

Introduction to

Round Table Procurement Services (RTPS)



Round Table
Procurement Services
www.rtps.ca

RTPS – Summary

- Incorporated company, launched in 2003
- Spin-off of Procuron, a procurement management organization created by Bell Canada, CIBC, Bank of Nova Scotia and Caisse Desjardins
- Focus is on helping organizations achieve savings and other tangible results via well-managed procurement
- Top current & recent clients include:
 - YMCAs in Canada
 - Centre for Addiction and Mental Health (CAMH)
 - Canadian Football League / Toronto Argonauts

Who is RTPS?

- A leader in the field of **Procurement Services Providers** in Canada
- A company built on the experiences of some of **Canada's top** procurement and service organizations



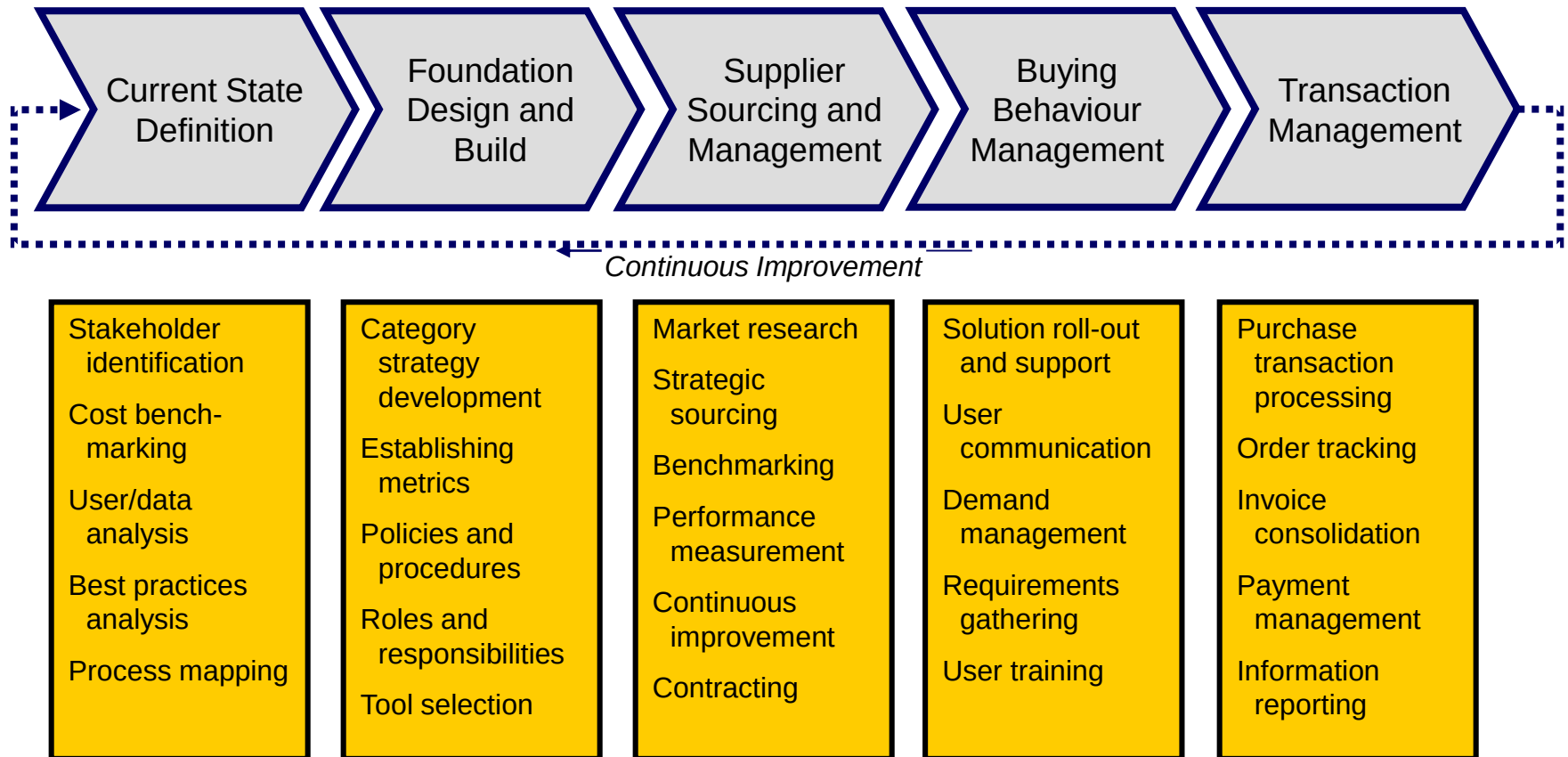
What do we do?

We **support** and **manage** the procurement function to achieve six objectives for our clients:

1. Total Cost Savings
2. Product/Service Quality
3. Efficiency
4. Clarity
5. Simplicity
6. Stakeholder Satisfaction

Comprehensive Services

RTPS takes a **holistic** view of procurement management, providing services that impact the entire procurement process:



Anticipated Results

Targeted Outcomes

Improved supplier relationships & buying power

Reduction of redundant activity

Reduction of non-core activity

Formalized process, contracts and tools

Improved access to information



Resulting Benefits

Improved pricing, terms and service

Increase staff capacity and availability

Staff focus on what they do best

Reduced risk, increased efficiency

Improved reporting; decision making

Previous Clients

The Associates of RTPS have worked with some of the top organizations in Canada, including:

- YMCAs in Canada and US
- Centre for Addiction and Mental Health (CAMH)
- Bell Canada
- CIBC
- Bank of Nova Scotia
- Desjardins
- Toyota Canada
- Westcoast Energy
- Union Gas
- Government of Canada
- Canadian Football League (CFL)
- Toronto Argonauts
- Shoppers Drug Mart
- Ontario Power Generation
- Noranda
- Credit Union Central Canada
- BC Hydro
- Dairyworld Foods
- Nova Chemicals
- Wesco Distribution
- West Fraser Timber
- Royal Bank of Canada
- Canada Post

From Our Clients

*“David Rourke [Round Table principal] helped our company identify potential for **significant** bottom-line savings. His work provided us with a business case that was both **realistic and compelling**. He and the Round Table team continued to work with us to help us realize the savings opportunities. Their approach is **proactive** and builds support from the field and I am confident will prove effective in demonstrating net savings for the Company.”*

-- David Chamberlain, Director of Finance,
WESCO Distribution – Canada, Inc.

*“The partners of Round Table provided our department with **guidance and insight** that was critical to the progress of our e-procurement initiative. Their assistance **reduced our risk** significantly.”*

-- Stephe Cooper, Director,
Electronic Supply Chain Sector,
Government of Canada

“Round Table reviewed Canada Health Infoway's existing procurement process and recommended realistic improvement opportunities. They subsequently assisted us in developing a new process that will improve the organization's ability to efficiently procure critical resources as they are needed. By including active user participation in the design effort, Round Table helped ensure that the new procurement process will bring lasting change throughout Infoway.

-- Brian Philbin, Chief Financial Officer,
Canada Health Infoway

Recent Cost Category Results

Cost Category	Average Savings	Cost Category	Average Savings
Bulk/Camp Food	2%	Overnight Courier	36%
Small Kitchen Food	3%	First Aid and Safety Supplies	20%
Business Cards & Forms	30%	Craft Supplies	5%
Child Care Supplies	12%	Name Tags	53%
Document Shredding	24%	Membership Cards	61%
Pest Control	1%	Teleconferencing	24%
Waste Removal	36%	email Hosting	16%
Paper Towel & Tissue	13%	Promotional Items	15%
Outsourced Laundry	8%	Sports Equipment	12%
Laundry Chemicals	20%	Custom Forms	15%
Towel Purchases	22%	Custom Print	10%
Fitness Equipment	5%	Postage -Unaddressed Admail	24%
Equipment Leasing	18%	Cleaning Supplies	5%
Office Supplies	23%	Fire & Security Systems	19%
Office Equipment	25%	Electrical/Lighting Supplies	10%
Telecom - Long Distance	72%	Hydro	4%
Telecom - Landlines	35%	CO2 Gas Supply	25%
Telecom - Wireless	3%	Food & Beverage Vending	In Progress
Contract Cleaning	7%	Credit Card/Debit/Banking Fees	In Progress
HVAC & System Maintenance	15%	Travel	In Progress
Catering	5%	Computer/IT Equipment	In Progress
Supplies - MRO	15%	Uniforms	In Progress
Security Monitoring	20%	Pool Chemicals/Supplies	In Progress
Gas	5%	Furniture	In Progress
Repairs and Maintenance	5%	Bussing	In Progress
Floor Mat Laundry	20%	Signage	In Progress

Solution Development



Foundational Development

- Understand the needs of the business and explore alternatives
- Develop a procurement model that satisfies the requirements of the organization
- Focus on process design, roles and responsibilities, performance monitoring, and business case development
- Provide a foundation for either in-house or third party alternatives

Procurement Management

- Explore the benefits of having RTPS assume responsibility for indirect procurement management
- Responsibilities could include day-to-day procurement activities such as purchasing transactions, vendor management, strategic sourcing, and invoice consolidation
- A flexible approach would be employed to jointly determine which activities should remain in-house and which could be handled by RTPS

Moving Forward

We would welcome an open discussion to address a number of topics, including:

- Elaboration on the RTPS business model as required, including a description of specific client experiences
- Discussion your specific needs in the context of the RTPS service offering
- Discussion of next steps as appropriate to pursue the most promising opportunities

Staying in touch

David Rourke

Principal

Round Table Procurement Services (RTPS)

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www.rtps.ca

Introduction to

The Case for Managed Procurement

Round Table Procurement Services (RTPS)



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Overview of Procurement



Procurement? Purchasing?

From Wikipedia...

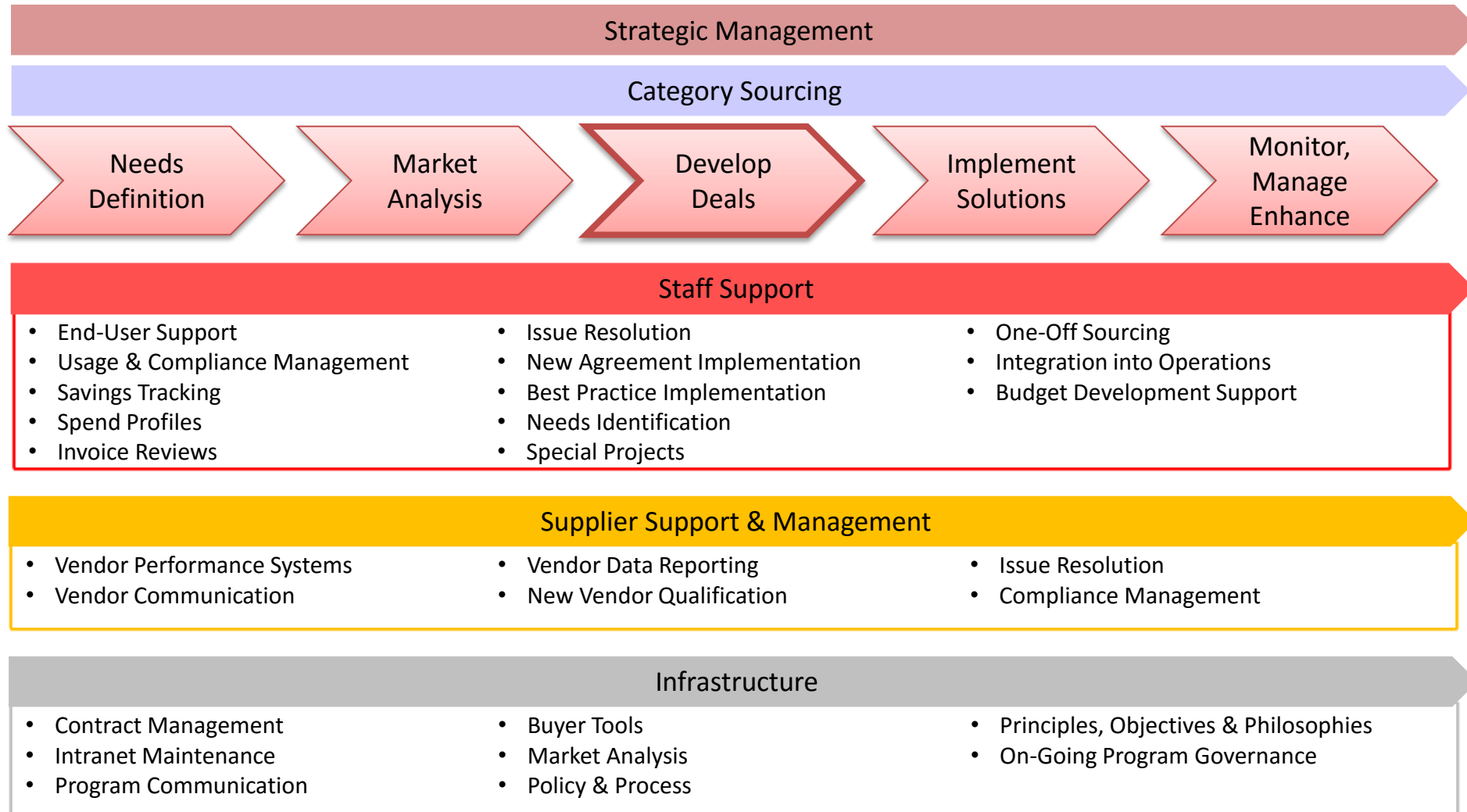
- The term “**Purchasing**” refers to the process of ordering and receiving goods and services.
- It is a subset of the wider procurement process.
- “**Procurement**” is the overarching function that describes the activities and processes to acquire goods and services.
- Importantly, and distinct from “purchasing”, procurement involves establishing requirements, market research, vendor evaluation and negotiation of contracts.

Defining Procurement

From Wikipedia...

- Procurement is the **acquisition of goods, services** or works from an **external source...**
- It is favourable that the goods, services or works **are appropriate** and that they are procured at the **best possible cost** to **meet the needs of the purchaser** in terms of **quality and quantity, time, and location...**
- Corporations and public bodies often define processes intended to **promote fair and open competition** while **minimizing exposure to fraud and collusion.**

Sample Illustration – The Procurement Function



Category Sourcing Process

Category Sourcing

Needs Definition

- **Collect Information**
 - Vendors
 - Contracts
 - Pricing
 - Quantities
 - Specifications
 - Needs
 - Wants
- **Solicit User Input**
- **Establish Baseline**
- **Establish Selection Team**
- **Establish Strategy**

Market Analysis

- **Vendor Review**
 - Qualify vendors
 - Assess current vendors
 - Identify new vendors
- **Assess Market Dynamics**
 - Potential leverage
 - Options
 - Trends
 - Best practices
- **Vendor Communication**
 - Notify incumbent vendors

Develop Deals

- **RFx Development**
 - Create RFI/RFQ/RFPs
- **Conduct RFx Processes**
- **Review and Assess Results**
- **Make Selections**
- **Finalize Agreements**
- **Notify Vendors**

Implement Solutions

- **Exit Current Arrangements**
- **Develop Vendor Introduction Information**
- **Connect Vendors to the Ys**
- **Provide Information to Vendors**
 - Association contact info
 - Service & Billing location details
- **Communicate Rationale, Details and Tools to Field**
- **Conduct Trials, Tests and Training**
- **Manage Implementation Issues**

Monitor, Manage Enhance

- **Manage On-Going Issues**
- **Manage Vendor Performance**
 - Collect feedback
 - Regular performance meetings
- **Audit Agreements**
 - Spot-check invoices
- **Monitor Buyer Compliance**
 - Spend reports
- **Continuously improve**
 - Amend, renegotiate, enhance agreements
 - Identify opportunities for improvements
 - Exit agreements as necessary

Simplifying...

Purchasing = the simplified act of
“buying stuff”



Procurement includes the management of
how and what you buy,
whom you buy from,
and how it affects your organization.



The Impacts of Managed Procurement

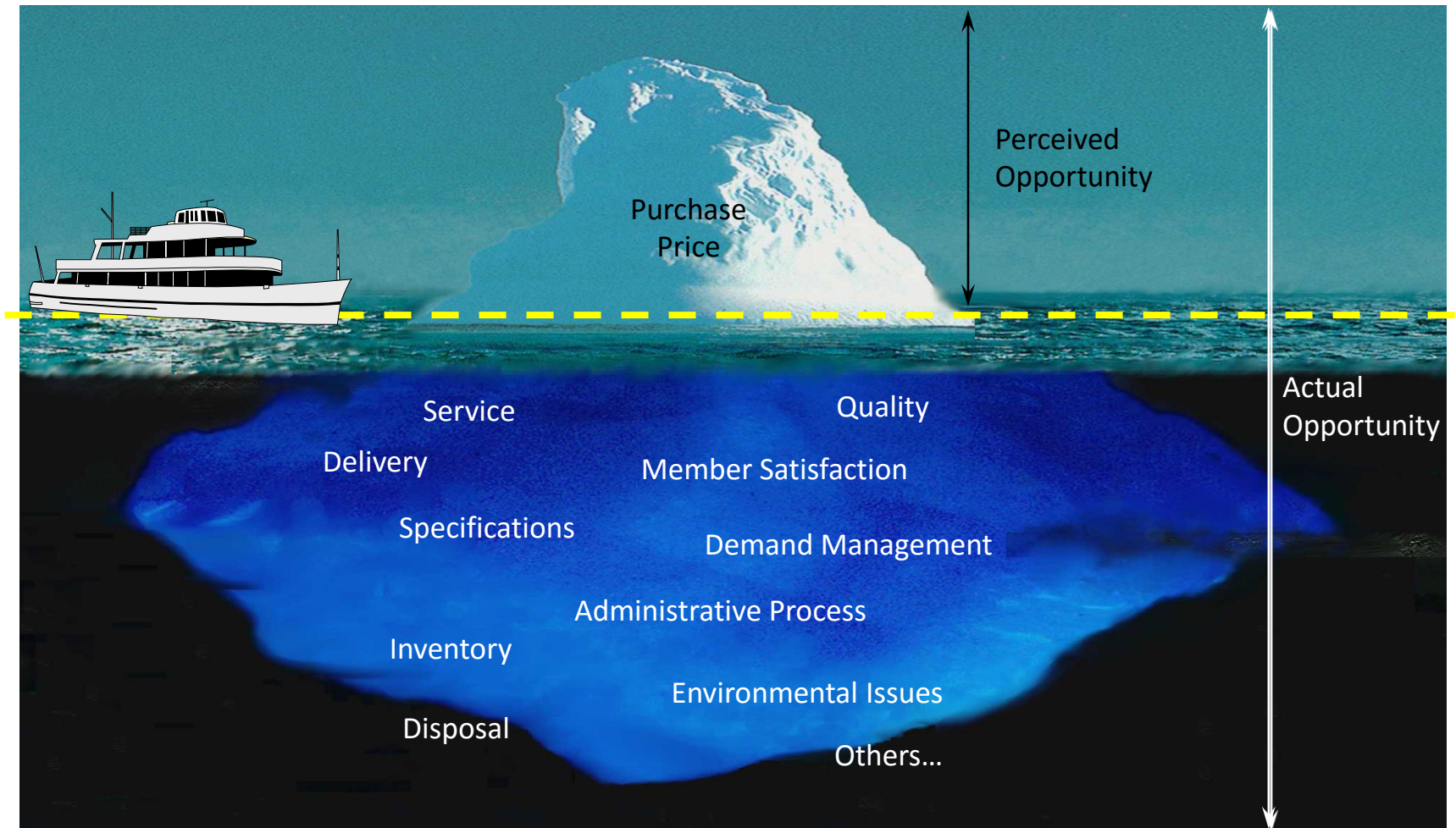
An Emerging Priority

- “...sourcing is evolving into a strategic process for organizing and fine-tuning the value chain...”
 - Harvard Business Review
- “A full 85% of survey respondents say purchasing strategies will be very important or vital to extending their companies’ competitive advantage in the next ten years”
 - Aberdeen Research
- “Inadequate sourcing competencies are costing mid-size firms more than \$134 billion in missed supply savings opportunities annually”
 - The Economist Intelligence Unit

Some Benefits of Managed Procurement

- Reduced risk
 - Selection processes, contract management, needs assessment
- Reduced staff time
 - Staff can focus on core duties
- Increased efficiency
 - Structure streamlines the selection/buying process
- Enhanced supplier relations
 - As efforts are focussed on fewer partners
- Enables strategic initiatives
 - Such as a Green or Diversity program
- Total cost improvement

Total Cost: More than just Purchase Price



The Vision of Well-Managed Procurement

Procurement Role & Objectives

1. Realize **hard-dollar cost savings**
2. Help manage **risk**
3. Ensure sound practices, transparency and **fair play**
4. Drive efficiencies, **minimize the time burden** on the organization
5. **Support operations staff**, help promote a focus on core duties
6. Develop, manage and maintain **healthy relationships with suppliers**
7. Advance and support the **strategy and mission** of the organization

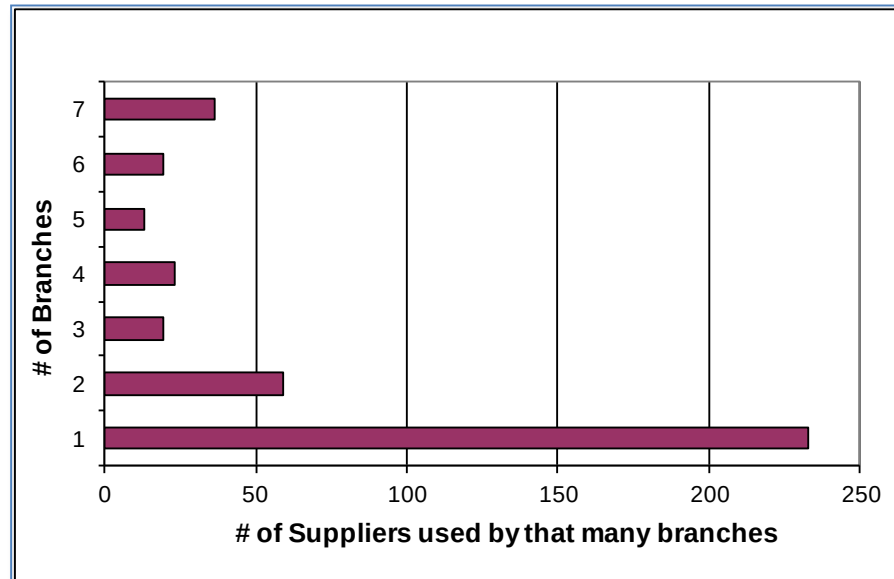
Overall Goal:

Minimize the Total Cost of acquisition of goods and services while supporting the objectives and values of the organization.

Sample Canadian Client Illustration

The state of Procurement circa 2004...

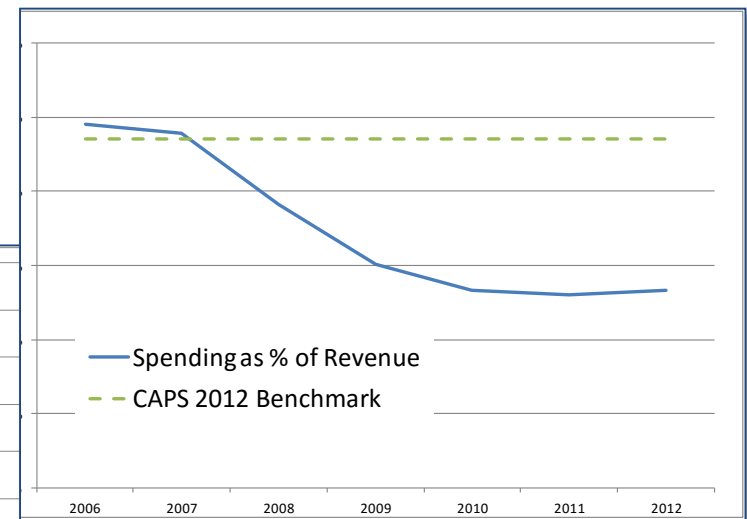
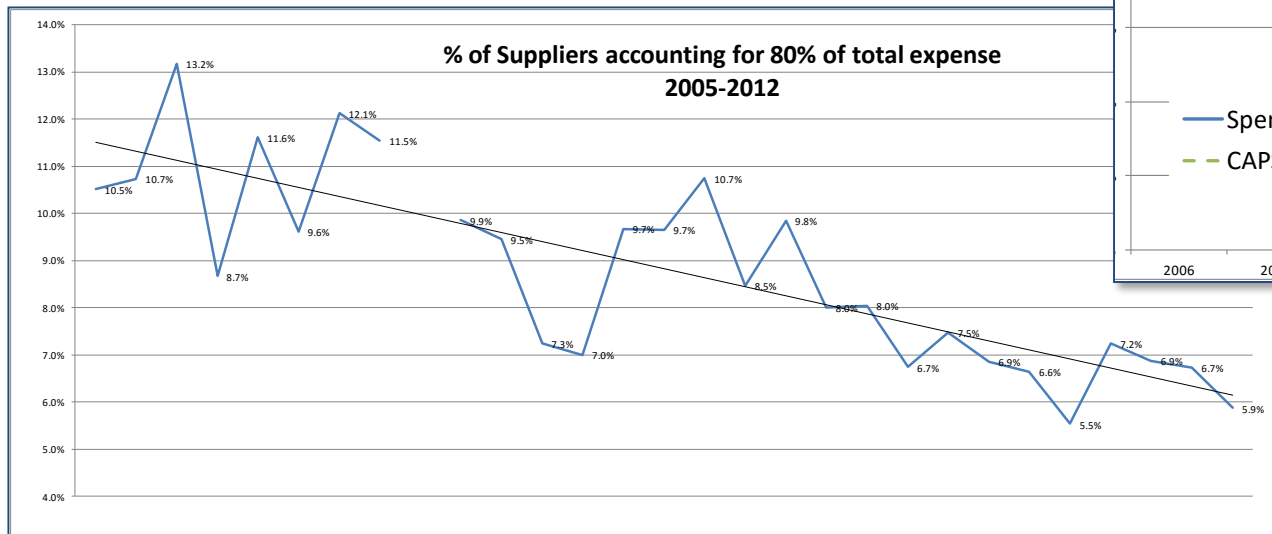
- Operating revenue \$111M, 7 primary locations (“branches”)
- Most procurement activity performed by operations staff
- Supplier list was ballooning; 80% of spending was with 12% of all suppliers (vs a benchmark of 6%)



Sample Canadian Client Illustration

The Impact of Managed Procurement by 2013:

- 4 FTEs, centralized procurement effort
- Net annual savings of over \$1M
- New culture of accountability
- Deep supplier partnerships



Why Managed Spending is Especially Relevant to all Organizations Now

Pressures on Organizational Spending

- Rising costs / economic survival
- Stewardship and social responsibility
- Resource constraints
- Board/Shareholder accountability

Pressures on Organizational Spending

Stewardship and social responsibility

High expectations – internally and externally – to consider more factors than ever before

Green

Fair Trade

DiveRsity

Labour Practices

Local

Healthy

Social Purchasing

...

Potential Strategies and Next Steps

Best Practices & Potential Next Steps

- Procurement on the management “radar”
- Review current costs, contracts and processes
- Develop documentation & foundation
- Develop strategic supplier partnerships

Moving Forward – Some Challenges

Anticipate some **challenges**:

- Staff/supplier relationships
 - Understand the value
- Data availability
 - Leverage supplier reports
- Managing change
 - Potential resistance
- Available capacity



Implementation Options

- Generally, there four options:
 1. Incorporate into current staff capacity
 2. Build the capacity internally
 3. Engage a 3rd party for support
 4. Connect to a group collaboration model
- Each has it's advantages; often a strategy that utilizes two or more is the best approach.

Questions ?

