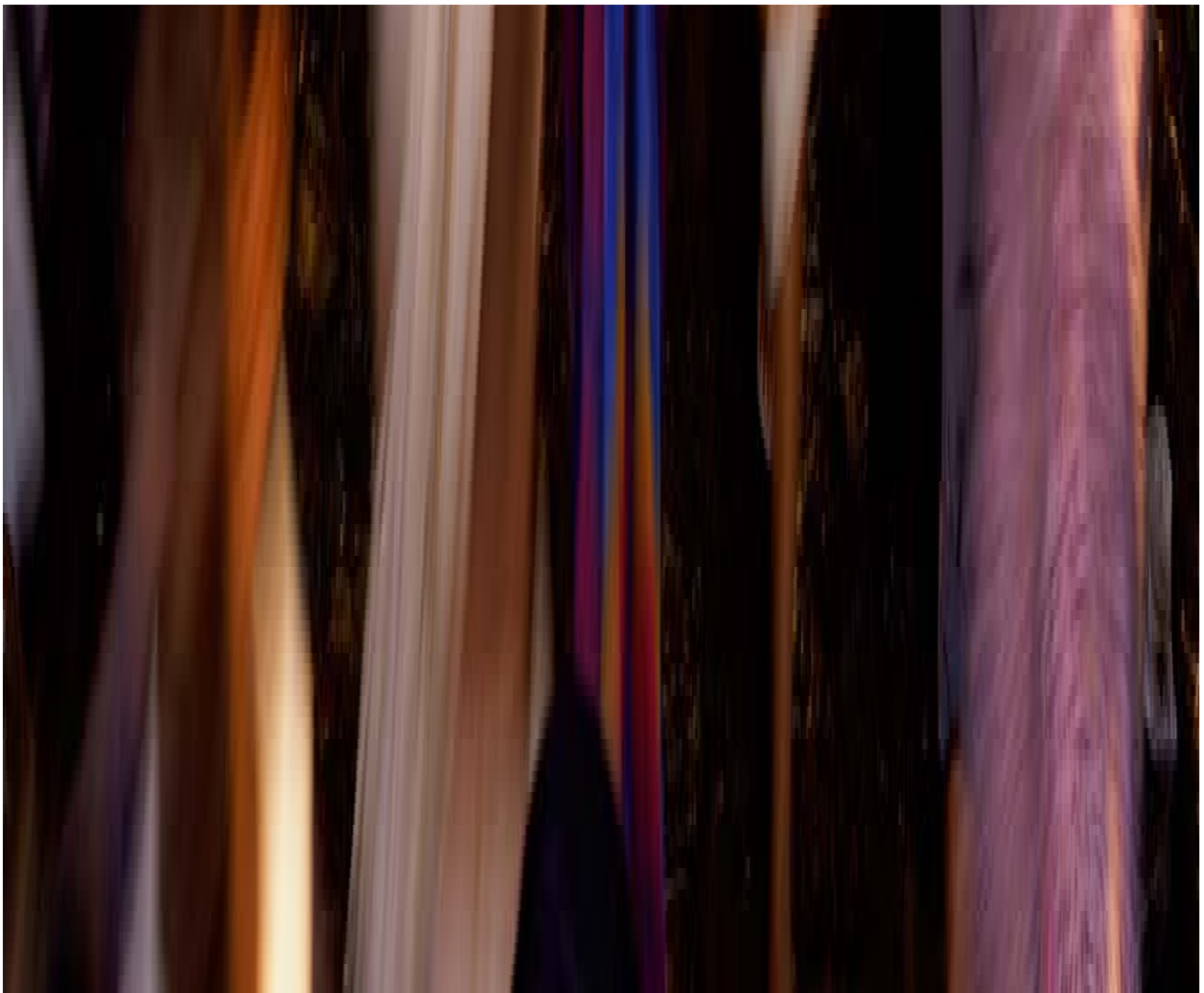


Office of Government Commerce buying.solutions

Creating world-class eProcurement
– the Zanzibar e-marketplace



Executive summary

The UK government's Gershon efficiency review concluded that the public sector could save over £6 billion by transforming its procurement practices. Public sector procurement has historically been paper-based, manual and process heavy. Streamlining this required true electronic trading between public sector buyers and their suppliers. Such a solution would be complex and difficult to implement but would allow thousands of government employees to spend less time on administrative tasks and more time serving the public.

ProcServe/PA worked with the Office of Government Commerce (OGC) to develop Zanzibar, a world-leading eProcurement transformation solution that could contribute £2 billion of the £6 billion in Gershon efficiency savings. Launched in the second half of 2006, Zanzibar has already achieved tremendous success – benefiting over 600 organisations covering over 4,000 locations, 30,000 users and 1,300 suppliers. For example, David Clark, Head of Commercial Strategy and Policy for Department for Work and Pensions recently reported that “by end of 2007, we anticipate Zanzibar handling over 100,000 orders with a potential value in excess of £15 million”. This equates to savings in excess of £290,000. Zanzibar has made it easier and more cost-effective for buyers and suppliers to transact, improving the livelihood of suppliers, the work life of buyers and the value that the public receives from government. Figure 1 identifies some of the organisations using Zanzibar.

Figure 1: Zanzibar customers – a selection of some of the 600 organisations



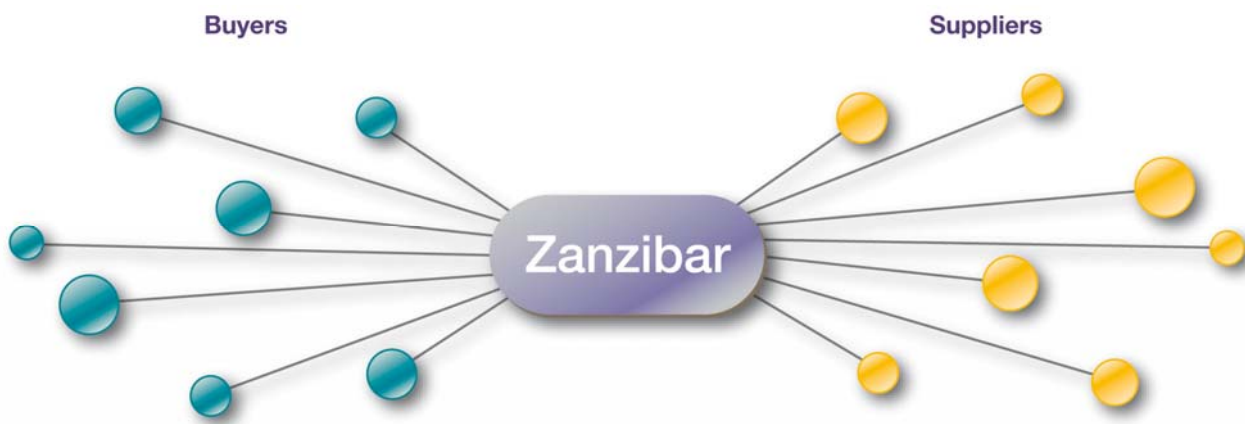
What the client could not have done without ProcServe's/PA's involvement

OGC recognised that the public sector alone would not be able to deliver the systems and the procurement transformation required.

ProcServe/PA's extensive knowledge of both the public sector and cutting-edge procurement solutions, and its first-hand experience of delivering successful projects, made it the perfect partner.

What was the problem/opportunity faced by the client?

To achieve the Gershon targets, OGC required a system and combined change programme that could be applied across the entire UK public sector. This entailed engaging a large, diverse collection of public sector organisations, and developing a central solution to meet their very different policy and delivery objectives. The target users of Zanzibar included local and national public sector bodies – from primary schools to central government departments, varying greatly in size, function and management structures – as well as thousands of suppliers of varying sizes.



Brief project background

OGC is the body responsible for implementing procurement best practice for the public sector. Through its executive agency, OGCbuying.solutions (OGCbs), OGC selected ProcServe/PA Consulting Group to transform public sector procurement through a dedicated change programme known as Zanzibar. The process of selecting the best organisation to deliver Zanzibar was extremely competitive. During the selection process, three critical qualities made ProcServe/PA the OGC's top choice:

1. Ability to deliver a comprehensive solution representing superior value for money
2. Credibility and depth of experience in achieving major public sector change
3. Ability to transfer skills for successful implementation of the programme.

Zanzibar's objectives

- Create an electronic marketplace for all public sector buyers and their suppliers
- Transform public sector procurement to improve efficiency and quality of work.

Consulting activity

The assignment lasted over 18 months and involved 10 consultants, 10 colleagues from OGCbs, 15 consortium member staff and 15 customers.

Each stage of delivery involved hands-on interaction with a variety of public sector employees to ensure that the solution improved their work experience and made them more effective in their jobs.

1. Designing change management process

ProcServe/PA supported all aspects of the change management programme, from training public sector organisations to proactively working with suppliers to help them adopt the solution.

2. Project management of the Zanzibar system delivery

ProcServe/PA worked closely with third-party system providers, hosting providers and security auditors to ensure the solution was delivered on time and met all requirements, including the Government Security Accredited infrastructure requirements.

3. Zanzibar design and delivery

ProcServe/PA created a support desk, solution implementation team, training function and supplier enablement organisation. These organisations interact with more than 100 buyers and suppliers during an average week.

4. Early adopter deployment

PA worked with early adopters to ensure that they received rapid benefits from Zanzibar.

Success factors and challenges

Objectives met

The assignment successfully enabled OGC to establish the Zanzibar programme on time and within budget. ProcServe/PA assembled Zanzibar's sophisticated functionality in just 6 months – similar systems can require over 18 months.

By September 2007, over 600 public sector customers with combined annual purchasing of over £10 billion had signed up. Zanzibar now supports several thousand users throughout England and Wales. A further programme involving 22,000 schools across England and Wales is currently in the planning stage.

As the UK's only marketplace audited and managed by government, Zanzibar provides a single point for governmental collaboration through improved management information and transparency. Through Zanzibar, purchasing teams in one public sector organisation can take advantage of successful supplier contracts from other public sector organisations, allowing them to make better value-for-money decisions.

Challenges overcome

Persuading organisations to use Zanzibar

ProcServe/PA and OGC built commitment around Zanzibar by recruiting a group of early adopters,

helping them to build their business case for using Zanzibar, enabling them to win over other key stakeholders and using them to help shape the system. These early adopters, such as OPEN: the Marketplace for Schools, piloted by the Department for Children, Schools and Families (representing 600 pilot schools), have been instrumental in promoting Zanzibar and persuading other organisations to join.

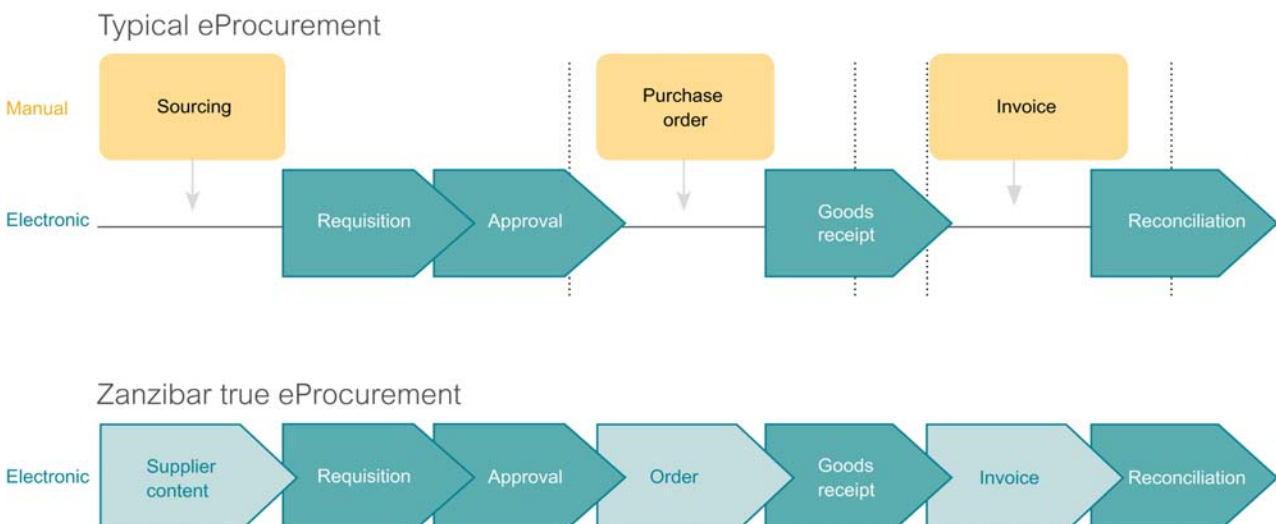
Creating buy-in among individual users

Zanzibar's success required significant behavioural and culture change from individual employees of buying organisations. By including a comprehensive change management programme in the service, including supplier enablement, stakeholder management, and user training ProcServe/PA and OGC could assure subscribers that their buyers and suppliers would use Zanzibar and benefit from it. Zanzibar's flexibility also allowed users to retain the most effective parts of any procurement systems they already had in place.

"The ability to make sure people stick to buying what you want them to is much greater [with Zanzibar]."

Andrew Holden, Finance Director, St Mary's National Health Service

Figure 2: Zanzibar eProcurement solution



Benefits

Direct savings through Zanzibar are achieved in two primary areas:

- Process savings from improved invoice handling and reduced errors – the National Audit Office calculated these to be worth £41 per transaction. For example, Chelsea and Westminster Hospital has already had enough transactions to realise over £250,000 of process savings in 2007 – and this is just one hospital among Zanzibar’s five hospital trusts
- Price savings and contract compliance – this ensures that buyers do not purchase items off contract or at inappropriate prices. The North West London NHS Trusts found that Zanzibar provides them with price savings of up to 50% on individual products.

As a long-term programme, Zanzibar will deliver benefits for years to come through continued and expanded usage of the system. The key to assess the impact of Zanzibar is to consider the growth in

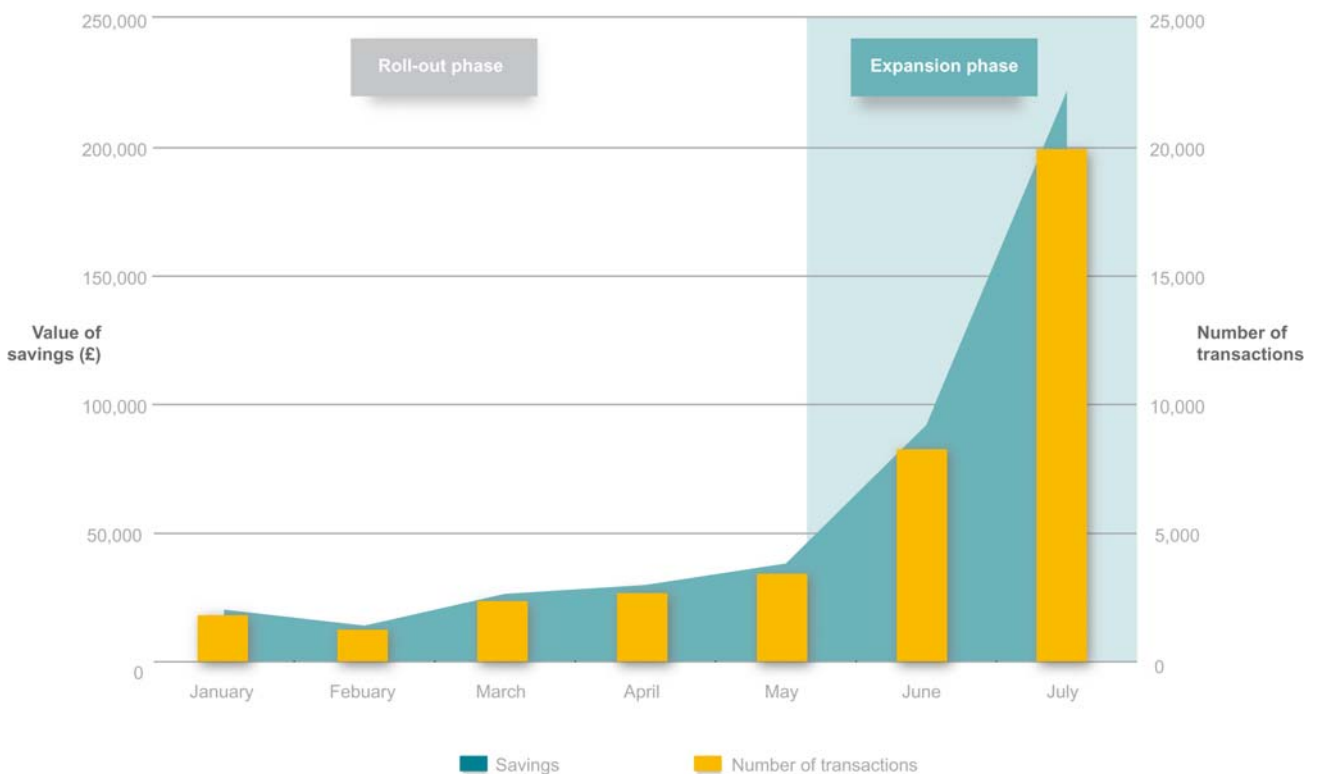
current usage levels, and since the beginning of 2007, electronic transactions processed through the system have risen by over 1,000%, and their value has grown by over 680%. Nearly 73,000 transactions have already been processed through Zanzibar.

As stated, the National Audit Office calculated that transacting electronically saves approximately £41 per transaction. Zanzibar has already delivered savings of over £700,000 from processing transactions electronically. Studies of the current and projected usage of Zanzibar by customers over the five-year contract indicate that Zanzibar will save a total of over £2 billion.

“Zanzibar provides us with essential management information about our purchases with a detailed granularity that just wasn’t available before. Ultimately, this will mean the whole administration time taken for ordering goods and services will be greatly minimised.”

**Mansel Chamberlain, Procurement Director,
Northwest London NHS Procurement**

Figure 3: Number of transactions processed through Zanzibar in 2007 and the value of their related savings



“St Mary’s demonstrates that trading electronically with suppliers on the Zanzibar Managed Service can bring huge benefits in terms of saving time and money in the procurement process. St Mary’s experience shows that the transition to Zanzibar can be achieved quickly with little disruption to the organisation.”

Hugh Barrett, former Chief Executive, OGCbs

“The beauty of going into Zanzibar is that we do not need to maintain any of the catalogues as they are maintained elsewhere, which is a considerable saving in efficiencies.”

David Waterson, Head of Procurement, Communities & Local Government

Intangible benefits

Environment

Zanzibar has tremendous environmental benefits. It allows buyers and suppliers to avoid consuming paper, creating paper waste and generating emissions from paper delivery. It cuts data-entry errors that often consume additional paper and other resources as buyers and suppliers try to reconcile discrepancies.

“We are looking to remove paper, the duplicate keying, the redundant processes from our purchase-to-pay processes, and to make it fully electronic. Zanzibar helps us achieve this aim.”

Steve Darbyshire, Head of Policy & Systems, Communities & Local Government

Work satisfaction

By removing the tedious, manual stages of procurement and making them electronic, Zanzibar allows public sector employees to focus on the more valuable, enriching aspects of their jobs. Rote tasks are removed and public sector employees spend more of their time serving the public, which increases job satisfaction.

“As Zanzibar is a web-based system and ordering is simply done at a ‘click’ of a button, we have seen more time given back to the clinician and the medical staff, which will be allocated back to the patient.”

Denis Kelliher, Associate Director of Purchasing, St Mary’s Hospital

Suppliers

Efficient suppliers of the public sector will benefit through increased business as their information is shared across the public sector. This helps local suppliers that would otherwise not get noticed by large public sector organisations and puts them on a level playing field. Besides being free to suppliers, Zanzibar reduces suppliers’ cost of catalogue management and helps them avoid price disputes.

“We chose Zanzibar for two specific reasons.

One for the flexibility it provides the supplier in how they transact with us and receive orders.

The second reason was that Zanzibar is the only system on the market where the supplier does not have to pay per transaction.”

Denis Kelliher, Associate Director of Purchasing, St Mary’s Hospital

“One big sticking point for suppliers [in some earlier e-marketplaces], especially smaller companies, has been the cost of e-procurement systems and marketplaces.”

Financial Times on July 11, 2007

Knowledge transfer

As more transactions are processed through Zanzibar, the system becomes an ever more valuable source of pricing history and purchasing patterns, allowing OGCbs to make informed decisions on supplier relationships and targeted negotiations. In this way, OGCbs can improve the public sector’s collective purchasing power and create stronger and more valuable supplier contracts.

Zanzibar has already proven itself as a new and effective way to conduct business in the public sector, and the *Financial Times* has hailed it as being ‘**in the vanguard of this new approach to e-procurement**’.

Lessons learnt

Boldly challenging the status quo has generated many learning opportunities. OGCbs learnt that successful eProcurement requires more than an IT solution. It needs buyers and suppliers to change policies, behaviours and culture. For ProcServe/PA, the assignment confirmed the value of bringing vendors and customers together as early as possible in an engagement to address the human element of the solution.

The client/consultant relationship

The project depended heavily on the deep trust that was established between ProcServe/PA and OGC. As with any endeavour this size, there were significant obstacles to overcome. The strength of the relationship and the mutual respect between all the involved parties contributed to the project's ultimate success and ensured that the customer received real and lasting value from the engagement.

Barry Donovan, Director of eCommerce, OGCbs, said: “ProcServe/PA worked closely with OGC and OGCbuying.solutions to make the Zanzibar specification into a reality. They marshalled the skills and capabilities of key people to resolve the challenges of ‘joining up’ government organisations in many sectors in a way that has never been done before. In particular, they respected each prospective user organisation’s uniqueness, regardless of whether they were a buyer or a supplier.”