e-Procurement System Delivers Collaborative Results

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Presented by:
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&
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The “New Normal” in Public Education

- Budget constraints
- Tax levy restrictions
- State aid uncertainties
- Pressure to reduce tuition cost
- Taxpayer spending scrutiny
- Reduced staffing levels
## New Strategic Importance in the “New Normal” - Purchasing

**What other colleges are saying about the value of the Purchasing Function:**

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<th>Quote</th>
<th>Source</th>
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<td>&quot;I tell the CFO, 'All your accountants can do is count money, but purchasing can make you money. Seventy to 75 percent of operating costs are in personnel, salary, and wages. The rest is in supplies and services, and those are the areas where purchasing can have an impact.&quot;</td>
<td>(Bill Cooper, CPO, University of Missouri)¹</td>
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<td>&quot;We are one of the few administrative groups in the position of showing value right now.&quot; &quot;Any chance to save money means less department budget cuts.&quot;</td>
<td>(Ted Johnson, CPO, University of California, San Diego)¹</td>
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<td>&quot;All presidents are panicking and procurement is becoming more and more important.&quot; &quot;My own president has been known to ease budgetary fears around campus with these soothing words: 'Don't worry, Procurement will handle it.'&quot;</td>
<td>(Jack Zencheck, CPO, Yeshiva University)¹</td>
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<td>&quot;Cost savings aren't about profit, but about saving programs, staff, and research dollars.”</td>
<td>(Ted Johnson, CPO, University of California, San Diego)¹</td>
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<td>&quot;The single biggest area of opportunity in public education to reduce cost without impacting staff or salaries is in purchase cost reduction.”</td>
<td>(Spikes-Cavell)²</td>
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² Spikes-Cavell presentation to WTCS Purchasing Committee on Oct. 18, 2012, Mid-State Technical College, WI Rapids
Challenges faced by all Colleges Moving to “Strategic Purchasing” under the “New Normal”

Lack of:
- Visibility of spend
- Commonality and standards
- Unified policies and approaches
- Integration between systems
- Know-how and approach
- Time and resources
The Solution to all these Challenges?

- One common procurement for multiple districts
- Visibility of spend in system is now known between districts
- Need to standardize is no longer a major issue
- Data is shared and integrated between districts
- Streamlined & automated “Procure-to-Pay” systems
- Best practices are being utilized through SciQuest
- Increased revenue from rebates, etc.
- Greater cost savings is being attained
- Increased efficiency without increasing staff
- e-Procurement

Increased efficiency without increasing staff

Data is shared and integrated between districts

Visibility of spend in system is now known between districts

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Streamlined & automated “Procure-to-Pay” systems

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So, What is e-Procurement (and why is it used)?

A spend management system that....

- Gives ‘Amazon-like’ shopping experience reducing staff time by 40%
- Utilizes online vendor or client-negotiated catalogs from “vetted” & pre-approved best-priced suppliers & contracts
- Standardizes how to measure & report savings
- Empowers departments to directly order what they want, when they want, from pre-negotiated contracts.
- Leverages group and organizational buying power (based on usage)
- Steers spend to best priced contracts
Benefits Realized from e-Procurement

- Reduces purchasing costs by larger discounts from shared volumes
- Provides better contract compliance monitoring
- Reduces ‘maverick’ spending
- Improves information available to end-user quickly and efficiently
- End-user makes purchase with little or no purchasing involvement
- Reduces P-Card reconciliations
- Increases P-Card and contract rebates
Current State of e-Procurement

Twelve colleges contracted with SciQuest; 11 using

Two models of SciQuest in use:

- Three colleges purchased premium model
  - (integrates with existing ERP)
- Nine colleges purchased Consortium model
  - (centralized catalogs; not ERP integrated)

Not all colleges fully implemented yet

- Improvement being made monthly
- Progress has been slower than anticipated

Still more work to do to maximize savings
WTCS e-Procurement – How it Works

WTCS Supplier Contracts

WTCS

Spend Director

Contract Manager

Opt In

• Pricing
• Contracts
• Catalogs

ERP Integration

Spend Data

Metrics

Opt In

• Contracts
• Pricing
• Catalogs
• ERP Integration

Consortium Plus Members

Order Delivery

Express Limited

Express Limited

Private/State/GPO Supplier Contracts

Enable

Spend Data

Premium Members

50 catalog licenses available

WTCS e-Procurement – How it Works

Consortium Plus

Members

Order Delivery

Premium Members

50 catalog licenses available

WTCS Supplier Contracts

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SciQuest Spend by Month
(from start to present)
SciQuest Spend by Month
2012
SciQuest Spend by Month

2013

Total

Linear (Total)
SciQuest Spend vs. Addressable Spend

- SciQuest Spend FY2013: $7,042,776
- SciQuest Spend last 12 months: $8,171,292
- FY2013 Addressable Spend for Enabled SciQuest Vendors by all Colleges: $19,948,401
- FY2013 Addressable Spend for all Vendors by all Colleges: $125,000,000
Key to Realizing Consortium Potential

A Consortium-wide e-procurement system that will easily:

- **Create**
  - Source and negotiate contracts

- **Publish**
  - Promote contracts to all members

- **Use**
  - Search, subscribe and use pertinent contracts

- **Report**
  - Track and report aggregate member spend

Source of Contracts

Consortium Purchasing Group

Member
Member
Member
Member
Collaborative Savings Potential Using e-Procurement

**WTCS Savings Estimate (per SciQuest):**

- ‘Addressable Spend’ $125M (of $1B total)
- Estimated **annual** savings of 6% = $7.5M/Year

**Conservative WTCS Estimate**

- Operating Supplies *only* $40M
- Estimated savings of 6% = $2.4M/Year
How are the Savings ($7.5M) to be Achieved?

Contract compliance ($1.2M annual savings)

- Improve existing strategic contracts
- Move to new contracts through sourcing

Control on-contract pricing

- Redirect ‘maverick’ off contract spending to on-contract

Non-contract spending ($6.3M annual savings)
E-Procurement has increased Collaboration between Agencies

- Agencies converse with each other and exchange information about the “best priced” and “best service & value” contracts.

- Enabled supplier price catalogs are set up from “piggybacking” a wide variety of pre-bid contracts such as:
  - Contracts with other States and large city contracts around the nation (ie: State of Connecticut, Iowa, LA County, City of Chicago)
  - Government cooperative purchasing contracts (Federal GSA, NASPO, WSCA, MMCAP, WTCS, MHEC, MicTA, NJPA, DOA, UW, VALUE, etc.)
  - GPO’s (Group Purchasing Organizations) – E&I, Provista, Amerinet, U.S. Communities, etc.

- Time spent “shopping” & negotiating for best value contracts increase, and clerical labor and effort decrease, resulting in stronger savings, increased value, and higher ROI being reported for the procurement department & the agency.
Questions?