



# *Opportunities for Reduced Raw Materials and Operating Costs*

Presented by:

John B. Gibson

United Intelligence Corporation

*Everyone Knows what it is but few use it.*

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- Consolidated Purchasing System
- Consolidated Procurement

混合采购制

# *Without CP: Fragmentation*

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- Higher prices
- Duplicate effort
- Increased transportation costs
- Longer lead times
- Lack of standardization
- Higher procurement costs



# *Forces Against Consolidation*

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- Empires
- Lack of Standardization
- Limited Resources
- Competitive Information
- Supplier Forces
- The way it has always been done



# *Consolidated Purchasing History*

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- Within large organizations
  - I<sup>2</sup> Rolling up procurement requests
  - IBM
- Within Organizations
  - ACM
- Within Government



# *Who has tried Consolidated Purchasing*

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- State programs
  - NC Department of Environment and Natural Resources 2004
- Government Contractors
  - Lockheed Martin CP saving \$3.5 million – 2001
- Defense Procurement Agency 2006
- Defense Contracts Auditing Agency – 2003



# *Alternate Solutions*

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- Reduce the number of buyers
  - 2001 Home Depot consolidate purchasing to regional offices
  - 2003 Dow Chemical – consolidated purchasing software
- Standardized Contracts and Specifications
  - 2006 National Institutes of Health
- Pool Resources – 2003 Cities of Edison, South Plainfield, Metuchen and Highland Park

# *Consolidation within Organizations*

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- Centralized procurement
- Uniformity – standardization
- Communication between divisions and departments
- Automation



# *Quality a force for CP*

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- Supplier Quality Systems
- Leverage with suppliers obtained through visible corporate requirements
- Common supplier measurements are obtained with a Supplier Quality System
- Supplier rating systems



# *Successful Models*

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- Closed forums for individual
- Supplier negotiation teams
- Adopting proven supply chain management processes
- Cooperative purchasing
- Spend analysis, and vendor rationalization.
- Automation

# *Consolidated-purchasing .com*

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- Closed forums for buyer discussions
- Automated supplier negotiation
- Industry specific areas
- Automated request and pricing
- Maximum advantage for buyers and sellers
- Reduced raw and other material costs

# *Reducing Operating Costs*

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- BI – Business Intelligence
- BAM – Business Activity Monitoring
- BPM – Business Process Monitoring
- BSM – Business Service Management
- PM – Performance Modeling
- BPI – Business Process Improvement

# *Business Process Improvement*

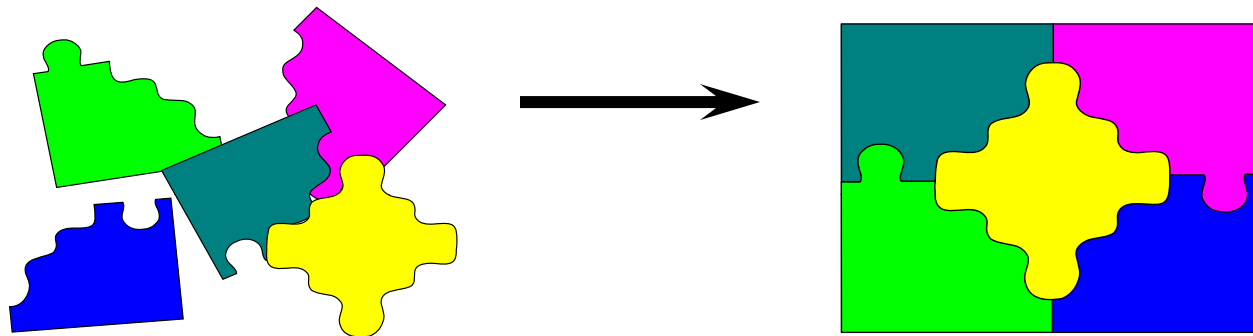
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- Focus groups
- Best practices
- Agreed upon solutions
- New business processes
- Performance modeling
- Continual improvement

# *Why develop performance models?*

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Enables analysis of critical inter-related components of the business process, and provides quantitative results to answer key what-if questions and trade-off scenarios

# *Why is simulation more important today?*

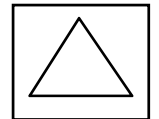
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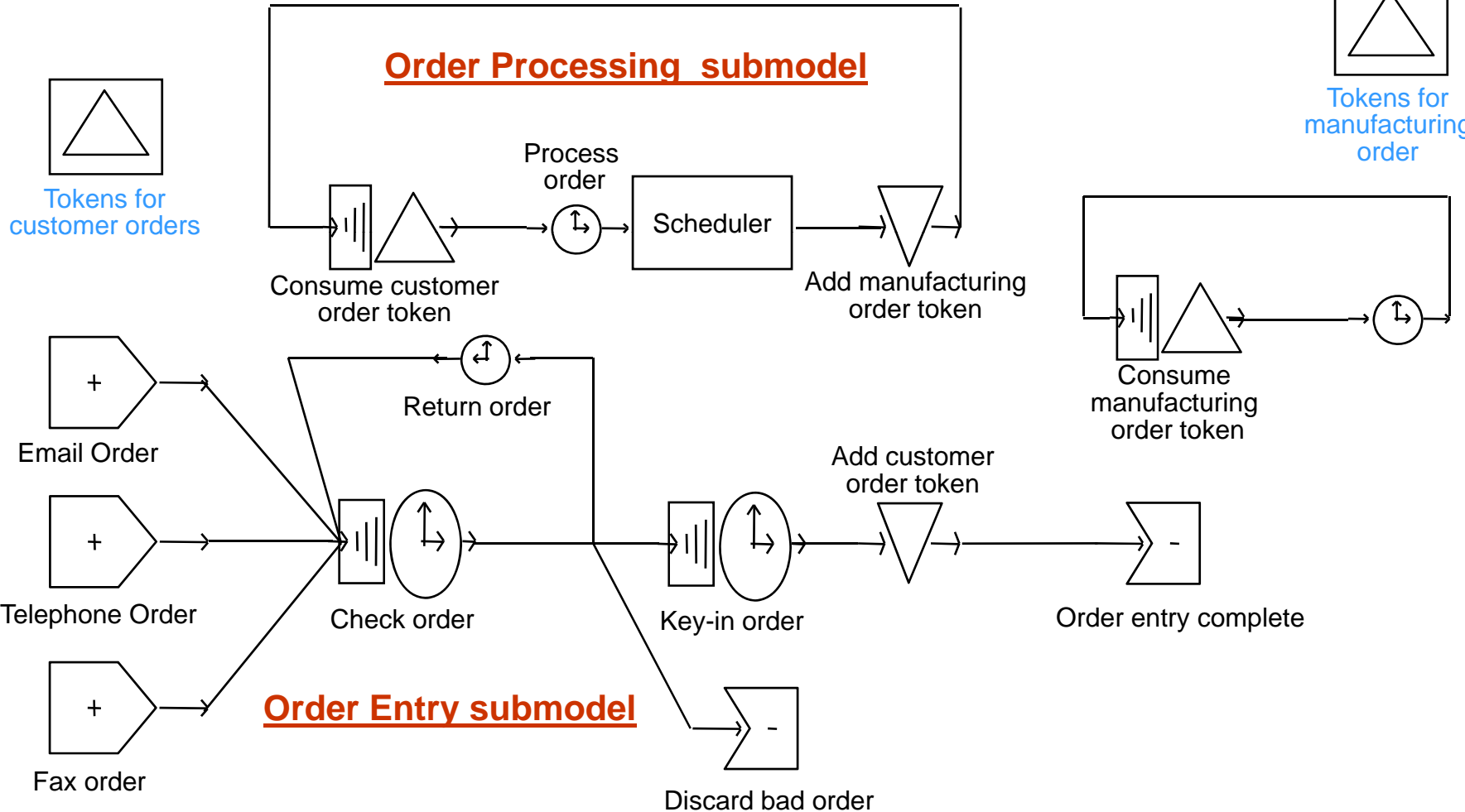
- Explosive increase in the demands being placed on the business processes.
- Increased emphasis by management on reducing inefficient business process flows
- Availability of powerful software tools and cost-effective hardware platforms for performance modeling



# Sample Business Process Model



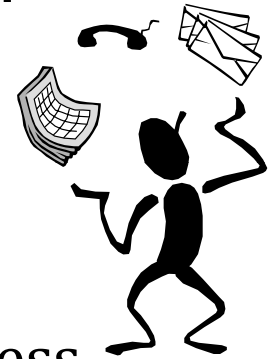
Tokens for manufacturing order



# *Business Process Improvement using performance modeling*



- Modeling and simulation of part or all of business process for analysis of:
  - Contention for resources
  - Statistics on resource utilization, productivity, ...
  - Performance implications of mixing multiple process flows (even thousands) with different types of characteristics, distributions and requirements
  - Performance implications of making changes and/or adding other flows
  - Effect of prioritizing various activities for best results



# *How Performance Modeling helps*

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- Avoid performance surprises
- Find Optimum solution for the business process for best performance
- Allows “what-if” analysis
- Optimize cost and performance
- Understand complex system behavior and tradeoffs



# *Benefits of BPI*

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- Reduced operating costs
- Improved processes
- Employee buy-in
- Ongoing monitoring of critical functions
- Opportunities for continual improvement

# *Learn More*

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Thank you!

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