

**INNOVATION**

## Spend Analysis System

State of Minnesota

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## Minnesota Model

- Executive order issued April 2005
- No resources for consultant services
- Multi-agency steering team
- State Chief Procurement Officer chairs
- Ad hoc multi-agency teams
  - 21 Sourcing workgroups
  - 338 Employees
- Office of Enterprise Technology partnership
- Result=Genuine buy-in for employees
- Legislative approval May 2007

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## Four focal points

- Standards
- Increased emphasis on weight for pricing
- Negotiations
- "Spend Analysis"



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## Minnesota Standards

- Old: Get customers whatever they want
- New: Work with customers to fulfill their business need
- Recognizes one size doesn't fit all
- Estimated total savings: \$110M/5 years



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## Minimum weight for price

- Old: Determination of "best value" must only 'consider' cost
- New: Cost weighted at least 30% of all evaluation factors; 40% in some cases
- Analysis of past practices projected substantial savings with new policy
- Zero exception requests since implementation in August '05
- Savings to date=\$436K

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## Negotiations

- Old: Frequently accepted price offer
- New: Failing to negotiate with RFP responders=lost opportunity
- Added staff position
- Negotiated commodity/general service contract price reductions
  - Initial Contract Savings \$17,933,172
  - Extended Contract Savings \$16,014,532
  - Total Contract Savings \$33,971,704
- Negotiated professional service contract price reductions=\$988K

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## Spend Analysis Testimonials

- "Spend analysis is our cornerstone." – Don Jones, Microsoft
- "Spend analysis is the foundation for everything we do in enterprise sourcing. Before suppliers really had all the leverage during negotiations. They knew better than we did what we were spending with them." – Greg Stolte, Rockwell Collins

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## Spend Analysis System

- Existing data deficiencies/aging ERP system
- Consolidates purchasing, supplier data from disparate information sources
- Vastly improves analysis and reporting
- Newly-available data:
  - Informs standard-setting and negotiation processes
  - Controls off-contract spending

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## Spend Analysis - A tool to provide...

### Knowledge of:

- How much is being spent for what goods and services
- Who the buyers are
- Who the suppliers are

### Opportunities to:

- Leverage buying
- Save money
- Improve performance
- Obtain improved knowledge on procurement spending

INNOVATION \*GAO Best Practices, September 2004, Using Spend Analysis to Help Agencies Take a More Strategic Approach to Procurement.

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## What a Spend Analysis System does

- Consolidates Supplier, Purchasing, and Accounts Payable information from disparate systems.
- Data warehouse - Stores data for easy access.
- Collaborative knowledge - Links to internal and external content (Austin Tetra).
- Reporting - Flexible, customizable reporting across businesses.
- A portal communication tool
- Scanning; contract/agreement, spreadsheets, notes, and documents visible to all users or password coded as required.
- Single location for team documents

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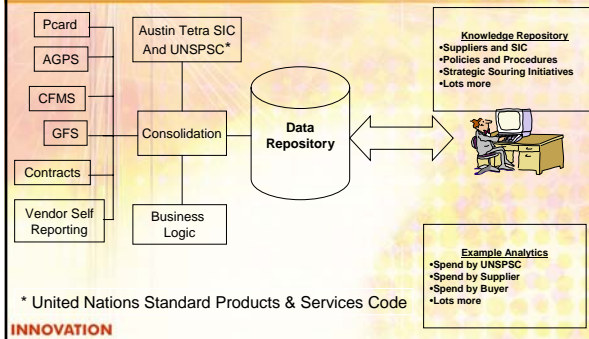
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## How SIS Works at the State of Minnesota



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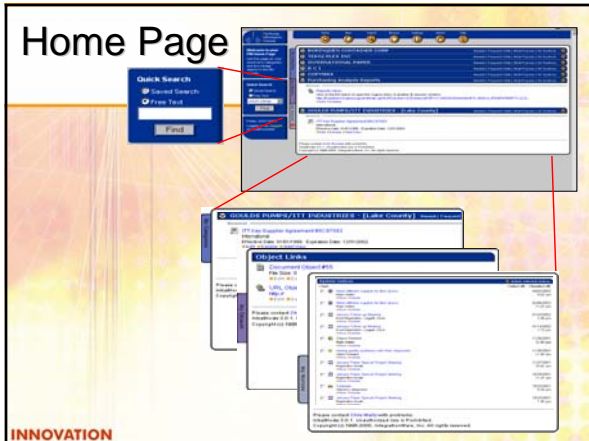
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## Home Page



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# Toolbar



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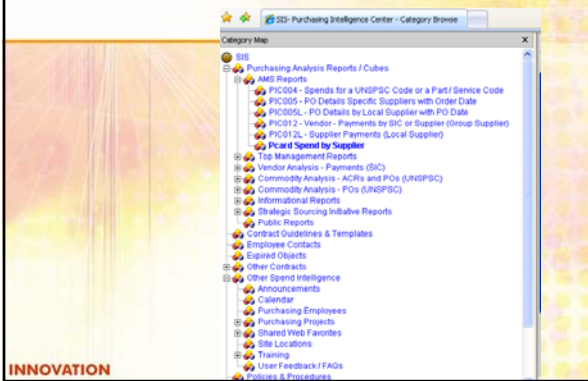
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# MMD's Knowledge Map



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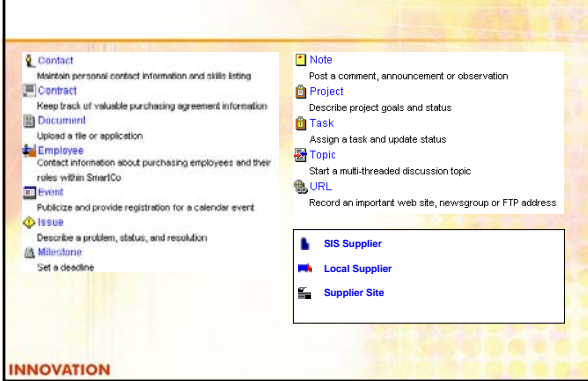
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# Objects



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# SIC Codes




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# Strategic Sourcing

- Project Status – Category to contain the project, issue, task, milestone, event (meeting), etc. objects used to run the project. The project object should also be categorized to the Strategic Sourcing Project Plan category.
- Sourcing Strategy – Category to store documents concerning strategy involved in sourcing suppliers for this initiative. Also, completed RF(x) documents, contracts, etc.
- Suppliers – Category to assign suppliers to this cost down initiative. This includes suppliers that are in-network (preferred), suppliers in the same SIC codes that you want to monitor for out of network purchases, and suppliers who were considered, but for some reason the supplier decided to not participate.

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# Benefits

- Cost Reduction
  - Analysis tools to support strategic sourcing initiatives activities
  - Leverage purchases across all State of Minnesota Departments/Agencies
  - Monitor total PO price for commodities
  - Work towards better payment terms
- Supplier Management
  - Rationalize supplier base
  - Identify key suppliers by SIC code, commodity and payments
  - Collects supplier problems and successes
  - Search for new suppliers across divisions
- Purchasing Collaboration
  - Enables State of Minnesota Departments / Agencies to team together on cost reduction and supplier management
  - Manage purchasing initiatives, document success stories and leverage repeatable road maps to savings

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# Supplier Grouping Information

Report Viewer - PIC027 - Suppliers with Austin Tetra Number

Run Date/Time: 9/15/2007

Group Supplier Name: TYCO INTERNATIONAL LTD.

Local Supplier Number	Local Supplier Name with Location	Austin Tetra Number	Ultimate Austin Tetra Number
0760200000	ADT SECURITY SERVICES INC S - CENTER FOR ARTS EDUCATION	07-043-9601	01-834-0971
0760200000	ADT SECURITY SERVICES INC S - CORRECTIONS DEPT	07-043-9601	01-834-0971
0760200000	ADT SECURITY SERVICES INC S - HUMAN SERVICES DEPT	07-043-9601	01-834-0971
0760200000	ADT SECURITY SERVICES INC S - OFFICE OF HIGHER EDUCATION	07-043-9601	01-834-0971
0760200000	ADT SECURITY SERVICES INC S - PUBLIC SAFETY DEPT	07-043-9601	01-834-0971
0760200000	ADT SECURITY SERVICES INC S - REVENUE DEPT	07-043-9601	01-834-0971
0760200000	ADT SECURITY SERVICES INC S - TRANSPORTATION DEPT	07-043-9601	01-834-0971
0760200001	ADT SECURITY SERVICES INC L - CORRECTIONS DEPT		
0760200001	ADT SECURITY SERVICES INC L - HUMAN SERVICES DEPT		
0760200001	ADT SECURITY SERVICES INC L - NATURAL RESOURCES DEPT		
0760200001	ADT SECURITY SERVICES INC L - REVENUE DEPT		
0760200001	ADT SECURITY SERVICES INC L - TRANSPORTATION DEPT		
0760200007	ADT SECURITY SERVICES INC S - REVENUE DEPT	07-043-9601	01-834-0971
0760200092	ADT SECURITY SERVICES INC P - REVENUE DEPT		
3002540300	EARTH TECH INC - POLLUTION CONTROL AGENCY	07-113-5761	01-834-0971
3002540302	EARTH TECH INC - POLLUTION CONTROL AGENCY		
3002540302	EARTH TECH INC - TRANSPORTATION DEPT		

# Payment Reports

Local Supplier Payment

Payment Date: Between 09/1/2007 and 09/30/2007

Group Supplier(s): TYCO INTERNATIONAL LTD.

Local Supplier	Location	Payment Amount	Total Number of PO's	Total Number of ACRI's
99 ADT SECURITY SERVICES INC	MN STATE COLLEGES/UNIVERSITIES	\$1,531	0	1
99 ADT SECURITY SERVICES INC	MN STATE COLLEGES/UNIVERSITIES	\$1,473	0	1
10 ADT SECURITY SERVICES INC L	CORRECTIONS DEPT	\$477	1	0
11 ADT SECURITY SERVICES INC L	HUMAN SERVICES DEPT	\$104	1	0
12 ADT SECURITY SERVICES INC L	MN STATE COLLEGES/UNIVERSITIES	\$1,058	0	16
13 ADT SECURITY SERVICES INC L	NATURAL RESOURCES DEPT	\$452	2	0
14 ADT SECURITY SERVICES INC L	REVENUE DEPT	\$314	1	0
15 ADT SECURITY SERVICES INC L	TRANSPORTATION DEPT	\$638	2	0
16 ADT SECURITY SERVICES INC P	MN STATE COLLEGES/UNIVERSITIES	\$2,755	0	1
17 ADT SECURITY SERVICES INC S	CENTER FOR ARTS EDUCATION	\$1,115	1	0
18 ADT SECURITY SERVICES INC S	HUMAN SERVICES DEPT	\$605	0	1
19 ADT SECURITY SERVICES INC S	MN STATE COLLEGES/UNIVERSITIES	\$16,340	0	36
20 ADT SECURITY SERVICES INC S	PUBLIC SAFETY DEPT	\$105	1	0
21 ADT SECURITY SERVICES INC S	REVENUE DEPT	\$1,503	2	0
22 ADT SECURITY SERVICES INC S	TRANSPORTATION DEPT	\$6,757	1	0
23 EARTH TECH INC	POLLUTION CONTROL AGENCY	\$36,458	15	0
24 EARTH TECH INC	POLLUTION CONTROL AGENCY	\$30,603	7	0
25 EARTH TECH INC	TRANSPORTATION DEPT	\$2,581	1	0
26 SMPLEGRINNELL LP B	MN STATE COLLEGES/UNIVERSITIES	\$2,005	0	1
27 SMPLEGRINNELL LP F	MN STATE COLLEGES/UNIVERSITIES	\$51,430	0	44
28 SMPLEGRINNELL LP F	PUBLIC SAFETY DEPT	\$633	1	0
29 SMPLEGRINNELL LP F	TRANSPORTATION DEPT	\$6,937	2	0
30 SMPLEGRINNELL LP F	TRIAL COURTS	\$14,265	2	0

# Payment/PO Reports

For the Period Between: July 1, 2004 thru June 30, 2005

Group Supplier: DELL COMM INC, DELL FINANCIAL SERVICES, DELL MARKETING LP R, DELL MARKETING LP R, DELL SERVICE SALES

Local Supplier	Payment Date	Payment Amount	P.O. Number	Check Number	Buyer Name	Location
DELL MARKETING LP R	7/2/04	372,734,743	73447430172932 001	ADAM J BREIDEN	ADAM J BREIDEN	ADMINISTRATION DEPT
DELL MARKETING LP R		\$3,487,744,743	73447430172961 001	ADAM J BREIDEN	ADAM J BREIDEN	ADMINISTRATION DEPT
DELL MARKETING LP R		\$1,167,744,808	73448080172981 001	MARY A JOHNSON	MARY A JOHNSON	NATURAL RESOURCES DEPT
DELL MARKETING LP R		\$1,837,744,920	73449200172991 001	MARY A JOHNSON	MARY A JOHNSON	NATURAL RESOURCES DEPT
DELL MARKETING LP R		\$2,267,744,175	73441750172981 001	MARY A JOHNSON	MARY A JOHNSON	NATURAL RESOURCES DEPT
DELL MARKETING LP R		\$1,349,744,178	73441780172981 001	MARY A JOHNSON	MARY A JOHNSON	NATURAL RESOURCES DEPT
DELL MARKETING LP R		\$1,524,744,183	73441830172911 001	MARY A JOHNSON	MARY A JOHNSON	NATURAL RESOURCES DEPT
DELL MARKETING LP R		\$2,257,744,299	73442990172981 001	MARY A JOHNSON	MARY A JOHNSON	NATURAL RESOURCES DEPT
DELL MARKETING LP R		\$2,274,744,854	73448540172911 001	STEVE R GURTHA	STEVE R GURTHA	NATURAL RESOURCES DEPT
DELL MARKETING LP R		\$2,067,744,826	73448260172921 001	MARY A JOHNSON	MARY A JOHNSON	NATURAL RESOURCES DEPT
DELL MARKETING LP R		\$11,744,876	73448760172911 001	SEBASTIAN HEDVILLE	SEBASTIAN HEDVILLE	CORRECTIONS DEPT
DELL MARKETING LP R		\$887,744,878	73448780173491 001	DANIE J MELCHERT	DANIE J MELCHERT	NATURAL RESOURCES DEPT
DELL MARKETING LP R		\$69,722	6281639000207002			MN STATE COLLEGE/SUANA
DELL MARKETING LP R		\$1,771	6281639000207002			MN STATE COLLEGE/SUANA
DELL MARKETING LP R	7/2/04	\$4,968				
DELL MARKETING LP R		\$87,730,379	73437991747431 001	ALISON A BOEVE	ALISON A BOEVE	ADMINISTRATION DEPT
DELL MARKETING LP R		\$72,379,344,838	73448380174743 001	JOAN M BRIDLEN	JOAN M BRIDLEN	NATURAL RESOURCES DEPT
DELL MARKETING LP R		\$862,734,334	73433340175021 001	CAROL J CUSIE	CAROL J CUSIE	TRANSPORTATION DEPT
DELL MARKETING LP R		\$1,429,734,358	73433580174641 001	SHARON J WATSON	SHARON J WATSON	NATURAL RESOURCES DEPT
DELL MARKETING LP R		\$124,734,480	73434800174941 001	MICHAEL L COSSOR	MICHAEL L COSSOR	TRANSPORTATION DEPT
DELL MARKETING LP R		\$4,477,734,617	73436170174741 001	LARRY C SHEEHAN	LARRY C SHEEHAN	NATURAL RESOURCES DEPT
DELL MARKETING LP R		\$2,346,734,674	73436740174391 001	LARRY C SHEEHAN	LARRY C SHEEHAN	NATURAL RESOURCES DEPT
DELL MARKETING LP R		\$1,424,734,677	73436770174391 001	DEBBIE KATCHAMAK	DEBBIE KATCHAMAK	PUBLIC SAFETY DEPT
DELL MARKETING LP R		\$1,897,734,689	73436890174372 001	DEBBIE KATCHAMAK	DEBBIE KATCHAMAK	PUBLIC SAFETY DEPT
DELL MARKETING LP R		\$86,734,745	73437450174391 001	ANDY J JEFFERSON	ANDY J JEFFERSON	HEALTH DEPT
DELL MARKETING LP R		\$852,734,873	73438730174391 001	DAVIN R UDEAN	DAVIN R UDEAN	HEALTH DEPT
DELL MARKETING LP R		\$32,321	6281639000207002			MN STATE COLLEGE/SUANA
DELL MARKETING LP R		\$1,234	6281639000207002			MN STATE COLLEGE/SUANA
DELL MARKETING LP R	7/4/04	\$7,048				
DELL MARKETING LP R	7/10/04	\$3,727,702,621	73426210171741 001	TRAVIS P BR BRIDEN	TRAVIS P BR BRIDEN	MN STATE COLLEGE/SUANA





## Lessons We are Learning

- Implementation and use not as quick or easy as hoped
- Negotiation works (sometimes)
- Third-party enrichment data essential
- High-quality data requires ongoing effort
- Procurement staff must adopt a new data-driven approach
- Hands-on training is critical
- Spend analysis works in the public sector

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