

How much does your company spend on toner cartridges each year? If you don't know, you might be surprised. Les Long sure was.

Background

Long is Director of Purchasing for Whayne Supply, a 1,000-employee Caterpillar dealership headquartered in Louisville, KY. Whayne has hundreds of people across their 16 locations purchasing millions of dollars in mechanical parts, services and supplies each year. Whayne is one of the few Caterpillar dealerships in North America with a centralized purchasing department in their headquarters that negotiates supplier contracts. But they still lacked quality, aggregated data that would reveal opportunities for even better negotiating leverage.

Long and Whayne's Vice President of Finance, Steve Meredith, knew they needed a better system to support the entire purchasing operation — more than just negotiation. After a thorough selection process involving several competing vendors, they selected ProcureIT from Verian Technologies. ProcureIT is a Web-based Purchase-to-Pay software solution with sophisticated e-procurement capabilities. The system exceeded all of Whayne's functional requirements, including offering fast, secure access from each of Whayne's locations.

First-year benefits to Whayne's bottom line from using ProcureIT:

Savings from	Amount
Contract Compliance	\$500,000
Recovery of Lost Service Billings	\$640,000
Process Improvement	\$3,532,000

Improved Contract Negotiation and Compliance

ProcureIT enabled Long to start conducting spend analyses to get a better grip on Whayne's purchasing habits. So how much did ProcureIT reveal Whayne spent on toner cartridges for their laser printers each year? A staggering \$120,000. Long predicts that number will be halved in the coming year through better negotiation and stronger internal policies regarding printer usage.

ProcureIT has also enabled Long to ensure the vendors are used with which Whayne has negotiated contracts. Prior to implementing ProcureIT, Long estimated that Whayne's out-of-contract spending — "maverick spending" — was at 35 percent. "Even though we negotiated some good deals, some of our locations were still going outside those contracts for purchases," said Long. "Most of the time, they were paying higher prices, which was wasting Whayne's money." Long said those higher prices cost Whayne at least \$500,000 each year.

The better negotiating power is paying off as well. As soon as Whayne started using ProcureIT, one of their largest vendors agreed to eliminate freight charges on all shipments. Where did Whayne get the leverage to negotiate shipping savings that add up to over \$20,000 annually? From ProcureIT's ability to send standardized, electronic purchase orders, which enables the vendor to process and fulfill orders more efficiently.

Even beyond the free shipping, Whayne has used data from ProcureIT to negotiate discounts from 5% - 15% on purchases with that vendor.

Recovery of Lost Service Billings

In addition to better contract negotiations, Whayne had a hole in its procurement process that resulted in the dealership not recovering the full cost of parts and services — as well as the critical markup. “In our old system, there was nothing in place to prevent our customers from being billed before we knew the full cost of the parts and services used for service work,” said Long.

Long said that this problem amounted to at least \$40,000 per location in lost revenue each year. Verian’s expert Professional Services team integrated ProcureIT with Whayne’s work order and accounts payable systems to plug the hole — so now key information is captured up front and passed through their systems without requiring re-entry of data. This integration has plugged the hole and added \$640,000 to Whayne’s bottom line.

Six Sigma & ProcureIT

ProcureIT provided Whayne Supply with an easier way to gather and access up-to-date, accurate data to support their Six Sigma analysis.

Process Improvements

To further compound Whayne’s purchasing challenges, employees spent too much valuable time on routine, manual tasks. “We had five accounts payable clerks doing nothing but reconciling purchases and manually reentering data from 50,000 purchase orders into our accounts payable system each year,” said Long. They were also spending countless hours entering and tracking down purchasing information because of poor documentation on work orders. ProcureIT has created efficiencies that let the AP staff now spend more time on customer service and other important responsibilities.

When the Whayne staff did adhere to the correct process with their old system, it was inefficient. Just to issue a purchase order before ProcureIT, it took an hour:

1. Start a requisition8 minutes
2. Research specifications 15 minutes
3. Get quotes from vendors10 minutes
4. Complete the PO paperwork15 minutes
5. Make the call to place the PO.....7 minutes
6. Mail and file the PO5 minutes

Receiving goods and then reconciling and paying an invoice required similar steps and added another 60-90 minutes. Long documented that the 15 major steps to issue, receive and pay cost the dealership \$83.25 on average. At 50,000 purchase orders annually, this totaled a whopping \$4,162,200.

ProcureIT enabled Whayne to reduce the 15 steps to 8 steps. ProcureIT’s online catalog already contains all the specifications and a preferred vendor for each item. It’s also completely automated, including the purchase order delivery, so there’s no paperwork to

send or calls to make. It now takes just 4 minutes to issue a purchase order. And the average cost of issuing, receiving and paying is now \$12.60, for an annual total of \$630,000 — savings of \$3,532,200.

Area of savings	Before ProcureIT	After ProcureIT
Time to issue, receive PO & pay invoice	120-150 minutes	4 minutes
Avg. cost to issue, receive PO & pay invoice	\$83.25	\$12.60
Total cost per year (@50,000 POs/year)	\$4,162,200	\$630,000

While the benefit of process improvement to Whayne’s bottom line is indirect, Whayne’s customers benefit directly. Jobs are completed much faster, increasing customer satisfaction and loyalty.

Legal Compliance

“One benefit of ProcureIT that I didn’t necessarily expect was assistance adhering to safety guidelines,” said Long. Legal requirements state that employees must receive training on handling certain types of chemicals.

While analyzing Whayne’s spend, he discovered that several locations were purchasing chemicals for which they hadn’t received mandatory safety training. Long was quickly able to remedy the situation, helping Whayne avoid costly fines and potential lawsuits.

Commitment to Service

“I’ve been very impressed with the quality of service we’ve received from Verian,” said Long. “They understand purchasing and quickly grasped the nature of the challenge we were facing here at Whayne. The Verian Professional Services team was able to work with our staff to implement the system much faster than I’ve ever seen a comparable system implemented.” Long explained that the rapid implementation enabled Whayne to realize a faster return on investment in ProcureIT.

Conclusion

Whayne Supply has radically transformed the way they conduct purchasing — in a relatively painless fashion. By embracing the benefits of ProcureIT software, Whayne has solved their most challenging issues, including off-contract buying, lack of reliable data for negotiations, lost service billings and inefficient approval procedures.