

## Transforming a Vision into Virtual Reality

After two years in development, a component of the University's Business Enterprise Network (the University's suite of integrated, Web-based financial and eProcurement systems) is now a reality, and buyers and suppliers are flocking to the site.

The Penn Marketplace—the University's Web-based private supplier marketplace—went "live" on January 2, 2002, and now purchasing is easy for everyone.

The Penn Marketplace is providing faculty and staff with the product information they need to make informed buying decisions and the tools to find and order what they want quickly and easily. It's also giving Penn's preferred contract suppliers more product visibility, increased sales, and reduced administrative costs. And the University is saving millions of dollars in the cost of goods, inventory, and order processing.

### *Evaluating the Need*

The Penn Marketplace is the result of the vision and perseverance of Penn's Purchasing Services Department.

"Seven or eight years ago, we took a look at our purchasing process and realized it really didn't meet anyone's needs ... not those of our customers, our suppliers or central purchasing," admits Ralph Maier, Associate Director of Purchasing Services. "So we began the process of re-engineering the way we conducted purchasing at Penn."

### *Re-engineering the Infrastructure*

System re-engineering was the other major initiative for the University. In 1996, the University implemented a new online financial system consisting of Oracle Corporation's Purchasing, Accounts Payable, and General Ledger. Through this system, Penn's faculty and staff learned to create their purchase requirements from anywhere on campus.

In 2000, Penn completed a series of upgrades which included the rollout of the new BEN Buys Purchasing System. Penn also contracted with GE Global Exchange Services to host and manage catalog content for Penn's preferred contract suppliers.

Throughout the building of Penn Marketplace, Purchasing Services consulted end users. "Purchasing is not the researcher's primary focus. In fact, it's probably more of a burden than anything," Maier explains. "We understood from the beginning that we had to make purchasing simple, reduce the time and effort involved, and make it easy to find products and supplier information." In order to meet those objectives, those who would be using the system were involved throughout its development in the form of focus groups, project teams, and training program developers.

During this time, Fisher Scientific shared its electronic-ordering experience with the University. "Fisher was one of the first suppliers we brought in to have discussions about what we were implementing and

system users are saving two to four hours a week

In 1995 PriceWaterhouseCoopers was commissioned to evaluate the procurement practices at the University of Pennsylvania. Their study concluded that major benefits could be obtained through changes that would increase purchasing efficiencies and reduce the cost of products and services. Thus began two major initiatives: supplier management and system enhancement.

### *Setting the Foundation*

Due to the annual purchase volume, laboratory commodities were targeted as one of the focal points for supplier management and review. The Purchasing Services Department conducted an in-depth review of purchase activity, the supplier database, existing contracts, and new contracting opportunities, as well as other opportunities for service improvements and cost reductions. After an exhaustive evaluation process, Fisher Scientific was chosen to be the University's prime supplier of laboratory supplies.

The strategic relationship between the University of Pennsylvania and Fisher Scientific is a model for procurement success in higher education. Initiatives such as supplier base consolidation and product standardization programs, along with unique approaches to business like the UPenn/Fisher Web site and research advisory panels, have vaulted the University to the forefront of procurement innovation in higher education and resulted in millions in savings.

what we were trying to do," notes Maier. "Key players at Fisher worked with us to make sure that we have the appropriate catalog content for Fisher. We use Fisher as a sounding board, because they have a lot of experience with electronic commerce."

Penn and Fisher have worked together for decades. In the early sixties, Fisher had a real-time, computerized order-entry capability, and Penn was one of the first institutions in higher education to use it. The "Fastback" system prompted users for ordering information and transmitted order-entry data via modem. By the early nineties, Fisher's Requisition and Inventory Management System, which processed entire orders electronically, interfaced directly with Penn's Oracle purchasing system. Those early systems were precursors to Fisher's e-commerce Web site at fishersci.com, which features online catalogs and "req-to-check" order processing.

### *Opening for Business*

The Penn Marketplace opened for business on January 2, 2002. As of June 30, approximately 1,600 University faculty and staff members were regularly buying through the site, saving themselves an estimated two to four hours a week in purchasing effort. Participating suppliers, too, are already benefiting. All have seen significant sales increases over the same period last year.



To date, 59 suppliers representing 2,700 manufacturers and approximately 425,000 items are available in the Penn Marketplace. The types of products available vary widely.

"We wanted to make sure that any system user—in the Dental School, Law School, Vet School—could find the products they needed, from office supplies to copiers to lab supplies," says Maier. Penn has approximately 25,000 suppliers in the purchasing system supplier database, and 49% of all University purchase order transactions processed since January 2002 were issued to the participating Marketplace suppliers. "Our success in the first seven months has exceeded our expectations," notes Maier. "However, there is more to do."

### *Building on Success*

Building the supplier base in Penn Marketplace is an ongoing effort. "Our goal is to have 75% of all University purchasing order transactions processed through the Marketplace suppliers," says Maier. "So Purchasing Services is launching Phase II of supplier recruitment and plans to add significantly more content while utilizing existing trading partners like Fisher Scientific. We're working on getting as much content as possible into the Marketplace to meet that goal.

"Our initial focus was on the large-volume commodities, and we recruited them first," Maier continues. "But we wanted to make sure our Marketplace has a good cross-section of commodity suppliers. After successfully recruiting the large-volume suppliers, Purchasing Services is focusing on Tier 2 and community-based suppliers. Since supplier diversity is a major business objective for Purchasing Services, we didn't want community-based or minority-owned businesses to lose out on this initiative."

suppliers and have them support our purchasing business and technology initiatives," Maier says. "Fisher has been the most progressive supplier in support of the University."

While recruiting potential suppliers, the University works with a supplier representative to develop their Penn-specific content in the Marketplace. "Content is the main thing," remarks Tom Leary, the University Purchasing Specialist responsible for the Research Commodity area. "We continue to explore every opportunity to increase catalog content in the Penn Marketplace. The more items that are available to our customers, the more effective the system will be, and the more apt they'll be to use it. Researchers can then spend more time on the project instead of getting ready for it."

Leary expects that users will expand beyond the current number, and Maier predicts the number of Penn Marketplace customers will ultimately increase to about 2,500 to 3,000.

### *Seeing Results*

"We want to delegate the shopping and ordering experience to the requisitioner at point-of-demand either in the lab or office," says Leary. The Oracle Purchasing System and the Penn Marketplace have enabled Purchasing Specialists to focus their time and energy on professional purchasing activities. Leary and his fellow Purchasing Specialists have negotiated over \$63 million in hard dollar product and service cost savings over the past six years.

Maier notes that the Penn Marketplace helps facilitate a seamless, end-to-end electronic "purchase-to-pay" process. Penn's Accounts Payable department processes over one million documents (invoices) annually. The introduction of the Penn Marketplace and the electronic

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In order to effectively manage its supplier base and maximize its significant buying power, Penn is actively working to leverage new business opportunities with smaller Tier 2 suppliers and manufacturers through existing preferred contract supplier relationships such as Fisher Scientific and EMSCO, a community-based, minority-owned firm that was also an early participant in the Penn Marketplace.

For every Marketplace supplier, there's catalog content to be developed and maintained; an Electronic Data Interchange (EDI) relationship to be established; and other investments of time, money and technology by both the supplier and the University. "Some research suppliers and manufacturers don't have the capability to do this type of thing," Maier notes. "But they want to participate—and we want them to participate—so we recommend that they come to Penn Marketplace through existing suppliers like Fisher or EMSCO."

So far, purchase activity for about 200 suppliers has been redirected through Fisher Scientific and EMSCO without any additional cost to University customers. "Our Purchasing Specialists have been very successful in using the Penn Marketplace as a tool to leverage our

processing of participating supplier invoices via EDI have allowed the staff to spend less time searching for documents, responding to buyer inquiries, and processing incomplete or erroneous invoices. To further enhance the process, Penn will be testing online electronic payment soon with one of its key suppliers, Fisher Scientific.

"Years ago, we could only talk about what we believed would happen, what we hoped would happen," observes Maier. "Now that the Penn Marketplace is a reality, we can talk about what is happening ... and the results are gratifying."

University of Pennsylvania  
*Purchasing Services*