

SAP Customer Success Story



Seattle Public Schools wanted to reduce maverick spend of \$10 million to \$13 million a year by increasing the number of items available for online purchasing through mySAP™ Supplier Relationship Management. In fact, research showed that the schools could experience cost savings of \$1 million to \$1.2 million annually. This is more than enough to pay annual costs – including personnel, hardware, and software expenses – for supporting the entire mySAP Business Suite at **Seattle Public Schools.**



SEATTLE PUBLIC SCHOOLS

mySAP™ SRM HELPS REDUCE MAVERICK SPEND AND ENABLES TEACHERS TO REFOCUS ON STUDENTS

Seattle Public Schools is the largest school district in the state of Washington and one of the top 50 districts in the country. With a staff exceeding 5,000 and an annual budget of more than \$400 million, the district educates 47,000 students in 100 schools, supported by 50 central departments.

Seattle Public Schools is facing a budget crisis, and purchasing supplies has been identified as a key area for savings. The district uses mySAP™ Supplier Relationship Management (mySAP SRM) to buy everything from pencils, paper, and computers to custodial items for electrical and plumbing work.

“We wanted to increase the amount of items that we offered online to reduce ‘maverick’ purchasing – school personnel going out and buying stuff at the local stationery or office supply store and either paying full retail or getting only a small, courtesy discount,” says Tom McBroom, business systems manager, Seattle Public Schools.

Maverick spend is a big item at the district, between \$10 million and \$13 million in fiscal year 2002. Research showed that 27% of the purchases involved items available online through mySAP SRM at an average savings of 34%.

“We have shown that mySAP SRM can help us save \$1 million to \$1.2 million annually,” McBroom says. “This is more than enough to cover annual maintenance costs – including personnel, hardware, and software – for the entire mySAP Business Suite at Seattle Public Schools. We believe in online procurement because it pays for itself and continues to save us money.”

But, as substantial as the savings are, money isn't everything.

"mySAP SRM has the potential to free up a lot of time for the people working in the schools – time that today gets taken away from the kids," McBroom says. "Yes, we're going to save money,

"mySAP SRM is generating large cost savings during a period when this is critically important, because of the budget crisis. It has the long-term potential to save us a lot of money."

Tom McBroom, Business Systems Manager,
Seattle Public Schools

and that's great. But in the long run, I think the bigger impact is that the folks out there in the schools are not going to have to spend hundreds of hours every year pushing paperwork and going to stores and buying stuff. That's time that they will be able to focus on the kids."

SIMPLIFIED ONLINE ORDERING

Seattle Public Schools is well en route to realizing the savings, already purchasing \$6 million to \$7 million in supplies through mySAP SRM. Users sign on through a personalized profile that identifies their cost center and allows them to browse the online catalogs. They fill their shopping basket from the central warehouse or through direct "punch-outs" to Dell Computer and Office Depot Web sites. When they hit the order key, mySAP SRM checks the cost center to make sure there is available budget, then sends the order into approval workflow.

"mySAP SRM doesn't process a shopping basket unless you have the budget," McBroom says. "Then it immediately encumbers those funds – it shows up right away that you've spent the money. This makes it very easy to track budgets in real time and manage and control them better."

mySAP SRM also helps users complete purchases faster and get supplies delivered more quickly. The district's previous procurement process was paper-based and labor-intensive. Ordering supplies through normal channels could take days, sometimes weeks.

"With mySAP SRM, schools that order their supplies online from our central warehouse typically receive their shipment the next day," McBroom says.

The streamlined procurement process also slashed back-end transaction costs. Vendor items are received into the central warehouse and entered into mySAP SRM; the district pays the supplier's invoice electronically and automatically when it hits accounts payable.

"We save between 50% to 75% of our back-end processing costs by using mySAP SRM," McBroom says. "We don't have to do paper purchase orders, and we don't have to manually match the requisitions. Industry statistics indicate that it costs somewhere between \$75 and \$100 to process a purchase order, start to finish. We estimate an additional annual savings here of more than \$400,000."

The time savings associated with this increased efficiency frees up purchasing staff to focus on more strategic and value-added activities.

“In the manual processing environment, buyers spent a lot of time pushing paper,” McBroom says. “They can now spend their time negotiating with vendors to get better prices – doing what buyers should be doing, instead of entering data and moving paper.”

A TOOL TO SAVE MONEY

Seattle Public Schools runs mySAP SRM on Dell servers using the Microsoft Windows NT operating system and SQL server database; just under 600 people currently use the solution.

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**Tom McBroom, Business Systems Manager,
Seattle Public Schools**

The district next wants to add more online content for mySAP SRM electronic purchasing. Seattle Public Schools ultimately hopes to capture between 60% to 70% of maverick spend with mySAP SRM.

“The more online content we have, the more money and time we save,” McBroom says. “We also want to capture transactions such as personal services contracts – we do millions of dollars of these a year. We plan to add reimbursements of teachers’ personal expenses to mySAP SRM – that’s another \$3 million to \$4 million in transactions we can streamline for more savings.”

In today’s tight economic climate, McBroom doesn’t mince words about the importance of these cost reductions.

“Without mySAP SRM, we’d be even deeper in the hole,” he says. “The district had the foresight to understand the value of this tool, and now we are kicking it into high gear at a time when dollars are really tight. mySAP SRM is generating large cost savings during a period when this is critically important, because of the budget crisis. It has the long-term potential to save us a lot of money.”

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