEs to use e-marketplace services easily without training” (Upadhyaya and Mohanan, 2009).

⁹ Davis (1989), “Technology Acceptance Model (TAM)”. TAM predicts user acceptance of any technology is determined by two factors: perceived usefulness and perceived ease of use. Perceived usefulness is defined as the degree to which a user believes that using the system will enhance his or her performance. Perceived ease of use is defined as the degree to which the user believes that using the system will be free from effort. According to TAM, both perceived usefulness and perceived ease of use have a significant impact on a user's attitude toward using the system.

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At Vortal, the business model in the public markets is quite different from the model econstroii.

Contracting authorities are obliged by law to use electronic contracts, for which they must subscribe to an electronic platform (annual subscription), whose cost is a reflection of the annual amount of contracting authority purchases and subscribed modules and services (Figure 2).

CERTIFIED PLATFORMS

ADAPT USE OF THE PLATFORM TO YOUR NEEDS!

The platform's scope of use may be chosen for each version, choosing the scope of Goods and Services, Public Works Contracting or Total Scope (which includes Goods and Services and Public Works Contracting).
Choose what best fits your entity: Goods and Services, Public Works Contracting or Total Scope.

| | GOODS AND SERVICES | PUBLIC WORKS CONTRACTING | TOTAL SCOPE |
|--|--------------------|--------------------------|-------------|
| vortalGOV[®] entry version* The version for Entities that seek to comply with all the requirements of Decree Law 18/2008 and Decree Law 143A/2008, and all technical requirements set forth in Decree Order 701-G/2008. | ✓ | | |
| vortalGOV[®] standard version The version for Entities that seek to go beyond the Contracting process by using advanced information processing tools. | ✓ | ✓ | ✓ |
| vortalGOV[®] expert version The version for the most demanding Entities that seek to fully optimize the Contracting process, and who need the most sophisticated tools on the market to do so. | ✓ | ✓ | ✓ |

* Only supports purchase of Goods and Services.

Figure 2 - vortalGOV[®] solutions for the contracting authorities

On the other hand, vendors (suppliers to public entities), do not require any payment to have access to minimum services established by law: they simply have to follow the accreditation procedures and make their registration in the platforms where they want to have access to procedures and submit their bids.

Platforms can develop and sell extra services to suppliers of public entities as provided in Article 5. 143-A/2008 of DL:

Decree Law 143-A/2008

Article 5: Principle of non-discrimination and free access

4. The managing entity of the electronic platform may not charge any fees to interested parties, applicants or bidders to access the electronic contracting system provided on the electronic platform, or to use the features specifically required to create a complete and total public contract.

5. Applicants and bidders may be charged for services provided beyond the scope of the features referred to in (4) above.

In June 2008, Vortal launched a new service “Universal Access” (Figure 3). Universal Access is a service available through Vortal’s electronic Public eTendering platforms, which allows contracting authority suppliers to respond to procedures published in the Government Gazette (Diário da República) and to direct contracting for which they are directly invited by awarding entities.

This service was launched to address the specific provisions of the Public Contract Code, under which all purchasing by public entities must be done exclusively by electronic means on electronic contracting platforms.

Universal Access does not provide access to Vortal’s private markets, specifically access to purchase and estimate consultations.

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The screenshot displays the vortalGOV website interface. At the top right, there are links for 'Contacts and Sugestions' and flags for 'PT' and 'ES'. The main navigation bar includes 'Markets', 'Solutions', 'Services', 'Security', 'Certification', 'Legislation', 'Information', 'FAQ', and 'About Vortal'. Below this, a secondary navigation bar lists 'Home > Universal Access'. A 'Login' box with a 'login' button is positioned on the right. The central banner features the text 'ELECTRONIC PUBLIC CONTRACTING PLATFORM' and 'SOLUTIONS FOR SUPPLIERS UNIVERSAL ACCESS', with a 'SIGN UP NOW?' button. Below the banner are three columns with questions: 'WHAT IS THE ELECTRONIC CONTRACTING PLATFORM?', 'WHAT ARE THE ADVANTAGES?', and 'WHY SIGN UP NOW?', each with an 'ENTER' button. A calendar graphic shows 'OCTOBER 31' and 'MANDATORY USE OF ELECTRONIC MEANS FOR PUBLIC CONTRACTING'. To the right, contact information includes 'info@vortal.pt' and '+351 210 325 003'. A 'SUBSCRIBE' button is also visible.

Figure 3 - Universal Access to Public eTendering platforms operated by Vortal

There are no fees charged to “basic service” subscribers for any kind of services provided directly through Vortal’s electronic platforms to create a public contract.

However, current legislation imposes several legal requirements falling outside the scope of electronic platform direct responsibility, which may result in fees for electronic platform users (e.g. to obtain qualified digital certificates or timestamps from accredited certification entities).

Any company or entity wishing to access information on the platform’s procedures in progress published by subscribing awarding entities can subscribe to Universal Access. Suppliers who are already customers of Vortal platforms do not need to subscribe to Universal Access, since the supplier services of Vortal private contracting platforms include all of the features of this service.

Vortal has also established agreements with companies issuing digital certificates and timestamps, selling these deals in order to ensure compliance with all relevant legal users of its platforms.

Decree Order 701-G/2008

Article 27: Electronic signatures

1. All documents uploaded to electronic platforms must be signed electronically using qualified electronic signature certificates.
2. For electronic signature purposes, the entities referred to in Article 26 (3) must use digital certificates issued by a certification entity from the Government Electronic Certification System.
3. When a digital certificate cannot directly link the signatory to his/her position and authorization to sign, the interested entity must submit an official electronic document, with the representative's authorization and signature, to the platform.

Decree Order 701-G/2008

Article 28: Chronological validation

1. All documents uploaded to electronic platforms will be subject to the affixation of timestamps issued by a certification entity that provides chronological validation services.
2. All acts that, under the terms of the CCP, must be performed within a specific time period will be subject to the affixation of timestamps issued by a certification entity that provides chronological validation services.
3. Certification entities providing chronological validation services must comply with the provisions of legislation applicable to certification entities that issue qualified certificates.
4. Electronic platforms must save, and associate with their procedures, all timestamps apposed from documents or transactions.

6 - Vortal's customers in the Public Market

In February 2010, Vortal had 2000 contracting authorities operating vortalGOV[®], which is estimated to correspond to a market share exceeding 50%.

Public market customers are divided into two groups:

1. Those who are also customers of econstroï, paying for those services ("Subscribers econstroï");
2. Those who only have access to basic services from public platforms, not paying for it (called "Universal").

In relation to Subscribers econstroï 70% are also registered on other platforms which reflects the familiarity of these companies with electronic platforms and recognition of their importance for access to more business opportunities.

By law, the accession process, from suppliers, requires installation of an authentication certificate before starting operations, as well as the use of qualified digital certificates for the signature of proposals submitted:

Decree Order 701-G/2008

Article 26: Authentication of user identity

1. All users must be identified on electronic platforms through the use of digital certificates.
2. For authentication purposes, users may employ their own digital certificates or certificates provided by the electronic platforms.
4. Electronic platforms will be equipped to provide exclusive user access to the platforms through strong authentication based on the use of digital certificates.

7 - Vortal Results

After seven years of operation, the success of Vortal can be seen in numbers released on December 31, 2009:

- 16,500 accredited vendors (2,000 working on a daily basis);
- 320,000 RFP/ITT (requests for proposals / invitations to tender);
- 1,050,000 proposals submitted by vendors;
- ~4,700 millions of Euros of accumulated volume of contracts awarded through this platform (see Figure 4).

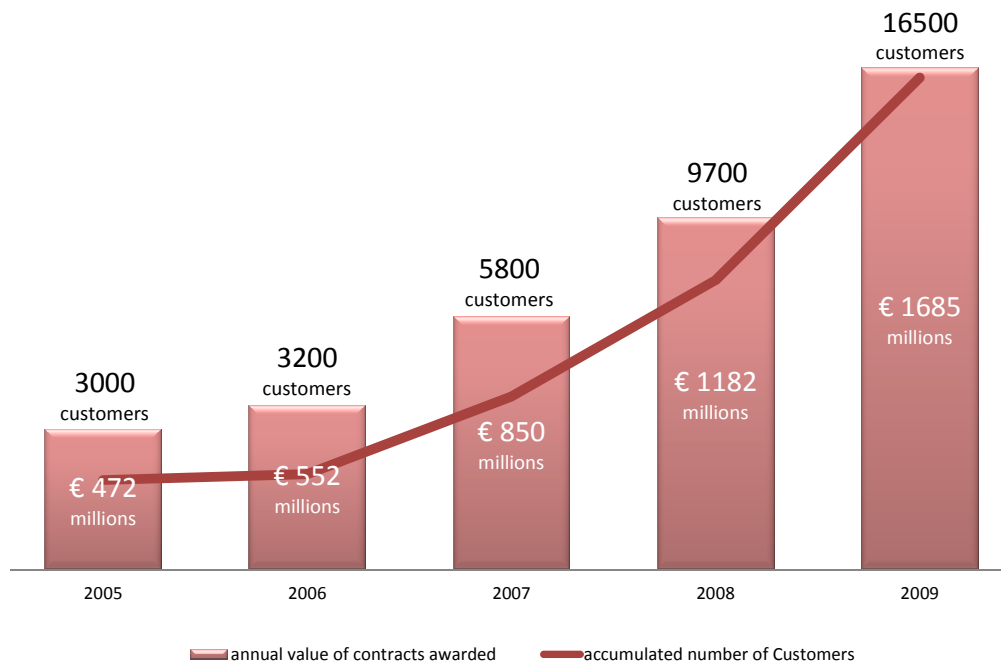


Figure 4 - Evolution of companies operating and amount of awards in Vortal platforms

8 - Market Assessment

In January 2010 a market study was carried out via telephone surveys with 117 'Universal' customers and 112 'econstrois' subscribers.

Overall opinion of Universal customers

For 'Universal' clients, 70% of respondents also reported in at least one other platform. When it came to quality perception from amongst the various competing platforms, Vortal emerges clearly as the one which has better quality and perceived security (Annex 1).

Perception of usability of the registration process among Universal customers

For this study, 'Universal' clients were grouped into three tiers according to degree of usage:

- Tier 1 - Low users – have only submitted 1 to 3 proposals (since their registration)
- Tier 2 - Medium users – have submitted between 4 and 14 proposals
- Tier 3 - High users - submitted 15 or more proposals

Annex 2 presents the overall satisfaction with the use of the platform vortalGOV[®] and Annex 3, the data by tier showing a high level of satisfaction even with areas for improvement.

Additional feedback from Universal customers

The customer service (telephone) also has good levels of satisfaction, except in the ease of contact (Annex 4).

This study also questioned other aspects, which stand out as less positive:

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- Many customers "Universal" (58%) did not use the FAQ section or the manuals on the platform and vortalGOV[®] and even though aware of online training courses did not attend (Annex 5).
- These customers are not aware of the customer support service (Annex 6) and (91%) say they intend to use an 'online help' solution. (Annex 7).
- In January 2010, Vortal platform's main modules and features are described in Annex 8.

How to do it?

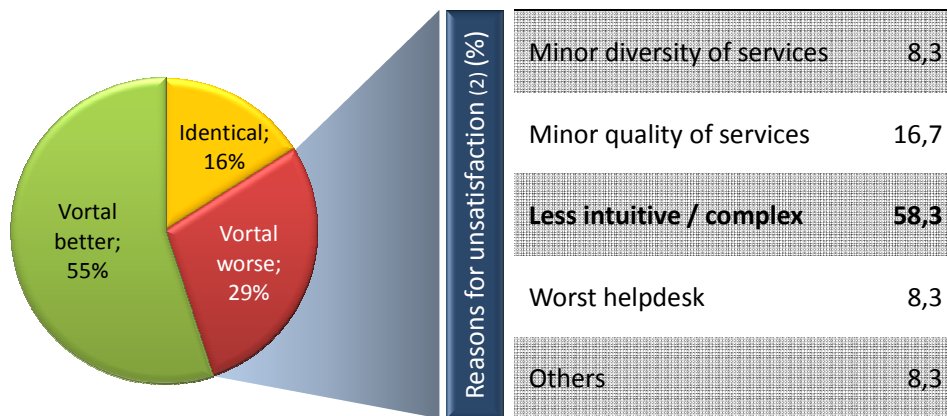
Vortal's board would like to replicate in vortalGOV the same business model they have in the Construction eMarketplace, collecting value in the supply side. Considering legislative restrictions and the competitive environment what should be done to leverage supplier business in the Public Market?

Please prepare a presentation supporting your strategy, namely with:

- Diagnosis;
- Opportunities and restrictions;
- Strategic Options;
- Option to choose.

Annex 1 - Comparison between Vortal and its competition

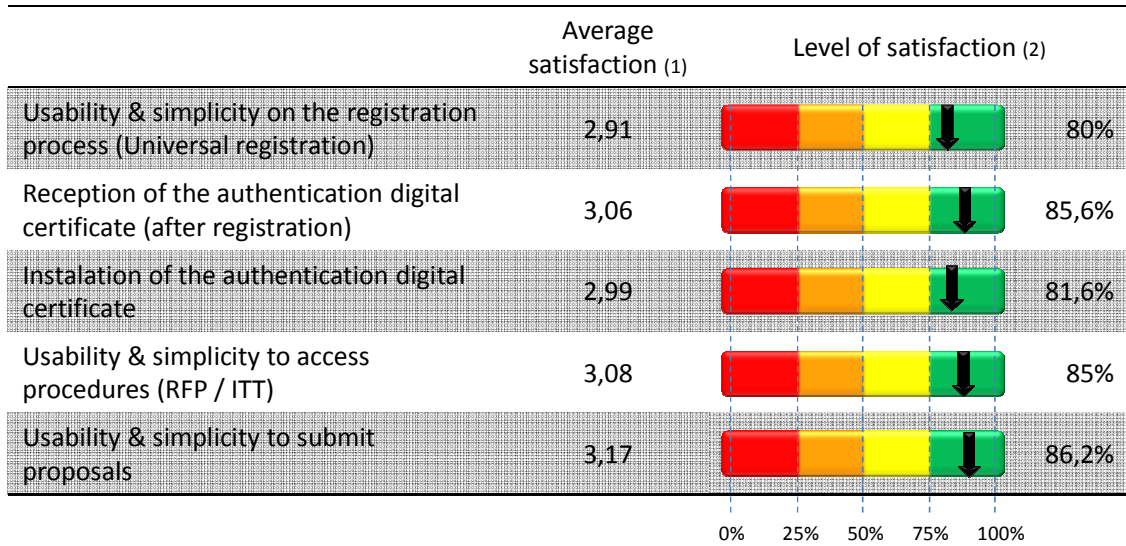
Comparison between Vortal and its competition seen by Universal customers



Source: Market Research, 2010

Annex 2 - Universal customers' average satisfaction

Universal customers' average satisfaction with vortalGOV[®]



Base: total of respondents regarding every item under evaluation

(1) Scale: 1 – Very unsatisfied; 2 – Unsatisfied; 3 – Satisfied; 3 – Very satisfied;

(2) % of satisfied or very satisfied respondents

Source: Market Research, 2010

Annex 3 - Satisfaction with vortalGOV[®] per customer tier

Satisfaction with vortalGOV[®], regarding customer tier (also according level of utilization) among Universal customers

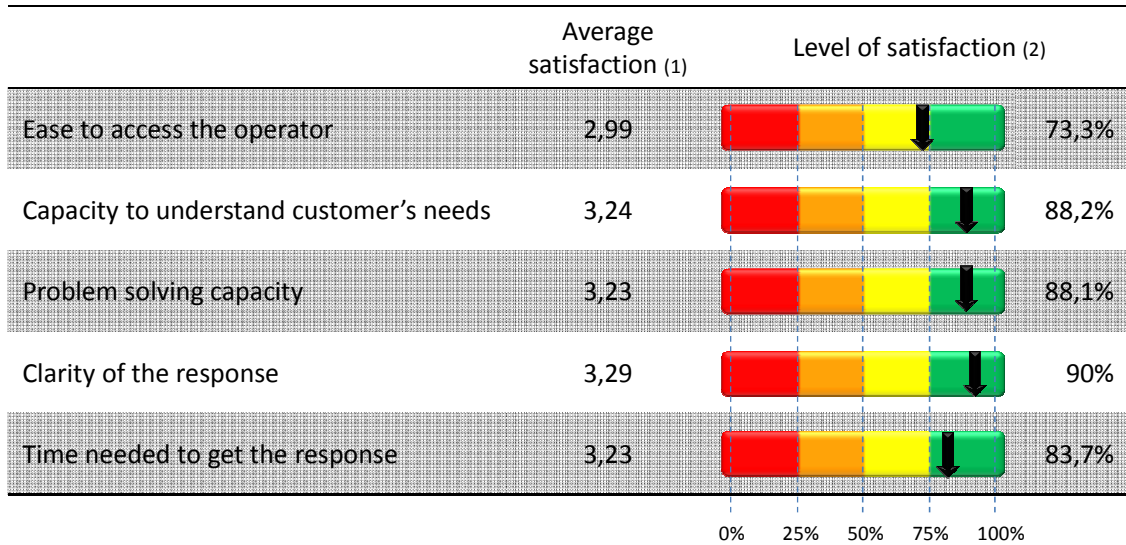
| Average satisfaction (1) | Total | Tier | | |
|---|-------|------|------|------|
| | | 1 | 2 | 3 |
| Usability & simplicity on the registration process (Universal registration) | 2,91 | 2,71 | 3,04 | 3,08 |
| Reception of the authentication digital certificate (after registration) | 3,06 | 3,08 | 3,07 | 3,00 |
| Installation of the authentication digital certificate | 2,99 | 2,89 | 3,04 | 3,09 |
| Usability & simplicity to access procedures (RFP / ITT) | 3,08 | 2,95 | 3,11 | 3,19 |
| Usability & simplicity to submit proposals | 3,17 | 3,08 | 3,22 | 3,24 |

Base: total of respondents regarding every item under evaluation

(1) Scale: 1 – Very unsatisfied; 2 – Unsatisfied; 3 – Satisfied; 3 – Very satisfied;

Source: Market Research, 2010

Annex 4 - Satisfaction with the helpdesk among Universal customers



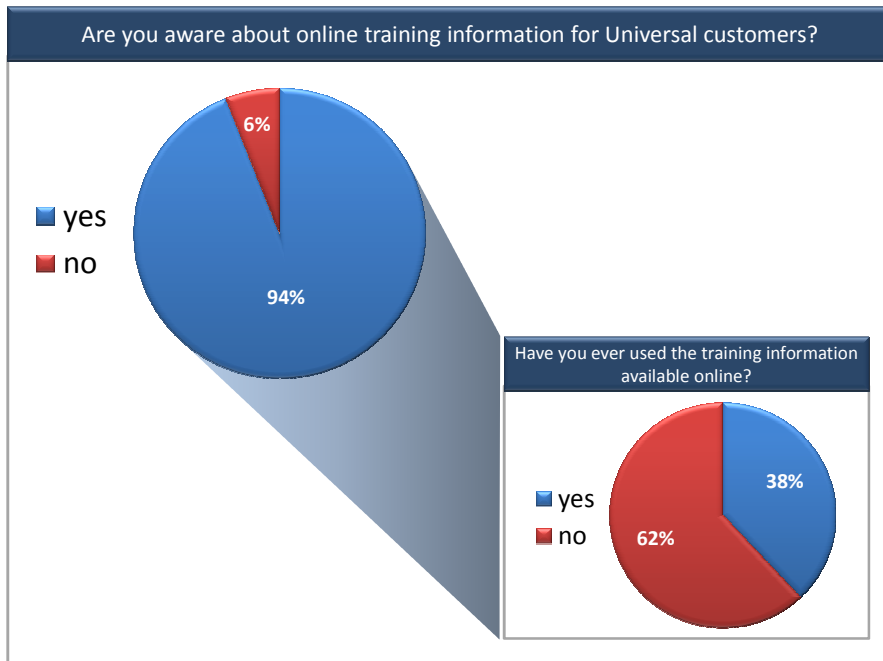
Base: total of respondents regarding every item under evaluation

(1) Scale: 1 – Very unsatisfied; 2 – Unsatisfied; 3 – Satisfied; 3 – Very satisfied;

(2) % of satisfied or very satisfied respondents

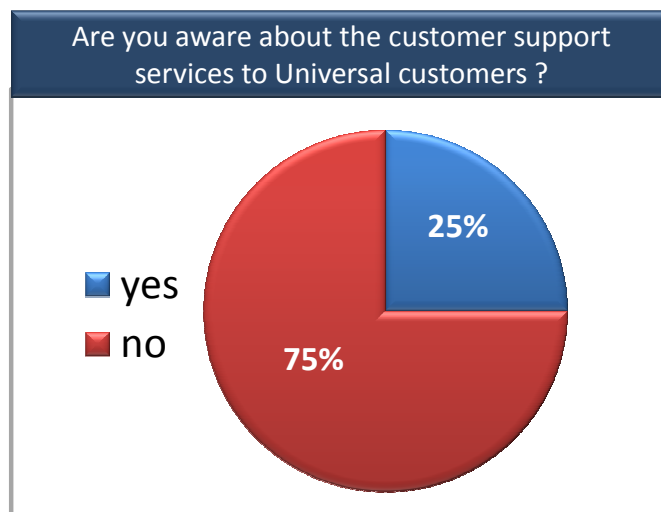
Source: Market Research, 2010

Annex 5 - Level of awareness about online training information for Universal customers



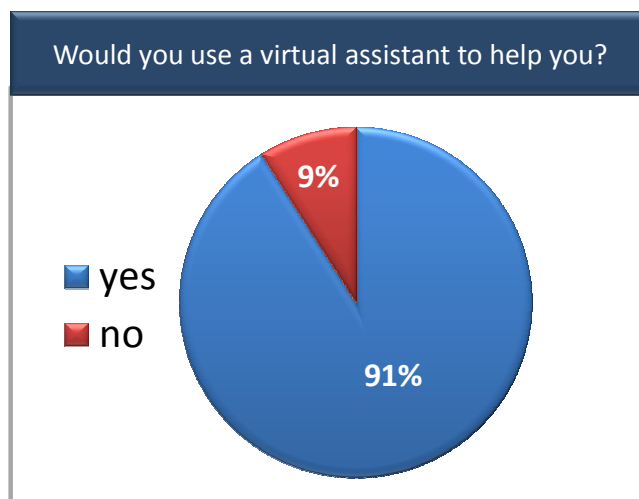
Source: Market Research, 2010

Annex 6 - Awareness about the customer support services to Universal customers



Source: Market Research, 2010

Annex 7 – Intention of using a virtual helpdesk assistant



Source: Market Research, 2010

Annex 8 - vortalGOV[®]'s main modules & features

vortalGOV[®]'s main modules



Main features of vortalGOV[®] – Public eTendering Platform

0 Supplier registration, classification and digital certification (when applicable)

- The registration is carried out online by the suppliers and the classification is based on its economic activity under laying the CPV (Common Procurement Vocabulary) code structure
- The certification process includes verifying the authenticity of the digital certificates

1 Create the tender by selecting the procedure type and editing / uploading all procedure documents by the contracting authority

- Setting up all key dates as well as all requirements, using pre-defined templates
- Definition of the award criteria allowing the use of simple evaluation models (based on price) and more complex evaluation models (based on most economically advantageous proposal)

Selection of suppliers to be invited for the tender by contracting authority

- In Direct contracting, the platform suggests a list of suppliers to be invited based on several criteria, namely the CPV classification, thus increasing the competition

Definition of members of the board of selection, responsible for opening of the procedures.

2 Publication of notice and procedure documents by the contracting authority

- Allow the use of forms for collecting specific data for the procedure in question, using the types of questions previously defined.

3 Suppliers access the tender and download procedure documents online

- Throughout the tendering process there is an automatic system of authentication, authorization, identification with digital certificates, traceability and non-repudiation, enabling the highest level of information confidentiality and security maintenance
- Quick access to any procedure with a single click;
- Total flexibility in completing forms, using templates and with help menus indexed to the screen in use

Online and SMS alerts, messages and notifications

- Alert messaging according to the parameterizations of each user / entity

4 Clarification requests by the suppliers

5 Procedure clarification and rectification from contracting authorities

- Clarification/amendment/extension management

6 Online submission of proposals, applications and solutions from suppliers

- Automatic encryption of the proposals submitted for the types of procedures subject to encryption

7 Online delivery and acknowledge receipt of proposal through electronic means

- Time stamping synchronized with the official time, thus guaranteeing the non-repudiation of these transactions and fulfilling legislation on public tendering
- Identification of the platform events that should generate receipts

8 Opening of proposals, applications and solutions

- Automatic decryption of the proposals and files associated with queries / procedures at the opening
- Performed through joint action of more than one selection board member predefined
- Shared decision-making through workflow approval of the response before putting onto the market, in particular to
- Collect multi-signatures.

Publication of the list of competitors and correspondent proposals

9 Message and notification delivery

- Define target groups for messages, depending on the type of message and the type of query / procedure to which it is associated

10 Automatic proposal evaluation

- Automatic comparative analysis of quantitative and qualitative proposal factors; Color-coded identifier of best proposals; Analysis map with deviation analysis features
- Dynamic negotiation process with counterproposals

Reporting and key performance indicators

11 Electronic notification of the contract award

- Sending completed draft form to the supplier
- Feedback acceptance from the buyer

Contract management

-
- Transmission of digitally signed contract
 - Returning digitally signed accepted contract
 - Digital Archive of the contracts signed by both parties

12 Electronic contract signatures

History of all information and activities associated with each procedure

- All information, including active and historical data, is available for consultation.
-

Part B - Resolution

The case study is related to the definition of the market conditions and legislation constraints faced by an G2B2B electronic platform operator, Vortal, that aims to develop its commercial service in the Public Sector market – vortalGOV[®].

Vortal's board would like to replicate in the vortalGOV the same business model they have in the Construction eMarketplace, econstroio, collecting value on the supply side.

For this, an innovative approach has to be implemented since there are law constraints to be considered.

On the other hand, Public eTendering is becoming a clear tendency among European countries with cross-border commerce being stimulated with greater access to Government business opportunities. Suppliers are willing to access more business opportunities and increase awareness about their enterprises.

1 - Target

- Students of eBusiness, Marketing and Strategy;
- Professionals related with eBusiness.

2 - Pedagogical goals

After these case study analyses, students should be able to:

- Create a diagnosis regarding B2B opportunities & threats
- Correlate business opportunities and law's constraints in a regulated market;
- Define criteria to prepare several strategic options;
- Identify implementation risks

The case study also enables students to:

- Have a better understanding about state-of-the-art Public eTendering in Europe and in Portugal;
- Have a detailed understanding about the operational and business models of an eMarketplace operator.

3 - Literature context for the professor

3.1 - What is eProcurement?

eProcurement is a catch all term for the replacement of paper based procedures with ICT (Information and Communications Technology) based communications and processing throughout the procurement chain. eProcurement involves the introduction of electronic processes to support the different phases of a procurement process – publication of tender notices, provision of tender documents, submission of tenders, evaluation, award, ordering, invoicing and payment.

Processes linked to invoicing and payment (post-award) are not procurement-specific and solutions developed for the wider (B2B – Business-to-Business) market can be put to work in eProcurement. However, some phases (notification, submission, evaluation and ordering) require bespoke solutions. The phases of submission, evaluation and ordering are the most challenging as they require an agreed set of protocols and standards for organizing the exchange of complex documents and interaction between the public purchaser and suppliers.

Some aspects of procurement activity will continue to require non-automated handling. For example, certain phases of complex procurements (designs, works) may be difficult to reduce to standardized formats and may require human intervention. Nevertheless, there is potential for large parts of procurement activity to be shifted to an electronic basis. The experience of South Korea is instructive: over 90% of all government

procurement in that country is mediated through the centrally administered KONEPS platform (European Commission, 2010).

Often, parts of the procurement procedure can be conducted electronically with others being operated on a non-automated basis. Many public administrations have built portals for the publication of procurement notices and provision of access to tender documents. Progress in the use of automated systems for the submission, processing and evaluation of tenders and ordering is less widespread. The ultimate prize is 'straight through eProcurement' with all phases of the procedure from notification to payment being conducted on an automated basis, through the medium of electronic procedures. Such possibilities are available – usually provided by specialized eProcurement platforms which provide all relevant support to individual contracting authorities in running electronic procurement procedures.

- a) Increased accessibility and transparency:** by automating and centralizing the flow of information about individual tender opportunities, eProcurement can improve the access of businesses to public procurement. Searching for opportunities on-line is much quicker and cheaper than screening individual publications. eProcurement systems can also be configured to alert suppliers to particular opportunities and provide immediate access to tender documentation. Transparency is also improved as the procurement process is more open, well-documented and communicated. As a result the monitoring and overall efficiency of public procurement improves, opening up markets to more competition and deepening the pool of competing suppliers.
- b) Benefits for individual procedures:** compared to paper based systems, electronic public procurement can help contracting authorities and economic operators to reduce administrative costs and speed up individual procurement procedures. In the current financial climate, such efficiencies could be very welcome, maximizing the potential which can be obtained from constrained resources. eProcurement systems have also proved very useful in speeding up the expenditure of public procurement budgets.

- c) Benefits in terms of more efficient procurement administration:** where Central Purchasing Bodies (CPBs) exist, the use of electronic procedures can contribute to centralize costly procurement back-office functions and reap scale economies in procurement administration. The switch to eProcurement also provides a wider opportunity to rationalize and review the procurement process – moving to eProcurement does not have to mean copying in electronic form the paper based procedures which may have existed for many years. eProcurement can be integrated within the other (electronic) activities of an organization (e.g. inventory control, contract management and audit) ensuring consistency and wider efficiency.
- d) Potential for integration of European Union procurement markets:** in a paper based environment, lack of knowledge and concerns about bidding for contracts some distance from a business place of establishment may have limited or discouraged suppliers from competing in certain tenders. eProcurement has the potential to reduce these distance barriers and information gaps and encourage greater participation, widening the pool of possible suppliers and potentially enlarging markets. Although it cannot change the relevance of distance or physical proximity in terms of actually performing the underlying business transaction, it does offer a way to overcome distance-related costs to participation in the procurement procedure itself. The resulting transparency is not just a cross-border benefit; the advantages of this greater transparency can be felt even within the borders of a country, as suppliers in one region take advantage of opportunities in another. Easier access to information about tendering opportunities and streamlined tender processing will make it easier for foreign suppliers to participate in on-line procurement opportunities.

All of the above benefits help the desired procurement outcomes to be achieved more effectively. In particular, eProcurement can help to source inputs for public services on terms that are better value for tax-payers. These savings are particularly valuable now in the context of pressure to manage public expenditure.

3.2 - ePublic Procurement in Europe

eProcurement is beginning to make its presence felt in Europe. Significant efforts and progress have been made by some contracting authorities, economic operators, Central Purchasing Bodies and Member States. Great progress has been made in developing electronic applications capable of supporting all phases of procurement procedures. Some Member States or regions have put in place eProcurement systems which can support 'straight through electronic procurement' processes – at least for purchases of standard supplies and services. Other systems concentrate on providing the first elements of procurement – in 25 Member States it is possible to publish notices and make tender documents available on-line.

A number of successful systems have adopted an eProcurement model provided by 3rd parties over a network. Such platforms often offer their eProcurement services to several organizations. Individual procurers are given a private web space where they can remotely define their own users, processes and deliverables. Some are run by public agencies, while others are provided by private sector companies; contracting authorities then pay on a flat-rate or per-use basis.

In 2005, European Union Ministers voiced the hope that "by 2010 at least 50% of public procurement above the EU public procurement threshold will be carried out electronically"¹⁰. To achieve this, the Commission has modified legislation and implemented the (2004) eProcurement Action Plan¹¹. Despite this, actual take-up lags far behind initial aspirations, reflecting the technical, logistical and administrative complexity of the changeover. The Commission's evaluation¹² (2010) suggests that less

¹⁰ The Manchester ministerial declaration of 2005 - Ministerial Declaration approved unanimously on 24 November 2005, Manchester, United Kingdom – ([www](#))

¹¹ Communication on the Action plan for the implementation of the legal framework for electronic public procurement – European Commission – published December 2004.

¹² See European Commission's Evaluation of the 2004 Action Plan for electronic public Procurement and supporting study published on DG Market and Internal Services website – ([www](#))

than 5% of total procurement budgets in the first-mover Member States¹³ are awarded through electronic systems.

The European Commission considers that the time is right to refocus Community action to support the deployment of eProcurement by national, regional and local public administrations. The technology is now mature. Successful eProcurement platforms are well-established in many regions and Member States. Traffic through these systems has reached a critical mass and is growing strongly. There is an opportunity to disseminate best practice and correct shortcomings in the EU legal and policy environment which might otherwise stifle these developments.

In addition, there is a window of opportunity to align developments and processes to ensure that key components of the emerging eProcurement infrastructure support cross-border participation in procurement procedures. Unchecked proliferation of technical solutions and applications could lead to unnecessary barriers to participation by economic operators in procedures that are organized on partner country systems. While cross-border participation in eProcurement remains anecdotal, the Commission believes that it is wise to act now in order to avoid technical or operational barriers becoming endemic in the emerging eProcurement landscape.

3.3 - Examples of savings and improvements

According to the white paper published by Vortal, “Public eTendering in the European Union”¹⁴, several examples of savings and improvements can be found:

- “Italy’s Emilia Romagna agency Intercent ER offers eProcurement services including e-Marketplace, e-Catalogues and e-Auctions and is now the reference point for 539 administrations (90% of local agencies). In 2008 it processed

¹³ This excludes Portugal, which has made the use of e-Procurement mandatory for phases from notification to tender award since 1 November 2009.

¹⁴ Public eTendering in the European Union ([www](http://www.vortal.gov.pt))

transactions amounting to some € 419 million, delivering efficiency benefits of € 67.5 million and time savings of 45 man-years.

- The Austrian Federal Procurement Agency centralizes purchases for federal authorities through eProcurement functionalities. In 2008 it reported savings of €178 million against a procurement volume of €830 million. Benefits seem to significantly outweigh the annual maintenance costs of €5 million, which are less than 3% of the savings.
- As of 1 February 2005, all contracting authorities in Denmark may only accept electronic invoices. This reform affects approximately 15 million invoices a year, and applies to the entire public sector, from ministries to nursery schools. The use of e-Invoicing is expected to save the public €100 million every year, on top of savings in internal administrative processes.
- In Norway, the Ehandel platform is helping authorities to achieve 20-40% reductions in the time taken to handle orders, receipt of goods and invoicing and delivering price savings in the region of 2-10%.
- In the UK, the Buying Solutions site reported in its 2008/09 annual report that it had facilitated sales of over £5 billion, delivering £732 million in savings. The UK also reported savings frequently exceeding 10% (and even up to 45%) through the use of e-Auctions and recently announced plans to use e-Auctions to save the taxpayer up to £270 million by the end of 2011.
- A Portuguese study compared the best bids for public works contracted by 50 Portuguese public hospitals in 2009 (using paper based systems) and 2010 (using eProcurement). It concluded that a cost reduction of 18% had been achieved in 2010, due to the increase in competition generated by eProcurement.”

3.4 - Current use of eProcurement

Overall take-up, both within most countries and across the EU as a whole, remains low and is estimated to be less than 5% of total procurement by value.

According to the “Green Paper on expanding the use of eProcurement in the EU” (October 2010) published by the European Commission, “the exception to this low use is Portugal, where the use of electronic means to conduct the procurement phases up until contract award has been mandatory since 1 November 2009 for most public purchases (some small value contracts are not conducted electronically and the evaluation of certain purchases may be conducted by a mix of electronic and more standard means). As a result, contracting authorities are now procuring more quickly and administrative savings of €28 million per annum are expected. Other Member States have also made the use of certain eProcurement phases or tools mandatory at a national level e.g. Cyprus, Belgium and the Netherlands have made or plan to make the notification of contract possibilities mandatory via certain platforms. Other countries have introduced mandatory requirements for certain levels of government e.g. Austria has made the use of framework agreements mandatory for federal authorities for specific goods and services.

Wider anecdotal evidence suggests that many contracting authorities and economic operators have made the switch-over to eProcurement and would not contemplate a return to paper based procedures.”

EProcurement is no longer a pipe-dream – it is increasingly a working reality in many regions and Member States. Where it is used, it is delivering the hoped-for benefits. These systems have shown their capacity to expedite public purchasing and to ease the flow of public expenditure in the context of the current crisis.

However, use of eProcurement lags far behind the expectations set out in the Manchester Declaration. According the Green Paper “with the exception of Portugal, the Commission estimates that eProcurement transactions do not account for more than 5% of total procurement expenditure even in first-mover Member States. Leadership at all levels of

government – including EU - is needed to maintain and accelerate the transition to eProcurement. If contracting authorities are given the option, they will stick to tried and trusted (paper based) practices rather than invest in and make use of these promising new options.”

The main legal criteria for ePublic Procurement that emerge from the legal requirements of the European Commission legislative framework are provided below:

Confidentiality

The requirement of preservation of confidentiality entails the obligation for contracting authorities not to examine the content of requests for participation and tenders before the deadline for their submission has expired. If that access prohibition is infringed, then the electronic device for the receipt of tenders or requests for participation should detect the infringement.

Integrity

Integrity of data means that the property of data or information submitted by bidders as part of the procurement process must not be modified or altered in an unauthorized manner. This is practically ensured by requiring that the data is signed and that it is only made accessible to authorized personnel of the awarding authority.

Equal Treatment

In the specific context of electronic procurement the principle requires that the tools to be used for communicating by electronic means, as well as their technical characteristics, must not result in a discrimination of bidders. They must also be generally available and interoperable with the information and communication technology products in general use.

Transparency

Aims to ensure undistorted community-wide competitive conditions between the operators in the market and allows them to monitor compliance with the procurement rules. A non-distorted system of competition can only be guaranteed

if the various economic players have equal chances in transparent procurement procedures.

Interoperability

A standardized electronic system must provide easy access to suppliers through a user-friendly interface without using country-specific or otherwise discriminatory technologies capable of restricting economic operators' access to the tendering procedure. An interoperable electronic procurement system in principle guarantees that the various economic players have equal chances in participating in the procurement procedure.

Data Protection

The obligations imposed regarding general data protection are: for economic operators to require that data is treated confidentially, to preserve the integrity and confidentiality of all data and require that the electronic devices used ensure, through technical means, that data sent electronically preserve their integrity and that no unauthorized access to or tampering with data is possible or is at least detectable.

Authentication & Anonymity

Authentication of suppliers is required, if validation of their identity is necessary for accessing the supporting documents. Therefore, this is necessary when a preliminary selection of suppliers has already taken place (e.g. restricted procedure). Additionally, the anonymity of the user must be ensured by the system. This is particularly important during electronic auctions, where auction bids must not be directly associated with bidders.

3.5 - Procurement solution types available on the market

There are dozens of procurement solution types available on the market. According to Gartner, “the four most common types of procurement technology projects in the public sector include e-notification websites, e-sourcing solutions, catalog e-marketplaces and

eProcurement applications. Each type has its own unique pros, cons, maturity level, vendor base and cautions.”

3.5.1 - eNotification Websites

Definition: Websites that allow prospective suppliers to register their interest in doing business, and online, open publication of tender/RFP opportunities. Multi-to-multi networks serve multiple buyers and sellers; procurement application portals can be set up to support e-notification, but will be limited in scope to a one-to-multiple solution.

Core Functionality:

- Ability to post contact information so suppliers may request RFP/tender packages;
- Site archive of contract award details (which suppliers got the business and at what price).

Advanced Functionality:

- Prospective suppliers can download specifications directly from the site.
- After prospective suppliers are registered on the site, they are automatically notified of appropriate opportunities.
- Suppliers post their proposals online, typically as attachments.
- Proposed bids (tenders) are sealed until the scheduled bid open date.
- Prospective suppliers can use credit cards (or other payment solutions) to pay bid package fees.

Public-Sector Adoption: 30% to 40%

Typical Source: Mostly locally sourced, custom-made solutions; some COTS¹⁵ vendor

Works well for:

- Shared services, because process steps and data models can be standardized; and because solutions can be used successfully without integration to other heterogeneous applications
- Economic development, because RFPs (tenders) are open and available to all interested parties, and can provide new work for local businesses
- Corruption reduction, because bids are solicited and awarded transparently.

COTS Vendors (technology platform providers)¹⁶: BidSync, Healy Hudson, Mediagrif Interactive Technologies (MERX, BidNet)

Technologies Leveraged:

- Portals and networks — serve as the platform on which to publish RFPs
- Document management — to store RFP documents and control the version exposed

Target User: Procurement departments

Cautions:

- Most public-sector organizations end up in the awkward position of using a sole-source provider to improve competition and transparency.
- Operators must be careful to make the site useful for prospective suppliers, so suppliers can find suitable opportunities and access them at a reasonable (or no) cost.

¹⁵ COTS = commercial off-the-shelf: item or solution that is commercially available, leased, licensed, or sold to the general public and which requires no special modification or maintenance over its life cycle.

¹⁶ The list of vendors is not comprehensive, and vendors are mentioned for solution types that are their primary focus.

Site Examples:

- BidSync (U.S.)
- e-Vergabe (Germany)
- TenderTiger (India)
- Tenders Electronic Daily (European Union)
- FedBizOpps (U.S.)
- Tenders.go.Ke (Kenya)
- Agjencia E Prokurimit Publik
- nc@your service (North Carolina, U.S.)
- MERX (Canada)

3.5.2 - eSourcing Solutions (Strategic Sourcing Applications/eTenders)

Definition: Solutions that support electronic RFP (tender) publication, supplier bid submission and buyer bid evaluation.

Core Functionality:

- Buyers post RFPs (tenders) online.
- The site notifies prospective suppliers of the opportunities and timelines.
- Suppliers enter detailed bid information in a structured format on the site (not as attachments).
- A simple, online bid summary and comparison are provided for the buyer.

Advanced Functionality:

- Reverse-auction functionality
- Event management business services
- Advanced bid comparison functionality (bid optimization)
- RFI survey creation, publication and results compilation

- Forward-auction functionality
- Support for two-stage sealed bids, in which the technical proposal is opened and evaluated separately from proposed pricing
- Embedded e-notification functionality

Public-Sector Adoption: Less than 5%

Typical Source: Niche COTS vendors that commonly serve the private sector, where adoption rates are much higher

Works well for:

- Cost savings, because systematically bidding out requirements leverages competition to reduce costs
- Single agencies, which are likely to want tailored templates, processes and category management project teams
- Reducing corruption, because bid history and the award decision are well-documented at the detail level
- Improving productivity so that the procurement department can handle a much larger volume of bids without adding staff

COTS Vendors¹⁷: BravoSolution, Emptoris, Tejari and Vortal.

Technologies Leveraged:

- Portals and networks — to extend application functionality to prospective vendors
- Modeling/analytics — to systematically evaluate bids

Target User: Procurement departments

¹⁷ The list of vendors is not comprehensive, and vendors are mentioned for solution types that are their primary focus.

Cautions:

- Buyers typically need ongoing training and support to use the solution.
- The solution works best when high-speed Internet is widely available to prospective suppliers.

Site Examples:

- Dubai Police (United Arab Emirates)
- vortalGOV® (Portugal)
- Anis Spa (Italian Department of Transportation)
- U.K. Ministry of Justice
- Buncombe County, North Carolina (U.S.)

3.5.3 - Catalog eMarketplaces

Definition: Online communities that host multiple supplier catalogs as shared services with products priced at negotiated rates for multiple constituents.

Core Functionality:

- Online catalog content from hundreds or more suppliers
- Negotiated or leveraged pricing
- Search across all catalogs on the site
- Batch file order aggregation and download for constituents

Advanced Functionality:

- Catalog selection limited to contract items
- Normalized descriptions of catalog items
- Side-by-side product comparison for requisitioner evaluation

- Support for punch-out access from constituents' eProcurement solutions to the e-marketplace
- COTS connectors for integration with popular purchasing applications

Public-Sector Adoption: Less than 5%

Typical Source: Niche COTS vendors, custom-made (bespoke) solutions

Works well for:

- Cost reduction, because smaller organizations (towns, counties or agencies) can share a single private marketplace and better leverage their combined demand for lower pricing than would be achievable independently
- Shared services, as long as the pricing and content are appropriate for multiple constituent organizations

COTS Vendors¹⁸: Ariba, Elcom, Healy Hudson ProcServe, SciQuest, Four51

Technologies Leveraged:

- Portals and networks — as the platform to house the catalogs, and to provide self-service access to buyers and sellers
- Search engine technology — so buyers can find needed goods and services across multiple catalogs

Target User: Non-procurement requisitioners of goods and services

¹⁸ The list of vendors is not comprehensive, and vendors are mentioned for solution types that are their primary focus.

Cautions:

- Large sites with hundreds of catalogs may be challenging for requisitioners to navigate.
- Sites do not support preorder requisition approval or budget encumbrance; users must have their own eProcurement system to perform this function.
- Prices often serve as a starting point for users, rather the final negotiated price.
- Scope is often limited to the narrow set of catalog-based items that multiple constituents purchase.
- Many e-marketplace operators position their sites as "optional" sources for constituents, which in turn tends to fatally undermine adoption rates.

Site Examples:

- Zanzibar (U.K.)
- GSA Advantage (U.S.)
- Team Georgia Marketplace (U.S.)

3.5.4 - eProcurement Applications

Definition: Solutions that support the purchase transaction process — from requisition creation and approval to purchase order issuance, receiving, returns processing and three-way match.

Core Functionality:

- Workflow for systematic, rule-based requisition approval
- Preorder funds availability check and budget encumbrance
- Purchase order creation
- Desktop and dock receiving
- Three-way invoice match — receipt, purchase order and invoice

- Blanket orders/frame agreements for commitments that span multiple orders
- Item part master for ordering internally managed order lists
- Purchase order dispatch via autofax and/or e-mail of a .pdf document

Advanced Functionality:

- Support for punch-out access (cXML, OCI) to external catalogs
- Requisitioning from internal stores
- Catalog hosting as a service
- Electronic transmission of orders via electronic data interchange (EDI) and simple data export
- In-line request for quote (RFQ) as an optional step in the requisitioning process
- Portal as a feature to allow suppliers to query invoice status and update their credentials on a self-service basis

Public-Sector Adoption: 10% to 20%

Typical Source: COTS solutions from ERP and niche vendors

Works well for:

- Agency-level project scope, because most eProcurement systems are designed to support a single chart of accounts, user community and approval workflow.
- Reducing spending by stopping, slowing or redirecting spending before it is committed.
- Cost reduction, by making it easier for requisitioners to identify negotiated contracts, frame agreements and approve suppliers at the time of order. In other words, eProcurement can be a key driver for compliance.

COTS Vendors¹⁹: Basware, CACI, CGI, COA Solutions, Compusearch, Elcom, Lawson, Oracle (E-Business Suite), Oracle (PeopleSoft Enterprise), SAP, Periscope Holdings, Proactis, Puridium, SciQuest, Unit4 (Agresso Business World)

Technologies Leveraged:

- Workflow — to orchestrate systematic routing of requisitions for approval
- Mobile technology — so individuals on the go can use the solution
- SOA architecture — enables niche vendors to integrate with heterogeneous applications, such as accounts payable solutions
- Portals and networks — so suppliers can participate in the business process

Target User: Non-procurement requisitioners of goods and services

Cautions:

- ERP-based solutions offer tight integration with accounts payable, but are generally implemented only as an extension to the native ERP.
- EProcurement solutions often take a year or more to implement to accommodate business process re-engineering, workflow layout, integration and change management.
- While eProcurement solutions can be partitioned for use as a shared service, the cost and complexity often negate the return on investment for this style.
- Solution architectures should incorporate access to externally stored content, to allow suppliers to maintain their own catalogs whenever possible.
- The burden of participation for suppliers from ease of use to the ability to serve multiple customers in a single account should be considered in solution architecture.

¹⁹ The list of vendors is not comprehensive, and vendors are mentioned for solution types that are their primary focus.

- The RFQ support offered in many eProcurement solutions is sufficient for simple tenders (i.e., to get pricing on a well-defined, discrete requirement), but rarely sufficient for soliciting and evaluating bids for RFPs and RFIs.

Examples of Public-Sector Organizations Using EProcurement:

- City of Miami, Florida
- Ministries des Finances, France
- U.S. Department of Homeland Security
- London Borough of Camden Council
- Korea KONEPs
- Los Angeles County, California
- Lembaga Tabung Haji, Malaysia
- New York City Housing, New York
- Scottish Executive
- Alaska Department of Transportation

Analysts observe that organizations that *mandate* usage report satisfaction with their solutions more than 80% of the time, whereas less than 25% of organizations which make participation voluntary report satisfaction with the results.

Public and private-sector organizations are often reluctant to mandate the use of preferred suppliers, contracts and tools. The issue is usually due to a lack of authority. Experience has shown, however, that targeted users will often ignore an "optional" solution, even if it has the potential to reduce costs and/or improve processes, due to the inevitable learning curve and the common inclination to avoid new things. As a result, very few procurement solutions that are "recommended," rather than "required," enjoy widespread adoption.

The “mandatory adoption” was critical for the success of econstroi (both buy-side and supply-side) and it was critical to the successful case study that Portugal is currently undertaking with regards to Public eTendering.

Don't Underestimate the Importance of Mandate!

Source: blog of Deborah R Wilson (Research Director at Gartner)

Over the past two weeks, I had the pleasure of meeting face to face with many of Gartner's European clients. I have to say, there is no substitute for in person interaction when it comes to getting to know and understand a market. One of the things that really stood out to me during the course of my travels was how important the role of the MANDATE is to good results with procurement technology. Last week, two clients illustrated this point particularly poignantly.

Client number one has just under \$5 billion in revenue. A handful of people manage indirect spending for a variety of global locations. Technology-wise, this company isn't sophisticated – it uses a custom-built Lotus Notes application as its primary procurement application. A technically savvy member of the IT procurement team wrote and maintains this custom application. The solution's functionality spans contract management, supplier performance management and IT procurement budgeting. This fairly simple but well-integrated application WORKS because management mandates its use. Employees are required to record a rating of supplier performance for every contract in the application. No one is allowed to sign contracts for the organization, outside of a handful of highly trained individuals. Orders aren't awarded to non-preferred suppliers because a simple, searchable list of preferred contractual supplies is maintained. Historic and forecasted spend by contract and vendor are captured in the solution. This company ROCKS using a fairly simple, home-grown tool for a modestly large organization.

Client number two is a lot larger. This company also has far-flung operations spread across many different continents. Client #2 has spent (and continues to spend) millions of dollars on procurement applications. Although it has had modest success, it still

struggles with basic issues. Why? The procure-to-pay system isn't widely adopted because usage is voluntary. The spend analysis implementation has issues because requisitioners can charge expenditures basically to any G/L account they want, to use up funds in other accounts when the one(s) they SHOULD charge are used up. The bottom line is – this company is unwilling to mandate the behavior required successful spend management – and so despite loads of time, money and effort, its initiatives struggle to succeed.

Is there any other area where companies make usage of an application optional? I've never heard of firms that say, "Ah, use the T&E app if you WANT to." Or, "Oh, we don't really need to enter that order in our CRM system." That would be nuts. And so is implementing an "optional" procurement solution.

Lesson learned? Can't mandate, don't bother!

3.6 - Public eTendering in Portugal

A new legal framework for public procurement was approved in Portugal on 2008 to overcome previous shortcomings, to transpose the Directives 2004/17/CE and 2004/18/CE and to become part of a global strategy to make Portugal one of the most advanced European States in Information Society (Dec-Lei 18/2008).

Previous laws were too fragmented, placing a heavy bureaucratic load on any tenderer to follow rules which were too rigid for the execution of contracts.

According to the white paper "Public eTendering in the European Union", "therefore, the proposal for a new code was inspired by quite different objectives such as:

- Full adoption of web based eBusiness; for instance, submitting tenders online and the possibility for the supplier to compile personalized profiles, or the presence of online screening tools to pre-qualify suppliers for certain calls for tenders;

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- Broad flexibility of procedures to award contracts including new options such as reverse auctions, dynamic acquisitions systems, framework agreements, etc.;
- Availability of the full specification of the multi-criteria model to evaluate tenders by any tenderer before having to present its tender (Graça and Tavares, 2010);
- Reinforcement of review rights, for instance, introducing the grace period of 11 days between awarding and contracting phases.

This new legal framework (Decree 18/2008 and additional legal documents) has been implemented since 2009 and since 1st of November, 2009 all public competitive (open, restricted or negotiated) procedures to award a public contract have to be conducted through eTendering.

This means that, for the first time, eTendering is compulsory in order to award any public works, supply or services contract, which increases transparency and accessibility.”

4 - Suggestion for audience animation

| Session | Goals | Supports | Time |
|-------------------------|--|---|--|
| 1 st session | Gather audience's attention to the company through a video about Vortal and VortalGOV [®] | Video Vortal (www) Video vortalGOV (www) | 15' |
| Out of the sessions | <ul style="list-style-type: none"> • Create a diagnosis regarding B2B opportunities & threats • Correlate business opportunities and law's constraints in a regulated market; • To define criteria to prepare several strategic options; • Identify implementation risks | <ul style="list-style-type: none"> • Reading of “Public eTendering in Portugal - vortalGOV case study” • Resolution of the case study | 30' |
| | 2 nd session | Resolution of the case study guarantying pedagogical goals proposed | <ul style="list-style-type: none"> • Discussion guided by the Professor • Presentation |

5 - Questions for debate session

1. What is your comparative analysis between private and public market?
2. What is your SWOT analysis?
3. What to conclude from the Marker Research?
4. What are the legal restrictions?
5. How to increase satisfaction among Universal customers in vortalGOV[®]?
6. What are the strategic options to increase value?
7. How to create synergies with vortalGOV to bring more customers to the econstroii?
8. How to collect value in the supply side of the eMarketplace through value added services? What services?

6 - Resolution

1. What is your comparative analysis between private and public market?

| | Private Market | Public Market |
|----------------|--|--|
| Main driver | Contractors (buyers) | Contracting authorities (buyers) |
| subscription | Volunteer adoption of the buyers Suppliers are influenced by the buyers | Mandatory adoption of the buyers Mandatory adoption of the suppliers |
| Business Model | Subscription fee based on the dimension of buyers and suppliers | Subscription fee based of the dimension of the buyer Free to suppliers to have access to the basic services |
| Competition | No competition (as of today) | There are 8 certified platforms ²⁰ |

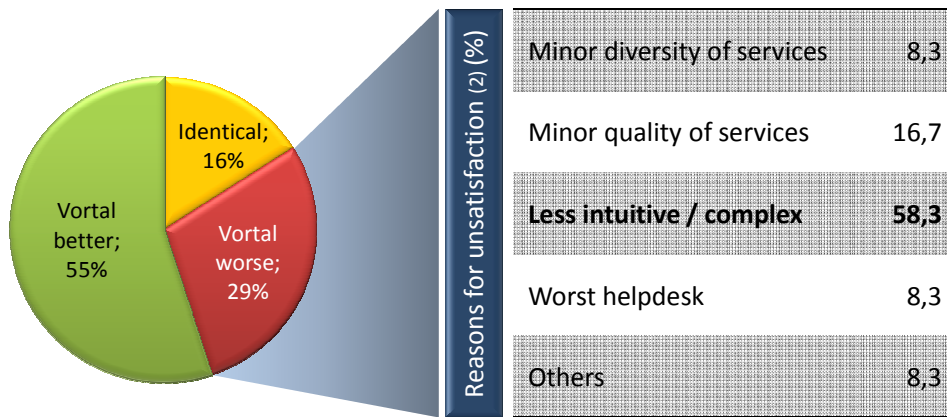
²⁰ Source: www.base.gov.pt

2. What is your SWOT analysis?

| | | | |
|----------|---|----------|---|
| S | Strengths <ul style="list-style-type: none">• Leader in G2B2B emarketplaces operation• Recognition by major international analysts as a G2B2B leader• Expertise – vertical industry approach• Experience operating under mandatory adoption of eTendering• Experience in the private market with econstro• Maturity of the technology• Security certification ISO27001 | W | Weaknesses <ul style="list-style-type: none">• Registration process (authentication certificates)• Access to the helpdesk• Platform's complexity• Too much dependence on the helpdesk instead of online tools• Low participation of suppliers in the training sessions |
| O | Opportunities <ul style="list-style-type: none">• Need to decrease Governements deficit• Advantage of being leader in the first country with mandatory adoption of eTendering• Large network of suppliers (crossover supply categories) | T | Threats <ul style="list-style-type: none">• Economical environment (impacts sales on the supply side)• International competition• Portuguese competition may copy the business model |

3. What to conclude from the Marker Research?

Comparison between Vortal and its competition seen by the Universal customers:



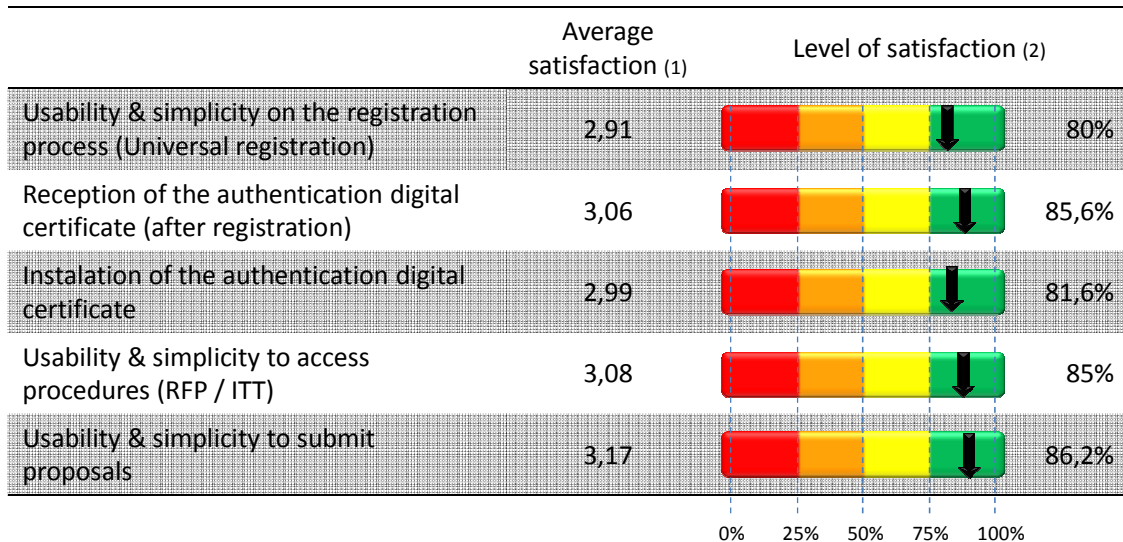
Facts:

- 55% of respondents considered vortalGOV better than its competitors;
- 29% consider it worse than its competitors mainly because of usability and complexity;
- Quality of the helpdesk is not mention as a relevant issue to increase dissatisfaction

Conclusion:

- Better than competition but with space to increase satisfaction;
- Increase usability and contextual help.

Universal customers' average satisfaction with vortalGOV[®]



Base: total of respondents regarding every item under evaluation

(1) Scale: 1 – Very unsatisfied; 2 – Unsatisfied; 3 – Satisfied; 3 – Very satisfied;

(2) % of satisfied or very satisfied respondents

Facts:

- vortalGOV rates very good in all the items under survey;
- Registration is the topic with major concerns;
- The digital authentication certificate has been received with a high degree of satisfaction;
- Usability & simplicity to access procedures and to submit proposals have a high level of satisfaction: >85%.

Conclusion:

- There is space to take advantage of the customers (good) experience.

Satisfaction with vortalGOV[®] per customer tier

| Average satisfaction (1) | Total | Tier | | |
|---|-------|------|------|------|
| | | 1 | 2 | 3 |
| Usability & simplicity on the registration process (Universal registration) | 2,91 | 2,71 | 3,04 | 3,08 |
| Reception of the authentication digital certificate (after registration) | 3,06 | 3,08 | 3,07 | 3,00 |
| Installation of the authentication digital certificate | 2,99 | 2,89 | 3,04 | 3,09 |
| Usability & simplicity to access procedures (RFP / ITT) | 3,08 | 2,95 | 3,11 | 3,19 |
| Usability & simplicity to submit proposals | 3,17 | 3,08 | 3,22 | 3,24 |

Base: total of respondents regarding every item under evaluation

(1) Scale: 1 – Very unsatisfied; 2 – Unsatisfied; 3 – Satisfied; 3 – Very satisfied;

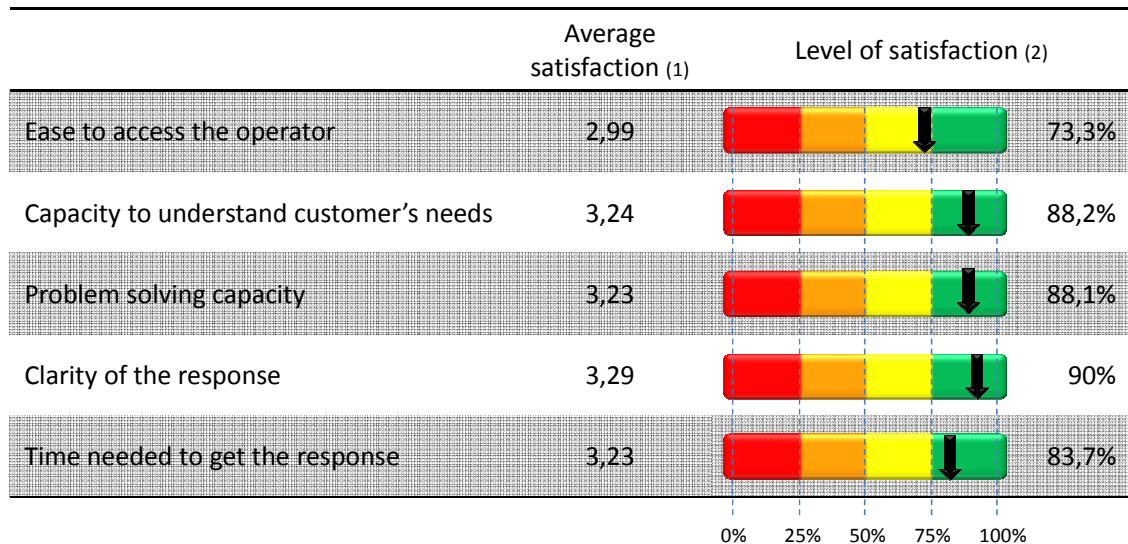
Facts:

- Average satisfaction is high, namely when considering the usability and simplicity of submitting proposals;
- Satisfaction is higher in larger companies:
 - Lack of training on IT in small companies (not only related with the platform);
 - Gap of expertise using digital certificates.

Conclusion:

- The registration process is one of the main issues regarding dissatisfaction.

Satisfaction with the helpdesk among Universal customers



Base: total of respondents regarding every item under evaluation

(1) Scale: 1 – Very unsatisfied; 2 – Unsatisfied; 3 – Satisfied; 3 – Very satisfied;

(2) % of satisfied or very satisfied respondents

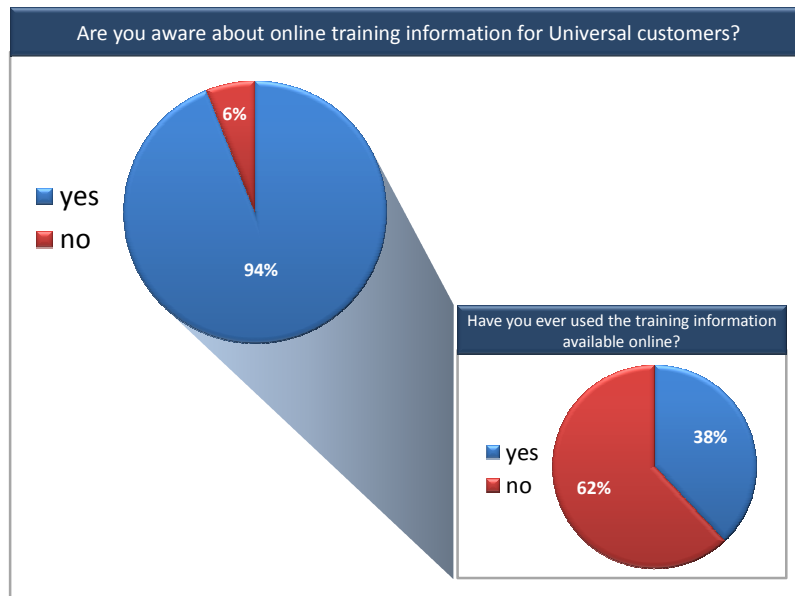
Facts:

- The “ease to access the operator” has the lowest average satisfaction level with 73.3%.
- Every time customers contact the helpdesk, they have high satisfaction regarding capacity to understand, deliver and clarity.

Conclusion:

- Even though satisfied with the helpdesk capacity to solve problems, in certain conditions customers don't have easy access to the service. Definitely a topic to consider and improve.

Level of awareness about online training information for Universal customers



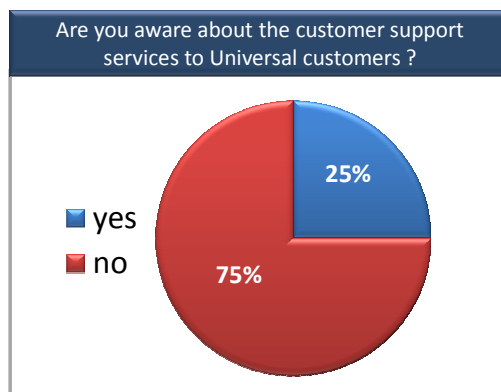
Facts:

- There is a great awareness (94%) about online training programs for Universal customers;
- The large majority have never used online training information before.

Conclusion:

- The platform's communication about online training catches the users' attention;
- The users are so used to having a free helpdesk support that they prefer using this service even if it means having to wait sometimes, instead of using the available tools to become a proficient user or even participating in the offline training sessions;

Awareness about the customer support services to Universal customers



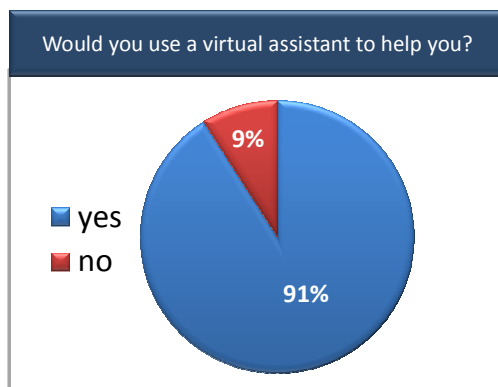
Facts:

- The large majority of users are not aware of the existence of a customer support service available to Universal customers

Conclusion:

- Is it worth increasing communication? In fact, these kinds of services are used whenever a customer needs special assistance regarding a specific procedure.

Intention of using a virtual helpdesk assistant



Facts:

- The large majority of users are willing to use additional online tools to support them when using the platform.

Conclusion:

- Great potential to increase autonomy on customers;
- Great potential to reduce costs with offline helpdesk

4. What are the legal restrictions?

- Legislation: Public procurement Code (DL 143/2008), covers all contracting authorities;
- Mandatory: must perform all pre-award procedures through an electronic platform;
- Principle of non-discrimination: platforms may not charge any amount to suppliers for the access to the platform's basic services;
- Economic operators must use digital certificates for authentication in Public eTendering platforms;
- Economic operators must use qualified digital certificates to sign documents and proposals submitted in Public eTendering platforms;
- Platform operators are allowed to charge suppliers for value added services;
- Registration of all public procurement awards in BASE portal: www.base.gov.pt
- Platform operators must be certified. Certification authority in Portugal: CEGER (Centro de Gestão da Rede Informática do Governo - Management Centre of Government Computer Network) - www.ceger.org.pt

5. How to increase satisfaction among Universal customers in vortalGOV[®]?

- Increase usability in the platform
- Create new entry points to the “help online” tools
- Better communication regarding online tools and training programs

6. What are the strategic options to increase value?



7. How to create synergies with vortalGOV[®] to bring more customers to the econstroï?

Identify potential customers to the econstroï. Companies already working with vortalGOV might be also interested about having access to the private market opportunities in econstroï.



Figure 5 - Process to increase cross-selling among Universal Customers

8. How to collect value in the supply side of the eMarketplace through value added services? What services?

The legislation states that the basic services have to be free to suppliers. This means that suppliers have to have free access to the platform so they may submit bids whenever they are invited to. Nevertheless, there are several services / features that are not part of the basic services.

Regarding strategic options, the development of new services to suppliers should be the best option to follow.

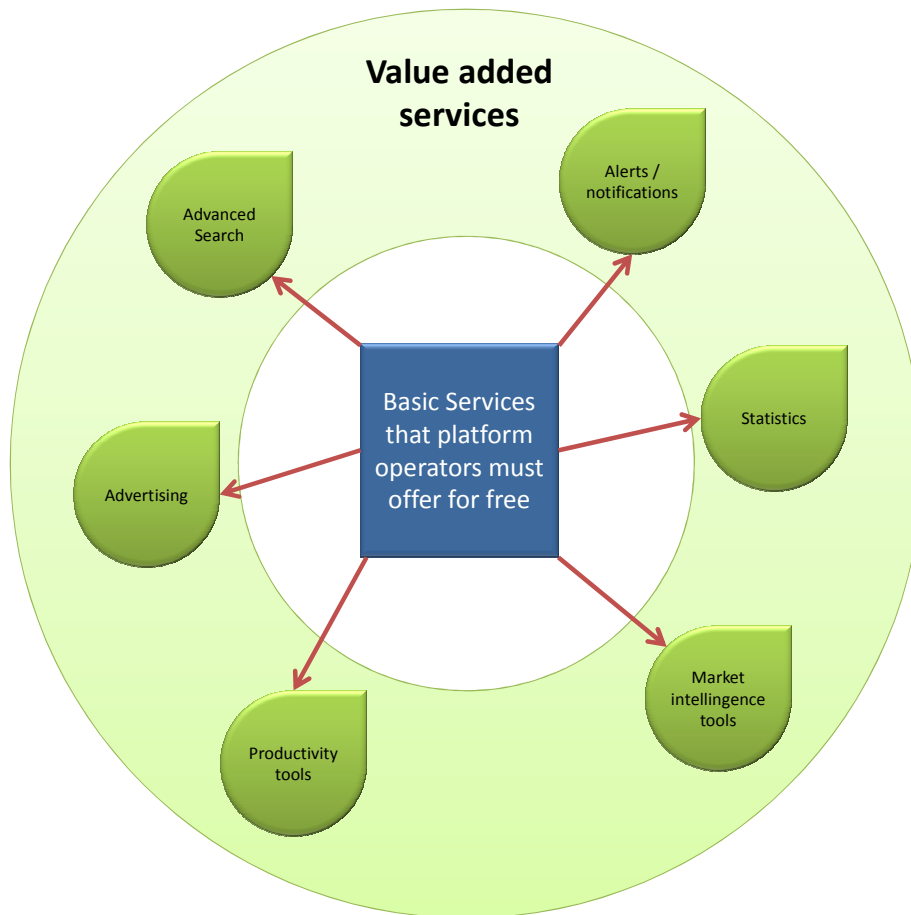


Figure 6 – value added services to suppliers

Beyond basic services, there are several value added services to offer suppliers (see Figure 6):

- **Bulletins/notifications:** the possibility of sending out client bulletins (based on categories, contracting authorities, geography, etc.). These enable suppliers to be made aware of the opportunities which could give them the edge in the market and open up more possibilities. Furthermore, bulletins based on mobile technology ensure online access to the platform even when it is not connected to the PC.

- **Statistics:** Pre-award commercial processes are not as well covered as the post-award processes where there is already a contract. This means, especially for SMEs, that a tool enabling bid/tendering monitoring (bids submitted, time to bid, etc.) and commercial teams results (success rates, new customers obtained, etc.) is very useful.
- **Market Intelligence Tools:** With regards to maintaining data confidentiality, it is important and useful to provide aggregated information about company markets: spend per category volumes, buyers and competition rankings per category, historical data, etc. (does not include any references to prices or individual awards not related to the company);
- **Productivity tools:** Companies submitting proposals to large Tenders can be much more productive if they could use fast import / export tools from standard XML (allowing integration from spreadsheets like MS Excel); on the other hand, templates for messages and mandatory annexes can be very useful in a Public e-Tendering context;
- **Advertising:** Considering the large number of companies, contracting authorities and individual users, there is an attractive market which can be targeted by advertising.
- **Advanced Search:** Being a platform accessed by thousands of buyers, there is a lot of information to manage; buyers and business opportunities do not have the same relevance to suppliers, so, by combining market intelligence tools with an advanced search engine, suppliers would be able to combine criteria like contracting authority relevance, type of procedure, company success rates, etc.

Considering the examples of value added services, one of the solutions could be the development of a new premium service (blended).

Why?

- Suppliers need to be informed about the procedures in which they are involved. They are prepared to pay for new notification channels (SMS, fax etc..)
- Platforms are used by thousands of users which make them attractive to advertisers.

Epilog – What was done by Vortal?

New service SIMPLE

For companies that only want to access and make proposals for the business opportunities in the public sector and have access to the basic services for vendors, Vortal has launched the service “Universal Access”.

The image shows the homepage of vortalGOV. At the top, there is a navigation bar with the logo and the tagline "Confiança Simplicidade Eficiência Valor". Below this, there are several sections: a main banner for "ENTIDADES ADJUDICANTES" and "ENTIDADES FORNECEDORAS" with a "SIMPLE" service box; a table titled "vortalGOV em números" with statistics; a section titled "porque o vortalGOV?" with bullet points; a "Peça já um acesso Experimental Gratuito" banner for the SIMPLE service; and a section about "vortalGOV, com créditos nos bons resultados obtidos em e-Contratação Pública na UE" with a quote from the European Commission. On the right side, there are links for "Login", "707 20 27 12", "QUERO ADERIR", "LOJA ONLINE", "SIAP", and "Prémio PME Inovação 2007".

| vortalGOV em números | |
|------------------------------|-----------------|
| Procedimentos já realizados | 28.445 |
| Valor dos concursos | 2.832.482.059 € |
| Propostas electrónicas | 75.508 |
| Entidades adjudicantes | 2.018 |
| Empresas registadas a operar | 20.124 |
| Número de utilizadores | 23.284 |

| porque o vortalGOV? | |
|--|--|
| A maior segurança certificada pela norma ISO 27001 | |
| A melhor arquitectura tecnológica e de desenvolvimento (SOA) | |
| O mais potente motor de análises de propostas | |
| A plataforma mais aberta e compatível com todas as tecnologias | |
| Total cobertura geográfica | |
| Academia Vortal | |

Peça já um acesso Experimental Gratuito

vortalGOV, com créditos nos bons resultados obtidos em e-Contratação Pública na UE

O Livro Verde, elaborado pela Comissão Europeia conclui que "a Contratação Pública electrónica não é mais uma ilusão, mas cada vez mais uma realidade." Nesta edição, também é confirmado que

Figure 7 - Homepage vortalGOV with a banner of Simple

Also for the public market, Vortal launched in mid-2010 the new service SIMPLE (See Figure 7) to vendors who want to have access to:

- market intelligence tools of (market barometer),
- advertising,
- advanced search tools, among others.

The biggest boom in sales occurred in May with the launch campaign.

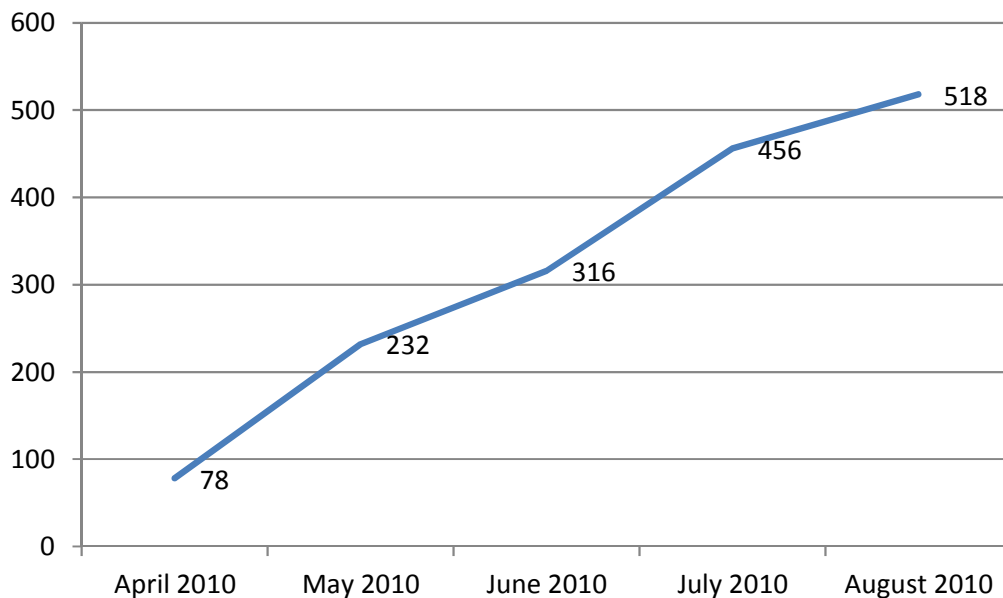


Figure 8 – SIMPLE Sales evolution

Vortal also established agreements with companies issuing digital certificates and timestamps, selling these deals in order to ensure compliance with all relevant legal users of its platforms.

Features analysis between Universal and SIMPLE

| Features | Universal | Simple |
|---|-----------|--------|
| Access to detail the procedures | X | X |
| Digital certificate authentication (not valid for signing documents on the platform) | X | X |
| Request/access the clarifications of Contracting | X | X |
| Proposals, applications and solutions with specific resource forms and attaching documents | X | X |
| Electronic Receipts of transactions conducted | X | X |
| Full Access to the documentation produced in the framework of the procedures where authorized and provided for under the legislation in force | X | X |
| Affixing of timestamps (whenever you have a sufficient credit balance) | X | X |
| Encryption of proposals, applications, solutions, and documents | X | X |
| Access to public procurement procedures | | X |
| Access to information management features | | X |
| Advanced filters for segmentation of procedures: in the categories of supply company, direct invitations and Favorites | | X |
| Advanced search of procedures (by: entity type, the base price, date, status, category, ...) | | X |
| standard Search of procedures | X | X |
| Automatic recommendation for direct invitation by the contracting authority | | X |
| Available for manual scan of the contracting entity | X | X |
| Disclosure of the company's logo and Résumé in the list of companies suggested to the contracting authority | | X |
| Logo, Corporate Curriculum and direct link to page in the Internet business directory | | X |
| Barometer of public procurement (market intelligence) | | X |

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| | |
|--|---|
| Indicators and statistics of the company and its business areas (market intelligence) | X |
| Rankings of buyers and sellers by supply category | X |
| Intelligent Categorization according to the use of platform | X |
| Alerts and notifications of new procedures, requests for clarification or procurement, through email, SMS or fax | X |
| Manager of messages exchanged within the framework of the procedures and alerts for new messages | X |
| Monitoring and alarm changes under Additions | X |
| Import prices through XML format (integration with spreadsheets, e.g. MS Excel) | X |
| Templates for request for clarifications to Contracting | X |
| Access to the full detail procedures history | X |

Figure 9 - Features analysis between Universal and SIMPLE

Customers of public markets (vortalGOV[®]) are now divided into three groups:

1. Those who are also customers of econstroj, paying for these services (called **econstroj Subscribers**);
2. Those who only have access to basic services of the public eTendering platforms, not paying for it (called "**Universal**");
3. Those who have access to services of public market value (market intelligence, advanced search, advertising, etc.), paying an annual subscription (called "**SIMPLE**")

Lessons to be learnt

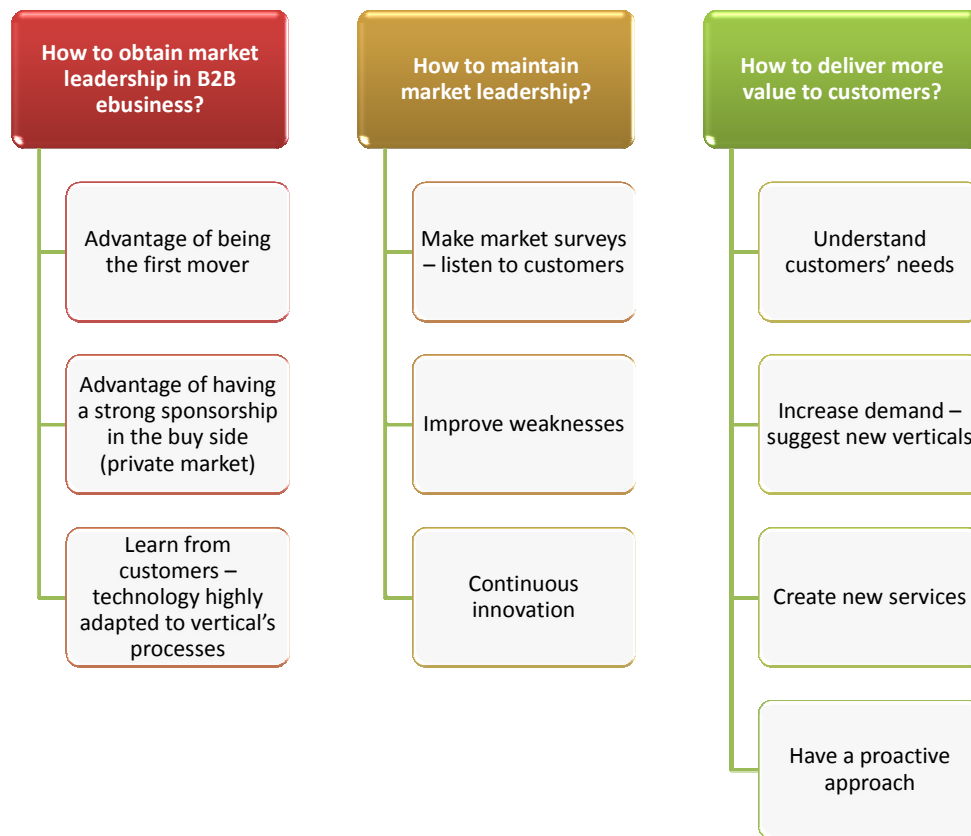


Figure 10 - Lessons to be learnt

There are 3 main lessons to be learnt from this case study (Figure 10):

- **How to obtain market leadership in B2B e-business:** In a community based business, relevance is one of the main keys to success. This is the case, for example, with mobile networks (people prefer mobile networks depending on communication and data prices and their main contacts network, again, because of special communication prices inside the network) or even social networks (where people need to be where their friends are). In B2B e-business there are similarities since suppliers need to be where buyers are. Being the first to make a move in the

market and having the right sponsorship in the buy-side, e-Business initiatives have more potential to be successful. Equally important is knowledge about technology and, most important, about the market / industry in operation;

- **How to maintain market leadership:** It's one thing to become a market leader, quite another thing to maintain that leadership. It is therefore vital to listen to client experience. They are the experts when it comes to the usability and value proposition you're delivering. By identifying and improving weaknesses, customers will understand that they are dealing with a platform that is focused on solving their problems. To maintain leadership in an exponential growth industry, it is crucial to be continuously innovative: innovative about the value proposition, business model and commercial channels.
- **How to deliver more value to clients:** Knowledge about verticals (in a vertical industry approach) or about communities (both vertical and horizontal approaches) are fundamental to understanding how to deliver more value across value chains; again, listening to clients could be an inexpensive way to achieve that. The development of cross-market synergies could add more relevance to e-Business initiatives allowing clients to be retained and, at the same time, creating the potential to implement new services.

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