Electronic Commerce
Investing for Savings

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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

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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

Investing for Savings
e-commerce

P-card

Pay

Record

Order

Shop

e-catalogue

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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

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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

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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

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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 1st Year

Investing for Savings
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials &amp; Supplies</td>
<td>$109,378</td>
</tr>
<tr>
<td>Services (e.g. Utilities)</td>
<td>$63,027</td>
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<tr>
<td>Ancillary Services</td>
<td>$53,226</td>
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<tr>
<td>Non Capital Repairs &amp; Maintenance</td>
<td>$31,606</td>
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<tr>
<td>Other Expenses</td>
<td>$27,668</td>
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<tr>
<td>P-Card Purchases</td>
<td>$6,542</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$291,447</strong></td>
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</tbody>
</table>

**$66 Million**

*Investing for Savings*
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

Investing for Savings
# Projected Investment - Savings

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>OTO Base Savings @ 7%</th>
<th>Annual Savings @ 7%</th>
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<tbody>
<tr>
<td>2000</td>
<td>$1,413.1</td>
<td>$1,648.2</td>
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<tr>
<td>2001</td>
<td>214.0</td>
<td>$157.0</td>
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<tr>
<td>2002</td>
<td>104.0</td>
<td>+17.0</td>
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<tr>
<td>2003</td>
<td>52.0</td>
<td>+16.0</td>
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<tr>
<td>2004</td>
<td>52.0</td>
<td>+8.0</td>
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<tr>
<td>2005</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$1,783.1</td>
<td>$198.0</td>
</tr>
</tbody>
</table>

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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

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Recommendations

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

Investing for Savings
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