



## **State of Connecticut**

Department of Administrative Services  
Division of Procurement

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# **2019 George Cronin Awards for Procurement Excellence**

## **Web portal based JIT Procurement**

## Executive Summary

There is a need to re-imagine the task of Procurement to lead towards satisfaction of client agency rather than just meet their needs while sticking to the contracting process. This is done by meeting the needs of goods, services, works and utilities while generating value for money and achieving satisfying outcomes for the vendor, client agency and society itself. We did this by selecting a vendor who will develop a platform for the use of client agency to service their orders in a 'Just-in-time' basis for a pilot project. In this pilot project, the contracting team negotiated with the vendor for a pseudo ecommerce marketplace-like platform which can be accessed by employees of the client agency from which they can place orders for footwear. This is radically different approach from the shoe mobiles used previously by vendors for providing services to the client agency. There are restrictions built into the platform, such that the employee can place only one order of shoe per year (based on requirement of client agencies) and if they need additional pairs they can buy them using their personal funds/credit.

**Innovation** - This is envisioned through a web based platform with a restricted access to employees of client agency. The employees can use this platform to place their orders (Footwear in this case) from a list of options and sizes available on the portal. Abundance of e-commerce websites, means that employees are tech-savvy and choose to look for options and different models. The vendor who also manages the platform, has the ability to 'purchase/build to order' reducing lead times leading to leaner setup on his end.

**Transferability** - An easy to use, web based platform can be created and operated by different vendors for various different contracts. We envisage that this can be used for many other products like uniforms, office supplies etc. for different client agencies.

**Service Improvement** - Service from the vendor improves significantly leading to a lower lead time while delivering an accurate order to the right place. The web based platform increases accountability and client satisfaction by shifting the burden of placing the order to the end user.

**Cost reduction** - There is a significant cost reduction for the vendor mostly in areas like warehousing cost, transportation cost, cost of running out of shoe sizes and designs. This cost reduction translated into savings for the state as we could negotiate for discounts.

## Innovation

"A customer is the most important visitor on our premises, he is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favor by serving him. He is doing us a favor by giving us an opportunity to do so." - *M.K Gandhi*

The contracting process was an unique experience for us because it involved both changes in the mindset of the DAS and state agency, and also with the vendor. Re-imagining the product from the perspective of a user helped us understand that user experience and product delivery are very important for satisfying both the users and the client agency.

### Shift in the Mindset:-

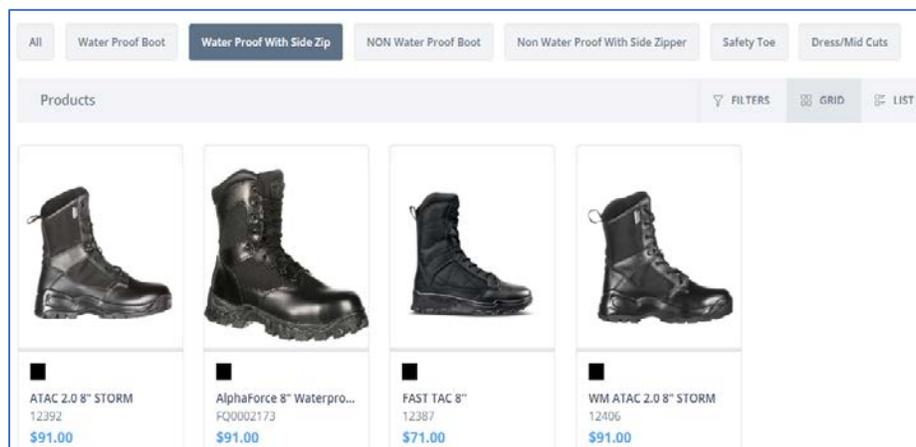
At DAS Connecticut, we feel that it is very important to look beyond the requirements of the client agencies and understand the needs of the users within the agencies. DAS had the opportunity to solicit bids for contracts for footwear for Department of Corrections (DOC) and we decided to go to the users and get their feedback along with the requirements placed by DOC. One thing we came across consistently was that the earlier vendor with shoe mobile did not provide for a wide variety of shoe sizes or choices for both the genders. Sometimes the personnel also wanted to buy an extra pair exceeding the negotiated one pair per year.

When we sought proposals from footwear supplying vendors, we understood these needs and were looking at a solution that could also address them.

### Vendor Innovation:-

In procurement as a State agency, we often fail to harness the power of vendor innovation. According to a case study by Harvard (Sakkab & Huston, March - 2006), in some of the large Multinationals like Proctor and Gamble (P&G) as much as 35% of the innovation and 45% of the product development initiatives comes from the vendors/suppliers.

When we were evaluating different RFPs, we came across a proposal where a local small business proposed setting up a website accessible to DOC employees where they could select the type of shoes (Based on the requirements mentioned by Client agency), size of the shoes etc. replicating the experience of using an e-commerce website like Amazon or Walmart. Similar to the e-commerce companies, the vendor proposed dispatching the footwear to the employee locations. The employees could also use the website to buy additional pairs of shoes from their personal funds/credit just like they would on Amazon.



## Transferability

From our experience working on this contract, we determined three areas with varying degrees of transferability - Shift in the mindset as a procurement agency, Vendor innovation and Website.

### Shift in the mindset as a procurement agency:-

Moving away from the mindset of a traditional State procurement agency is very important if we envisage bringing some of the efficiencies that private sector is known for. Instead of merely meeting the requirements of the client agencies, we should also obtain feedback from the users. When the users feel that their opinions are heard, they often feel more enthused to make use of the state contracts. It also goes a long way in promoting the image of state procurement organization through word of mouth and it is especially important when we want municipalities and local bodies to make more use of our contracts.

This shift of mindset is *highly transferable* across not just the states but also other city and local procurement organizations. This requires a focus on managing the change and relooking at user feedback in a new light, enhancing user experience.

### Encouraging vendor innovation:-

As mentioned earlier, large Multinationals across the globe make use of their suppliers/vendors as a source of innovation. Encouraging the suppliers/vendors to innovate and think out of the box instead of just fulfilling requirements can help them drive down costs. Usually small businesses are more nimble

and quick to innovate and adapt as compared to large companies. However, if the state procurement encourages vendor innovation, this can force large companies to also innovate.

Encouraging vendor innovation is *highly transferable* and across the fifty states, many of them are already doing it in several ways.

#### **Website:-**

An online website that generates the same experience as an online e-commerce website is easy to replicate for different agencies across all the states making it *highly transferable*. However, these websites are only applicable wherever the State procurement is buying for users for a client agency/agencies. Certain goods like Uniforms, footwear, decorations/insignia, office stationery etc. can be readily ordered using such websites in a just-in-time fashion and similar service improvement and savings can be expected.

## **Service Improvement**

From our experience working on this contract, we determined three areas with service improvement- User experience, Convenience and lower lead times.

#### **User experience:-**

Much like an e-commerce website, the personnel at client agency can look at the image of the product and features like water-resistance before placing the order. They can also check for different shoe sizes available and wait times if the size is not readily available. Such a website also allows setting up of a wider product catalogue and easily updating the website with new shoe models based on approval of procurement division and client agencies.

This gives a much better user experience compared to the shoe mobiles, a small step in the direction of client satisfaction as it places onus on the end-user for placing the right order.

#### **Convenience:-**

Earlier when shoe mobiles were used for supplying footwear to the users, issuing shoes was often a whole day process where the users had to be present in person and select the appropriate shoe size and style. With the website, users have the convenience of placing the order as and when they require. While this website permits one pair of shoes to be ordered every year, it also allows the users to buy additional shoes using their personal funds/credit. Vendor can also deliver the footwear through shipping which enables accurate delivery at the right time. This is particularly important when the employees are located in different locations like correctional facilities and training academies.

The website also permits vendor and client agency to easily generate reports and have an oversight over the process.

#### **Lower lead times:-**

The current vendor can ship the footwear to the users from a warehouse with the regular delivery times of about two days. Previously, the academies could only be supplied through shoe mobiles and lead time and delivery time for shipping was four days. As the vendor also maintains the website and receives orders according to the contract, he is more responsive and can quickly order out of stock items from the manufacturers.

## **Cost Reduction**

The vendor makes significant savings by reducing some of the wastes mentioned in the Just in time (JIT) philosophy - Overproduction, Transportation and handling, Unnecessary processing, Unnecessary

inventory, Reduction of defects. The State of Connecticut could get better discounts because of the savings that the vendor made leading to an overall cost reduction.

**Overproduction cost:-**

The footwear are ordered in the model and size specified by the user in the website when placing the order. Thus the vendor does not have to order a wide variety of models and sizes as he used to when using shoe mobiles.

**Transportation and handling Cost:-**

The vendor does not have to transport the wide variety of shoes to different locations for the users. He can instead ship the shoes to the location specified by the user and this significantly reduces costs incurred.

**Unnecessary Processing:-**

As the vendor only processes orders placed through the website throughout the year, he does not have to manage excessive orders.

**Unnecessary inventory:-**

The earlier vendor had higher warehousing cost because he had to stock a large number of shoes to meet the demands of personnel and transport them to the Academy and correctional centers using a shoe mobile. With the website, the current vendor does not need to have excess inventory with him.

**Reduction of defects:-**

Some models and sizes would often run out with the earlier vendor necessitating further trips to fulfill orders and dissatisfied users. More attention can be paid to the details in the website when fulfilling orders leading to savings for vendors and satisfied users.

**Price discounts:-**

We persuaded the current vendor to give us discounts, further reducing prices on the price catalogue through the website.

## **Conclusion**

We can conclude that re-imagining the procurement process and the usage of goods from the perspective of client agency can lead to more positive outcomes like more vendor engagement, supplier innovation and better end user experience. We can also conclude from our pilot project that a vendor managed website model can be satisfactorily applied to many other goods procured by State procurement agencies across the US resulting in improved service from vendor and savings to the state.