

E-Procurement: Quicker, Cheaper, Better Informed Purchases

By Pamela Lewis, Public Affairs

No-hassle buying that saves the university community and its vendors money is the goal of e-Procurement, according to Jerry Fuller, assistant vice president for procurement. In 2001, the university was considering moving to e-Procurement as a way to get a handle on what all areas of the UT Health Science Center were purchasing and how much was being paid for those purchases. After investigation of the options, e-Procurement appeared to be the way to go for a lot of purchases, Fuller said.

At that point, different departments negotiated their own deals with suppliers, but that supplier wouldn't necessarily give that same deal to someone else within the university, or even across the hall.

And, said Fuller, the university did not have the information needed to understand what specific items were being purchased. With the old purchasing system, a description of a purchase could be entered as "lab supplies" and that would be the only information the university had on that purchase. "So, we wouldn't know that the university as a whole had purchased 6,000 cases of rubber gloves from one supplier for prices that could vary from \$1-\$2 a case.

"In broad terms, we wanted the system to do something similar to Amazon.com: you go to a Web site, search on keyword, find what you want, you can access more information about the item, you put it in your shopping cart and check out. We wanted that kind of look and feel on the e-procurement side," Fuller explained.

They decided to go with a "hosted" catalog, where a company provides the catalog management, gets suppliers information up and running, and interfaces with PeopleSoft, so for all intents and purposes, the user doesn't know that he's left the university site.

The hosted catalog, said Fuller, is "less resource-intensive on our part, since we don't have to deal with the whole issue of creating or maintaining catalogs or creating an indexing structure."



Jerry Fuller Photo by Ester Fant

E-procurement usage rate doubled in December 2004, when the university contracted with SciQuest as the catalog hosting company. (The previous vendor's system turned out not to have the search capability that had been promised.)

Now, with e-procurement, said Fuller, "we know what kinds and amounts of supplies are being purchased and can make deals with the supplier based on that information."

Also, now we don't get into arguments with vendors over invoices, he said. "The price that is in the catalog on the day the purchase is made is the price we pay. In addition, our returns to vendors are going down. We were in the area of 4.5 to 5 percent returns to Tejas, for example. Now we're about 1.5 percent and moving toward less than 1 percent. Returns take much more time, human intervention, coordination, to process. Anything done on the health science center end to reduce those time-intensive interactions will save the university money in the long run."

Also, the time it takes to make payments to suppliers has been reduced, which allows the university to ask for discounts for faster

payment terms. We've had two discounts from Fisher, each of which has allowed us to save over \$100,000, and we're saving about \$150,000-\$200,000 a year with Tejas, Fuller said. Tejas is the supplier with the highest transaction volume: 8,000 transactions per year; 80 percent made through the online catalog.

The university makes 90,000 "small dollar" transactions per year. Half of those transactions are made with fewer than 20 suppliers, and 60 percent of those transactions are made through the Medical School. So, procurement recently has taken over handling the purchasing with a dedicated group of 12 buyers at the school. Previously there were 150-200 people at the Medical School who did some type of buying, from one purchase to many per month.

The objectives of moving to e-procurement were to:

- Ease requisition entry
- Improve requisition accuracy and details
- Use electronic approval workflow
- Provide accurate commitment control incorporating PCard purchases
- Make it paperless
- Provide timely payments to suppliers
- Manage costs throughout the entire process
- Provide maximum value to the end user.

Every hour the system picks up all approved requisitions and automatically transmits them to the supplier by whatever means the supplier wants — fax, e-mail, XML (extended markup language).

Requisitions to Tejas, for example, go directly into the company's order processing system. Tejas' system sends an acknowledgment back to the buyer.

A good number of faculty and staff have taken to the e-procurement system, but there are still those, Fuller said, who are not comfortable with all this happening electronically. "If they don't talk to somebody on the phone, they don't think the order has been placed."

Buyers who purchase for a number of labs can set up a hot list of frequent purchases,

print it out and give it to the users, who then check off what they need and return it to the buyer, who will enter an electronic order.

E-procurement gives us visibility that we never had before, Fuller said. "When our most frequently used vendors walk through the door for the quarterly business meetings we have with them, we know what we're spending with them, what we're spending it for. We know how well we're paying them. We have all the data we need."

But the only thing the end-user at the university should see out of all this, Fuller said, is that "they get their stuff, they got a good price for it and they didn't have any hassles."

Kevin Dillon, executive vice president for finance and administration said of the new process, "Jerry and his team took the e-Procurement project from dream to fruition, giving the university a more elegant and efficient way to purchase supplies for all areas of the health science center." ★

Medical School E-Procurement Transactions Increase with Supply Mall Vendors

For the July-September quarter of 2005, according to information supplied by Richard "Danny" Rawson, 6,417 total transactions (PO, Pcard, and UT Supply Mall) were made with suppliers who are participants in the Supply Mall. Of those 6,417 transactions, 1,375 took place in the mall during that quarter.

During FY04 for the same three month period Procurement processed 4,420 total transactions with the same suppliers.

So, Rawson says, there was a total increase in transactions by almost 45 percent. "We attribute this to end users choosing e-Procurement catalog suppliers who also participate in the Mall rather than choosing just any supplier in the database."

Medical School Mall Helps Coalesce Scattered Supplies

There used to be eight different "freezer programs" from different vendors scattered throughout the Medical School building. If the lab person who had the key to the supply-filled freezer or refrigerator was not available, the supplies remained locked inside, if they were not out of stock. And there was no central record of what had been ordered.

But Kevin Armstrong, e-procurement contracts administrator, thought there might be a better way to handle those supply needs. He'd seen supply "vending" machines used in hospitals and thought that might be a way to adapt them to supply most frequently used supplies and the most frequently used freezer/refrigerator items.

The release and tracking of the supplies is handled by computer. Users have passwords. They key in the supplies they need and the computer unlocks a freezer or refrigerator or releases the other supplies from the vending machine, and the transaction is complete. Charges for the products are expensed nightly to the user's pre-determined PeopleSoft account, and usage reports are automatically e-mailed to their designated administrative support team. Products range from typical office supplies to frozen enzymes, and chemicals.

The program began with a request for proposals in September 2004 and the Supply Mall, located at MSB B324A, went "live" June 27. "From a purchase order standpoint, the e-catalog is the cheapest and the easiest to process for both us and the suppliers," said Jerry Fuller, assistant vice president for procurement, "but the Supply Mall is even easier for the



Office and some lab supplies are stocked in the "dry goods" cabinets (above) in the Medical School Supply Mall, while lab supplies requiring cold storage are housed in the mall's refrigerators and freezers (below). Users access the system through ID and password at the computer station (bottom right) and their transactions are tracked through the e-Procurement process. Photos by Jerry Fuller



customers because they get their supplies right away."

The new Supply Mall is going very well, said Richard "Danny" Rawson, e-procurement contracts administrator who is responsible for the mall. Some of the participating suppliers would like more room, and other suppliers would like their products to be added to the supply mix.

"The product mix is being tweaked as we get reports," Rawson said. "It looks like Supply Mall sales will double in 12 months for some suppliers, based on the early numbers."

At this point, the mall stocks 750 items from 14 suppliers in 14 dry goods cabinets and 13 freezers/refrigerators.

The only constraint on expansion at the Medical School is space, says Rawson. And, "there has been interest in the mall from the IMM, the School of Public Health and the Dental Branch for malls that stock products specific to their special needs. Definitely, this is something that can grow." ★

—Pamela Lewis

