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Introduction

Electronic requisitioning / electronic purchasing is dramatically shifting the cost equation for the procurement of products and services.

From the very beginning Professional Advantage has been focussed on customer IT solutions. Based on our clients’ needs and our experience we have designed iPOS as a SunSystems specific, Internet delivered, electronic requisitioning and purchasing system.

Objective of this Guide

In addressing the procurement business process, this guide will introduce you to what is involved in electronic purchasing and specifically, iPOS, electronic purchasing for SunSystems.

Business case for electronic purchasing

The net result of adopting electronic purchasing must be the reduction of costs. It is our experience that cost savings can come from all angles.

Traditionally ROI calculations are performed on reduced operator time spent processing. This is a main saving however we have seen very substantial savings arise from improvements in compliance. (Compliance covers such areas as enforcement of purchasing policy and procedures, elimination of maverick buying, enforcement of approved suppliers and, the toughest one to measure, the benefits arising from having purchase analytics.) Furthermore, we have been surprised how relatively simple it was to achieve substantial savings by focussing on the receipt and automatic processing of electronic invoices.

What should you aim for in cost savings?

A reduction in a cost per transaction of between 70 – 90%? Can you do it? Or, more importantly, can you afford not to? The starting point is what you think your current purchasing transaction costs are.

An interesting comparison, surprising in its simplicity but so accurate, was recently shared with the author. In today's environment no one expects to perform a bank reconciliation manually. In fact, no company can afford to do it manually. The same logic applies to requisitioning and / or purchasing!

Infrastructure building block investments

Most medium sized businesses have invested in IT infrastructure and have access to email, browser and the Internet. iPOS only applies if you are a SunSystems user; therefore the incremental infrastructure investment is a purchasing server and the software. In most cases, this incremental infrastructure investment in a purchasing solution is all that stands between your company’s capability to engage in electronic purchasing and not.
Overview

Electronic purchasing, procurement by whatever name you use is the automation of the procurement business process. There exists the misconception that this is the preserve of large companies operating in large B2B or B2C environments. The prime objective of electronic commerce is to increase revenue and decrease costs.

Cost Side Processing

This discussion paper is about the cost side of the equation. iPOS is neither a marketplace solution nor a solution to increase sales. The approach to reduction of costs, and thus the overall drivers for a business case, is:

Reduction of processing costs by automation.

The approach here addresses business process functions and what resource and effort can be reduced while still achieving the desired business outcome within the system of internal control.

Such costs would be the elimination of manual POs, duplicate handling, minimal data entry, budget checking, one touch processing, automated real time processing, general paper chase and phone calls.

Reduction of input costs by compliance with company procedures.

In a manual system, changes and updates to policy and procedures is via email or worse ... an internal memorandum. In such an environment, compliance is not guaranteed. An electronic purchasing system should enforce any changes. For example, if the company has decided to switch a supplier or, a more granular example, amend a recipe, (Bill of material) the compliance to that change is enforced with immediate effect.

We had a recent example where the supplier of an ingredient for a cocktail product was changed on a purchase template and the reduction in cost was immediate. The reduction in costs is expected to save the organisation over $150,000 pa. The urgency of compliance was underlined by the fact that the dollar savings became available immediately.

Model

iPOS is a buy side electronic purchase system. The process flow commences with requisitions, generation of PO, goods receiving and invoice entry where each step may require approvals. There are a number of design issues that give iPOS strength and reduce the risk of failure for the project.

Integration with SunSystems

The #1 reason why requisition projects fail is the lack of integration to the back office system. 1 iPOS has been built to integrate only with SunSystems and makes extensive use of this native integration.

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1 Australian Financial Review 9 May 2002 ‘E-procure technology fails test’
This integration ensures there is no duplication of data and all reference data is current. For example, if a supplier is suspended by the financial system this automatically excludes this supplier from purchases. If a new cost centre is added this is immediately available to the users. At all times there is a single source of truth.

**Internal catalogue**

For increased control we have designed iPOS to work from an internal catalogue. The catalogue, together with the user profile can mean all the data elements of a purchase are automatically attributed to the purchase transaction. This makes for simple and consistent end user experiences. Subject to consulting and configuration, iPOS is able to Punch Out\(^2\) to a third party catalogue such as that of DELL Computer Corporation, OGC Zanzibar, NSW SmartBuy etc.

**The user experience**

The success of any new system is measured by the user acceptability it achieves in its early stages. It is preferable to have the new system readily accepted by new users rather than having to mandate its use. We have therefore been very focussed on ensuring that the system has an intuitive user interface. The extended functionality actually makes the use of iPOS easy and we have worked very hard to reduce any user compromise.

**Business Case**

We have included a section to assist you to prepare a business case for your proposed electronic purchasing system. There are two elements of the business case; firstly the potential to reduce processing costs, and secondly, the business benefits and cost reductions arising from compliance to processes.

Having made the business case and identified the potential cost reductions, (these can be huge) it is vital to recognise that change management is an important component and will determine the level of success your project will achieve.

**Culture**

Your culture determines the willingness and capability to change is a critical element for an electronic procurement project. Therefore the recognition of the two core components for the implementation of any system - the level of investment and the level of company maturity - are determinants to the level of success that you can attain. When assessing the level of investment it is important to recognise that throwing money at something does not necessarily improve the solution or increase the payback – in fact it can do the opposite and drive down the return on investment. Similarly a company with low maturity will not achieve the same return on spend as that of a more mature company.

**What is corporate maturity?**

Your level of corporate maturity will influence the levels of success and thus determine the scale of the financial returns. Mature companies will:

\(^2\) Refer Section - Electronic Commerce Language & technology aide memoir
- Devise a truly beneficial solution that tackles the hard problems.
- Keep the project aligned to the business goals.
- Define and track the quantifiable benefits by which to measure success.
- Look to transform the business (and the level of transformation will be proportional to the level of maturity).

**Communication**

Communicate early and often. Communicate to all stakeholders in terms relevant to them - “this will make your day better” rather than “this will save us money”. Walk a day in the shoes of the people that will be most affected and tell them how their days will change. Communicate the quantifiable benefits, measure the results and publish them. When you think you are all done communicating - communicate some more.

**Transparency**

The impact to the company of the rollout of iPOS is wide spread. It will affect many people throughout the organisation. It will affect how they do things and also how they don’t do things. One of the greater intangible benefits of the system is the enforced compliance of the purchasing policy. People appreciate being able to see what is happening and understanding why it is happening and how it affects them.

**Change Management**

Mature companies recognise that this is one of the biggest challenges of any transformation. They tackle it very seriously and with constant focus. Change starts now – and it is the change that is the most critical element of the project not the technology or the system. A sign of maturity is the fostering of a culture of change within an organisation. The bottom up generation of improvement ideas and recommendations generates change tolerance. The underestimation of the size and complexity of change is a common obstruction to the success of the change.

**Internet**

Thanks to the Internet, the case for electronic procurement can be easily made and a realistic ROI achieved. Most companies have invested in infrastructure and the browser is ubiquitous throughout. This situation effectively counters the traditional paper based purchasing system, as the user is now able to buy or approve a purchase wherever they can get access to a browser. A delay in approval shoots an email to the requestor, the approver and the administrator. The visibility of the procurement system is the reason for its success and that is because of the Internet (browser and email).

**Internet ready**

An important consideration, when evaluating solutions, is the level of Internet readiness of the proposed solution. Indicators of Internet readiness, amongst others, are:

- Configurable limit on query sizes.
- Search by first letters & wild cards to increase response speed.
• Communication with approvers and users is via SMTP email with documents awaiting approval linked via embedded URL.

• Zero footprint; all end user interface by web browser.
Variety of approaches to electronic commerce

Sell side

This model has suppliers reaching out to their customers electronically. An example would include Dell Computer Corporation products.

In this model buyers are offered a solution customised to their needs. The seller controls the process and experience. Such solutions may not be sufficient for corporate enterprises, as this approach offers little opportunity for integration with the other procurement processes of buyers.

Buy Side

iPOS is a buy side solution. The procurement is driven by the buying organisation's needs. The solution should be easier to integrate into the back office systems.

Buy side solutions focus on the internal business processes, compliance with policy and procedures and controlling the corporate catalogue. The primary goal is to reduce purchase costs, processing costs per transaction and streamline the buying processes.
Market places

Market place solutions exist to bring together many buyers and sellers into a single hosted system. This solution often caters for vertical markets or makes its impact in the general market by size and reach. An example of a general market place in Australia is CorProcure operated by Australia Post and Zanzibar operated by the Office of Government Commerce in the UK.

These market place solutions can have as their objectives

- Reduced prices through volume aggregation.
- Tendering, reverse auctions and trading.
- Collaboration.

The lack of integration into the back office systems can be a high risk for failure in this approach. How will your catalogue shopping basket turn into a valid purchase order in your finance system? How can you balance the supplier invoice against your commitments?

The motivation for the buyer, especially reverse auctions, can be just about cost. As a result, the supplier does not have the ability to differentiate on other attributes like domain expertise, service levels and industry knowledge.

3 www.corprocure.com.au

4 http://www.ogcbuyingsolutions.gov.uk/zanzibar/zanzibar.asp
Implementation Approach

First principles

Plan for success with your iPOS implementation.

Start small

There is a balance between not initially planning for items and suppliers versus a total lock down on suppliers and items. A total lock down may decrease the flexibility of the new system and slow the implementation process.

For example, some of our clients have chosen to introduce iPOS for capital works only before proceeding to trading purchases. Another example is where a client rolled out iPOS to a limited number of sites, or a single site with a wide spread of users, first before the system was rolled out fully across the enterprise.

Expect resistance

90% of the implementation effort of iPOS is focussed on change management and that means modifying people's behaviour. You may be introducing new policies and procedures that can no longer be occasionally avoided as in the previous system. Therefore, expect resistance.

The visibility of the new system will also ensure the part everyone plays in the company's business processes is now visible to all. Often this can make staff uncomfortable.

It takes time to coach and cajole changes into people's 'business as usual' behaviour

Welcome imperfections

Imperfections must be an implementation focal point as these points often offer real value-add. For example, a client had problems with electronic invoice matching, as the supplier did not provide the PO number correctly. An escalation to the CEO was required to get the problem addressed. Highlighting this imperfection and addressing the issue resulted in close to 100% matching for that supplier and a very significant saving in processing costs for the client.

Accrue small benefits

Do not position yourself for big benefits right away. Given that electronic purchasing has an overall impact on your business, we suggest that you aim for small benefits. Highlighting the wins along the way improves acceptance of the system. It creates a positive environment and therefore enhances the change management process.

Each win should be 'banked' and acknowledged within the organisation, maybe via the company newsletter, e-zine or intranet.

Plan

There is no substitute for planning your implementation and no excuse for not planning! Why do we make a special case for planning? iPOS is a natively integrated SunSystems specific electronic purchasing module and you, together with your SunSystems partner, may innocently approach the implementation as a simple add on module. Electronic
purchasing addresses a fundamental business process within your organisation that touches a wide body of your workforce and must have the required attention and resource dedicated to the process.

**Project Steps**

It is our expectation that the implementation of your electronic purchasing system will have the required resources allocated to ensure its successful implementation. For the sake of completeness we list the suggested iPOS project steps.

- Finalise the Implementation Planning Study.
  - Prepare business case.
  - Get senior management formal project sponsorship.
- Prepare hardware and software resources.
- Train project team.
- System design workshop.
- System configuration.
- Data conversion.
- System acceptance.
- User acceptance testing.
- End user training.
- Go Live.
- Post implementation review.
- Revisit ‘short cut’ decisions made along the way.

There are many variations of the above project path. Variations could include pilot sites / cost centres / purchase types etc.
iPOS eProcurement solution

Overview

iPOS eProcurement encompasses the business processes from Requisitioning, PO generation, Goods Receiving and Invoice Entry. The next step is the generation of the electronic payment via EFT.

The graphic below illustrates a classic eProcurement process flow. The iPOS eProcurement home page, displays the 6 process steps within the solution. This emphasises the easy to use structure of iPOS.
The iPOS eProcurement home page is a simple interface that is easy to use from the very first time.

**Benefits**

The many benefits, amongst others, of iPOS eProcurement include:

**Implementation**

- iPOS is tailored via extensive configuration settings. This saves on implementation costs and future upgrades.
- iPOS embraces widely used standards such as SMTP, UNSPSC, CXML & XML\(^5\).
- iPOS provides seamless and native integration with the core back office SunSystems ledger function. This eliminates the greatest threat to successful implementation being the collapse of data integrity and no single source of truth in the business.

**Catalogue**

- Catalogue content is predominantly controlled by the buyer company (you), with multiple suppliers integrated into the company catalogue.
- By using a catalogue approach purchasing is standardised with maverick purchases eliminated.
- With a catalogue, the aim is to reduce the number of suppliers and items. This makes for less transaction processing time and assists in a lower number of

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\(^5\) Refer Section - Electronic Commerce Language & technology aide memoir
transaction errors. Concentrated buying gives more buying power and therefore the ability to obtain better prices and terms.

- For consumable suppliers such as office products there is an option to punch-out\(^6\) to the online supplier catalogue and fill the shopping basket within that environment. When product selection is complete the shopping basket is brought back into iPOS eProcurement for normal requisition to purchase order approvals and processing.

The major benefit of this approach is it leaves the maintenance of a potentially vast catalogue of low value items in the hands of a contracted supplier.

**User Interface**

- The users have a single user interface for all purchases (excluding punch-out).
- The intuitive interface is designed to lure end users into the sanctioned processes rather than dictating its use.
- System notification of documents awaiting approval is automatically handled.
- Automatic system approval escalation resulting in fewer bottlenecks.

**Processes**

- Electronic delivery of PO and receipt of electronic invoices saves on handling resources like mailing, printing, lost or missing invoices or data entry and filing of paper invoices.
- Integration with document management system and electronic matching with invoice documents.
- Adherence to approval matrices via browser and email system.
- Automatic matching of electronic invoices.
- Escalation of approvals.
- Multiple methods of online real time budget checking.
- Non-matching transactions can be processed within tolerances thereby saving on processing time and costs.
- Period end measurement of accruals and commitments are performed fast and automatically.

**Compliance**

- Adherence to company policy and procedures.
- Adherence to supplier agreements.
- Maximise the supplier relationship and optimise volume price benefits.

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\(^6\) Refer to “Punch Out or Catalogues” for a detailed discussion on punch-out.


Visibility and transparency of process steps giving ease of audit and confidence in quality and consistency of operations.

Integration with SunSystems

- Seamless and native integration with SunSystems delivers real time data integrity and ‘single source of truth’.
- Reduces ad hoc inquiries of the Finance Department, as the procurement system is totally visible throughout the organisation.
- No re-keying, translation or transfer of data.
- Supplier integrity maintained as supplier accounts master data only created and managed in SunSystems.

Suppliers

- Better information for supplier negotiations.
- Faster transaction turnaround through electronic ordering and invoicing.
- Fewer queries through data integrity at ordering, receipting and invoicing stages.
Punch Out or Catalogues

The major advantage for procurement users is the ability to peruse and select from a listing of suggested items. This can be presented to the end user by either internal, managed catalogues or via the ability to punch out\(^7\) to an external site.

Internal catalogue

The catalogue is established by the company with the cooperation of suppliers who should be encouraged to supply catalogue details through a catalogue replication process.

Punch Out

The end user ‘punches out’ of the internal procurement system to a supplier web site.

iPOS

iPOS presents the items via an internal catalogue. Amongst others, the motivation for this approach is:

- Items are supplier agnostic – the company has the ability to easily change suppliers.
- Analytical capability, on performance and spend rates, as the data is internal.
- The visibility, rating and various other item attributes are controlled by the organisation.
- User defined item drill down paths.
- Buying company determines the speed of bringing a new supplier rather than reliance on third party, causing delays in change over.
- Delivers the following advantages to the buying company:
  - Purchasing has total control over who can see what items on what terms.
  - All suppliers' items are viewed in a consistent manner.
  - The purchasing department controls switches to preferred items or products.
  - Item templates, including various suppliers, can be established.
- iPOS eProcurement is enabled for Punch Out. However based on our understanding of our customers’ requirements, Punch Out may not be aggressively pursued by many (with the likely exception of the ubiquitous office supplies catalogue). Some reasons, amongst others, include:
  - Administration for Punch Out will require close liaison with each supplier organisation.

\(^7\) Refer Section - Electronic Commerce Language & technology aide memoir
- Any specific changes will need to be made on a supplier-by-supplier basis.
- Multi supplier item templates are unwieldy in a Punch Out situation.
- Your buying patterns are more easily available to your supplier than yourself.
- Supplier web site changes may require you to quickly change on your side.
- You will need to enforce service availability levels with each supplier.
Electronic Interfaces for POs, goods receipt and supplier invoices

The ongoing pressure for public companies and responsible businesses towards good governance and electronic transaction handling is a strong driver. The EU continues to focus on building standards and harmonising electronic trading structures.\(^8\)

There are a number of ways that your company can receive electronic invoices. The most popular emerging choice is as an XML file. This is building on the experience of the widely acknowledged and more formal EDI process that has been in use for some time. A third approach has been to link the supplier's invoice with a document management system and have that prepare and submit the electronic invoice for matching and processing.

To understand the comparison, just think of how you pay suppliers and reconcile the bank account. It is standard practice to pay suppliers electronically, via an “instruction to pay” file sent to your bank, and electronically perform the bank account reconciliations via a statement export from the bank. Contrast these automated business processes with the equivalent manual processes. The benefits of eProcurement are manifold and exponential.

Purchase Orders

An electronic requisitioning system must, at a minimum, allow for electronic approval, potentially without generating paper.

The benefit as regards POs means there is no printing, handling and posting of the POs as the option exists to deliver an electronic PO via email, electronic fax or XML.

The system should permit the automatic global consolidation of requisitions into a single PO to the same supplier.

Supplier Invoices

Part of the ROI is the reduction in invoice processing costs. The electronic supplier invoice processing should include the receipt of the invoice, archiving, matching and exception handling.

The optimal solution is that each electronic invoice is matched with no exceptions and processed to the Accounts Payable system for payment.

The manual entry of supplier invoices is inefficient, error prone and expensive. The potential for cost savings here is far-reaching.

Benefits

The benefits for electronic invoicing are very similar to the electronic payment to suppliers.

**Benefits to the company**

Removal of manual entry of paper invoices and data input error.

No internal delays in data processing as the paper invoices make their way around the approval trail.

Cost savings arising from reduction in paper handling.

Less invoice errors / queries requires less staff.

**Benefits to the suppliers**

- Savings arise from reduction in paper, postage and handling costs.
- Time-savings on delivering the paper through the process.
- Guaranteed delivery of the invoice.
- Less invoice errors arising from re-keying.
- Removes inherent delays in the invoice being processed at the customer and hopefully payment within payment terms.
- Costs savings arising from reduction in paper handling.
- Better relationship with customer as there are fewer invoicing issues.
Drivers for electronic purchasing

From the buy side community the motivating drivers for electronic purchasing are many. For most organisations the primary of these include:

**Competitive Advantage**

The company attains a competitive advantage in a number of ways. The advantage can accrue by the simple process of having a fast, easy procurement system that permits the company to take advantage of a situation. For example, a pub chain can quickly order more beer supplies on a warm day.

Another example is the adherence to the approval process for a decentralised company spread over a number of physical locations. The advantage is the ability to respond quickly, at a low cost without physical location having an impact. There is no need for a physical paper flow to move the process through the organisation.

**Internal efficiencies and reduction in costs**

The electronic processing of requisitions, orders and invoices delivers immediate cost savings to the organisation. Amongst others the benefits include:

Elimination of:

- Double handling of documents and information.
- Manual data entry of invoices & PO, thus less data entries.
- Paper and postage.
- Supplier costs savings should be able to be translated into lower prices.
- Major reduction in error handling and invoice queries.
- Elimination of maverick purchasing.

**Analysing the types of expenditure**

Electronic purchasing provides an aggregation of information that can be used in analysing expenditure. Analysis could encompass:

- % of transactions when suppliers have incorrect invoices, late delivery or incorrect prices.
- Empirical evidence to support supplier negotiations.
- Probability of combining items purchased and thus reducing number of items purchased.
- Identifying rate of maverick purchasing.
- Identifying those suppliers with whom your company has a low cost of doing business.
• Analysis to provide further gains by working smarter. An example of this was a hospitality client who substituted one ingredient for another and produced an immediate $150,000 saving. Further savings would also arise from the better supplier terms for increased quantity.

**Less numbers of suppliers and items purchased from suppliers**

Reducing the number of suppliers and number of supplier items purchased translates into lower cost benefits because of:

• Fewer deliveries and invoices.
• Reduced administration with fewer payments and products to price check.
• Improved supplier terms.
• Better due diligence control (Lower number of destroyed products due to expiry date).
• Consistent product quality.

**Supplier relationships**

Suppliers are critical to the smooth running of a business. The introduction of electronic orders and invoices offers significant benefits to your suppliers. This improvement in the relationship often translates into supplier efforts targeted towards service rather than administration issues.

The benefits to suppliers are dealt with elsewhere in this report.

A further enhancement for more mature supply chains can also be the introduction of direct supplier involvement in the purchasing function.

**Working smarter not harder**

An electronic procurement system allows you to address business problems by working on and not in the system. The system should quickly identify bottle necks or poor performance and identify where resolving action needs to be taken. Sometimes the solution is simpler than you would ever imagine.

To illustrate the point – an iPOS eProcurement user makes extensive use of automatic electronic invoice matching processes and has achieved a relatively high accuracy on first pass automatic matching. However this efficiency is for nought if the transaction can not be finalised because of a delay in the goods received processes. This was a real experience for one organisation. The solution was a weekly shame list detailing delinquent users.

The logic is very clear. If the goods receipt had been acknowledged at the correct time the invoice matching and approval process would have been at no cost. As the invoice is now rejected (because the goods had ‘not’ been received) the release of the invoice requires user intervention and the company incurs an unnecessary process cost.

This approach of a shame list is a great example of working smarter not harder.
About iPOS Enterprise

iPOS Enterprise is a purpose built suite for the end-to-end delivery of electronic purchasing for the SunSystems financial management system from Systems Union. iPOS Enterprise is underpinned by the Microsoft .NET technology and is the intellectual property of Professional Advantage Pty Ltd. The solution is available in Australia directly from Professional Advantage and worldwide through the SunSystems partner channel and specialist procurement and business process practices.

The components of iPOS Enterprise

iPOS eProcurement – is a browser based, requisition to payment purchase management system seamlessly, solely and natively integrated into SunSystems from Systems Union. Real time integration across 28 or more touch points ensure accurate budget checking, commitment accounting, instant application of changes to reference data, inherent understanding of you’re a and T code structures and a single source of truth in your financial data.

iPOS 3P – is a browser based workflow suite that enables companies to manage their business processes outside the traditional transaction lifecycle. Workflow validation and progress controls engage and interact with people and systems to ensure an efficient and effective execution of tasks. Template processes available out of the box include adding new suppliers, items, analysis codes and asset codes to SunSystems, adding new iPOS users and request for quotation from suppliers.

iPOS eLearning – is a browser based computer based training module assisting in the change management and ongoing utilisation of iPOS eProcurement – elearning supports users in their take up of the new system and assists casual users, new staff members and job transfers in adopting the correct company purchasing behaviour.

iPOS Connections – is a system to system integration suite. It joins up disparate and dependant systems to create enterprise solutions by acting as a hub for system to system data traffic. By managing integration flows, that combine traditional data transfer with validation and verification, iPOS Connections delivers exception handing, notification management and data transformation within a structured solution.

iPOS Performance – spend reporting across the purchasing channel, ad hoc analysis and business intelligence incorporating Vision for iPOS, Microsoft Reporting Services and Analysis Services (OLAP) cubes.

iPOS Enterprise maturity timeline:

1999 - Version 1 on Lotus Domino - purchasing without requisitioning - natively integrated to SunSystems - Australian market only
2001 - Version 2 - introduced requisitioning - early takeup in the UK
2002 - version 5 - significant functionality enhancements - UK market growth
2003 - Version 5.2 - introduction of XML integration/SOA
2003 - SU OEM agreement
2004 - Version 5.3 - introduction of multicurrency - mutual cancellation of SU OEM agreement
2005/6 - Version 5.4 - migration to Microsoft.NET, extensive enhancements and even greater integration to SunSystems (T-code defaulting)
2006 - iPOS 3P - workflow controls outside the transaction lifecycle (process management for adding new Suppliers, Items, Analysis Codes etc)
2006 - iPOS eLearning - on-demand computer based training for the purchasing function
2006 - iPOS Connections - system to system integration to third party applications
2006 - 10,000 seats reached
2006 - Version 5.4.2 - punch-out to supplier catalogues and specialist invoice processing module
2006 - Professional Advantage earns Microsoft Gold Certified Partner status
2006 - Microsoft .NET Connected
### Electronic Commerce Language & Technology Aide Memoir

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<th><strong>Procurement</strong></th>
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<tr>
<td>EDI</td>
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<th><strong>Technology</strong></th>
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<tr>
<td>SMTP</td>
<td>Simple mail transfer protocol; allows any email message to be transferred to any compliant email system. Beauty of the Internet!</td>
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Case Study Regent Inns plc

Introduction

This is the overview of the style, approach, impact that the e-Procurement project, of which iPOS Purchase Order Processing was a core component, had at Regent Inns plc. It will give reference to the culture and environment that it had to fit into as well as some of the technical challenges that had to be overcome. It is not intended as a definitive document, but aims to highlight the business culture that the system will do well in.

Project Goal

To implement a best practice procurement model across the Regent Inns brands that manages the procurement process from beginning to end for all items and services.

Project Principles

Invisible IT

For many years now e-Procurement has been heralded as the single factor that would revolutionise the very basis on which we consider modern business. You only have to switch on the television to witness the spectacle of the ideal world portrayed in major software suppliers adverts of a completely integrated supply chain, exceptional product quality, unbelievable business agility, zero stock levels and absolutely delighted customers.

Unfortunately as mere mortals we have to face the daunting task of going to our offices the next morning to face the harsh reality of finding and delivering this “golden fleece”. Most of which is centred on the business demanding more and more at the same time as budgets are shrinking, and having more and more to support and maintain.

Business is changing

It may not come as a huge surprise, but business is changing! There may be an element of truth in statement regarding the fact that the very foundation of business is going to change, but it does not involve software solutions, that’s only one important piece of the puzzle!

To successfully deliver e-Procurement at Regent Inns we had to completely rethink every piece of the purchasing puzzle, its relevance, value and future.

Before I start to expand on how this was done, I would like to highlight some of the fundamental principles to do with purchasing innovations.

Where did the “e” come from?

Information technologists suffer from a wealth of self inflicted damage from the .com and Y2K legacy. Not content with that, a third element has been added to the toxic recipe; “e”. In many cases, these spectacular failures have been accomplished with huge budgets, unsurpassed corporate resource drain, and all of this under the banner of business improvement. (It comes as no surprise that there is a library full of information on how to develop a good business relationship with your Managing Director)
I hold the view that (e)Procurement is good old fashioned procurement, just made simpler, faster and better with technology. That is not to say there is no opportunity for improving the underlying process of purchasing goods and services, but rather that the emphasis is on the procurement process, not on the technology.

**Business vs. technology focus**

One of my favourite quotes is by Thomas Edison; “Opportunity is missed by most because it is dressed in overalls and looks like work.”

The obvious crutch for any organisation not completely committed to an innovation is to instruct the IT Department to look for a “solution in a box”, which unfortunately in most cases it turns out to be a “jack in a box”, with a set of unexpected surprises.

**Facilitate business**

The technology is only there to facilitate the business process. Throughout the innovation, constant effort needs to be dedicated to ensuring that the innovation remains business focused.

This change to a business focussed innovation brings with it a necessity to change the position of the IT function. If the focus is on the business, IT cannot be, and most importantly cannot be seen to be at the front of any business innovation.

**IT part of the solution**

Some would argue that this diminishes IT’s leadership role in the innovation, or even worse, that IT then becomes a service function to the plethora of the needs and wants from the business. To the contrary, I believe that this switch in role puts IT in a more commanding position because as a part of the solution (as opposed to the solution) the IT function can concentrate on the complex task of making things simple!

**Don’t be afraid of setting an audacious goal**

As a project leader it was my sole responsibility to influence the setting of an audacious goal that was a well considered business risk (while fitting into a larger business plan), at the same time as making sure that every single member of the team was thoroughly excited about what this innovation was going to do. They were after all a part of something that was going to completely change the way we did things around here! Every single member of the team had an opportunity to contribute to that change.

So often a whip is cracked from above and the instruction given without any consideration for how important it is to be motivated. No effective leader operates in a vacuum. For all the benefits, change innovations do bring with them a lot of challenges, uncertainty, discomfort, and personal change.

**Well motivated team is the key**

Without a well motivated team that is prepared for change, there is little chance of finding new and better ways of doing things. Additionally if the business has not been given the opportunity to contribute to the setting of the goal, their buy in for the project cannot be guaranteed and as a result the possibility of a positive result decreases.

So often, the futurist in us gets terribly excited about the possibilities, we are strongly motivated by the way things could be; and because of the risk involved the end result is a limp, diluted version of a previously great goal because it has so many caveat’s, ifs,
buts and maybes. People are changed, not by coercion or intimidation, but by example.

Goal setting (or the lack of) is the biggest contributor to changing the way people see and ultimately want to contribute to reaching a business opportunity.

**Allow for the fast failure**

In any project I stay extremely close to my innovation team members. “Bad news” is disappointing; “surprise bad news” is disastrous and doesn’t allow for co-ordinated remedial action.

In the same breath I reward excellent failure; after all those that take calculated risks improve your company’s competitive edge. I believe that in this way even if our competitors copy what we are doing they will never catch up because what we have is constantly being re-invented, improved and adapted to improve what we are doing, in this case, purchasing.

"The fast failure” (Gordon Lovell-Reed, CEO Siemens) is a key component of our innovations, we certainly make our fair share of mistakes, incorrect assumptions, and miscalculations, but we don’t spend a lot of time licking our wounds, we build it, try it, fix it and very quickly make a decision on whether its going to get us to our goal or not. As a result team members are not afraid to turn things on their head to see if there is a simpler, faster, or better way of doing the job.

“A complex system that works is invariably found to have evolved from a simple system that works.” (John Gaule) Simple complexity (which I know is an oxymoron) can only be achieved when people work together on a challenge in an environment where they feel comfortable to explore the unknown and are not afraid of failure. It never ceases to amaze me what can be achieved.

Innovation is probably what happens when they are doing all of this!

**People and process excellence underpins business excellence**

If one takes a rotten apple and dips it in candy, it does not make a toffee apple, because the apple is still rotten. One of the key contributors to procurement innovation failure is that project teams try to horseshoe existing people, roles, processes and practices into a system.

This approach is fundamentally flawed in that the two are very seldom compatible and the resulting differences will create a delivery gap that is too big to close. This can also be a major distraction in any project as people are defending their position rather than solving business issues.

Most of the time one will find that this is because there is a great deal of discomfort with having to deal with a new approach or way of doing something. Change for all of its benefits, does have a major side effect in that it requires that the people change the ways that they have been doing the same thing for years, in many cases what they are employed to do. Getting them to do this is sometimes the biggest challenge in a project of this sort.

**If you are not ready for it, don’t bother doing it**

One should never underestimate how much a project of this size will change a business. It is certainly not that all companies do not require or have the desire to have a simple,
efficient procurement system improving their core business process, it’s simply that some companies are ready to change and others are not.

As a company you will need to

1. Set your goal
2. Decide if it is really what you all want
3. Decide how much or what you are willing to exchange to achieve it
4. Get commitment from every key business stakeholder
5. Establish your priorities and just get on with it

If you are not able to commit completely to a change, do not even attempt it as it could have a far more detrimental effect on your business if it is not done properly.

Building the procurement puzzle at Regent Inns

The Goal

With the benefit of hindsight, we did set a very audacious goal to implement a company wide purchasing solution, which incidentally had not been done before in the Leisure Industry.

This was to “To implement a best practice procurement model across the Regent Inns brands that manages the process from cradle to grave for all items and services.” We were not prepared to settle for less than 100% fit and required to include all services and products.

Two identified core elements of initial project goal were

- business process first - then technology
- people and process excellence underpin business excellence

Senior management commitment

From the very early stages absolute commitment by senior leadership was demonstrated time and time again. To this end personal objectives for the project were set at every level, from the Chief Executive and the Finance Director to the Purchase Ledger Manager and Purchasing Manager, all of these with a direct impact on annual bonuses. This was no single person’s objective, it was a collective responsibility.

Making things simpler

The project team was obsessively focused on making things simpler. This approach and resolution of project issues ensured the overall goal was not compromised but that real business issues were heard, discussed and most importantly addressed. It had to work at the front end at the same time as addressing the back end administration issues.

The Project Motivators

Most importantly, the business wanted it! At no point did I, the Head of IT play a visible role in the sponsoring of the project. The project had a business sponsor to address real business issues and challenges.

A very conscious effort was made in the marketing of the innovation to ensure that it was, and was perceived to be a business focused innovation, never an “IT project”.
Clear Vision

I did however play a significant role in creating a vision of the way things could be, simpler, faster, better and spent a significant amount of time preparing and coaching the business sponsor and various leaders for the significant change that the system would bring along with it.

Prompt information

At the time the Company was also undergoing a transformation to a more branded operation, there was a huge need for central control, we had far too little business information at the time we needed it, it was eventually available but we were looking for days, where we had to make do with weeks.

This did however present an irony in that we were in effect increasing the “value” of our information (by getting it at the right time), at the same time as we were promoting the concept of disposable information, (look at it make a decision throw it away and look for the next opportunity). I focused on increasing the speed of decision making and business tempo, and believe that we have created something that our competitors will find difficult or perhaps even impossible to copy, because as a result the business is forever reinventing itself with the information to hand.

Eliminate administration

A strong motivator was to eliminate administration, site side and Head Office. Notably, we did not set out to make the process easier, improve, etc, we consciously set out to eliminate as many layers as possible in trying to run a simpler business. This, although an unwritten motivator, was instrumental in bringing about some of the best project innovations, because the team members were not limiting themselves to what we already had, they were either looking to eliminate them or to get a machine to do them.

The Project Team

I have emphasised the importance of the innovation culture that was so instrumental in delivering this great system. The single most important asset we had in creating this was the project team. This was very deliberately constructed to create a team that displayed the following characteristics:

- Commercially astute and business focused (always remembering that we sell beer and a great night out!)
- An ability to make well considered, clear decisive decisions within predetermined parameters
- A habit of taking a blank piece of paper and challenging every single aspect of a previous assumption
- The ability to face reality, but not be afraid to go for a big result
- Not afraid of failure
- Direct verbal communicators, with an ability to create relationships at every level, both inside and outside the Company

One of the great acronyms that evolved during the project was B2B, not business to business but back to basics! This team had representation from every one of the key
stakeholders, was represented on the Executive Board, and to that end was the number one topic of conversation at the Executive Board Meeting for 9 months. We were serious about doing this properly.

The Procurement Process

I have tried to very simply depict the multitude of processes before the introduction of iPOS. This is however a very simple view of what in my own opinion was a completely disjointed, very labour intensive overhead.

The result:
Joined up thinking

From the above diagrams you can see that we have completely removed 5 layers from the procurement cycle. I feel that it is important to state that we didn't make them better, improve the process, automate or interface, we REMOVED them. They did not have to be there in the first place once we reviewed the way we did things.

This I call joined up thinking. Without all of the key stakeholders debating around a table (not without some views being very, very well expressed mind you!) and resolving areas of cross over, duplication and manual interference (previously known as manual intervention) we would never have been able to achieve a simple solution.

Additionally we would have had to quadruple the development time and budget to cater for the plethora of additional screens, reports and unnecessary routines.

To achieve this we recognised at a very early stage that there would be a significant shift from the existing processing cycle to what we would need to be able to deliver the goal. The workload distribution is illustrated below between the various tasks involved:

In this example a barrel of beer is purchased at a site and processed centrally at head office. The size of the barrel is indicative of the amount of time and resource needed to complete the task.

As you can see the disparate arrangement of tasks have not only been reduced in number and size due the increased automation, but they have been placed in a logical order and reduced in complexity.
**Less suppliers, higher invoice values**

This reduction has had a significant impact on the number of suppliers and items purchased and as a direct result a reduction in the actual number of orders placed and invoices processed. It follows that the £ value of the orders and invoices has increased because more items are being placed on a single order. We are processing fewer invoices, quicker and more accurately (zero tolerance on line item details).

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of invoices processed (on base)</td>
<td>-33%</td>
<td>-44%</td>
</tr>
<tr>
<td>Average value of invoices (on base)</td>
<td>+49%</td>
<td>+57%</td>
</tr>
<tr>
<td>Number of invoices automatically matched and processed</td>
<td>+6%</td>
<td>+43%</td>
</tr>
<tr>
<td>Value of invoices automatically matched and processed</td>
<td>+8%</td>
<td>+56%</td>
</tr>
</tbody>
</table>

The figures above show very clearly how one can certainly achieve more with less.

**Electronic communications with suppliers**

One of the major obstacles in any invoice processing exercise that involves multiple suppliers is that every supplier has a difference level of technical ability, available resource and budget. One of the most important issues is to get “clean” data from suppliers. We saw a major obstacle in going to all of our suppliers and asking them to re-invest time and money in communicating with our accounting system’s requirements. XML has significantly improved this ability in recent years, but what of all of our suppliers that were not ready to upgrade to that protocol?

The answer was easy. We simply added a translator to our existing EDI network to convert the data to our format and saw an immediate effect in the automated matching, with absolutely minimal investment.

In this way we were able to leverage both our own and our suppliers existing EDI investment, ultimately get what we wanted and provide our suppliers who had the capability with an option to improve their own information processing capability.
Quality and single source data

One of the added benefits is that when you have fewer suppliers and products to monitor, the easier it is to make sense of the information you are looking at. We have made huge advances in using iPOS as a single point of reference for a number of systems which rely on up to date product and pricing information.

Previously manual tasks such as updating Epos (electronic point of sale - tills) now interface with the catalogues, stock management systems and menu development tools, but to mention a few are all now capable of referencing a common data source for product and cost price information, giving us the most up to date information on which to make decisions.
Benefits for Regent Inns

Keep it Simple

In life there are simplifiers and complicators. The simplifiers have a huge advantage!

Of the multitude of benefits that iPOS has delivered to Regent Inns, its simplicity as an operational tool is perhaps its most valuable.

This was brilliantly demonstrated by a surprise visit made by myself to one of our sites with some colleagues who were eager to see the system in operation.

Having walked in without any preparation, I nervously asked the site manager what she thought about the system. Her reply was short and sweet, “It’s just great. It just works!” which was followed by a long pause – where we all expected her to start to expand on the finer aspects of how the system functioned. Recognising that we were all expecting more clarification she offered to take us to the office for a demonstration, but explained that it would be rather useless as there was relatively little to do.

The right person doing the right job

In our business it is paramount that the venue manager, does exactly that – manage venues. With the introduction of iPOS we have delivered a simple easy to use front end for all purchases that allows chefs, cellar-managers, and assistants to raise orders within the predetermined authorisation and budgetary constraints. By doing so we have freed up the managers time to do what they should be, and I believe, ultimately contributed to the running of the operation.

Less is More

In business we are all too aware of the 80/20 principle. We only have to look at any working day to see this principle in action.

With the introduction of iPOS we have seen the following reductions:

- An 82% reduction in the number of electronically stored products
- A single food suppliers products reduced from 1278 to 201
- A reduction in the number of food suppliers from 51 to 8
- A reduction in the number of core product categories from 48 to 19

Most importantly, these reductions have not only resulted in less manual entry and data maintenance but also had the following positive results:

- Reduced the amount of product checking with suppliers
- Fewer suppliers means selling us more products means better terms and greater buying power
- Fewer products to manage has resulted in better quality based on the feedback from venues
- Using fewer suppliers has resulted in less deliveries to site and freed up receipting management time
Stock management has been made simpler and easier to pinpoint rogue lines.

The overall management of lines and category substitutions has been simplified, making the task of reacting to market trends easier as global decisions can be almost instantly executed.

### Single Point of Entry

Regardless of the size of any organisation, people naturally tend to work in silos. Time is always an issue, peoples working patterns have changed and information does not unfortunately get to the right person at the right time.

This issue gets exponentially more complicated when you have what we had in our business, which in the case of adding a single new product to the “system(s)” was:

<table>
<thead>
<tr>
<th>Task</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing records updated</td>
<td>1</td>
</tr>
<tr>
<td>Communication of the changes</td>
<td>+</td>
</tr>
<tr>
<td>Authorisation process for systems updates</td>
<td>+</td>
</tr>
<tr>
<td>Price comparison records updated</td>
<td>+</td>
</tr>
<tr>
<td>Epos base data change</td>
<td>+</td>
</tr>
<tr>
<td>Epos site data update via overnight process</td>
<td>+</td>
</tr>
<tr>
<td>Price tariffs updated</td>
<td>+</td>
</tr>
<tr>
<td>Pricing system update</td>
<td>+</td>
</tr>
<tr>
<td>EDI master data change</td>
<td>+</td>
</tr>
<tr>
<td>Stock management module change</td>
<td>+</td>
</tr>
<tr>
<td>Menu management system update</td>
<td>+</td>
</tr>
<tr>
<td><strong>TOTAL CENTRALISED CHANGES</strong></td>
<td>24</td>
</tr>
<tr>
<td>Number of venues</td>
<td>*</td>
</tr>
<tr>
<td><strong>TOTAL NUMBER OF CHANGES</strong></td>
<td>1680</td>
</tr>
</tbody>
</table>

If we assume for the purposes of this example that the labour cost was 1p per task, it would cost the Company £16.80 per product added to the system.

Before the introduction of iPOS we had in excess of 20,000 products in the Epos system to cater for all of the necessary permutations. It follows that the cost of merely entering those products was £336K. We had more than two price changes per product per year!

There is now a single change made to the iPOS catalogue for all dependant systems.

### Transparency

Business agility is only as good as the internal communication capability of a business. Many companies invest huge amounts of money and resource in establishing and maintaining the cascading of the proper flow information.

**Why?**

I refer back to my rotten apple! If the information is entered and communicated in a single application, there is no need for elaborate communications paths and processes to ensure that a task is done correctly.

**Centralised control with decentralised decision making**

The introduction of iPOS has simplified the process of communicating something as simple as a product addition, de-listing or amendment because every person or...
department that needs to act on the instruction is now referring to a common base. In addition, when errors are made, they are immediately detected and resolved.

**More Integration less interfacing**

Any IT Manager fears the “Super Domino Effect”, which is when an interface stops working for an unknown reason, usually an update or enhanced functionality development which in turn creates a knock on to multiple dependant systems.

This is not only very embarrassing, as it is more often than most something that should have been checked, but it tarnishes the overall credibility of the function.

**XML**

iPOS uses standard platform (SQL) and integration (XML) technologies which enabled a direct connection to core business systems as part of the solution, not as a “csv” add on.

**Manage the process, NOT managed by the process**

The ability for any Manager to separate themselves from the detailed workings of any system or process is directly related to the quality of the decision making that result from their actions.

In addition to this, the simpler the view one has of the information the easier it is to distil the key elements of any issue.

**Decision making focused on what matters**

By standardising the core process with the aid of predetermined workflow and parameters, we have elevated the decision making level from that of administration and compliance to the monitoring and improvement of key performance indicators.

Perhaps the best example of this benefit has been the entering of GRNs (goods received notes). We discovered that the delay in the entering of GRNs was a major contributor to the timely processing of invoices. By improving compliance we would ultimately be improving the quality of the information in our management pack.

By sending a weekly summary to all operations managers detailing the number, age and value of outstanding GRNs, together with a senior management summary league table we reduced:

- The average number by 23 %
- The average days by 27 %
- The average value by 44 %

By approaching the issue in this way, we have increased the visibility, heightened the management focus and achieved a result that would have taken hundreds of e-mails, meetings and phone calls to deliver previously.
Facts Summary

The Company - a brief history

Regent Inns (LSX:REG) was founded in 1977 and by 1980 owned and managed six public houses. The business continued to grow throughout the 1980s and in 1988 merged with Lockton Inns, a Business Expansion Scheme company. In March 1990 Regent Inns purchased an additional eleven pubs, increasing the estate at this point to 36 outlets.

April 29th 1993 was a milestone in the fortunes of Regent Inns, when shares in the company were floated on the London Stock Exchange. Through the listing the company raised £6.5 million and, with these funds, continued to grow and strengthen its Company Portfolio through the 1990's.

This period saw the creation of our market leading Walkabout brand with its unique Australian theme, extensive sports coverage, and live music and entertainment.

Current sales in the year increased by 28.5% to £110.8m (2002: £86.2m). Earnings before interest, tax, depreciation and amortisation (EBITDA) by 25.3% to £27.2m.

Case Study prepared by: Ken Gliddon – CIO Regent Inns plc
Sample business drivers for electronic procurement

There are a number of drivers that would be applicable to your business. We have listed below a number that our customers have found useful.

1. Mandated supplier arrangements are not enforced across the company.
2. Unauthorised items are purchased.
3. Not all purchases are supported by a prior approved PO.
4. Too many suppliers contracted for too many products.
5. Low internal customer satisfaction with process.
6. Purchasing too costly.
7. Excessive purchases outside the procurement process.
8. No information on the purchase performance:
   a. Invoices not agreeing to orders.
   b. Late deliveries.
   c. Wrong deliveries.
9. No current information on:
   a. Outstanding orders.
   b. Outstanding commitments.
   c. Outstanding invoices.
10. Purchases are not budget checked before purchase.
11. Order consolidation opportunities missed.
12. Ineffective or inefficient purchase authorisation process.
13. No analytical data on purchases.
# Sample ROI template

## Return on Investment

| User Count | 100 |
| No. Purchase Orders Processed last 12 months | 12,000 |

### Estimated Salary Cost per hour per hour

<table>
<thead>
<tr>
<th>Role</th>
<th>Cost per hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approver 1</td>
<td>30.00</td>
</tr>
<tr>
<td>Approver 2</td>
<td>30.00</td>
</tr>
<tr>
<td>Clerk</td>
<td>30.00</td>
</tr>
<tr>
<td>Other</td>
<td>40.00</td>
</tr>
<tr>
<td>Senior Clerk</td>
<td>50.00</td>
</tr>
<tr>
<td>Supervisor</td>
<td>60.00</td>
</tr>
</tbody>
</table>

### Estimated Savings

<table>
<thead>
<tr>
<th>Who</th>
<th>Time Saved (mins)</th>
<th>Unit Measure</th>
<th>% Applicable</th>
<th>Hrs per annum</th>
<th>Cost per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entering Requisitions</td>
<td>Clerk</td>
<td>15</td>
<td>Day</td>
<td>90</td>
<td>56</td>
</tr>
<tr>
<td>Budget Checking Requisitions</td>
<td>Clerk</td>
<td>15</td>
<td>Day</td>
<td>90</td>
<td>56</td>
</tr>
<tr>
<td>Requisition Approval process</td>
<td>Clerk</td>
<td>15</td>
<td>Day</td>
<td>90</td>
<td>56</td>
</tr>
<tr>
<td>Filling in paper for every order</td>
<td>Clerk</td>
<td>120</td>
<td>Day</td>
<td>90</td>
<td>446</td>
</tr>
<tr>
<td>Faxing / mailing orders to suppliers</td>
<td>Clerk</td>
<td>60</td>
<td>Day</td>
<td>90</td>
<td>248</td>
</tr>
<tr>
<td>Paper chase for order approval process</td>
<td>Clerk</td>
<td>30</td>
<td>Day</td>
<td>90</td>
<td>223</td>
</tr>
<tr>
<td>Need to know cost of order before placing it</td>
<td>Approver 1</td>
<td>15</td>
<td>Day</td>
<td>90</td>
<td>56</td>
</tr>
<tr>
<td>Order amendments / cancellations</td>
<td>Clerk</td>
<td>15</td>
<td>Day</td>
<td>90</td>
<td>56</td>
</tr>
<tr>
<td>Calculating and posting hard commitments</td>
<td>Clerk</td>
<td>15</td>
<td>Day</td>
<td>90</td>
<td>56</td>
</tr>
<tr>
<td>Goods receiving items without orders</td>
<td>Clerk</td>
<td>30</td>
<td>Day</td>
<td>90</td>
<td>112</td>
</tr>
<tr>
<td>Goods receipt / delivery chasing</td>
<td>Clerk</td>
<td>30</td>
<td>Day</td>
<td>90</td>
<td>112</td>
</tr>
<tr>
<td>Goods outside order specifications</td>
<td>Clerk</td>
<td>30</td>
<td>Day</td>
<td>90</td>
<td>112</td>
</tr>
<tr>
<td>Calculating and posting accruals</td>
<td>Senior Clerk</td>
<td>180</td>
<td>Month</td>
<td>90</td>
<td>32</td>
</tr>
<tr>
<td>Incorrect pricing - invoice mismatch</td>
<td>Senior Clerk</td>
<td>30</td>
<td>Day</td>
<td>90</td>
<td>112</td>
</tr>
<tr>
<td>Invoice reconciliation</td>
<td>Clerk</td>
<td>180</td>
<td>Month</td>
<td>90</td>
<td>32</td>
</tr>
<tr>
<td>Lost invoices</td>
<td>Clerk</td>
<td>30</td>
<td>Day</td>
<td>90</td>
<td>112</td>
</tr>
<tr>
<td>Long / slow invoice approval process</td>
<td>Approver 2</td>
<td>60</td>
<td>Day</td>
<td>90</td>
<td>223</td>
</tr>
<tr>
<td>Coding / Entry of invoices</td>
<td>Clerk</td>
<td>180</td>
<td>Day</td>
<td>90</td>
<td>670</td>
</tr>
<tr>
<td>Entering / matching credit notes</td>
<td>Clerk</td>
<td>180</td>
<td>Day</td>
<td>90</td>
<td>670</td>
</tr>
<tr>
<td>Entry of invoices without a purchase order</td>
<td>Clerk</td>
<td>60</td>
<td>Day</td>
<td>90</td>
<td>223</td>
</tr>
</tbody>
</table>

### Total Estimated Savings

| Total Estimated Savings | 116,052.00 |

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<table>
<thead>
<tr>
<th><strong>Total Savings per Transaction</strong></th>
<th>9.67</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Savings - reduction in maverick purchases</strong></td>
<td></td>
</tr>
<tr>
<td>Current Yearly Procurements</td>
<td>2,000,000</td>
</tr>
<tr>
<td>% of Procurements that may be purchased through iPOS</td>
<td>90</td>
</tr>
<tr>
<td>% of iPOS Procurements based on preferred supplier arrangements</td>
<td>50</td>
</tr>
<tr>
<td>Average discount on preferred supplier arrangements</td>
<td>5</td>
</tr>
<tr>
<td>Forecast amount of iPOS procurements to be based on preferred supplier arrangements</td>
<td>75</td>
</tr>
<tr>
<td><strong>Potential savings from improved compliance with Preferred Suppliers</strong></td>
<td>22,500</td>
</tr>
</tbody>
</table>
FAQs

**Can iPOS link with a document management system (DMS)?**

There are two DMS interfaces that a user would be interested in.

The first need is the ability to drill down to the electronic copy of the invoice. The link to the DMS is a configurable iPOS setting. This link is present in iPOS Invoice Entry and Invoice Approval.

The second requirement is the automatic processing of an electronic invoice received from the DMS. iPOS satisfies this need by offering the feature of an XML invoice matching process.

**Can I report on my iPOS data using the company wider report writer?**

All iPOS data is available to be reported on using the company report writer, such as Crystal & Actuate.

**Can we publish our internal purchasing policy and procedure documents in iPOS?**

Absolutely. iPOS allows the system administrator to establish a support URL which links the iPOS home page to the internal documentation. A second link can also be established which links the end users to the internal reporting portal. This will enable the users to access the purchasing reports.

**Is receipting mandatory?**

Mandatory receipting can be set at the item level. It can also be entered at the requisition line level. Receipting for services is a system setting.

Group profile permissions allow that group to match receipts and enter goods without a PO.

**What email systems does iPOS integrate with?**

iPOS uses a SMTP mail server. Therefore any SMTP compliant email system integrates with iPOS.

**Can I keep my suppliers synchronised between SunSystems and iPOS?**

 Suppliers are only added through SunSystems. This is another example of the tight integration between SunSystems and iPOS. A SunSystems supplier, subject to definition by an A code in iPOS, is an iPOS supplier automatically. The reason for this approach is to avoid data duplication and improve the systems of internal control.

**How does iPOS do budget checking?**

Budget checking in iPOS determines the budget balance remaining by taking the actual, the commitment, and the soft commitment ledger balances away from the budget ledger amount. This may be done on a multi year, full year, year-to-date or period basis. Budget checking may be turned on or off for different users and items, e.g. capital items require budget checking whereas trading items may not.
What part of the system can be configured for local conditions?

Screen labels throughout the system can be amended. Tax calculations are as per SunSystems.

In what circumstances can the system ignore invoice approval?

Invoice approval can be ignored if the specified item does not require approval, e.g. beer purchases for a pub, and the item matches the order within specified tolerances.

Can I print locally?

Yes. The system uses a cascading print settings logic. If the user has no setting, then the system confirms the group profile and failing that will default to the system setting.

What controls are there when I send a PO to a supplier?

The system can be configured for the PO to be sent via email, fax and print and to have a copy electronically stored, via a BCC email, to an internal archive.

Can the company change the layout and presentation of the order?

Yes, the layouts of all documents are user definable. The system will permit different formats for printing and faxing. There are different formats for original, reprints and cancellation formats. The user may wish to use watermarks in the document to mark it as a reprint or cancellation.

Users may wish to change the layout or include such items as logos and bar codes.

What system overrides are there to cater for unusual circumstances?

Particular users can be nominated as an Exception Authority. A user can then bypass all approval routes by selecting to nominate the approval party for a requisition as the Exception Authority. This is the so-called "back door" in the system and careful consideration needs to be given during setup.

Can I delegate my authority if I am away from the office for a period?

Users may also delegate all their approvals to another user for a specified time period. This enables the system to cater for things like holidays, business trips, sickness etc.

Quick questions

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is iPOS multi currency?</td>
<td>Yes</td>
</tr>
<tr>
<td>Can users view other users’ requisitions?</td>
<td>Yes, subject to a system setting.</td>
</tr>
<tr>
<td>Can purchase orders be consolidated?</td>
<td>Yes, subject to a system setting</td>
</tr>
<tr>
<td>Can the system automatically create the POs?</td>
<td>Yes, approved requisitions may be automatically created on POs</td>
</tr>
<tr>
<td>Question</td>
<td>Answer</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td>------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Can users approve their own requisitions?</td>
<td>Yes, subject to group profile permissions.</td>
</tr>
<tr>
<td>Can the system receipt goods without a PO?</td>
<td>Yes, subject to group profile permissions.</td>
</tr>
<tr>
<td>Can a user enter invoices without a PO?</td>
<td>Yes, subject to group profile permissions.</td>
</tr>
<tr>
<td>Is the approval matrix separate for requisitions and invoices?</td>
<td>Yes. There is a separate approval matrix for PO &amp; invoices.</td>
</tr>
<tr>
<td>What T codes can the user access?</td>
<td>All T codes subject to system setting.</td>
</tr>
<tr>
<td>Can I restrict the suppliers and chart of accounts which the users can select?</td>
<td>Yes, by defining an A code to be selected on.</td>
</tr>
<tr>
<td>Can I limit the search results across the Internet?</td>
<td>Yes, number of results is a system setting.</td>
</tr>
<tr>
<td>When does iPOS recognise commitments?</td>
<td>A soft commitment when the requisition is approved. A hard commitment when the PO is created.</td>
</tr>
<tr>
<td>How many levels of approval are there?</td>
<td>Unlimited simultaneous approvals and 6 cascading levels of hierarchy.</td>
</tr>
</tbody>
</table>
Professional Advantage

Our Mission

“To improve the life and business success of our clients by providing a strategic advantage in the implementation of quality business systems, services and tools while providing a challenging and rewarding work environment for our employees.”

Our Values

- We foster close relationships so that we better understand what our clients and suppliers are experiencing.
- We encourage innovations, independent action, team spirit, personal growth and well being in all team members.
- We make sure that everything we do reflects exceptional levels of quality.
- We show the utmost integrity in all business relationships.

Our Story

Since 1989, Professional Advantage (PA) has become the number one Australian supplier for financial package solutions. We have also developed strategic alliances with a number of Information Technology vendors such as Microsoft, IBM, Sun Microsystems and Hewlett Packard. These alliances, coupled with our wealth of diverse industry experience and knowledge, ensure that Professional Advantage delivers a total solution - a one-stop shop. This provides our clients with the distinct advantage of being serviced by an organisation that has a comprehensive knowledge of their total system, and in day to day support and servicing - one supplier to deal with.

In fact, whenever support is required, PA delivers unparalleled service, which was confirmed in a survey conducted by Australian Financial Review (AFR) BOSS Consulting in July 2002, where PA was judged as the best value for money consultancy firm and delivering the highest level of customer satisfaction.

PA has a proven track record in the successful implementation of Business Solutions to clients, across a broad range of industry sectors. With experience in a wide range of industries, we clearly understand what is required in order to implement an effective solution. Our collaborative working approach ensures that the solution delivered will meet the key business requirements.

For more information about PA, please visit: http://www.pa.com.au
Sample RFP questions for procurement

These are features that are available to the buying organisation. They include features for professional procurement agents ("buyers"), for individuals making purchases at their desks, and all management and administrative personnel involved in the process.

1. **Catalogue**

   1.1. **Content:**

      1.1.1. Supports single commodity hierarchy across a class of suppliers.
      1.1.2. Prices can be published per item or a percentage discount per commodity.
      1.1.3. Suppliers can provide customer specific content and pricing.
      1.1.4. Catalogue content can be limited to products for which company has contracted prices.
      1.1.5. Catalogue displays company's contracted prices with each seller.
      1.1.6. Catalogue can display pricing by multiple units of measure.
      1.1.7. Catalogue can be limited to certain suppliers.
      1.1.8. Can include items or services specific to the company.
      1.1.9. Company determines which vendors to include in the system.
      1.1.10. Appropriate vendors can be categorised with indicators, such as small business, small disadvantaged business or minority business?
      1.1.11. Updates distributed when Catalogues change.
      1.1.12. Random display of equivalent vendor products.
      1.1.13. Catalogue items displayed in rating order.
      1.1.14. Offers real-time access to supplier's price and item availability.
      1.1.15. Company can add (links to) product comparison data.
      1.1.16. Product types.

         1.1.16.1. Supports commodity supplies.
         1.1.16.2. Supports professional services.

1.2. **Search:**

   Searching capabilities are those that let the buyer specify (partial) information about the product being sought and present as a result a list of all products matching the specification that was entered.

   1.2.1. Searching supported.
   1.2.2. Natural language search supported.
1.2.3. Search options: These factors describe the different search modes that are supported.

1.2.3.1. Supports keyword search.

1.2.3.2. Supports text search.

1.2.3.3. Search can scan multiple fields.

1.2.3.4. Matches first few letters of a word.

1.2.3.5. User can search by product name.

1.2.3.6. Search fields include product description.

1.2.4. Administration: This factor describes the capabilities offered and work required for the buying organisation to maintain its Catalogue.

1.2.4.1. Manual Catalogue maintenance possible.

1.3. Price:

These factors describe how prices are displayed in the Catalogue and whether rules-based discounting is supported.

1.3.1. Actual price, net of discounts, can be displayed.

1.3.2. Actual price, net of discounts, always displayed.

1.3.3. Supports rule-based discounting: Rules-based discounting allows for discounts based on any combination of product attributes, and also on quantities of the same or other items purchased at the same time.

2. Administration

2.1. Authorisation:

A user can be authorised to order on behalf of another user.

2.2. Security:

This factor describes the security facilities for the system as a whole.

2.2.1. Changes require password.

2.2.2. Password re-entry required after period on non-use. Typically between 10 and 30 minutes of non-use should require re-entry of the password.

2.3. Status Checking:

The capabilities that the system administrators have to interrogate the status of orders:

2.3.1. Can check order status with supplier.

2.3.2. Can check status of all orders placed by a user.

2.3.3. Can check status of all orders approved by an individual.
2.3.4. Can check status of all orders from a department.

2.3.5. Can check status of all orders involving a specific product.

2.4. Corporate data:

These factors are the features offered for administering the system. They include security, status checking and the ability to work with existing corporate data.

2.4.1. Corporate hierarchy can be uploaded from email directory.

2.4.2. Valid cost centre lists are automatically available from SunSystems.

3. Workflow

3.1. General:

How orders and information move through and are tracked by the system. Includes how approvals are managed, the actions available to the user after the purchase request has been made, security, and the quality of the audit trail.

3.2. Approval:

These factors describe whether and how approvals can be required and tracked, including the kinds of rules that can be specified to define the approval process.

3.2.1. Approval by cost centre owner can be required.

3.2.2. Approval chain specified by business rules. Business rules might specify roles and responsibilities and the approval relationships.

3.2.3. Approvers can specify amounts below which approvals at their level not required.

3.2.4. Parallel approvals can be specified for any step.

3.2.5. Approvals can be required.

3.2.6. Approval flow can be determined by commodity codes (or equivalent)

3.2.7. Approver automatically notified when a requisition requires approval. Notification might be my email or alert.

3.2.8. Approver re-notified after specified time period passes.

3.2.9. Approver can add comments to approval or disapproval.

3.2.10. Alternate approvers can be specified when primary approver not available.

3.2.11. Supports approval/rejection of individual line items.

3.2.12. Supports reduction of quantities by approver.

3.2.13. Easy routing to next step in approval process.

3.2.14. Subject to system setting managers cannot approve own orders.

3.2.15. Partial approval of report possible, with remainder held in queue.
3.2.16. Rules can be based on dollar amounts or ranges.

3.2.17. Rules can be changed without programming.

3.2.18. Rules can be based on department.

3.2.19. Rules can be based on cost centre.

3.3. **User Modification Capability:**

These factors describe how the user can track and modify the normal flow of a request through the system.

3.3.1. Use can edit and resubmit disapproved requisition.

3.3.2. User can track status of requisition.

3.3.3. Requestor can add comments to approver.

3.3.4. User can create purchase order and send to supplier without involvement of Purchasing.

3.3.5. User can cancel orders after sent to vendor.

3.4. **Notification and Routing:**

This describes the levels and kinds of notification provided as items flow through the system.

3.4.1. Automatic notification of each approval to user.

3.4.2. Automatic notification to user of changes by approvers.

3.4.3. Requisition automatically routed to alternate after specified time period passes.

3.4.4. Requisitions automatically routed for approval when the user's spending limit is exceeded.

3.4.5. Company can define codes to route approvals.

3.4.6. Notifications can be by email.

3.4.7. Email notifications include link to approval screen.

3.5. **Date stamp:**

The detailed time stamp information that is attracted to an item as it moves through the system

3.5.1. Creation date.

3.5.2. Submission for approval.

3.5.3. Approval.

3.5.4. Received by A/P.

3.5.5. A/P approves for payment.
3.6. **Security:**

These are factors describing security features for workflow access and control.

3.6.1. Reference number assigned automatically to each requisition.

3.6.2. Changes require password.

3.6.3. Password re-entry required after period on non-use. Typically between 10 and 30 minutes of non-use should require re-entry of the password.

3.7. **Tracking and Accountability:**

These factors describe the user's capability to track the status of a purchase.

3.7.1. User can track status of PO.

3.7.2. Detailed history is maintained.

3.7.3. Purchase order communications with supplier can be by Fax.

3.7.4. Purchase order communications with supplier can be by email.

3.7.5. Purchase order communications with supplier can be by EDI.

3.7.6. Purchase order can be sent to a production purchasing system.

3.7.7. Users can see graphical display of status of orders.

4. **End-User features**

These factors describe the features available to end-users, whether individual purchasers or corporate buyers. It includes the forms presented, and the ability of the user and company to modify them, the ability of the user and system to track experience with individual vendors, and the ability of the system to group users into buying groups so that the characteristics and privileges of all users in the group can be modified at one time.

4.1. **Company Control:**

4.1.1. Some fields can be required.

4.1.2. Can create public lists of frequently ordered items.

4.1.3. Can create standard order configurations. These would be easily accessible hot lists from which items could be ordered.

4.1.4. Requisition defaults can be set for members of a group.

4.1.5. Requisition defaults can be set for individuals.

4.1.6. The "look and feel" of form pages on the screen is company configurable.

4.2. **User control:**

4.2.1. Can create standard order configurations. These would be easily accessible hot lists from which items could be ordered.
4.2.2. Can create private lists of frequently ordered items.

4.2.3. Requisition defaults can be set for individuals.

4.2.4. User can select multiple ship-to addresses per order.

4.2.5. User can select multiple bill-to addresses per order.

4.2.6. User can select multiple delivery dates per order.

4.2.7. Where multiple valid entries are available for a field, values can be displayed with a drop-down menu.

4.2.8. Delivery comments for supplier can be added to requisition.

4.2.9. Requisition can be edited before sent for approval.

4.2.10. Comments can be tagged to individual line items.

4.3. **Data Integrity:**

These factors are concerned with ensuring that data is consistent throughout the system.

4.3.1. All pertinent information from requisition communicated to Accounts Payable.

4.3.2. All pertinent information from requisition communicated to vendor.

4.3.3. Buyer's name automatically applied to a Purchase Order before transmission.

4.3.4. Validation:

4.3.4.1. Dates:

4.3.4.1.1. Validated for syntax when entered. Errors in syntax are instantly detected when entered by user.

4.3.4.1.2. Validated for syntax when transaction completed. Errors in syntax are detected when transaction is submitted.

4.3.4.2. Amounts:

4.3.4.2.1. Validated for syntax when entered. Errors in syntax are instantly detected when entered by user.

4.3.4.2.2. Validated for syntax when transaction completed. Errors in syntax are detected when transaction is submitted.

4.3.4.3. Item numbers:

4.3.4.3.1. Validated for syntax when entered. Errors in syntax are instantly detected when entered by user.

4.4. **User Capability:**

4.4.1. In one session items can be ordered across suppliers. A typical implementation would be a shopping basket that "holds" items until the user is ready to submit the order.
4.4.2. User-friendly.

4.4.3. User can place special orders.

4.4.4. User can print PO at desk.

4.5. **Status checking:**

This factor describes the users' capabilities for determining the status of requests.

4.5.1. Online status check available.

4.5.2. Status check shows approval status.

4.5.3. Status check shows vendor receipt/acknowledgment.

4.5.4. Status check shows receipt status.

5. **Receiving**

5.1. **General:**

These factors describe the system's interactions with the Receiving Department and with electronic invoices.

5.1.1. Tracks receiving to loading dock. The loading dock can register the receipt and order number will be matched.

5.1.2. Loading dock can accept partial orders.

5.1.3. User can accept partial orders. Real-time tracking makes receipt information immediately available to an inventory application.

5.1.4. User can reject individual items.

5.1.5. Users can receive orders on behalf of other users.

5.1.6. Real-time tracking. Real-time tracking makes information about received orders available to an inventory application.

5.1.7. Tracks receipt of ordered items that are not in Catalogue.

5.1.8. Accepts and reconciles electronic invoices.

6. **Requisitions and Ordering**

These factors describe the limits on orders that can be placed by an individual, and the creation of requisitions and purchase orders. They include such issues as handling of multiple currencies, and calculation of taxes and shipping charges.

6.1. **General:**

6.1.1. User can order outside of Catalogue.

6.1.2. Unique spending limits can be set for each user.

6.1.3. Order can be placed through fax.
6.1.4. Order can be placed through email.

6.1.5. Order can be printed and mailed.

6.1.6. Orders can contain multiple line items.

6.1.7. Multiple cost centre codes can be used for one item.

6.1.8. Comments can be included on purchase order.

6.1.9. Comments for internal use only can be attached to requisitions.

6.1.10. Configured items are automatically populated in requisition being composed.

6.1.11. User can attach electronic documents to requisition.

6.2. **Currency:**

6.2.1. Support multiple currencies.

6.2.2. Conversion rates maintained centrally.

6.2.3. Conversion rate histories maintained.

6.3. **Unique Identification:**

6.3.1. System generated

6.3.2. Contains User ID

6.3.3. Contains Date of Creation

6.3.4. Identification placed on hardcopy reports

6.4. **Tax, Shipping and Other Additional Expenses:**

6.4.1. The software calculates and accrues sales tax as required.

6.4.2. Items requiring payment of usage taxes for which taxes have not been paid are recognised.

6.4.3. Tracks freight costs.

6.5. **Security:**

6.5.1. Passwords:

6.5.1.1. Changes require password.

6.5.1.2. Password re-entry required after period on non-use. Typically between 10 and 30 minutes of non-use should require re-entry of the password.

6.5.1.3. Minimum number of characters in password.

6.5.1.4. Weeks between password expiration.

6.5.1.5. Password requires mixed alphanumeric.
6.5.1.6. Password requires mixed case.

6.5.1.7. Password may not be a dictionary word.

6.5.1.8. Passwords may not be reused.

6.5.1.9. An administrator can change passwords.

6.6. **Control of User-level features:**

6.6.1. Forms:

These are the features available for controlling forms

6.6.1.1. Company control of forms.

6.6.1.2. Some fields can be required.

6.6.1.3. Can create public lists of frequently ordered items.

6.6.1.4. Can create standard order configurations.

6.6.1.5. Requisition defaults can be set for members of a group.

6.6.1.6. The "look and feel" of form pages on the screen is company configurable.

6.6.2. User features:

6.6.2.1. Can create standard order configurations.

6.6.2.2. Can create private lists of frequently ordered items.

6.6.2.3. Requisition defaults can be set for individuals.

6.6.2.4. User can select multiple ship-to addresses.

6.6.2.5. User can select multiple bill-to addresses.

6.6.2.6. User can select multiple delivery dates.

6.6.2.7. Where multiple valid entries are available for a field, values can be displayed with a drop-down menu.

6.6.2.8. Delivery comments for supplier can be added to requisition.

6.6.2.9. Requisition can be edited before sent for approval.

7. **Consulting services**

These factors describe the consulting services offered by the vendor. Typical consulting services might include - installation of the product, catalogue development, workflow (business rule) implementation, integration with the SunSystems back-end system, and various kinds of customisation.

7.1. Installation.

7.2. Catalogue Development.
7.3. Training and documentation.
7.4. Online help development.
7.5. Electronic transaction development.
7.6. Database configuration.
7.7. Workflow configuration.
7.8. Testing and validation.