

Implementation of Web based Requisitioning

Presented by
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Director of Purchasing

John Hancock Purchasing

Agenda

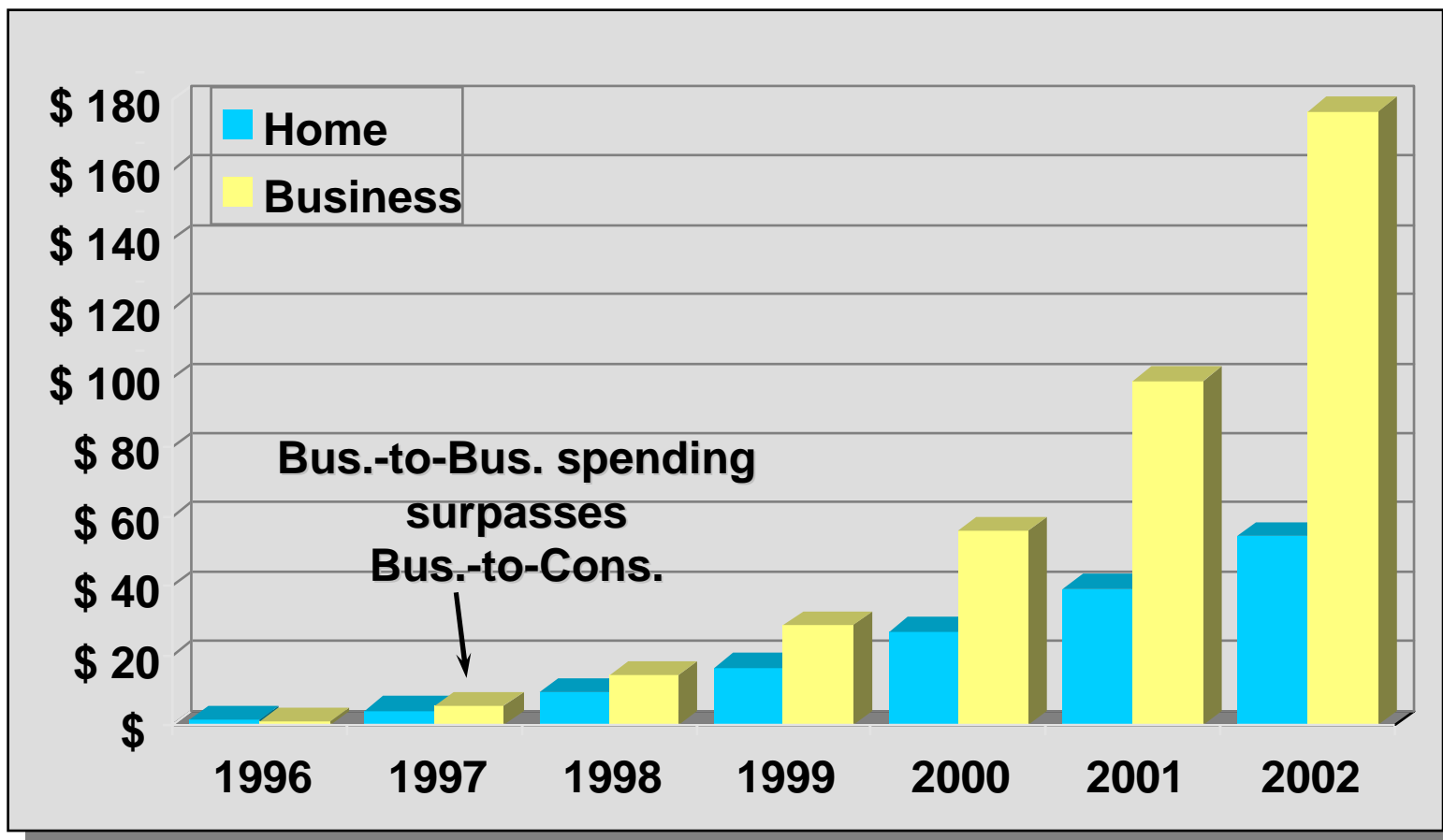
- Web Requisitioning Strategy and Goals
- Process Overview
- Approval Workflow
- Contract Labor: A Case Study
- Deployment

1997 Ordering Environment

- Decentralized
 - Each department procures as they deem appropriate
- No Source-Control
 - Check requests constitute 91% of payments
 - 7% on PO have 0% with systemic matching
- Expenditures 1997
 - \$25 million out of \$337 million JH Accounts Payable Outlay
- No consistent requisition process
 - E-mail, fax, paper or phone call

Internet Commerce Will Explode Over Next Five Years

- U.S. Web Purchases top \$231B in 4 years
- Business-to-Business outpaces Business-to-Consumer



Source: IDC's Commerce Market Model v. 4.5

Savings to the Bottom Line

- \$1000 in savings has the same impact on the company's bottom line as an agent selling a \$1,000,000 whole life insurance policy.
- \$1000 in savings is the same as an agent generating \$18,000 in premium dollars.
- \$1,000 in savings is equal to \$550,000 in Mutual fund sales

1998 Purchasing Goals

- Centralize Contracting
- Aggressively Negotiate Contracts
- Reduce the Supplier Base
- Save \$20 million on \$200 million spend
- Control Decentralized Ordering
- Install SmartStream ERP
- Install Web Based Requisitioning
- MAKE THE PO RIGHT

Purchasing Strategy

Simplify the process

Eliminate the valueless

Automate the mundane

Purchasing Strategy

Simplify the Process

What are we trying to Accomplish?

- A configured PC to a desktop
- A contractor on site, badged and working
- An accurate business card to the customer
- **An efficient point to point solution**

Purchasing Strategy

Eliminate the valueless

- One approver to take responsibility
- No buyer if a contract is in place
- No salesman
- No sales data entry
- No need for low dollar receipts
- No paper invoice
- No need for accounts receivable calls
- Eliminate end user tracking calls

Purchasing Strategy

Automate the mundane

- Direct customer to supplier placement
- Use Catalogs for definable SKU's
- Include \$1 items for variable NTE work
- Workflow includes one pre defined gatekeeper
- PO sent direct to Sales system through OBI/EDI
- Auto receipt for low dollar items
- Utilize Evaluated Receipt Settlement
- Provide on line “womb to tomb” tracking

Supplier Strategy

- John Hancock to be the Low Cost Customer
- Concentrate to become Top Tier Customer
- Supplier Creation and Maintenance of Catalog
- Maximize contract value
- Maintain competition
- Incorporate ability to audit

The Requisitioning Vehicle Buyer Xpert

Key Functionality

- Pop up Boxes
- Time Card
- Attachment
- Workflow
- Gate Check
- Multiple G/L Accounts
- Commodity Approver
- Evaluated Receipt Settlement
- Auto Receipt
- Open Buying on the Internet (OBI)
- Wizard
- URL

Improve Internal Customer Satisfaction

- Improve internal customer satisfaction through:
 - Ease-of-use
 - Self-service
 - Streamlined, automated process
 - All products available at fingertips
 - Speed/shorter order-to-delivery time
 - Better order accuracy
 - Timeliness of update/status information

If system isn't easy to use, it won't be, and anticipated savings will not be achieved

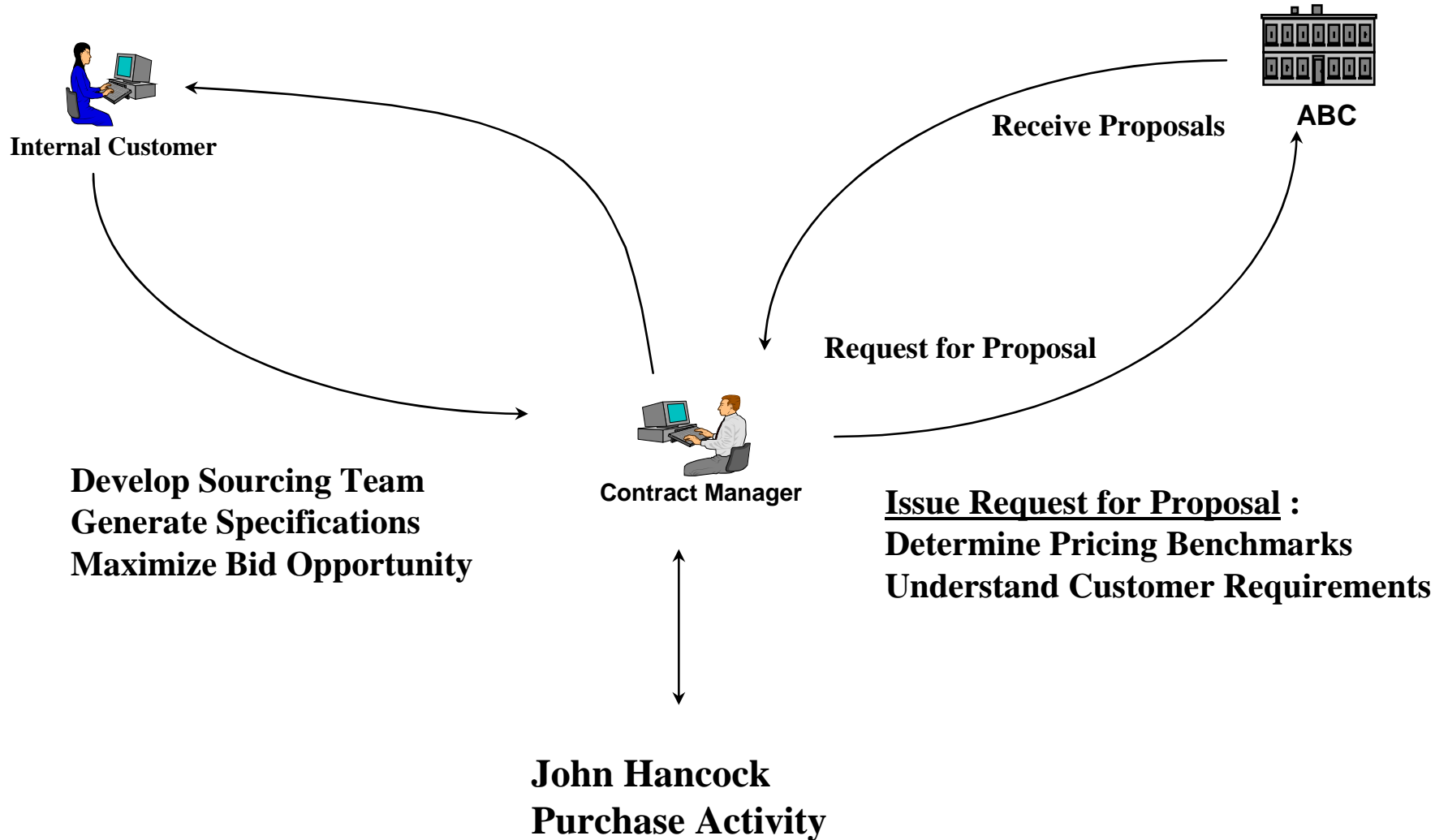
Buyer Xpert General Ledger

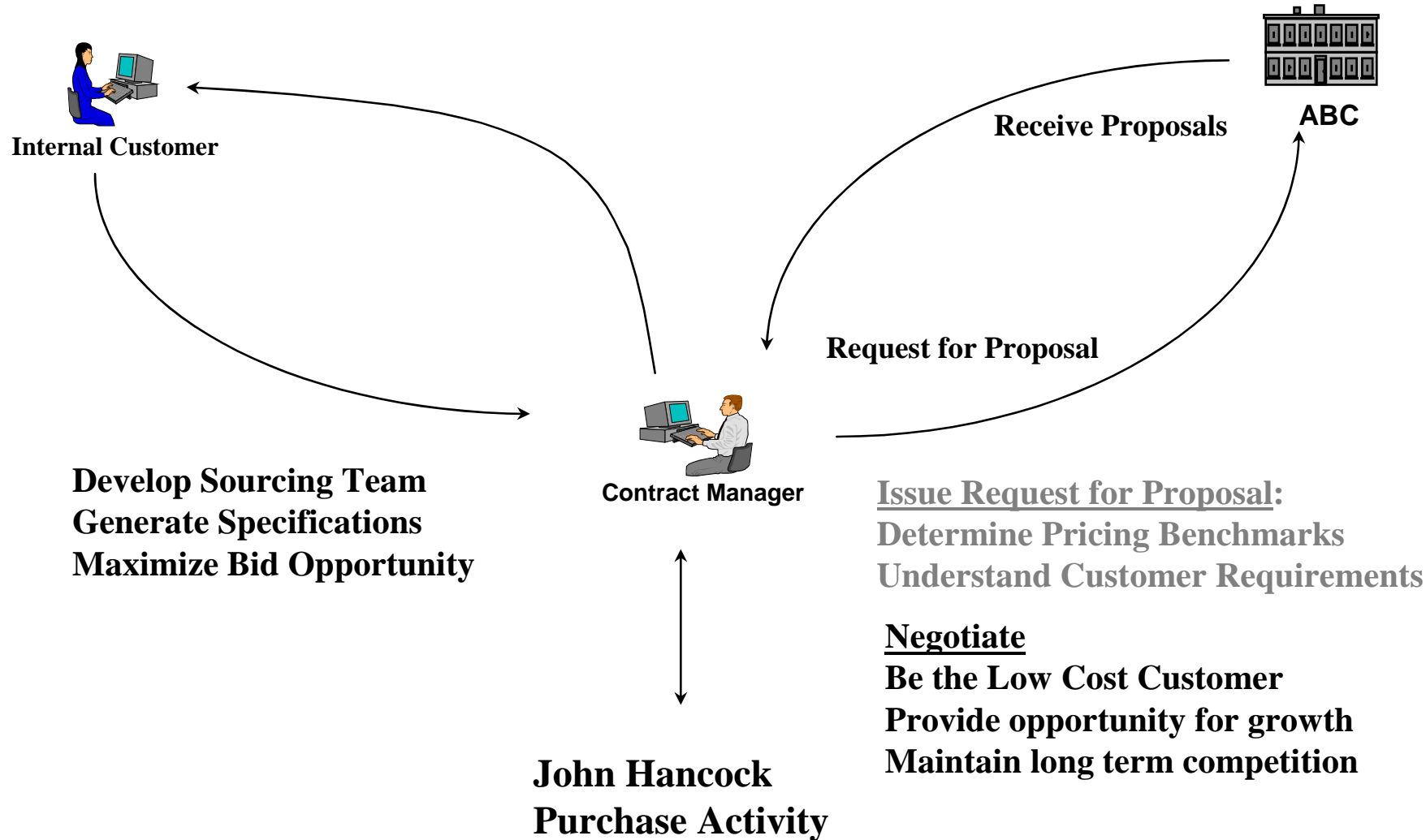
- Custom Define Segment Definitions
 - Flexible to Support Various G/L segments
 - 17 Fields can be customized
 - Match company G/L needs
 - SmartStream (ERP) 8 Segments:
 - Ledger Entity, Ledger, Cost Center, Account, Product, Channel, Activity, Other


Buyer Xpert General Ledger

- Synchronize with Nightly Data-feeds
 - SmartStream provides automated update file
- User Simplicity and Flexibility
 - Fields Default based on user profile
 - Change cost center
 - User can Change Defaults if he Desires
 - Cost Center Splits
 - Able to allocate expenses over numerous cost centers

Proposal and Contract Creation





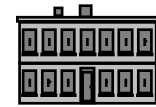

Internal Customer

Enterprise Wide Contract


Contract Manager

**John Hancock
Purchase Activity**

Contract



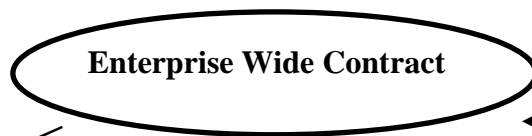
ABC

Receive Proposals

Issue Request for Proposal:
Determine Pricing Benchmarks
Understand Customer Requirements

Negotiate
Be the Low Cost Customer
Provide opportunity for growth
Maintain long term competition

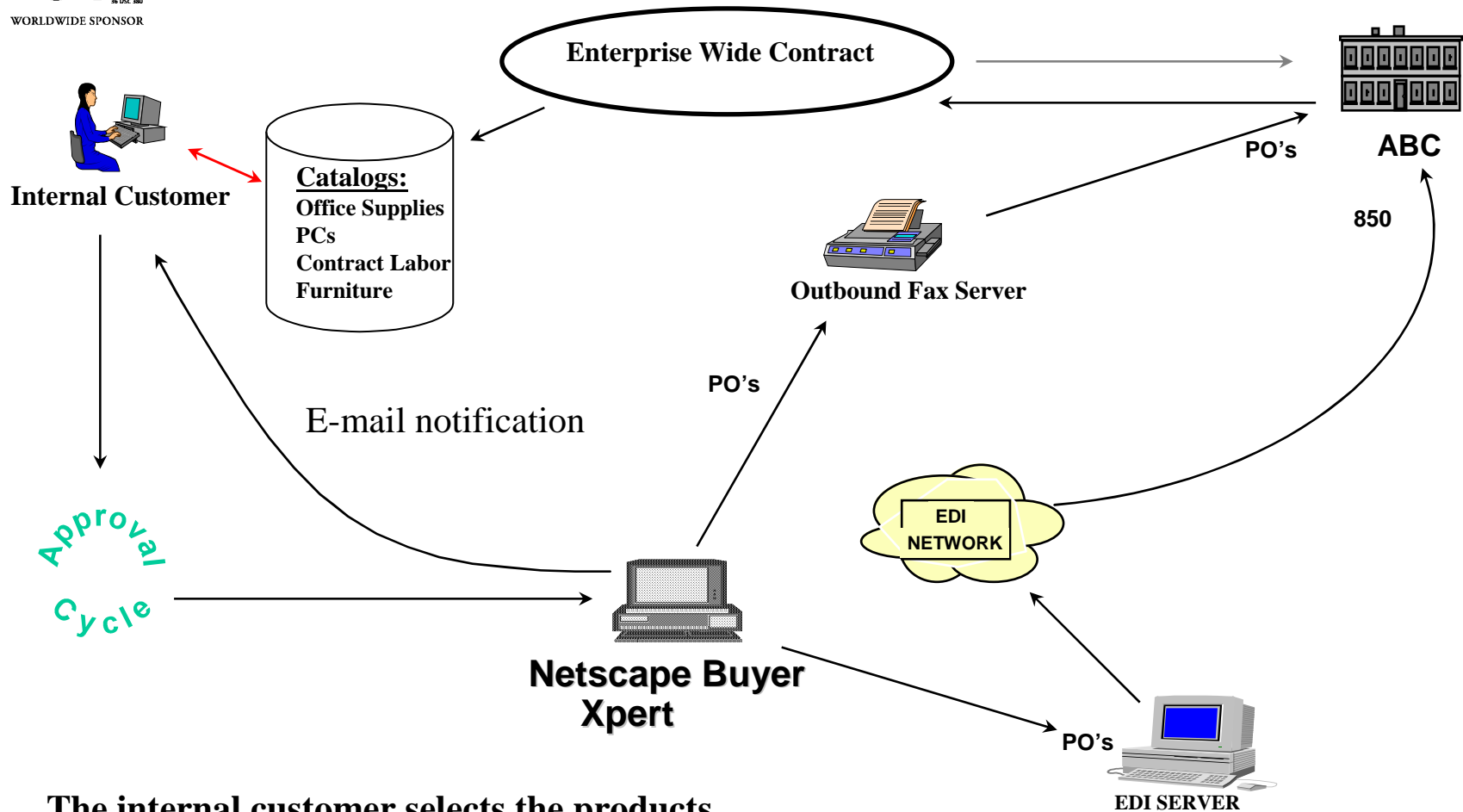
Incorporate Risk Management:
Insurance
Liability
Cash Flow



Catalog



**Working with the Supplier
and the internal customer
the Contract Manager develops
John Hancock specific Catalogs**



The internal customer selects the products

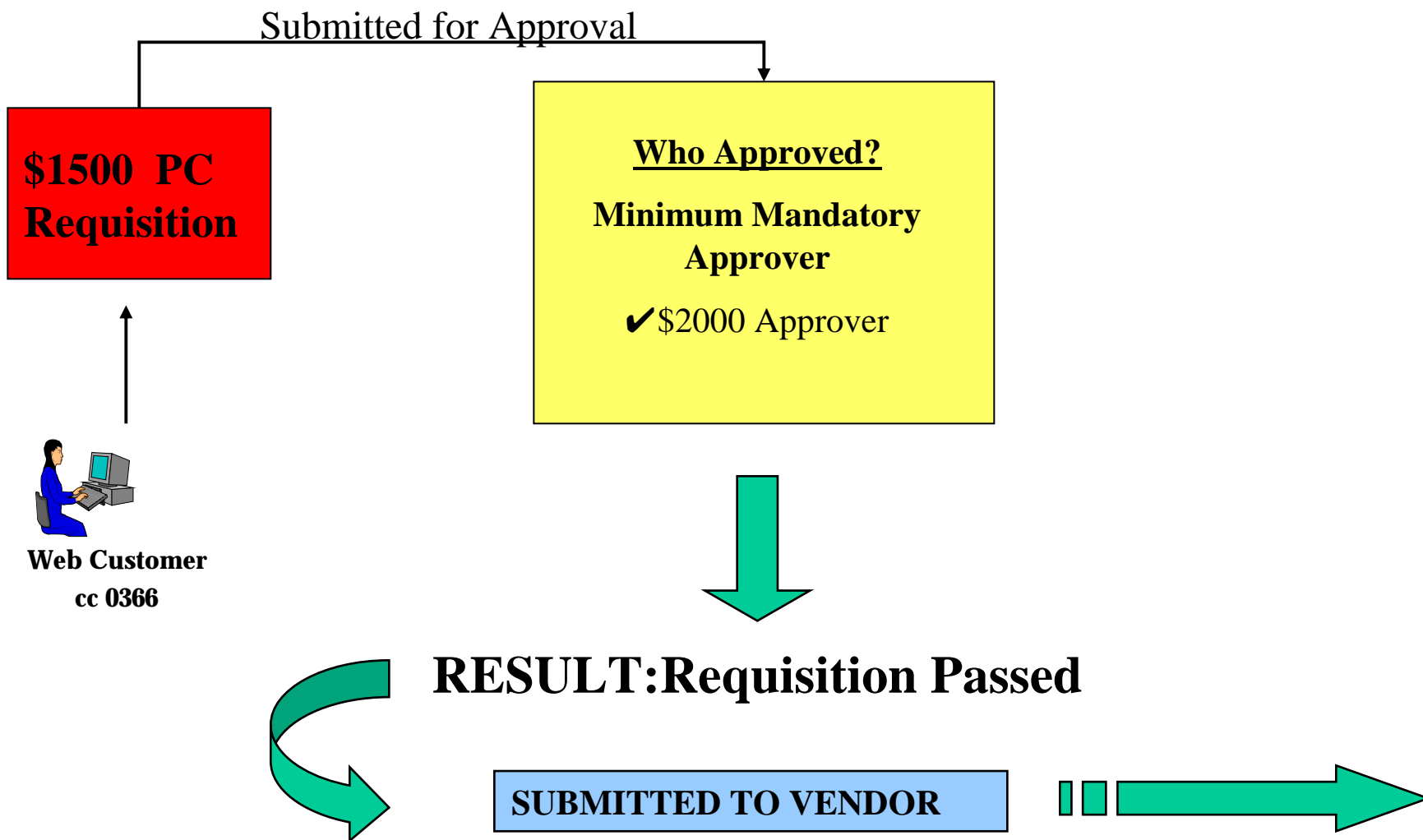
Sends the order through for approval

Catalog items once approved go direct to the supplier through EDI, E-mail or FAX

E-mail issued to customer upon placement

Approval Matrix

Approval Cycle



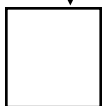
Approval Cycle

Role Based Approvals:



Web Customer

cc 0366



**\$1500 PC
Requisition**

Approval List:

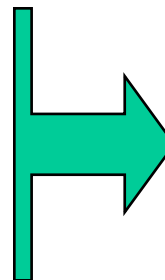
\$500 Approver for CC
Family

\$1000 Approver for CC
Family

.....
\$2000 Approver for CC
Family

**Commodity
Approver**

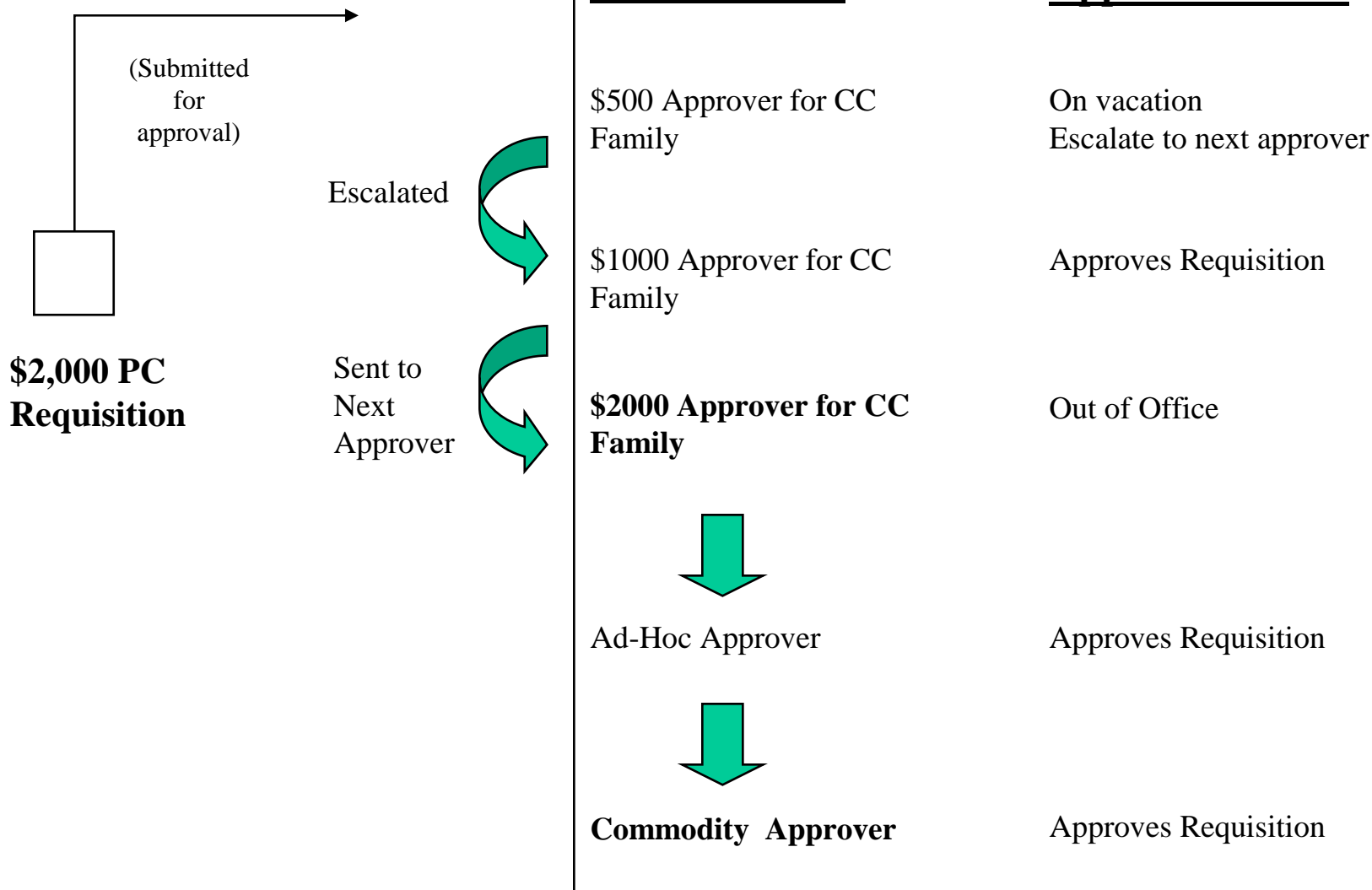
.....
Ad-Hoc Approver
Project Lead



Minimum Mandatory Approvers (MMA):

Requisition must at least be approved by the Commodity Approver and by the highest level approver.

Approval Cycle Example



Approval Cycle

SANDBOX for \$2,000 PC Requisition

WHO APPROVED?

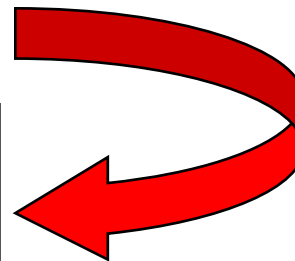
- \$500 Approver
- ✓ \$1000 Approver
- \$2000 Approver 🔔
- ✓ Ad-Hoc Approver
- ✓ Commodity Approver

**\$2000 Approver is a
Minimum Mandatory
Approver**



RESULT:

Requisition returned to last
approver (Ad-Hoc Approver) in
order to add a \$2000 approver.



Approval Cycle

Approval List:

Approver Status:

Ad-Hoc Approver receives failed requisition.



\$2000 Approver
is still out of
office



Ad-Hoc Approver adds a \$2000
approver
New \$2000 Approver to replace
Original \$2000 Approver



\$500 Approver for CC
Family

Escalated

\$1000 Approver for CC
Family

Approved

~~\$2000 Approver for
CC Family~~

Replaced by another
\$2000 Approver

Ad-Hoc Approver

Approved

**Commodity
Approver**

Approved

+

\$2000 Approver

Approved

Approval Cycle

NEW SANDBOX for \$2,000 PC Requisition

WHO APPROVED?

\$500 Approver

✓ \$1000 Approver

✓ Ad-Hoc Approver

✓ **Commodity Approver**

✓ **New \$2000 Approver**

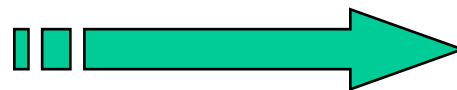
Minimum Mandatory Approvers
(Commodity Approver and New \$2000 Approver)
Approved



RESULT: Requisition Passed




SUBMITTED TO VENDOR




Workflow Notification - John Hancock Internet Explorer

File Edit View Go Favorites Help

Back Forward Stop Refresh Home Search Favorites History Channels Fullscreen Mail Print Edit

Address  C:\TEMP\WFApprovalRequest.html Links

 **Workflow Notification**
 A request is waiting for your approval

Request Summary

Initiator	Robert Taylor	Requisition ID	1002
Amount	13577.25	Payment Method	Mercury Mastercard
Need By Date	09-03-1998	Seller Company	Horizon
Request Date	09-08-1998	Shipping Method	UPS Nextday
Description	Shopping Cart - 1002		


Line Item Detail

#	Quantity	Product Code	Description	Base Price
1	200	TS-007	Proposal Coordinator Request	89.50

Approver Status		Approver Action
Ray S. Rosenthal	Escalated	You may complete this request by filling in and submitting the information below Your comments (required if the request is being denied): <div style="border: 1px solid black; height: 60px; width: 100%;"></div> <div> <input checked="" type="radio"/> Approve <input type="radio"/> Deny Password <input type="text"/> <input type="button" value="Submit"/> </div>
Jennifer M. Goldberg	Escalated	
Kathy L. Smith	Pending Approval	
Jennifer M. Goldberg	Waiting	
Kathy L. Smith	Waiting	

Go to [BuyerXpert](#)

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 My Computer

Approval Concepts

- Ad Hoc Approvals
- Delegation
- Commodity Approver
- Gatekeeper
- Parallel and Sequential Approvers.

Approval Concepts

- Minimum Mandatory Approver
 - By Dollar Value
 - Cost Center
 - Commodity
- Approval via
 - E-mail (HTML)
 - Within the Buyer Xpert Application

Workflow Problems

Where's the Data?

- Who belongs to a Cost Center?
- Who has the Authority to a Cost Center?
- Where does that Cost Center report to?

What is the “best” Approval Routing:

- By Commodity
- By Dollar Value
- That's the way it has always been done?

Workflow Problems

How do you handle Special Needs?

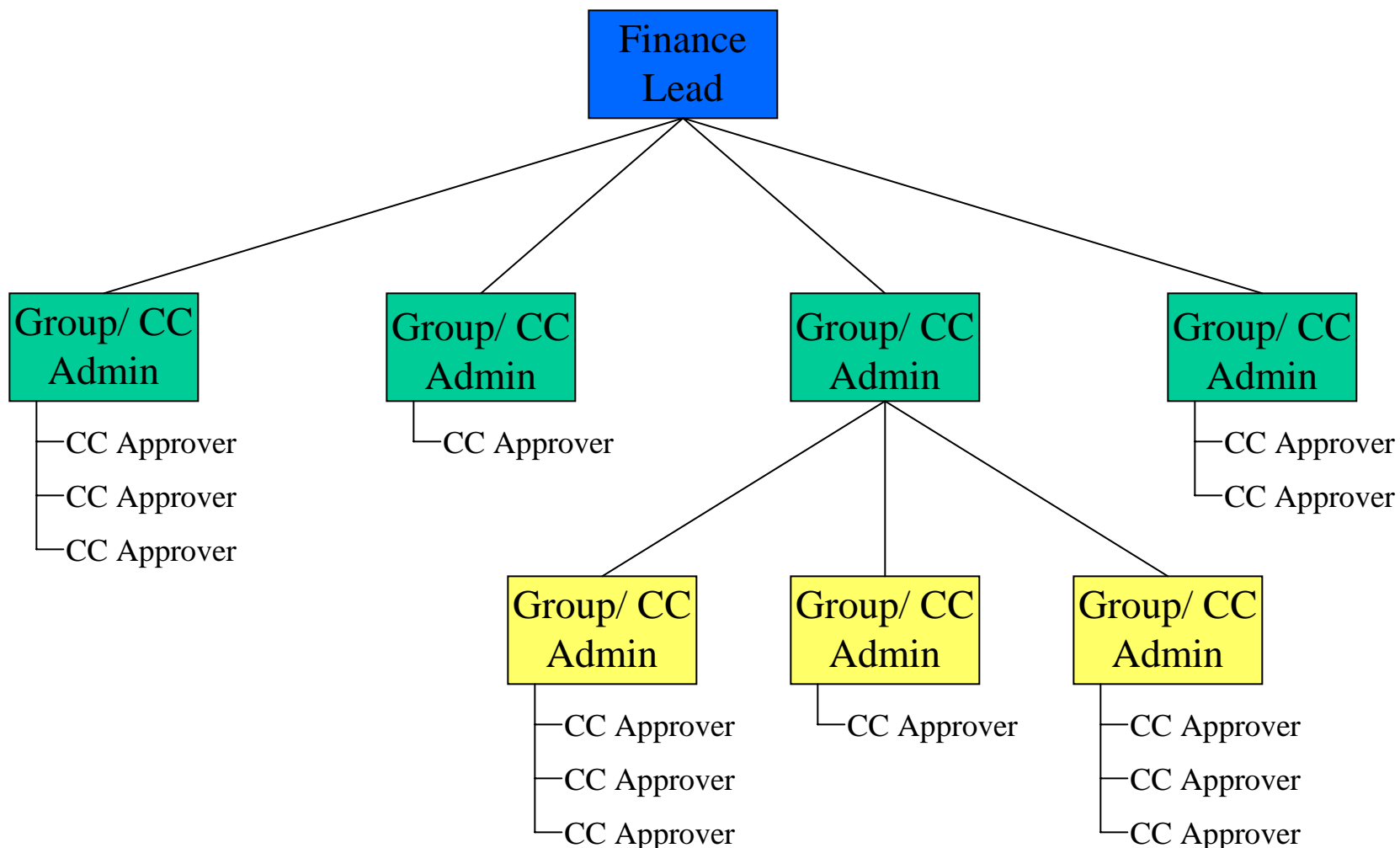
- Notifications
- Unique Projects
- Out of the office
 - Vacation, Sick or unavailable

Workflow Problems

How do you Speed up the Process?

- **Simplify** - Minimum Mandatory Approvers/
Gatekeepers
- **Eliminate** - Extraneous Approvers
- **Automate** - Using System Generated Delegation

Approval Maintenance



Interfaces

Inbound

- Snareworks- initial load of users/authentication for use of system
- Snapshot/BASYS- main source of additional information- company, cost center, etc.
- Peoplesoft - possibly for missing information such as location(mailstop), etc.
- Exchange server- update of email address?
- Smartstream- source of valid data for vendors
- Future- PO acknowledgments/ advance ship notices
- Catalog data transmitted from vendors

Workflow

- Buyer Xpert workflow notification/approval via email

Outbound

- Smartstream- purchase orders transmitted to accounts payable for invoice matching
- EDI transactions to vendors via Advantis on mainframe
- Faxination/Outlook/Email- Purchase orders to vendors via email and fax

Contract Labor Case Study

Contract Labor Strategy

- Moved from 109 suppliers to 4
- Utilize Lead Supplier to Manage
- Provide Ceiling Rate for Each Job Description
- Competition within Four for each Opening
- Additional cost reductions include
 - Volume Discounts
 - 2% 10 day Payment Discount

Contract Labor Strategy

- Quality Statistics Published
 - Number of Submittals / Requisition
 - Number of Requisitions with Submittals
 - Number of Hires
 - Average Days to Submittal
 - Hiring Manager Survey of Candidate Quality
- Fourth Supplier at Risk of being Removed
- Web Bid Board in Planning

Contract Labor Process with Catalog and Dialog Box


Internal Customer

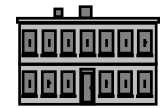


Contract Labor Catalog chosen




Contract Manager

Contract Labor



ABC

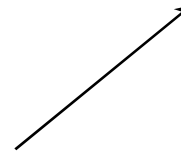
- Netscape Buyer Xpert Catalogs
 - + Office Supplies
 - + Personal Computers
 - + Staffing

- Netscape Buyer Xpert Catalogs
 - + Office Supplies
 - + Personal Computers
 - Staffing
 - + Financial
 - + Human Resources
 - + Software Programmers

- Netscape Buyer Xpert Catalogs

- + Office Supplies
- + Personal Computers
- Staffing
 - + Financial
 - + Human Resources
 - Software Programmers
 - C++
 - HTML
 - Java

**URL attached to item
points to a editable
dialog box**



Catalog Format

<u>Item Number</u>	<u>Description</u>	<u>Est. Hourly Rate</u>
123 Java	Entry Level Programmer	\$60.00
234 Java	Mid Level Programmer	\$90.00
456 Java	High Level Programmer	\$120.00

The item “High Level Programmer” is created by the Staffing Specialist in agreement with the Supplier and the Buyer.

The selection of the High Level Programmer will drive the valuation of the order and determine the appropriate Dialog Box

Dialog Box Format

Java High Level Programmer 456

Start Date ____/____/____

End Date ____/____/____

Hiring Manager _____

Work Location _____

Is this a replacement requisition Y/N__

Name of person being replaced _____

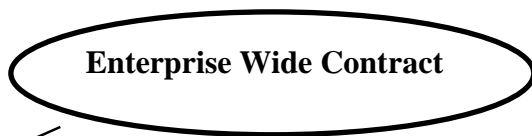
Suggested Replacement _____

Skill Sets Required:

Years of experience _____

Additional Skill Sets Required _____


Hiring Manager



Contract Labor



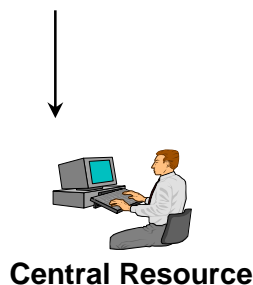
Primaries

**Approval
Cycle**



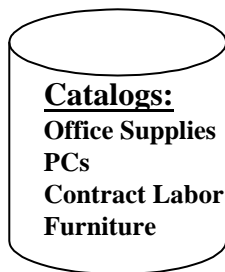
**Web
Bid Desk**

**Job requirements are sent
to the central resource for
bidding with 4 Primaries**



Request for Proposals


Hiring Manager



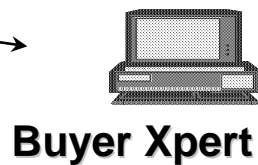
Contract Labor



Primaries

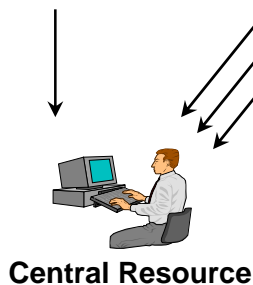
Suppliers Proposals

**Approval
Cycle**

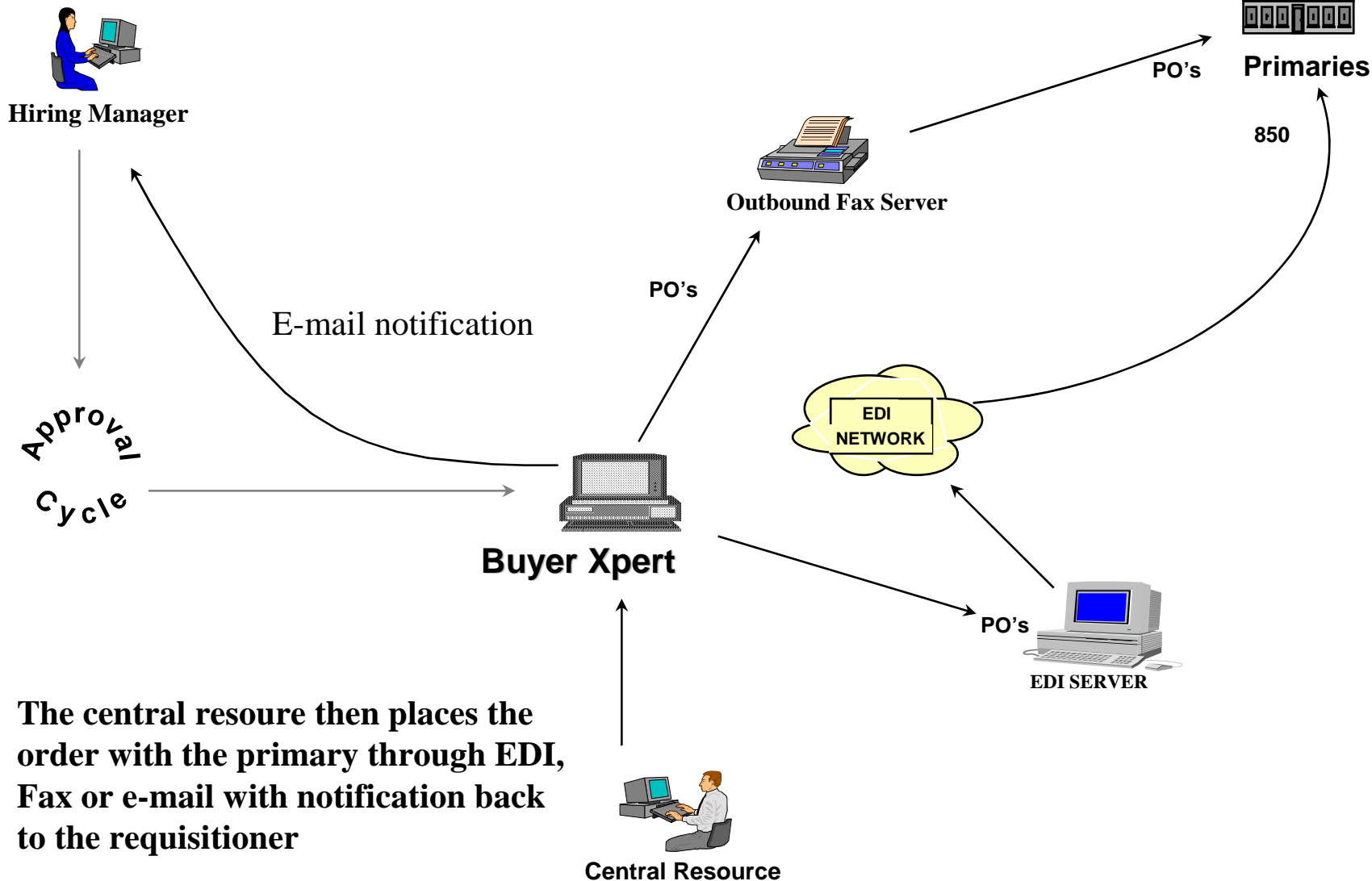


**Web
Bid Desk**

**Resumes are received
and provided to the hiring
manger for interviews**



Request for Proposals



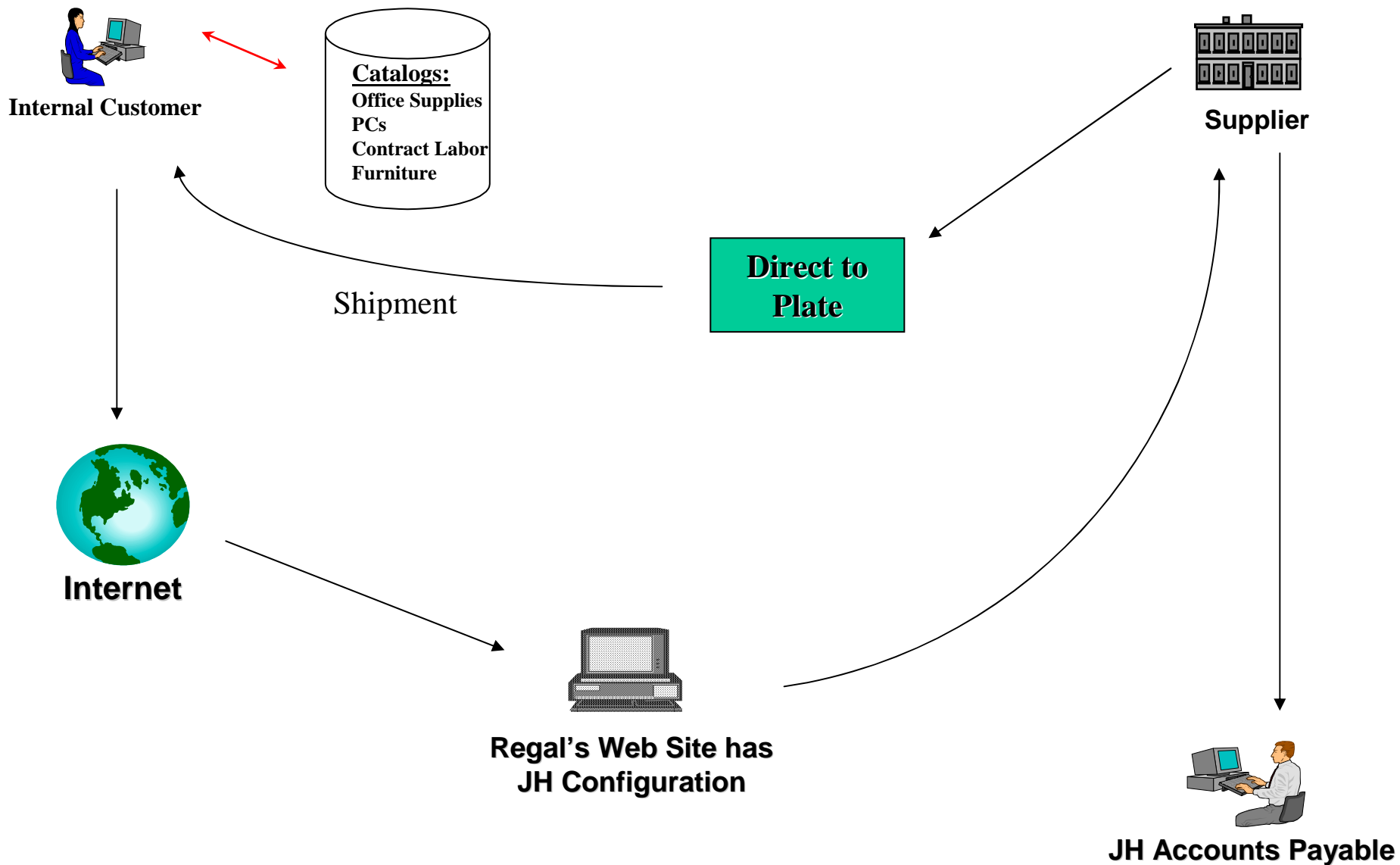
Contract Labor Process Time Card

Supplier Benefits

- Improved turnaround on job posting
- On time Payment
- Elimination of timecard processing
- Elimination of invoice preparation and errors
- Elimination of invoice tracking for payment
- Notification capability of the rate review process
- Notification capability for:
 - authorized dollar
 - end date

Business Cards

Ordering Business Cards



Open Buying on Internet (OBI)

- Customized based on JH Requirements
- Form emulates internal paper form
- Define and Control Inputs (Drop Downs, User Prompts)
- Leveraging Vendor Sites
- Access from Company Intranet
- Utilize Password Security
- Lower Product Costs
- Improve Service

1999 Web Events in planning

- Contract Status on the Web
- Web entry of invoices for smaller suppliers
 - Tie to SmartStream A/P
- Web tracking of orders
 - PC's: Placement, Sales Order #, Build Date, Inspection Date, Ship Date, Waybill #, track through carrier to Receiving Dock
- Integrate Web Bid desk
- Supplier Quality Statistics on Web