



# Aberdeen Group

## OnSite

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## UNICCO Deploys e-Procurement to Save Money and Win Customers

### **Executive Summary**

As a facilities services company, UNICCO thrives by providing the materials and people that keep other businesses up and running. To support these needs, UNICCO has made the strategic decision to deploy elcom Inc.'s e-Procurement offering. UNICCO's goal was to use the elcom solution to keep UNICCO's business running efficiently, and to save time and money by consolidating and standardizing its almost \$90 million maintenance, repair, and operations spend across North America.

The technology investment, coupled with process design improvements and a company focus on leveraging national programs, is paying off in saving the firm over half a million dollars in the first six months of implementation, and cutting UNICCO's purchasing process cycle in half. The automated Web-based system has also given UNICCO an edge in securing new customers, as it is now able to offer clients quick access to necessary facilities supplies and services at the click of a mouse.

### **Company Background**

UNICCO Service Company is a top provider of integrated facilities services to more than 2,000 commercial, industrial, and institutional clients throughout the U.S. and Canada. The firm offers a wide variety of services — from administrative and office support; to specialized cleaning such as laundry, granite and marble, and drains; to heating, ventilation, air conditioning (HVAC), electrical system, and lighting installation; to buildings, grounds, plant, and vehicle maintenance.

Employing 20,000 people across North America from 16 offices in the U.S. and five in Canada, UNICCO has revenues of more than \$600 million annually. Citing 25% of the Fortune 100 as clients, the company prides itself on being responsive to customers, boasting one of the highest retention rate in the facilities services industry, with 20 of its largest accounts doing business with UNICCO for an average of 10 years.

### **Business Challenge**

UNICCO has an annual spend of \$160 million, with \$85 million to \$90 million going to maintenance, repair, and operations (MRO) materials. And 35% of its MRO spend is for subcontracted work it farms out to partners, like landscaping and security services. The company processes over 100,000 purchase orders (POs) annually, using 9,000 active suppliers. Hundreds of employees are empowered to purchase goods, which contributes to the fact that 80% of invoices are for less than \$300.

Despite such high purchasing volumes, however, UNICCO had a decentralized procurement organization, relying on paper requisitions and POs. Independent business units managed their own purchasing, often working with local suppliers in the face of corporate attempts to establish national contracts. This resulted in a high degree of maverick spending, ranging from 75% to 80%.

Overall, communication was poor between requisitioners and procurement officers within the business units, as well as between the procurement departments and suppliers. And with no real comprehensive centralized vendor management programs in place, UNICCO could not enforce procurement policies, or negotiate preferred rates with suppliers for volume business across organizational units.

“We weren’t getting the bang for our buck leveraging our national spend,” said Jeff Peterson, VP of Information Technology/Shared Services. “We needed to push to create national programs and put the technology in place to support a standard process.” Also, UNICCO anticipated a considerable increase in purchasing workload as the company experienced 6% to 7% revenue growth each year. With the existing procedures poorly managed and disjointed, UNICCO needed a company-wide solution that would facilitate national purchasing reporting and vendor management.

### **Selection Criteria**

UNICCO addressed its need for an e-Procurement solution in early 2000 as part of an overall business process reengineering initiative to create a shared services business model for its separate business units. Purchasing was to be one of the first shared services to be deployed, and UNICCO wanted a system that was easy to use, could be implemented quickly, and did not have to be built internally.

UNICCO selected elcom Inc.’s PECOS Internet Procurement Manager (PECOS.ipm) as its e-Procurement platform because the remotely hosted solution eliminated internal IT commitments, in terms of both development and maintenance efforts. Its application service provider (ASP) model was also important to UNICCO because it represented a “practice what you preach” solution for the company as a provider of outsourced services.

elcom’s supplier enablement initiatives also attracted UNICCO’s interest. elcom partnered with Arthur Andersen to offer “Supplier Summits” where the companies bring together all of a customer’s suppliers to educate them on what they need to do to participate in the e-Procurement system by way of catalog content and receiving orders. This approach took all the “heavy lifting” away from UNICCO, which didn’t have to worry about ongoing content and system maintenance.

Finally, the PECOS Internet Procurement Manager was able to integrate with UNICCO’s existing Enterprise Resource Planning (ERP) system from JD Edwards. UNICCO wanted sophisticated workflow that could tie the necessary approvals and budget integration into its back office as well.

## Deployment

UNICCO kicked off the PECOS.ipm implementation process in October 2000, rolling it out in a three-month pilot program with 60 users at two business units. Full deployment was reached by July 2001, with over 300 users trained and 100 people currently using the system. UNICCO has set a target of 500 employees empowered to use it in total.

UNICCO has 40 supplier catalogs so far, with another 20 to 25 pending. The goal is to get 100 to 200 suppliers in the biggest spend areas with online catalogs or via punch-out technology to facilitate vendor management and control. The purchasing department then plans to negotiate discount prices moving forward.

So far, UNICCO has automated the purchase of areas such as janitorial supplies and equipment, industrial supplies and equipment, computer supplies, shipping services, and copy services. Currently, 20% of total spend is going through the system, which Peterson attributes to its relatively early application lifecycle stage. However, Peterson is making a big push in compliance efforts this year, and hopes to eventually see 75% to 80% of total spend being processed online. UNICCO also uses P-cards for specific service categories and is looking to integrate that buying channel into the elcom solution.

## Results

Overall, Peterson noted that implementing an e-Procurement system has shown UNICCO lowered administration costs, improved data gathering, increased purchasing contract compliance, reduced requisition cycles, and improved systems integration.

In hard-dollar savings, UNICCO was able to recoup \$500,000 in product cost savings from better commodity analysis and aggregate spending with just 25 suppliers. The system has allowed the firm to better manage its spend and negotiate reductions above its normal preferred vendor discounts.

The biggest internal plus for UNICCO has been improved transaction management, dropping administrative costs 40% per PO. Cycle times have decreased dramatically as well — while in the past requisition process times varied from site to site, the worst case scenario has gone from “months and weeks” to receive goods, down to “days and hours,” Peterson said.

### e-Procurement Best Practices

#### Company Name

UNICCO Service Company

#### e-Procurement Solution Provider

elcom Inc.

#### Process Time Savings

Weeks to days

#### Process Cost Savings

Cut PO process costs by 40%

#### Purchased Product/Service/Material Cost Savings

\$500,000 in first six months

#### Additional Savings/Benefits

Improved data gathering and system integration

In addition, PECOS.ipm now gives UNICCO better data on what is being spent and where. In the past, the little purchasing data that was captured in the ERP system wasn't coded correctly and couldn't be analyzed accurately.

"It was like pulling teeth, getting information out of our ERP system in the past," said Peterson. "Now we can hold suppliers accountable."

UNICCO also sees its e-Procurement solution giving a strategic advantage. It offers the company more credibility with customers, as UNICCO provides the opportunity to clients to buy MRO materials through its own channels. Peterson attributes having an e-Procurement system as a contributing factor in winning some new key accounts.

"If you are not in the e-Procurement game in our industry, the high-profile customers look at you kind of funny," he concluded. "The implementation of an e-Procurement process and solution is part of building an e-Business framework, which provides customers the account management tools to help manage facility costs."

### **Aberdeen Conclusions**

UNICCO had no excuse for manual procurement procedures given its status as an outsourcing services organization with responsibility to provide the products and personnel to keep organizations running efficiently. So, indeed, practicing what it preaches, UNICCO took advantage of the outsourcing model to deploy e-Procurement through elcom, which was quickly and efficiently able to step in and set up and run the system, as well as enable suppliers. UNICCO has set a goal of reducing suppliers by 50% in implementing e-Procurement, and should follow through in streamlining its vendor base by at least that amount. With half a million dollars in savings to date, the company is poised to reap considerably more unit cost reductions as it truly consolidates and controls its spend across North America.

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October 2001  
reprinted February 2002*

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