

ELECTRONIC PROCUREMENT

What does it buy you?

Example: Rocky Flats Environmental Technology Site

NWCCC June 27th 2001



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PRESENTATION TOPICS

Ø **e-Procurement Overview**

Ø **Benefits**

Ø **Rocky Flats Project Example**

Industry Structure & Profiled Companies

Results and Project Challenges

Ø **e-Procurement Entry Points**

WHAT IS E-PROCUREMENT?

Ø Online Catalogs, Marketplaces

Ø Internal Purchasing Software (approvals, catalogs, management)

Ø Reverse Auctions

Ø Information Exchanges: Web portal to information, Web GIS,
RFPs

?

VALUE PROPOSITION

- Ø **Reduce transaction costs by >30%** [paperwork, approvals, etc...]
- Ø **Improve PM's effectiveness** - [faster receipt and status checks]
- Ø **Reduce prices of goods & services procured by 10-40%**
- Ø **Purchasing data consolidation / integration/ management**

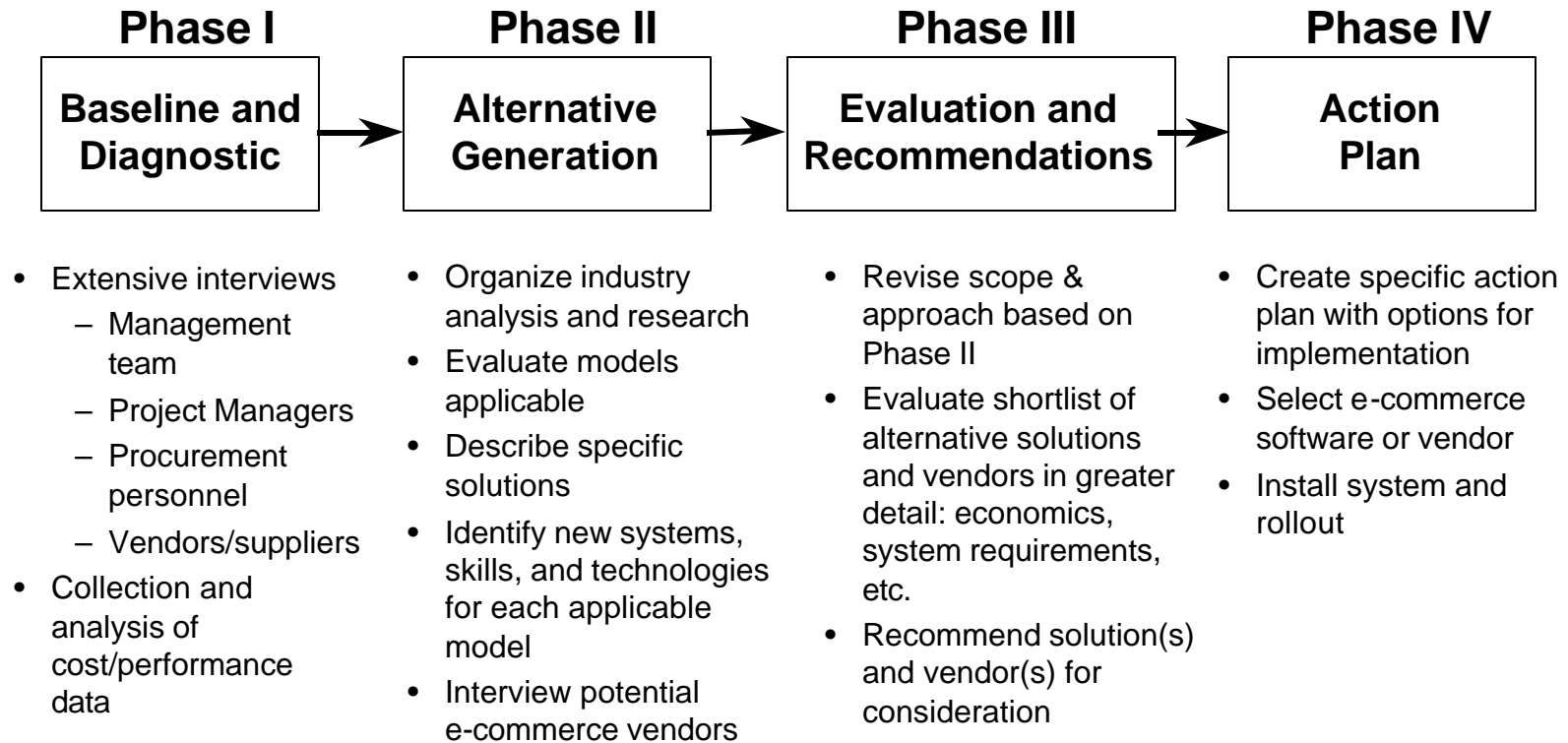
RFETS EXAMPLE

Fall of 2000: Evaluated the value and practicality of a web-based procurement system for RFETS.

Specifically, the project addressed the following core issues:

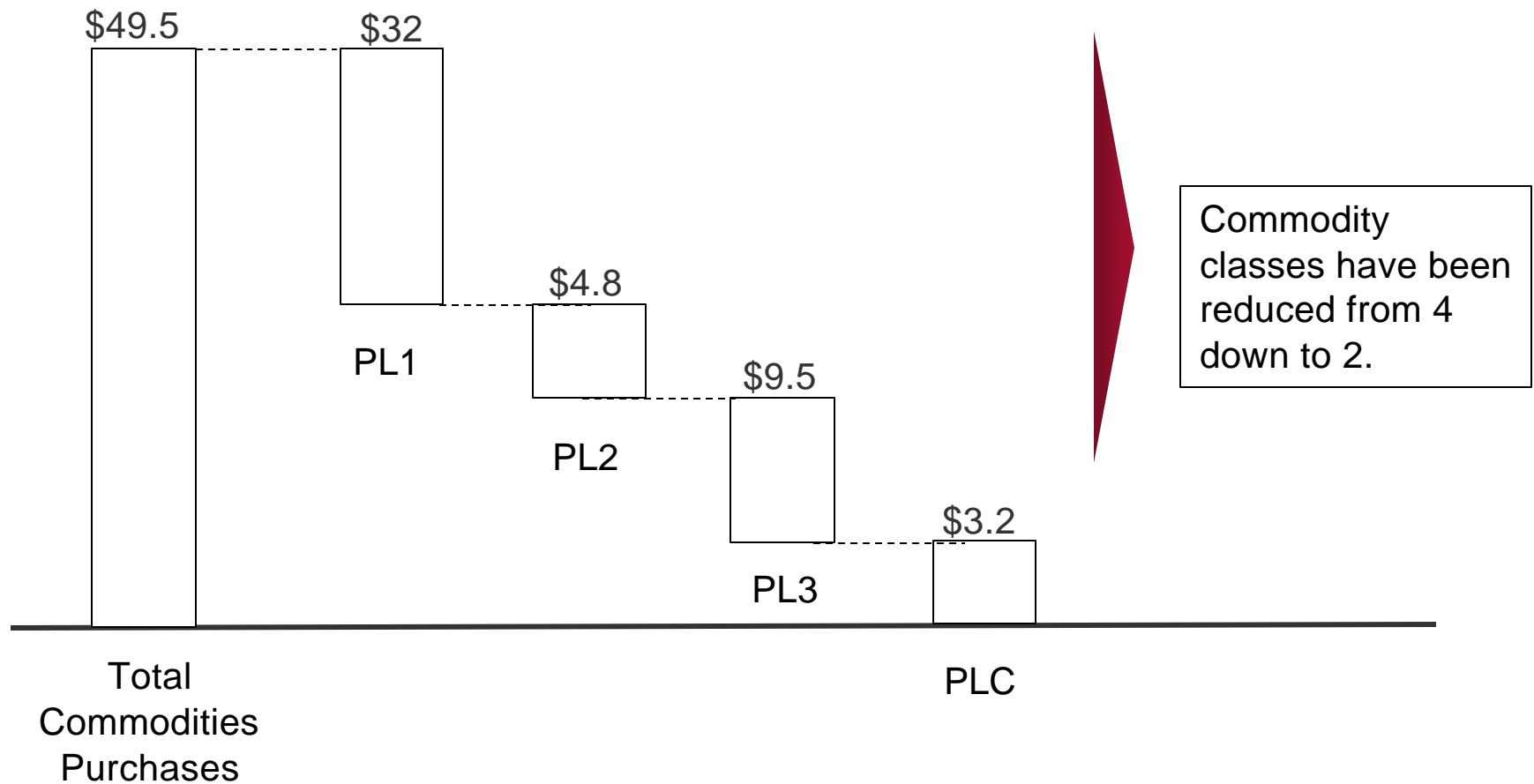
- Ø Where are the greatest sources of economic leverage in the procurement system?
- Ø What are the components of an e-commerce solution for procurement and what alternatives exist for supplying them?
- Ø What barriers, level of investment and return on investment (ROI) can be expected?
- Ø What implementation plan makes sense?

PROJECT PHASES AND ACTIVITIES



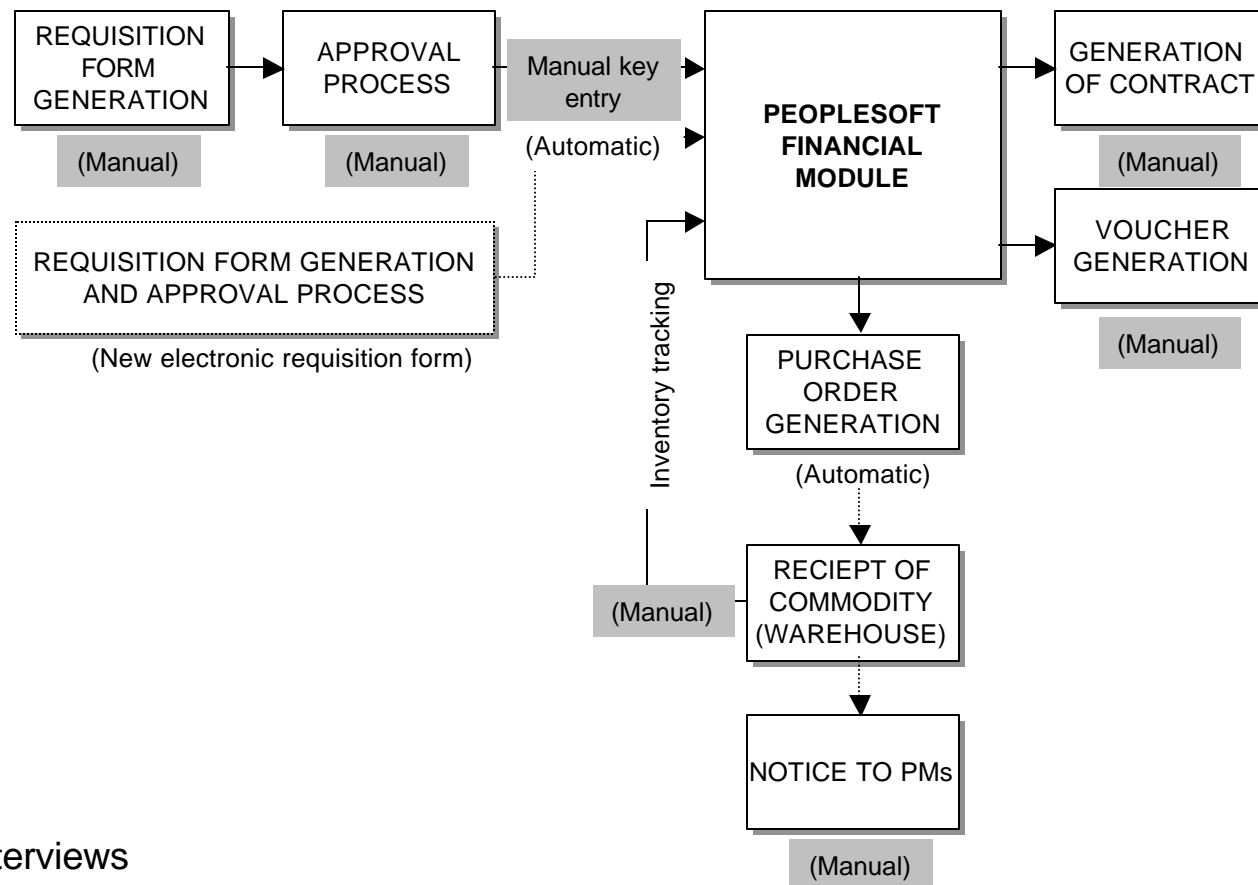
BREAKDOWN OF COMMODITY SPENDING BY CLASS - 2000 \$ millions

RFETS Annual spending: Commodities = \$50M; Services = \$350M



TRANSACTION COSTS PROCUREMENT SYSTEM CONFIGURATION

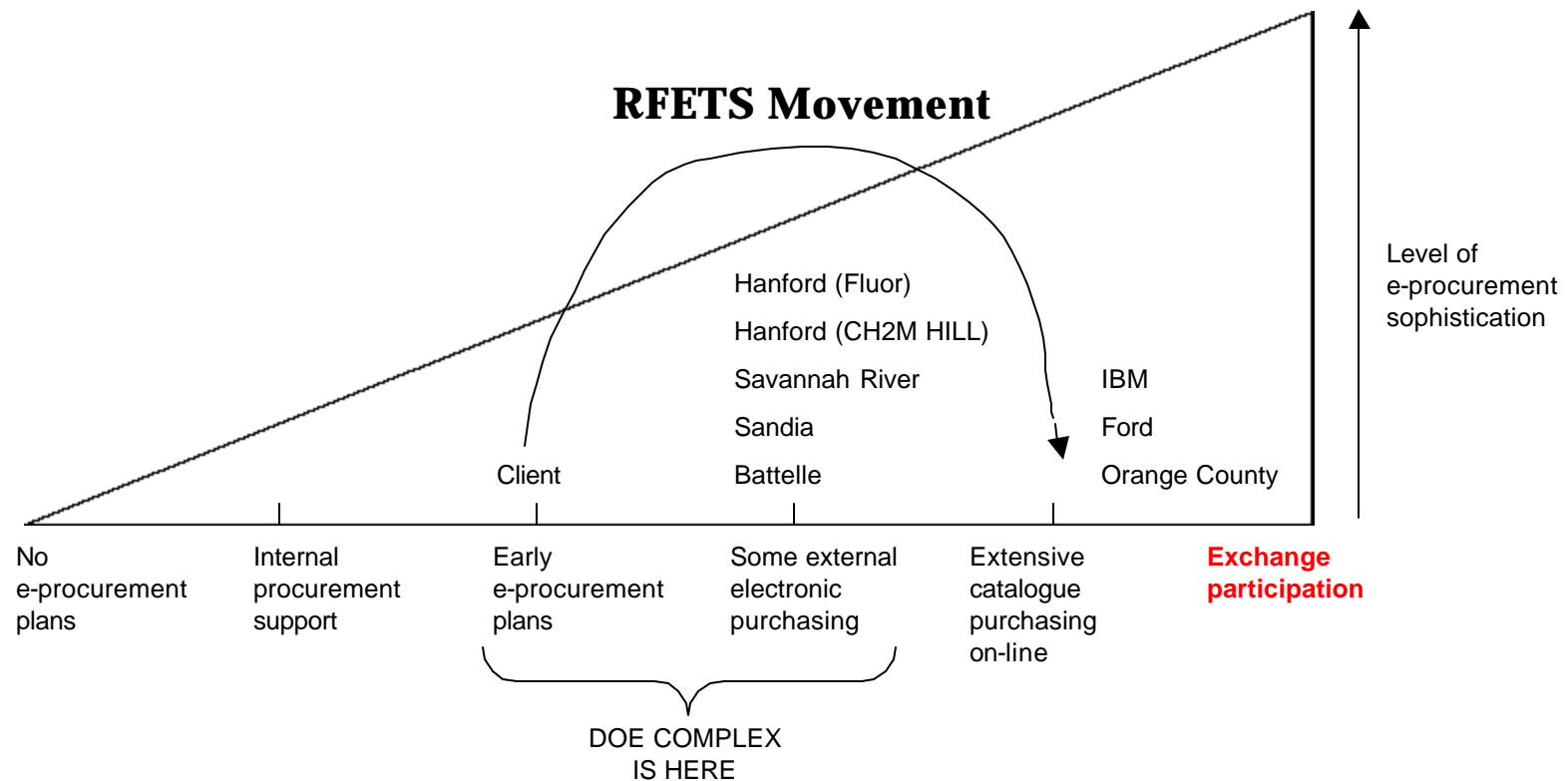
The lack of procurement system integration and high level of manual input requirements continued to drive costs up and increase time needed for project completion.



Source: Client Interviews

SPECTRUM OF e-PROCUREMENT SOPHISTICATION

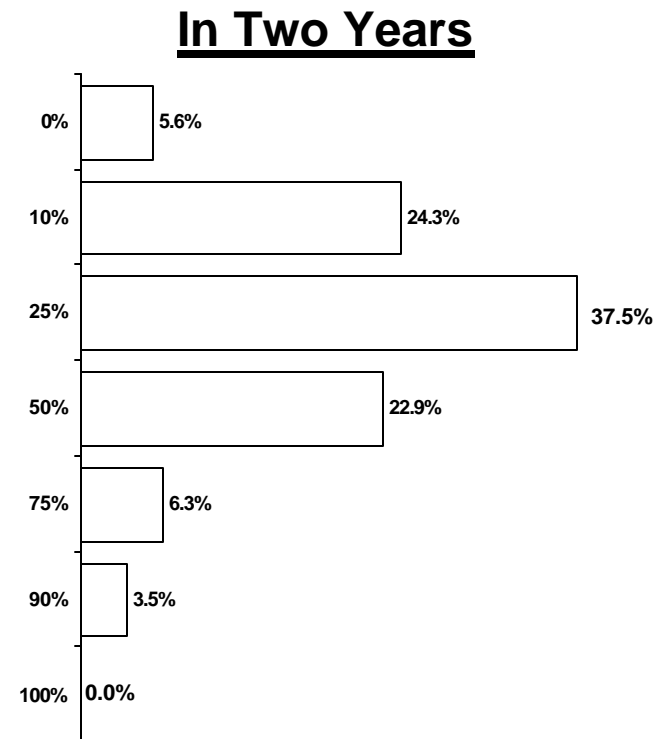
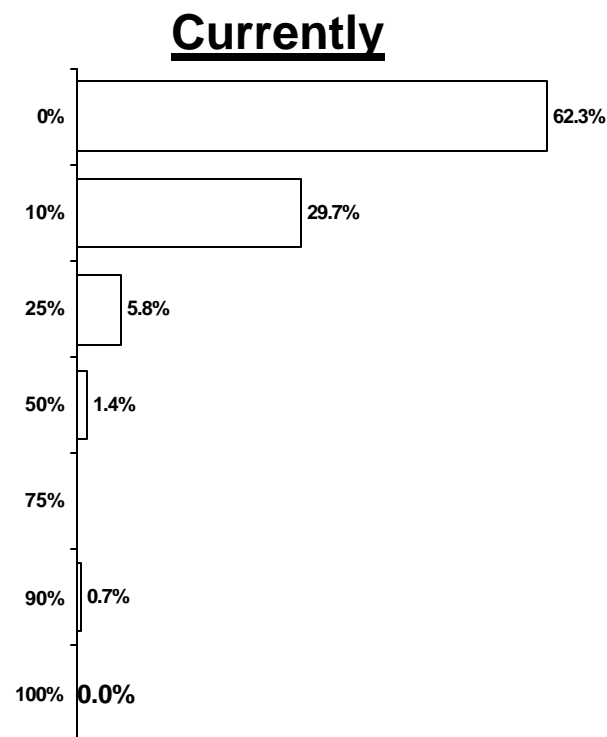
The DOE-complex was relatively unsophisticated in electronic commerce compared to the private sector.



ENR MAGAZINE SURVEY OF CONSTRUCTION INDUSTRY*

Even the relatively conservative construction industry expects to have a significant portion of its business on-line within two years.

Survey Question: What percent of your firm's business transactions are done on the Internet?

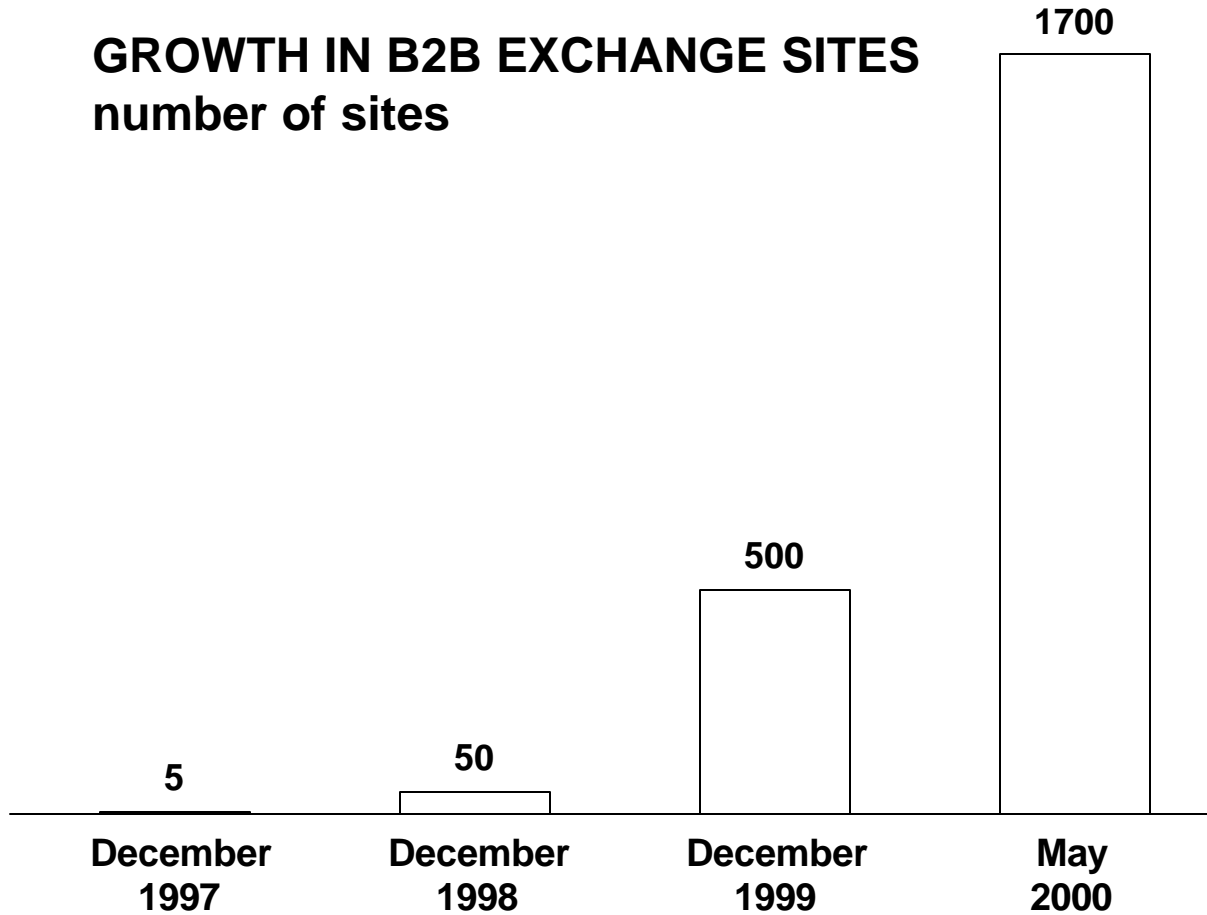


*Electronic poll of 150 senior construction industry executives at the Associated General Contractors Exposition 2000 in Seattle, March 2000.

Source: ENR Magazine

RAPID B2B GROWTH LED TO CONSOLIDATION

GROWTH IN B2B EXCHANGE SITES
number of sites

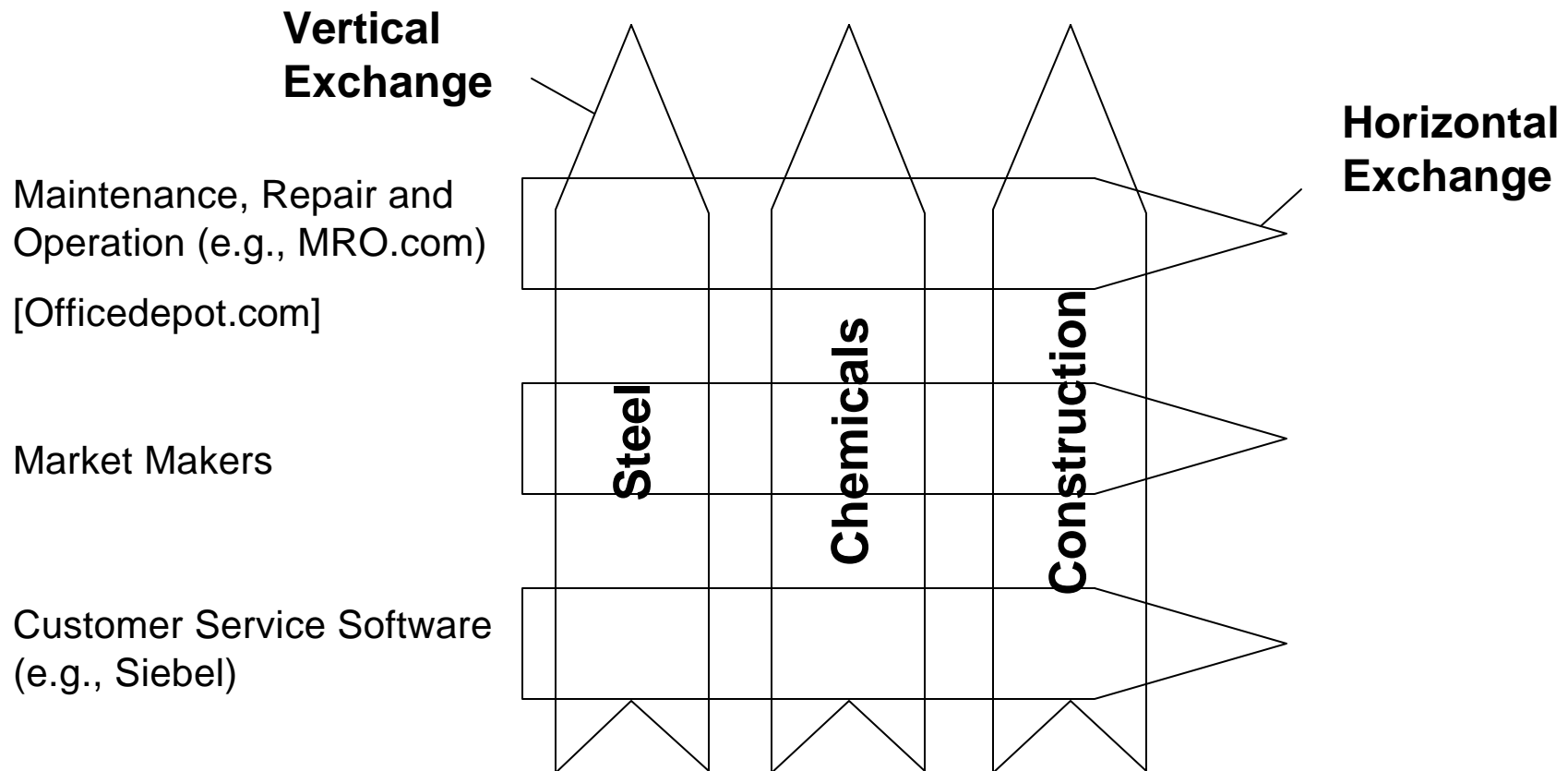


- Explosive growth in number of B2B sites over past 6 months
- Industry shake-out predicted and already underway

Source: Merrill Lynch; Economist

HORIZONTAL AND VERTICAL EXCHANGES

e-Commerce companies and vendors can be characterized by whether they serve across industries (horizontal) or within an industry (vertical).



Source: University of Denver (2000)

B2B COMPANIES MOST APPLICABLE TO RFETS

Hundreds of companies were screened based on their stability, business model, and applicability to RFETS. Five were selected to respond to an RFP. **4 Responded!**

Company	Commodities					Services					Project Management				
	Existing Marketplace	Develop Marketplace	Host Marketplace	Vertical/Horizontal	Standard	Delivery Order	RFP Development	RFP Advertising	RFP receipt/Evaluation	e-meetings	Info/doc Management	Workflow Tracking	Invoicing/Payment	Outsourcing	
Ariba	✓	✓	✓	VH	✓	✓		✓	✓	✓	✓	✓	✓		
BidCom	✓			V					✓	✓	✓	✓	✓		
Buzzsaw	✓			V				✓	✓	✓	✓	✓	✓		
Cephren	✓			V				✓	✓	✓	✓	✓	✓		
CommerceOne	✓	✓	✓	VH	✓	✓	✓	✓	✓	✓	✓	✓	✓		
ContractorHub.com	✓			✓				✓	✓	✓	✓	✓	✓		
FedBid	✓			H					✓	✓	✓	✓	✓		
FedCenter	✓			H	✓								✓		
FreeMarkets	✓			H	✓								✓		
IBM		✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	
Pengroup	✓			H	✓			✓	✓	✓	✓	✓	✓		
ProcureNet	✓			H	✓								✓		
Rightworks	✓	✓	✓	VH	✓	✓		✓	✓	✓	✓	✓	✓		
VerticalNet	✓	✓	✓	VH	✓								✓		

The RFETS Solution

Business Process Reengineering

Issue RFP

Selection of Ariba Buyer

CH2M Hill Partnership with American Management Systems (AMS)
for software integration

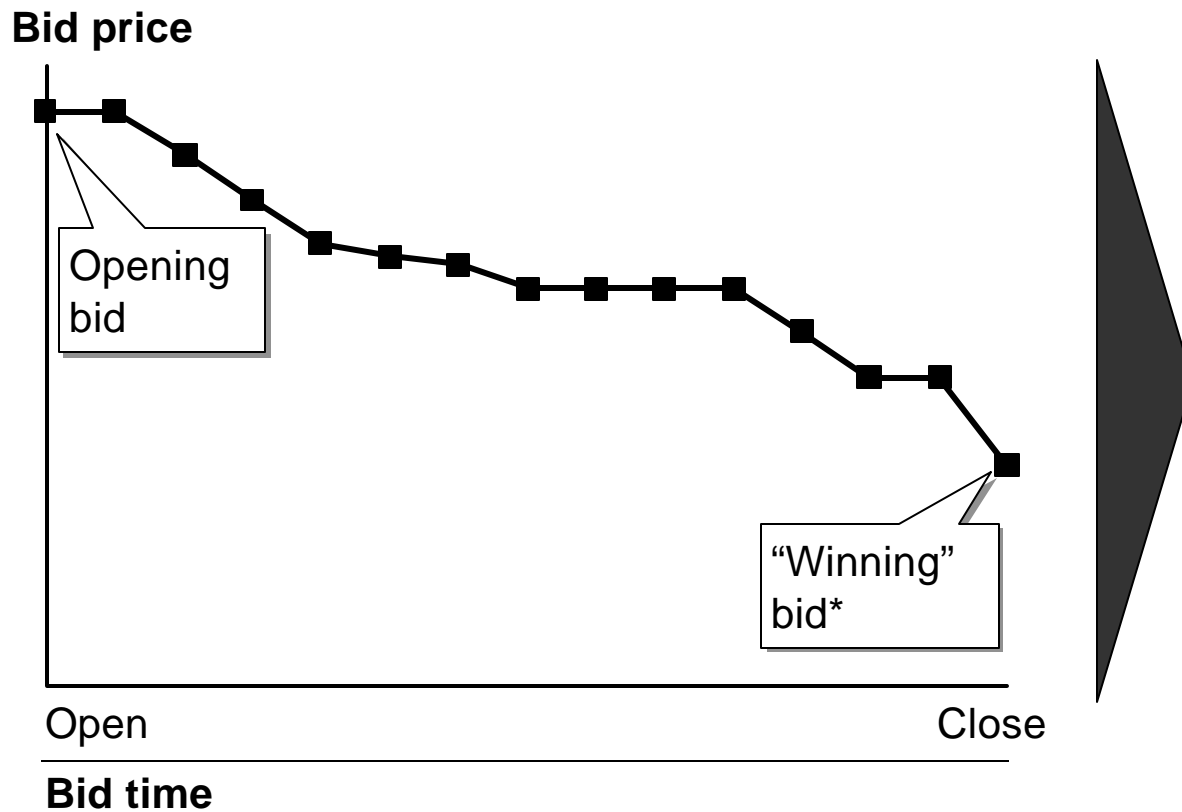
Online in February, 2001

Projected savings \$20M - \$30 per year

Other e-commerce solutions upcoming...

REVERSE AUCTIONS

Rapidly growing method for competing services.



* On price only; other criteria considered for "best value"

INFORMATION EXCHANGES

Better information = less uncertainty = less “cushion” in bids

Contractors view interactively

- Facility plans
- As-built drawings
- Demolition requirements
- Contamination locations
- Contracting terms
- Bid format



Rocky Flats Obtains

- Focused inquiries
- Qualified, prescreened contractors
- Consistent bid format
- Reduced uncertainty in Cost estimates
- Potentially lower fixed-price contracts

WHEN DOES E-PROCUREMENT MAKE SENSE?

e-Commerce solutions are now more scalable so organizations of all sizes can achieve savings and e-commerce “wins”

Reverse Auctions - \$40K pilot program to conduct 5-6 auctions.

e-Procurement software - Total solution cost ranges from \$150,000 (CH2M Hill Purchase Platform) to \$2M (Ariba Buyer)

Participation in/ creation of online marketplaces (Ariba, CommerceOne)

e-Procurement is most valuable when the following conditions exist:

High transaction costs (slow/ cumbersome approval processes)

Most purchasing is from catalogs (as opposed to custom fabrications)

Procurement organization is fragmented

Strong relationships with suppliers

CHALLENGES AND LESSONS LEARNED

Integration with other systems is the “hidden” cost.

Business Process Reengineer is essential to realize savings.

Don't do the wrong thing faster!

Two critical success factors:

Ø Strong program management (*hint: know the PM*)

Ø Proactive vendor relations

Payback periods:

Ø Services = approximately 6 months

Ø Commodities = approximately 1-2 years

ATTACHMENT:
Screen Captures of e-Procurement Systems

***CH2M Hill Online Purchasing Platform
In Partnership with ENI.Net***

Ariba Buyer

CH2M Hill Online Purchasing Platform In Partnership with ENI.Net - Home Page

CH2MHILL

Log in
 User ID
 Password **GO**
 Forgot User ID or password?
[First-time Users Register Here](#)

Suggest a supplier
 Send a supplier prequalification package.

Superstore

Resource Center
 Commerce Business Daily
 Regulations & Laws
 Government Contracting
 Regulatory Databases
 Standards
 Publications
 Project Weather

Find a Supplier	Manage Your Purchase Requisitions	Manage Your Requests for Proposal / Quote
<ul style="list-style-type: none"> - Products Search - Services Search - Suggest a Supplier - My Favorites - Performance Evaluation 	<ul style="list-style-type: none"> - Create New PR - Modify / Copy existing PR - Generate PR from RFP - Requisition Approvals - Archived PRs 	<ul style="list-style-type: none"> - Create New RFP - Modify/ Copy/ Amend existing RFP - Generate RFP from PR - Proposals/ Questions Received - Archived RFPs

WHAT CAN ENI-NET DO FOR YOU...
 ENI-Net is a comprehensive directory of companies providing products and services to the environmental and construction community. You can utilize ENI-Net to requisition, locate, pre-qualify, and easily source your suppliers, who respond electronically to these requests for proposals through their existing e-mail capability.

ENI Member News Announcements, Happenings and Events

Monday, June 4, 2001
 HnB Recruiting Joins the ENI Network - HnB Recruiting

Friday, June 1, 2001
 Scarano Group, Inc. joins ENI-Net in Atlanta, GA area. - Scarano Group, Inc.

Tuesday, May 29, 2001
 STEARNS DRILLING offers new COLOR CAMERA services - Stearns Drilling

Thursday, May 24, 2001
 Integrated Chemistries Inc. Joins ENI - Net - Integrated Chemistries Inc

Thursday, May 24, 2001
 ARUS Consulting, Inc. joins ENI-Net - Arus Consulting

Thursday, May 24, 2001
 Environmental Technology Company is EX-IM Bank Small Business Exporter of the Year - Environmental Dynamics

[Full List](#)

Hello CH2M Hill Administrator !
[Log out](#)

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 Contracts
 User Administration
 Supplier Status
 PR routing
 Reports

Member Pages

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 (800) 853-7130

management & information systems

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CH2M Hill's Online Purchasing Platform In Partnership with ENI.Net - Request for Proposal



Welcome CH2M Hill Administrator!
[Edit my profile](#)

RFP Management	PR MANAGEMENT	VENDOR SEARCH	FAVORITES	PERFORMANCE EVALUATION	REQUISITION APPROVALS	REPORTS
-----------------------	----------------------	----------------------	------------------	-------------------------------	------------------------------	----------------

General → Services → Materials → Attachments → Suppliers → **Review** → Send → Replies → Buyer's Comments

Review RFP

[Continue >>>](#)

[Copy this RFP](#)

[Amend this RFP](#)

[RFP](#)

RFP Details MODIFY		Buyer Information MODIFY	
Project Title	Drilling Services for ABC Project	Company	CH2M Hill
Project #	create your own #	Contact	Tom Smith
Contract #	F08635-99-C-0180	Phone	303-555-1234
Contract Type	federal	E-Mail	tsmith123@ch2m.com
Procurement Description	Drilling for Horizontal Well	Address 1	116 Inverness Drive South
RFP Number	937	City	Englewood
This document is created from PR #	620	State	CO
Note to Supplier	Please direct all questions to the attention of Don Ulrich at the address shown on the RFP faceplate.	ZIP	80112
Last Update	6/5/2001 3:33:52 PM	Project Location MODIFY	
Bonds	Performance Not Applicable	Company	CH2M HILL
	Payment Not Applicable	Contact	Don Ulrich
	Bid Not Applicable	Phone	303-771-0900

Ariba Buyer at RFETS - Home Page

KH Buyer™ Welcome BERGER,SAMANTHA last visit 5/14/2001 11:06 AM Rocky Flats eProcurement

Home Logout Preferences Toggle Tips Toggle Currency Help

Approve
Needs Approval 0
Status
Composing 6
Submitted 0
Approved 52
Denied 0
Create
Requisition
Explore
Saved Searches
System Searches
Catalogs
Folders
Report
Saved Reports
Standard Reports
Reconcile
Charges

Approve Receive
Status Explore
Create

Welcome to Rocky Flats
Welcome to Ariba Buyer

Important Notices
Thank you for using Ariba Buyer.

Rocky Flats Intranet Web Links

Done Internet