Little or No Automation

Impacts your brand, efficiency and costs

Today's rising overhead expenses drive businesses to find effective cost containment strategies. Businesses have learned that automating procurement processes is critical to remaining competitive, driving opportunity and strategically growing margins. Operational improvements, greater business agility and improved customer satisfaction can be obtained through expense control and enhanced productivity.

OPTIONS EVALUATED

A trade university with 16 locations, three departments per location and three buyers per department began to understand the costs and risks involved with not having an automated procurement system. After repeatedly experiencing a high number of late orders, incorrect orders and shipping mistakes, the university started to understand the enormous waste of time and money being spent chasing down when products were to be delivered, and where the products were when they were not delivered to the correct location. It was most aware of the number of errors that occurred when ordering new student backpacks. Each backpack cost $35, and with approximately 4,000 new students each year, the dollars and cents of these errors quickly added up.

THE SOLUTION

The services of a manufacturing and supply management company with experience specializing in custom, automated supply management systems were enlisted. Upon examining the university's current operations, it noticed the same pattern of errors occurred with many of the other products the university ordered, including print items and promotional and apparel products. This information alarmed the university, which together with the company, initiated an in-depth review of its procurement processes. Immediately they learned the existing processes were inefficient and inconsistent from location to location, department to department and buyer to buyer. These inconsistencies led to errors and increased costs, and, worst of all, affected the university's respected brand.

Next, the university's Controller and head of purchasing were interviewed. They were asked what was and wasn't working, what they wanted to change about the university's business needs and objectives and about their current procurement strategies. The company advised of a solution that:

- protected the university's brand equity
- provided expense and system controls
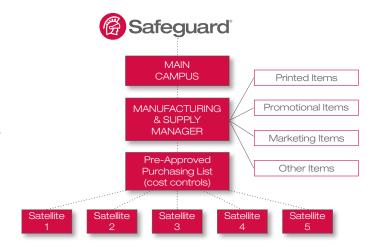- automated workflows and improved operational efficiency

Working collaboratively, improvements and time- and cost-saving options and solutions were recommended. The outcome was a decision to move forward with a comprehensive and unique program that included top-to-bottom process reengineering with web-based workflow systems to reduce errors and lower costs while improving the procurement department's controls, productivity and decision-making.

THE RESULT

The manufacturing and supply management company collaborated with the Controller and the university's procurement staff and strategically designed and developed a customized, flexible, online procurement system that linked to the university's business needs. This new system delivered a buying privilege hierarchy, spending limits by user, effective system triggers and safeguards, order pooling when necessary and appropriate approval controls. Once implemented, the buyers no longer wasted the university's valuable resources chasing down the more than 50 products needed to carry out their daily operations. Through this experience the university learned that:

- **Protecting its brand equity** requires controls for managing the brand not only at the product, department and location levels, but also at each step in the process. By putting these controls in place, the university began building a strong, cohesive, integrated brand across its enterprise

- **Standardizing products and procurement** processes saves both hard and soft dollars, and, ultimately, improves customer satisfaction

- **Automating the purchasing** process provides a system to manage requisitions and reorders as well as an independent knowledge base of ordering history that will be invaluable in the future

The average organization with a low level of automation spends $15.70 to process an invoice, almost 20 times as much as companies with a high level of automation where the cost can be as low as $0.74[1].

The university has realized many benefits from its automated procurement system: products arrive on time and where needed, order cycle times and instances of the wrong product being ordered have been greatly reduced; the ordering of large wasteful quantities and out dated items are now a thing of the past; and the incorrect use of the company's brand is no longer a possibility. The university has found the benefits reach beyond procurement and positively impact all of its constituents.

About Safeguard

Safeguard provides integrated business and marketing solutions and a unified suite of services for a company's go-to-market needs, and all are delivered with the highest level of service. We are an end-to-end, single-source provider designing, manufacturing, fulfilling and distributing from locations throughout North America. Safeguard uses a high-touch and high-tech combination of products, services and solutions. Safeguard Consultants have worked collaboratively with organizations to manage, market and grow their companies for more than 55 years. Our mission is to help businesses acquire and retain customers. Building your brand efficiently and effectively while streamlining day-to-day operations — that's the Safeguard way!

[1] IOMA AP Department Benchmarks and Analysis report