

Supplies Gateway Project

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Abstract:

The University of Texas at Austin partnered with Office Depot and Hurricane Office Supply, a Texas Historically Underutilized Business, to implement a business-to-business 'Gateway' for administrative and academic departments to purchase Office Supplies. Through revisions in business processes, developments in technology, and the unified efforts of the entire campus community, the University transformed a decentralized office supplies procurement process into a single point of procurement, decreasing costs without sacrificing service, and leveraging buying power to negotiate greater discounts.

Introduction to the Organization:

The University of Texas at Austin is the largest university campus in the United States, serving over 51,000 students with approximately 25% in graduate and professional programs. The University employs approximately 22,000 full-time faculty and staff, and has an annual operating budget in excess of \$1.4 billion.

The University of Texas at Austin is a major research university offering more than 100 undergraduate degree programs and 170 graduate degree programs from 15 colleges and schools. The outstanding faculty includes several Nobel laureates and Pulitzer Prize winners, as well as many other leaders of prestigious academic and scientific organizations. The University annually garners more than \$370 million in Research grants and contracts, and is further supported by endowments exceeding \$1.6 billion for the campus, and another \$8.2 billion at The University of Texas System level. From teaching and research to public service, the University's activities support its core purpose, which is to transform lives for the benefit of society through learning, discovery, freedom, leadership, individual opportunity and responsibility.

Statement of the Problem/Initiative:

In the fall of 2001, the University hired a chief financial officer with a vision for leveraging the University's economic resources. At the same time resource constraints emerged as the local and state economy began to cool. By 2002, several initiatives to leverage the University's buying power and lower operating costs were put into motion as a result of the Task Force on Efficiency called by the University's president and led by the University's chief financial officer.

According to the president in a university wide communication, a "... universal theme that emerged from [the committee's] review is that the University has not taken full advantage of its consolidated purchasing power. Simply put, to the extent we can consolidate our spending and negotiate pricing for goods and services based on our aggregate spending, we will all benefit from lower pricing."

In short, the challenge to buy high-quality office products from a sole source throughout the University was set into motion as the Supplies Gateway project.

Design:

The key points of the Supplies Gateway design specifications include:

- Aggressive discount pricing and rebates;
- Bona fide mentor-protégé business relationship with a registered Texas-based Historically Underutilized Business;
- Dedicated vendor-client relationship manager;
- Secure on-line 24/7 order capability through the Web using the University's high-assurance login and password utilities as middleware;
- On-site next-day delivery to each department whether on the main campus or to a remote location using a very stringent order fulfillment rate standard;
- Secure electronic business-to-business data flow for seamless billing and payment interface between the vendor's system and the University's accounting system at the individual account level; and

- Scalable vendor fulfillment capacity to serve other University of Texas System institutions.

The University developed a request for proposal with these programmatic criteria in mind. Six proposals were received and were thoroughly examined to insure that each vendor could substantively fulfill each element of the proposal. Office Depot emerged as the successful vendor with Hurricane Office Supply as the mentor-protégé partner.

Together these two companies would begin assisting the Supplies Gateway implementation team in the process of transforming the University's office supply procurement practices. The transformation entailed evaluating and negotiating to arrive at best values for University office supplies while at the same time making the process more efficient.

Implementation:

An implementation team consisting of University purchasing, central stores, accounting, and technology staff joined forces with representatives from Office Depot, Hurricane Office Supply, and a credit-card issuing financial institution to begin the transformation.

The implementation process included designing a procurement process that would facilitate 100% compliance within the University community. Several underpinning assumptions were critical to the success of the project. First, the system was designed to allow users to utilize the existing password and high assurance secure Web access technology in order to facilitate ease of access without compromising existing purchasing

and payment protocols. This would facilitate billing each transaction to the department placing the order without further end user processing. Secondly, the approval process functions were designed to utilize existing on-line approval functions. Finally, internal shipping and receiving infrastructure had to be coordinated with vendor delivery systems to ensure that daily deliveries were timely and accurate.

User profiles were created internally so that each individual authorized to purchase office supplies was associated with appropriate departmental accounts and delivery locations. These profiles were transmitted electronically to Office Depot and used to create user profiles at Office Depot's procurement Web portal. Because access to Office Depot's Web portal occurs through UT-Direct, the secure University Web portal, the University is able to authenticate and authorize individuals for purchases prior to allowing access to the Office Depot Web portal. This process eliminated the need for users to maintain separate passwords and provided for a single log-on process for all users. In addition, this secure password protocol will allow the University to provide similar services in the future without the need to create new usernames and passwords for additional business-to-business vendor Web sites.

Internally, the Office of Accounting undertook a project to create an automated "crosswalk" to match NIGP commodity codes to internal reporting codes. Office Depot provided the University with a similar crosswalk to match Office Depot SKU numbers to NIGP commodity codes. The SKU numbers for line items purchased are passed from Office Depot to the participating financial institution as part of the line item information.

Translations are made electronically at payment-processing time to match SKU numbers to NIGP commodity codes and then to internal reporting codes, thereby decreasing the amount of data entry on the part of the end users and streamlining payment processing.

Rather than using a traditional business-to-business payment method, whereby Office Depot would electronically transmit individual invoices for each purchase to the University, a payment process utilizing the “ghost card” was implemented. The University partnered with a financial institution to provide a “ghost” credit card payment process for office supply purchases. The ghost card is a credit card whose existence is invisible to end users, but is charged for all purchases made through the vendor’s Web portal. Since Office Depot is able to transmit user-profile information, particularly departmental accounts and usernames along with other line-item data per transaction to the bank, the University is able to receive the required information to charge back these purchases to particular departmental accounts with individual order detail. This creates the flexibility to combine several purchases into a single procurement card payment voucher and decreases the volume of invoices received from Office Depot. At the same time this is exploiting a pre-existing charge-back process to departmental accounts. It should be noted that regular procurement card users are also allowed to take advantage of the negotiated pricing by presenting a University issued procurement card at “brick and mortar” Office Depot establishments.

Several on-campus personnel who make regular office supply purchases were identified as beta-testers. These individuals were involved in a small rollout of the overall process

prior to University-wide implementation. This group helped to identify real-global issues that allowed the implementation team to modify the process and address end-user concerns, prior to go-live.

Immediately prior to implementation and shortly thereafter, the Education and Training Department in the Office of Accounting planned and executed a campus-wide training program for approximately 800 people. Members of purchasing, university supply, accounting, and Office Depot were on hand to demonstrate the new system and explain the changes in the business process.

To complete the procurement cycle, the University's Central Receiving Department worked with Office Depot to insure next-day delivery of office supplies ordered through the Office Depot Web portal. Office Depot delivers early each day to the University's Central Receiving dock. The previous day's orders are palletized and presorted by Office Depot to designated University delivery routes. University personnel deliver the packages to the destination printed on the Office Depot delivery ticket. A signature is obtained and a copy of the packing slip is left with the recipient. All signed receipts are then returned to the warehouse by University delivery personnel, and the Office Depot driver picks up the signed receipts the next day. The ordering departments are trained to report any delivery discrepancies to Office Depot directly, therefore, taking the drivers and warehouse personnel out of the loop.

Benefits:

The implementation of the Supplies Gateway has resulted in tangible economic benefits to the University. First and foremost, University purchasing power has leveraged the University's ability to negotiate significantly lower office supply prices. The University anticipates an annual savings of \$2.5 million. As a result, each department benefits from the high quality office products and supplies at the lowest cost available in the market. In addition, accurate next-day delivery performance has generated confidence amongst users, further encouraging high participation.

Another significant benefit the University has realized relates to establishing a bona fide vendor mentor protégé relationship with a Historically Underutilized Business in Texas.

The level of compliance throughout the University in utilizing the Supplies Gateway is nearly 100%. This has been achieved without compromising the autonomy at the departmental level. In addition to the other benefits described, each department realizes 100% of the savings generated within the department as a result of lower cost supplies ordered. Furthermore, automated processes in accounting and billing associated with the Supplies Gateway have eliminated the need for departmental processing of paper invoices and payment transactions.

The University has realized increased confidence in its ability to implement new and innovative processes with a high degree of success and cooperation. This is important in order to preserve the momentum necessary to continue the University's journey toward continuous process improvement and cost savings initiatives. As a result of the successes

enjoyed, other University of Texas institutions have joined the contract adding further opportunities for increased savings and rebates.

Retrospect:

While the project was not implemented flawlessly, each member of the Supplies Gateway implementation team has been impressed with the level of user acceptance and participation. Communication is always a factor to the success of any project. The implementation team recognized this fact and addressed as many forums and leadership groups within the University community as possible, including hosting user feedback forums and office supply product displays sponsored by Office Depot and Hurricane Office Supply.

Executive sponsorship is another critical factor to the success of many projects. The team benefited from strong executive support and leadership. The level of compliance with this project could not have been achieved without the leadership from the President, the Vice Presidents and other key administrators.

Project implementation team cohesiveness was very high on this project which spanned an array of functions. Because many processes, departments and technology were involved in the Supplies Gateway, the leadership on the project team was shared by all participants. Various experts assumed key roles during each phase of implementation to ensure that the best decisions were made. In addition, the vendors' participation as

project team members allowed real-time and two-way feedback between the University and the vendors. This reduced lag time for decision making and corrective actions where necessary.

The project team is proud of the work accomplished in a short period of time and continues to monitor the process and make improvements as appropriate. Quarterly meetings are held with the University's chief financial officer and project team members to insure that real savings and improved processes continue to flow from the Supplies Gateway. At these meetings, the project team and Office Depot provide data points to document the benefits to help measure the success of the Supplies Gateway against the original goals set at the outset of this initiative.