

# Purchasing and e-Procurement Update

Board of Regents  
Finance Committee

May 9, 2013

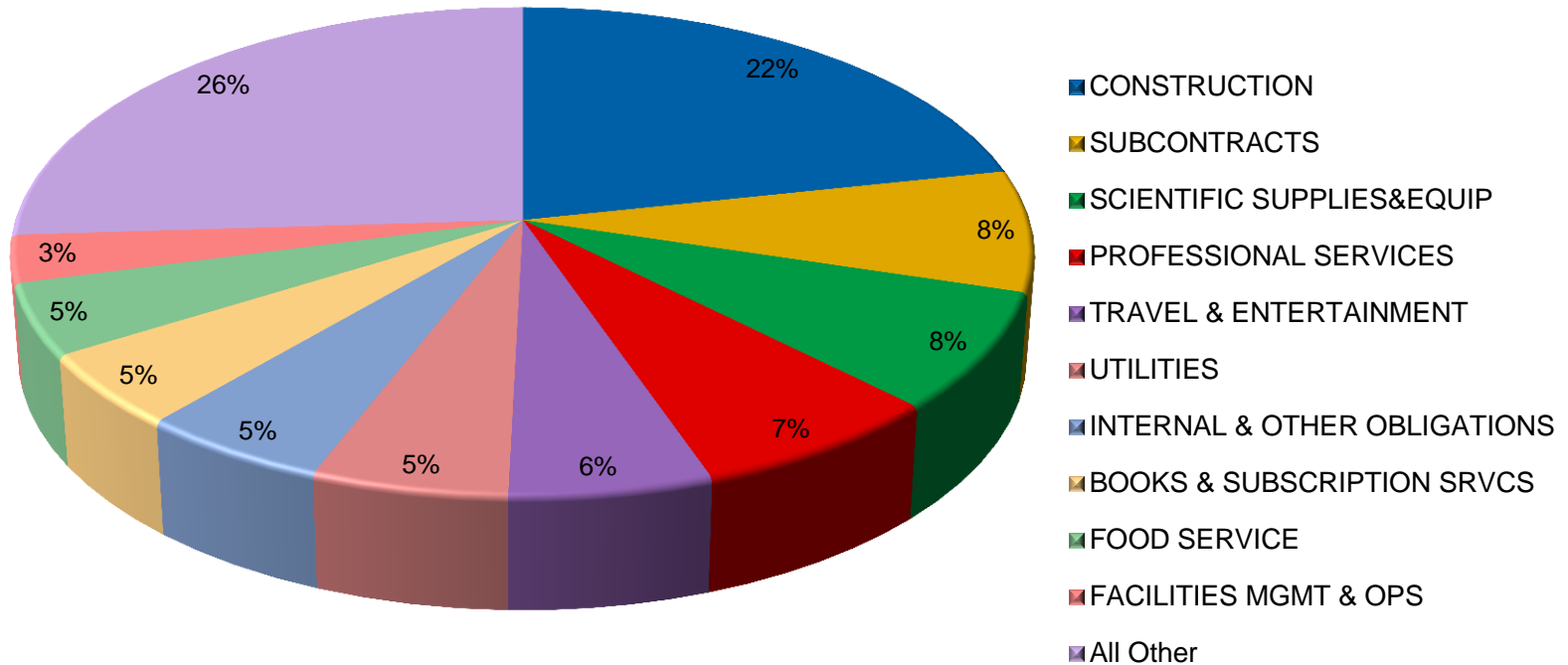


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# University Spend

## FY 12 External Spend Top 10 Categories



**Total FY 12 External Spend \$1,185M**

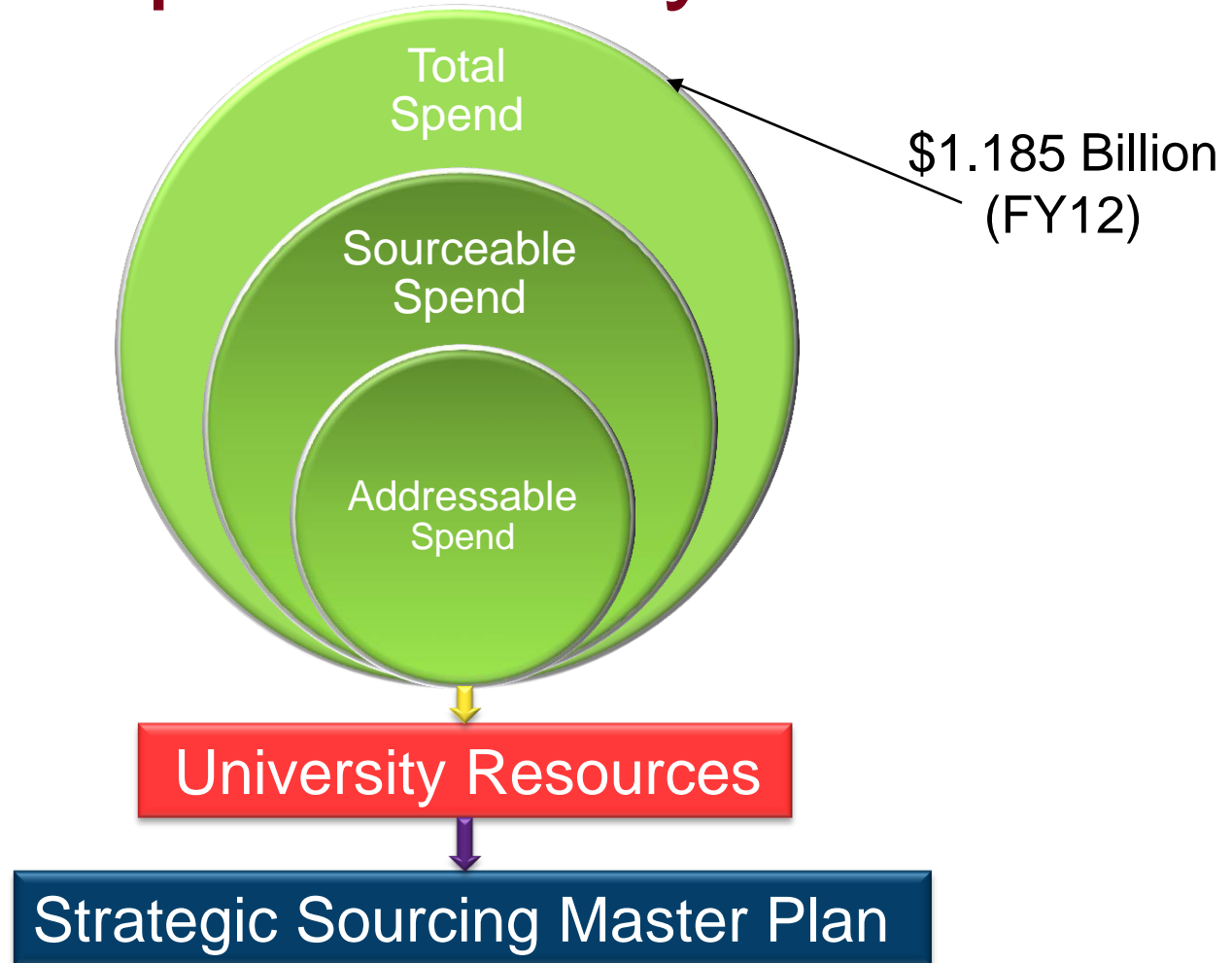


# Purchasing Services Transition

- Transactional to Strategic
  - FY09
    - Supplier management, collaborative RFP teams, procurement advisory team
  - FY10
    - Huron Phase I: Spend analysis tool, online booking tool, college spend reports
  - FY11
    - Huron Phase II: Electronic sourcing tool, Purchasing Services' annual report



# Spend Analysis



# Strategic Sourcing “Levers”

## Opportunities

## Levers

## Approaches

*Price  
Negotiations*

Price Opportunity

Buying Point Leverage

- Evaluate supplier costs
- Obtain lowest cost from incumbent supplier; if not, consider lower cost supplier
- Concentrate volume
- Conduct best price evaluation
- Introduce new suppliers

*Demand  
Management*

Demand Management

Product / Service  
Specification Rationalization

- Reduce usage
- Find alternative ways of fulfilling need
- Standardize specifications
- Simplify specifications to reduce costs

*Strategic  
Purchasing*

Joint Process Improvement

Policy Review and  
Compliance

- Total cost focus from cross functional perspective
- Reduce cycle time
- Leverage joint innovations
- Consider policy changes
- Benchmark internal functions vs. supply market

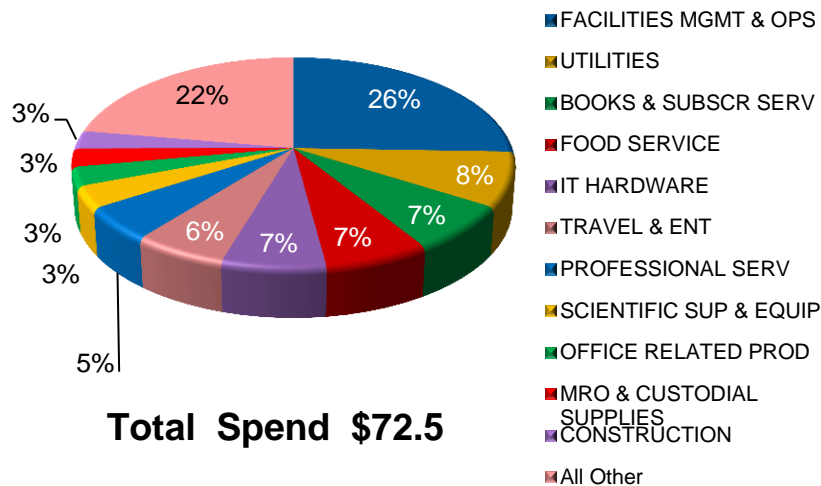


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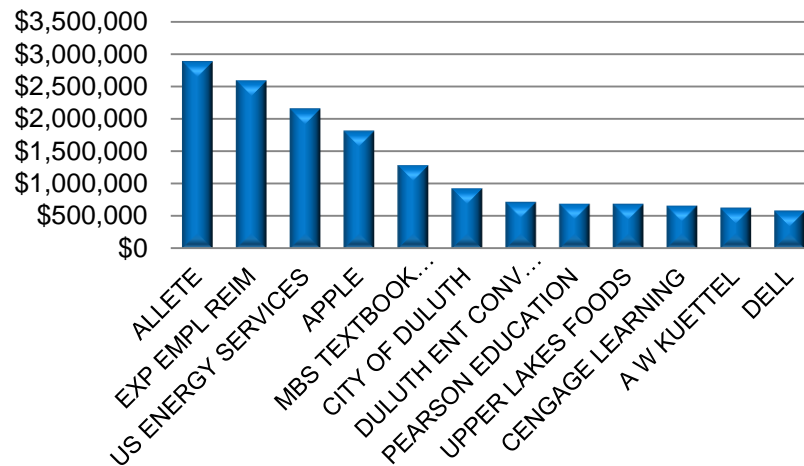
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# University of Minnesota – Duluth Campus FY 12 Spend Analysis Dashboard

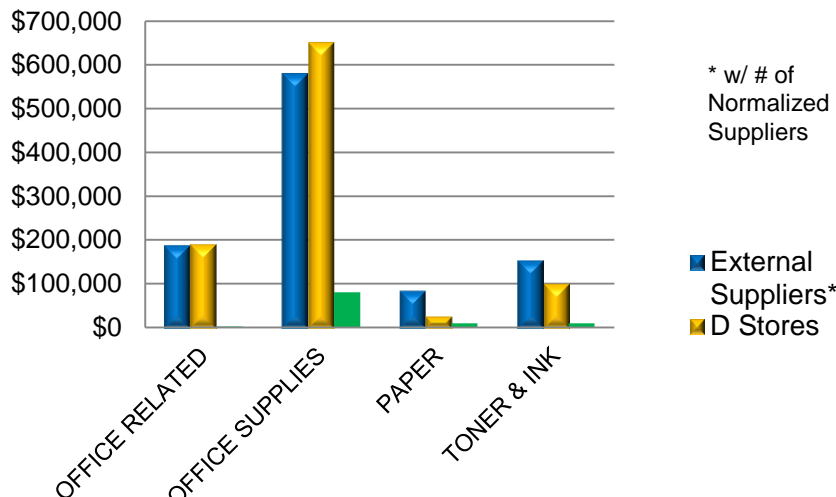
## FY 12 Top Categories



## Top External Suppliers



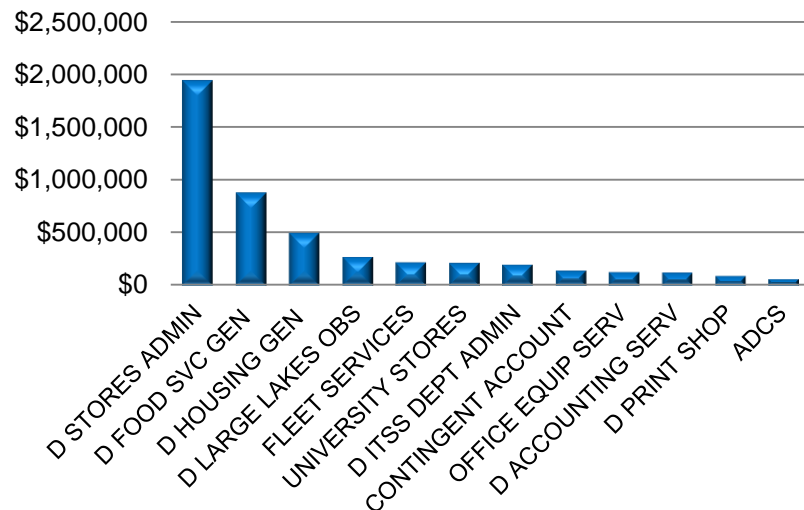
## Potential Savings Opportunities



**FY 12 Total Office Related Spend = \$2,088K**

(includes \$412K Pcard and \$54K Expense Reimbursements)

## Top Internal Suppliers (Facilities Mgmt #1 @ \$12.3 M)



# Procurement Transition

- FY12
  - Greybeard Advisors report Issued
  - Kick off e-Procurement effort
  
- FY13
  - U Market implementation, contract management implementation, professional services process improvements



# eProcurement Background

- 2012 Greybeard Advisors report recommendations:
  - Clearly define and communicate U Stores' role and capabilities
  - Implement new e-Procurement tools/technology
  - Optimize central logistics by consolidation of shipments
  - Optimize materials management
- President's Operational Excellence executive committee endorses implementation of a new e-Procurement system
- Included in Enterprise Systems Upgrade Project





# U Market

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# What is U Market?

- E-shopping environment for vendor supplied and University stocked materials
  - 35-40 online supplier catalogs
  - 5% of total spend, 22% of purchasing transactions
- Electronic invoice processing
- Easy access for all staff and faculty



# Why Implement U Market?

- We have multiple different paths people use to acquire supplies and equipment
- Existing tools do not provide robust search and detailed item specifications
- Users have limited access dependent on training that has been completed
- U Market would provide significant process improvement for all shoppers
- Provide a comprehensive and efficient procure to pay process



# U Market Advantages

- Consolidate purchasing around the most advantageous methods
- Intuitive, easy to use tool / technology
- Reduced training requirements
- Streamlined electronic orders and invoices
- University-wide contract pricing





# Central Logistics

- Current Operations
  - Consolidate and deliver over 100,000 eProcurement orders annually
  - Consolidate supplies, mail, equipment, furniture and chemicals into fewer deliveries
  - Provide delivery for many Internal Service departments
- Future Service Expansion
  - Consolidate more inbound shipments
  - Further reduce commercial vehicle traffic on campus
  - Increase safety and security
  - Reduce receiving for customers - saving time





U Market Services

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# Materials Management

- Current Operations
  - Manage Inventory in 350 Customer Department Locations
  - Provide Electronic Inventory Management
  - Utilize Remote Wireless Order Entry Technology
  - Provide Dock Management for AHC
  - Free Departments to Focus on Core Competencies
- Future Service Expansion
  - Integrate eProcurement, Logistics and Materials Management
  - Provide Supply Chain Management for Biomedical Discovery District



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U Market Services

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# Recent Process Improvements

- eProcurement (current tools)
  - Attained 84% electronic order entry
  - Attained 80% electronic invoice processing
- Materials Management
  - U Stores manages inventory in FM custodial closets yields 80% process time savings in 350 locations.
- Logistics
  - Eliminated more than 6 University delivery vehicles from campus through logistics/distribution consolidation.



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# Procurement Transition

- FY 14
  - Rollout U Market and Contract Management
  - Rollout Logistics Program
  - Optimize Travel and Expense Process
  - Electronic Invoice Project Rollout





# Procurement Technology Roadmap

## May 2013

