How McKesson Implemented a Corporate-wide Spend Analytics across multiple ERP Systems with SAP SPM

Trygve Hasjim
• Learn how Spend Analytics can help your organization to identify sourcing opportunities, measure compliance and savings

• Partnering with Data Enrichment Company, to de-duplicate and establishing parent - child of multiple vendor records from various source systems, and to apply consistent spend classification

• Learn tips and tricks to consolidate spend data from various ERP systems (SAP and Non SAP systems), Corporate Card and P-Card
- Largest healthcare services company in the world
- Nation’s largest distributor of pharmaceuticals
- Fortune 14 company
- $123 Billion in revenue (FY12)
- More than 36,000 employees dedicated to healthcare
- Oldest U.S. healthcare company, established 1833
- 179 years driving innovation in healthcare
- Care and medical claims management solutions
- Health care IT solutions for hospitals, physicians and other providers

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- Categories targeted based on breadth of spend and potential for savings
- Beside pricing and quality evaluation, suppliers are also evaluated on ability to support integration with SAP SRM during the sourcing process
- Technology integration costs factored into sourcing strategy
- Repeatable and integrated methodology for contract implementation and SAP SRM supplier on-boarding process
- Compliance is measured and reported
OUR JOURNEY

- **Spend Analytics**
  - CY2012
  - CY2013

- **E-Sourcing**
  - W2/3
  - CY2014

- **Contract Management**
  - W2/3
  - CY2015

- **Supply Base Management**

- **E-Procurement**
  - CY2012
  - CY2013
  - CY2014
  - CY2015

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CHALLENGES

10+ ERP systems

SAP
Infinium
Symix
WDS
Epicor
JDE
Great Plains
Oracle
Peoplesoft

Duplicate Vendor Master across multiple ERP Systems

High volume of Non PO invoices

Limited spend visibility

Multiple purchasing groups

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BUSINESS CASE

Indirect Spend of $2 Billion

Opportunities
1. Un-sourced categories
2. Non Compliance to existing programs

Business Case
($ figure for illustration only)

Increase of managed spend of 3%, price saving of 5% and compliance of 80% will provide saving of $2.4M/Year

Increase of compliance by 5% of 1 Billion Managed Spend, price saving of 5% will provide saving of 2.5M/year
IMPLEMENTATION SCOPE

- $2 Billion Indirect Spend/ Year
- 2 Million Transactions/ Year
- 12 Source Systems
- P-Card and Travel & Expenses Corp Card
- Integration with GEP for Data Cleansing and Enrichment
- Main users: CPO and CFO Offices
- 50-100 users located at US and Canada
- Monthly Data Refresh
- No BW Accelerator/ HANA
SPEND ANALYTICS TOOL - SAP SPM

Extract
- Cross enterprise data sources
- AP/Cash basis data
- Structure and Rules

Enrich
- Cleanse, classify, and normalize
- Classify: Desktop Computer vs. PC
- Normalize: 'H.P' vs. 'HP Inc.'

Analyze
- Transparent to the entire organization
- Allow better leverage during negotiations
- Curtail spending

12 spend data sources across enterprise

Spend Analysis Tool
- Classify
- Normalize
- Enrich

Data Enrichment Company - GEP

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WHY DATA CLEANSING & ENRICHMENT

- Duplicate Vendors Master across multiple ERP Systems
- Vendor Merge and Acquisitions
- Non PO Invoices do not have product category
- P-Card and Corp Card has Bank as the vendor
- Supplier Diversity information
- Additional Processing:
  - Removing non-ASCII Characters
  - Data Validation for both SAP and non SAP ERP: negative sign, preceding zeroes etc.
PHASE APPROACH

Spend Analytics - Phase 1 (Completed)
- Spend visibility across the enterprise
- Business Synergy across all Business Units
- Supplier Fragmentation
- Missed Opportunity Spend
  - Managed Spend vs. Non Managed Spend
  - Preferred vs. Non Preferred Supplier

Spend Analytics - Phase 2
- Savings Analytics
- Compliance Reporting
  - Preferred Supplier Compliance
  - Buying Channel/PO Compliance
- P-Card Opportunity based on IPP Policy (< $2500)
- Procure to Pay Cycle Time

Spend Analytics - Phase 3
- Contract Analytics
- Budget Analytics
- Project Analytics

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WHAT SPEND DATA TELL US?

“Missed Opportunity Spend Analysis”
- Managed Spend vs. Non Managed Spend
- Preferred vs. Non Preferred Supplier

$33M Professional Services

$2.5M HR Consulting Services

$ 5M Audit Services

$ 12M Legal Services

$ .5M Procurement Svc

$ 1M Accounting Services

$ 2M Business Credit

$ 10M Strategic Planning

$19.5M Non Managed Category

$13.5M Managed Category

$8M Preferred Supplier

$5.5M Non Preferred Supplier

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What Does Spend Data Tell Us?

"Supplier Fragmentation Analysis"

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What Does Spend Data Tell Us?
Stand alone BW 7.3 reduce the complexity of the implementation
- Eliminate the need to upgrade existing BW 7.0 Landscape

It is very important to choose the most stable Service Pack for SPM 3.0 and BW 7.3
- SPM 3.0 SP2 and BW 7.3 SP07
- Eliminate majority of SPM / BW issues

Standard BW Extractor with Direct Update is not necessary
- FTP File Extracts from all data sources to GEP for Data Enrichments
- SPM File Upload occur after the data files are cleansed and enriched
- FTP File Transfer reduce the complexity of the implementation
Good Systems Performance.
- BW Accelerator/ HANA is not required yet

Spend Analytics Query
- Local Cache Size: 32 MB
- Global Cache Size: 2000 MB

Detail Report Query
- Query Aggregate Cache
- Cache Persistent Mode: Transparent Table (BLOB)

Most useful BW Aggregate
- Category (summarized by 464X)
- Management Organization and Category (summarized by 89X)
- Supplier (summarized by 14X)
Maximize business benefits by including Data Enrichments in the 1st roll-out

Invest adequate time to define a robust product category/taxonomy prior to systems implementation

- 4 Levels: Group, Family, Category and Commodity
- Modified version of UNSPSC Code

Invest adequate time to design key reports/dashboard for Top Management (CFO and CPO)

- Predefined reports and dashboards have very fast response time

It is not necessary to do vendor cleansing or changing existing product category configuration in your Procurement/ERP Systems

- Having 3rd Party Data Cleansing and Enrichments save time and money
LESSONS LEARNED

- Include only necessary historical data (not more than 1 year)
- Perform Quarterly Refresh 2-3 times before starting the Monthly Refresh
  - Data Extraction, Validation, Cleansing and Classification takes a lot of time initially
  - Allocate enough time for the team and 3rd Party Data Enrichment to automate the file exchanges and learn the classification
- SPM Standard Business Synergy Query/ Report is not very useful
  - Design and technical issues
  - Virtual Provider have negative impact to performance
- Obtain part time involvement of experience Basis person (i.e. 2-3 weeks) to review profile parameters and fine tune BW/ SPM Performance
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