

# Electronic Commerce

## Investing for Savings

Prepared by: Graham Kemp, Director of AMS  
and Stephen Whittaker, Director of Procurement Services  
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# University of Toronto

- Founded in 1827
- 29 Colleges/Faculties/Divisions
- Comprises 278 Hectares of Land
- With 262 Buildings
- At 3 Campus Locations
- With Over 40 Libraries
- 2,979 Faculty
- 9,722 Total Staff

# Background

- SAP Financials Since 1995
- Implemented Sales & Distribution 1998
  - Primarily MDC
  - Consolidation of all internal store operations
- MDC Provides
  - Purchasing for Faculty of Medicine
  - Annual sales of >\$8 Million
  - Inventory
  - Source special items
- Purchasing Card Introduced 1996
  - \$5000 limit/purchase
  - Used extensively
  - \$6.6m annually

# Problems

- Duplication of a large Portion of Components along the Lines of the Organization
- Resources & Time to Access & Process Materials & Supplies Information
- Existence of Duplicate Parts Within each Inventory Structure
- Large Number of Functional Equivalents
- Non Consolidated Vendors



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# Leading To Proposal

- Investigation of Various Vendors
- Aspect/SAP Integration
- Ability to Source Through SAP
- Feasibility Study
  - 40 U of T participants
  - Across all campuses
  - Business officers/administrators/management
  - Workshops & interview
  - Review sessions

# Facts & Figures

- 8,615 Suppliers
- 44,816 Items
- 194,298 Purchase Order Transactions
- 84,760 Renegade Buys
- 15-27% Higher Cost for Renegade Buys
- 30% Purchasing is Strategic

# Key Factors

- 700+ Purchasers
- Buying Process
  - Slow
  - Labour intensive
  - Ineffective
  - Up to 40% lab staff
  - Up to 30% admin staff
- SAP R/3
  - Not for casual users
- Reconciliation Process Tedious
- P-Card Easier Up Front

# E-Cat Proposal

- Develop E-Cat with SAP/Aspect
- Enterprise Software in Place (SAP)
- Aspect
  - Catalogue software
  - Content development/maintenance
  - Integration with SAP
  - Intuitive web interface

# E-Cat Objectives

- A Unique U of T Catalogue
- One-stop Shop for Multiple Commodities
- Relevant Content Selected by User Teams
- Best Value Using University Leverage
- Simple, Intuitive User Interface
- Better Information
- Integration with SAP Funds Management

# What E-Cat Enables

- E-Cat Enables:
  - Search For Items By
    - category, supplier, picture, mfg product #, technical parameters, where used
  - Compare With Functional Equivalents
  - Search for Alternates
  - Create Order Templates
  - Define and Apply Local Business Rules for Authorization and Approvals

# E-Cat Enabled Cost Savings

- Aspect Study – 15% Minimum
- Nat'l Assoc Purchasing Mgt – 15–27%
- UCLA Forecast – 26%
- Xerox – 400% ROI
- Novell 130% ROI in 1<sup>st</sup> Year

# University Non Salary Expenditures

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(\$ thousands)

<b>Materials &amp; Supplies</b>	<b>\$109,378</b>
<b>Services (e.g. Utilities)</b>	<b>63,027</b>
<b>Ancillary Services</b>	<b>53,226</b>
<b>Non Capital Repairs &amp; Maintenance</b>	<b>31,606</b>
<b>Other Expenses</b>	<b>27,668</b>
<b>P-Card Purchases</b>	<b><u>6,542</u></b>
<b>TOTAL</b>	<b>\$ 291,447</b>

**\$ 66 Million**

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# Source of Savings

- Reduce # of Vendors
- Reduce # of Items
- Guide Purchaser to Prime Vendor
- Improved Information
- Streamline Administrative Tasks

# Academic Benefits

- **Savings Directly to the Dept, Division or Research Grant**
- **More Time Devoted to Academic & Research Pursuits**
- **Reduce Administrative Overhead**
- **Leading Edge Technology in-line with Leading Research & Teaching University**
- **Perception of More Responsible Spending**
- **Accountability**
  - **Authorization tailored to local needs**
  - **Funds checking and reservation**

# End User Benefits

- **Easy to Use**
- **Value Assured**
- **7 by 24 Availability**
- **More Informed Decisions Due to Better Information**
- **Eliminate Requirement for Multiple Quotes**
- **Eliminate Spending Limits**
- **Alternative to Traditional Purchasing Processes**

# Investment / Benefit



## Projected Investment - Savings

Fiscal Year	OTO	Base	Annual Savings @ 7%
2000	\$ 1,413.1		
2001	214.0	\$ 157.0	\$ 1,648.2
2002	104.0	+17.0	2,637.2
2003	52.0	+16.0	2,955.8
2004		+ 8.0	4,615.0
2005			4,615.0
<b>Total</b>	<b>\$ 1,783.1</b>	<b>\$ 198.0</b>	<b>\$ 17,471.2</b>

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# Cost Avoidance

- 200 Users
- Annual Burdened Labour Cost 51,674
- % Time Purchasing 36%
- Estimated Productivity Improvement 50%

**Cost Avoidance \$1,835,460**

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# What Others Are Doing

- MIT
- University of Michigan
- UCLA
- Bayer

# Summary of Benefits

- Easy to Use
- Relevant Content
- Value Assured
- Accessible 7 Days, 24 Hours
- Accountability
  - Authorizations
  - Funds checking, reservation
- Enable Strategic Partnerships

# Recommendations

- Implement E-CAT
- Assemble Project Team
- Provide Funding
- AMS Steering Committee Provide Direction

# Ultimate Goal

- Majority of Purchases Through E-Cat
  - Materials & supplies
  - MRO
  - Services
- Extend the Catalogue To:
  - Other institutions
  - Affiliated hospitals
  - Any other related organization

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# Funding

- OTO Cost U of T
- On-going Operating
  - Vendor volume rebates
  - Transaction fees

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